Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

UNIVERSITY OF THE PHILIPPINES, JOSE V. ABUEVA, RAUL P. DE GUZMAN, RUBEN P. ASPIRAS, EMMANUEL P. BELLO, WILFREDO P. DAVID, CASIANO S. ABRIGO, and JOSEFINA R. LICUANAN, Petitioners, *-versus-* **HON. AGUSTIN S. DIZON, in his capacity as Presiding Judge of the Regional Trial Court of Quezon City, Branch 80, STERN BUILDERS, INC., and SERVILLANO DELA CRUZ,** Respondents.	**G.R. No. 171182** Present: LEONARDO-DE CASTRO, *Acting Chairperson,* BERSAMIN, DEL CASTILLO, VILLARAMA, JR., and PERLAS-BERNABE, *JJ.* Promulgated: 23 AUG 2012

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D E C I S I O N

BERSAMIN, *J.*:

Trial judges should not immediately issue writs of execution or garnishment against the Government or any of its subdivisions, agencies and instrumentalities to enforce money judgments.[1] They should bear in mind that the primary jurisdiction to examine, audit and settle all claims of any sort due from the Government or any of its subdivisions, agencies and instrumentalities pertains to the Commission on Audit (COA) pursuant to Presidential Decree No. 1445 (*Government Auditing Code of the Philippines*).

[1] Administrative Circular No. 10-2000 dated October 25, 2000.

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The Case

On appeal by the University of the Philippines and its then incumbent officials (collectively, the UP) is the decision promulgated on September 16, 2005,[2] whereby the Court of Appeals (CA) upheld the order of the Regional Trial Court (RTC), Branch 80, in Quezon City that directed the garnishment of public funds amounting to ₱16,370,191.74 belonging to the UP to satisfy the writ of execution issued to enforce the already final and executory judgment against the UP.

Antecedents

On August 30, 1990, the UP, through its then President Jose V. Abueva, entered into a General Construction Agreement with respondent Stern Builders Corporation (Stern Builders), represented by its President and General Manager Servillano dela Cruz, for the construction of the extension building and the renovation of the College of Arts and Sciences Building in the campus of the University of the Philippines in Los Baños (UPLB).[3]

In the course of the implementation of the contract, Stern Builders submitted three progress billings corresponding to the work accomplished, but the UP paid only two of the billings. The third billing worth ₱273,729.47 was not paid due to its disallowance by the Commission on Audit (COA). Despite the lifting of the disallowance, the UP failed to pay the billing, prompting Stern Builders and dela Cruz to sue the UP and its co-respondent officials to collect the unpaid billing and to recover various damages. The suit, entitled *Stern Builders Corporation and Servillano R. Dela Cruz v. University of the Philippines Systems, Jose V. Abueva, Raul P. de Guzman, Ruben P. Aspiras, Emmanuel P. Bello, Wilfredo P. David,*

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[2] *Rollo*, pp. 39-54; penned by Associate Justice Ruben T. Reyes (later Presiding Justice and Member of the Court, but now retired), with Associate Justice Josefina Guevara-Salonga (retired) and Associate Justice Fernanda Lampas-Peralta concurring.

[3] Id. at 92-105.

Casiano S. Abrigo, and Josefina R. Licuanan, was docketed as Civil Case No. Q-93-14971 of the Regional Trial Court in Quezon City (RTC).[4]

After trial, on November 28, 2001, the RTC rendered its decision in favor of the plaintiffs,[5] *viz*:

> Wherefore, in the light of the foregoing, judgment is hereby rendered in favor of the plaintiff and against the defendants ordering the latter to pay plaintiff, jointly and severally, the following, to wit:
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> 1. ₱503,462.74 amount of the third billing, additional accomplished work and retention money
>
> 2. ₱5,716,729.00 in actual damages
>
> 3. ₱10,000,000.00 in moral damages
>
> 4. ₱150,000.00 and ₱1,500.00 per appearance as attorney's fees; and
>
> 5. Costs of suit.
>
> SO ORDERED.

Following the RTC's denial of its motion for reconsideration on May 7, 2002,[6] the UP filed a notice of appeal on June 3, 2002.[7] Stern Builders and dela Cruz opposed the notice of appeal on the ground of its filing being belated, and moved for the execution of the decision. The UP countered that the notice of appeal was filed within the reglementary period because the UP's Office of Legal Affairs (OLS) in Diliman, Quezon City received the order of denial only on May 31, 2002. On September 26, 2002, the RTC denied due course to the notice of appeal for having been filed out of time and granted the private respondents' motion for execution.[8]

The RTC issued the writ of execution on October 4, 2002,[9] and the sheriff of the RTC served the writ of execution and notice of demand upon

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4 Id. at 75-83.
5 Id. at 133-138.
6 Id. at 162.
7 Id. at 163-164.
8 Id. at 169-171.
9 Id. at 172-173.

the UP, through its counsel, on October 9, 2002.[10] The UP filed an urgent motion to reconsider the order dated September 26, 2002, to quash the writ of execution dated October 4, 2002, and to restrain the proceedings.[11] However, the RTC denied the urgent motion on April 1, 2003.[12]

On June 24, 2003, the UP assailed the denial of due course to its appeal through a petition for *certiorari* in the Court of Appeals (CA), docketed as CA-G.R. No. 77395.[13]

On February 24, 2004, the CA dismissed the petition for *certiorari* upon finding that the UP's notice of appeal had been filed late,[14] stating:

> Records clearly show that petitioners received a copy of the Decision dated November 28, 2001 and January 7, 2002, thus, they had until January 22, 2002 within which to file their appeal. On January 16, 2002 or after the lapse of nine (9) days, petitioners through their counsel Atty. Nolasco filed a Motion for Reconsideration of the aforesaid decision, hence, pursuant to the rules, petitioners still had six (6) remaining days to file their appeal. As admitted by the petitioners in their petition (Rollo, p. 25), Atty. Nolasco received a copy of the Order denying their motion for reconsideration on May 17, 2002, thus, petitioners still has until May 23, 2002 (the remaining six (6) days) within which to file their appeal. Obviously, petitioners were not able to file their Notice of Appeal on May 23, 2002 as it was only filed on June 3, 2002.
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> In view of the said circumstances, We are of the belief and so holds that the Notice of Appeal filed by the petitioners was really filed out of time, the same having been filed seventeen (17) days late of the reglementary period. By reason of which, the decision dated November 28, 2001 had already become final and executory. "Settled is the rule that the perfection of an appeal in the manner and within the period permitted by law is not only mandatory but jurisdictional, and failure to perfect that appeal renders the challenged judgment final and executory. This is not an empty procedural rule but is grounded on fundamental considerations of public policy and sound practice." (Ram's Studio and Photographic Equipment, Inc. vs. Court of Appeals, 346 SCRA 691, 696). Indeed, Atty. Nolasco received the order of denial of the Motion for Reconsideration on May 17, 2002 but filed a Notice of Appeal only on June 3, 3003. As such, the decision of the lower court *ipso facto* became final when no appeal

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10 Id. at 174.
11 Id. at 174-182.
12 Id. at 185-187.
13 Id. at 188-213.
14 Id. at 217-223; penned by Associate Justice B.A. Adefuin-Dela Cruz (retired), with Associate Justice Eliezer R. delos Santos (deceased) and Associate Justice Jose Catral Mendoza (now a Member of the Court) concurring.

> was perfected after the lapse of the reglementary period. This procedural caveat cannot be trifled with, not even by the High Court.[15]

The UP sought a reconsideration, but the CA denied the UP's motion for reconsideration on April 19, 2004.[16]

On May 11, 2004, the UP appealed to the Court by petition for review on *certiorari* (G.R. No. 163501).

On June 23, 2004, the Court denied the petition for review.[17] The UP moved for the reconsideration of the denial of its petition for review on August 29, 2004,[18] but the Court denied the motion on October 6, 2004. [19] The denial became final and executory on November 12, 2004.[20]

In the meanwhile that the UP was exhausting the available remedies to overturn the denial of due course to the appeal and the issuance of the writ of execution, Stern Builders and dela Cruz filed in the RTC their motions for execution despite their previous motion having already been granted and despite the writ of execution having already issued. On June 11, 2003, the RTC granted another motion for execution filed on May 9, 2003 (although the RTC had already issued the writ of execution on October 4, 2002).[21]

On June 23, 2003 and July 25, 2003, respectively, the sheriff served notices of garnishment on the UP's depository banks, namely: Land Bank of the Philippines (Buendia Branch) and the Development Bank of the Philippines (DBP), Commonwealth Branch.[22] The UP assailed the garnishment through an urgent motion to quash the notices of garnishment;[23] and a motion to quash the writ of execution dated May 9, 2003.[24]

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15 Id. at 221.
16 Id. at 243.
17 Id. at 282.
18 Id. at 283-291.
19 Id. at 293.
20 Id. at 417.
21 Id. at 172-173; and 301.
22 Id. at 312.
23 Id. at 302-309.
24 Id. at 314-319.

