



Republic of the Philippines
 Supreme Court
 Manila

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Welford V. Lapitan
 WELFORD V. LAPITAN
 Division Clerk of Court
 Third Division
 DEC 27 2016

THIRD DIVISION

PRYCE PROPERTIES G.R. No. 186976
CORPORATION,

Petitioner, Present:

-versus-

SPOUSES SOTERO OCTOBRE,
JR. and HENRISSA A.
OCTOBRE, and CHINA
BANKING CORPORATION,

Respondents.

VELASCO, JR., *J.*, Chairperson,
 PERALTA,
 PEREZ,
 REYES, and
 JARDELEZA, *JJ.*

Promulgated:

December 7, 2016

x-----*Welford V. Lapitan*-----x

DECISION

JARDELEZA, J.:

The primary question is whether a breach of contract automatically triggers the award of actual or compensatory damages.

I

On July 22, 1997, respondent Spouses Sotero Octubre, Jr. and Henrissa A. Octubre (Spouses Octubre) signed a Reservation Agreement with petitioner Pryce Properties Corporation (Pryce) for the purchase of two lots with a total of 742 square meters located in Puerto Heights Village, Puerto Heights, Cagayan de Oro City.¹ The parties subsequently executed a Contract to Sell over the lot for the price of ₱2,897,510.00 on January 7, 1998.²

On February 4, 2004, Pryce issued a certification that Spouses Octubre had fully paid the purchase price and amortization interests, as well as the transfer fees and other charges in relation to the property, amounting to a total of ₱4,292,297.92.³ But Pryce had yet to deliver the certificates of title, which prompted Spouses Octubre to formally demand its delivery. Despite repeated demands, Pryce failed to comply.⁴ Thus, on May 18, 2004,

¹ Rollo, p. 14.

² *Id.* at 86.

³ *Id.*

⁴ Rollo, p. 15.

Spouses Octubre filed a complaint before the Housing and Land Use Regulatory Board (HLURB), Regional Office No. 10 for specific performance, revocation of certificate of registration, refund of payments, damages and attorney's fees.⁵

It appears that the reason why Pryce was unable to deliver the titles to Spouses Octubre is because it had previously transferred custody of the titles, along with others pertaining to the same development project, to China Banking Corporation (China Bank) as part of the Deed of Assignment⁶ executed on June 27, 1996.⁷ Under this deed, Pryce agreed to assign and transfer its accounts receivables, in the form of contracts to sell, in the Puerto Heights development project to China Bank as security for the ₱200 Million credit facility extended by the latter. Pryce obligated itself to deliver to China Bank the "contracts to sell and the corresponding owner's duplicate copies of the transfer certificates of title, tax declaration, real estate tax receipts and all other documents and papers"⁸ relating to the assigned receivables until such receivables are paid or repurchased by Pryce. The titles to the lots purchased by Spouses Octubre were among those held in custody by China Bank.⁹ When Pryce defaulted in its loan obligations to China Bank sometime in May 2002, China Bank refused to return the titles to Pryce.¹⁰ For this reason, China Bank was also impleaded in the HLURB complaint.

The HLURB Arbiter rendered a Decision¹¹ dated March 31, 2005 finding that Spouses Octubre had no cause of action against China Bank and rescinding the contract between Pryce and Spouses Octubre. It ordered Pryce to refund the payments made by the spouses with legal interest and to pay the latter compensatory damages amounting to ₱30,000.00, attorney's fees and costs of suit.¹²

On appeal, the HLURB Board of Commissioners modified the Decision by ordering Pryce to pay the redemption value to China Bank so that the latter may release the titles covering the lots purchased by Spouses Octubre. In default thereof, Pryce shall refund the payments with legal interest. The HLURB Board upheld the grant of compensatory damages, attorney's fees and costs to Spouses Octubre.¹³ Pryce moved for reconsideration and to stay the proceedings on account of Pryce's ongoing corporate rehabilitation.¹⁴ The HLURB Board, however, denied Pryce's

⁵ *Id.*

⁶ *Rollo*, pp. 123-127.

⁷ *Id.* at 173-175.

⁸ *Id.* at 124.

⁹ *Id.* at 175.

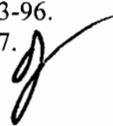
¹⁰ *Id.* at 175-176.

¹¹ *Id.* at 97-99.

¹² *Id.* at 99.

¹³ *Id.* at 93-96.

