Supreme Court E-Library

THIRD DIVISION

[G.R. No. 233217; October 6, 2021]

ALBERTO C. HIDALGO, *Petitioner*, *v.* **CONRADO BASCUGUIN and EVELYN FLAMINIANO HIDALGO,** *Respondents*.

D E C I S I O N

LEONEN, *J.*:

Under the Family Code, any encumbrance or disposition of conjugal property executed without the consent of one of the spouses is void.

This Court resolves a Petition for Review on Certiorari assailing the Court of Appeals Decision[1] and Resolution[2] reversing the Regional Trial Court Decision[3] and annulling the *pacto de retro* sale between Conrado Bascuguin (Bascuguin) and Spouses Alberto C. Hidalgo and Evelyn Flaminiano-Hidalgo (the Hidalgo Spouses).

Alberto C. Hidalgo (Alberto) alleged that during their marriage, he and his wife, Evelyn Flaminiano-Hidalgo (Evelyn), acquired a house and lot in Lian, Batangas.[4] Alberto worked in Dubai, United Arab Emirates.[5] When he returned to the Philippines in

---

[1] *Rollo*, pp. 43-55. The November 10, 2016 Decision in CA-G.R. CV No. 98529 was penned by Associate Justice Myra V. Garcia-Fernandez and concurred in by Associate Justices Mario V. Lopez and Elihu A. Ybañez of the Special Third Division, Court of Appeals, Manila.

[2] Id. at 56-57. The May 31, 2017 Resolution in CA-G.R. CV No. 93529 was penned by Associate Justice Myra V. Garcia-Fernandez and concurred in by Associate Justices Mario V. Lopez and Elihu A. Ybañez of the Former Special Third Division, Court of Appeals, Manila.

[3] Id. at 101-108. The September 12, 2011 Decision in Civil Case No. 831 was penned by Acting Presiding Judge Ernesto L. Marajas of the Branch 14, Regional Trial Court, Nasugbu, Batangas.

[4] Id. at 44.

[5] Id.

Supreme Court E-Library

March 2004, he discovered that Evelyn had sold the house and lot to Bascuguin for ₱300,000.00 without Alberto's consent.[6] The sale was evidenced by a December 9, 2002 document and denominated as *"Kasulatan ng Bilihan ng Bahay at Lupa na Muling Mabibili"* (Kasulatan).[7]

On April 22, 2004, Alberto sent a Demand Letter[8] to Bascuguin stating that the transaction was null and void for lack of his consent. He also expressed his willingness to refund the ₱300,000.00 purchase price, plus legal interest, if Bascuguin returns the property title.[9]

In response, Bascuguin demanded the Hidalgo Spouses to pay ₱900,000.00 and threatened to eject them and consolidate his ownership over the property, should they refuse to pay.[10]

On May 6, 2004, Alberto filed a Complaint[11] for annulment of sale and damages against Evelyn and Bascuguin.[12] He asserted that he did not consent to the sale and that his signature on the Kasulatan was forged.[13] He further stated that he only arrived in the Philippines on December 23, 2002, as evinced by his passport, while the transaction was executed on December 9, 2002.[14] He then sought ₱100,000.00 in moral damages and ₱50,000.00 in attorney's fees.[15]

On May 27, 2004, Bascuguin filed his Answer[16] and alleged that in December 2002, Evelyn begged him to purchase the property

---

[6] Id.

[7] Id.

[8] Id. at 64.

[9] Id.

[10] Id. at 45.

[11] Id. at 66-72.

[12] Id. at 44.

[13] Id. at 103.

[14] Id.

[15] Id. at 102.

[16] Id. at 77-79.

Supreme Court E-Library

in a sale with right to repurchase, or a *pacto de retro* sale.[17] He acceded, since the Hidalgo Spouses were family friends with whom he had previously made similar agreements.[18] Further, it was agreed that Evelyn would repurchase the property within five months.[19] Thus, Bascuguin argued that he should not be faulted for the alleged forgery on the Kasulatan, since he only relied on Evelyn's assurance that it was properly executed.[20] Further, he was also willing to let the Hidalgo Spouses repurchase the property.[21]

The Regional Trial Court rendered a Decision[22] ordering the Hidalgo Spouses to reimburse the purchase price to Bascuguin, with legal interest from the time of the transaction until full payment. It further ordered Bascuguin to return the property title to the Hidalgo Spouses upon his receipt of the payment and interest. The dispositive portion of the Decision reads:

