

Republic of the Philippines  
Supreme Court  
Manila

FIRST DIVISION

UCPB LEASING AND FINANCE G.R. No. 210976  
CORPORATION,

Petitioner, Present:

PERALTA, C.J.,  
Chairperson,  
CAGUIOA,  
CARANDANG,  
ZALAMEDA, and  
GAERLAN, JJ.

- versus -

HEIRS OF FLORENCIO  
LEPORGO, SR., represented by  
FLORENCIO LEPORGO, JR.,  
Respondents.

Promulgated:

JAN 12 2021

*withhold*

X-----X

DECISION

CARANDANG, J.:

Before this Court is a Petition for Review on *Certiorari*<sup>1</sup> under Rule 45 of the Rules of Court (Rules), assailing the Decision<sup>2</sup> dated August 15, 2013 and the Resolution<sup>3</sup> dated January 21, 2014 of the Court of Appeals (CA) in CA-G.R. CV No. 93743 filed by petitioner UCPB Leasing and Finance Corporation (ULFC).

Facts of the Case

ULFC is the registered owner of an International Harvester Trailer Truck (trailer truck) with plate no. CMZ-501. On August 21, 1998, ULFC entered into a Lease Agreement<sup>4</sup> with Subic Bay Movers, Inc. (SBMI) over the trailer truck and other equipment. On the same date, SBMI received the

<sup>1</sup> Rollo, pp. 36-61.

<sup>2</sup> Penned by Associate Justice Stephen C. Cruz, with the concurrence of Associate Justices Magdangal M. De Leon and Myra V. Garcia-Fernandez; id. at 7-20.

<sup>3</sup> Id. at 32-33.

<sup>4</sup> Id. at 97-102.

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trailer truck together with other leased equipment.<sup>5</sup> On November 13, 2000, at about 12:45 p.m., Florencio Leporgo, Sr. (Leporgo) was driving his Nissan Sentra car bearing plate number UGA-280 along the national road in Barangay Real, Calamba, Laguna. He had just left his office at the Bureau of Customs and was headed for the grocery. While Leporgo's car was in full stop together with other vehicles waiting for traffic to move, the trailer truck driven by Miguelito Almazan (Almazan) recklessly moved its way towards the road despite the presence of stalled vehicles. The trailer truck hit all vehicles positioned along its way and hit several persons and structures in the area until it halted on top of the car of Leporgo. The car driven by Leporgo exploded, causing his death. Thereafter, the heirs of Leporgo filed a complaint for damages.<sup>6</sup>

ULFC filed a Motion to Dismiss arguing that the Regional Trial Court (RTC) did not acquire jurisdiction over the corporation because summons was served on Rosario A. Pinguel (Pinguel) of ULFC's Collection and Compliance Department and not upon the president, managing partner, general manager, corporate secretary, treasurer, or in-house counsel as required by the Rules.<sup>7</sup>

Almazan filed his Answer with Counterclaim containing general denial of the allegations in the complaint and praying for the award of moral and exemplary damages, attorney's fees, and litigation expenses.<sup>8</sup>

In an Order dated March 12, 2002, the RTC instructed that an alias summons be served anew upon ULFC.<sup>9</sup> Based on the Sheriff's Return<sup>10</sup> dated March 22, 2002, the summons was personally served on ULFC through the Office of the President and was received by its Executive Secretary, Tetchie Paredes (Paredes), on March 20, 2002.<sup>11</sup>

ULFC filed its Answer *Ad Cautelam* denying the material allegations in the complaint. ULFC set up the following defenses that: (1) it is doing business as a finance company extending credit facilities to consumers and to industrial, commercial, and agricultural enterprises; (2) on August 21, 1998, a Lease Agreement was entered into wherein various vehicles owned by ULFC, including the subject vehicle, were leased to SBMI; and (3) summons was not properly served to the responsible officers of ULFC as provided by the Rules which is a ground for dismissing the complaint. ULFC also prayed for the payment of moral damages in the sum of ₱500,000.00 and attorney's fees in the amount of ₱200,000.00.<sup>12</sup>

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<sup>5</sup> Id. at 103-106.

<sup>6</sup> Id. at 138-141.

<sup>7</sup> Id. at 9.

<sup>8</sup> Id.

<sup>9</sup> Id.

<sup>10</sup> Id. at 114.

<sup>11</sup> Id.

<sup>12</sup> Id. at 139.

