



Republic of the Philippines  
Supreme Court  
Manila

SECOND DIVISION

PASTORA GANANCIAL,  
Petitioner,

G.R. No. 203348

Present:

PERLAS-BERNABE, J.,  
Chairperson,  
HERNANDO,  
INTING,  
DELOS SANTOS, and  
GAERLAN,\* JJ.

versus

Promulgated:

BETTY CABUGAO,  
Respondent.

06 JUL 2020

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DECISION

**HERNANDO, J.:**

This Petition for Review on *Certiorari*<sup>1</sup> under Rule 45 of the Rules of Court assails the November 29, 2011 Decision<sup>2</sup> and the September 4, 2012 Resolution<sup>3</sup> of the Court of Appeals (CA) in CA-G.R. CV No. 88212.

\* Designated as additional member of the Second Division per Special Order No. 2780 dated May 11, 2020.

<sup>1</sup> *Rollo*, pp. 14-35.

<sup>2</sup> *Id.* at 37-49; penned by Associate Justice Francisco P. Acosta and concurred in by Associate Justices Magdangal M. De Leon and Angelita A. Gacutan.

<sup>3</sup> *Id.* at 51-52.

### The Antecedents

Pastora Ganancial (Ganancial) owed Betty Cabugao (Cabugao) the amount of ₱130,000.00, agreed to be payable within three years. To guarantee her indebtedness, Ganancial entrusted to Cabugao the Transfer Certificate of Title (TCT) No. 168803 and Tax Declaration No. 641, both covering a 397-square-meter parcel of land located in Balangobong, Binalonan, Pangasinan, which Ganancial owns in her name.

The transaction later turned sour and ended in the parties' respective lawsuits against each other before the Regional Trial Court (RTC), Branches 45 and 48 of Urdaneta City, Pangasinan. On October 2, 2001, Cabugao filed a case for foreclosure of real estate mortgage against Ganancial, docketed as Civil Case No. U-7397 with Branch 45. On October 8, 2001, the latter, in turn, filed against the former a complaint for declaration of the deed of mortgage as null and void, with damages docketed as Civil Case No. U-7406 with Branch 48. These cases were eventually ordered consolidated before Branch 45.

Cabugao alleged that on March 4, 1998, Ganancial executed a Deed of Mortgage<sup>4</sup> over the subject property as collateral for her loan. Despite the lapse of three years from the date of the mortgage and repeated demands, Ganancial failed and refused to pay the amount she owed Cabugao. A final demand having proved futile, Cabugao sought the judicial foreclosure of the real estate mortgage, plus interest, and the award of attorney's fees and litigation expenses.

For her part, Ganancial assailed the authenticity of the Deed of Mortgage. While she entrusted TCT No. 168803 with Cabugao, Ganancial averred that she never executed the supposed Deed of Mortgage nor appeared for its notarization. Cabugao allegedly required Ganancial and her children to affix their signatures on a blank bond paper, which Cabugao filled out only later. Ganancial learned of the existence of the Deed of Mortgage for the first time during her confrontation with Cabugao before the *barangay* captain regarding her unpaid debt and where Cabugao threatened to foreclose the subject property. Ganancial thus prayed for the declaration of the Deed of Mortgage as null and void and claimed moral damages, exemplary damages, litigation expenses, and costs of suit.

#### *Ruling of the Regional Trial Court*

The RTC ruled in favor of Cabugao. It declared that Ganancial's contentions against the authenticity of the notarized Deed of Mortgage were

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<sup>4</sup> Records (Civil Case No. U-7397), p. 53.

not proven by clear and convincing evidence. It also noted that the names of Ganancial and her children were so well-placed on the Deed of Mortgage for the court to believe that they merely signed a blank bond paper. There being a finding of bad faith, the RTC also held Ganancial liable for moral damages, exemplary damages, attorney's fees, and litigation costs. The May 17, 2006 RTC Joint Decision<sup>5</sup> disposed of the consolidated cases in the following tenor:

WHEREFORE, PREMISES CONSIDERED, the Court renders judgment, as follows:

IN CIVIL CASE NO. U-7397:

1). The Court orders the sale of the property in the name of the defendant, Pastora Ganancial, covered by Transfer Certificate of Title No. 168803 and Tax Declaration No. 641 and to pay to the plaintiff BETTY [C]ABUGAO the mortgage debt plus legal interest, attorney's fees, litigation expenses, damages and other expenses; and

2). The Court orders the defendant PASTORA GANANCIAL to pay the plaintiff Betty Cabugao the sum of ₱130,000.00 including legal interest from the time the money was taken by the former from the latter; the amount of ₱50,000.00 as moral damages and ₱20,000.00 as attorney's fees.

