

CHANROBLES PUBLISHING COMPANY

**SUPREME COURT
FIRST DIVISION**

**VICTORIA LEGARDA,
*Petitioner,***

-versus-

**G.R. No. 94457
March 18, 1991**

**THE HONORABLE COURT OF
APPEALS, NEW CATHAY HOUSE, INC.,
TEE HONORABLE REGIONAL TRIAL
COURT OF QUEZON CITY, BRANCH
94,**

Respondents.

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DECISION

GANCAYCO, J.:

Nothing is more settled than the rule that the mistake of a counsel binds the client. It is only in case of gross or palpable negligence of counsel when the courts must step in and accord relief to a client who suffered thereby.

The present case is a typical example of such rare exception.

Petitioner Victoria Legarda was the owner of a parcel of land and the improvements thereon located at 123 West Avenue, Quezon City. On

January 11, 1985 respondent New Cathay House, Inc. filed a complaint against the petitioner for specific performance with preliminary injunction and damages in the Regional Trial Court (RTC) for Quezon City alleging, among others, that petitioner entered into a lease agreement with the private respondent through its representative, Roberto V. Cabrera, Jr., of the aforesaid property of petitioner effective January 1, 1985 until December 31, 1989 or for a period of five (5) years; that the rental is P25,000.00 per month with 5% escalation per year; that on November 23, 1984, private respondent deposited the amount of P72,000.00 with petitioner as down payment of rentals; that respondent drew up the written contract and sent it to petitioner; that petitioner failed and refused to execute and sign the same despite demands of respondent; and that the respondent suffered damages due to the delay in the renovation and opening of its restaurant business. The private respondent prayed that pending the resolution of the case a restraining order be issued against petitioner or her agents enjoining them from stopping the renovation and use of the premises by private respondent. It was also prayed that after due hearing the petitioner be ordered to execute the lease contract; to pay actual compensatory, exemplary and other damages in such amount as may be proved during the trial including P30,000.00 attorney's fees plus P300.00 per appearance of counsel, and to pay the expenses of litigation.^[1]

Petitioner engaged the services of counsel to handle her case. Said counsel filed his appearance with an urgent motion for extension of time to file the answer within ten (10) days from February 26, 1985.^[2] However, said counsel failed to file the answer within the extended period prayed for. Counsel for private respondent filed an ex-parte motion to declare petitioner in default. This was granted by the trial court on March 25, 1985 and private respondent was allowed to present evidence ex-parte. Thereafter, on March 25, 1985, the trial court rendered its decision, the dispositive part of which reads as follows:

“WHEREFORE, judgment is hereby rendered ordering defendant Victoria G. Legarda to execute and sign Exhibit “D”:, the lease contract for the premises at 123 West Avenue, Quezon City. Accordingly, the preliminary injunction earlier issued on January 31, 1985 is hereby made permanent.

Judgment is likewise rendered ordering defendant to pay exemplary damages in the sum of P100,000.00 to serve as example and deterrent for others, and actual and compensatory damages as follows:

1. For loss and destroyed goodwill and reputation in the amount of P100,000.00;
2. The sum of P61,704.40 as adjustments in the costs of labor and materials for the renovation of the premises;
3. The sum of P50,000.00 as unearned income for the delay of plaintiff's operations from January 1, 1985 up to February 26, 1985 or a period of almost two (2) months;
4. The sum of P16,635.57 and P50,424.40 as additional compensatory damages incurred by plaintiff for the extension of the lease of its premises at Makati and salaries of idle employees, respectively;
5. The sum of P10,000.00 as and by way of attorney's fees; and
6. The costs of suit."^[3]

Copy of said decision was duly served on counsel for the petitioner but he did not take any action. Thus, the judgment became final and executory. On May 8, 1985, upon motion of private respondent, a writ of execution of the judgment was issued by the trial court.^[4]

At public auction, the sheriff sold the aforestated property of petitioner to Roberto V. Cabrera, Jr. for the sum of P376,500.00 to satisfy the judgment. The sheriff issued a certificate of sale dated June 8, 1985 covering the said property.^[5] After the one-year redemption period expired without the petitioner redeeming the property, ownership was consolidated in the name of Roberto V. Cabrera, Jr. The sheriff issued a final deed of sale on July 8, 1986 in his favor.

Cabrera registered the same in the office of the Register of Deeds on July 11, 1986.