On their part, Stern Builders and dela Cruz filed their *ex parte* motion for issuance of a release order.[25]

On October 14, 2003, the RTC denied the UP's urgent motion to quash, and granted Stern Builders and dela Cruz's *ex parte* motion for issuance of a release order.[26]

The UP moved for the reconsideration of the order of October 14, 2003, but the RTC denied the motion on November 7, 2003.[27]

On January 12, 2004, Stern Builders and dela Cruz again sought the release of the garnished funds.[28] Despite the UP's opposition,[29] the RTC granted the motion to release the garnished funds on March 16, 2004.[30] On April 20, 2004, however, the RTC held in abeyance the enforcement of the writs of execution issued on October 4, 2002 and June 3, 2003 and all the ensuing notices of garnishment, citing Section 4, Rule 52, *Rules of Court*, which provided that the pendency of a timely motion for reconsideration stayed the execution of the judgment.[31]

On December 21, 2004, the RTC, through respondent Judge Agustin S. Dizon, authorized the release of the garnished funds of the UP,[32] to wit:

> WHEREFORE, premises considered, there being no more legal impediment for the release of the garnished amount in satisfaction of the judgment award in the instant case, let the amount garnished be immediately released by the Development Bank of the Philippines, Commonwealth Branch, Quezon City in favor of the plaintiff.
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> SO ORDERED.

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25 Id. at 321-322.
26 Id. at 323-325.
27 Id. at 326-328.
28 Id. at 332-333.
29 Id. at 334-336.
30 Id. at 339.
31 Id. at 340.
32 Id. at 341.

The UP was served on January 3, 2005 with the order of December 21, 2004 directing DBP to release the garnished funds.[33]

On January 6, 2005, Stern Builders and dela Cruz moved to cite DBP in direct contempt of court for its non-compliance with the order of release.[34]

Thereupon, on January 10, 2005, the UP brought a petition for *certiorari* in the CA to challenge the jurisdiction of the RTC in issuing the order of December 21, 2004 (CA-G.R. CV No. 88125).[35] Aside from raising the denial of due process, the UP averred that the RTC committed grave abuse of discretion amounting to lack or excess of jurisdiction in ruling that there was no longer any legal impediment to the release of the garnished funds. The UP argued that government funds and properties could not be seized by virtue of writs of execution or garnishment, as held in *Department of Agriculture v. National Labor Relations Commission*,[36] and citing Section 84 of Presidential Decree No. 1445 to the effect that "[r]evenue funds shall not be paid out of any public treasury or depository except in pursuance of an appropriation law or other specific statutory authority;" and that the order of garnishment clashed with the ruling in *University of the Philippines Board of Regents v. Ligot-Telan*[37] to the effect that the funds belonging to the UP were public funds.

On January 19, 2005, the CA issued a temporary restraining order (TRO) upon application by the UP.[38]

On March 22, 2005, Stern Builders and dela Cruz filed in the RTC their amended motion for sheriff's assistance to implement the release order dated December 21, 2004, stating that the 60-day period of the TRO of the

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33 Id. at 341.
34 Id. at 342-344.
35 Id. at 346-360.
36 G.R. No. 104269, November 11, 1993, 227 SCRA 693.
37 G.R. No. 110280, October 21, 1993, 227 SCRA 342.
38 *Rollo*, pp. 366-367; penned by Associate Justice Reyes, with Associate Justice Tria Tirona (retired) and Associate Justice Jose C. Reyes, Jr. concurring.

CA had already lapsed.[39] The UP opposed the amended motion and countered that the implementation of the release order be suspended. [40]

On May 3, 2005, the RTC granted the amended motion for sheriff's assistance and directed the sheriff to proceed to the DBP to receive the check in satisfaction of the judgment.[41]

The UP sought the reconsideration of the order of May 3, 2005.[42]

On May 16, 2005, DBP filed a motion to consign the check representing the judgment award and to dismiss the motion to cite its officials in contempt of court. [43]

On May 23, 2005, the UP presented a motion to withhold the release of the payment of the judgment award. [44]

On July 8, 2005, the RTC resolved all the pending matters,[45] noting that the DBP had already delivered to the sheriff Manager's Check No. 811941 for ₱16,370,191.74 representing the garnished funds payable to the order of Stern Builders and dela Cruz as its compliance with the RTC's order dated December 21, 2004.[46] However, the RTC directed in the same order that Stern Builders and dela Cruz should not encash the check or withdraw its amount pending the final resolution of the UP's petition for *certiorari*, to wit:[47]

> To enable the money represented in the check in question (No. 00008119411) to earn interest during the pendency of the defendant University of the Philippines application for a writ of injunction with the Court of Appeals the same may now be deposited by the plaintiff at the garnishee Bank (Development Bank of the Philippines), the disposition of the amount represented therein being subject to the final outcome of the

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39 Id. at 452-453.
40 Id. at 455-460.
41 Id. at 472-476.
42 Id. at 477-482.
43 Id. at 484.
44 Id. at 485-489.
45 Id. at 492-494.
46 Id. at 484.
47 Id. at 492-494.

> case of the University of the Philippines et al., vs. Hon. Agustin S. Dizon et al., (CA G.R. 88125) before the Court of Appeals.
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> Let it be stated herein that the plaintiff is not authorized to encash and withdraw the amount represented in the check in question and enjoy the same in the fashion of an owner during the pendency of the case between the parties before the Court of Appeals which may or may not be resolved in plaintiff's favor.
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> With the end in view of seeing to it that the check in question is deposited by the plaintiff at the Development Bank of the Philippines (garnishee bank), Branch Sheriff Herlan Velasco is directed to accompany and/or escort the plaintiff in making the deposit of the check in question.
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> SO ORDERED.

On September 16, 2005, the CA promulgated its assailed decision dismissing the UP's petition for *certiorari*, ruling that the UP had been given ample opportunity to contest the motion to direct the DBP to deposit the check in the name of Stern Builders and dela Cruz; and that the garnished funds could be the proper subject of garnishment because they had been already earmarked for the project, with the UP holding the funds only in a fiduciary capacity,[48] *viz*:

> Petitioners next argue that the UP funds may not be seized for execution or garnishment to satisfy the judgment award. Citing Department of Agriculture vs. NLRC, University of the Philippines Board of Regents vs. Hon. Ligot-Telan, petitioners contend that UP deposits at Land Bank and the Development Bank of the Philippines, being government funds, may not be released absent an appropriations bill from Congress.
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> The argument is specious. UP entered into a contract with private respondents for the expansion and renovation of the Arts and Sciences Building of its campus in Los Baños, Laguna. Decidedly, there was already an appropriations earmarked for the said project. The said funds are retained by UP, in a fiduciary capacity, pending completion of the construction project.
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> We agree with the trial Court [sic] observation on this score:
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> > "4. Executive Order No. 109 (Directing all National Government Agencies to Revert Certain Accounts Payable to the Cumulative Result of Operations of the National Government and for Other Purposes) Section 9. Reversion of Accounts Payable, provides that, all 1995 and prior years documented accounts payable and all undocumented accounts regardless of the year they were incurred shall be reverted to

[48] Id. at 51.

> the Cumulative Result of Operations of the National Government (CROU). This shall apply to accounts payable of all funds, except fiduciary funds, as long as the purpose for which the funds were created have not been accomplished and accounts payable under foreign assisted projects for the duration of the said project. In this regard, the Department of Budget and Management issued Joint-Circular No. 99-6 4.0 (4.3) Procedural Guidelines which provides that all accounts payable that reverted to the CROU may be considered for payment upon determination thru administrative process, of the existence, validity and legality of the claim. Thus, the allegation of the defendants that considering no appropriation for the payment of any amount awarded to plaintiffs appellee the funds of defendant-appellants may not be seized pursuant to a writ of execution issued by the regular court is misplaced. Surely when the defendants and the plaintiff entered into the General Construction of Agreement there is an amount already allocated by the latter for the said project which is no longer subject of future appropriation."[49]

After the CA denied their motion for reconsideration on December 23, 2005, the petitioners appealed by petition for review.