In the Amended Complaint, SBMI was impleaded as defendant.<sup>13</sup> Acting on the heirs of Leporgo's Motion for Leave to Serve Summons by Publication, the RTC ordered the service of summons by publication upon SBMI, which has since moved out of its last known address. Upon motion, SBMI was declared in default in an Order dated April 25, 2003. Thereafter, trial on the merits ensued.<sup>14</sup>

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

On February 2, 2009, the RTC rendered its Decision<sup>15</sup> finding ULFC and Almazan jointly and severally liable for the death of Leporgo, the dispositive portion of which states:

WHEREFORE, premises considered, judgment [is] hereby rendered in favor of the plaintiffs and against the defendants, as follows:

1. Ordering the defendants, Miguelito Almazan, UCPB Leasing and Financing Corporation to pay plaintiffs jointly and severally, the sum of P482,533.04 as actual damages;
2. Ordering the aforesaid defendants to pay plaintiffs jointly and severally the sum of P1,000,000.00 as moral damages;
3. Ordering the said defendants to pay plaintiffs, jointly and severally, the sum of P50,000.00 by way of indemnity as a result of the untimely death of Leopoldo Leporgo Sr.;
4. Ordering the defendants to pay plaintiffs jointly and severally the total sum of EIGHT MILLION ONE HUNDRED TWENTY SEVEN THOUSAND NINE HUNDRED SIXTY PESOS (P8,127,960.00) representing the expected loss (sic) income of the late Leopoldo Leporgo, Sr.
5. Ordering said defendants to pay plaintiffs, jointly and severally the sum of P20,000.00 as attorney's fees, plus the sum of P20,000.00 as appearance fees, at the rate of P2,000.00 for every hearing;
6. Plus the further sum of FIFTY THOUSAND PESOS (P50,000.00), as exemplary damages

SO ORDERED.<sup>16</sup>

The RTC held that there was substantial compliance with the rule on service of summons when it was served on an employee of ULFC's Collection and Compliance Department. The RTC opined that the subsequent service of summons by publication rectified whatever lapses the server committed. The RTC acknowledged that ULFC received the summons, the complaint and its annexes, and actively participated in the proceedings.<sup>17</sup>

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<sup>13</sup> Id. at 10.

<sup>14</sup> Id.

<sup>15</sup> Penned by Judge Romeo C. De Leon; id. at 138-146.

<sup>16</sup> Id. at 146.

<sup>17</sup> Id. at 142.

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The RTC also ruled that the heirs of Leporgo have a cause of action against ULFC as the registered owner of the trailer truck and that it cannot be exempted from liability. Although there was a lease agreement between ULFC and SBMI, it failed to meet the requirements of the financial lease contemplated in Sections 3(d) and 12 of Republic Act No. (R.A.) 8556.<sup>18</sup>

The RTC found Almazan to have been grossly negligent in driving the trailer truck which was the proximate cause of the untimely death of Leporgo. Thus, he was declared jointly and severally liable with ULFC to pay actual damages, moral damages, civil indemnity, expected income loss, attorney's fees, litigation expenses, and exemplary damages.<sup>19</sup>

### Ruling of the Court of Appeals

On August 15, 2013, the Court rendered its Decision<sup>20</sup> the dispositive portion of which states:

**WHEREFORE**, the appeal is **DISMISSED**. The Decision dated February 2, 2009 of the Regional Trial Court of Calamba City, Branch 35, in Civil Case No. 3203-01-C, is **AFFIRMED**.<sup>21</sup> (Emphasis in the original)

The CA held that there was substantial compliance with the requirements of the Rules when summons was twice served upon ULFC, first, through Pinguel of ULFC's Collection and Compliance Department, and through Paredes, Executive Secretary of the Office of the President of ULFC. The CA agreed with the ruling of the RTC that the circumstances attending the case allow for the application of the principle of substantial compliance because it was shown that ULFC actually received the summons and participated actively during trial, as shown by the Motion to Dismiss and Answer *Ad Cautelam* it filed. The CA further declared that Paredes, Executive Secretary of the Office of the President of ULFC, is an officer who may be relied upon to appreciate the importance of the papers she received.<sup>22</sup>

The CA ruled that ULFC, as the registered owner of the truck, is liable for damages incurred when its wayward trailer truck driven by Almazan caused Leporgo's death.<sup>23</sup> The fact that the vehicle was leased to and was actually in the possession of a third party does not exempt the registered owner from liability. Citing *PCI Leasing and Finance, Inc. v. UCPB General Insurance Co. Inc.*,<sup>24</sup> the CA emphasized that, as to third persons, ULFC is the owner of the vehicle despite its lease to SBMI. The non-registration of the lease agreement between ULFC and SBMI precludes ULFC from invoking the exemption under Section 12 of R.A. 8556.<sup>25</sup>

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<sup>18</sup> Id. at 142-143.

<sup>19</sup> Id. at 144-146.

<sup>20</sup> Supra note 2.

<sup>21</sup> *Rollo*, p. 20.

<sup>22</sup> Id. at 12-15.

<sup>23</sup> Id. at 15-16.

<sup>24</sup> 579 Phil. 418 (2008).

<sup>25</sup> *Rollo*, pp. 17-19

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The CA concurred with the computation of the RTC of Leporgo's loss of income, stating that his annual income and probable life expectancy were duly considered. The claim for actual damages in the amount of ₱482,533.04 was also duly supported with receipts. The civil indemnity of ₱50,000.00 was found to be in accordance with recent jurisprudence. The CA also considered the award of moral damages in the amount of ₱1,000,000.00, exemplary damages in the amount of ₱50,000.00, and attorney's fees in the amount of ₱20,000.00 plus appearance fees of ₱2,000.00 per hearing fair and justified.<sup>26</sup>

In a Resolution<sup>27</sup> dated January 21, 2014, the CA denied the Motion for Reconsideration<sup>28</sup> filed by ULFC for lack of merit.

