



REPUBLIC OF THE PHILIPPINES
SUPREME COURT
Manila

SECOND DIVISION

NOTICE

Sirs/Mesdames:

*Please take notice that the Court, Second Division, issued a Resolution dated **07 December 2020** which reads as follows:*

“G.R. No. 224665 (*Metropolitan General Hospital Employees’ Association (MGHEA) v. Metropolitan General Hospital/United Doctors Services Corporation and Atty. Gennodin V. Nilong*). – This is an appeal by *certiorari* seeking to reverse and set aside the January 20, 2016 Decision¹ and April 22, 2016 Resolution² of the Court of Appeals (*CA*) in CA-G.R. SP No. 140337. The *CA* affirmed the December 29, 2014 Resolution³ of the National Labor Relations Commission (*NLRC*) in *NLRC NCR CC No. 00277-04*, which granted the Motion for Issuance of Writ of Execution⁴ filed by Atty. Gennodin V. Nilong (*Atty. Nilong*) and directed Metropolitan General Hospital Employees’ Association (*petitioner*) to pay the remaining amount of Atty. Nilong’s attorney’s fees.

The Antecedents

On July 15, 2005, Atty. Nilong was retained as counsel by petitioner to handle all its labor-related cases filed against Metropolitan General Hospital (*MGH*). In their retainer’s agreement,⁵ petitioner agreed to pay Atty. Nilong a monthly retainer fee equivalent to one-half (1/2) of the monthly union dues. Additionally, petitioner shall pay Atty. Nilong a success fee of ten percent

¹ *Rollo*, pp. 295-306; penned by Associate Justice Ramon R. Garcia with Associate Justices Leoncia R. Dimagiba and Jhosep Y. Lopez, concurring.

² *Id.* at 35-36.

³ *Id.* at 410-419; penned by Presiding Commissioner Gerardo C. Nograles with Commissioners Perlita B. Velasco and Romeo L. Go, concurring.

⁴ *Id.* at 449-456.

⁵ *Id.* at 281-282.

(10%) of the total monetary award in all cases wherein his representation results in the award of monetary benefits.⁶

On July 22, 2005, petitioner obtained a favorable judgment in the unfair labor practice case it filed against MGH which was formerly handled by another law firm engaged by petitioner, Capoquian & Nueva Law Offices. After finality of the judgment, Atty. Nilong filed a Motion for Execution.⁷ The NLRC directed MGH to pay petitioner the amount of ₱30,932,626.61 and issued a Writ of Execution to satisfy the judgment award.⁸

After five (5) years, MGH and petitioner, with the assistance of Atty. Nilong, executed an Amicable Settlement⁹ wherein MGH obligated itself, among other things, to pay petitioner attorney's fees amounting to ₱3,093,262.69.¹⁰ In paragraph 5 thereof, this amount was divided into (i) ₱1,920,104.18, which would be automatically deducted from the total backwages awarded to currently-employed employees, and (ii) ₱1,173,158.51, for which management shall issue a postdated check after deducting 10% from the backwages of resigned employees.¹¹

The NLRC approved the Amicable Settlement in its June 15, 2010 Resolution.¹² Although the provisions of the Amicable Settlement did not state that attorney's fees shall be paid to Atty. Nilong, the NLRC directed petitioner to pay Atty. Nilong his attorney's fees, as contemplated in paragraph 5 of the Amicable Settlement.¹³

Petitioner filed a Motion to Cancel and Nullify the Amicable Settlement. According to petitioner, the attorney's fees should not be interpreted in its ordinary sense but as a form of damages to which petitioner, not Atty. Nilong, is entitled to.¹⁴

⁶ Id. at 281; "In all cases wherein the representation of the undersigned results in the awarding of monetary benefit/s, a success fee of ten percent (10%) shall be awarded to the undersigned computed from the total amount received."

⁷ Id. at 16; 278-279.

⁸ Id. at 296.

⁹ Id. at 74-76.

¹⁰ Id. at 75.

¹¹ Id.

¹² Id. at 497-503.

¹³ Id. at 501-502.

¹⁴ Id. at 297.