Matters Arising During the Pendency of the Petition

On January 30, 2006, Judge Dizon of the RTC (Branch 80) denied Stern Builders and dela Cruz's motion to withdraw the deposit, in consideration of the UP's intention to appeal to the CA,[50] stating:

> Since it appears that the defendants are intending to file a petition for review of the Court of Appeals resolution in CA-G.R. No. 88125 within the reglementary period of fifteen (15) days from receipt of resolution, the Court agrees with the defendants stand that the granting of plaintiffs' subject motion is premature.
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> Let it be stated that what the Court meant by its Order dated July 8, 2005 which states in part that the "disposition of the amount represented therein being subject to the final outcome of the case of the University of the Philippines, et. al., vs. Hon. Agustin S. Dizon et al., (CA G.R. No. 88125 before the Court of Appeals) is that the judgment or resolution of said court has to be final and executory, for if the same will still be elevated to the Supreme Court, it will not attain finality yet until the highest court has rendered its own final judgment or resolution.[51]

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49 Id. at 51-52.
50 Id. at 569.
51 Id.

However, on January 22, 2007, the UP filed an *Urgent Application for A Temporary Restraining Order and/or A Writ of Preliminary Injunction*,[52] averring that on January 3, 2007, Judge Maria Theresa dela Torre-Yadao (who had meanwhile replaced Judge Dizon upon the latter's appointment to the CA) had issued another order allowing Stern Builders and dela Cruz to withdraw the deposit,[53] to wit:

> It bears stressing that defendants' liability for the payment of the judgment obligation has become indubitable due to the final and executory nature of the Decision dated November 28, 2001. Insofar as the payment of the [sic] judgment obligation is concerned, the Court believes that there is nothing more the defendant can do to escape liability. It is observed that there is nothing more the defendant can do to escape liability. It is observed that defendant U.P. System had already exhausted all its legal remedies to overturn, set aside or modify the decision (dated November 28, 2001(rendered against it. The way the Court sees it, defendant U.P. System's petition before the Supreme Court concerns only with the manner by which said judgment award should be satisfied. It has nothing to do with the legality or propriety thereof, although it prays for the deletion of [sic] reduction of the award of moral damages.
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> It must be emphasized that this Court's finding, i.e., that there was sufficient appropriation earmarked for the project, was upheld by the Court of Appeals in its decision dated September 16, 2005. Being a finding of fact, the Supreme Court will, ordinarily, not disturb the same was said Court is not a trier of fact. Such being the case, defendants' arguments that there was no sufficient appropriation for the payment of the judgment obligation must fail.
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> While it is true that the former Presiding Judge of this Court in its Order dated January 30, 2006 had stated that:
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> > Let it be stated that what the Court meant by its Order dated July 8, 2005 which states in part that the "disposition of the amount represented therein being subject to the final outcome of the case of the University of the Philippines, et. al., vs. Hon. Agustin S. Dizon et al., (CA G.R. No. 88125 before the Court of Appeals) is that the judgment or resolution of said court has to be final and executory, for if the same will still be elevated to the Supreme Court, it will not attain finality yet until the highest court has rendered its own final judgment or resolution.
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> it should be noted that neither the Court of Appeals nor the Supreme Court issued a preliminary injunction enjoining the release or withdrawal of the garnished amount. In fact, in its present petition for review before the Supreme Court, U.P. System has not prayed for the issuance of a writ of preliminary injunction. Thus, the Court doubts whether such writ is forthcoming.

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52 Id. at 556-561.
53 Id. at 562-565.

> The Court honestly believes that if defendants' petition assailing the Order of this Court dated December 31, 2004 granting the motion for the release of the garnished amount was meritorious, the Court of Appeals would have issued a writ of injunction enjoining the same. Instead, said appellate [c]ourt not only refused to issue a wit of preliminary injunction prayed for by U.P. System but denied the petition, as well.[54]

The UP contended that Judge Yadao thereby effectively reversed the January 30, 2006 order of Judge Dizon disallowing the withdrawal of the garnished amount until after the decision in the case would have become final and executory.

Although the Court issued a TRO on January 24, 2007 to enjoin Judge Yadao and all persons acting pursuant to her authority from enforcing her order of January 3, 2007,[55] it appears that on January 16, 2007, or prior to the issuance of the TRO, she had already directed the DBP to forthwith release the garnished amount to Stern Builders and dela Cruz; [56] and that DBP had forthwith complied with the order on January 17, 2007 upon the sheriff's service of the order of Judge Yadao.[57]

These intervening developments impelled the UP to file in this Court a supplemental petition on January 26, 2007,[58] alleging that the RTC (Judge Yadao) gravely erred in ordering the immediate release of the garnished amount despite the pendency of the petition for review in this Court.

The UP filed a second supplemental petition[59] after the RTC (Judge Yadao) denied the UP's motion for the redeposit of the withdrawn amount on April 10, 2007,[60] to wit:

> This resolves defendant U.P. System's Urgent Motion to Redeposit Judgment Award praying that plaintiffs be directed to redeposit the judgment award to DBP pursuant to the Temporary Restraining Order issued by the Supreme Court. Plaintiffs opposed the motion and countered

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54 Id. at 563-564.
55 Id. at 576-581.
56 Id. at 625-628.
57 Id. at 687-688.
58 Id. at 605-615.
59 Id. at 705-714.
60 Id. at 719-721.

that the Temporary Restraining Order issued by the Supreme Court has become moot and academic considering that the act sought to be restrained by it has already been performed. They also alleged that the redeposit of the judgment award was no longer feasible as they have already spent the same.

It bears stressing, if only to set the record straight, that this Court did not – in its Order dated January 3, 2007 (the implementation of which was restrained by the Supreme Court in its Resolution dated January 24, 2002) – direct that that garnished amount "be deposited with the garnishee bank (Development Bank of the Philippines)". In the first place, there was no need to order DBP to make such deposit, as the garnished amount was already deposited in the account of plaintiffs with the DBP as early as May 13, 2005. What the Court granted in its Order dated January 3, 2007 was plaintiff's motion to allow the release of said deposit. It must be recalled that the Court found plaintiff's motion meritorious and, at that time, there was no restraining order or preliminary injunction from either the Court of Appeals or the Supreme Court which could have enjoined the release of plaintiffs' deposit. The Court also took into account the following factors:

a) the Decision in this case had long been final and executory after it was rendered on November 28, 2001;

b) the propriety of the dismissal of U.P. System's appeal was upheld by the Supreme Court;

c) a writ of execution had been issued;

d) defendant U.P. System's deposit with DBP was garnished pursuant to a lawful writ of execution issued by the Court; and

e) the garnished amount had already been turned over to the plaintiffs and deposited in their account with DBP.

The garnished amount, as discussed in the Order dated January 16, 2007, was already owned by the plaintiffs, having been delivered to them by the Deputy Sheriff of this Court pursuant to par. (c), Section 9, Rule 39 of the 1997 Rules of Civil Procedure. Moreover, the judgment obligation has already been fully satisfied as per Report of the Deputy Sheriff.

Anent the Temporary Restraining Order issued by the Supreme Court, the same has become *functus oficio*, having been issued after the garnished amount had been released to the plaintiffs. The judgment debt was released to the plaintiffs on January 17, 2007, while the Temporary Restraining Order issued by the Supreme Court was received by this Court on February 2, 2007. At the time of the issuance of the Restraining Order, the act sought to be restrained had already been done, thereby rendering the said Order ineffectual.

After a careful and thorough study of the arguments advanced by the parties, the Court is of the considered opinion that there is no legal basis to grant defendant U.P. System's motion to redeposit the judgment amount. Granting said motion is not only contrary to law, but it will also render this Court's final executory judgment nugatory. Litigation must end and terminate sometime and somewhere, and it is essential to an

effective administration of justice that once a judgment has become final the issue or cause involved therein should be laid to rest. This doctrine of finality of judgment is grounded on fundamental considerations of public policy and sound practice. In fact, nothing is more settled in law than that once a judgment attains finality it thereby becomes immutable and unalterable. It may no longer be modified in any respect, even if the modification is meant to correct what is perceived to be an erroneous conclusion of fact or law, and regardless of whether the modification is attempted to be made by the court rendering it or by the highest court of the land.