Upon learning of this unfortunate turn of events, petitioner prevailed upon her counsel, to seek the appropriate relief. On November 6, 1986 said counsel filed in the Court of Appeals a petition for annulment of judgment calling attention to the unjust enrichment of private respondent in securing the transfer in its name of the property valued at P2.5 million without justification; that when the complaint was filed in court by private respondent against the petitioner, the parties came to an agreement to settle their differences, the private respondent assuring petitioner that the complaint it filed shall be withdrawn so petitioner advised her lawyer that there was no longer any need to file an answer to the complaint; that on February 22, 1985, private respondent nevertheless filed an ex-parte motion to declare the petitioner in default; that petitioner was deprived of the right to present her defense through false pretenses, misrepresentation and fraud practiced upon her by private respondent warranting the annulment of the judgment; that the documentary evidence presented by private respondent, which served as the basis of the decision, is falsified and tampered with; that as an example, the voucher filed by petitioner, contains typewritten entries to the effect that the term of the lease is for five (5) years to which petitioner never agreed, and that the option to buy the property was given to the private respondent; that the fact that the property worth P2 million was sold at public auction at a shockingly and questionably low price of P376,500.00 is by itself a sufficient basis for annulling the sale for being grossly inadequate to shock the conscience and understanding of men, giving rise to a presumption of fraud.^[6] Thus, it was prayed that a preliminary mandatory injunction issue ordering the private respondent to surrender the property to petitioner and to enjoin the former from further harassing and threatening the peaceful possession of petitioner; and that after hearing, the decision of the trial court in Civil Case No. Q-43811 and the sheriffs certificate of sale^[7] be likewise annulled; that private respondent be adjudged to pay petitioner no less than P500,000.00 actual and moral damages, as well as exemplary damages and attorney s fees in the amount of P50,000.00, plus the costs of the suit.^[8]

On February 2, 1987 an amended petition was filed by counsel for petitioner in the Court of Appeals raising the additional issue that the decision is not supported by the allegations in the pleadings or by the evidence submitted.^[9]

In due course, a decision was rendered by the Court of Appeals on November 29, 1989.^[10] The appellate court made the following observations:

“On the other hand, petitioner’s above allegation of fraud supposedly practiced upon her by Roberto V. Cabrera, Jr. is so improbable as to inspire belief. For the Coronel Law Office had already entered its appearance as petitioner’s counsel by then, so that if it were true that Cabrera had already agreed to the conditions imposed by petitioner, said law office would have asked plaintiff to file the proper motion to dismiss or withdraw complaint with the Court, and if plaintiff had refused to do so, it would have filed defendant’s answer anyway so that she would not be declared in default. Or said law office would have prepared a compromise agreement embodying the conditions imposed by their client in the lease contract in question which plaintiff had allegedly already accepted, so that the same could have been submitted to the Court and judgment on a compromise could be entered. All these, any conscientious lawyer of lesser stature than the Coronel Law Office, headed by no less than a former law dean, Dean Antonio Coronel, or even a new member of the bar, would normally have done under the circumstances to protect the interests of their client, instead of leaving it to the initiative of plaintiff to withdraw its complaint against defendant, as it had allegedly promised the latter. Thus, it is our belief that this case is one of pure and simple negligence on the part of defendant’s counsel who simply failed to file the answer in behalf of defendant. But counsel’s negligence does not stop here. For after it had been furnished with copy of the decision by default against defendant, it should then have appealed therefrom or file a petition from relief from the order declaring their client in default or from the judgment by default. [sic] Again, counsel negligently failed to do either. Hence, defendant is bound by the acts of her counsel in this case and cannot be heard to complain that the result might have

been different if it had proceeded differently (Pulido vs. C.A., 122 SCRA 63; Ayllon vs. Sevilla, 156 SCRA 257, among other cases). And the rationale of this rule is obvious and clear. For ‘if such grounds were to be admitted as reasons for opening cases, there would never be an end to a suit so long as new counsel could be employed who could allege and show that the prior counsel had not been sufficiently diligent, or experienced, or learned’ (Fernandez vs. Tan Tiong Tick, 1 SCRA 1138).”^[11]

Despite these findings, the appellate court nevertheless dismissed the petition for annulment of judgment with costs against the petitioner. A copy of the said judgment appears to have been served on counsel for the petitioner. However, said counsel did not file a motion for reconsideration or appeal therefrom, so it became final.

It was only in March 1990 when the secretary of counsel for petitioner informed the latter of the adverse decision against her only after persistent telephone inquiries of the petitioner.

