Republic of the Philippines
Supreme Court
Manila

**FIRST DIVISION**

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| **ATTY. EMMANUEL D. AGUSTIN, JOSEPHINE SOLANO, ADELAIDA FERNANDEZ, ALEJANDRO YUAN, JOCELYN LAVARES, MARY JANE OLASO, MELANIE BRIONES, ROWENA PATRON, MA. LUISA CRUZ, SUSAN TAPALES, RUSTY BAUTISTA, and JANET YUAN,** Petitioners, | **G.R. No. 174564** |
| | Present: |
| | SERENO, *C.J.*, *Chairperson*, LEONARDO-DE CASTRO, BERSAMIN, VILLARAMA, JR., and REYES, *JJ.* |
| - versus - | |
| **ALEJANDRO CRUZ-HERRERA,** Respondent. | Promulgated: FEB 12 2014 |

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**DECISION**

**REYES, *J.*:**

This is a petition for review on *certiorari*[1] assailing the Resolution[2] dated September 30, 2005 of the Court of Appeals (CA) in CA-G.R. SP No. 85556 which approved the joint compromise agreement executed by respondent Alejandro Cruz-Herrera (Herrera) and the former employees of Podden International Philippines, Inc. (Podden), namely: Josephine Solano, Adelaida Fernandez, Alejandro Yuan, Jocelyn Lavares, Mary Jane Olaso, Melanie Briones, Rowena Patron, Ma. Luisa Cruz, Susan Tapales, Rusty Bautista, and Janet Yuan (complainants).

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1 *Rollo*, pp. 13-36.

2 Penned by Associate Justice Jose L. Sabio, Jr., with Associate Justices Jose C. Mendoza (now a Member of this Court) and Arturo G. Tayag (retired), concurring; id. at 37-39.

## The Antecedents

Respondent Herrera was the President of Podden while complainants were assemblers and/or line leader assigned at the production department.[3] In 1993, the complainants were terminated from employment due to financial reverses. Upon verification, however, with the Department of Labor and Employment, no such report of financial reverses or even retrenchment was filed. This prompted the complainants to file a complaint for illegal dismissal, monetary claims and damages against Podden and Herrera.[4] They engaged the services of Atty. Emmanuel D. Agustin (Atty. Agustin) to handle the case[5] upon the verbal agreement that he will be paid on a contingency basis at the rate of ten percent (10%) of the final monetary award or such amount of attorney's fees that will be finally determined.

## Proceedings before the Labor Arbiter

The complainants, thru Atty. Agustin, obtained a favorable ruling before the Labor Arbiter (LA) who disposed as follows in its Decision[6] dated September 27, 1998, to wit:

> WHEREFORE, premises considered, [Podden and Herrera] are hereby directed/ordered to immediately reinstate the complainants to their former positions without loss of seniority rights and other privileges with full backwages from date of dismissal up to actual date of reinstatement which as of this month is more or less in the amount as follows:
>
> | COMPLAINANT | AMOUNT<br>[₱]238,680.00=([₱]135.00/day x 26 days = [₱]3,510/mo. x 68 mos.) |
> |---|---|
> | 1. JOSEPHINE SOLANO | [₱]238,680.00 |
> | 2. ADELAIDA FERNANDEZ | [₱]238,680.00 |
> | 3. ALEJANDRO YUAN | [₱]238,680.00 |
> | 4. JOCELYN LAVARES | [₱]238,680.00 |
> | 5. MARY JANE OLASO | [₱]238,680.00 |
> | 6. MELANIE BRIONES | [₱]238,680.00 |
> | 7. ROWENA PATRON | [₱]238,680.00 |
> | 8. MA. LUISA CRUZ | [₱]238,680.00 |
> | 9. SUSAN TAPALES | [₱]238,680.00 |
> | 10. RUSTY BAUTISTA | [₱]238,680.00 |
> | 11. JANET YUAN | [₱]238,680.00 |
> | TOTAL | [₱]2,625,480.00 |

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3 Complainant Josephine Solano was a line leader while the rest of the other complainants were assemblers; id. at 44.

