



Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

RODCO CONSULTANCY AND
MARITIME SERVICES
CORPORATION herein
represented by FROILAN G.
CLEMENTE, JR.,

Petitioner,

-versus-

FLOSERFINO G. ROSS AND
ANTONIA T. ROSS,

Respondents.

G.R. No. 259832

Present:

LEONEN, *SAJ*,* *Chairperson*,
LAZARO-JAVIER,**

LOPEZ, M.,
LOPEZ, J., and
KHO, JR., *JJ*.

Promulgated:

NOV 06 2023

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DECISION

LOPEZ, J., *J*:

This Court resolves the Petition for Review on *Certiorari*¹ filed under Rule 45 of the Rules of Court assailing the Decision² and Resolution³ of the Court of Appeals (CA), which dismissed the Complaint for Sum of Money and Damages filed by petitioner RODCO Consultancy and Maritime Services Corporation (RODCO) against respondents Floserfino G. Ross (Floserfino) and Antonia T. Ross (Antonia).⁴

* on official business.

** Acting Chairperson.

¹ *Rollo*, pp. 8–22.

² *Id.* at 24–45. The May 31, 2021 Decision in CA-G.R. CV No. 112770 was penned by Associate Justice Edwin D. Sorongon and concurred in by Associate Justices Perpetua Susana T. Atal-Paño and Raymond Reynold R. Lauigan of the Special Eleventh Division, Court of Appeals, Manila.

³ *Id.* at 47–49. The March 18, 2022 Resolution in CA-G.R. CV No. 112770 was penned by Associate Justice Edwin D. Sorongon and concurred in by Associate Justices Perpetua Susana T. Atal-Paño and Raymond Reynold R. Lauigan of the Former Special Eleventh Division, Court of Appeals, Manila.

⁴ *Id.* at 43–44.

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The Antecedents

RODCO is a domestic corporation engaged in the business of providing consultancy and professional services to repatriated seafarer-clients in pursuing their rights, sickness or disability and monetary benefits, insurance claims, and other valuable interests granted to them by law against their local manning agency, insurance company, and principal foreign shipowner. It also extends financial assistance to seafarer-clients in processing their documents, securing medical reports and certificates of disability, and refers cases to lawyers for legal services.⁵

Floserfino was a repatriated seafarer who sought RODCO's assistance in filing a claim against his local manning agency, foreign shipowner, and insurance company.⁶ For this purpose, he executed a Special Power of Attorney⁷ authorizing RODCO to do the following:

1. To assist, finance, facilitate, process, gather, receive and preserve documents, evidences, [sic] medical reports and other information relevant to the facts and circumstances pertaining to the incident that I sustained and/ or suffered while working on board the vessel "TORINEA";
2. To have exclusive rights, represent me in my claims, including negotiations for compromise of seaman benefits claims and/ or refer to affiliated law offices to file any legal action or suit, if necessary, in the Philippines Courts of Justice and do whatever is necessary to recover whatever benefits due me arising from the above-stated incident;
3. That I could not sign any document nor negotiate for settlement of my claims for any amount, without consulting and/ or acquiring the prior approval of my above-named **Exclusive Consultancy Office [RODCO]**.
4. It is further agreed, that whatever monetary claims I may receive from respondent insurance and/ or manning agencies, the check for payment of the professional services rendered of the above mentioned consultancy office must be segregated.⁸ (Emphasis in the original)

Floserfino also executed an Affidavit of Undertaking,⁹ the relevant portion of which states:

1. That I have engaged the professional services of **R O D C O** **Consultancy & Maritime Services Corp.** on August 29, 2006.

⁵ *Id.* at 25-26, 52, 64.

⁶ *Id.* at 26, 52, 64.

⁷ *Id.* at 95.

⁸ *Id.*

⁹ *Id.* at 58.

