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Republic of the Philippines
Supreme Court
Manila
FIRST DIVISION

SUPREME COURT OF THE PHILIPPINES
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EUGENIO E. CORTEZ,
Complainant,

A.C. No. 9119

Present:

SERENO, C.J.,*
Chairperson,
LEONARDO-DE CASTRO,**
DEL CASTILLO,
JARDELEZA, and
TIJAM, JJ.

- versus -

ATTY. HERNANDO P. CORTES,
Respondent.

Promulgated:
MAR 12 2018

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DECISION

TIJAM, J.:

The instant controversy arose from a Complaint-Affidavit¹ filed by complainant Eugenio E. Cortez² against respondent Atty. Hernando P. Cortes (Atty. Cortes) for grave misconduct, and violation of the Lawyer's Oath and the Code for Professional Responsibility.

Complainant alleged that he engaged the services of Atty. Cortes as his counsel in an illegal dismissal case against Philippine Explosives Corporation (PEC). He further alleged that he and Atty. Cortes had a handshake agreement on a 12% contingency fee as and by way of attorney's fees.³

*On Leave.
**Designated Acting Chairperson, First Division per Special Order No. 2540 dated February 28, 2018.
¹ Rollo, p. 1-11.
² Also referred to as "Eugenio P. Cortez" in Complaint-Affidavit.
³ Rollo, p.1.

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Atty. Cortes prosecuted his claims for illegal dismissal which was decided in favor of complainant. The Court of Appeals affirmed the decision of the National Labor Relations Commission ordering PEC to pay complainant the total amount of One Million One Hundred Thousand Pesos (₱1,100,000) in three staggered payments. PEC then issued City Bank Check No. 1000003986 dated March 31, 2005 in the amount of Five Hundred Fifty Thousand Pesos (₱550,000), Check No. 1000003988 in the amount of Two Hundred Seventy-Five Thousand Pesos (₱275,000) dated April 15, 2005, and Check No. 1000003989 also in the amount of Two Hundred Seventy-Five Thousand Pesos (₱275,000) dated April 30, 2005, all payable in the name of complainant.⁴

Complainant narrated that after the maturity of the first check, he went to China Bank, Southmall Las Pinas with Atty. Cortes and his wife to open an account to deposit the said check. Atty. Cortes asked complainant to wait outside the bank while he personally, for and in his behalf, facilitated the opening of the account. After thirty minutes, he was asked to go inside and sign a joint savings account with Atty. Cortes.⁵

On April 7, 2005, complainant alleged that when he was about to withdraw the amount of the initial check deposited, Atty. Cortes arrived with his wife and ordered the bank teller to hold off the transaction. When complainant asked why he did that, Atty. Cortes answered that 50% of the total awarded claims belongs to him as attorney's fees. When complainant questioned him, Atty. Cortes became hysterical and imposingly maintained that 50% of the total awarded claims belongs to him.⁶

Complainant then tried to pacify Atty. Cortes and his wife and offered to pay ₱200,000, and when Atty. Cortes rejected it, he offered the third check amounting to ₱275,000, but Atty. Cortes still insisted on the 50% of the total award. Complainant was then forced to endorse the second and third checks to Atty. Cortes, after which he was able to withdraw the proceeds of the first check. With the help of the lawyers in the Integrated Bar of the Philippines (IBP), complainant was able to have the drawer of the checks cancel one of the checks endorsed to Atty. Cortes before he was able to encash the same.

Atty. Cortes, in his Answer, admitted that his services were engaged by complainant to pursue the labor claims. He, however, denied that they agreed on a 12% contingency fee by way of attorney's fees.⁷

⁴ Id. at 1-2.

⁵ Id. at 2.

⁶ Id.

⁷ Id. at 17-18.