4 Id. at 44-46.

5 Id. at 54.

6 Issued by LA Aliman D. Mangandog; id. at 43-53.

> [Podden and Herrera] are further ordered to pay complainants their money claims representing their underpayment of wages, 13th month pay, premium pay for holidays and rest days and service incentive leave pay to be computed by the Fiscal Examiner of the Research, Information and Computation Unit of the Commission in due time.
>
> [Podden and Herrera] are furthermore ordered to pay each complainant the amount of [₱]40,000.00 as moral and exemplary damages, as well as ten (10%) of the total awards as attorney's fee.
>
> SO ORDERED.[7]

No appeal was taken from the foregoing judgment hence, on February 2, 1999, a motion for execution was filed. The motion was set for a hearing on February 10, 1999 but was reset twice upon the parties' request for the purpose of exploring the possibility of settlement.[8]

On March 20, 1999, Herrera filed a Manifestation and Motion to deny issuance of the writ stating, among others, that Podden ceased operations on December 1, 1994 or almost four years before judgment was rendered by the LA on the illegal dismissal complaint and that nine of the eleven employees have executed Waivers and Quitclaims rendering any execution of the judgment inequitable.[9]

On July 20, 1999, the Computation and Examination Unit of the National Labor Relations Commission (NLRC) released the computation of the total monetary award granted by the LA amounting to ₱3,358,441.84.[10]

Atty. Agustin opposed Herrera's motion and argued that the issuance of a writ of execution is ministerial because the LA decision has long been final and executory there being no appeal taken therefrom. He further claimed that the alleged Waivers and Quitclaims were part of a scheme adopted by Podden to evade its liability and defraud the complainants.[11]

Resolving the conflict, the LA issued its Order[12] dated May 15, 2000 denying the motion for the issuance of a writ of execution. The LA sustained as valid the Waivers and Quitclaims signed by all and not just nine of the complainants, based on the following findings:

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7 Id. at 52-53.
8 Id. at 56-57.
9 Id. at 57-58.
10 Id. at 42.
11 Id. at 58-60.
12 Id. at 55-65.

> A cursory examination of the records reveal[s] that complainants, all eleven (11) of them, had indeed executed their respective waiver and quitclaim thru an instrument entitled "Pagtalikod sa Karapatang Maghabol" absolving [Podden and Herrera] from any and all liabilities that may arise against the latter to these cases. The instruments were signed by the complainants and sworn to before Notary Public Amparo G. Ocampo. Considering the fact that the complainants, through their common counsel, received a copy of the Decision in these cases on December 28, 1998, it could only be supposed that as of that date they signed the instrument of waiver and quitclaim on March 2, 1999, April 8, 1999 and March 31, 2000, they were already properly apprised about the decision having been issued in their favor, more particularly the contents thereof, by their esteemed counsel. The fact that complainants would execute such waiver and quitclaim, notwithstanding, only shows the spontaneity and voluntariness of their deed.
>
> Moreover, and as the instrument of waiver and quitclaim would show, the letter was written in the vernacular of Filipino language. Complainants who are all presumed to be knowledgeable about the national language could not have been misled with respect to the real meaning and plain import of the words used in the instrument. That complainants meant and understood what they signed in the instrument is best shown by the fact that in the subsequent hearings scheduled to take up the motion for writ of execution and the opposition thereto (considering the relative importance of the matters raised and substantial awards to the complainants)[,] complainants have failed to show up in any of them.[13]

Accordingly, the quitclaims were held to have superseded the matter of issuing a writ of execution. Anent Atty. Agustin's fees, the LA held that he is entitled to ten percent (10%) of the total monetary award obtained by the complainants from the compromise agreement. The order disposed thus:

> WHEREFORE, premises considered, the motion for writ of execution is denied on [the] ground that complainants have already settled their cases with [Podden and Herrera].
>
> On account of the settlement, however, [Podden and Herrera] are hereby ordered to pay complainants' counsel ten (10%) percent of the amount received by complainants as attorney's fees.
>
> SO ORDERED.[14]

## Ruling of the NLRC

On appeal, the NLRC reversed the LA Order dated May 15, 2000 for the reason that it unlawfully amended, altered and modified the final and executory LA Decision dated September 27, 1998. The quitclaims were also

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13 Id. at 63-64.