### **Petitioner's Arguments**

In the present petition, ULFC insists that the court failed to acquire jurisdiction over the corporation due to the improper service of summons to Pinguel and Paredes who are not among the officers enumerated in Section 11, Rule 14 of the Rules. ULFC posits that these attempts cannot be considered as valid substituted service of summons as nothing in the two returns show that summons cannot be served personally on ULFC within a reasonable time. The returns also did not state the attempts of the process server to personally serve the summons.<sup>29</sup>

In addition, assuming *arguendo* that ULFC is liable for the accidental death of Leporgo, ULFC maintains that the life expectancy of Leporgo should be reduced to eight years only to be consistent with the retirement age of 65 years old for government officers. This adjustment will reduce the unearned potential income of Leporgo to ₱1,414,800.00 from the computation of the lower courts of ₱8,127,960.00.<sup>30</sup> ULFC also insists that the lower courts erroneously included as part of Leporgo's income his alleged conduction services.<sup>31</sup> ULFC also assails the award of moral and exemplary damages.<sup>32</sup> ULFC likewise reiterates that it is expressly exempted from liability under Section 12 of R.A. 9556, which states that financing companies are exempt from liability for damage or injury caused by a motor vehicle leased to, and under the control and possession of, a third person.<sup>33</sup>

### **Respondent's Comment**

In their Comment,<sup>34</sup> the heirs of Leporgo argue that the RTC validly acquired jurisdiction over ULFC through the service of summons to the

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<sup>26</sup> Id. at 19.  
<sup>27</sup> Supra note 3.  
<sup>28</sup> *Rollo*, pp. 21-28.  
<sup>29</sup> Id. at 55-58.  
<sup>30</sup> Id. at 43-45.  
<sup>31</sup> Id. at 45-46.  
<sup>32</sup> Id. at 46-47.  
<sup>33</sup> Id. at 48-54.  
<sup>34</sup> Id. at 194-217.

Executive Secretary of ULFC's Office of the President. The heirs of Leporgo emphasize that the liberal construction of the rules on service of summons was proper.<sup>35</sup> They also invoke the registered owner rule, insisting that ULFC is liable for damages caused by a vehicle, regardless of any alleged sale or lease.<sup>36</sup> They contend that the non-registration of the lease agreement precludes the lessor from enjoying the exemption in Section 12 of R.A. 8556 and that the lease agreement between ULFC and SBMI does not qualify as a financial lease contemplated in the law.<sup>37</sup>

With regard to the loss of earning capacity, the heirs of Leporgo aver that the lower court correctly computed it and that ULFC cannot amend, for its own benefit and to the detriment of others, the formula consistently adopted by the Court which fixes the life span of the average Filipino at 80 years.<sup>38</sup> They also insist that the conduction services of Leporgo were sufficiently proven.<sup>39</sup> They also maintain that the damages, and attorney's fees awarded are fair and reasonable.<sup>40</sup>

### Petitioner's Reply

In its Reply,<sup>41</sup> ULFC reiterates its previous arguments which include assailing the lower court's computation of net earning capacity, and award of damages.<sup>42</sup>

### Issues

The issues to be resolved by the Court are as follows:

1. whether the RTC acquired jurisdiction over ULFC;
2. whether ULFC, as registered owner of the trailer truck which collided with Leporgo's vehicle, may be held liable, jointly and severally, with the driver of its lessee for the resulting damages; and
3. whether the lower courts properly computed the monetary award in favor of the heirs of Leporgo.

### Ruling of the Court

**ULFC voluntarily submitted itself to the jurisdiction of the RTC when it filed its Answer Ad Cautelam.**

It is settled that jurisdiction over the defendant is acquired through valid service of summons or through the defendant's voluntary appearance in

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<sup>35</sup> Id. at 197-202.  
<sup>36</sup> Id. at 202-206.  
<sup>37</sup> Id. at 207-211.  
<sup>38</sup> Id. at 211-212.  
<sup>39</sup> Id. at 212.  
<sup>40</sup> Id. at 215-217.  
<sup>41</sup> Id. at 229-234.  
<sup>42</sup> Id. at 232-234.

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Court.<sup>43</sup> The purpose of serving summons on the defendant is not only to acquire jurisdiction over the person of the defendant, but also to afford the latter an opportunity to be heard on the claim against him.<sup>44</sup>

In service of summons, personal service is the preferred mode.<sup>45</sup> In cases involving a domestic private juridical entity such as ULFC, Section 11 of Rule 14 of the Rules states:

Section 11. *Service upon a domestic private juridical entity.* – When the defendant is a corporation, partnership or association organized under the laws of the Philippines with a juridical personality, service may be made on the **president, managing partner, general manager, corporate secretary, treasurer, or in-house counsel.** (Emphasis supplied; italics in the original)

Admittedly, the evidence on record, specifically the Sheriff's Report dated February 26, 2002<sup>46</sup> and March 22, 2002,<sup>47</sup> reveal that none of the responsible officers of ULFC enumerated in the Rules, which include its president, managing partner, general manager, corporate secretary, treasurer, and in-house counsel, were personally served the summons. Pinguel, an employee of ULFC's Collection and Compliance Department, and Paredes, Executive Secretary of ULFC's Office of the President, are clearly not among the officers contemplated in Section 11 of Rule 14 of the Rules. Nevertheless, ULFC can no longer assail the validity of the service of summons at this stage of the proceedings.