IN CIVIL CASE NO. U-7406:

1). The Court orders the DISMISSAL of this case, for lack of merit; and

2). Further, orders the plaintiff, Pastora Ganancial[,] to pay the defendant Betty Cabugao the amount of ₱50,000.00 as moral damages; ₱20,000.00 as exemplary damages and ₱10,000.00 as litigation expenses.

SO ORDERED.<sup>6</sup>

Ganancial appealed<sup>7</sup> to the CA, stating that the RTC gravely erred in ruling in favor of Cabugao despite the glaring irregularities of the Deed of Mortgage. The dates of the Deed of Mortgage and its notarization were dissimilar, the former having been executed on March 4, 1998 and the latter on January 15, 2001.<sup>8</sup> Ganancial pointed out that the Office of the Clerk of Court of the RTC of Urdaneta City certified that the notarial entry under Doc. No. 430, Page No. 87, Book No. LXXXIII, Series of 2001 pertained to a deed of sale of a motor vehicle and not to the Deed of Mortgage. Ganancial also noted that different typewriters were used in the preparation of the Deed of Mortgage.

<sup>5</sup> *CA rollo*, pp. 41-52; penned by Presiding Judge Joven F. Costales.

<sup>6</sup> *Id.* at 51-52.

<sup>7</sup> *Id.* at 25-40.

<sup>8</sup> *Id.* at 36.

### *Ruling of the Court of Appeals*

The CA denied Ganancial's appeal. It concurred with the disposition of the RTC that forgery or falsification cannot be presumed and must be proved with clear, positive, and convincing evidence by the party who alleges the same. The CA found that Ganancial failed in discharging such burden of proof, especially that the deed in issue was a notarized document. The CA also ruled that mere irregularities in the notarization do not affect the genuineness and due execution of the document. Affirming the RTC in its assailed November 29, 2011 Decision, the CA thus held:

**WHEREFORE**, premises considered, the instant Appeal is **DENIED**. Accordingly, the assailed Decision dated 17 May 2006 of the court *a quo* is hereby **AFFIRMED in toto**.

**SO ORDERED.**<sup>9</sup>

After the CA found no compelling reason to reverse itself and denied her Motion for Reconsideration<sup>10</sup> in its September 4, 2012 Resolution,<sup>11</sup> Ganancial proceeds to this Court.

### **Errors Assigned**

Ganancial raises the following errors for this Court's review:

I

WHETHER THE [CA] ERRED IN AFFIRMING THE DECISION OF THE [RTC] FAVORING BETTY CABUGAO DESPITE THE GLARING IRREGULARITY OF THE QUESTIONED DEED OF MORTGAGE.

II

WHETHER THE [CA] ERRED IN AFFIRMING THE DECISION OF THE [RTC]'S AWARDING OF MORAL AND EXEMPLARY DAMAGES, LITIGATION EXPENSES AND ATTORNEY'S FEES IN FAVOR OF BETTY CABUGAO WITHOUT CITING THE BASIS THEREOF.<sup>12</sup>

### **The Court's Ruling**

The appeal is meritorious in part.

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<sup>9</sup> *Rollo*, p. 48.

<sup>10</sup> *Id.* at 81-85.

<sup>11</sup> *Id.* at 51-52.

<sup>12</sup> *Id.* at 21.