2. That I have filed a complaint against **UNITED PHILIPPINE LINES, INC./ Mr. FERNANDO V. LISING and/ or SHELL INT'L TRADING & SHIPPING CO. LTD** at the National Labor Relations Commission (NLRC) under **NLRC NCR OFW Case No. 06-10-03120-00**.
3. That I have chosen **RODCO** Consultancy & Maritime Services Corp. **as my exclusive and recognized Pioneer Seaman Claims Consultancy Office.**
4. **That if I decided to terminate or revoke the said contract without any justifiable cause, I, my co-maker & my finder (seaman – claimant agent) will be liable thereof. And the said corporation has the rights to file legal actions against us.**
5. That I hereby obligate, without any need of demand, to turn over portion of proceeds of money claims in favor of **R O D C O** Consultancy & Maritime Services Corp. pursuant to my commitment and obligation embodied in the said contract in full good faith.¹⁰ (Emphasis in the original)

Floserfino and his wife, Antonia, executed an Irrevocable Memorandum of Agreement¹¹ integrating the terms and conditions agreed upon in the Affidavit of Undertaking and the Special Power of Attorney.¹²

Froilan G. Clemente, Jr. (Clemente), the representative of RODCO, narrated that RODCO hired Atty. Napoleon A. Concepcion (Atty. Concepcion) to provide the necessary legal services to Floserfino and to other seafarer-clients of RODCO, but his authority did not include the receipt of payments from clients like Floserfino. The Contract of Legal Services between RODCO and Atty. Concepcion was later terminated as he violated provisions of the contract when he directly dealt with RODCO's seafarer-clients by collecting payments due to RODCO. Constantly, RODCO instituted criminal and administrative cases against Atty. Concepcion.¹³

RODCO alleged that after the monetary claim of Floserfino had been successfully collected, he issued in its favor two Philippine National Bank (PNB) checks both dated April 16, 2009 in the amounts of PHP 300,000.00 and PHP 940,800.00.¹⁴ However, when presented to the drawee bank, both checks were dishonored as these were drawn against a closed account.¹⁵ RODCO sent several demand letters informing Floserfino and Antonia about the dishonored checks and demanding them to settle their obligations.¹⁶

¹⁰ *Id.*

¹¹ *Id.* at 93–94.

¹² *Id.*

¹³ *Id.* at 183.

¹⁴ *Id.* at 59–60, 65.

¹⁵ *Id.*

¹⁶ *Id.* at 61–63.

RODCO's demands remained unheeded. Hence, RODCO filed a Complaint for Sum of Money and Damages against Floserfino and Antonia.¹⁷

In their Answer with Counterclaim,¹⁸ Floserfino and Antonia averred, among others, that RODCO never lifted a finger and did not extend any financial, medical, or legal assistance to them.¹⁹ They admitted signing several documents to formalize the purported engagement of the services of RODCO and opening an account with PNB-Grace Park, Caloocan Branch upon the advice of the officers of RODCO. However, Floserfino and Antonia claimed that after opening the bank account, Floserfino was asked to issue two blank checks, the details of which were allegedly never made known to him as the officers of RODCO took custody to guaranty payment.²⁰ Upon learning that 35% of the actual monetary award will be given to RODCO, Floserfino purportedly asked for more time to think about the agreement.²¹ They clarified that they engaged the services of Atty. Concepcion without the aid of RODCO. Floserfino and Antonia insisted that it was Atty. Concepcion who represented Floserfino in the labor case he instituted.²² Floserfino and Antonia added that the agreement allegedly executed by them and RODCO should be declared void as it is not engaged in the practice of law and is not permitted to represent Floserfino in any proceeding before the National Labor Relations Commission (NLRC).²³

In its Decision,²⁴ the RTC ruled in favor of RODCO, the dispositive portion of which states:

WHEREFORE, viewed from the foregoing premises, and by preponderance of evidence, judgment is hereby rendered in favor of the plaintiff RODCO Consultancy and Maritime Services Corp. and against the defendants Floserfino G. Ross and Antonia T. Ross ordering the latter to pay the former the following:

1. The amount of [PHP] 1,240,800.00 amount of the checks issued;
2. The amount equivalent to 6% interest per annum from the date of this decision until full payment;
3. The sum of [PHP] 20,000.00 as moral damages;
4. The sum of [PHP] 10,000.00 as exemplary damages;
5. The sum equivalent to [PHP] 10,000.00 as attorney's fees;
6. The costs of suit.

SO ORDERED.²⁵ (Emphasis in the original)

¹⁷ *Id.* at 51–55.