14 Id. at 65.

held invalid based on the unconscionably low amount received by each of the complainants thereunder which ranged between ₱10,000.000 and ₱20,000.00 as against the judgment award of ₱238,680.00 for each individual complainant. This factor was found by the NLRC to be a clear proof that the quitclaims were indeed wangled from the unsuspecting complainants. The NLRC Resolution[15] dated May 7, 2003 thus held:

> **WHEREFORE**, the appeal is **GRANTED**. The Order a quo of May 15, 2000 is hereby reversed and set aside and a new one entered ordering the Labor Arbiter a quo to immediately issue the corresponding writ of execution for the enforcement of the decision rendered in this case. The quitclaims executed by the complainants are hereby nullified. However, any amount received by the complainants under the quitclaims shall be deducted from the award due each of them.
>
> **SO ORDERED**.[16]

The NLRC reiterated the foregoing judgment in the Order[17] dated May 31, 2004 which denied Podden and Herrera's motion for reconsideration. On August 13, 2004, the NLRC issued an Entry of Judgment declaring that its Order dated May 31, 2004 has become final and executory on June 20, 2004.[18]

## Ruling of the CA

On August 6, 2004, Herrera filed a petition for *certiorari* before the CA assailing the issuances of the NLRC. During the pendency of the petition or on August 30, 2005, a joint compromise agreement was submitted to the CA narrating as follows:

> WHEREAS, the parties have discussed their differences; claims, counterclaims and other issues in the above-entitled cases and have decided to amicably and mutually settle the same;
>
> WHEREAS, the parties have agreed that [Herrera] shall pay each of the [complainants] immediately upon the signing of the Joint Compromise Agreement the amount of Php 35,000.00 to each;
>
> WHEREAS, the parties have agreed that [Herrera] shall pay the costs of the suit and attorney's fees of [the complainants] equivalent to 10% (ten percent) of the total settlement agreement;

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15 Id. at 67-72.
16 Id. at 71.
17 Id. at 74-75.
18 Id. at 76.

> WHEREAS, the parties, their heirs, and assigns, agree to have the present case dismissed WITH PREJUDICE, immediately; x x x[.][19]

In its assailed Resolution[20] dated September 30, 2005, the CA found the joint compromise agreement consistent with law, public order and public policy, and consequently stamped its approval thereon and entered judgment in accordance therewith, *viz*:

> Finding the above terms and conditions not contrary to law, public order and public policy, the parties' prayer that the foregoing joint compromise agreement be approved and the extant case be dismissed with prejudice is **GRANTED** and the agreement **ADMITTED.** Judgment is hereby entered in accordance thereto.
>
> Parties are enjoined to strictly comply with this judgment on compromise.
>
> **SO ORDERED**.[21]

Atty. Agustin moved for the reconsideration of the foregoing resolution but his motion was denied in the CA Resolution[22] dated September 8, 2006.

Displeased, Atty. Agustin, with the complainants named as his co-petitioners, interposed the present recourse contending that the resolutions of the CA violated the principle of *res judicata* because they amended and altered the final and executory LA Decision dated September 27, 1998 and NLRC Resolution dated May 7, 2003 on the basis of an unconscionable compromise agreement that was executed without his knowledge and consent. Atty. Agustin prays that the joint compromise agreement be set aside, the LA Decision dated September 27, 1998 executed and Herrera ordered to pay him ₱335,844.18 as attorney's fees pursuant to the final and executory monetary award originally obtained by the complainants before the LA.

## Our Ruling

We deny the petition.

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19 *See* CA Resolution dated September 30, 2005, id. at 37-38.
20 Id. at 37-39.
21 Id. at 38.
22 Id. at 40-41.

The petition is dismissible outright for being accompanied by a defective certification of non-forum shopping having been signed by Atty. Agustin instead of the complainants as the principal parties.