The remedy of ULFC in assailing the purported defective service of summons was to file a Motion to Dismiss the complaint on the ground that the RTC failed to acquire jurisdiction over the person of ULFC.<sup>48</sup> If unsatisfied with the ruling of the RTC, ULFC should have filed a petition for *certiorari* under Rule 65 of the Rules with the CA to question the order of the RTC. Here, after the service of summons to ULFC through Pinguel, ULFC filed a motion to dismiss the complaint on the ground that the RTC failed to acquire jurisdiction over its person. The RTC resolved the motion in an Order dated March 12, 2002 wherein the RTC instructed that an alias summons be served anew upon ULFC. Thereafter, summons was personally served on ULFC through the Office of the President and was received by its Executive Secretary, Paredes on March 20, 2002.<sup>49</sup> ULFC no longer questioned the service of summons through another Motion to Dismiss. Instead, ULFC

<sup>43</sup> *People's General Insurance Corp. v. Guansing*, G.R. No. 204759, November 14, 2018.

<sup>44</sup> *Toyota Cubao, Inc. v. Court of Appeals*, 346 Phil. 181, 187 (1997), citing *Keister v. Judge Navarro*, 167 Phil. 567, 572 (1977).

<sup>45</sup> RULES OF COURT, Rule 14, Section 6.

Section 6. *Service in person on defendant.* – Whenever practicable, the summons shall be served by handing a copy thereof to the defendant in person, or, if he refuses to receive and sign for it, by tendering it to him.

<sup>46</sup> *Rollo*, p. 113.

<sup>47</sup> *Id.* at 114.

<sup>48</sup> *Id.* at 9.

<sup>49</sup> *Id.*

proceeded in filing an Answer *Ad Cautelam*.<sup>50</sup> Therefore, ULFC voluntarily submitted itself to the jurisdiction of the RTC when it filed its Answer *Ad Cautelam*.

Section 20, Rule 14 of the Rules states:

Section 20. *Voluntary appearance.* – The defendant's voluntary appearance in the action shall be equivalent to service of summons. The inclusion in a motion to dismiss of other grounds aside from lack of jurisdiction over the person of the defendant shall not be deemed a voluntary appearance.

In this case, although ULFC repeatedly invoked its defense of lack of jurisdiction due to improper service of summons, ULFC raised other arguments in its pleadings, like plaintiff's lack of cause of action and even pleaded a compulsory counterclaim, that the Court equates to a voluntary appearance without qualification, as contemplated in the first sentence of Section 20, Rule 14 of the Rules. The Court cannot conclude that ULFC only filed its Answer *Ad Cautelam* to prevent any declaration that it had waived its right to file any responsive pleading because there was no pending petition for *certiorari* filed in the CA assailing the validity of the service of summons to ULFC.

**ULFC, a financing company and the registered owner of the vehicle that collided with Leporgo's vehicle, may be held solidarily liable for the instantaneous death of Leporgo.**

ULFC argues that it is expressly absolved from liability under Section 12 of R.A. 8556, otherwise known as the "Financing Company Act of 1998," which provides:

Section 12. *Liability of lessors.* – Financing companies shall not be liable for loss, damage or injury caused by a motor vehicle, aircraft, vessel, equipment, machinery or other property leased to a third person or entity except when the motor vehicle, aircraft, vessel, equipment or other property is operated by the financing company, its employees or agents at the time of the loss, damage or injury.

However, ULFC is mistaken in its interpretation of the cited provision.

In *PCI Leasing and Finance, Inc. v. UCPB General Insurance Co., Inc.*,<sup>51</sup> the Court already settled that R.A. 8556 does not supersede nor repeal the law on compulsory motor vehicle registration. The Court explained:

R.A. No. 4136, as amended, otherwise known as the Land Transportation and Traffic Code, to wit:

<sup>50</sup> Id.

<sup>51</sup> Supra note 24.



Section 5. *Compulsory registration of motor vehicles.* – (a) All motor vehicles and trailer of any type used or operated on or upon any highway of the Philippines must be registered with the Bureau of Land Transportation (now the Land Transportation Office, per Executive Order No. 125, January 30, 1987, and Executive Order No. 125-A, April 13, 1987) for the current year in accordance with the provisions of this Act.

x x x x

(e) Encumbrances of motor vehicles. – Mortgages, attachments, and other encumbrances of motor vehicles, in order to be valid against third parties must be recorded in the Bureau (now the Land Transportation Office). Voluntary transactions or voluntary encumbrances shall likewise be properly recorded on the face of all outstanding copies of the certificates of registration of the vehicle concerned.

