



Republic of the Philippines  
Supreme Court  
Manila

SECOND DIVISION

SUPREME COURT OF THE PHILIPPINES  
PUBLIC INFORMATION OFFICE  
RECEIVED  
JUN 06 2019  
BY: [Signature]  
TIME: 2:37

HEIRS OF DOMINADOR S. ASIS, JR., LUZON STEAM LAUNDRY, INC., DOMINADOR R. ASIS III, ANDREA ASIS OLEDAN, MARIA MARTA ASIS GARCIA, MARIA ANA ASIS ANGON,  
Petitioners,

G.R. No. 225052

Present:

CARPIO, J., Chairperson,  
PERLAS-BERNABE,  
CAGUIOA,  
REYES, J. JR., and  
LAZARO-JAVIER, JJ.

- versus -

G.G. SPORTSWEAR MANUFACTURING CORPORATION and NARI K. GIDWANI,  
Respondents.

Promulgated:

27 MAR 2019

[Signature]

X-----X

DECISION

REYES, J. JR., J.:

This is a Petition for Review on *Certiorari*<sup>1</sup> under Rule 45 of the Rules of Court, assailing the Decision<sup>2</sup> dated September 12, 2013 of the Court of Appeals (CA) in CA-G.R. CV No. 92867, only insofar as it deleted the amount of actual damages and attorney's fees. The CA's Resolutions dated November 12, 2015<sup>3</sup> and June 2, 2016,<sup>4</sup> which denied petitioners' Manifestation and Urgent Motion (Re: Decision dated 12 September 2013)<sup>5</sup> and Motion for Reconsideration<sup>6</sup> of the November 12, 2015 Resolution, respectively, are likewise impugned herein.

<sup>1</sup> Rollo, pp. 11-47.

<sup>2</sup> Penned by Associate Justice Florito S. Macalino, with Associate Justices Sesinando E. Villon and Pedro B. Corales, concurring; id. at 55-65.

<sup>3</sup> Id. at 67-71.

<sup>4</sup> Id. at 73-74.

<sup>5</sup> Id. at 364-368.

<sup>6</sup> Id. at 373-386.

✓

### The Antecedents

On April 2, 1996, G.G. Sportswear Manufacturing Corporation and Nari K. Gidwani (respondents) signified their intent to purchase Filipinas Washing Company, Inc. (FWC) through a letter addressed to the latter's President, Dominador S. Asis, Jr. (Dominador). Dominador and petitioners Dominador R. Asis III, Andrea Asis Oledan, Maria Marta Asis Garcia, and Maria Ana Asis Angon, are all stockholders of record of FWC.<sup>7</sup>

After more than two months of negotiations, the parties entered into an agreement, whereby the respondents undertook to purchase FWC under the terms and conditions set forth in the Letter-Agreement dated June 17, 1996.<sup>8</sup>

In accordance with the Letter-Agreement, respondents remitted ₱1,462,642.00 as partial payment of FWC obligations to Westmont Bank. Respondents also issued a check amounting to ₱10,000,000.00 in favor of Dominador, also to be used as partial payment of FWC obligation to the said bank.<sup>9</sup>

On the other hand, petitioners performed the following acts in accordance with the Letter-Agreement: (a) made representations with Westmont Bank and Equitable Banking Corporation relative to the restructuring of FWC loan obligations in preparation for respondents' assumption thereof; (b) ceased FWC operations in preparation for the turnover of the facilities to respondents; (c) advised the FWC employees about the sale of the company and gave them their separation pay and other benefits.<sup>10</sup>

Respondents, however, failed to comply with their obligation under the Letter-Agreement to assume the payment of FWC with Westmont Bank and Equitable Banking Corporation. This prompted petitioners to demand, through a letter dated August 14, 1996, from respondents full compliance with their contractual obligations under the Letter-Agreement.<sup>11</sup>

In response thereto, respondents wrote a letter to petitioners cancelling the Letter-Agreement for the latter's failure to comply with their obligation to deliver the FWC shares of stocks to respondents.<sup>12</sup>

---

<sup>7</sup> Id. at 56.

<sup>8</sup> Id. at 56-58.

<sup>9</sup> Id. at 57.

<sup>10</sup> Id. at 58.

<sup>11</sup> Id. at 58-59.