Hence, petitioner secured the services of another lawyer who filed this petition for certiorari under Rule 65 of the Rules of Court wherein it is prayed that the judgment of the Regional Trial Court of Quezon City in Civil Case No. Q-43811, the decision of the Court of Appeals in CA-GR. No. 10487 and the sheriff’s sale at public auction of the property in question be annulled, as the same are attributable to the gross negligence and inefficiency of petitioner’s counsel, whose blunder cannot bind the petitioner who was deprived of due process thereby. It is further prayed that private respondent Cathay House, Inc. be ordered to reconvey to petitioner the property covered by TCT No. 270814, which was sold at public auction to Roberto V. Cabrera, Jr. and in whose favor its ownership was consolidated, and thereafter ownership appears to have been transferred to private respondent.

The petition is impressed with merit.

Petitioner’s counsel is a well-known practicing lawyer and dean of a law school. It is to be expected that he would extend the highest quality of service as a lawyer to the petitioner. Unfortunately, counsel appears to have abandoned the cause of petitioner. After agreeing to defend the petitioner in the civil case filed against her by private

respondent, said counsel did nothing more than enter his appearance and seek for an extension of time to file the answer. Nevertheless, he failed to file the answer. Hence, petitioner was declared in default on motion of private respondent's counsel. After the evidence of private respondent was received ex-parte, a judgment was rendered by the trial court.

Said counsel for petitioner received a copy of the judgment but took no steps to have the same set aside or to appeal therefrom. Thus, the judgment became final and executory. The property of petitioner was sold at public auction to satisfy the judgment in favor of private respondent. The property was sold to Roberto V. Cabrera, Jr., representative of private respondent, and a certificate of sale was issued in his favor. The redemption period expired after one year so a final deed of sale was issued by the sheriff in favor of Cabrera, who in turn appears to have transferred the same to private respondent.

During all the time, the petitioner was abroad. When, upon her return, she learned, to her great shock, what happened to her case and property, she nevertheless did not lose faith in her counsel. She still asked Atty. Coronel to take such appropriate action possible under the circumstances.

As above related, said counsel filed a petition for annulment of judgment and its amendment in the Court of Appeals. But that was all he did. After an adverse judgment was rendered against petitioner, of which counsel was duly notified, said counsel did not inform the petitioner about it. He did not even ask for a reconsideration thereof, or file a petition for review before this Court. Thus, the judgment became final. It was only upon repeated telephone inquiries of petitioner that she learned from the secretary of her counsel of the judgment that had unfortunately become final.

A lawyer owes entire devotion to the interest of his client, warmth and zeal in the maintenance and defense of his rights and the exertion of his utmost learning and ability, to the end that nothing can be taken or withheld from his client except in accordance with the law. He should present every remedy or defense authorized by the law in support of his client's cause, regardless of his own personal views. In the full discharge of his duties to his client, the lawyer should not be

afraid of the possibility that he may displease the judge or the general public.^[12]

Judged by the actuations of said counsel in this case, he has miserably failed in his duty to exercise his utmost learning and ability in maintaining his client's cause.^[13] It is not only a case of simple negligence as found by the appellate court, but of reckless and gross negligence, so much so that his client was deprived of her property without due process of law.

In *People's Homesite & Housing Corp. vs. Tiongco and Escasa*,^[14] this Court ruled as follows:

“Procedural technicality should not be made a bar to the vindication of a legitimate grievance. When such technicality deserts from being an aid to justice, the courts are justified in excepting from its operation a particular case. Where there was something fishy and suspicious about the actuations of the former counsel of petitioner in the case at bar, in that he did not give any significance at all to the processes of the court, which has proven prejudicial to the rights of said clients, under a lame and flimsy explanation that the court's processes just escaped his attention, it is held that said lawyer deprived his clients of their day in court, thus entitling said clients to petition for relief from judgment despite the lapse of the reglementary period for filing said period for filing said petition.”

In *Escudero vs. Judge Dulay*,^[15] this Court, in holding that the counsel's blunder in procedure is an exception to the rule that the client is bound by the mistakes of counsel, made the following disquisition:

“Petitioners contend, through their new counsel, that the judgments rendered against them by the respondent court are null and void, because they were therein deprived of their day in court and divested of their property without due process of law, through the gross ignorance, mistake and negligence of their previous counsel. They acknowledge that, while as a rule, clients are bound by the mistake of their counsel, the rule should not be applied automatically to their case, as their trial counsel's

blunder in procedure and gross ignorance of existing jurisprudence changed their cause of action and violated their substantial rights.

We are impressed with petitioner's contentions.