In its January 24, 2011 Resolution,¹⁵ the NLRC denied petitioner's prayer to nullify the Amicable Settlement. It ruled that petitioner could not renege on its obligation to pay its counsel considering that the June 15, 2010 Resolution¹⁶ approving the Amicable Settlement was a judgment upon compromise, which is immediately final and executory.¹⁷

Petitioner filed a Motion for Reconsideration, stating that the check should be issued under its name and not under the name of Atty. Nilong.¹⁸

In its June 19, 2012 Resolution,¹⁹ the NLRC directed MGH to issue a postdated check in the amount of ₱1,173,158.51 in the name of petitioner as payment of attorney's fees.²⁰ Atty. Nilong filed a Motion for Reconsideration, which the NLRC denied in its November 27, 2012 Resolution.²¹ In said Resolution, the NLRC reiterated that the attorney's fees awarded in the case, "being an indemnity for damages, should be awarded to the Union and not to the lawyer."²² The NLRC also held that with attorney's fees being a matter between petitioner and Atty. Nilong, any controversy arising therefrom must be brought before "the civil court that has jurisdiction to try and dispose such claim."²³

With petitioner having terminated his services, Atty. Nilong, on July 23, 2014, filed a Motion for Issuance of Writ of Execution.²⁴ He alleged that petitioner made partial payments of his attorney's fees in the amount of ₱1,920,104.18. Petitioner, however, failed to pay his last fee in the amount of ₱1,173,158.51. Atty. Nilong argued that the filing of another case just to execute paragraph 5(ii) of the Amicable Settlement in order for him to collect the amount would be contrary to judicial policy against multiplicity of suits.²⁵

In its December 29, 2014 Resolution,²⁶ the NLRC granted the Motion for Issuance of Writ of Execution and directed petitioner to pay Atty. Nilong the balance of the attorney's fees as embodied in paragraph 5(ii) of the Amicable Settlement. It ruled that the Amicable Settlement approved by the NLRC established the right of petitioner over the attorney's fees and its

¹⁵ Id. at 488-492.

¹⁶ Id. at 497-503.

¹⁷ Id. at 501.

¹⁸ Id. at 298.

¹⁹ Id. at 482.

²⁰ Id. at 298.

²¹ Id. at 482-486.

²² Id. at 485.

²³ Id.

²⁴ Id. at 449-456.

²⁵ Id. at 450.

²⁶ Id. at 410-419.

consequent obligation to pay Atty. Nilong. The NLRC clarified that the June 19, 2012 Resolution directing MGH to issue a postdated check in the name of petitioner did not obliterate petitioner's obligation in the Amicable Settlement to pay Atty. Nilong his attorney's fees.²⁷

Petitioner filed a Motion for Reconsideration, which the NLRC denied in its February 26, 2015 Resolution.²⁸

The CA Ruling

In its January 20, 2016 Decision,²⁹ the CA dismissed the Petition for *Certiorari* filed by petitioner and ruled that there was no grave abuse of discretion amounting to lack or excess of jurisdiction on the part of the NLRC in ordering the payment of attorney's fees. It ruled that, while the attorney's fees mentioned in Article 111 of the Labor Code accrue to the union, a union is not precluded from entering into an agreement that a portion of the monetary award shall be given to its counsel as part of the latter's compensation, as in this case.³⁰ It opined that petitioner effectively waived the attorney's fees awarded by the NLRC, which served as indemnity for damages, when it executed the agreement and considered it as Atty. Nilong's professional fees.³¹ It held that the NLRC's final and executory judgment is considered a compromise judgment, which deemed it proper that a Writ of Execution for the payment of the remaining attorney's fees be issued in favor of Atty. Nilong.³²

Petitioner moved for reconsideration but its motion was denied by the CA in its April 22, 2016 Resolution.³³ In the meantime, Atty. Nilong had the funds (union dues) of petitioner garnished.

Hence, this petition.

Issue

WHETHER ATTY. NILONG IS ENTITLED TO THE REMAINING ATTORNEY'S FEES AWARDED BY THE NLRC.

²⁷ Id. at 418.

²⁸ Id. at 301.

²⁹ Id. at 295-306.

³⁰ Id. at 303.

³¹ Id. at 304.

³² Id. at 304-305.

³³ Id. at 35-36.