> WHEREFORE, this Court rendered judgment as follows:
>
> - The transaction between Evelyn Flaminiano-Hidalgo and Conrado Bascuguin will be considered as equitable mortgage:
> - Spouses Alberto C. Hidalgo and Evelyn Flaminiano-Hidalgo must reimburse Conrado Bascuguin the amount of three hundred thousand (Php300,000.00) pesos plus legal rate of interest from the time of the transaction until the mortgage had been fully paid:
> - The Defendant Conrado Bascuguin must return the title to Spouses Alberto C. Hidalgo and Evelyn Flaminiano-Hidalgo upon payment of the principal plus legal rate of interest:
> - No award of damages and attorney's fees:
>
> The cost of suit chargeable against the Plaintiff.
>
> SO ORDERED.[23]

---

[17] Id. at 45.

[18] Id.

[19] Id.

[20] Id. at 46.

[21] Id.

[22] Id. at 101-108.

[23] Id. at 107-108.

Supreme Court E-Library

The trial court held that the true nature of the contract between Evelyn and Bascuguin was that of an equitable mortgage. As to damages, the trial court found that Alberto failed to present sufficient evidence to support any award of damages or attorney's fees.[24] Unsatisfied, Alberto moved for reconsideration, but to no avail.[25]

Upon appeal, the Court of Appeals reversed the Regional Trial Court Decision and found that the *pacto de retro* sale was void for lack of Alberto's consent.[26] The dispositive portion reads:

> WHEREFORE, the appeal is GRANTED. The decision dated September 12, 2011 and resolution dated January 20, 2012 of the Regional Trial Court of Nasugbu, Batangas, Branch 14 in Civil Case No. 831 are SET ASIDE. A new decision is rendered declaring thus:
>
> 1. The sale with right to repurchase dated November 9, 2002 is VOID.
>
> 2. Defendant-appellee Conrado Bascuguin is ordered to return Transfer Certificate of Title No. T-57168 to Spouses Alberto and Evelyn Hidalgo.
>
> 3. Spouses Alberto and Evelyn Hidalgo are directed to return the amount of ₱300,000.00 to defendant-appellee Conrado Bascuguin with annual interest at the rate of 12% from September 12, 2011 until June 30, 2013 and 6% from July 1, 2013 until the finality of this decision.
>
> 4. The total award shall further earn interest at the rate of 6% per annum from finality of this decision until full payment.
>
> SO ORDERED.[27]

The Court of Appeals applied Article 124 of the Family Code and held that any disposition or encumbrance of a conjugal property made without either spouse's consent is void.[28] Since the transaction was void, the Court of Appeals found that it was

---

[24] Id. at 106-107.

[25] Id. at 124-126.

[26] Id. at 50.

[27] Id. at 54-55.

[28] Id. at 52.

Supreme Court E-Library

no longer necessary to determine the contract's true nature.[29] Nevertheless, as a necessary effect of the sale's nullification, the Court of Appeals directed the return of the purchase price to Bascuguin and of the title to the Hidalgo Spouses.[30] It also held that legal interest begins to run from the Regional Trial Court Decision's date or the date when the obligation to return the amount accrued.[31]

On December 8, 2016, Alberto filed a Motion for Partial Reconsideration.[32] In a May 31, 2017 Resolution,[33] the Court of Appeals denied the Motion for being filed late.[34]

On September 20, 2017, Alberto filed the present Petition for Review on *Certiorari.*[35] Thereafter, respondent Conrado Bascuguin filed his Comment.[36] Petitioner Alberto C. Hidalgo then filed a Reply.[37]

Petitioner argues that: (1) the Court of Appeals erred in denying his motion; (2) he cannot be made to pay the purchase price in the *pacto de retro* sale; and (3) he is entitled to damages.[38]

Petitioner explains that the copy of the Court of Appeals Decision furnished to his counsel was unserved and returned to the Court of Appeals with the notation "MOVED OUT" on the envelope.[39] Petitioner's counsel only learned of the Decision on December 1, 2016 when petitioner sent him a screenshot of the

---

[29] Id. at 53.

[30] Id.

[31] Id.

[32] Id. at 179-184.

[33] Id. at 56-57.

[34] Id. at 24.

[35] Id. at 14-35.

[36] Id. at 309-321.

[37] Id. at 335-339.