WHEREFORE, premises considered, finding defendant U.P. System's Urgent Motion to Redeposit Judgment Award devoid of merit, the same is hereby DENIED.

SO ORDERED.

Issues

The UP now submits that:

I

THE COURT OF APPEALS COMMITTED GRAVE ERROR IN DISMISSING THE PETITION, ALLOWING IN EFFECT THE GARNISHMENT OF UP FUNDS, WHEN IT RULED THAT FUNDS HAVE ALREADY BEEN EARMARKED FOR THE CONSTRUCTION PROJECT; AND THUS, THERE IS NO NEED FOR FURTHER APPROPRIATIONS.

II

THE COURT OF APPEALS COMMITTED GRAVE ERROR IN ALLOWING GARNISHMENT OF A STATE UNIVERSITY'S FUNDS IN VIOLATION OF ARTICLE XIV, SECTION 5(5) OF THE CONSTITUTION.

III

IN THE ALTERNATIVE, THE UNIVERSITY INVOKES EQUITY AND THE REVIEW POWERS OF THIS HONORABLE COURT TO MODIFY, IF NOT TOTALLY DELETE THE AWARD OF P10 MILLION AS MORAL DAMAGES TO RESPONDENTS.

IV

THE RTC-BRANCH 80 COMMITTED GRAVE ERROR IN ORDERING THE IMMEDIATE RELEASE OF THE JUDGMENT AWARD IN ITS ORDER DATED 3 JANUARY 2007 ON THE GROUND OF EQUITY AND JUDICIAL COURTESY.

V

THE RTC-BRANCH 80 COMMITTED GRAVE ERROR IN ORDERING THE IMMEDIATE RELEASE OF THE JUDGMENT AWARD IN ITS ORDER DATED 16 JANUARY 2007 ON THE GROUND THAT PETITIONER UNIVERSITY STILL HAS A PENDING MOTION FOR RECONSIDERATION OF THE ORDER DATED 3 JANUARY 2007.

VI

THE RTC-BRANCH 80 COMMITTED GRAVE ERROR IN NOT ORDERING THE REDEPOSIT OF THE GARNISHED AMOUNT TO THE DBP IN VIOLATION OF THE CLEAR LANGUAGE OF THE SUPREME COURT RESOLUTION DATED 24 JANUARY 2007.

The UP argues that the amount earmarked for the construction project had been purposely set aside only for the aborted project and did not include incidental matters like the awards of actual damages, moral damages and attorney's fees. In support of its argument, the UP cited Article 12.2 of the General Construction Agreement, which stipulated that no deductions would be allowed for the payment of claims, damages, losses and expenses, including attorney's fees, in case of any litigation arising out of the performance of the work. The UP insists that the CA decision was inconsistent with the rulings in *Commissioner of Public Highways v. San Diego*[61] and *Department of Agriculture v. NLRC*[62] to the effect that government funds and properties could not be seized under writs of execution or garnishment to satisfy judgment awards.

Furthermore, the UP contends that the CA contravened Section 5, Article XIV of the Constitution by allowing the garnishment of UP funds, because the garnishment resulted in a substantial reduction of the UP's limited budget allocated for the remuneration, job satisfaction and fulfillment of the best available teachers; that Judge Yadao should have exhibited judicial courtesy towards the Court due to the pendency of the UP's petition for review; and that she should have also desisted from declaring that the TRO issued by this Court had become *functus officio*.

Lastly, the UP states that the awards of actual damages of ₱5,716,729.00 and moral damages of ₱10 million should be reduced, if not

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61 G.R. No. L-30098, February 18, 1970, 31 SCRA 616, 625.
62 G.R. No. 104269, November 11, 1993, 227 SCRA 693, 701-702.

entirely deleted, due to its being unconscionable, inequitable and detrimental to public service.

In contrast, Stern Builders and dela Cruz aver that the petition for review was fatally defective for its failure to mention the other cases upon the same issues pending between the parties (*i.e.*, CA-G.R. No. 77395 and G.R No. 163501); that the UP was evidently resorting to forum shopping, and to delaying the satisfaction of the final judgment by the filing of its petition for review; that the ruling in *Commissioner of Public Works v. San Diego* had no application because there was an appropriation for the project; that the UP retained the funds allotted for the project only in a fiduciary capacity; that the contract price had been meanwhile adjusted to ₱22,338,553.25, an amount already more than sufficient to cover the judgment award; that the UP's prayer to reduce or delete the award of damages had no factual basis, because they had been gravely wronged, had been deprived of their source of income, and had suffered untold miseries, discomfort, humiliation and sleepless years; that dela Cruz had even been constrained to sell his house, his equipment and the implements of his trade, and together with his family had been forced to live miserably because of the wrongful actuations of the UP; and that the RTC correctly declared the Court's TRO to be already *functus officio* by reason of the withdrawal of the garnished amount from the DBP.

The decisive issues to be considered and passed upon are, therefore: (*a*) whether the funds of the UP were the proper subject of garnishment in order to satisfy the judgment award; and (*b*) whether the UP's prayer for the deletion of the awards of actual damages of ₱5,716,729.00, moral damages of ₱10,000,000.00 and attorney's fees of ₱150,000.00 plus ₱1,500.00 per appearance could be granted despite the finality of the judgment of the RTC.

Ruling

The petition for review is meritorious.

I.
UP's funds, being government funds, are not subject to garnishment

The UP was founded on June 18, 1908 through Act 1870 to provide advanced instruction in literature, philosophy, the sciences, and arts, and to give professional and technical training to deserving students.[63] Despite its establishment as a body corporate,[64] the UP remains to be a "chartered institution"[65] performing a legitimate government function. It is an institution of higher learning, not a corporation established for profit and declaring any dividends.[66] In enacting Republic Act No. 9500 (*The University of the Philippines Charter of 2008*), Congress has declared the UP as the national university[67] "dedicated to the search for truth and knowledge as well as the development of future leaders."[68]

Irrefragably, the UP is a government instrumentality,[69] performing the State's constitutional mandate of promoting quality and accessible education.[70] As a government instrumentality, the UP administers special funds sourced from the fees and income enumerated under Act No. 1870 and Section 1 of Executive Order No. 714,[71] and from the yearly appropriations, to achieve the purposes laid down by Section 2 of Act 1870, as expanded in

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63 Section 2, Act No. 1870.
64 Section 1, Act No. 1870.
65 Section 2(12) of Executive Order No. 292 reads:

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xxx Chartered institution refers to any agency organized or operating under a special charter, and vested by law with functions relating to specific constitutional policies or objectives. This term includes the state universities and colleges and the monetary authority of the State.

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66 *University of the Philippines and Anonas v. Court of Industrial Relations*, 107 Phil 848, 850 (1960).
67 Section 2, R.A. No. 9500.
68 Section 3, R.A. No. 9500.
69 Section 2(10), of Executive Order No. 292 provides:

xxx

xxx Instrumentality refers to any agency of the National Government, not integrated within the department framework, vested with special functions or jurisdiction by law, endowed with some if not all corporate powers, administering special funds, and enjoying operational autonomy, usually through a charter. This term includes regulatory agencies, chartered institutions and government-owned or controlled corporations.

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70 Section 1, Article XIV, 1987 Constitution.
71 Entitled *Fiscal Control and Management of the Funds of the University of the Philippines*, promulgated on August 1, 1981.

Republic Act No. 9500.[72] All the funds going into the possession of the UP, including any interest accruing from the deposit of such funds in any banking institution, constitute a "special trust fund," the disbursement of which should always be aligned with the UP's mission and purpose,[73] and should always be subject to auditing by the COA.[74]

Presidential Decree No. 1445 defines a "trust fund" as a fund that officially comes in the possession of an agency of the government or of a public officer as trustee, agent or administrator, or that is received for the fulfillment of some obligation.[75] A trust fund may be utilized only for the "specific purpose for which the trust was created or the funds received."[76]

The funds of the UP are government funds that are public in character. They include the income accruing from the use of real property ceded to the UP that may be spent only for the attainment of its institutional objectives.[77] Hence, the funds subject of this action could not be validly made the subject of the RTC's writ of execution or garnishment. The adverse judgment rendered against the UP in a suit to which it had impliedly consented was not immediately enforceable by execution against the UP,[78] because suability of the State did not necessarily mean its liability.[79]

A marked distinction exists between suability of the State and its liability. As the Court succinctly stated in *Municipality of San Fernando, La Union v. Firme*:[80]

> A distinction should first be made between suability and liability. "Suability depends on the consent of the state to be sued, liability on the applicable law and the established facts. The circumstance that a state is

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72 Section 3, R.A. No. 9500.
73 Section 13(m), R.A. No. 9500.
74 Section 13, Act 1870; Section 6, Executive Order No. 714; Section 26, R.A. No. 9500.
75 Section 3(4), P.D. No. 1445.
76 Section 4(3), P.D. No. 1445.
77 Section 22(a), R.A. No. 9500.
78 *Philippine Rock Industries, Inc. v. Board of Liquidators*, G.R. No. 84992, December 15, 1989, 180 SCRA 171, 175.
79 *Republic v. National Labor Relations Commission*, G.R. No. 120385, October 17, 1996, 263 SCRA 290, 300.
80 G.R. No. L-52179, April 8, 1991, 195 SCRA 692, 697.