It has been repeatedly emphasized that in the case of natural persons, the certification against forum shopping must be signed by the principal parties themselves and not by the attorney.[23] The purpose of the rule rests mainly on practical sensibility. As explained in *Clavecilla v. Quitain*:[24]

> x x x [T]he certification (against forum shopping) must be signed by the plaintiff or any of the principal parties and not by the attorney. For such certification is a peculiar personal representation on the part of the principal party, an assurance given to the court or other tribunal that there are no other pending cases involving basically the same parties, issues and causes of action.
>
> x x x Obviously it is the petitioner, and not always the counsel whose professional services have been retained for a particular case, who is in the best position to know whether he or it actually filed or caused the filing of a petition in that case. Hence, a certification against forum shopping by counsel is a defective certification.[25]

The Court has espoused leniency and overlooked such procedural misstep in cases bearing substantial merit complemented by the written authority or general power of attorney granted by the parties to the actual signatory.[26] However, no analogous justifiable reasons exist in the case at bar neither do the claims of Atty. Agustin merit substantial consideration to justify a relaxation of the rule.

It is apparent that the complainants did not seek the instant review because they have already settled their dispute with Herrera before the CA. It is Atty. Agustin's personal resolve to pursue this recourse premised on his unwavering stance that the joint compromise agreement signed by the complainants was inequitable and devious as they were denied the bigger monetary award adjudged by a final and executory judgment.

Atty. Agustin ought to be reminded that his professional relation with his clients is one of agency under the rules thereof "[t]he acts of an agent are deemed the acts of the principal only if the agent acts within the scope of his authority."[27] It is clear that under the circumstances of

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[23] *Cosco Philippines Shipping, Inc. v. Kemper Insurance Company*, G.R. No. 179488, April 23, 2012, 670 SCRA 343, 350-351.

[24] 518 Phil. 53 (2006).

[25] Id. at 63, citing *Gutierrez v. Sec. of the Dept. of the Labor and Employment*, 488 Phil. 110, 121 (2004).

[26] Id. at 65.

[27] *See J-Phil Marine Inc. and/or Candava v. NLRC*, 583 Phil. 671, 676 (2008).

this case, Atty. Agustin is acting beyond the scope of his authority in questioning the compromise agreement between the complainants, Podden and Herrera.

It is settled that parties may enter into a compromise agreement without the intervention of their lawyer.[28] This precedes from the equally settled rule that a client has an undoubted right to settle a suit without the intervention of his lawyer for he is generally conceded to have the exclusive control over the subject-matter of the litigation and may, at any time before judgment, if acting in good faith, compromise, settle, and adjust his cause of action out of court without his attorney's intervention, knowledge, or consent, even though he has agreed with his attorney not to do so. Hence, the absence of a counsel's knowledge or consent does not invalidate a compromise agreement.[29]

Neither can a final judgment preclude a client from entering into a compromise. Rights may be waived through a compromise agreement, notwithstanding a final judgment that has already settled the rights of the contracting parties provided the compromise is shown to have been voluntarily, freely and intelligently executed by the parties, who had full knowledge of the judgment. Additionally, it must not be contrary to law, morals, good customs and public policy.[30]

In the present case, the allegations of vitiated consent proffered by Atty. Agustin are all presumptions and suppositions that have no bearing as evidence. There is no proof that the complainants were forced, intimidated or defrauded into executing the quitclaims. On the contrary, the LA correctly observed that, based on the following facts, the complainants voluntarily entered into and fully understood the contents and effect of the quitclaims, *to wit*: (1) they have already received a copy and hence aware of the LA Decision dated September 27, 1998 when they signed the quitclaims on March 2, 1999, April 8, 1999 and March 31, 2000; (2) the quitclaims were written in Filipino language which is known to and understood by the complainants; (3) none of the complainants attended the hearings on the motion for execution of the LA Decision dated September 27, 1998; (4) they were consistent in their manifestations before the NLRC and the CA that they have already settled their claims against Podden and Herrera hence, their request for the termination of the appeals filed by Atty. Agustin before the said tribunals.

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28 Id.

29 *Czarina T. Malvar v. Kraft Food Phils., Inc., and/or Bienvenido Bautista, Kraft Foods International*, G.R. No. 183952, September 9, 2013.

30 *Magbanua v. Uy*, 497 Phil. 511, 520-522 (2005).