Cancellation or foreclosure of such mortgages, attachments, and other encumbrances shall likewise be recorded, and in the absence of such cancellation, no certificate of registration shall be issued without the corresponding notation of mortgage, attachment and/or other encumbrances.

x x x x

Neither is there an implied repeal of R.A. No. 4136. As a rule, repeal by implication is frowned upon, unless there is clear showing that the later statute is so irreconcilably inconsistent and repugnant to the existing law that they cannot be reconciled and made to stand together. There is nothing in R.A. No. 4136 that is inconsistent and incapable of reconciliation.

Thus, the rule remains the same: **a sale, lease, or financial lease, for that matter, that is not registered with the Land Transportation Office, still does not bind third persons who are aggrieved in tortious incidents, for the latter need only to rely on the public registration of a motor vehicle as conclusive evidence of ownership. A lease such as the one involved in the instant case is an encumbrance in contemplation of law, which needs to be registered in order for it to bind third parties.** Under this policy, the evil sought to be avoided is the exacerbation of the suffering of victims of tragic vehicular accidents in not being able to identify a guilty party. A contrary ruling will not serve the ends of justice. The failure to register a lease, sale, transfer or encumbrance, should not benefit the parties responsible, to the prejudice of innocent victims.

**The non-registration of the lease contract between petitioner and its lessee precludes the former**

**from enjoying the benefits under Section 12 of R.A. No. 8556.**<sup>52</sup> (Emphasis supplied; citations omitted)

In this case, it is undisputed that the Lease Agreement<sup>53</sup> between ULFC and SBMI was not registered with the Land Transportation Office.<sup>54</sup> Considering the non-registration of the lease agreement between the parties, ULFC cannot invoke Section 12 of R.A. 8556 to excuse itself from liability for the instantaneous death of Leporgo. Its liability remains even if the vehicle was under the control and possession of SBMI at the time of the accident.

Admittedly, paragraph 14 of the Lease Agreement states:

14. INDEMNITY – The LESSEE shall indemnify and save the LESSOR harmless from any and all liability loss, damage, expense, causes of action, suits, claims or judgments arising from injury to person or property resulting from, based upon, or occasioned by, the actual or alleged use, operational, delivery, storage or transportation of the LEASED PROPERTY, or its location or condition; and shall at its own cost and expense defend any and all suits which may be brought against the LESSOR, either alone or in conjunction with others, upon such liability or claims and shall satisfy, pay and discharge any and all judgments and fines that may be recovered against the LESSOR, in any such action, provided, however, that the LESSOR shall give the LESSEE written notice of any such claim or demand. The LESSEE without the necessity of demand, shall immediately notify the LESSOR of any and each accident or of any occurrence involving the use, operation, delivery, storage or transportation of the LEASED PROPERTY which may lead to any claims or action.<sup>55</sup>

However, the provision on the compulsory registration of motor vehicles found in Section 5 of R.A. 4136 still prevails. The stipulation in the lease agreement that is contrary to the minimum standards established by R.A. 4136 cannot be given effect.

Financing companies similarly situated are not left without recourse. In *PCI Leasing and Finance, Inc. v. UCPB General Insurance Co., Inc.*<sup>56</sup> the Court held that financing companies “may resort to third-party complaints against their lessees or whoever are the actual operators of their vehicles.”<sup>57</sup> Here, although the heirs of Leporgo impleaded SBMI, ULFC failed to file a cross-claim to pass on its purported liability to SBMI as the operator of the vehicle and the employer of Almazan. Noticeably, the RTC erroneously declared ULFC as the employer of Almazan instead of SBMI.<sup>58</sup> Moreover, ULFC did not assail in its Appellant’s Brief the non-judgment on SBMI’s

<sup>52</sup> Supra note 24 at 430-431.

<sup>53</sup> *Rollo*, pp. 97-102.

<sup>54</sup> TSN dated June 2, 2003, p. 9.

<sup>55</sup> *Rollo*, pp. 99-100.

<sup>56</sup> Supra note 24.

<sup>57</sup> Supra note 24 at 431.

<sup>58</sup> *Rollo*, p. 145.

liability nor was this issue raised in its Petition for Review on *Certiorari*. Therefore, this matter cannot be the subject of Our review.

**Net earning capacity**

The computation of the RTC of Leporgo's Net Earning Capacity of Leporgo that the CA affirmed is erroneous. In its Decision, the RTC computed the Net Earning Capacity of Leporgo as follows:

[Heirs of Leporgo] are entitled to be indemnified of the loss of earning capacity of their father who was then earning as annual income of P173,520.00 (Exh. "BB"), income from conduction service (Exh. KK, inclusive) at the average of P180,000.00 annually, multiplied for the rest of his life expectancy of 23 years more, plus 57 years which is the age of Mr. Leporgo at the time of his death, would be equivalent to eighty (80) years, thus:

P173,520.00	---	annual income
<u>P180,000.00</u>	---	income from condition services per annum
P353,520.00		<u>23 years more</u>
<b><u>P8,127,960.00</u></b>	---	<b><u>total loss earnings</u></b> <sup>59</sup> (Emphasis and underscoring in the original)

There is a need to re-compute the Net Earning Capacity of Leporgo as it is not consistent with the formula adopted in prevailing jurisprudence.