[38] Id. at 25.

[39] Id. at 25-26.

Supreme Court E-Library

decision.[40] After the death of an office administrator, Petitioner's counsel explains that his office in Makati City was closed, and that the office staff presumed that notices of change of address had been filed for every case they handled.[41]

On the merits, petitioner asserts that he cannot be ordered to reimburse the price, much less pay interest, considering that the sale is void for lack of his consent under Article 124 of the Family Code.[42] He posits that he is entitled to moral and exemplary damages to compensate for the mental anguish caused by respondents' acts made in bad faith.[43] He also claims that he is entitled to attorney's fees, considering he was forced to litigate and incur expenses to protect his rights and interest.[44]

In respondent Bascuguin's Comment, he maintains that under Article 1398 of the Civil Code, he is entitled to reimbursement of the purchase price with interest, and that petitioner is not entitled to damages.[45] He also argues that the Court of Appeals Decision is already final and executory, considering the belated filing of petitioner's motion.[46]

In his Reply,[47] petitioner reiterates that the late filing of his motion was excusable by force of circumstances[48] and that he cannot be made to reimburse the purchase price for a transaction that he never consented to.[49] He also emphasized his entitlement and attorney's fees.[50]

---

[40] Id. at 26.

[41] Id.

[42] Id. at 30-33.

[43] Id. at 33-34.

[44] Id. at 34.

[45] Id. at 318-319.

[46] Id. at 317.

[47] Id. at 335-339.

[48] Id. at 335.

[49] Id. at 337.

[50] Id. at 338.

Supreme Court E-Library

The issues for this Court's resolution are the following:

First, whether or not the petition must be denied outright;

Second, whether or not the sale is null and void;

Third, whether or not respondent is entitled to reimbursement; and

Fourth, whether or not petitioner is entitled to damages.

I

Under Rule 52, Section 1 of the Rules of Court[51] "a party may file a motion for reconsideration of a judgment or final order within fifteen (15) days from notice thereof[.]" If no motion for reconsideration is filed within this period, the judgment or final order becomes final.[52]

Rule 13, Section 2 of the Rules of Court[53] provides that when a party is represented by counsel, service upon the litigant should be

---

[51] RULES OF COURT, Rule 52, sec. 1 provides:
Section 1. Period for filing. – A party may file a motion for reconsideration of a judgment or final resolution within fifteen (15) days from notice thereof, with proof of service on the adverse party.

[52] RULES OF COURT, Rule 36, sec. 2 provides:
Section 2. Entry of judgments and final orders. – If no appeal or motion for new trial or reconsideration is filed within the time provided in these Rules, the judgment or final order shall forthwith be entered by the clerk in the book of entries of judgments. The date of finality of the judgment or final order shall be deemed to be the date of its entry. The record shall contain the dispositive part of the judgment or final order and shall be signed by the clerk, with a certificate that such judgment or final order has become final and executory.

[53] RULES OF COURT, Rule 13, sec. 2 provides:
Section 2. Filing and service, defined. – Filing is the act of submitting the pleading or other paper to the court. Service is the act of providing a party with a copy of the pleading or any other court submission. If a party has appeared by counsel, service upon such party shall be made upon his or her counsel, unless service upon the party and the party's counsel is ordered by the court. Where one counsel appears for several parties, such counsel shall only be entitled to one copy of any paper served by the opposite side. Where several counsels appear for one party, such party shall be entitled to only one copy of any pleading or paper to be served upon the lead counsel if one is designated, or upon any one of them if there is no designation of a lead counsel.

Supreme Court E-Library

made through the party or the counsel. As a rule, the negligence of counsel binds their client.[54] This Court has repeatedly admonished lawyers for negligence in giving notice to the courts for their change in address. Such inadvertence may prove to be fatal to their client's cause.[55] In *Juane v. Garcia*:[56]

> The time has come, we believe, for this Court to remind the members of the Bar that it is their inescapable duty to make of record their correct address in all cases in which they are counsel for a suitor. For, instances there have been in the past when, because of failure to inform the court of the change of address, litigations were delayed. And this, not to speak of inconvenience caused the other parties and the court. Worse still, litigants have lost their cases in court because of such negligence on the part of their counsel. It is painful enough for a litigant to suffer a setback in legal battle. It is doubly painful if defeat is occasioned by his attorney's failure to receive notice because the latter has changed the place of his law office without giving the proper notice therefor. It is only when some such situation comes about that the negligent lawyer comes to realize the grave responsibility that has incurred both to his client and to the cause of justice. It is then that the lawyer is reminded that in his oath of office he solemnly declared that he "will conduct" himself "as a lawyer according to the best of his knowledge and discretion." Too late. Experience indeed is a good teacher. To a lawyer, though, it could prove very expensive.[57]