Atty. Cortes claimed that complainant is a relative of his, but considering that the case was to be filed in Pampanga and he resided in Las Pinas, he would only accept the case on a fifty-fifty sharing arrangement.⁸

Atty. Cortes alleged that the checks were issued pursuant to the pre-execution agreement reached by the parties at the office of Labor Arbiter Herminio V. Suelo. He and complainant agreed that the amount of the first check be divided fifty-fifty, the whole of the second check would be the complainant's, and the third check would be his.⁹

Atty. Cortes further alleged that he had to assist complainant in the opening of an account to deposit the checks. Atty. Cortes had to convince the bank manager to accept the checks issued in the name of Eugene E. Cortez despite the fact that complainant's ID's are all in the name of Eugenio E. Cortez.¹⁰ He claimed that anyone in his place would have demanded for the holding off of the transaction because of the base ingratitude, patent deception and treachery of complainant.¹¹

Atty. Cortes posited that the check forms part and parcel of the judgment award to which he had a lien corresponding to his attorney's fees and complainant should have at least invited him to witness the "harvest of the fruits."¹²

Atty. Cortes insisted that the alleged 12% agreement is false, being merely a concoction of complainant's fertile and unstable mind. He also pointed out that the fifty-fifty sharing arrangement is not unconscionably high because the complainant was given the option to hire other lawyers, but still he engaged his services.¹³

After hearing and submission of position papers, the IBP Commission on Bar Discipline, in a Report and Recommendation dated April 11, 2007, recommended the six-month suspension of Atty. Cortes. It ruled that a contingent fee arrangement should generally be in writing, and that contingent fees depend upon an express contract without which the lawyer can only recover on the basis of *quantum meruit*. It also pointed out that the Labor Code establishes a limit as to the amount of attorney's fees that a lawyer may collect or charge his client in labor cases.

The report and recommendation was adopted and approved by the IBP Board of Governors in an August 17, 2007 Resolution:

⁸ Id. at 18.

⁹ Id. at 35.

¹⁰ Id. at 21.

¹¹ Id. at 22.

¹² Id. at 23.

¹³ Id. at 26.

RESOLUTION NO. XVIII-2007-74
CBD Case No. 05-1482
Eugenio E. Cortez vs.
Atty. Hernando P. Cortes

RESOLVED to ADOPT and APPROVE, as it is hereby ADOPTED and APPROVED the Report and Recommendation of the Investigating Commissioner of the above-entitled case, herein made part of this Resolution as Annex "A"; and, finding the recommendation fully supported by the evidence on record and the applicable laws and rules, and for violation of Article 11(b) of the Labor Code, Atty. Hernando P. Cortes is hereby **SUSPENDED** from the practice of law for six (6) months and Ordered to Return to complainant whatever amount he received in excess of the 10% allowable attorney's fees in labor case (sic).

TOMAS N. PRADO
National Secretary¹⁴

A motion for reconsideration¹⁵ was filed by Atty. Cortes, which was denied by the IBP Board of Governors.¹⁶

The issue, plainly, is whether or not the acts complained of constitute misconduct on the part of Atty. Cortes, which would subject him to disciplinary action.

We rule in the affirmative.

We have held that a contingent fee arrangement is valid in this jurisdiction. It is generally recognized as valid and binding, but must be laid down in an express contract.¹⁷ The case of *Rayos v. Atty. Hernandez*¹⁸ discussed the same succinctly, thus:

A contingent fee arrangement is valid in this jurisdiction and is generally recognized as valid and binding but must be laid down in an express contract. The amount of contingent fee agreed upon by the parties is subject to the stipulation that counsel will be paid for his legal services **only** if the suit or litigation prospers. A much higher compensation is allowed as contingent fee in consideration of the risk that the lawyer may get nothing if the suit fails. Contracts of this nature 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

¹⁴ *Rollo*, Vol. II, p.1.

¹⁵ *Id.* at 15-19.

¹⁶ *Id.* at 55.

¹⁷ *Agdao Residents Inc., et al. v. Maramion, et al.*, G.R. Nos. 188642 and 189425, October 17, 2016.

¹⁸ 544 Phil. 447 (2007).

arrangement is the only means by which the poor and helpless can seek redress for injuries sustained and have their rights vindicated.¹⁹ (Emphasis Ours)

In this case, We note that the parties did not have an express contract as regards the payment of fees. Complainant alleges that the contingency fee was fixed at 12% via a handshake agreement, while Atty. Cortes counters that the agreement was 50%.