The prevailing formula for the computation of net earning capacity is as follows:

$$\begin{aligned} \text{Net earning capacity} &= \text{Life Expectancy} \times [\text{Gross Annual Income (GAI)} - \text{Living Expenses (50\% of GAI)}], \\ &= [2/3 (80 - \text{the age of the deceased})] \times [\text{GAI} - (50\% \text{ of GAI})]^{60} \end{aligned}$$

ULFC posits that the factor of life expectancy should be adjusted to eight years instead of 23 years to be consistent with the retirement age of 65 years old for government officers.<sup>61</sup> In effect, ULFC wants the Court to ignore the formula in computing life expectancy ( $2/3 \times [80 - \text{age at death}]$ ) that has been adopted in recent cases. The Court cannot restrict the computation of Leporgo's life expectancy to ( $2/3 \times [65 - \text{age at death}]$ ) simply because the deceased was a government employee whose mandatory age of retirement is 65 years old. The formula for the computation of loss of earning capacity is meant to be uniformly applied to all, regardless of the industry or sector they work in. Productivity and potential earnings of the deceased cannot be measured only during the period between his untimely death and the

<sup>59</sup> Id. at 145-146.

<sup>60</sup> *People v. Moreno*, G.R. No. 191759, March 2, 2020.

<sup>61</sup> *Rollo*, p. 45.

mandatory age of retirement in government service. The Court cannot disregard the possibility that the deceased could have chosen to continue working or making profit through other means had he not been prevented by his sudden death.

Here, Leporgo's annual income of ₱173,520.00 as an employee of the Bureau of Customs was established by documentary evidence while the conduction services he rendered amounting to ₱180,000.00 a year had been proven through testimonies of witnesses of the heirs of Leporgo. Applying the cited formula, the correct computation in determining Leporgo's net earning capacity is as follows:

$$\begin{aligned}
 \text{Net earning capacity} &= [2/3(80-57)] \times [(P353,520.00) - \\
 &\quad (P353,520.00 \text{ 50\%})] \\
 &= [2/3(23)] \times (P353,520.00 - \\
 &\quad P176,760.00) \\
 &= 15.33 \times P176,760.00 \\
 &= \underline{\underline{P2,710,319.99}}
 \end{aligned}$$

Therefore, the amount of loss of earning capacity awarded by the lower courts should be reduced to ₱2,710,319.99.

### Civil indemnity

Civil or death indemnity is mandatory and granted to the heirs of the victim without need of proof other than the fact of death as the result of the crime or quasi-delict.<sup>62</sup> Initially fixed by the Civil Code at ₱3,000.00, the amount of the indemnity is currently fixed at ₱50,000.00.<sup>63</sup> Thus, the lower courts correctly awarded ₱50,000.00 as civil indemnity for Leporgo's death.

### Actual damages

Under the Civil Code, when an injury has been sustained, actual damages may be awarded under the following condition:

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

Thus, only the expenses proven by credible evidence may be awarded. In this case, the lower courts found that the claim for actual damages for the funeral and burial expenses the heirs of Leporgo incurred amounting to ₱463,786.24 were duly supported with documentary evidence presented during trial.<sup>64</sup> This amount was no longer disputed by ULFC in the present petition. Thus, the award of actual damages is sustained.

<sup>62</sup> *People v. Oandasan*, 787 Phil. 139, 157 (2016).

<sup>63</sup> *Torreón v. Aparra, Jr.*, 822 Phil. 561, 581 (2017).

<sup>64</sup> *Rollo*, p. 145.

### Moral damages

With regard to the award of moral damages, Article 2206 (3)<sup>65</sup> of the Civil Code expressly grants moral damages in addition to the award of civil indemnity. However, the moral damages awarded by the lower courts is exorbitant. The Court finds that the moral damages awarded should be reduced to ₱100,000.00 to answer for the mental anguish suffered by the heirs of Leporgo for his untimely death.

### Exemplary damages

In addition, the Court awards exemplary damages upon finding that neither ULFC nor SBMI registered the Lease Agreement they entered into in compliance with paragraph (e), Section 5<sup>66</sup> of R.A. 4136, otherwise known as the Land Transportation and Traffic Code. The admission of ULFC's Account Officer, Donna Gliponeo (Gliponeo), that the vehicle was not covered by any insurance policy<sup>67</sup> is another reason to award exemplary damages. The failure to insure the vehicle is in violation of Section 376 of the Insurance Code<sup>68</sup> (now Section 389 of R.A. 10607<sup>69</sup>) which provides:

Section 389. The Land Transportation Office shall not allow the registration or renewal of registration of any motor vehicle without first requiring from the land transportation operator or motor vehicle owner concerned the presentation and filing of a substantiating documentation in a form approved by the Commissioner evidencing that the policy of insurance or guaranty in cash or surety bond required by this chapter is in effect.

