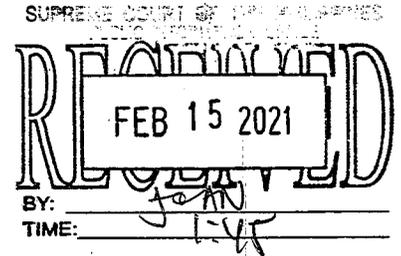




Republic of the Philippines
Supreme Court
Manila



THIRD DIVISION

NOTICE

Sirs/Mesdames:

Please take notice that the Court, Third Division, issued a Resolution dated **July 29, 2020**, which reads as follows:

“G.R. No. 239351 (Spouses Rufino Co and Lucita Veloso Co v. Development Bank of the Philippines, Spouses Eustacio & Felicisima Edualino, and Spouses Rolando and Teresita Arambulo). – After a judicious study of the case, the Court resolves to deny the instant petition for failure of petitioner Spouses Rufino Co and Lucita Veloso Co (Spouses Co) to show any reversible error on the part of the Court of Appeals (CA) in issuing the Decision¹ dated July 18, 2017, which granted the appeal and dismissed Spouses Co’s complaint for Declaration of Nullity of Foreclosure and Subsequent Contracts with Damages in Civil Case No. 4213, and the Resolution² dated April 30, 2018 denying the Motion for Reconsideration.³

However, there is a need to delete the award of damages imposed by the CA in favor of respondent Development Bank of the Philippines (DBP) and temper the damages awarded to respondent Spouses Eustacio and Felicisima Edualino (Spouses Edualino). It is worth noting that the CA ordered Spouses Co to pay DBP the following: (a) moral damages of ₱100,000.00; (b) exemplary damages of ₱100,000.00; and (c) attorney’s fees of ₱100,000.00. It likewise ordered Spouses Co to pay Spouses Edualino: (a) moral damages of ₱200,000.00; (b) exemplary damages of ₱200,000.00; and (c) attorney’s fees of ₱100,000.00.⁴

DBP cannot be granted moral damages. The existing rule is that moral damages are not awarded to a corporation since it is incapable of feelings or mental anguish.⁵ A juridical person is generally not entitled to moral damages because, unlike a natural person, it cannot experience physical suffering or such sentiments as wounded feelings, serious anxiety, mental anguish or

¹ Penned by Associate Justice Zenaida T. Galapate-Laguilles, with the concurrence of Associate Justices Japar B. Dimaampao and Franchito N. Diamante; *rollo*, pp.31-47.

² Id. at 49-50.

³ Id. at 218-234.

⁴ Id. at 47.

⁵ *Noell Whessoe, Inc. v. Independent Testing Consultants, Inc.*, G.R. No. 199851, November 7, 2018, 884 SCRA 524, 554.

moral shock.⁶ DBP not being entitled to moral damages, so is the award of exemplary damages.

On the part of Spouses Edualino, We affirm the award of moral and exemplary damages, however, the amount should be equitably reduced to ₱20,000.00 each.

Moral damages include physical suffering, mental anguish, fright, serious anxiety, besmirched reputation, wounded feelings, moral shock, social humiliation, and similar injury. Though incapable of pecuniary computation, moral damages may be recovered if they are the proximate result of the defendant's wrongful act or omission.⁷

In granting the award of moral and exemplary damages, the CA ruled that Spouses Co filed the complaint in bad faith, knowing fully well that they have an outstanding obligation with the bank and that the same has not been settled for the longest time.⁸ We agree that the complaint was maliciously filed considering the established facts of the case. Spouses Co knew that they have not settled their obligation with the bank; they knew of the foreclosure proceedings initiated by DBP; and they can obviously see that a school building had been built on their property which started its operations in 1998. It was only after 20 years that they belatedly filed this complaint assailing the validity of the foreclosure and the subsequent sale of the property to Spouses Edualino.

With the finding that the complaint was unfounded and baseless, the award of moral damages is predicated upon Article 2219(8) of the Civil Code on malicious prosecution. Further, Spouses Edualino declared that they were dragged by Spouses Co to costly and unnecessary litigation disturbing the two-decade long peaceful possession of their property. Spouses Co employed harassing tactics against them, one of which was when Spouses Co, through counsel, maliciously filed with the trial court a copy of Spouses Co's letter to the Bureau of Internal Revenue addressed to Commissioner Kim Henares baselessly imputing non-payment of taxes of the Intestate Estate of Felisima Edualino. Spouses Edualino aver that the letter was malicious as it had nothing to do with the case at bar and yet the trial court was furnished a copy thereof.⁹ It can, thus, be reasonably concluded that with the filing of the complaint, Spouses Edualino suffered mental anguish, wounded feelings, serious anxiety, moral shock, and similar injury, warranting the award of moral damages, and consequently, exemplary damages. The rule in our jurisdiction is that exemplary damages are awarded in addition to moral damages.¹⁰

In view of the finding that Spouses Co's complaint was maliciously

⁶ *Filipinas Broadcasting Network, Inc. v. Ago medical and Educational Center – Bicol Christian College of Medicine*, 489 Phil. 380, 399 (2005).

⁷ CIVIL CODE OF THE PHILIPPINES, Art. 2217.

⁸ *Rollo*, p. 46.

⁹ *Id.* at 78.

¹⁰ See *Mahinay v. Velasquez, Jr.*, 464 Phil. 146, 150 (2004).

filed, attorney's fees should likewise be awarded. When a claimant is compelled to litigate with third persons or to incur expenses to protect his rights, attorney's fees may be awarded. However, We reduce the same to a more reasonable amount of ₱10,000.00.

WHEREFORE, the petition is **DENIED**. The Decision dated July 18, 2017 and the Resolution dated April 30, 2018 of the Court of Appeals in CA-G.R. CV No. 105788 are **AFFIRMED with MODIFICATION** in that: (1) the award of moral damages, exemplary damages, and attorney's fees in favor of respondent Development Bank of the Philippines is **DELETED**; and (2) the award of damages in favor of Spouses Eustacio and Felicisima Eidualino are **REDUCED** to moral damages of ₱20,000.00, exemplary damages of ₱20,000.00, and attorney's fees of ₱10,000.00. The rest of the Decision of the Court of Appeals is affirmed in all other respects.

SO ORDERED. (Leonen, J., on leave; Gesmundo, J., acting as Chairperson of the Third Division)

By authority of the Court:

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Division Clerk of Court
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