> suable does not necessarily mean that it is liable; on the other hand, it can never be held liable if it does not first consent to be sued. Liability is not conceded by the mere fact that the state has allowed itself to be sued. When the state does waive its sovereign immunity, it is only giving the plaintiff the chance to prove, if it can, that the defendant is liable.

Also, in *Republic v. Villasor*,[81] where the issuance of an *alias* writ of execution directed against the funds of the Armed Forces of the Philippines to satisfy a final and executory judgment was nullified, the Court said:

> xxx The universal rule that where the State gives its consent to be sued by private parties either by general or special law, it may limit claimant's action "only up to the completion of proceedings anterior to the stage of execution" and that the power of the Courts ends when the judgment is rendered, since government funds and properties may not be seized under writs of execution or garnishment to satisfy such judgments, is based on obvious considerations of public policy. Disbursements of public funds must be covered by the corresponding appropriation as required by law. The functions and public services rendered by the State cannot be allowed to be paralyzed or disrupted by the diversion of public funds from their legitimate and specific objects, as appropriated by law.

The UP correctly submits here that the garnishment of its funds to satisfy the judgment awards of actual and moral damages (including attorney's fees) was not validly made if there was no special appropriation by Congress to cover the liability. It was, therefore, legally unwarranted for the CA to agree with the RTC's holding in the order issued on April 1, 2003 that no appropriation by Congress to allocate and set aside the payment of the judgment awards was necessary because "there (were) already an appropriations (*sic*) earmarked for the said project."[82] The CA and the RTC thereby unjustifiably ignored the legal restriction imposed on the trust funds of the Government and its agencies and instrumentalities to be used *exclusively* to fulfill the purposes for which the trusts were created or for which the funds were received except upon express authorization by Congress or by the head of a government agency in control of the funds, and subject to pertinent budgetary laws, rules and regulations.[83]

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81 G.R. No. L-30671, November 28, 1973, 54 SCRA 83, 87.
82 *Rollo*, p. 51.
83 Section 84(2), P.D. No. 1445.

Indeed, an appropriation by Congress was required before the judgment that rendered the UP liable for moral and actual damages (including attorney's fees) would be satisfied considering that such monetary liabilities were not covered by the "appropriations earmarked for the said project." The Constitution strictly mandated that "(n)o money shall be paid out of the Treasury except in pursuance of an appropriation made by law."[84]

II
COA must adjudicate private respondents' claim before execution should proceed

The execution of the monetary judgment against the UP was within the primary jurisdiction of the COA. This was expressly provided in Section 26 of Presidential Decree No. 1445, to wit:

> Section 26. *General jurisdiction.* - **The authority and powers of the Commission shall extend to and comprehend all matters relating to** auditing procedures, systems and controls, the keeping of the general accounts of the Government, the preservation of vouchers pertaining thereto for a period of ten years, the examination and inspection of the books, records, and papers relating to those accounts; and the audit and settlement of the accounts of all persons respecting funds or property received or held by them in an accountable capacity, as well as **the examination, audit, and settlement of all debts and claims of any sort due from or owing to the Government or any of its subdivisions, agencies and instrumentalities**. **The said jurisdiction extends to all government-owned or controlled corporations, including their subsidiaries, and other self-governing boards, commissions, or agencies of the Government, and as herein prescribed, including non-governmental entities subsidized by the government, those funded by donations through the government, those required to pay levies or government share, and those for which the government has put up a counterpart fund or those partly funded by the government.**

It was of no moment that a final and executory decision already validated the claim against the UP. The settlement of the monetary claim was still subject to the primary jurisdiction of the COA despite the final decision of the RTC having already validated the claim.[85] As such, Stern

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[84] Section 29 (1), Article VI, Constitution.

[85] *National Home Mortgage Finance Corporation v. Abayari*, G.R. No. 166508, October 2, 2009, 602 SCRA 242, 256.

Builders and dela Cruz as the claimants had no alternative except to first seek the approval of the COA of their monetary claim.

On its part, the RTC should have exercised utmost caution, prudence and judiciousness in dealing with the motions for execution against the UP and the garnishment of the UP's funds. The RTC had no authority to direct the immediate withdrawal of any portion of the garnished funds from the depository banks of the UP. By eschewing utmost caution, prudence and judiciousness in dealing with the execution and garnishment, and by authorizing the withdrawal of the garnished funds of the UP, the RTC acted beyond its jurisdiction, and all its orders and issuances thereon were void and of no legal effect, specifically: (*a*) the order Judge Yadao issued on January 3, 2007 allowing Stern Builders and dela Cruz to withdraw the deposited garnished amount; (*b*) the order Judge Yadao issued on January 16, 2007 directing DBP to forthwith release the garnish amount to Stern Builders and dela Cruz; (*c*) the sheriff's report of January 17, 2007 manifesting the full satisfaction of the writ of execution; and (*d*) the order of April 10, 2007 deying the UP's motion for the redeposit of the withdrawn amount. Hence, such orders and issuances should be struck down without exception.

Nothing extenuated Judge Yadao's successive violations of Presidential Decree No. 1445. She was aware of Presidential Decree No. 1445, considering that the Court circulated to all judges its Administrative Circular No. 10-2000,[86] issued on October 25, 2000, enjoining them "to observe utmost caution, prudence and judiciousness in the issuance of writs of execution to satisfy money judgments against government agencies and local government units" precisely in order to prevent the circumvention of Presidential Decree No. 1445, as well as of the rules and procedures of the COA, to wit:

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[86] Entitled EXERCISE OF UTMOST CAUTION, PRUDENCE AND JUDICIOUSNESS IN THE ISSUANCE OF WRITS OF EXECUTION TO SATISFY MONEY JUDGMENTS AGAINST GOVERNMENT AGENCIES AND LOCAL GOVERNMENT UNITS.

In order to prevent possible circumvention of the rules and procedures of the Commission on Audit, judges are hereby enjoined to observe utmost caution, prudence and judiciousness in the issuance of writs of execution to satisfy money judgments against government agencies and local government units.

Judges should bear in mind that in Commissioner of Public Highways v. San Diego (31 SCRA 617, 625 [1970]), this Court explicitly stated:

> "The universal rule that where the State gives its consent to be sued by private parties either by general or special law, it may limit claimant's action 'only up to the completion of proceedings anterior to the stage of execution' and that the power of the Court ends when the judgment is rendered, since government funds and properties may not be seized under writs of execution or garnishment to satisfy such judgments, is based on obvious considerations of public policy. Disbursements of public funds must be covered by the corresponding appropriation as required by law. The functions and public services rendered by the State cannot be allowed to be paralyzed or disrupted by the diversion of public funds from their legitimate and specific objects, as appropriated by law.

Moreover, it is settled jurisprudence that upon determination of State liability, the prosecution, enforcement or satisfaction thereof must still be pursued in accordance with the rules and procedures laid down in P.D. No. 1445, otherwise known as the Government Auditing Code of the Philippines (Department of Agriculture v. NLRC, 227 SCRA 693, 701-02 [1993] citing Republic vs. Villasor, 54 SCRA 84 [1973]). All money claims against the Government must first be filed with the Commission on Audit which must act upon it within sixty days. Rejection of the claim will authorize the claimant to elevate the matter to the Supreme Court on *certiorari* and in effect, sue the State thereby (P.D. 1445, Sections 49-50).