Macondray & Co., Inc. v. Provident Insurance, Corp.[58] specifically pronounced that "[i]f counsel moves to another address without informing the court of that change, such omission or neglect is inexcusable and will not stay the finality of the decision."[59]

Here, the notice of change of address was not filed simply because petitioner's counsel assumed that his staff filed the notice.[60] He cannot rid himself of responsibility by blaming it on

---

[54] 752 Phil. 15 (2015) [Per J. Leonen, Second Division].

[55] *Juane v. Garcia*, 134 Phil. 747 (1968) [Per J. Sanchez, En Banc].

[56] Id.

[57] Id. at 754.

[58] 487 Phil. 158 (2004) [Per J. Panganiban, Third Division].

[59] Id. at 167.

[60] *Rollo*, p. 26.

Supreme Court E-Library

the actions of others. This constitutes inexcusable negligence on the part of petitioner's counsel.

Unfortunately for petitioner, the negligence of his counsel has allowed the Court of Appeals Decision to lapse into finality and, as held in *Social Security System v. Isip*,[61] "no court . . . can exercise appellate jurisdiction to review a case or modify a decision that has bec[o]me final."[62] Neither does the petition invoke the recognized exceptions to the doctrine of immutability of judgments.

In any case, service to petitioner is sufficient. The Court of Appeals pointed out that petitioner received a copy of the decision on November 28, 2016.[63] Thus, petitioner only had until December 13, 2016 to file the motion for reconsideration.

Notwithstanding its procedural defects, the Petition is devoid of merit to warrant the assailed decision's reversal.

II

Under Article 166 of the New Civil Code, alienation or encumbrance of a conjugal property requires the consent of both spouses.[64] Article 173 further states that if the wife did not consent to the transaction, she may seek its annulment within 10 years.[65] Thus, without the wife's consent, the transaction is deemed

---

[61] 549 Phil. 112 (2007) [Per J. Corona, En Banc].

[62] Id. at 116.

[63] *Rollo*, p. 24.

[64] CIVIL CODE, art. 166 provides:

Article 166. Unless the wife has been declared a *non compos mentis* or a spendthrift, or is under civil interdiction or is confined in a leprosarium, the husband cannot alienate or encumber any real property of the conjugal partnership without the wife's consent. If she refuses unreasonably to give her consent, the court may compel her to grant the same.

This article shall not apply to property acquired by the conjugal partnership before the effective date of this Code.

[65] CIVIL CODE, art. 173 provides:

Article 173. The wife may, during the marriage, and within ten years from the transaction questioned, ask the courts for the annulment of any contract of the husband entered into without her consent, when such consent is required, or any act or contract of the husband which tends to defraud her or impair her interest

Supreme Court E-Library

voidable.[66] These provisions are intended to protect the wife against the husband's illegal alienation of their property.[67] This is in contrast with the Old Civil Code, which gives the husband full authority to alienate or encumber conjugal property.[68]

Articles 166 and 173 of the New Civil Code were not reproduced in the Family Code, which changed the rules on disposition and encumbrance of properties.

The Family Code clearly states that dispositions or encumbrances of community or conjugal properties without the other spouse's written consent are void. The identical paragraphs of Articles 96[69] and 124[70] provide:

---

in the conjugal partnership property. Should the wife fail to exercise this right, she or her heirs, after the dissolution of the marriage, may demand the value of property fraudulently alienated by the husband.

[66] *Spouses Cueno v. Spouses Bautista,* G.R. No. 246445, March 2, 2021 <https://elibrary.judiciary.gov.ph/thebookshelf/showdocs/1/67306> [Per J. Caguioa, En Banc].

[67] Id.

[68] Id.

[69] CIVIL CODE, art. 96 provides:

Article 96. The administration and enjoyment of the community property shall belong to both spouses jointly. In case of disagreement, the husband's decision shall prevail, subject to recourse to the court by the wife for proper remedy, which must be availed of within five years from the date of the contract implementing such decision.