¹⁸ *Id.* at 67–75.

¹⁹ *Id.* at 68, 72.

²⁰ *Id.* at 70.

²¹ *Id.*

²² *Id.*

²³ *Id.* at 71.

²⁴ *Id.* at 78–87. The November 20, 2018 Decision was penned by Presiding Judge Marilou D. Runes-Tamang of Branch 98, Regional Trial Court, Quezon City.

²⁵ *Id.* at 87.

The RTC held that Floserfino and Antonia entered into an Irrevocable Memorandum of Agreement. It found that RODCO was able to prove by preponderance of evidence that they received cash advances in processing Floserfino's monetary claims. The RTC explained that the positive averments in the complaint, combined with the undisputed evidence presented by RODCO in support of its claim, have become conclusive evidence as they failed to prove otherwise.²⁶ Thus, the RTC ordered them to settle their outstanding obligation in the amount of PHP 1,240,800.00 plus 6% interest per annum from the date of the decision until full payment.²⁷

Likewise, the RTC awarded moral damages equivalent to PHP 20,000.00, exemplary damages in the amount of PHP 10,000.00, and PHP 10,000.00 as attorney's fees.²⁸

Then, Floserfino and Antonia filed an appeal to the CA under Rule 41 of the Rules of Court.²⁹

In its Decision,³⁰ the CA granted the appeal of Floserfino and Antonia, the dispositive portion of which reads:

WHEREFORE, premises considered, the appeal is **GRANTED**. Accordingly, the November 20, 2018 Decision of the Regional Trial Court of Quezon City, Branch 98, in *Civil Case No. R-QZN-17-03945-CV*, is hereby **REVERSED** and **SET ASIDE**. A new judgment is thereby rendered in that the Complaint of plaintiff-appellee RODCO Consultancy and Maritime Services Corp. against defendants-appellants Floserfino G. Ross and Antonia T. Ross is hereby **DISMISSED** for lack of merit.

SO ORDERED.³¹ (Emphasis in the original)

In reversing the ruling of the RTC, the CA held that the contract entered into by the parties was void from the beginning. While the CA recognized the validity and binding effect of contingent fee contracts, it declared that the subject contract is void because RODCO rendered legal services despite the fact that it was not composed of lawyers.³²

The CA also pointed out the absence of consideration in the Irrevocable Memorandum of Agreement. It highlighted that the Irrevocable Memorandum of Agreement and even the Complaint failed to indicate the amount of contingent fee allegedly agreed upon by the parties.³³ The CA found that the

²⁶ *Id.* at 86.

²⁷ *Id.* at 86-87.

²⁸ *Id.* at 87.

²⁹ *Id.*

³⁰ *Id.* at 24-45.

³¹ *Id.* at 43-44.

³² *Id.* at 38-39.

³³ *Id.* at 39.

amount of contingent fee was not reduced in writing and was not alleged by RODCO in its pleadings.³⁴

The CA also disagreed with the ruling of the RTC that RODCO was able to prove that Floserfino and Antonia secured cash advances from it. It emphasized that other than the checks, RODCO failed to present any evidence proving this claim. The CA highlighted that the Affidavit of Undertaking and Irrevocable Memorandum of Agreement showed that these documents were silent as to the receipt of these alleged cash advances. It added that RODCO did not present any billing or acknowledgment receipt to prove its claim.³⁵ The CA noted that the Irrevocable Memorandum of Agreement, which was executed approximately a year after the execution of the Special Power of Attorney and the Affidavit of Undertaking, could have readily spelled-out the outstanding cash advances and expenses of Floserfino and Antonia but it did not present the same. It stressed that it is incumbent upon RODCO, as the plaintiff, to prove its case.³⁶

Anent the dishonored checks, the CA ruled that under Article 1412 (1) of the New Civil Code, parties in a void contract who are equally at fault cannot demand recovery, enforcement, or performance from the other. As the parties were in *pari delicto*, the CA concluded that no affirmative relief may be given to one against the other.³⁷

RODCO then filed a Motion for Reconsideration,³⁸ which was denied by the CA in its Resolution³⁹ for lack of merit.⁴⁰

Hence, this Petition.