However, notwithstanding the rule that government properties are not subject to levy and execution unless otherwise provided for by statute (Republic v. Palacio, 23 SCRA 899 [1968]; Commissioner of Public Highways v. San Diego, supra) or municipal ordinance (Municipality of Makati v. Court of Appeals, 190 SCRA 206 [1990]), the Court has, in various instances, distinguished between government funds and properties for public use and those not held for public use. Thus, in Viuda de Tan Toco v. Municipal Council of Iloilo (49 Phil 52 [1926]), the Court ruled that "[w]here property of a municipal or other public corporation is sought to be subjected to execution to satisfy judgments recovered against such corporation, the question as to whether such property is leviable or not is to be determined by the usage and purposes for which it is held." The following can be culled from Viuda de Tan Toco v. Municipal Council of Iloilo:

1. Properties held for public uses – and generally everything held for governmental purposes – are not subject to levy and sale under execution against such corporation. The same rule applies to funds in the hands of a public officer and taxes due to a municipal corporation.

> 2. Where a municipal corporation owns in its proprietary capacity, as distinguished from its public or government capacity, property not used or used for a public purpose but for quasi-private purposes, it is the general rule that such property may be seized and sold under execution against the corporation.
>
> 3. Property held for public purposes is not subject to execution merely because it is temporarily used for private purposes. If the public use is wholly abandoned, such property becomes subject to execution.
>
> This Administrative Circular shall take effect immediately and the Court Administrator shall see to it that it is faithfully implemented.

Although Judge Yadao pointed out that neither the CA nor the Court had issued *as of then* any writ of preliminary injunction to enjoin the release or withdrawal of the garnished amount, she did not need any writ of injunction from a superior court to compel her obedience to the law. The Court is disturbed that an experienced judge like her should look at public laws like Presidential Decree No. 1445 dismissively instead of loyally following and unquestioningly implementing them. That she did so turned her court into an oppressive bastion of mindless tyranny instead of having it as a true haven for the seekers of justice like the UP.

III
Period of appeal did not start without effective service of decision upon counsel of record; *Fresh-period rule* announced in *Neypes v. Court of Appeals* can be given retroactive application

The UP next pleads that the Court gives due course to its petition for review in the name of equity in order to reverse or modify the adverse judgment against it despite its finality. At stake in the UP's plea for equity was the return of the amount of ₱16,370,191.74 illegally garnished from its trust funds. Obstructing the plea is the finality of the judgment based on the supposed tardiness of UP's appeal, which the RTC declared on September 26, 2002. The CA upheld the declaration of finality on February 24, 2004, and the Court itself denied the UP's petition for review on that issue on May

11, 2004 (G.R. No. 163501). The denial became final on November 12, 2004.

It is true that a decision that has attained finality becomes immutable and unalterable, and cannot be modified in any respect,[87] even if the modification is meant to correct erroneous conclusions of fact and law, and whether the modification is made by the court that rendered it or by this Court as the highest court of the land.[88] Public policy dictates that once a judgment becomes final, executory and unappealable, the prevailing party should not be deprived of the fruits of victory by some subterfuge devised by the losing party. Unjustified delay in the enforcement of such judgment sets at naught the role and purpose of the courts to resolve justiciable controversies with finality.[89] Indeed, all litigations must at some time end, even at the risk of occasional errors.

But the doctrine of immutability of a final judgment has not been absolute, and has admitted several exceptions, among them: (*a*) the correction of clerical errors; (*b*) the so-called *nunc pro tunc* entries that cause no prejudice to any party; (*c*) void judgments; and (*d*) whenever circumstances transpire after the finality of the decision that render its execution unjust and inequitable.[90] Moreover, in *Heirs of Maura So v. Obliosca*,[91] we stated that despite the absence of the preceding circumstances, the Court is not precluded from brushing aside procedural norms if only to serve the higher interests of justice and equity. Also, in *Gumaru v. Quirino State College*,[92] the Court nullified the proceedings and the writ of execution issued by the RTC for the reason that respondent state

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87 *Airline Pilots Association of the Philippines v. Philippine Airlines, Inc.*, G.R. No. 168382, June 6, 2011, 650 SCRA 545, 557; *Florentino v. Rivera*, G.R. No. 167968, January 23, 2006, 479 SCRA 522, 528; *Siy v. National Labor Relations Commission*, G.R. No. 158971, August 25, 2005, 468 SCRA 154, 161-162.

88 *FGU Insurance Corporation v. Regional Trial Court of Makati, Branch 66*, G.R. No. 161282, February 23, 2011, 644 SCRA 50, 56.

89 *Edillo v. Dulpina*, G.R. No. 188360, January 21, 2010, 610 SCRA 590, 602.

90 *Apo Fruits Corporation v. Court of Appeals*, G.R. No. 164195, December 4, 2009, 607 SCRA 200, 214.

91 G.R. No. 147082, January 28, 2008, 542 SCRA 406, 418.

92 G.R. No. 164196, June 22, 2007, 525 SCRA 412, 426.

college had not been represented in the litigation by the Office of the Solicitor General.

We rule that the UP's plea for equity warrants the Court's exercise of the exceptional power to disregard the declaration of finality of the judgment of the RTC for being in clear violation of the UP's right to due process.

Both the CA and the RTC found the filing on June 3, 2002 by the UP of the notice of appeal to be tardy. They based their finding on the fact that only six days remained of the UP's reglementary 15-day period within which to file the notice of appeal because the UP had filed a motion for reconsideration on January 16, 2002 *vis-à-vis* the RTC's decision the UP received on January 7, 2002; and that because the denial of the motion for reconsideration had been served upon Atty. Felimon D. Nolasco of the UPLB Legal Office on May 17, 2002, the UP had only until May 23, 2002 within which to file the notice of appeal.

The UP counters that the service of the denial of the motion for reconsideration upon Atty. Nolasco was defective considering that its counsel of record was not Atty. Nolasco of the UPLB Legal Office but the OLS in Diliman, Quezon City; and that the period of appeal should be reckoned from May 31, 2002, the date when the OLS received the order. The UP submits that the filing of the notice of appeal on June 3, 2002 was well within the reglementary period to appeal.

We agree with the submission of the UP.

Firstly, the service of the denial of the motion for reconsideration upon Atty. Nolasco of the UPLB Legal Office was invalid and ineffectual because he was admittedly not the counsel of record of the UP. The rule is that it is on the counsel and not the client that the service should be made.[93] That counsel was the OLS in Diliman, Quezon City, which was served with

[93] *Antonio v. Court of Appeals*, No. L-35434, November 9, 1988, 167 SCRA 127, 131-132.

the denial only on May 31, 2002. As such, the running of the remaining period of six days resumed only on June 1, 2002,[94] rendering the filing of the UP's notice of appeal on June 3, 2002 timely and well within the remaining days of the UP's period to appeal.

Verily, the service of the denial of the motion for reconsideration could only be validly made upon the OLS in Diliman, and no other. The fact that Atty. Nolasco was in the employ of the UP at the UPLB Legal Office did not render the service upon him effective. It is settled that where a party has appeared by counsel, service must be made upon such counsel.[95] Service on the party or the party's employee is not effective because such notice is not notice in law.[96] This is clear enough from Section 2, second paragraph, of Rule 13, *Rules of Court*, which explicitly states that: "If any party has appeared by counsel, service upon him shall be made upon his counsel or one of them, unless service upon the party himself is ordered by the court. Where one counsel appears for several parties, he shall only be entitled to one copy of any paper served upon him by the opposite side." As such, the period to appeal resumed only on June 1, 2002, the date following the service on May 31, 2002 upon the OLS in Diliman of the copy of the decision of the RTC, not from the date when the UP was notified.[97]

Accordingly, the declaration of finality of the judgment of the RTC, being devoid of factual and legal bases, is set aside.

Secondly, even assuming that the service upon Atty. Nolasco was valid and effective, such that the remaining period for the UP to take a timely appeal would end by May 23, 2002, it would still not be correct to

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[94] Pursuant to Section 1, Rule 22 of the *Rules of Court*, "**the day of the act or event from which the designated period of time begins to run is to be excluded and the date of performance included**."

[95] *Anderson v. National Labor Relations Commission*, G.R. No. 111212, January 22, 1996, 252 SCRA 116, 124.

[96] *Prudential Bank v. Business Assistance Group, Inc*., G.R. No. 158806, December 16, 2004, 447 SCRA 187, 193; *Cabili v. Badelles*, No. L-17786, 116 Phil. 494, 497 (1962); *Martinez v. Martinez*, No. L-4075, 90 Phil. 697, 700 (1952); *Vivero v. Santos*, No. L-8105, 98 Phil. 500, 504 (1956); *Perez v. Araneta*, No. L-11788, 103 Phil. 1141 (1958); *Visayan Surety and Insurance Corp. v. Central Bank of the Philippines*, No. L-12199, 104 Phil. 562, 569 (1958).