In the event that one spouse is incapacitated or otherwise unable to participate in the administration of the common properties, the other spouse may assume sole powers of administration. These powers do not include disposition or encumbrance without authority of the court or the written consent of the other spouse. In the absence of such authority or consent, the disposition or encumbrance shall be void. However, the transaction shall be construed as a continuing offer on the part of the consenting spouse and the third person, and may be perfected as a binding contract upon the acceptance by the other spouse or authorization by the court before the offer is withdrawn by either or both offerors.

[70] CIVIL CODE, art. 124 provides:

Article 124. The administration and enjoyment of the conjugal partnership shall belong to both spouses jointly. In case of disagreement, the husband's decision shall prevail, subject to recourse to the court by the wife for proper remedy, which must be availed of within five years from the date of the contract implementing such decision.

Supreme Court E-Library

In the event that one spouse is incapacitated or otherwise unable to participate in the administration of the common properties, the other spouse may assume sole powers of administration. *These powers do not include the powers of disposition or encumbrance without the authority of the court or the written consent of the other spouse. In the absence of such authority or consent, the disposition or encumbrance shall be void.* However, the transaction shall be construed as a continuing offer on the part of the consenting spouse and the third person, and may be perfected as a binding contract upon the acceptance by the other spouse or authorization by the court before the offer is withdrawn by either or both offerors.[71] (Emphasis supplied)

This Court has consistently declared void any disposition or encumbrance without consent of one of the spouses under the Family Code.[72]

In *Jader-Manalo v. Spouses Camaisa*,[73] this Court held that the sale of a conjugal property is void for lack of the wife's consent. The petitioner bought a ten-door apartment from the respondents.

In the event that one spouse is incapacitated or otherwise unable to participate in the administration of the conjugal properties, the other spouse may assume sole powers of administration. These powers do not include disposition or encumbrance without authority of the court or the written consent of the other spouse. In the absence of such authority or consent, the disposition or encumbrance shall be void. However, the transaction shall be construed as a continuing offer on the part of the consenting spouse and the third person, and may be perfected as a binding contract upon the acceptance by the other spouse or authorization by the court before the offer is withdrawn by either or both offerors.

[71] Article 124 of the Family Code which governs conjugal partnership property is a reproduction of Article 96 of the Family Code which applies to community property.

[72] *See Ravina v. Villa Abrille*, 619 Phil. 115 (2009) [Per Acting C.J. Quisumbing, Second Division]; *Titan Construction Corp. v. Spouses David*, 629 Phil. 346 (2010) [Per J. Del Castillo, Second Division]; *Alejo v. Spouses Cortez*, 811 Phil. 129 (2017) [Per J. Tijam, Third Division]; *Strong Fort Warehousing Corp. v. Banta*, G.R. Nos. 222369 & 222502, November 16, 2020 <https://elibrary.judiciary.gov.ph/thebookshelf/showdocs/1/67127> [Per J. Lopez, Second Division]; *Gatmaytan v. Misibis Land, Inc.*, G.R. No. 222166, June 10, 2020 <https://elibrary.judiciary.gov.ph/thebookshelf/showdocs/1/66314> [Per J. Caguioa, First Division].

[73] 425 Phil. 346 (2002) [Per J. Kapunan, First Division].

Supreme Court E-Library

However, the wife later changed her mind and did not sign the contract to sell. The petitioner then filed a complaint for specific performance to compel the wife to sign, but this was dismissed by the trial court. The dismissal was affirmed by the Court of Appeals.[74]

In affirming the lower courts' rulings, this Court held that for the sale to be executed, the consent of both spouses must concur. Considering that the wife refused to give her consent, the contract to sell signed solely by the husband is void. Even if she was aware of the negotiations and the contract, mere awareness of the transaction is not consent.[75]

Similarly, in *Spouses Aggabao v. Spouses Parulan*,[76] the respondent sold two parcels of land to petitioners. She showed petitioners several documents including a Special Power of Attorney allegedly executed by her husband authorizing the sale of the conjugal properties. Later on, the respondent's husband assailed the validity of the sale for lack of his consent. The trial court and the appellate courts ruled in favor of the husband.[77]

Upon appeal, this Court affirmed the nullity of the sale, considering that it was executed through the forged signature of the husband. Citing Article 124 of the Family Code, this Court held that when one of the spouses did not consent to the sale of a conjugal property, the sale is void.[78]

In *Philippine National Bank v. Reyes*, the respondent's wife mortgaged three conjugal properties to the petitioner to secure a loan. The mortgaged properties were subsequently foreclosed for failure to pay the loan obligations. The petitioner won in the bid and bought the properties. The respondent then assailed the validity of the mortgage and sale claiming that he never consented

---

[74] Id.