**Mere formal infirmities in the notarization of the instrument will not invalidate the mortgage**

Ganancial reiterates that she and her two sons were made to sign a blank piece of paper as acknowledgment of her indebtedness to Cabugao, and that thereafter, the latter supplied the particulars of the mortgage on the same piece of paper. The following circumstances allegedly attest to the spuriousness of the Deed of Mortgage: the document was supposedly executed and notarized on March 4, 1998, but was entered in a 2001 notarial book by a notary public whose notarial commission ended in 2001; that the entry indicated in the notarial register actually pertained to a deed of sale of a motor vehicle; that different typewriters were used in typing the contents of the Deed of Mortgage and its notarization; and that the acknowledgment was written on the back of the document, despite the considerable space allotted and remaining below the Deed of Mortgage. In fine, Ganancial assails the validity of the mortgage and not merely its notarial irregularities.

We do not find for Ganancial.

The CA was already on-point in citing *Camcam v. Court of Appeals*<sup>13</sup> as regards the issue on the notarization of the Deed of Mortgage, which We echo:

[A]n irregular notarization merely reduces the evidentiary value of a document to that of a private document, which requires proof of its due execution and authenticity to be admissible as evidence. The irregular notarization — or, for that matter, the lack of notarization — does not thus necessarily affect the validity of the contract reflected in the document.<sup>14</sup> (Citation omitted)

Errors in, or even absence of, notarization on a deed of mortgage will not invalidate an already perfected mortgage agreement. If anything, these would only depreciate the evidentiary value of the said written deed, as the same would be demoted from a public document to a private one.

It bears noting that Ganancial had alleged that fraud invalidated her consent to the mortgage. While she had worded her arguments as an attack on the existence of the mortgage, vitiation of consent by means of fraud is a ground for the *annulment* of a *voidable* contract, and not for the *nullification* of a *void* contract. Having raised lack of consent on the ground of fraud in her

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<sup>13</sup> 588 Phil. 452 (2008).

<sup>14</sup> *Id.* at 462.

complaint for “declaration of document as null and void plus damages,”<sup>15</sup> her case is practically devoid of any factual basis.

Even if the present case is one for annulment of contract, the fraud alleged to have vitiated Ganancial’s consent to the mortgage must still be proven by clear and convincing evidence. *Clear and convincing evidence* is less than proof beyond reasonable doubt but greater than preponderance of evidence. The degree of believability upon an imputation of fraud in a civil case is higher than that of an ordinary civil case, the latter generally requiring only a preponderance of evidence to meet the required burden of proof. The burden of proof rests on the party alleging fraud.<sup>16</sup>

Ganancial failed in this regard. Again, the CA succinctly declared so as follows:

In the instant case, the appellant miserably failed to discharge this burden. A careful and judicious examination of the records on hand reveals that the evidence presented by the appellant is too weak to convince Us that the subject document was fabricated or falsified.

Apart from the testimonies of the appellant and her children, which We found to be self-serving, there is nothing on record which bolsters her stance. It must be stressed that the deed in question is a notarized document. Jurisprudential rule dictates that to successfully impugn a notarized document, the party concerned must present a strong, complete and conclusive proof of its falsity, lest the validity thereof must be sustained in full force and effect. Sadly in this case, the appellant failed to support her claim.<sup>17</sup> (Citations omitted.)

Even assuming that Ganancial’s complaint for the declaration of nullity of the Deed of Mortgage was truly grounded on its nonexistence or absolute simulation, it would still have no basis in fact and in law.

Under Article 1409 of the Civil Code, absolute simulation voids a contract.<sup>18</sup> In absolute simulation, there appears a colorable contract but there

<sup>15</sup> Records (Civil Case No. U-7406), pp. 1-4.

<sup>16</sup> *Riguer v. Mateo*, 811 Phil. 538, 547 (2017), citing *Tankeh v. Development Bank of the Philippines*, 720 Phil. 641 (2013).

<sup>17</sup> *Rollo*, p. 46.

<sup>18</sup> Civil Code, Article 1409 provides:

Article 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.