<sup>12</sup> Id. at 59.

On August 30, 1996, petitioners filed a Complaint for rescission of contract with damages against respondents.<sup>13</sup>

### **Regional Trial Court's Ruling**

The case was originally raffled to the Regional Trial Court (RTC) of Pasig, Branch 263 on September 5, 1996 but was re-raffled to Branch 268 on June 19, 2006 pursuant to the Order of the former Court dated May 25, 2006.<sup>14</sup>

After trial on the merits, the RTC, Branch 268 found respondents to have breached the Letter-Agreement for failure to assume FWC's loan obligations with the banks. The RTC found that while petitioners admittedly have not yet transferred the shares of stock to respondents, such transfer was not a condition for the latter to undertake its contractual duty to accomplish the restructuring of FWC loans with the banks. According to the RTC, the Letter-Agreement did not state when exactly the shares of stocks should be transferred. The agreement, however, provides that all shares shall be transferred "for and in consideration of the sum of [P63,500,000.00.]" Hence, since said amount was never fully paid, no transfer of shares can occur and respondents cannot use the same to justify their failure to comply with their obligations under the Letter-Agreement. For such breach, the RTC ruled that rescission was proper.<sup>15</sup>

The RTC also found that due to respondents' failure to comply with their contractual obligations, petitioners were constrained to place FWC under rehabilitation, for which they suffered consequential damages in the amount of P12,568,493.18 "per Exhibits 'E' to 'BB'."<sup>16</sup>

In conclusion, the RTC ruled that by virtue of the rescission, respondents' partial payment amounting to P11,462,000.00 should be restituted, while the consequential damages amounting to P12,568,493.18 should be awarded to petitioners. It disposed, thus:

WHEREFORE, foregoing premises considered, judgment is hereby rendered as follows:

1. The JUNE 12, 1996 letter-agreement entered into by the parties is RESCINDED and is declared of no force and effect;
2. Ordering [respondents] to pay [petitioners] jointly and severally the following sums:

2.1 Php1,106,493.18 representing the actual

---

<sup>13</sup> Id.

<sup>14</sup> Id. at 243.

<sup>15</sup> Id. at 254-256.

<sup>16</sup> Id. at 256.

damages caused by the stoppage of operation.  
(Php12,568,493.18 less Php11,462,000.00).

2.2 Php250,000.00 as and by way of attorney's fees;  
and

2.3 Cost of Suit.

SO ORDERED.<sup>17</sup>

### **Court of Appeals' Ruling**

In its assailed Decision, the CA affirmed the findings of the RTC as to respondents' breach and the rescission of the Letter-Agreement. It deleted, however, the award of actual damages for failure to find basis therefor, as there were no receipts or any competent evidence on record to prove the alleged cost; and the RTC Decision did not explain how it arrived with the said figures. The CA found on record, only a summary of the rehabilitation cost, which reflects a lower amount and is, at any rate, self-serving. Citing jurisprudence, the CA ruled the credence can be given only to claims which are duly supported by receipts. The CA further deleted the attorney's fees, also, for failure of the RTC to explain such award in its decision.<sup>18</sup> The CA, thus, disposed as follows:

**WHEREFORE**, premises considered, the instant Appeal is hereby **PARTLY GRANTED**. Accordingly, the 1 September 2008 Decision of the Regional Trial Court of Pasig City, Branch 268 in Civil Case No. 65881 is **AFFIRMED with MODIFICATION**. The award of actual damages and attorney's fees to [petitioners] are deleted for lack of basis. Meanwhile, [petitioners] are ordered to return to [respondents] the amount of Php11,462,642.00.

**SO ORDERED.**<sup>19</sup>

Petitioners received a copy of the said Decision on September 26, 2013.<sup>20</sup> Hence, it has until October 11, 2013 to file a motion for reconsideration thereto. Petitioners, however, discovered that Exhibits "E-series" through "S-series", *i.e.*, documentary evidence, which include receipts, vouchers, requisition slips, invoices, and purchase orders, on the rehabilitation cost and other pecuniary losses allegedly sustained as a result of respondents' non-performance of their contractual obligations, were nowhere to be found in the records transmitted by the RTC to the CA. Thus, instead of filing a motion for reconsideration, petitioners filed a Manifestation and Urgent Motion on October 8, 2013, praying that the CA issue an order directing the Branch Clerk of Court of Branch 268, to transmit the said documentary evidence to the CA. Petitioners also prayed that the

---

<sup>17</sup> Id. at 256-257.