In the present Petition, RODCO raises the following arguments: (1) the contract between the parties is a contract of loan wherein RODCO undertook to pay for the expenses and extend assistance to Floserfino and Antonia in recovering their money with the understanding that they will reimburse RODCO when they are able to recover their money claims;⁴¹ (2) providing legal services is incidental in case the claim necessitates the filing of the action before the competent court or quasi-judicial body;⁴² (3) the annulment of the contract between the parties will result to unjust enrichment on the part of Floserfino and Antonia;⁴³ and (4) the fact that Floserfino issued the dishonored

³⁴ *Id.* at 42.

³⁵ *Id.* at 44.

³⁶ *Id.*

³⁷ *Id.*

³⁸ *Id.* at 88-91.

³⁹ *Id.* at 47-49.

⁴⁰ *Id.* at 49.

⁴¹ *Id.* at 13, 15.

⁴² *Id.* at 13.

⁴³ *Id.* at 13, 15-17.

checks is a recognition of the obligation to reimburse RODCO.⁴⁴

In their Comment,⁴⁵ Floserfino and Antonia insisted that: (1) RODCO failed to establish its cause of action against them by preponderance of evidence;⁴⁶ (2) their consent in agreeing to the Irrevocable Memorandum of Agreement was vitiated as they were only made aware of the compensation due to RODCO after issuing two blank checks;⁴⁷ (3) RODCO is not permitted to collect lawyer's fees as its employees and officers are not members of the Philippine Bar;⁴⁸ (4) no price certain was agreed upon by the parties;⁴⁹ (5) RODCO never performed any service for them and did not extend any assistance in their favor;⁵⁰ and (5) the alleged agreement between the parties had already been revoked when they withdrew their consent.⁵¹

In its Reply,⁵² RODCO reiterated its previous arguments which include, among others, that the Irrevocable Memorandum of Agreement is valid and that Floserfino and Antonia will be unjustly enriched if it will be nullified.

Issue

The critical issue to be resolved in this case is whether the contract entered into by RODCO Consultancy and Maritime Services Corp., Floserfino G. Ross, and Antonia T. Ross is valid.

This Court's Ruling

The contract entered into by RODCO, Floserfino, and Antonia is void

Under the principle of autonomy of contracts, the parties are free "to establish such stipulations, clauses, terms and conditions as they may deem convenient, provided they are not contrary to law, morals, good customs, public order, or public policy."⁵³ Equally important is the principle that when "the terms of an agreement have been reduced to writing, it is considered as containing all the terms agreed upon and there can be, as between the parties and their successors in interest, no evidence of such terms other than the contents of the written agreement."⁵⁴ When these terms are clear and leave no doubt upon the intention of the parties, the literal meaning of its stipulations

⁴⁴ *Id.* at 14.

⁴⁵ *Id.* at 120-135.

⁴⁶ *Id.* at 121.

⁴⁷ *Id.* at 122.

⁴⁸ *Id.* at 122-124.

⁴⁹ *Id.* at 125-126.

⁵⁰ *Id.* at 126-129.

⁵¹ *Id.* at 127.

⁵² *Id.* at 136-156.

⁵³ CIVIL CODE, art. 1306.

⁵⁴ 2019 Amendments to the Rules on Evidence, Rule 130, sec. 10.

are controlling.⁵⁵

Based on the foregoing principles, this Court shall now examine the agreement entered into by the parties. The contract formalizing the agreement of the parties is contained in a document denominated as Irrevocable Memorandum of Agreement and supplemented by the Affidavit of Undertaking⁵⁶ and Special Power of Attorney,⁵⁷ that Floserfino both executed. After a judicious scrutiny of these documents, this Court has observed that the transaction between RODCO and Floserfino has the features of litigation financing by a third party. As such, it is relevant to discuss the concepts of maintenance and champerty.