Gliponeo added that ULFC does not have a system to find out whether its leased vehicles are covered by an insurance policy.<sup>70</sup> To ensure that such laxity and neglect will not be repeated, the heirs of Leporgo are awarded ₱50,000.00 as exemplary damage.

### Attorney's fees

With respect to the award of attorney's fees, the Civil Code allows attorney's fees to be awarded if, as in this case, exemplary damages are

<sup>65</sup> (3) The spouse, legitimate and illegitimate descendants and ascendants of the deceased may demand moral damages for mental anguish by reason of the death of the deceased.

<sup>66</sup> SECTION 5. *All Motor Vehicles and Other Vehicles must be Registered.* – x x x x.  
(e) Encumbrances of motor vehicles – Mortgages, attachments, and other encumbrances of motor vehicles, in order to be valid, must be recorded in the Land Transportation Commission and must be properly recorded on the face of all outstanding copies of the certificates of registration of the vehicle concerned.

x x x x.

<sup>67</sup> TSN dated August 25, 2003, p. 19.

<sup>68</sup> Amending Presidential Decree No. 612, Presidential Decree No. 1455, June 11, 1978.

<sup>69</sup> Amendments to P.D. No. 612, as Amended, Republic Act No. 10607, August 15, 2013.

<sup>70</sup> TSN dated August 25, 2003, pp. 19-20.

imposed. Considering the protracted litigation of this dispute, an award of ₱50,000.00 as attorney's fees is awarded to the heirs of Leporgo.

### Legal interest

In accordance with the Court's ruling in the case of *Nacar v. Gallery Frames*,<sup>71</sup> the heirs of Leporgo are entitled to legal interest. In *Nacar*, the Court modified the imposable interest rates on the basis of Bangko Sentral ng Pilipinas Monetary Board Circular No. 799, which took effect on July 1, 2013, thus:

x x x x

II. With regard particularly to an award of interest in the concept of actual and compensatory damages, the rate of interest, as well as the accrual thereof, is imposed, as follows:

1. When the obligation is breached, and it consists in the payment of a sum of money, *i.e.*, a loan or forbearance of money, the interest due should be that which may have been stipulated in writing. Furthermore, the interest due shall itself earn legal interest from the time it is judicially demanded. In the absence of stipulation, the rate of interest shall be **6% per annum** to be computed from default, *i.e.*, from judicial or extrajudicial demand under and subject to the provisions of Article 1169 of the Civil Code.

2. When an obligation, not constituting a loan or forbearance of money, is breached, an interest on the amount of damages awarded may be imposed at the *discretion of the court* at the rate of 6% per annum. No interest, however, shall be adjudged on unliquidated claims or damages except when or until the demand can be established with reasonable certainty. Accordingly, where the demand is established with reasonable certainty, the interest shall begin to run from the time the claim is made judicially or extrajudicially (Art. 1169, Civil Code) but when such certainty cannot be so reasonably established at the time the demand is made, the interest shall begin to run only from the date the judgment of the court is made (at which time the quantification of damages may be deemed to have been reasonably ascertained). The actual base for the computation of legal interest shall, in any case, be on the amount finally adjudged.

3. When the judgment of the court awarding a sum of money becomes final and executory, the rate of legal interest, whether the case falls under paragraph 1 or paragraph 2, above, shall be **6% per annum** from such finality until its satisfaction, this interim period being deemed to be by then an equivalent to a forbearance of credit.

And in addition to the above, judgments that have become final and executory prior to July 1, 2013, shall not be

<sup>71</sup> 716 Phil. 267 (2013).



disturbed and shall continue to be implemented applying the rate of interest fixed therein.<sup>72</sup> (Emphasis and italics in the original; citations omitted)

When an obligation, not constituting a loan or forbearance of money, is breached, an interest on the amount of damages awarded may be imposed at the discretion of the court at the rate of 6% *per annum*.<sup>73</sup> Since the award of loss of earning capacity, civil indemnity, and actual damages was given by the RTC in its Decision dated February 2, 2009, the interest on the amount awarded shall be deemed to run beginning said date. Likewise, the reckoning point for the interest, when imposed on unliquidated claims or damages such as moral damages and exemplary damages, is set on the date of the judgment of the court granting the award since it is only at such time when the amount claimed becomes "liquidated," that is, determined with reasonable certainty. Thus, the foregoing monetary award shall earn 6% interest *per annum* computed from the date of the Decision of the RTC, February 2, 2009, until finality of judgment.