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

actually is none, as the parties thereto have never intended to be bound by it. In determining the true nature of a contract, the primary test is the intention of the parties. Such intention is determinable not only from the express terms of their agreement, but also from the contemporaneous and subsequent acts of the parties.<sup>19</sup>

The totality of the circumstances negates the contention that the Deed of Mortgage was absolutely simulated. Ganancial, having absolute ownership and full disposal of the property in issue, admittedly conveyed TCT No. 168803 to secure her indebtedness to Cabugao in the amount of ₱130,000.00. Their agreement was reduced into writing as a Deed of Mortgage, and Ganancial's stand that the signatures thereon were manipulated does not convince. As aptly noted by the RTC, the signatures of Ganancial and her children appear exactly above their typewritten names, lending weak support to the claim that they had been made to sign a blank piece of paper that Cabugao later completed as a Deed of Mortgage.<sup>20</sup> There is also the undisputed presumption of regularity enjoyed by notarized contracts, and the mere fact that two public documents are covered by the same notarial entry neither identifies with sufficient definiteness which one of them was fake, nor does it determine if any of them was spurious in the first place. It is also a settled fact that the mortgage in issue was properly registered and annotated on TCT No. 168803.

Moreover, contracts, in general, require no form to exist. Article 2085 of the Civil Code specifies the elements of valid contracts of mortgage:

- (1) That they be constituted to secure the fulfillment of a principal obligation;
- (2) That the x x x mortgagor be the absolute owner of the thing x x x mortgaged;
- (3) That the persons constituting the x x x mortgage have the free disposal of their property, and in the absence thereof, that they be legally authorized for the purpose.

Article 2125 of the same law adds a fourth requirement, the absence of which, however, shall not affect the validity of the agreement between the mortgagor and the mortgagee:

Art. 2125. In addition to the requisites stated in [A]rticle 2085, it is indispensable, in order that a mortgage may be validly constituted, that the document in which it appears be recorded in the Registry of Property. If the instrument is not recorded, the mortgage is nevertheless binding between the parties.

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<sup>19</sup> *Clemente v. Court of Appeals*, 771 Phil. 113, 124-125 (2015), citing *Heirs of Policronio M. Ureta, Sr. v. Heirs of Liberato M. Ureta*, 673 Phil. 188 (2011); *Lopez v. Lopez*, 620 Phil. 368 (2009); and *Ramos v. Heirs of Honorio Ramos, Sr.*, 431 Phil. 337 (2002).

<sup>20</sup> *CA rollo*, p. 50.

Unfortunately for Ganancial, her contract of mortgage with Cabugao is already fully compliant with the foregoing provisions, as earlier discussed. The notarization issues are rendered irrelevant. All of the foregoing leads to the inevitable conclusion that their mortgage contract was perfected, valid, and effective, and Ganancial and Cabugao were far from having absolutely no intention to be bound thereunder.

**Basis for the award of damages must be clearly and distinctly set out in the judgment**

Ganancial argues before Us that the RTC awarded moral and exemplary damages in favor of Cabugao by simply concluding without due discussion that there was bad faith on Ganancial's part. The latter also asserts that while attorney's fees and litigation expenses may be awarded when the court deems them just and equitable, any conclusion to that effect must be borne out by the findings of facts and law that the award was reasonable under the circumstances.

We side with Ganancial on this issue.

The main *ratio* of the RTC's Joint Decision declared:

It would be perplexing and bewildering to believe that Betty Cabugao, who was at most, a professional and a retired nurse, would just let Pastora Ganancial [sign] a blank coupon bond. A careful scrutiny of the deed of mortgage would tend to show that the name of Pastora Ganancial and that of her children were well-placed in the deed of mortgage although the notarization or [acknowledgment] is located at the back of the document.

The Court would not believe that the person of Betty Cabugao, who is a professional, a retired nurse at that, would just let another who is indebted to her in the amount of ₱130,000.00 to have a blank coupon bond signed instead of going to a lawyer to make the appropriate document to secure the big amount she lent. Nonetheless, it is admitted by Pastora Ganancial and her children-signatories that the latter received a certain amount of ₱100,000.00 that was why they signed a blank coupon [bond], if it is true that it was blank, although it was refuted by Betty Cabugao.

The contention of Pastora Ganancial that the deed of mortgage is fake, fabricated and not genuine is not borne by any evidence. That one who alleges such things shall be the one to prove [them].