[75] Id.

[76] 644 Phil. 26 (2010) [Per J. Bersamin, Third Division].

[77] Id.

[78] Id.

to the loan and that his signature was forged in the documents. The trial and appellate courts ordered the annulment of the mortgage.

Affirming the lower courts, this Court ruled that the consent of both spouses is indispensable for the disposition or encumbrance of a conjugal property. Given that the husband was able to show that his signature was falsified in the loan documents, this Court held that the mortgage unilaterally executed by the wife is void.[79]

Here, it is not disputed that the house and lot are conjugal properties of the Hidalgo Spouses.[80] Petitioner also sufficiently established that his signature on the December 9, 2002 Kasulatan was falsified, considering that he was not in the Philippines on the date of the sale's execution.[81] He arrived in the country only on December 23, 2002; thus, he could not have signed the instrument.[82] Therefore, for lack of written consent, the *pacto de retro* sale is void and it produces no legal effect.

At any rate, neither party questions the Court of Appeals' finding of nullity. What they challenge is the effect of the void contract, specifically whether respondent is entitled to the reimbursement of the purchase price with legal interest.

When the terms of a void contract have been performed, the parties must be reinstated to their original situation as legally and equitably possible.[83] Article 1398 of the Civil Code clearly provides:

> Article 1398. An obligation having been annulled, the contracting parties shall restore to each other the things which have been the subject matter of the contract, with their fruits, and the price with its interest, except in cases provided by law.

---

[79] *Philippine National Bank v. Reyes, Jr.*, 796 Phil. 736 (2016) [Per J. Leonen, Second Division].

[80] *Rollo*, p. 50.

[81] Id.

[82] Id.

[83] *Villanueva v. Chiong*, 577 Phil. 80 (2008) [Per J. Quisumbing, Second Division].

Supreme Court E-Library

In obligations to render service, the value thereof shall be the basis for damages.

In *Villanueva v. Chiong*,[84] this Court ruled that the sale of conjugal property made without one spouse's consent was not void, and as a consequence, this Court applied Article 1398 and ordered the return of the price the husband received for the land with interest. Similarly, *Ines v. Court of Appeals*[85] declared the reimbursement and imposition of legal interest proper following the nullity of the sale for want of consent of one spouse. This was deemed as "a necessary consequence of the finding that the Contract of Sale . . . is void in its entirety[.]"[86] *Bucoy v. Paulino, et al.*,[87] likewise applied this rule and ordered the restoration of the property to the parties.[88]

Strictly applying Article 1398 here, petitioner and respondents should be restored to their original situation. Petitioner should be ordered to reimburse to respondent Bascuguin the purchase price together with interest. On the other hand, respondent Bascuguin should return the title of the property to petitioner.

Further militating against petitioner's claim that respondent Bascuguin is not entitled to reimbursement is the fact that petitioner himself offered to return the purchase price in exchange for the subject property's title.[89]

As held in *Spouses Binarao v. Plus Builders, Inc.*,[90] the admitter, who is also the party, cannot contradict judicial admissions.[91] Admissions bind the person and it cannot be denied

---

[84] Id.

[85] 317 Phil. 373 (1995) [Per J. Francisco, Second Division].

[86] Id. at 376.

[87] 131 Phil. 790 (1968) [Per J. Sanchez, En Banc].

[88] Id.

[89] *Rollo*, p. 45.

[90] 524 Phil. 361 (2006) [Per J. Sandoval-Gutierrez, Second Division].

[91] Id. at 366.

Supreme Court E-Library

unless shown that the statement was made through palpable mistake.[92] In *Metro Rail Transit Development Corporation v. Gammon Philippines, Inc.*,[93] this Court held that the petitioner therein was bound by its judicial admission stating it was willing to reimburse respondent for its claims.