¹⁴ *Id.* at 17.



motion considering that the stay order of the rehabilitation court had already been reversed by the Court of Appeals.¹⁵

Thereafter, Pryce appealed the case to the Office of the President, which affirmed¹⁶ in full the HLURB Board's Decision. Undeterred, Pryce elevated the case to the Court of Appeals which denied the petition for review and affirmed the Office of the President's Decision. The Court of Appeals found that Pryce acted in bad faith because it "did not disclose [that the titles were in the custody of China Bank] to respondents Spouses Octobre until the latter demanded delivery of the titles."¹⁷ The Court of Appeals held that Pryce's contractual breach justified the award of compensatory damages as well as the payment of attorney's fees and costs of suit.¹⁸

Pryce is now before this Court primarily arguing that the Court of Appeals erred in upholding the award of compensatory damages because Spouses Octobre failed to present competent proof of the actual amount of loss.¹⁹ It also questions the award of attorney's fees and litigation costs because there was allegedly no finding of bad faith.²⁰ Additionally, as side issues, Pryce questions the Court of Appeals' finding that the stay order had been reversed and its decision to uphold the finding by the HLURB Board and Office of the President that the subject properties were mortgaged to China Bank.²¹

In response, Spouses Octobre maintain that the award of compensatory damages, attorney's fees and costs were proper because they were forced to litigate to enforce their contractual right as a result of Pryce's breach.²² With respect to the stay order, Spouses Octobre cite this Court's February 4, 2008 Decision in G.R. No. 172302²³ which affirmed the appellate court's reversal of the stay order. Finally, Spouses Octobre note that the characterization of the Deed of Assignment as a mortgage came from Pryce's own appeal memorandum filed with the HLURB Board, and that, in any event, whether it is an assignment or mortgage, the decisive fact is that the titles were delivered by Pryce to China Bank.²⁴

In its comment, China Bank insists that Pryce only has itself to blame for failing to comply with its obligation to remit the payments received from the various contracts to sell, including its obligation to Spouses Octobre. Under the Deed of Assignment, China Bank is entitled to hold custody of the

¹⁵ *Id.* at 90.

¹⁶ *Id.* at 86-91.

¹⁷ *Id.* at 23.

¹⁸ *Id.*

¹⁹ *Rollo*, pp. 41-43.

²⁰ *Id.* at 44-48.

²¹ *Id.* at 48-54.

²² *Id.* at 196.

²³ *Pryce Corporation v. Court of Appeals*, G.R. No. 172302, February 4, 2008, 543 SCRA 657.

²⁴ *Rollo*, pp. 201-202.



titles surrendered by Pryce until the assigned receivables are paid or repurchased by Pryce, which to date the latter has failed to do.²⁵

II

Article 2199 of the Civil Code defines actual or compensatory damages:²⁶

Art. 2199. Except as provided by law or by stipulation, one is entitled to an adequate compensation only for such pecuniary loss suffered by him *as he has duly proved*. Such compensation is referred to as actual or compensatory damages. (Emphasis supplied.)

To be entitled to compensatory damages, the amount of loss must therefore be capable of proof and must be actually proven with a reasonable degree of certainty, premised upon competent proof or the best evidence obtainable. The burden of proof of the damage suffered is imposed on the party claiming the same, who should adduce the best evidence available in support thereof.²⁷ Its award must be based on the evidence presented, not on the personal knowledge of the court; and certainly not on flimsy, remote, speculative and non-substantial proof.²⁸

It is clear that the amount paid by Spouses Octobre to Pryce as purchase price for the lots has been adequately proved. There is no dispute that Spouses Octobre are entitled to such amount with legal interest. The issue being raised by Pryce is only with respect to the ₱30,000.00 awarded as compensatory damages.²⁹

The records of this case are bereft of any evidentiary basis for the award of ₱30,000.00 as compensatory damages. When the HLURB Arbiter initially awarded the amount, it merely mentioned that “[Spouses Octobre] are entitled to compensatory damages, which is just and equitable in the circumstances, even against an obligor in good faith since said damages are the natural and probable consequences of the contractual breach committed.”³⁰ On the other hand, the Court of Appeals justified the award of compensatory damages by stating that “it is undisputed that petitioner Pryce committed breach of contract in failing to deliver the titles to respondents [Spouses] Octobre which necessitated the award of compensatory damages.”³¹ In their comment, Spouses Octobre emphasized that they were

²⁵ *Id.* at 180.

²⁶ For brevity, the term “compensatory damages” instead of “actual or compensatory damages” is used to be consistent with the phraseology of the rulings *a quo*.

²⁷ *Oceanering Contractors (Phil), Inc. v. Barretto*, G.R. No. 184215, February 9, 2011, 642 SCRA 596, 606-607.

²⁸ *Adrian Wilson International Associates, Inc. v. TMX Philippines, Inc.*, G.R. No. 162608, July 26, 2010, 625 SCRA 321, 339.

²⁹ *Rollo*, pp. 41-43.

³⁰ *Id.* at 98.

³¹ *Id.* at 23.