[97] *Notor v. Daza*, No. L-320, 76 Phil. 850 (1946).

find that the judgment of the RTC became final and immutable thereafter due to the notice of appeal being filed too late on June 3, 2002.

In so declaring the judgment of the RTC as final against the UP, the CA and the RTC applied the rule contained in the second paragraph of Section 3, Rule 41 of the *Rules of Court* to the effect that the filing of a motion for reconsideration interrupted the running of the period for filing the appeal; and that the period resumed upon notice of the denial of the motion for reconsideration. For that reason, the CA and the RTC might not be taken to task for strictly adhering to the rule then prevailing.

However, equity calls for the retroactive application in the UP's favor of the *fresh-period rule* that the Court first announced in mid-September of 2005 through its ruling in *Neypes v. Court of Appeals*,[98] *viz*:

> To standardize the appeal periods provided in the Rules and to afford litigants fair opportunity to appeal their cases, the Court deems it practical to allow a fresh period of 15 days within which to file the notice of appeal in the Regional Trial Court, counted from receipt of the order dismissing a motion for a new trial or motion for reconsideration.

The retroactive application of the *fresh-period rule*, a procedural law that aims "to regiment or make the appeal period uniform, to be counted from receipt of the order denying the motion for new trial, motion for reconsideration (whether full or partial) or any final order or resolution,"[99] is impervious to any serious challenge. This is because there are no vested rights in rules of procedure.[100] A law or regulation is procedural when it prescribes rules and forms of procedure in order that courts may be able to administer justice.[101] It does not come within the legal conception of a retroactive law, or is not subject of the general rule prohibiting the retroactive operation of statues, but is given retroactive effect in actions

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98 G.R. No. 141524, September 14, 2005, 469 SCRA 633.
99 Id. at 644.
100 *Jamero v. Melicor*, G.R. No. 140929, May 26, 2005, 459 SCRA 113, 120.
101 *Lopez v. Gloria*, No. L-13846, 40 Phil 28 (1919).

pending and undetermined at the time of its passage without violating any right of a person who may feel that he is adversely affected.

We have further said that a procedural rule that is amended for the benefit of litigants in furtherance of the administration of justice shall be retroactively applied to likewise favor actions then pending, as equity delights in equality.[102] We may even relax stringent procedural rules in order to serve substantial justice and in the exercise of this Court's equity jurisdiction.[103] Equity jurisdiction aims to do complete justice in cases where a court of law is unable to adapt its judgments to the special circumstances of a case because of the inflexibility of its statutory or legal jurisdiction.[104]

It is cogent to add in this regard that to deny the benefit of the *fresh-period rule* to the UP would amount to injustice and absurdity – injustice, because the judgment in question was issued on November 28, 2001 as compared to the judgment in *Neypes* that was rendered in 1998; absurdity, because parties receiving notices of judgment and final orders issued in the year 1998 would enjoy the benefit of the *fresh-period rule* but the later rulings of the lower courts like that herein would not.[105]

Consequently, even if the reckoning started from May 17, 2002, when Atty. Nolasco received the denial, the UP's filing on June 3, 2002 of the notice of appeal was not tardy within the context of the *fresh-period rule*. For the UP, the fresh period of 15-days counted from service of the denial of the motion for reconsideration would end on June 1, 2002, which was a Saturday. Hence, the UP had until the next working day, or June 3, 2002, a Monday, within which to appeal, conformably with Section 1 of Rule 22, *Rules of Court*, which holds that: "If the last day of the period, as thus computed, falls on a Saturday, a Sunday, or a legal holiday in the place where the court sits, the time shall not run until the next working day."

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[102] *Go v. Sunbanun*, G.R. No. 168240, February 9, 2011, 642 SCRA 367, 370.
[103] *Buenaflor v. Court of Appeals*, G.R. No. 142021, November 29, 2000, 346 SCRA 563, 567; *Soriano v. Court of Appeals*, G.R. No. 100525, May 25, 1993, 222 SCRA 545, 546-547.
[104] *Reyes v. Lim*, G.R. No. 134241, August 11, 2003, 408 SCRA 560, 560-567.
[105] *De los Santos v. Vda. de Mangubat*, G.R. No. 149508, October 10, 2007, 535 SCRA 411, 423.

IV
Awards of monetary damages, being devoid of factual and legal bases, did not attain finality and should be deleted

Section 14 of Article VIII of the Constitution prescribes that express findings of fact and of law should be made in the decision rendered by any court, to wit:

> Section 14. No decision shall be rendered by any court without expressing therein clearly and distinctly the facts and the law on which it is based.
>
> No petition for review or motion for reconsideration of a decision of the court shall be refused due course or denied without stating the legal basis therefor.

Implementing the constitutional provision in civil actions is Section 1 of Rule 36, *Rules of Court, viz*:

> Section 1. *Rendition of judgments and final orders*. — A judgment or final order determining the merits of the case shall be in writing personally and directly prepared by the judge, stating clearly and distinctly the facts and the law on which it is based, signed by him, and filed with the clerk of the court. (1a)

The Constitution and the *Rules of Court* apparently delineate two main essential parts of a judgment, namely: the *body* and the *decretal portion*. Although the latter is the controlling part,[106] the importance of the former is not to be lightly regarded because it is there where the court clearly and distinctly states its findings of fact and of law on which the decision is based. To state it differently, one without the other is ineffectual and useless. The omission of either inevitably results in a judgment that violates the letter and the spirit of the Constitution and the *Rules of Court*.

The term *findings of fact* that must be found in the body of the decision refers to statements of fact, not to conclusions of law.[107] Unlike in

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[106] *Pelejo v. Court of Appeals*, No. L-60800, August 31, 1982, 116 SCRA 406, 410.
[107] *Braga v. Millora*, No. 1395, 3 Phil. 458 (1904).

pleadings where ultimate facts alone need to be stated, the Constitution and the *Rules of Court* require not only that a decision should state the ultimate facts but also that it should specify the supporting evidentiary facts, for they are what are called the findings of fact.

The importance of the findings of fact and of law cannot be overstated. The reason and purpose of the Constitution and the *Rules of Court* in that regard are obviously to inform the parties why they win or lose, and what their rights and obligations are. Only thereby is the demand of due process met as to the parties. As Justice Isagani A. Cruz explained in *Nicos Industrial Corporation v. Court of Appeals*:[108]

> It is a requirement of due process that the parties to a litigation be informed of how it was decided, with an explanation of the factual and legal reasons that led to the conclusions of the court. The court cannot simply say that judgment is rendered in favor of X and against Y and just leave it at that without any justification whatsoever for its action. The losing party is entitled to know why he lost, so he may appeal to a higher court, if permitted, should he believe that the decision should be reversed. A decision that does not clearly and distinctly state the facts and the law on which it is based leaves the parties in the dark as to how it was reached and is especially prejudicial to the losing party, who is unable to pinpoint the possible errors of the court for review by a higher tribunal.

Here, the decision of the RTC justified the grant of actual and moral damages, and attorney's fees in the following terse manner, *viz*:

> xxx The Court is not unmindful that due to defendants' unjustified refusal to pay their outstanding obligation to plaintiff, the same suffered losses and incurred expenses as he was forced to re-mortgage his house and lot located in Quezon City to Metrobank (Exh. "CC") and BPI Bank just to pay its monetary obligations in the form of interest and penalties incurred in the course of the construction of the subject project.[109]

The statement that "due to defendants' unjustified refusal to pay their outstanding obligation to plaintiff, the same suffered losses and incurred expenses as he was forced to re-mortgage his house and lot located in Quezon City to Metrobank (Exh. "CC") and BPI Bank just to pay its

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[108] G.R. No. 88709, February 11, 1992, 206 SCRA 127, 132.
[109] *Rollo*, p. 137.

monetary obligations in the form of interest and penalties incurred in the course of the construction of the subject project" was only a conclusion of fact and law that did not comply with the constitutional and statutory prescription. The statement specified no detailed expenses or losses constituting the ₱5,716,729.00 actual damages sustained by Stern Builders in relation to the construction project or to other pecuniary hardships. The omission of such expenses or losses directly indicated that Stern Builders did not prove them at all, which then contravened Article 2199, *Civil Code*, the statutory basis for the award of actual damages, which entitled a person to an adequate compensation only for such pecuniary loss suffered by him *as he has duly proved*. As such, the actual damages allowed by the RTC, being bereft of factual support, were speculative and whimsical. Without the clear and distinct findings of fact and law, the award amounted only to an *ipse dixit* on the part of the RTC,[110] and did not attain finality.