Accordingly, applying the guidelines in *Nacar* to the present case, 6% interest rate *per annum* shall be imposed on the total amount of loss of earning capacity of Leporgo, actual damages, civil indemnity, moral damages, and exemplary damages due from the date the judgment of the trial court was made, February 2, 2009, until full satisfaction of the award. Thereafter, the foregoing monetary award, plus attorney's fees, shall begin to earn legal interest at 6% *per annum* from the finality of this Decision until full payment because during the interim period, the total monetary award is considered to be equivalent to a forbearance of credit.<sup>74</sup>

#### **Solidary liability of co-judgment debtors**

Lastly, the Court deems it proper to clarify that:

A reversal of a judgment on appeal is binding on the parties to the suit, but shall not benefit the parties against whom the judgment was rendered in the court *a quo*, but who did not join in the appeal, unless their rights and liabilities and those of the parties appealing are so interwoven and dependent as to be inseparable, in which case a reversal as to one operates as a reversal as to all.<sup>75</sup>

As a rule, a reversal of a judgment is binding only on the parties in the suit but does not control the interest of the parties who did not join nor were made parties to the appeal. A recognized exception is where the rights and liabilities of those who did not appeal and those of the parties appealing are

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<sup>72</sup> Id. at 282-283.

<sup>73</sup> Id. at 282.

<sup>74</sup> *Land Bank of the Philippines v. West Bay Colleges, Inc.*, 808 Phil. 712, 723 (2017), citing *Nacar v. Gallery Frames*, supra note 71.

<sup>75</sup> *Atienza v. Saluta*, G.R. No. 233413, June 17, 2019.

so interwoven and dependent on each other as to be inseparable, a reversal of the judgment as to one would operate as a reversal to all.<sup>76</sup>

While the cited cases do not share the same factual milieu as the present case, the legal principle adopted by the Court in resolving the implication of an appeal by one of several judgment debtors is applicable in the present case. ULFC, as the registered owner of the vehicle, is jointly and severally liable with Almazan, the driver of the vehicle. The liability of ULFC hinges on the finding of negligence on the part of Almazan his use of the vehicle. Although Almazan already lost their personality to appear in the present petition due to their failure to appeal the decision of the RTC, the respective liabilities of the co-judgment debtors are so interwoven that a later judgment adjusting the monetary award in favor of the heirs of Leporgo would necessarily be incompatible with the judgment earlier rendered by the RTC. Therefore, the resulting adjustment in the monetary award, at this stage of the proceedings, should inure to the benefit of its co-judgment debtor Almazan.

**WHEREFORE**, the Decision dated August 15, 2013 and the Resolution dated January 21, 2014 of the Court of Appeals in CA-G.R. CV No. 93743 are **SET ASIDE**. Petitioner UCPB Leasing and Finance Corporation is jointly and severally liable with Miguel Almazan to pay respondents heirs of Florencio Leporgo, Sr. the following:

- a. ₱2,710,319.99 as loss of earning capacity of deceased Florencio Leporgo, Sr.;
- b. ₱482,533.04 as actual damages;
- c. ₱50,000.00 as civil indemnity for the death of Florencio Leporgo, Sr.;
- d. ₱100,000.00 as moral damages;
- e. ₱50,000.00 as exemplary damages;
- f. Interest on the total monetary award in (a), (b), (c), (d), and (e) at the rate of six percent (6%) *per annum* reckoned from February 2, 2009 until finality of judgment;
- g. ₱50,000.00 as attorney's fees; and
- h. costs of suit

The total amount of the foregoing shall, in turn, earn interest at the rate of 6% *per annum* from finality of this Decision until full payment thereof in compliance with the Court's ruling in *Nacar v. Gallery Frames*.

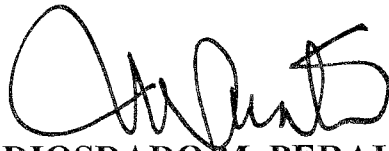
**SO ORDERED.**

  
**ROSMARID D. CARANDANG**  
Associate Justice

<sup>76</sup> *Director of Lands v. Reyes*, 161 Phil. 542, 547 (1976).

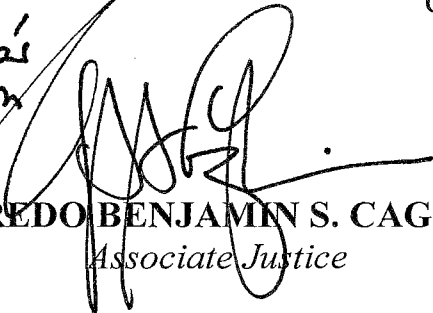


**WE CONCUR:**

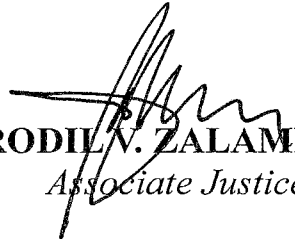


**DIOSDADO M. PERALTA**  
*Chief Justice*

I maintain my  
position in *Lara's*  
*Gifts vs. Mottram*  
GR 25493  
on legal  
interest.



**ALFREDO BENJAMIN S. CAGUIOA**  
*Associate Justice*



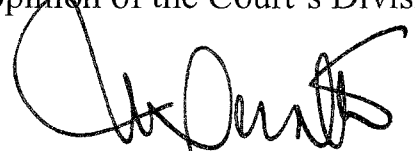
**RODIL N. ZALAMEDA**  
*Associate Justice*



**SAMUEL H. GAERLAN**  
*Associate Justice*

**CERTIFICATION**

Pursuant to Section 13, Article VIII of the Constitution, 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.



**DIOSDADO M. PERALTA**  
*Chief Justice*