“forced to litigate and seek the intervention of the courts because of Pryce’s failure to comply with its contractual and legal obligation”³² without so much as mentioning any proof that would tend to prove any pecuniary loss they suffered.

In the absence of adequate proof, compensatory damages should not have been awarded. Nonetheless, we find that nominal damages, in lieu of compensatory damages, are proper in this case. Under Article 2221, nominal damages may be awarded in order that the plaintiff’s right, which has been violated or invaded by the defendant, may be vindicated or recognized, and not for the purpose of indemnifying the plaintiff for any loss suffered. Nominal damages are “recoverable where a legal right is technically violated and must be vindicated against an invasion that has produced no actual present loss of any kind or where there has been a breach of contract and no substantial injury or actual damages whatsoever have been or can be shown.”³³ So long as there is a violation of the right of the plaintiff—whether based on law, contract, or other sources of obligations³⁴—an award of nominal damages is proper.³⁵ Proof of bad faith is not required.³⁶ The HLURB Arbiter and the Court of Appeals appear to have confused nominal damages with compensatory damages, since their justifications more closely fit the former.

It is undisputed that Pryce failed to deliver the titles to the lots subject of the Contract to Sell even as Spouses Octubre had already fully settled the purchase price. Its inability to deliver the titles despite repeated demands undoubtedly constitutes a violation of Spouses Octubre’s right under their contract. That Pryce had transferred custody of the titles to China Bank pursuant to a Deed of Assignment is irrelevant, considering that Spouses Octubre were not privy to such agreement.

In fine, contractual breach is sufficient to justify an award for nominal damages but not compensatory damages.

III

Pryce questions the award of attorney’s fees and costs of suit because no exemplary damages were awarded. This contention, however, is clearly unmeritorious because under Article 2208,³⁷ the award of exemplary

³² *Id.* at 196.

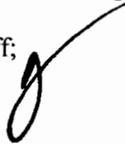
³³ *Francisco v. Ferrer, Jr.*, G.R. No. 142029, February 28, 2001, 353 SCRA 261, 267-268. Citation omitted.

³⁴ CIVIL CODE, Art. 2222.

³⁵ *Almeda v. Cariño*, G.R. No. 152143, January 13, 2003, 395 SCRA 144, 150.

³⁶ *Id.* at 148-150.

³⁷ Art. 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;
 - (2) When the defendant’s act or omission has compelled the plaintiff to litigate with third persons or to incur expenses to protect his interest;
 - (3) In criminal cases of malicious prosecution against the plaintiff;
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damages is just one of 11 instances where attorney's fees and expenses of litigation are recoverable.

Article 2208(2) allows the award of attorney's fees when the defendant's act or omission has compelled the plaintiff to litigate with third persons or to incur expenses to protect his interest. The Court has interpreted that this provision requires a showing of bad faith and not mere erroneous conviction of the righteousness of a defendant's cause.³⁸ In this case, the Court of Appeals found that Pryce acted in bad faith when it did not disclose to Spouses Octobre the fact that the certificates of title to the properties purchased were in the custody of China Bank until Spouses Octobre had fully paid the price and had demanded delivery of the titles. We agree with this finding and therefore sustain the award of attorney's fees and costs of suit in favor of Spouses Octobre.

IV

The other side issues raised by Pryce shall be disposed of swiftly since they have no substantial bearing on the merits of this case. As admitted by Pryce itself, "it is not the entire Decision that is being assailed"³⁹ but only the portion regarding the award of compensatory damages, attorney's fees and costs of suit.

A

When the stay order being invoked by Pryce was reversed and set aside at the first instance by the Court of Appeals in CA-G.R. SP No. 88479, that stay order was automatically deemed vacated.⁴⁰ By reversing the stay order of the rehabilitation court, the Court of Appeals effectively enjoined the execution of such order as allowed by the 2000 Interim Rules of Procedure on Corporate Rehabilitation⁴¹ (which was then in effect when Pryce filed its petition for rehabilitation in 2004). We affirmed the Court of Appeals' decision to set aside the stay order in the Decision dated February

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- (4) In case of a clearly unfounded civil action or proceeding against the plaintiff;
 - (5) Where the defendant acted in gross and evident bad faith in refusing to satisfy the plaintiff's plainly valid, just and demandable claim;
 - (6) In actions for legal support;
 - (7) In actions for the recovery of wages of household helpers, laborers and skilled workers;
 - (8) In actions for indemnity under workmen's compensation and employer's liability laws;
 - (9) In a separate civil action to recover civil liability arising from a crime;
 - (10) When at least double judicial costs are awarded;
 - (11) In any other case where the court deems it just and equitable that attorney's fees and expenses of litigation should be recovered.