In its Petition,³⁴ petitioner reiterates that Atty. Nilong is not entitled to claim attorney's fees since the labor case was initiated and litigated by the Capoquian & Nueva Law Offices. On the other hand, Atty. Nilong's services were engaged only after petitioner obtained a favorable judgment in said case. The only services rendered by Atty. Nilong in relation to the case were the filing of a Motion for the Issuance of a Writ of Execution and the negotiation and execution of an Amicable Settlement with MGH. Assuming, without admitting, that Atty. Nilong is entitled to attorney's fees, petitioner emphasizes that its payment to Atty. Nilong in the amount of ₱1,920,104.18 is more than sufficient compensation for his services. Anything more will render petitioner's daily operations in total disarray. Petitioner also argues that Atty. Nilong's recourse is to file an action to claim his attorney's fees in regular courts and not in the same action. Petitioner also claims that Atty. Nilong has lost any legal personality to intervene in the case since his engagement as counsel for petitioner was terminated.³⁵

In his Comment,³⁶ Atty. Nilong argues that the June 15, 2010 Resolution approving the Amicable Settlement and directing petitioner to pay him his attorney's fees has become final and executory and is therefore an immutable and irreversible judgment. He reiterates the services he rendered to petitioner warranting the payment of attorney's fees, such as filing of a motion for issuance of a Writ of Execution, computation of backwages and benefits due the members of petitioner, and execution of the Amicable Settlement with MGH. He holds MGH liable for his fees despite MGH's payment to petitioner of attorney's fees.

In its Comment,³⁷ MGH asserts that respondent cannot hold it liable for the attorney's fees since it had already paid petitioner pursuant to the December 29, 2014 Resolution.³⁸

The Court's Ruling

Atty. Nilong is entitled to attorney's fees for services rendered to petitioner.

Jurisprudence provides two concepts of attorney's fees. In the ordinary sense, attorney's fees represent the reasonable compensation paid to

³⁴ Id. at 11-26.

³⁵ Id. at 15-22.

³⁶ Id. at 554-560.

³⁷ Id. at 545-549.

³⁸ Id. at 546.

a lawyer for the legal services rendered to a client. 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.³⁹

In claiming attorney's fees in the ordinary concept, the amount of attorney's fees stipulated in the retainer agreement is conclusive. However, there are instances when the Court fixes the amount of a lawyer's compensation on the basis of *quantum meruit* – the reasonable worth of the attorney's services – such as: (1) when there is no express contract for payment of attorney's fees agreed upon between the lawyer and the client; (2) when although there is a formal contract for attorney's fees, the fees stipulated are found unconscionable or unreasonable by the court; (3) when the contract for attorney's fees is void due to purely formal defects of execution; (4) when the counsel, for justifiable cause, was not able to finish the case to its conclusion; and (5) when lawyer and client disregard the contract for attorney's fees.⁴⁰

In this case, Atty. Nilong claims his attorney's fees represent his compensation for the services he supposedly rendered to petitioner in connection with the latter's unfair labor practice case against MGH. In support of his claim, Atty. Nilong asserts that his services entailed the filing of a Motion for Issuance of a Writ of Execution and the execution of an Amicable Settlement between petitioner and MGH. As for the amount, Atty. Nilong invokes the provision in the retainer's agreement that petitioner shall pay him ten percent (10%) of the total monetary award. Atty. Nilong also relies on the December 29, 2014 Resolution of the NLRC which ordered petitioner to pay him his attorney's fees.

The Court affirms the findings of the NLRC and the CA that Atty. Nilong is entitled to attorney's fees. However, the services Atty. Nilong rendered does not merit the amount he is claiming from petitioner. As borne by the records of the case, it was the law firm of Capoquian & Nueva Law Offices, not Atty. Nilong, who initiated the filing of the unfair labor practice case. Capoquian & Nueva Law Offices handled the case for petitioner in its entirety until a favorable judgment was obtained by petitioner. Noteworthy is the fact that the retainer's agreement expressly stated that Atty. Nilong is entitled to the attorney's fees in all cases wherein his representation results in the award of monetary benefits. The ten percent (10%) success fee in the retainer's agreement between petitioner and Atty. Nilong is thus dependent upon the fulfillment of two conditions: 1) Atty. Nilong represents petitioner

³⁹ *Bach v. Ongkiko Kalaw Manhit & Acorda Law Offices*, 533 Phil. 69, 78 (2006); citation omitted.

