



REPUBLIC OF THE PHILIPPINES
SUPREME COURT
Manila

SECOND DIVISION

NOTICE

Sirs/Mesdames:

*Please take notice that the Court, Second Division, issued a Resolution dated **25 January 2021** which reads as follows:*

“**G.R. No. 253142 (HBC, Inc. vs. George P. Partoza)**. – The Court of Appeals aptly noted that no less than petitioner HBC, Inc.’s (HBC) leasing officer, Jacqueline Selino (Selino), disproved the company’s main contention that it could no longer use the leased premises as a parking space. Selino testified that after the purported clearing operation, the designated parking space remained intact. She also affirmed that the local government of San Pedro, Laguna, did not prohibit parking within the premises covered by the lease. She, too, confirmed that parking was even made easier due to the provided gutter lines and concreted drainage provision.¹ Selino’s testimony, therefore, negated HBC’s claim that it could no longer use the leased premises for parking purposes as stipulated under paragraph 8 of the lease contract.

The Court in *New World Developers and Management, Inc. v. AMA Computer Learning Center, Inc.*² ordained that pretermination is effectively a **breach of a contract**, that was originally intended to cover an agreed period of time. A definite period assures the lessor a steady income for the duration thereof. A pretermination would suddenly cut short what would otherwise have been a longer profitable relationship. The lessor, in effect, is inequitably bound to suffer losses.

HBC, thus, breached its contractual obligations when it unjustifiably pre-terminated the contract effective July 1, 2008 even though the contract provides that the lease agreement shall be enforceable for a period of five (5)

¹ *Id.* at 29

² 754 Phil. 462, 473 (2015).

years. Clearly, HBC's unauthorized pre-termination contravenes Article 1159³ in relation to Article 1308⁴ of the Civil Code which requires contractual parties to faithfully comply with their obligations.

Monetary awards

On the award of moral damages, Article 2220 of the Civil Code⁵ provides that this award applies to breaches of contract where the defendant acted fraudulently or in bad faith. As stated, HBC here, *sans* any justifiable reason, unilaterally and arbitrarily pre-terminated the lease contract. It even initially misinformed respondent George P. Partoza (Partoza) that the property had been expropriated by the government. Upon verification, the Department of Public Works and Highways (DPWH) – District Engineering Office, Laguna certified that the subject leased property was outside the DPWH 20-meter Road-Right-of-Way (RRROW), and that as of the time of inquiry, there had been no proposed project for expropriation involving the property. As it was, HBC had never been deprived of the use of the area as a parking space even after the purported clearing operations of the local government of San Pedro, Laguna. All along, HBC had been dishonest with Partoza which manifests bad faith. This warrants the award of moral damages against HBC in the amount of ₱75,000.00.

On exemplary damages, Article 2229⁶ of the Civil Code provides that exemplary or corrective damages may be imposed, by way of example or correction for the public good, in addition to either moral, temperate, liquidated, or compensatory damages.

Since HBC failed to honor the lease contract, and considering further the award of moral damages to Partoza, a grant of exemplary damages in the amount of ₱75,000.00 is proper.⁷

As for attorney's fees, the Court in *Heirs of Asis, Jr. v. G.G. Sportswear Manufacturing Corp.*⁸ decreed that the CA did not err when it ruled that the factual and legal justification in granting the attorney's fees should be expressly stated in the trial court's decision. Although such justification was not found in the decision itself, the Court upheld the trial

³ Article 1159. Obligations arising from contracts have the force of law between the contracting parties and should be complied with in good faith.

⁴ Article 1308. The contract must bind both contracting parties; its validity or compliance cannot be left to the will of one of them.

⁵ Article 2220. Willful injury to property may be a legal ground for awarding moral damages if the court should find that, under the circumstances, such damages are justly due. The same rule applies to breaches of contract where the defendant acted fraudulently or in bad faith.

⁶ Article 2229. Exemplary or corrective damages are imposed, by way of example or correction for the public good, in addition to the moral, temperate, liquidated or compensatory damages.