Maintenance, within the context of suits, refers to “[a] layman’s furnishing money to permit a lawyer to provide, in part, costs and expenses in carrying on litigation for a third party.”⁵⁸ It also pertains to the “[m]alicious or officious intermeddling with a suit that does not belong to one, by assisting either party with money or otherwise to prosecute or defend.”⁵⁹ Champerty, a particular form of maintenance, includes an additional element which is profiteering or sharing in the potential proceeds of the suit. This is apparent in this Court’s definition of a champertous contract in *Nocom v. Camerino*.⁶⁰ It refers to:

[A] contract between a stranger and a party to a lawsuit, whereby the stranger pursues the party’s claim in consideration of receiving part or any of the proceeds recovered under the judgment; a bargain by a stranger with a party to a suit, by which such third person undertakes to carry on the litigation at his own cost and risk, *in consideration of receiving, if successful, a part of the proceeds or subject sought to be recovered*. An Agreement whereby the attorney agrees to pay expenses of proceedings to enforce the client’s rights is champertous. Such agreements are against public policy especially whereas in this case, the attorney has agreed to carry on the action at its own expense in consideration of some bargain to have part of the thing in dispute. The execution of these contracts violates the fiduciary relationship between the lawyer and his client, for which the former must incur administrative sanction.⁶¹ (Emphasis supplied, citations omitted)

The prohibition against champerty is also found in Rule 16.04 of the Code of Professional Responsibility, which states:

RULE 16.04. A lawyer shall not borrow money from his client unless the client’s interests are fully protected by the nature of the case or by

⁵⁵ CIVIL CODE, art. 1370.

⁵⁶ *Rollo*, p. 58.

⁵⁷ *Id.* at 95.

⁵⁸ Black’s Law Dictionary (4th ed.), p. 1106. (Emphasis supplied)

⁵⁹ *Id.* at 292. (Emphasis supplied)

⁶⁰ 598 Phil. 214 (2009) [Per J. Azcuna, First Division].

⁶¹ *Id.* at 228.

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independent advice. Neither shall a lawyer lend money to a client except, when in the interest of justice, he has to advance necessary expenses in a legal matter he is handling for the client.

The prohibition against champerty was reaffirmed in Canon III, Sections 43, 44, and 52 of the recently enacted Code of Professional Responsibility and Accountability, which state:

SECTION 43. *Non-Sharing of Fees with Non-Lawyers.* — A lawyer shall not share, split, or divide or stipulate to divide, directly or indirectly, a fee for legal services with persons or organizations not licensed or authorized to practice law.

SECTION 44. *Payment of Compensation by Third Party.* — A lawyer shall not receive any fee, reward, costs, commission, interest, rebate or forwarding allowance or other compensation from anyone other than the client, except upon the written informed consent of such client.

Receipt of compensation from someone other than the client must not interfere with the lawyer's independence, professional judgment, or the lawyer-client relationship. Neither should information relating to representation of a client be disclosed in violation of the rule on privileged communication.

SECTION 52. *Prohibition on Lending and Borrowing; Exceptions.* — During the existence of the lawyer-client relationship, a lawyer shall not lend money to a client, except under urgent and justifiable circumstances. Advances for professional fees and necessary expenses in a legal matter the lawyer is handling for a client shall not be covered by this rule.

Neither shall a lawyer borrow money from a client during the existence of the lawyer-client relationship, unless the client's interests are fully protected by the nature of the case, or by independent advice. This rule does not apply to standard commercial transactions for products or services that the client offers to the public in general, or where the lawyer and the client have an existing or prior business relationship, or where there is a contract between the lawyer and the client.

Though the foregoing definition of a champertous contract appears to contemplate an agreement between a lawyer and a party, this is not an absolute rule. This Court is not precluded from recognizing that the agreement of the parties in this case is similar to a champertous contract.

In the case of *Rancman v. Interim Settlement Funding Corporation*,⁶² the Supreme Court of Ohio nullified an arrangement wherein a finance company advanced the funds necessary to pursue a case of a litigant in return for a percentage of the recovery for being a champertous contract. The Supreme Court of Ohio explained that the advances are void as champerty and

⁶² 789 N.E. 2d 217 (2003).

maintenance regardless of whether they are loans or investments. The Supreme Court of Ohio pointed out that it is “[e]qually troubling ... that a champertor’s earning a handsome profit by speculating in a lawsuit and by potentially manipulating a party to the suit.”⁶³ It emphasized that “a lawsuit is not an investment vehicle... An intermeddler is not permitted to gorge upon the fruits of litigation.”⁶⁴ While *Rancman* is not on all fours as the present case, the discussion of the Supreme Court of Ohio on the underlying purpose for the policy against champertous contracts is relevant to the case at bar.