Furthermore, it is the complainants themselves who can impugn the consideration of the compromise as being unconscionable[31] but no such repudiation was manifested before the Court or the courts *a quo*.

The ruling in *Unicane Workers Union-CLUP v. NLRC*[32] cited by Atty. Agustin is not applicable to the facts at hand. The circumstances which led the Court to annul the quitclaim in *Unicane* are not attendant in the present case. In *Unicane*, the attorney-in-fact who signed the quitclaim in behalf of the employees exceeded the scope of his authority thus prejudicing the latter. Consequently, it was ruled that the quitclaim did not bind the employees. No akin situation exists in the case at bar.

Further, Atty. Agustin's claim for his unpaid attorney's fees cannot nullify the subject joint compromise agreement.[33]

A compromise agreement is binding only between its privies and could not affect the rights of third persons who were not parties to the agreement. One such third party is the lawyer who should not be totally deprived of his compensation because of the compromise subscribed by the client. Otherwise, the terms of the compromise agreement will be set aside, and the client shall be bound to pay the fees agreed upon with his lawyer. If the adverse party settled the suit in bad faith, he will be made solidarily liable with the client for the payment of such fees. The following discussions in *Gubat v. National Power Corporation*[34] elaborate on this matter, *viz*:

> As the validity of a compromise agreement cannot be prejudiced, so should not be the payment of a lawyer's adequate and reasonable compensation for his services should the suit end by reason of the settlement. The terms of the compromise subscribed to by the client should not be such that will amount to an entire deprivation of his lawyer's fees, especially when the contract is on a contingent fee basis. In this sense, the compromise settlement cannot bind the lawyer as a third party. A lawyer is as much entitled to judicial protection against injustice or imposition of fraud on the part of his client as the client is against abuse on the part of his counsel. The duty of the court is not only to ensure that a lawyer acts in a proper and lawful manner, but also to see to it that a lawyer is paid his just fees.
>
> Even if the compensation of a counsel is dependent only upon winning a case he himself secured for his client, the subsequent withdrawal of the case on the client's own volition should never completely deprive counsel of any legitimate compensation for his professional services. In all cases, a client is bound to pay his lawyer for

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31 Supra note 27.
32 330 Phil. 291 (1996).
33 Supra note 29.
34 G.R. No. 167415, February 26, 2010, 613 SCRA 742.

> his services. The determination of bad faith only becomes significant and relevant if the adverse party will likewise be held liable in shouldering the attorney's fees.[35] (Citations omitted)

There is truth to Atty. Agustin's argument that the compromise agreement did not include or affect his attorney's fees granted in the final and executory LA Decision dated September 27, 1998. Attorney's fees become vested right when the order awarding those fees becomes final and executory and any compromise agreement removing that right must include the lawyer's participation if it is to be valid against him.[36]

However, equity dictates that an exception to such rule be made in this case with the end in view that the fair share of litigants to the benefits of a suit be not displaced by a contract for legal services.

It must be noted that the complainants were laborers who desired to contest their dismissal for being illegal. With no clear means to pay for costly legal services, they hired Atty. Agustin whose remuneration was subject to the success of the illegal dismissal suit. Before a judgment was rendered in their favor, however, the company closed down and settlement of the suit for an amount lesser than their monetary claims, instead of execution of the favorable judgment, guaranteed the atonement for their illegal termination. To make the complainants liable for the ₱335,844.18 attorney's fees adjudged in the LA Decision of September 27, 1998 would be allowing Atty. Agustin to get a lion's share of the ₱385,000.00[37] received by the former from the compromise agreement that terminated the suit; to allow that to happen will contravene the *raison d'être* for contingent fee arrangements.

Contingent fee arrangements "are permitted because they redound to the benefit of the poor client and the lawyer 'especially in cases where the client has meritorious cause of action, but no means with which to pay for legal services unless he can, with the sanction of law, make a contract for a contingent fee to be paid out of the proceeds of the litigation. Oftentimes, the contingent fee arrangement is the only means by which the poor and helpless can seek redress for injuries sustained and have their rights vindicated.'"[38]

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35 Id. at 759-760.