The IBP Commission on Discipline pointed out that since what respondent handled was merely a labor case, his attorney's fees should not exceed 10%, the rate allowed under Article 111²⁰ of the Labor Code.

Although we agree that the 50% contingency fee was excessive, We do not agree that the 10% limitation as provided in Article 111 is automatically applicable.

The case of *Masmud v. NLRC (First Division), et al.*,²¹ discussed the matter of application of Article 111 of the Labor Code on attorney's fees:

There are two concepts of attorney's fees. **In the ordinary sense, attorney's fees represent the reasonable compensation paid to a lawyer by his client for the legal services rendered to the latter. On the other hand, in its extraordinary concept, attorney's fees may be awarded by the court as indemnity for damages to be paid by the losing party to the prevailing party, such that, in any of the cases provided by law where such award can be made, e.g., those authorized in Article 2208 of the Civil Code, the amount is payable not to the lawyer but to the client, unless they have agreed that the award shall pertain to the lawyer as additional compensation or as part thereof.**

x x x x

Contrary to Evangelina's proposition, **Article 111 of the Labor Code deals with the extraordinary concept of attorneys fees. It regulates the amount recoverable as attorney's fees in the nature of damages sustained by and awarded to the prevailing party. It may not be used as the standard in fixing the amount payable to the lawyer by his client for the legal services he rendered.**²² (Emphasis Ours)

¹⁹ Id. at 460-461.

²⁰ Art. 111. *Attorneys fees.* (a) In case of unlawful withholding of wages the culpable party may be assessed attorneys fees equivalent to ten percent (10%) of the amount of wages recovered.

(b) **It shall be unlawful for any person to demand or accept, in any judicial or administrative proceedings for the recovery of the wages, attorneys fees which exceed ten percent (10%) of the amount of wages recovered.** (Emphasis Ours)

²¹ 598 Phil. 971 (2009).

²² Id. at 976-977.

It would then appear that the contingency fees that Atty. Cortes required is in the ordinary sense as it represents reasonable compensation for legal services he rendered for complainant. Necessarily, the 10% limitation of the Labor Code would not be applicable. Beyond the limit fixed by Article 111, such as between the lawyer and the client, the attorney's fees may exceed 10% on the basis of *quantum meruit*.²³ We, however, are hard-pressed to accept the justification of the 50% contingency fee that Atty. Cortes is insisting on for being exorbitant.

Generally, the amount of attorney's fees due is that stipulated in the retainer agreement which is conclusive as to the amount of the lawyers compensation. In the absence thereof, the amount of attorney's fees is fixed on the basis of *quantum meruit*, i.e., the reasonable worth of the attorneys services.²⁴ Courts may ascertain also if the attorney's fees are found to be excessive, what is reasonable under the circumstances. In no case, however, must a lawyer be allowed to recover more than what is reasonable, pursuant to Section 24, Rule 138²⁵ of the Rules of Court.²⁶

Canon 20 of the Code of Professional Responsibility states that "A lawyer shall charge only fair and reasonable fees." Rule 20.01 of the same canon enumerates the following factors which should guide a lawyer in determining his fees:

- (a) The time spent and the extent of the services rendered or required;
- (b) The novelty and difficulty of the questions involved;
- (c) The importance of the subject matter;
- (d) The skill demanded;
- (e) The probability of losing other employment as a result of acceptance of the proffered case;
- (f) The customary charges for similar services and the schedule of fees of the IBP Chapter to which he belongs;
- (g) The amount involved in the controversy and the benefits resulting to the client from the service;
- (h) The contingency or certainty of compensation;
- (i) The character of the employment, whether occasional or established;
- and
- (j) The professional standing of the lawyer.

²³ *Kaisahan at Kapatiran ng mga Manggagawa at Kawani sa MWC East Zone Union, et al. v. Manila Water Co., Inc.*, 676 Phil. 262, 278-279.