There was also no clear and distinct statement of the factual and legal support for the award of moral damages in the substantial amount of ₱10,000,000.00. The award was thus also speculative and whimsical. Like the actual damages, the moral damages constituted another judicial *ipse dixit*, the inevitable consequence of which was to render the award of moral damages incapable of attaining finality. In addition, the grant of moral damages in that manner contravened the law that permitted the recovery of moral damages as the means to assuage "physical suffering, mental anguish, fright, serious anxiety, besmirched reputation, wounded feelings, moral shock, social humiliation, and similar injury."[111] The contravention of the law was manifest considering that Stern Builders, as an artificial person, was incapable of experiencing pain and moral sufferings.[112] Assuming that in granting the substantial amount of ₱10,000,000.00 as moral damages, the RTC might have had in mind that dela Cruz had himself suffered mental anguish and anxiety. If that was the case, then the RTC obviously

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[110] Translated, the phrase means: "*He himself said it.*" It refers to an unsupported statement that rests solely on the authority of the individual asserting the statement.

[111] Article 2217, *Civil Code*.

[112] *Crystal v. Bank of the Philippine Islands*, G.R. No. 172428, November 28, 2008, 572 SCRA 697, 705.

disregarded his separate and distinct personality from that of Stern Builders.[113] Moreover, his moral and emotional sufferings as the President of Stern Builders were not the sufferings of Stern Builders. Lastly, the RTC violated the basic principle that moral damages were not intended to enrich the plaintiff at the expense of the defendant, but to restore the plaintiff to his status quo ante as much as possible. Taken together, therefore, all these considerations exposed the substantial amount of ₱10,000,000.00 allowed as moral damages not only to be factually baseless and legally indefensible, but also to be unconscionable, inequitable and unreasonable.

Like the actual and moral damages, the ₱150,000.00, plus ₱1,500.00 per appearance, granted as attorney's fees were factually unwarranted and devoid of legal basis. The general rule is that a successful litigant cannot recover attorney's fees as part of the damages to be assessed against the losing party because of the policy that no premium should be placed on the right to litigate.[114] Prior to the effectivity of the present *Civil Code*, indeed, such fees could be recovered only when there was a stipulation to that effect. It was only under the present *Civil Code* that the right to collect attorney's fees in the cases mentioned in Article 2208[115] of the *Civil Code* came to be recognized.[116] Nonetheless, with attorney's fees being allowed in the concept

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[113] Section 2, *Corporation Code*; *Martinez v. Court of Appeals*, G.R. No. 131673, September 10, 2004, 438 SCRA 130, 149; *Consolidated Bank and Trust Corporation v. Court of Appeals*, G.R. No. 114286, April 19, 2001, 356 SCRA 671, 682; *Booc v. Bantuas*, A.M. No. P-01-1464, March 13, 2001, 354 SCRA 279, 283.

[114] *Heirs of Justiva v. Gustilo*, L-16396, January 31, 1963, 7 SCRA 72, 73; *Firestone Tire & Rubber Co. of the Phil. v. Ines Chaves & Co., Ltd.*, No. L-17106, October 19, 1996, 18 SCRA 356, 358.

[115] Article 2208. In the absence of stipulation, attorney's fees and expenses of litigation, other than judicial costs, cannot be recovered, except:

(1) When exemplary damages are awarded;

(2) When the defendant's act or omission has compelled the plaintiff to litigate with third persons or to incur expenses to protect his interest;

(3) In criminal cases of malicious prosecution against the plaintiff;

(4) In case of a clearly unfounded civil action or proceeding against the plaintiff;

(5) Where the defendant acted in gross and evident bad faith in refusing to satisfy the plaintiff's plainly valid, just and demandable claim;

(6) In actions for legal support;

(7) In actions for the recovery of wages of household helpers, laborers and skilled workers;

(8) In actions for indemnity under workmen's compensation and employer's liability laws;

(9) In a separate civil action to recover civil liability arising from a crime;

(10) When at least double judicial costs are awarded;

(11) In any other case where the court deems it just and equitable that attorney's fees and expenses of litigation should be recovered.

In all cases, the attorney's fees and expenses of litigation must be reasonable.

[116] See *Reyes v. Yatco*, No. L-11425, 100 Phil. 964 (1957); *Tan Ti v. Alvear*, No. 8228, 26 Phil. 566 (1914); *Castueras, et al. v. Hon. Bayona, et al.*, No. L-13657, 106 Phil. 340 (1959).

of actual damages,[117] their amounts must be factually and legally justified in the body of the decision and not stated for the first time in the decretal portion.[118] Stating the amounts only in the dispositive portion of the judgment is not enough;[119] a rendition of the factual and legal justifications for them must also be laid out in the body of the decision.[120]

That the attorney's fees granted to the private respondents did not satisfy the foregoing requirement suffices for the Court to undo them.[121] The grant was ineffectual for being contrary to law and public policy, it being clear that the express findings of fact and law were intended to bring the case within the exception and thereby justify the award of the attorney's fees. Devoid of such express findings, the award was a conclusion without a premise, its basis being improperly left to speculation and conjecture.[122]

Nonetheless, the absence of findings of fact and of any statement of the law and jurisprudence on which the awards of actual and moral damages, as well as of attorney's fees, were based was a fatal flaw that invalidated the decision of the RTC only as to such awards. As the Court declared in *Velarde v. Social Justice Society*,[123] the failure to comply with the constitutional requirement for a clear and distinct statement of the supporting facts and law "is a grave abuse of discretion amounting to lack or excess of jurisdiction" and that "(d)ecisions or orders issued in careless disregard of the constitutional mandate are a patent nullity and must be struck down as void."[124] The other item granted by the RTC (*i.e.*, ₱503,462.74) shall stand, subject to the action of the COA as stated herein.

WHEREFORE, the Court **GRANTS** the petition for review on *certiorari*; **REVERSES** and **SETS ASIDE** the decision of the Court of

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117 *Fores v. Miranda*, No. L-12163, 105 Phil. 266 (1959).
118 *Buduhan v. Pakurao*, G.R. No. 168237, February 22, 2006, 483 SCRA 116, 127.
119 *Gloria v. De Guzman, Jr.*, G.R. No. 116183, October 6, 1995, 249 SCRA 126, 136.
120 *Policarpio v. Court of Appeals*, G.R. No. 94563, March 5, 1991, 194 SCRA 729, 742.
121 *Koa v. Court of Appeals*, G.R. No. 84847, March 5, 1993, 219 SCRA 541, 549; *Central Azucarera de Bais v. Court of Appeals*, G.R. No. 87597, August 3, 1990, 188 SCRA 328, 340.
122 *Ballesteros v. Abion*, G.R. No. 143361, February 9, 2006, 482 SCRA 23.
123 G.R. No. 159357, April 28, 2004, 428 SCRA 283.
124 Id. at 309.

Appeals under review; **ANNULS** the orders for the garnishment of the funds of the University of the Philippines and for the release of the garnished amount to Stern Builders Corporation and Servillano dela Cruz; and **DELETES** from the decision of the Regional Trial Court dated November 28, 2001 for being void only the awards of actual damages of ₱5,716,729.00, moral damages of ₱10,000,000.00, and attorney's fees of ₱150,000.00, plus ₱1,500.00 per appearance, in favor of Stern Builders Corporation and Servillano dela Cruz.

The Court **ORDERS** Stern Builders Corporation and Servillano dela Cruz to redeposit the amount of ₱16,370,191.74 within 10 days from receipt of this decision.

Costs of suit to be paid by the private respondents.

SO ORDERED.

LUCAS P. BERSAMIN
Associate Justice

WE CONCUR:

TERESITA J. LEONARDO-DE CASTRO
Associate Justice
Acting Chairperson, First Division

MARIANO C. DEL CASTILLO
Associate Justice

MARTIN S. VILLARAMA, JR.
Associate Justice

ESTELA M. PERLAS-BERNABE
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

TERESITA J. LEONARDO-DE CASTRO
Associate Justice
Acting Chairperson, First Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Acting Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

ANTONIO T. CARPIO
Senior Associate Justice
(Per Section 12, R.A. 296,
The Judiciary Act of 1948, as amended)