Here, petitioner is bound by his own pleadings, his demand letter, and his statement in open court expressing his willingness to reimburse respondent for the purchase price. There is also no showing that the offer was made through a palpable mistake. In his demand letter, petitioner, through counsel, stated:

> In this connection, but without in any manner giving his approval, acceptance or consent to the subject illegal transaction, my client, if only to buy peace, is willing to return to you the amount of Three Hundred Thousand Pesos (₱300,000.00) the consideration stated in the questioned deed, plus legal interest, and for that purpose hereby demands that title to the subject property which is now in your possession be returned to him after the delivery of the aforesaid amount.[94]

Petitioner even testified before the Regional Trial Court that he proposed this arrangement:

> Q: What did you do when you discovered that your house and lot was sold pacto de retro by your wife?
>
> A: I approached Mr. Conrado Bascuguin. I tried to plea with him if possible that I would pay him the amount of ₱300,000.00 but he did not agree. He was asking that he needs some interest amounting to ₱900,000.00.[95]

This constitutes an admission on petitioner's part that respondent is entitled to reimbursement of the ₱300,000.00 price, plus legal interest.

---

[92] Id.

[93] 823 Phil. 917 (2018) [Per J. Leonen, Third Division].

[94] *Rollo*, p. 64. April 22, 2004 Demand Letter.

[95] Id. at 125-126.

Supreme Court E-Library

III

Kierulf v. Court of Appeals[96] explained that moral damages are awarded only if there is:

> [P]leading and proof of moral suffering, mental anguish, fright and the like. While no proof of pecuniary loss is necessary in order that moral damages may be awarded, the amount of indemnity being left to the discretion of the court, it is nevertheless essential that the claimant should satisfactorily show the existence of the factual basis of damages and its causal connection to defendant's acts.[97] (Citations omitted)

On the other hand, exemplary damages are awarded only if the defendant acted with gross negligence.[98] This form of damages is:

> [D]esigned to permit the courts to mould behavior that has socially deleterious consequences, and its imposition is required by public policy to suppress the wanton acts of an offender. However, it cannot be recovered as a matter of right. It is based entirely on the discretion of the court.[99] (Citations omitted)

Meanwhile, attorney's fees cannot be recovered absent stipulation, subject to the exceptions provided under Art. 2208 of the Civil Code.[100]

---

[96] 336 Phil. 414 (1997) [Per J. Panganiban, Third Division].

[97] Id. at 431-432.

[98] CIVIL CODE, art. 2231 provides:

Article 2231. In quasi-delicts, exemplary damages may be granted if the defendant acted with gross negligence.

[99] *Kierulf v. Court of Appeals*, 336 Phil. 414, 428 (1997) [Per J. Panganiban, Third Division].

[100] CIVIL CODE, art. 2208 provides:

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;

(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;

(4) In case of a clearly unfounded civil action or proceeding against the plaintiff;

Supreme Court E-Library

Here, there is no proof that petitioner is entitled to damages. The Regional Trial Court found that petitioner failed to satisfactorily prove that respondents' acts directly caused his mental anguish or moral suffering to justify an award of moral damages.[101] There is no reason to deviate from this finding. Similarly, petitioner failed to prove that he is entitled to exemplary damages. There is no showing that respondents engaged in gross negligence or in behavior that has socially deleterious consequences that would warrant the award of exemplary damages.

Petitioner likewise did not prove the existence of any of the circumstances that warrant the award of attorney's fees under Article 2208 of the Civil Code.

Lastly, the Court of Appeals did not err in ordering the payment of legal interest. Pursuant to *Nacar v. Gallery Frames*,[102] the annual interest rate is 12% from the accrual of the obligation to return the principal amount or the date of the Regional Trial Court Decision on September 12, 2011 until June 30, 2013, and then 6% until the Court of Appeals Decision attained finality on December 13, 2016. Thereafter, the annual interest rate shall be 6% from the finality of the Court of Appeals decision until full payment as the interim period is equivalent to a forbearance of credit.

---

(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.

In all cases, the attorney's fees and expenses of litigation must be reasonable.

[101] *Rollo*, p. 107.

[102] 716 Phil. 267 (2013) [Per J. Peralta, En Banc].

Supreme Court E-Library

WHEREFORE, the Petition is **DENIED** for having shown no reversible error in the assailed decision. The Decision of the Court of Appeals in CA-G.R. CV No. 98529 is **AFFIRMED**.

SO ORDERED.

Carandang, Zalameda, Rosario, and *Dimaampao,*[*] *JJ.*, concur.

APPEARANCES OF COUNSEL

Karlo L. Kalingasan for petitioner.
Public Attorney's Office for respondents.

[*] Designated additional Member per Special Order No. 2840.