In the case of [Mendezona v. Ozamiz], 376 SCRA 482, the Supreme Court held that:

“x x x. In other words, whosoever alleges the fraud or invalidity of a notarized document has the burden of proving the same by evidence that is clear, convincing and more than merely preponderant. Therefore, with this well-recognized statutory presumption, the burden fell upon the respondents to prove their allegations attacking the validity and due execution



of the said Deed of Absolute Sale. Respondents failed to discharge that burden; hence, the presumption in favor of the said deed stands. But more importantly, that notarized deed shows on its face that the consideration of One Million Forty Thousand Pesos (₱1,040,000.00) was acknowledged to have been received by Carmen [Ozamiz].”

Under the same above-cited case, the Supreme Court ruled further that:

“x x x. It is significant to note that the Deed of Absolute Sale dated April 28, 1989 is a notarized document duly acknowledged before a notary public. As such, [it has] in its favor the presumption of regularity, and it carries the evidentiary weight conferred upon [it with] respect to its due execution. It is admissible in evidence without further proof of its authenticity and is entitled to full faith and credit upon its face.”

**There is bad faith on the part of Pastora Ganancial. There being bad faith, she is liable for moral damages** as enunciated in the case of *China Airlines, Ltd. vs. Court of Appeals*, 406 SCRA 113.<sup>21</sup> (Emphasis supplied.)

We find this ruling of the trial court grossly noncompliant with the law.

Article VIII, Section 14 of the Constitution provides that “[n]o decision shall be rendered by any court without expressing therein clearly and distinctly the facts and the law on which it is based,” and that “[n]o petition for review or motion for reconsideration of a decision of the court shall be refused due course or denied without stating the basis therefor.” Rule 36, Section 1 of the Rules of Court embraced this constitutional mandate, directing that “[a] judgment or final order determining the merits of the case shall be in writing personally and directly prepared by the judge, stating clearly and distinctly the facts and the law on which it is based, signed by him, and filed with the clerk of the court.”

The grant of moral damages, exemplary damages, attorney’s fees, and litigation costs has basic reliance upon the following provisions of the Civil Code:

Art. 2217. 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.

Art. 2220. Willful injury to property may be a legal ground for awarding moral damages if the court should find that, under the circumstances, such damages are justly due. The same rule applies to

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<sup>21</sup> *Id.* at 50-51.

breaches of contract where the defendant acted fraudulently or in bad faith.

Article 2232. In contracts and quasi-contracts, the court may award exemplary damages if the defendant acted in a wanton, fraudulent, reckless, oppressive, or malevolent manner.

Article 2233. Exemplary damages cannot be recovered as a matter of right; the court will decide whether or not they should be adjudicated.

Article 2234. While the amount of the exemplary damages need not be proved, the plaintiff must show that he is entitled to moral, temperate or compensatory damages before the court may consider the question of whether or not exemplary damages should be awarded. x x x

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;
- (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.

Jurisprudence likewise lays out the elementary precepts in awarding damages.

*Arco Pulp and Paper Co., Inc. v. Lim*<sup>22</sup> instructs that moral damages are not recoverable simply because a contract has been breached. They are recoverable only if the party from whom they are claimed acted fraudulently or in bad faith or in wanton disregard of his/her contractual obligations.<sup>23</sup>

As regards the assessment of exemplary damages, *Tankeh v. Development Bank of the Philippines*<sup>24</sup> declared that the wrongful act must be accompanied by bad faith, and the award therefor would be allowed only if the guilty party acted in a wanton, fraudulent, reckless or malevolent manner.<sup>25</sup> Also known as “punitive,” “vindictive,” or “corrective” damages, exemplary damages serve as a deterrent to serious wrongdoings, and as a vindication of undue sufferings and wanton invasion of the rights of an injured or a punishment for those guilty of outrageous conduct.<sup>26</sup>

Per *Benedicto v. Villaflores*,<sup>27</sup> attorney’s fees represent the reasonable compensation paid to a lawyer by his/her client for the legal services he/she has rendered to the latter. They may be awarded by the court as indemnity for damages to be paid by the losing party to the prevailing party in the instances specified in Article 2208 of the Civil Code.