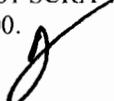
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³⁸ *The President of the Church of Jesus Christ of Latter Day Saints v. BTL Construction Corporation*, G.R. No. 176439, January 15, 2014, 713 SCRA 455, 472-473; *Oceaneering Contractors (Phil), Inc. v. Barretto*, *supra* note 27 at 610-611; *ABS-CBN Broadcasting Corporation v. Court of Appeals*, G.R. No. 128690, January 21, 1999, 301 SCRA 572, 601-602.

³⁹ *Rollo*, p. 41.

⁴⁰ See *Lee v. Trocino*, G.R. No. 164648, August 6, 2008, 561 SCRA 178, 198.

⁴¹ Sec. 5, Rule 3, A.M. No. 00-8-10-SC, December 15, 2000.



4, 2008⁴² and Resolution dated June 16, 2008.⁴³ Although we later reconsidered the Decision on February 18, 2014,⁴⁴ the same does not affect the validity of the proceedings already conducted before the HLURB, Office of the President, and Court of Appeals during the intermediate period that the stay order was vacated. Neither does it affect our resolution of this petition for review because under the Financial Rehabilitation and Insolvency Act of 2010⁴⁵ (FRIA), the stay order shall not apply to cases already pending appeal in the Supreme Court.⁴⁶ Section 146 of the FRIA expressly allows the application of its provisions to pending rehabilitation cases, except to the extent that their application would not be feasible or would work injustice.⁴⁷

B

The characterization of the Deed of Assignment between Pryce and China Bank as either an assignment of receivables or a mortgage of real property is irrelevant to Pryce's obligation to Spouses Octobre. The principal reason why Pryce raises this argument is to elude the applicability of Section 18 of Presidential Decree No. 957.⁴⁸ But Spouses Octobre's claim is precisely premised on its contract with Pryce, not this specific provision of law. Hence, even if the provision is inapplicable, Pryce's contractual liability to deliver the titles to Spouses Octobre remains.

WHEREFORE, the petition is **DENIED**. The assailed Decision and Resolution of the Court of Appeals in CA-G.R. SP No. 103615 are **MODIFIED** in that nominal damages in the amount of ₱30,000.00 are awarded in lieu of compensatory damages.

SO ORDERED.

⁴² *Pryce Corporation v. Court of Appeals*, *supra* note 23.

⁴³ *Pryce Corporation v. China Banking Corporation*, G.R. No. 172302, February 18, 2014, 716 SCRA 207, 215.

⁴⁴ *Id.*

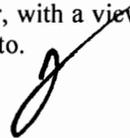
⁴⁵ Republic Act No. 10142.

⁴⁶ Republic Act No. 10142, Sec. 18(a).

⁴⁷ See also Financial Rehabilitation Rules of Procedure (2013), A.M. No. 12-12-11-SC, Rule 1, Sec. 2; and *Majority Stockholders of Ruby Industrial Corporation v. Lim*, G.R. No. 165887, June 6, 2011, 650 SCRA 461, 523.

⁴⁸ Regulating the Sale of Subdivision Lots and Condominiums, Providing Penalties for Violations Thereof (1976).

Sec. 18. *Mortgages*. No mortgage on any unit or lot shall be made by the owner or developer without prior written approval of the Authority. Such approval shall not be granted unless it is shown that the proceeds of the mortgage loan shall be used for the development of the condominium or subdivision project and effective measures have been provided to ensure such utilization. The loan value of each lot or unit covered by the mortgage shall be determined and the buyer thereof, if any, shall be notified before the release of the loan. The buyer may, at his option, pay his installment for the lot or unit directly to the mortgagee who shall apply the payments to the corresponding mortgage indebtedness secured by the particular lot or unit being paid for, with a view to enabling said buyer to obtain title over the lot or unit promptly after full payment thereto.



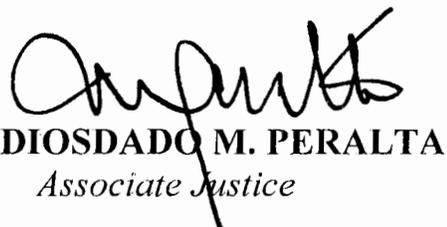


FRANCIS H. JARDELEZA
Associate Justice

WE CONCUR:



PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson



DIOSDADO M. PERALTA
Associate Justice



JOSE PORTUGAL PEREZ
Associate Justice



BIENVENIDO L. REYES
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.



PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson, Third Division

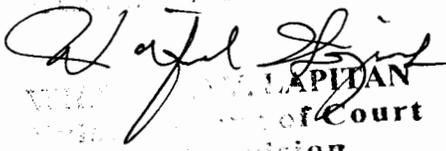
CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, and the Division Chairperson's attestation, it is hereby certified 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

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