²⁴ *Bach v. Ongkiko Kalaw Manhit & Acorda Law Offices*, 533 Phil. 69 (2006).

²⁵ SEC. 24. *Compensation of attorneys; agreement as to fees.* - **An attorney shall be entitled to have and recover from his client no more than a reasonable compensation for his services, with a view to the importance of the subject matter of the controversy, the extent of the services rendered, and the professional standing of the attorney.** No court shall be bound by the opinion of attorneys as expert witnesses as to the proper compensation, but may disregard such testimony and base its conclusion on its own professional knowledge. **A written contract for services shall control the amount to be paid therefor unless found by the court to be unconscionable or unreasonable.** (Emphasis supplied.)

²⁶ *Rayos v. Hernandez*, supra note 18, at 463.

Here, as set out by Atty. Cortes himself, the complainant's case was merely grounded on complainant's alleged absence without leave for the second time and challenging the plant manager, the complainant's immediate superior, to a fist fight. He also claimed that the travel from his home in Las Pinas City to San Fernando, Pampanga was costly and was an ordeal. We likewise note that Atty. Cortes admitted that complainant was a close kin of his, and that complainant appealed to his services because, since his separation from work, he had no visible means of income and had so many mouths to feed. These circumstances cited by Atty. Cortes to justify the fees, to Our mind, does not exculpate Atty. Cortes, but in fact, makes Us question all the more, the reasonableness of it.

We believe and so hold that the contingent fee here claimed by Atty. Cortes was, under the facts obtaining in this case, grossly excessive and unconscionable. The issues involved could hardly be said to be novel and Atty. Cortes in fact already knew that complainant was already hard up. We have held that lawyering is not a moneymaking venture and lawyers are not merchants.²⁷ Law advocacy, it has been stressed, is not capital that yields profits.²⁸ The returns it births are simple rewards for a job done or service rendered. It is a calling that, unlike mercantile pursuits which enjoy a greater deal of freedom from governmental interference, is impressed with a public interest, for which it is subject to State regulation.²⁹

Here, considering that complainant was amenable to a 12% contingency fee, and which we likewise deem to be the reasonable worth of the attorney's services rendered by Atty. Cortes under the circumstances, Atty. Cortes is hereby adjudged to return to complainant the amount he received in excess of 12% of the total award. If the Law has to remain an honorable profession and has to attain its basic ideal, those enrolled in its ranks should not only master its tenets and principles but should also, by their lives, accord continuing fidelity to such tenets and principles.³⁰

We, however, find that the recommended suspension of six months is too harsh and considering that Atty. Cortes is nearing ninety years old and that there was no question that Atty. Cortes was able to get a favorable outcome, a reduction of the suspension is proper. We then reduce and sanction Atty. Cortes to a three-month suspension from the practice of law.

²⁷ *Cortes v. CA*, 443 Phil. 42 (2003).

²⁸ *Bach v. Ongkiko Kalaw Manhit & Alcorda Law Offices*, supra, at 85.

²⁹ *Sesbreño v. Hon. Court of Appeals, et al.*, 574 Phil. 658, 671 (2008).

³⁰ *Jacinto v. Atty. Bangot*, A.C. No. 8494, October 5, 2016.

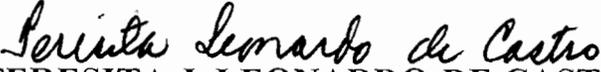
WHEREFORE, premises considered, respondent Atty. Hernando P. Cortes is found **GUILTY** of violation of Canon 20 of the Code of Professional Responsibility and is hereby **SUSPENDED** from the practice of law for three (3) months, and is ordered to return to complainant Eugenio E. Cortez the amount he received in excess of the 12% allowable attorney's fees.

SO ORDERED.


NOEL GIMENEZ TIJAM
Associate Justice

WE CONCUR:

(On Leave)
MARIA LOURDES P. A. SERENO
Chief Justice
Chairperson


TERESITA J. LEONARDO-DE CASTRO
Acting Division Chairperson


MARIANO C. DEL CASTILLO
Associate Justice


FRANCIS H. JARDELEZA
Associate Justice