Strangely enough, none of the foregoing Civil Code provisions, pieces of jurisprudence, or similar legal references were even slightly alluded to by the RTC to justify the monetary awards.

Immediately after its outright conclusion of Ganancial’s bad faith and without further disquisitions, the RTC jumped to its final verdict favoring Cabugao and awarding the latter moral damages, exemplary damages, attorney’s fees, and reimbursement of litigation expenses in the dispositive portion of its May 17, 2006 Joint Decision. While the trial court did mention *China Airlines, Ltd. v. Court of Appeals*<sup>28</sup> (*China Airlines, Ltd.*), it completely neglected to correlate the same to the facts of the case. A further probe into the said *China Airlines, Ltd.* case reveals that its ruling is not at all parallel to the dispositions by the RTC. In *China Airlines, Ltd.*, bad faith did not obtain against the petitioner therein, and the Court withheld the award of moral and exemplary damages as well as attorney’s fees. In fine, there was no clear and distinct citation of the RTC’s factual and legal bases as regards its positive grant of damages in favor of Cabugao, or any discussion as to how Ganancial was liable therefor.

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<sup>22</sup> 737 Phil. 133 (2014).

<sup>23</sup> *Id.* at 147-148.

<sup>24</sup> *Supra* note 16.

<sup>25</sup> *Id.* at 693, citing *Cervantes v. Court of Appeals*, 363 Phil. 399 (1999).

<sup>26</sup> *Id.* at 692-693, citing *People v. Rante*, G.R. No. 184809, March 29, 2010, 617 SCRA 115.

<sup>27</sup> 646 Phil. 733, 741-742 (2010).

<sup>28</sup> 453 Phil. 959 (2003).

Court judgments, decisions, orders, or other issuances that fall short of the mandate of Article VIII, Section 14 of the Constitution are nullified and struck down as void.<sup>29</sup> The Court shall do so in this case, and only insofar as the award of damages is concerned, as its disposition is the portion plagued by the constitutional infirmity.

The rule is to remand the case to the court *a quo* for the re-issuance of the defective judgment and its rectification. The Court, however, finds the impracticality of the norm and resolves to completely adjudicate on the case at this point, as the full records are already at hand<sup>30</sup> and considering the age of this case in the dockets.

The issue of whether Ganancial was in bad faith or whether Cabugao is entitled to reimbursement of attorney's fees and litigation costs is essentially a question of fact. A question of fact requires this Court to review the truth or falsity of the allegations of the parties, which includes assessment of the probative value of the evidence presented, or when the issue presented before this Court is the correctness of the lower courts' appreciation of the evidence presented by the parties.<sup>31</sup> As petitions for review on *certiorari* under Rule 45 of the Rules of Court are limited to pure questions of law, the Court is generally not bound to rule on the soundness of the trial court's appreciation of evidence meriting the award of damages in favor of Cabugao.

There is, however, good cause to consider the instant case an exception to the rule that only questions of law may be entertained in a Rule 45 petition. *Medina v. Asistio, Jr.*<sup>32</sup> lists ten exceptions:

(1) When the conclusion is a finding grounded entirely on speculation, surmises or conjectures; (2) When the inference made is manifestly mistaken, absurd or impossible; (3) Where there is a grave abuse of discretion; (4) When the judgment is based on a misapprehension of facts; (5) When the findings of fact are conflicting; (6) When the Court of Appeals, in making its findings, went beyond the issues of the case and the same is contrary to the admissions of both appellant and appellee; (7) The findings of the Court of Appeals are contrary to those of the trial court; (8) When the findings of fact are conclusions without citation of specific evidence on which they are based; (9) When the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondents; and (10) The finding of fact of the Court of Appeals is premised on the supposed absence of evidence and is contradicted by the evidence on record.<sup>33</sup> (Citations omitted.)

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<sup>29</sup> *Yao v. Court of Appeals*, 398 Phil. 86, 106 (2000).