<sup>18</sup> Id. at 63-64.

<sup>19</sup> Id. at 64.

<sup>20</sup> Id. at 21.

period for the filing of their partial motion for reconsideration be suspended until such time that the subject exhibits be transmitted to the CA.<sup>21</sup>

Acting upon the said manifestation and motion, the CA issued a Resolution<sup>22</sup> dated September 3, 2014, ordering the Branch Clerk of Court, Branch 268, RTC, Pasig, to transmit to the CA the missing Exhibits “E-series” to “S-series” and their sub-markings, within 10 days from notice.

No compliance, however, was undertaken with the said Resolution. Hence, on March 13, 2015, the CA issued a Resolution<sup>23</sup> directing the Branch Clerk of Court to show cause why no disciplinary action should be meted against him/her and ordering him/her to comply anew within the same period of 10 days.

On April 16, 2015, the Acting Branch Clerk of Court of Branch 268, filed a Letter-Compliance stating that she failed to comply with the Resolution due to inadvertence. She also stated that she could not transmit the subject exhibits considering that the same were not among those transmitted to Branch 268 by Branch 263 when the case was re-raffled to the former as shown in the transmittal letter dated February 26, 2009.<sup>24</sup>

On November 12, 2015, the CA issued the assailed Resolution, denying petitioners’ Manifestation and Urgent Motion.

The CA ruled that the period for filing the motion for reconsideration is non-extendible. Petitioners filing of the Manifestation and Urgent Motion did not toll the running of the period to file the motion for reconsideration. Having failed to file its motion for partial reconsideration within the 15-day period, the CA’s September 12, 2013 Decision has already attained finality.<sup>25</sup>

The CA continued to rule that even if petitioners were able to timely file a motion for partial reconsideration to question the deletion of the actual damages and attorney’s fees, still it would not merit the reversal or modification of the CA Decision, considering that it did not have any basis in awarding the said actual damages and attorney’s fees, thus:

**WHEREFORE**, premises considered, [petitioners’] Manifestation and Urgent Motion praying that the running of the prescriptive period for filing Motion for Partial Reconsideration be suspended pending transmittal of the documentary exhibits is **DENIED**.

**SO ORDERED.**<sup>26</sup>

---

<sup>21</sup> Id. at 21-22.

<sup>22</sup> Id. at 369-371.

<sup>23</sup> Id. at 372.

<sup>24</sup> Id. at 68.

<sup>25</sup> Id. at 69.

<sup>26</sup> Id. at 70.

Undaunted, petitioners filed a motion for reconsideration of the CA's November 12, 2015 Resolution, which was likewise denied in its June 2, 2016 assailed Resolution, the dispositive portion thereof reads:

**WHEREFORE**, premises considered, [petitioners'] Motion for Reconsideration is hereby **DENIED** for lack of merit.

**SO ORDERED.**<sup>27</sup>

Hence, this petition.

### Issues

- (1) Did the CA err in deleting the award for actual damages?
- (2) Did the CA err in deleting the attorney's fees?

### This Court's Ruling

The petition is partly meritorious.

In awarding actual damages, the RTC, Branch 268 merely has this to say:

**Due to the non-compliance by the [respondents] of their obligations, [petitioners] were compelled to rehabilitate the plant of FWC and suffered consequential damages in the amount of Php12,568,493.18 as per Exhibits "E" to "BB".** Considering that [respondents] already made a partial payment in the amount of Php11,462,000.00, equity and fair play dictates that said amount s[h]ould be set off with the amount spent by [petitioners] in the rehabilitation of [FWC].<sup>28</sup> (Emphasis supplied)

As correctly observed by the CA, however, this Court could not find any basis for the grant of such amount for actual damages. This Court has, time and again, ruled in no uncertain terms that actual or compensatory damages cannot be presumed but must be proved with reasonable degree of certainty. A court cannot rely on speculations, conjectures or guesswork as to the fact of damage but must depend upon competent proof that they have indeed been suffered by the injured party and on the basis of the best evidence obtainable as to the *actual amount* thereof. It must point out specific facts that could provide the gauge for measuring whatever compensatory or actual damages were borne.<sup>29</sup>

---

<sup>27</sup> Id. at 74.