In this jurisdiction, this Court has nullified champertous contracts for being contrary to public policy.⁶⁵ However, these cases were not nullified solely because the arrangement involved intervention of a stranger in financing the litigation of a case. Instead, a closer look into these cases reveal that this Court took into account the fact that the arrangements were grossly disadvantageous to the litigants, thereby violating the fiduciary duty of the counsels involved to their respective clients.

In *Bautista v. Gonzales*,⁶⁶ this Court identified as champertous contract an arrangement wherein a third person shall receive a 50% contingent fee on the condition that said individual will defray all expenses for the suit. This Court underscored that though “a lawyer may in good faith, advance the expenses of litigation, the same should be subject to reimbursement.”⁶⁷

Similarly, in *Nocom*, this Court considered a Special Power of Attorney champertous because a third party, in collusion with the counsel of a litigant, agreed to carry on with the action of the litigant at his own expense. In exchange, the third person financing the case will acquire the title to the real properties involved by paying their redemption, as well as a certain sum of money to the litigant.⁶⁸

A careful study of the terms of the Irrevocable Memorandum of Agreement and its supporting documents reveals that the arrangement between Floserfino and RODCO is similar to a litigation financing arrangement. RODCO has no interest in the monetary claim of Floserfino against his former employers yet it agreed to finance the expenses necessary to pursue its litigation in exchange for a promise to be reimbursed and a portion of the proceeds of his claim.⁶⁹ It must be stressed that the intention of RODCO is primarily to profit from the litigation of the case of Floserfino and this is clear from the terms of the Irrevocable Memorandum of Agreement and the supporting documents.

⁶³ *Id.* (Emphasis supplied)

⁶⁴ *Id.* (Emphasis supplied)

⁶⁵ *Bautista v. Gonzales*, 261 Phil. 266, 270 (1990) [*Per Curiam, En Banc*]; *Nocom*, *supra* note 60, at 224.

⁶⁶ *Bautista, id.* (Emphasis supplied)

⁶⁷ *Id.* at 281.

⁶⁸ *Supra* note 60, at 227.

⁶⁹ *Rollo*, p. 58.

To recall, RODCO gave money to finance the labor case instituted by Floserfino against his former employer and assisted him by securing the services of Atty. Concepcion to handle his case.⁷⁰ In exchange, Floserfino and Antonia undertook to reimburse RODCO the expenses it incurred in litigating his labor case. This agreement is evident from the terms of the Irrevocable Memorandum of Agreement, the relevant portion of which states:

The **FIRST PARTY** [RODCO] shall finance the needed expenses until such time that the **SECOND PARTY**'s [Floserfino] claim be settled. All the services rendered by the **FIRST PARTY** shall be paid by the **SECOND PARTY** in accordance with the Parties' agreed estimated cost of expenses thru agreed payment. These include, among others, ...expenses as follow:

- a. Maritime Lawyers' Fees, Legal Researchers Fees and Paralegals Fees.
- b. Physician Professional Fees and Medical Expenses.
- c. Liaison Fees.
- d. Seaman Claims Requirements Expenses.
- e. RODCO Consultancy Processing Fees.
- f. Other Professional Services' Fees and related expenses.

The **SECOND PARTY** and the **THIRD PARTY** [Antonia] voluntarily agrees to pay jointly and severally all the expenses Professional fees, medical expenses for the processing of documents, miscellaneous fees and service fees related to the claims rendered by the **FIRST PARTY** in favor of the **SECOND PARTY**;

....

[U]pon receipt of **SECOND PARTY** settled claims either by Cash or encashment thru Cheque issued by the Respondent Principal Ship Owner or any instrumentalities, the **SECOND PARTY** and the **THIRD PARTY** shall pay without need of any demand whatever obligations and liabilities that is rightfully due to the **FIRST PARTY**. The **SECOND PARTY** shall issue a Cheque payable in the name of the **FIRST PARTY** in payment for such obligations. After the **SECOND PARTY** has made Full payment, the **FIRST PARTY** shall issue **CERTIFICATION OF CLEARANCE** as evidence that the **SECOND PARTY** and the **THIRD PARTY** are ... with any obligations or liabilities from the **FIRST PARTY**[.]⁷¹ (Emphasis in the original)

The foregoing terms must be read with the Affidavit of Undertaking⁷² of Floserfino, the relevant portion of which states:

....