<sup>30</sup> The Court found occasion to resolve cases in like manner in *People v. Escobar*, 241 Phil. 578 (1988) and *People v. Banayo*, 214 Phil. 639 (1984).

<sup>31</sup> *Pascual v. Burgos*, 776 Phil. 167, 183 (2016), citing *Republic v. Ortigas and Company Limited Partnership*, 728 Phil. 277 (2014) and *Cirtek Employees Labor Union-Federation of Free Workers v. Cirtek Electronics, Inc.*, 665 Phil. 784 (2011).

<sup>32</sup> 269 Phil. 225 (1990).

<sup>33</sup> *Id.* at 232.

Some of these exempting circumstances are present here. Thus, the Court is compelled to review the relevant evidence in view of the RTC's conclusion of bad faith against Ganancial that has apparent ground on speculations, surmises or conjectures, with no citation of specific evidence on which such findings are based.

Withal, and upon careful reevaluation of established facts on record, this Court overturns the RTC's award of damages in favor of Cabugao and the CA's affirmation thereof.

*Francisco v. Ferrer, Jr.*<sup>34</sup> explains the determination of propriety of moral damages:

The person claiming moral damages must prove the existence of bad faith by clear and convincing evidence for the law always presumes good faith. **It is not enough that one merely suffered sleepless nights, mental anguish, serious anxiety as the result of the actuations of the other party. Invariably such action must be shown to have been willfully done in bad faith or with ill motive.** Mere allegations of besmirched reputation, embarrassment and sleepless nights are insufficient to warrant an award for moral damages. It must be shown that the proximate cause thereof was the unlawful act or omission of the x x x petitioners.<sup>35</sup> (Emphasis supplied, citations omitted)

These minimum standards for a grant of moral damages are not at all extractable from Cabugao's declarations in open court. We reproduce the same in pertinent part<sup>36</sup>:

ATTY. TINIO:

x x x x

Q Did the defendant pay her obligation, Madam Witness?

A No, sir.

Q What do you mean, no sir, Madam Witness?

A She failed to pay me, sir.

Q When the defendant failed to pay you what did you do, Madam Witness?

A I made repeated oral demands to the defendant, Pastora Ganancial, but still she refused to pay her obligation, sir.

Q After making repeated oral demands to the defendant Pastora Ganancial what else did you do, Madam Witness?

A I went to see a lawyer, sir.

Q When you went to see a lawyer what did your lawyer do?

A My lawyer sent a demand letter to Pastora Ganancial to pay within 15 days,

<sup>34</sup> 405 Phil. 741 (2001).

<sup>35</sup> *Id.* at 749.

<sup>36</sup> TSN, June 5, 2003, pp. 11-13.

sir.

Q When your lawyer sent the demand letter did the defendant comply [with] the demand?

A No, sir.

Q So what did your lawyer do when the defendant failed to make good of her promise?

A We filed this case for foreclosure of mortgage, sir.

Q [Were] there any fees involved when you engaged the services of a lawyer?

A I paid ₱30,000.00 for his attorney's fees plus ₱1,000.00 appearance fee for every hearing, sir.

Q How about damages suffered by you, Madam Witness?

A Yes, sir, I suffered anxiety and sleepless nights.

Q If you will quantify that to an amount of money how much will that be?

A ₱100,000.00, sir.

These statements were the only tangible proof in the records in support of Cabugao's claim for damages. The RTC readily acceded to her monetary pleas and granted her a total of ₱100,000.00 as moral damages, ₱20,000.00 as exemplary damages, and a full ₱30,000.00 as attorney's fees and litigation expenses, all attributed to and payable by Ganancial. We, however, find these judicial awards legally unsound.

A robotic allegation that one "suffered anxiety and sleepless nights," or a seemingly haphazard conversion of these disturbed feelings into some pecuniary equivalent, without more, will not automatically entitle a party to moral damages. On the other hand, Ganancial's refusal to pay her indebtedness was grounded on her firm belief that the subject Deed of Mortgage was fake. She was unwavering in her claim that she had a sound cause against Cabugao, and the honesty in her legal pursuit is reflected in the consistency of her allegations throughout the proceedings. To the Court, Ganancial's actuations as testified to by Cabugao cannot be seen as being motivated by a corrupt purpose, some moral obliquity and conscious doing of a wrong, or a breach of known duty through some other motive or interest or ill will that partakes of the nature of fraud<sup>37</sup> to merit an award of moral damages.