<sup>28</sup> Id. at 256.

<sup>29</sup> *Mr. & Mrs. Tan v. G.V.T. Engineering Services*, 529 Phil. 751, 770 (2006) (emphasis supplied).

In this case, petitioners argue that, contrary to the CA's conclusion, Branch 268 has a basis in awarding the Php12,568,493.18 actual damages, *i.e.*, Exhibits "E" to "BB". The fact, however, that said exhibits were presented before Branch 263, coupled with the fact that said vital evidence were not transmitted to Branch 268 for examination to aid it in its decision, leave clouds of doubts to our minds as to how the latter court arrived at said figures.

It is noteworthy, that even up to present, the said vital exhibits are nowhere to be found.

To be clear, this Court's ruling on the matter of actual damages is not merely based on the Branch 263's failure to transmit the subject evidence to Branch 268 and Branch 268's failure to specifically explain the basis of its award of actual damages. A careful reading of the transcript of stenographic notes (TSN)<sup>30</sup> of the hearings before Branch 263 on the matter, would also show that no such amount of actual damages was proven with the reasonable certainty contemplated by our jurisprudential rules on the matter.

Further, the TSNs would show that aside from alleged rehabilitation costs and business closure expenses, the alleged consequential damages claimed include the amount shelled out to update their loan obligations with the banks. Petitioners argue that these should have been respondents' obligation had they proceeded with the sale of FWC.<sup>31</sup> This position is erroneous.

Mutual restitution is required in cases involving rescission like in this case. This means bringing the parties back to their original status prior to the inception of the contract.<sup>32</sup> These loan obligations are petitioners' outstanding loan obligations prior to the Letter-Agreement. While respondents undertook to assume said liabilities in the Letter-Agreement, they cannot be made to answer therefor, by virtue of the rescission of the said agreement. Rescission is not merely to terminate the contract and release the parties from further obligations to each other, but to abrogate it from the beginning and restore the parties to their relative positions as if no contract has been made.<sup>33</sup> Hence, petitioners' outstanding loan obligations with the banks cannot be made part of the consequential damages it suffered due to the rescission of the Letter-Agreement.

Thus, the CA did not err in deleting the award of actual damages for lack of evidentiary basis.

---

<sup>30</sup> *Rollo*, pp. 390-470.

<sup>31</sup> *Id.* at 43.

<sup>32</sup> *Unlad Resources Development Corporation v. Dragon*, 582 Phil. 61, 79 (2008).

<sup>33</sup> *Id.* at 80.

Nonetheless, in the absence of competent proof on the amount of actual damages suffered, petitioners correctly argue that they are entitled to temperate damages. Temperate or moderate damages may be recovered when some pecuniary loss has been suffered but its amount cannot, from the nature of the case, be proved with certainty. The amount thereof is usually left to the discretion of the courts but the same should be reasonable, bearing in mind that temperate damages should be more than nominal but less than compensatory.<sup>34</sup>

There is no question that petitioners suffered damages due to the breach committed by the respondents. The cessation of FWC's operations, the termination of its employees, and the process of re-operating the business due to the failed turn over to the respondents necessarily entailed expenses. However, as above-discussed, petitioners failed to present competent proof of the exact amount of such pecuniary loss to warrant an award of actual damages. In view of the circumstances obtaining in this case, the Court finds the amount of ₱500,000.00 just and reasonable.

In view of the courts *a quo*'s findings that respondents committed breach in their agreement with petitioners, we also find it proper to award exemplary damages in this case. Exemplary or corrective damages are intended to serve as a deterrent to serious wrong doings, and as a vindication of undue sufferings and wanton invasion of the rights of an injured. "Business owners must always be forthright in their dealings. They cannot be allowed to renege on their obligations, considering that these obligations were freely entered into by them."<sup>35</sup> We, thus, find the grant of ₱500,000.00 exemplary damages proper in this case.