36 *University of the East v. Secretary of Labor and Employment*, G.R. Nos. 93310-12, November 21, 1991, 204 SCRA 254, 263, 265.

37 ₱35,000.00 multiplied by 11 complainants. *See* CA Decision dated September 30, 2005; *rollo*, pp. 37-39.

38 *Rayos v. Atty. Hernandez*, 544 Phil. 447, 461 (2007).

Further, a lawyer is not merely the defender of his client's cause. He is also, first and foremost, an officer of the court and participates in the fundamental function of administering justice in society. It follows that a lawyer's compensation for professional services rendered is subject to the supervision of the court in order to maintain the dignity and integrity of the legal profession to which he belongs.[39] "[L]awyering is not a moneymaking venture and lawyers are not merchants. Law advocacy, it has been stressed, is not capital that yields profits. The returns it births are simple rewards for a job done or service rendered."[40]

More importantly, Atty. Agustin was not totally deprived of his fees. Under the joint settlement agreement, he is entitled to receive ten percent (10%) of the total settlement. We find the said amount reasonable considering that the nature of the case did not involve complicated legal issues requiring much time, skill and effort.

It cannot be said that Herrera negotiated for the compromise agreement in bad faith. It remains undisputed that Podden has ceased operations on December 1, 1994 or almost four years before the LA Decision dated September 27, 1998 was rendered.[41] In view thereof, the implementation of the award became unfeasible and a compromise settlement was more beneficial to the complainants as it assured them of reparation, albeit at a reduced amount. This was the same situation prevailing at the time when Herrera manifested and reiterated before the CA that a concession has been reached by the parties. Thus, the motivating force behind the settlement was not to deprive or prejudice Atty. Agustin of his fees, but rather the inability of a dissolved corporation to fully abide by its adjudged liabilities and the certainty of payment on the part of the complainants.

Also, collusion between complainants and Herrera cannot be inferred from the fact that Atty. Agustin obtained lesser attorney's fees under the compromise agreement as against that which he could have gained if the LA Decision dated September 27, 1998 was executed. Unless there is a showing that the complainants actually received an amount higher than that stated in the settlement agreement, it cannot be said that Atty. Agustin was unlawfully prejudiced. There is no proof submitted supporting such inference.

Under the above circumstances, Herrera cannot be made solidarily liable for Atty. Agustin's fees which, as a rule, are the personal obligation of his clients, the complainants. However, pursuant to his undertaking in the joint compromise agreement, Herrera is solely bound to compensate

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39 Id. at 459.

40 *Bach v. Ongkiko Kalaw Manhit & Acorda Law Offices*, 533 Phil. 69, 85 (2006).

41 *Rollo*, p. 57.

Atty. Agustin at the rate of ten percent (10%) of the total settlement agreement.[42] Since the entire provisions of the joint compromise agreement are not available in the records and only the relevant portions thereof were quoted in the CA Resolution dated September 30, 2005, the Court deems it reasonable to impose a period of ten (10) days within which Herrera should fulfill his obligation to Atty. Agustin.

**WHEREFORE,** premises considered, the petition is hereby **DENIED**. The Resolution dated September 30, 2005 of the Court of Appeals in CA-G.R. SP No. 85556 is **AFFIRMED**.

Pursuant to his undertaking in the joint compromise agreement, respondent Alejandro Cruz-Herrera is **ORDERED** to pay, give, deliver to Atty. Emmanuel D. Agustin ten percent (10%) of the total settlement agreement within a period of ten (10) days from notice hereof. Both of them are hereby **REQUIRED** to report compliance with the foregoing order within a period of five days thereafter.

**SO ORDERED.**

**BIENVENIDO L. REYES**
Associate Justice

**WE CONCUR:**

**MARIA LOURDES P. A. SERENO**
Chief Justice
Chairperson

**TERESITA J. LEONARDO-DE CASTRO**
Associate Justice

**LUCAS P. BERSAMIN**
Associate Justice

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42 Id. at 38.

**MARTIN S. VILLARAMA, JR.**
Associate Justice

## CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, 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.

**MARIA LOURDES P. A. SERENO**
Chief Justice