Ordinarily, a special civil action under Rule 65 of the Rules of Court will not be a substitute or cure for failure to file a timely petition for review on certiorari (appeal) under Rule 45 of the Rules. Where, however, the application of the rule will result in a manifest failure or miscarriage of justice, the rule may be relaxed.

X x x

While this Court is cognizant of the rule that, generally, a client will suffer the consequences of the negligence, mistake or lack of competence of his counsel, in the interest of justice and equity, exceptions may be made to such rule, in accordance with the facts and circumstances of each case. Adherence to the general rule would, in the instant case, result in the outright deprivation of their property through a technicality.”

In its questioned decision dated November 19, 1989 the Court of Appeals found, in no uncertain terms, the negligence of the then counsel for petitioner when he failed to file the proper motion to dismiss or to draw a compromise agreement if it was true that they agreed on a settlement of the case; or in simply filing an answer; and that after having been furnished a copy of the decision by the court he failed to appeal therefrom or to file a petition for relief from the order declaring petitioner in default. In all these instances the appellate court found said counsel negligent but his acts were held to bind his client, petitioner herein, nevertheless.

The Court disagrees and finds that the negligence of counsel in this case appears to be so gross and inexcusable. This was compounded by the fact, that after petitioner gave said counsel another chance to make up for his omissions by asking him to file a petition for annulment of the judgment in the appellate court, again counsel abandoned the case of petitioner in that after he received a copy of

the adverse judgment of the appellate court, he did not do anything to save the situation or inform his client of the judgment. He allowed the judgment to lapse and become final. Such reckless and gross negligence should not be allowed to bind the petitioner. Petitioner was thereby effectively deprived of her day in court.

Thus, We have before Us a case where to enforce an alleged lease agreement of the property of petitioner, private respondent went to court, and that because of the gross negligence of the counsel for the petitioner, she lost the case as well as the title and ownership of the property, which is worth millions. The mere lessee then now became the owner of the property. Its true owner then, the petitioner, now is consigned to penury all because her lawyer appear to have abandoned her case not once but repeatedly.

The Court cannot allow such a grave injustice to prevail. It cannot tolerate such unjust enrichment of the private respondent at the expense of the petitioner. The situation is aggravated by the fact that said counsel is a well-known practicing lawyer and the dean of a law school as the Court at the beginning of this discourse observed. His competence should be beyond cavil. Thus, there appears to be no cogent excuse for his repeated negligence and inaction. His lack of devotion to duty is so gross and palpable that this Court must come to the aid of his distraught client, the petitioner herein.

As member of the Philippine Bar he owes complete fidelity to the cause of his client. He should give adequate attention, care and time to his cases. This is the reason why a practicing lawyer should accept only so many cases he can afford to handle. And once he agrees to handle a case, he should undertake the task with dedication and care. If he should do any less, then he is not true to his oath as a lawyer.

WHEREFORE, the petition is **GRANTED** and the questioned decision of the Regional Trial Court of Quezon City dated March 25, 1985 in Civil Case No. Q-43811; the decision of the Court of Appeals dated November 29, 1989 in CA-G.R. No. SP-10487; the Sheriff's Certificate of Sale dated June 27, 1985 of the property in question; and the subsequent final deed of sale covering the same property, are all hereby declared null and void. Private respondent New Cathay House, Inc. is directed to reconvey said property to the petitioner,

and the Register of Deeds is ordered to cancel the registration of said property in the name of private respondent and to issue a new one in the name of petitioner. Costs against private respondent. Said counsel for petitioner is hereby required to show cause within ten (10) days from notice why he should not be held administratively liable for his acts and omissions hereinabove described in this decision.

SO ORDERED.

Narvasa, Cruz, Griño-Aquino and Medialdea, JJ., concur.

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- [1] Annex A to petition.
 - [2] Annex B to petition.
 - [3] Page 46, Rollo.
 - [4] Annex E to the petition.
 - [5] Annex F to the petition.
 - [6] *Jalandoni vs. Ledesma*, 64 Phil. 1058 (1937).
 - [7] Annex E to the petition.
 - [8] Annex F to the petition.
 - [9] Annex H to the petition.
 - [10] Annex M to the petition. Justice Alicia Sempio Dy is the ponente, concurred in by Justices Nathanael P. de Pano, Jr. and Celso L. Magsino.
 - [11] Pages 139 to 140, rollo. Emphasis supplied.
 - [12] Canon of Professional Ethics 15.
 - [13] Annex 14 to the petition.
 - [14] 12 SCRA 471 (1964).
 - [15] 158 SCRA 69 (1988).