Anent the award of attorney's fees, the CA did not err in ruling that the factual and legal justification in granting the same should be expressly stated in the decision; granting it in the dispositive portion of the judgment is not enough as its basis is being improperly left to speculation and conjecture.<sup>36</sup> However, in view of the award of exemplary damages,<sup>37</sup> in consonance with Article 2208(1)<sup>38</sup> of the New Civil Code, and petitioners were constrained to litigate to protect their interests due to respondents' breach, this Court finds the award of attorney's fees in the amount of ₱100,000.00 which is equivalent to 10% of the total amount adjudged the petitioners, proper.

<sup>34</sup> *Engr. Dueñas v. Guce-Africa*, 618 Phil. 10, 22 (2009).

<sup>35</sup> *Arco Pulp and Paper Co, Inc. v. Lim*, 737 Phil. 133, 153 (2014).

<sup>36</sup> *Abobon v. Abobon*, 692 Phil. 530, 545 (2012).

<sup>37</sup> *Tan v. OMC Carriers, Inc.*, 654 Phil. 443, 458 (2011)

<sup>38</sup> CIVIL CODE, 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.

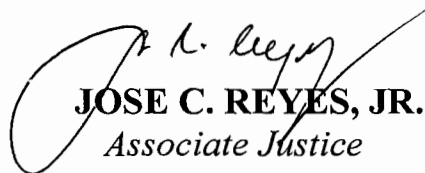


In accordance with the principle of mutual restitution, the RTC's order upon petitioners, as affirmed by the CA, to return the amount of ₱11,462,642.00 to the respondents, stands.


Finally, pursuant to the latest jurisprudence,<sup>39</sup> the monetary awards adjudged being in the nature of forbearance of money, shall earn an interest at the rate of 6% *per annum* from finality of this judgment until full satisfaction thereof.

**WHEREFORE**, premises considered, the Petition is **PARTLY GRANTED**. The Decision dated September 12, 2013 of the Court of Appeals in CA-G.R. CV No. 92867 is hereby **AFFIRMED with MODIFICATION**. Accordingly, the order to delete the actual damages awarded to petitioners, **STANDS**. In lieu thereof, respondents are ordered to pay petitioners temperate damages in the amount of ₱500,000.00. Respondents are further ordered to pay petitioners exemplary damages in the amount of ₱500,000.00 and attorney's fees in the amount of ₱100,000.00. On the other hand, the order upon petitioners to return to respondents the amount of ₱11,462,642.00, also **STANDS**. The monetary awards adjudged to both parties shall earn an interest rate of 6% *per annum* from finality of this judgment until full satisfaction thereof.

**SO ORDERED.**


  
**JOSE C. REYES, JR.**  
*Associate Justice*

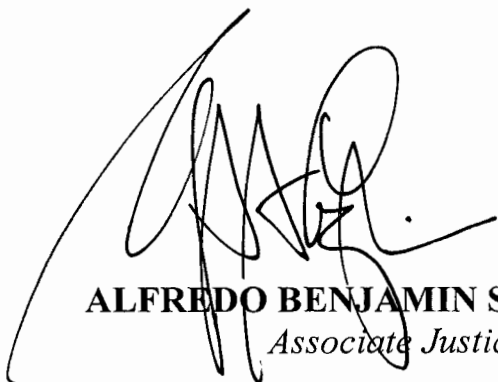
**WE CONCUR:**

  
**ANTONIO T. CARPIO**  
*Senior Associate Justice*  
*Chairperson*

---

<sup>39</sup> *Nacar v. Gallery Frames*, 716 Phil. 267, 279 (2013).


  
**ESTELA M. PERLAS-BERNABE**  
*Associate Justice*

  
**ALFREDO BENJAMIN S. CAGUIOA**  
*Associate Justice*

  
**AMY C. LAZARO-JAVIER**  
*Associate Justice*

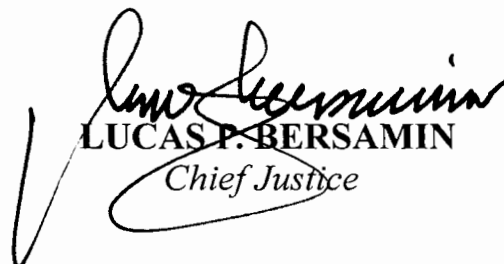
**ATTESTATION**

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.

  
**ANTONIO T. CARPIO**  
*Senior Associate Justice*  
*Chairperson, Second Division*

**CERTIFICATION**

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

  
**LUCAS P. BERSAMIN**  
*Chief Justice*

✓