5. That I hereby obligate, without any need of demand, to turn over portion of proceeds of money claims in favor of **R O D C O** Consultancy & Maritime Services Corp. pursuant to my commitment and obligation embodied in the said contract in full

⁷⁰ *Id.* at 52-53.

⁷¹ *Id.* at 93-94.

⁷² *Id.* at 58.

good faith.⁷³ (Emphasis in the original)

The litigation financing arrangement between RODCO and Floserfino is prohibited because it is similar to a champertous contract. It is grossly disadvantageous to Floserfino as there is no specific agreement as to the amount to be given to RODCO, in the event of a successful claim against the employer, to satisfy his obligation in exchange for the “consultancy service” rendered by RODCO. Here, there is financial overreaching by a third party with superior bargaining position in the case of a financially pressed litigant.

The ambiguity in the agreement on the total amount to pay RODCO as its share in the proceeds of the monetary award in favor of Floserfino should not be countenanced. This arrangement is prone to abuse and authorizes RODCO to demand for any amount from Floserfino. More, there is an allegation that it induced Floserfino to issue two blank checks that is now being used as evidence of Floserfino’s purported indebtedness. The existence of these blank checks would show the absence of a concrete agreement as to the amount to be paid by Floserfino to RODCO for the services rendered by the latter. Thus, without any certainty as to the amount that RODCO is entitled to receive and an itemization of the amount of fees it may collect, this Court would not be able to determine and calibrate the reasonableness of the arrangement. Therefore, the Irrevocable Memorandum of Agreement, as well as the Special Power of Attorney and Affidavit of Undertaking, are void for being champertous contracts.

Article 1409 of the Civil Code enumerated the instances where a contract is void from the beginning. It states:

Art. 1409. The following contracts are inexistent and void from the beginning:

- (1) Those whose cause, object or purpose is contrary to law, morals, good customs, public order or public policy;
- (2) Those which are absolutely simulated or fictitious;
- (3) Those whose cause or object did not exist at the time of the transaction;
- (4) Those whose object is outside the commerce of men;
- (5) Those which contemplate an impossible service;
- (6) Those where the intention of the parties relative to the principal object of the contract cannot be ascertained;
- (7) Those expressly prohibited or declared void by law.

⁷³ *Id.*

These contracts cannot be ratified. Neither can the right to set up the defense of illegality be waived.

To stress, a champertous contract is void for being contrary to public policy. The terms of the Irrevocable Memorandum of Agreement, Affidavit of Undertaking, and the Special Power of Attorney are ambiguous as to the exact amount to be recovered from Floserfino and Antonia. Further, this Court finds that RODCO failed to sufficiently establish the expenses it actually incurred under the contract. Hence, RODCO cannot recover its monetary claim against Floserfino and Antonia.

Atty. Napoleon Concepcion must be required to show cause for his purported disregard of the Rules of Court, the Code of Professional Responsibility and Accountability, and the Lawyer's Oath

At this juncture, it is worthy to point out that in the recent case of *RODCO Consultancy and Maritime Services Corporation v. Atty. Napoleon A. Concepcion*,⁷⁴ RODCO instituted an administrative complaint against Atty. Concepcion, the same lawyer it hired to handle the case of Floserfino. In the said case, RODCO accused Atty. Concepcion of reneging on the terms of the Contract of Legal Services they entered by directly collecting fees from seafarer-clients of RODCO, thereby giving rise to the violation of their respective contracts. He was found to have actively solicited clients through underhanded and aggressive tactics which this Court considered as brazen solicitation of business from the public. Thus, Atty. Concepcion was disbarred.⁷⁵ In ordering the disbarment of Atty. Concepcion, this Court expressly declared that it was unethical for Atty. Concepcion to lure the seafarer-clients of RODCO to violate their contract and personally handle their cases without RODCO's consent.