As the evidence on record militates against Cabugao's claim for moral damages, a grant of exemplary damages is necessarily uncalled for. Article 2234 of the Civil Code is already clear in requiring a prior determination of entitlement to moral, temperate, or compensatory damages before the Court may consider the question of whether or not exemplary damages should be awarded.

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<sup>37</sup> See *Adriano v. Lasala*, 719 Phil. 408, 419-420 (2013).

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With respect to the RTC's initial award of attorney's fees and reimbursement of litigation costs, an adverse decision does not *ipso facto* justify the award thereof to the winning party.<sup>38</sup> "*J*" *Marketing Corporation v. Sia, Jr.*<sup>39</sup> has ruled that "no attorney's fees and litigation expenses can automatically be recovered even [if a party wins], as it is not the fact of winning alone that entitles recovery of such items, but rather the attendance of special circumstances — the enumerated exceptions in Article 2208 of the New Civil Code."<sup>40</sup> Needless to state, Cabugao failed to demonstrate that her legal victory against Ganancial qualified under any of the instances under Article 2208 of the Civil Code.

Substantial justice trumps over procedural rigidities. If a strict application of the rules of procedure will frustrate rather than serve the broader interests of justice under the prevailing circumstances of the case, such as where strong considerations of substantive justice are manifest in the petition, the Court may relax the strict application of the rules of procedure in the exercise of its equity jurisdiction.<sup>41</sup> As declared in *Alonso v. Villamor*,<sup>42</sup> "[t]echnicality, when it deserts its proper office as an aid to justice and becomes its great hindrance and chief enemy, deserves scant consideration from courts. There should be no vested rights in technicalities."<sup>43</sup> Litigants cannot relish in their legal winnings which they are clearly undeserving of under the law by scoring undue advantage over the procedural mistakes of the opponent.

**WHEREFORE**, the appeal is **GRANTED in PART**. The assailed November 29, 2011 Decision and the September 4, 2012 Resolution of the Court of Appeals in CA-G.R. CV No. 88212 are **AFFIRMED with MODIFICATION**, in that the award of moral damages, exemplary damages, attorney's fees, and reimbursement of litigation expenses as originally granted by the Regional Trial Court, Branch 45 of Urdaneta City, Pangasinan in favor of respondent Betty Cabugao is **DELETED**.

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<sup>38</sup> "*J*" *Marketing Corporation v. Sia, Jr.*, 349 Phil. 513, 518 (1998).

<sup>39</sup> *Id.*

<sup>40</sup> *Id.*

<sup>41</sup> *Curammeng v. People*, 799 Phil. 575, 581 (2016), citing *CMTC International Marketing Corporation v. Bhagis International Trading Corporation*, 700 Phil. 575, 581 (2012).


<sup>42</sup> 16 Phil. 315 (1910).


<sup>43</sup> *Id.* at 322.

**SO ORDERED.**

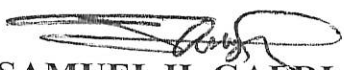
  
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**RAMON PAUL L. HERNANDO**  
Associate Justice

WE CONCUR:

  
**ESTELA M. PERLAS-BERNABE**  
Senior Associate Justice  
Chairperson

  
**HENRI JEAN PAUL B. INTING**  
Associate Justice


  
**EDGARDO L. DELOS SANTOS**  
Associate Justice

  
**SAMUEL H. GAERLAN**  
Associate Justice



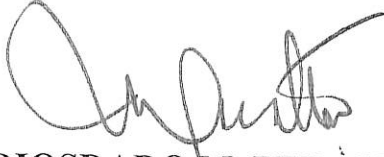
**ATTESTATION**

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

  
**ESTELA M. PERLAS-BERNABE**  
Senior Associate Justice  
Chairperson

**CERTIFICATION**

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision were reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

  
**DIOSDADO M. PERALTA**  
Chief Justice