⁴⁰ *Rilloraza v. Eastern Telecommunications Phils., Inc.*, 369 Phil. 1, 11 (1999); citations omitted.

in the case; and 2) Atty. Nilong's representation results in the award of monetary benefits. Indeed, it was the law firm of Capoquian & Nueva Law Offices which represented petitioner in the unfair labor practice case that resulted in victory for petitioner. Atty. Nilong merely entered the picture after petitioner obtained a favorable judgment. He did not represent petitioner in the unfair labor practice case from which he is now claiming attorney's fees.

Significantly, the provisions of the Amicable Settlement itself does not state that the attorney's fees be paid directly to Atty. Nilong. It merely states that petitioner is entitled to the payment by MGH of attorney's fees equivalent to ten percent (10%) of the total backwages of petitioner's members.

The Court cannot, however, ignore the fact that Atty. Nilong rendered services to petitioner, albeit incommensurate to the amount he is claiming. He filed the Motion for Issuance of a Writ of Execution for petitioner and assisted the latter in the negotiation and execution of the Amicable Settlement with MGH. Thus, Atty. Nilong's services merit payment from petitioner.

The compensation for a lawyer's services may be reduced by the Court on the basis of quantum meruit

As the issue on Atty. Nilong's entitlement to the attorney's fees is now settled, the Court will now determine the amount he is entitled to as compensation. Jurisprudence on the court's power to award and reduce attorney's fees and litigation expenses is well-settled. Tersely put, irrespective of the contractual agreement between the lawyer and the client, the lawyer is entitled only to a reasonable compensation for services rendered.⁴¹ The courts have plenary power to reduce the compensation due a lawyer if it is unreasonable and unconscionable, in accordance with Section 24, Rule 138 of the Rules of Court, which provides:

⁴¹ *Metropolitan Waterworks and Sewerage System v. Bautista.*, 572 Phil. 383, 409 (2008).

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. x x x A written contract for services shall control the amount to be paid therefor unless found by the court to be unconscionable or unreasonable.

In fixing a reasonable compensation for the services rendered by a lawyer on the basis of *quantum meruit*, the elements to be considered are generally (1) the importance of the subject matter in controversy, (2) the extent of services rendered, and (3) the professional standing of the lawyer.⁴²

Here, Atty. Nilong supports his claim for attorney's fees with the execution of the Amicable Settlement and its subsequent approval by the NLRC. Atty. Nilong claims that, notwithstanding his lack of experience in accounting and bookkeeping, he himself computed the amount of the backwages, overtime pay, night shift differential, holiday pay, meal allowance, thirteenth month pay, and other benefits owing to every member of petitioner, who had approximately four hundred (400) members. For these services, petitioner, in fact, already paid Atty. Nilong the amount of ₱1,920,104.18 as attorney's fees.

Guided by the above yardstick, the Court holds that the amount already received by Atty. Nilong from petitioner, which is ₱1,920,104.18, constitutes reasonable and fair compensation for the legal services he rendered to petitioner. The whole ten percent (10%) of the judgment award is too excessive and unreasonable for the services rendered by Atty. Nilong, considering that petitioner had also paid the law firm of Capoquian & Nueva Law Offices for successfully handling the unfair labor practice case.

The Court reminds members of the bar that lawyering 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. 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.⁴³

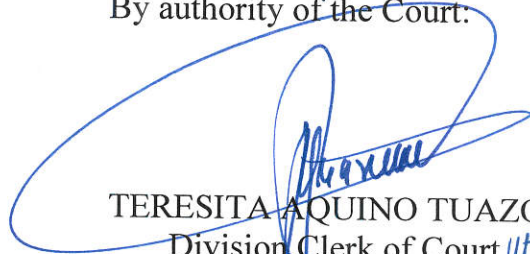
⁴² *Rilloraza v. Eastern Telecommunications Phils., Inc.*, supra note 40.

⁴³ *Bach v. Ongkiko Kalaw Manhit & Acorda Law Offices*, supra note 39, at 85 (2006).

WHEREFORE, the petition is **GRANTED**. The January 20, 2016 Decision and April 22, 2016 Resolution of the Court of Appeals in CA-G.R. SP No. 140337 are **REVERSED AND SET ASIDE**. The remaining attorney's fees amounting to ₱1,173,158.51 decreed to be paid by petitioner to Atty. Gennodin V. Nilong is **DELETED**.

SO ORDERED. (Rosario, J., designated additional member per Special Order No. 2797 dated November 5, 2020)"

By authority of the Court:


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 19 JAN 2021 1/18

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