In light of the ethical concerns raised on the conduct of Atty. Concepcion, he must be required to show cause for accepting the case of Floserfino and Antonia despite the existing Contract of Legal Services he executed with RODCO. This Court cannot simply ignore and brush aside the possibility that Floserfino and Antonia were induced by Atty. Concepcion to violate their agreement with RODCO just like the other seafarer-clients of RODCO mentioned in *RODCO Consultancy*. If proven to be true, such conduct has no place in this Court. Thus, Atty. Concepcion must be directed to show cause within a nonextendible period of 10 days from receipt of this Decision why he should not be the subject of an administrative action for this purported contumacious conduct in complete disregard of the Rules of Court,

⁷⁴ A.C. No. 7963, June 29, 2021 [*Per Curiam, En Banc*].

⁷⁵ *Id.*

the Code of Professional Responsibility and Accountability, and the Lawyer's Oath. The action against Atty. Concepcion will be docketed as a new and separate administrative case.

RODCO is required to show cause for its alleged unauthorized practice of law

Lastly, this Court is resolute in its efforts to protect the public from individuals and entities who represent themselves to the public as members of the bar and practice law without being authorized. There is a legitimate concern on the allegation that RODCO is engaged in unauthorized practice of law. If proven to be true, such conduct tarnishes the integrity of the legal profession and undermines the authority of this Court to regulate the practice of law. Considering the gravity of this allegation, this Court deems it appropriate to require RODCO to show cause and explain its litigation financing arrangement with its clients. The action against RODCO will be docketed as a new and separate administrative case.

ACCORDINGLY, the instant Petition is **DENIED**. The Decision dated May 31, 2021 and Resolution dated March 18, 2022 of the Court of Appeals in CA-G.R. CV No. 112770 are **AFFIRMED**. The complaint against Floserfino G. Ross and Antonia T. Ross is **DISMISSED**.

Atty. Napoleon A. Concepcion is **ORDERED** to **SHOW CAUSE** within a nonextendible period of 10 days from receipt of this Decision why he should not be the subject of administrative actions for his purported contumacious act in complete disregard of the Rules of Court, the Code of Professional Responsibility and Accountability, and the Lawyer's Oath. The action against Atty. Napoleon A. Concepcion will be docketed as a new and separate administrative case.

RODCO Consultancy and Maritime Services Corporation is **ORDERED** to **SHOW CAUSE** within a nonextendible period of 10 days from receipt of this Decision why it should not be the subject of administrative actions for its alleged unauthorized practice of law. The action against RODCO Consultancy and Maritime Services Corporation will be docketed as a new and separate administrative case.

Let a copy of this Decision be given to the Office of the Bar Confidant for the initiation of the proper disciplinary action against Atty. Napoleon A. Concepcion and RODCO Consultancy and Maritime Services Corporation.

SO ORDERED.



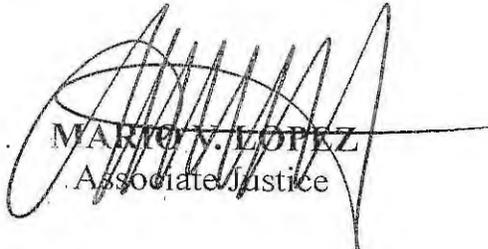
JHOSEP Y. LOPEZ
Associate Justice

WE CONCUR:

(on official business)
MARVIC M.V.F. LEONEN
Senior Associate Justice



AMY C. LAZARO-JAVIER
Associate Justice



MARLON V. LOPEZ
Associate Justice



ANTONIO T. KHO, JR.
Associate Justice

ATTESTATION

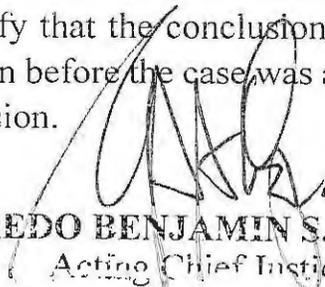
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



AMY C. LAZARO-JAVIER
Associate Justice
Acting Chairperson, Second Division

CERTIFICATION

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



ALFREDO BENJAMIN S. CAGUIOA
Acting Chief Justice*

* Per Special Order No. 3045 dated November 3, 2023.