⁷ *Games and Garments Developers, Inc. v. Allied Banking Corporation*, 763 Phil. 573 (2015).

⁸ G.R. No. 225052, March 27, 2019.

court's award of attorney's fees in view of the grant of exemplary damages, pursuant to Article 2208 (1)⁹ of the New Civil Code.

In *ATP Technologies International, Inc. v. Micron Precision Phils., Inc.*,¹⁰ the Court ruled that the award of ₱50,000.00 as attorney's fees was fair and reasonable because respondent was compelled to litigate to protect its rights against petitioner's unauthorized breach of contract.

Here, Partoza was constrained to litigate to protect his rights,¹¹ hence, attorney's fees in the amount of ₱50,000.00 should be awarded pursuant to Article 2208 of the Civil Code.

Finally, HBC should pay ₱647,316.00 representing the unpaid rent for the unexpired portion of the lease covering the period of July 2008 until August 31, 2010.

Applying *Nacar v. Gallery Frames*,¹² the amount of ₱647,316.00 representing HBC's unpaid obligations to Partoza shall earn legal interest of twelve percent (12%) *per annum* from September 24, 2008¹³ to June 30, 2013; and thereafter, at six percent (6%) *per annum* from July 1, 2013 until finality¹⁴ of the Court's Resolution. Further, the total monetary award due to Partoza shall earn legal interest at six percent (6%) *per annum* from finality of this Resolution until fully paid.

WHEREFORE, the petition is **DENIED** and the Decision dated June 10, 2019 and Resolution dated March 10, 2020 of the Court of Appeals in CA-G.R. CV No. 109125 are **AFFIRMED with MODIFICATION**. Petitioner HBC, Inc. is ordered to pay George P. Partoza the following:

- 1) ₱647,316.00 representing the unpaid obligations of HBC, Inc. plus legal interest of twelve percent (12%) *per annum* from September 24, 2008 until June 30, 2013 and, thereafter, six percent (6%) *per annum* from July 1, 2013 until finality of this Resolution;
- 2) Moral damages of ₱75,000.00;
- 3) Exemplary damages of ₱75,000.00; and
- 4) Attorney's fees in the amount of ₱50,000.00.

⁹ 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[.] x x x

¹⁰ 537 Phil. 930, 939 (2006).

¹¹ See *Adriano v. Lasala*, 719 Phil. 408, 421 (2013).

¹² 716 Phil. 267, 279 (2013).

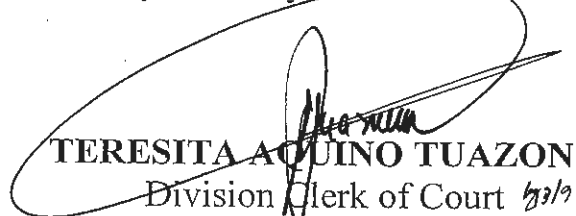
¹³ Date when Partoza extra-judicially demanded payment from HBC per letter dated September 24, 2008; See *Isla v. Estorga*, 834 Phil. 884 (2018).

¹⁴ *Hun Hyung Park v. Eung Won Choi*, G.R. No. 220826, March 27, 2019; see also *Rep. of the Phils. v. Judge Mupas*, 769 Phil. 21 (2015). citing *Eastern Shipping Lines v. Court of Appeals*, 304 Phil. 236 (1994).

Petitioner HBC, Inc. shall further pay legal interest on the total monetary award at the rate of six percent (6%) *per annum* from finality of this Resolution until fully paid.

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

By authority of the Court:


TERESITA AQUINO TUAZON
Division Clerk of Court 6/3/20
09 MAR 2021

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HON. PRESIDING JUDGE (reg)
Regional Trial Court, Branch 93
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Laguna
(Civil Case No. SPL-1413-90)

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*with copy of CA Decision dated 10 June 2019
Please notify the Court of any change in your address.
GR253142. 01/25/2021(121 & 156)URES