Republic of the Philippines
Supreme Court
Baguio City

THIRD DIVISION

ANGELES P. BALINGHASAY, RENATO M. BERNABE, ALODIA L. DEL ROSARIO, CATALINA T. FUNTILA, TERESITA L. GAYANILO, RUSTICO A. JIMENEZ, ARCELI P. JO, ESMERALDA D. MEDINA, CECILIA S. MONTALBAN, VIRGILIO R. OBLEPIAS, CARMENCITA R. PARREÑO, EMMA L. REYES, REYNALDO L. SAVET, SERAPIO P. TACCAD, VICENTE I. VALDEZ, SALVACION F. VILLAMORA, and DIONISIA M. VILLAREAL, Petitioners,	**G.R. No. 185664** Present: VELASCO, JR., *J.*, *Chairperson*, PERALTA, MENDOZA,* REYES, and JARDELEZA, *JJ.*
- versus -	
CECILIA CASTILLO, OSCAR DEL ROSARIO, ARTURO S. FLORES, XERXES NAVARRO, MARIA ANTONIA A. TEMPLO and MEDICAL CENTER PARAÑAQUE, INC., Respondents.	Promulgated: April 8, 2015

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* Additional Member per Special Order No. 1966 dated March 30, 2015 *vice* Associate Justice Martin S. Villarama, Jr.

DECISION

REYES, *J.*:

The instant Petition for Review on *Certiorari*[1] assails the Decision[2] dated May 23, 2008 and Resolution[3] dated December 12, 2008 of the Court of Appeals (CA) in CA-G.R. SP No. 89279. The CA reversed and set aside the Decision dated March 22, 2005 of the Regional Trial Court (RTC) of Parañaque City, Branch 258, in Civil Case No. 01-0140, which dismissed the amended complaint for injunction, accounting and damages filed by Cecilia Castillo (Castillo), Oscar del Rosario (Oscar), Arturo Flores (Flores), Xerxes Navarro (Navarro), Maria Antonia Templo (Templo) and Medical Center Parañaque, Inc. (MCPI) (respondents) against Angeles Balinghasay (Balinghasay), Renato Bernabe (Bernabe), Alodia Del Rosario (Alodia), Catalina Funtila, Teresita Gayanilo, Rustico Jimenez (Jimenez), Arceli Jo, Esmeralda Medina, Cecilia Montalban, Virgilio Oblepias (Oblepias), Carmencita Parreño, Emma Reyes, Reynaldo Savet (Savet), Commodore Serapio Taccad, Vicente Valdez (Valdez), Salvacion Villamora (Villamora) and Dionisia Villareal[4] (Villareal) (petitioners).

Antecedents

The MCPI, a domestic corporation organized in 1977, operates the Medical Center Parañaque (MCP) located in Dr. A. Santos Avenue, Sucat, Parañaque City. Castillo, Oscar, Flores, Navarro, and Templo are minority stockholders of MCPI. Each of them holds 25 Class B shares. On the other hand, nine of the herein petitioners, namely, Balinghasay, Bernabe, Alodia, Jimenez, Oblepias, Savet, Villamora, Valdez and Villareal, are holders of Class A shares and were Board Directors of MCPI. The other eight petitioners are holders of Class B shares. The petitioners are part of a group who invested in the purchase of ultrasound equipment, the operation of and earnings from which gave rise to the instant controversy.

Before 1997, the laboratory, physical therapy, pulmonary and ultrasound services in MCP were provided to patients by way of concessions granted to independent entities. When the concessions expired in 1997, MCPI decided that it would provide on its own the said services, except ultrasound.[5]

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1 *Rollo*, pp. 3-41.

2 Penned by Associate Justice Celia C. Librea-Leagogo with Associate Justices Regalado E. Maambong and Agustin S. Dizon concurring; id. at 43-80.

3 Id. at 81-83.

4 In representation of her husband, Dr. Humberto Villareal, who died on July 1, 2008; id. at 5.

5 Id. at 45-46.

In 1997, the MCPI's Board of Directors awarded the operation of the ultrasound unit to a group of investors (ultrasound investors) composed mostly of Obstetrics-Gynecology (Ob-gyne) doctors. The ultrasound investors held either Class A or Class B shares of MCPI. Among them were nine of the herein petitioners, who were then, likewise, MCPI Board Directors. The group purchased a Hitachi model EUB-200 C ultrasound equipment costing □850,000.00 and operated the same. Albeit awarded by the Board of Directors, the operation was not yet covered by a written contract.[6]

In the meeting of the MCPI's Board of Directors held on August 14, 1998, seven (7) of the twelve (12) Directors present were part of the ultrasound investors. The Board Directors made a counter offer anent the operation of the ultrasound unit. Hence, essentially then, the award of the ultrasound operation still bore no formal stamp of approval.[7]

On February 5, 1999, twelve (12) Board Directors attended the Board meeting and eight (8) of them were among the ultrasound investors. A Memorandum of Agreement (MOA) was entered into by and between MCPI, represented by its President then, Bernabe, and the ultrasound investors, represented by Oblepias. Per MOA, the gross income to be derived from the operation of the ultrasound unit, minus the sonologists' professional fees, shall be divided between the ultrasound investors and MCPI, in the proportion of 60% and 40%, respectively. Come April 1, 1999, MCPI's share would be 45%, while the ultrasound investors would receive 55%. Further, the ownership of the ultrasound machine would eventually be transferred to MCPI.[8]

On October 6, 1999, Flores wrote MCPI's counsel a letter challenging the Board of Directors' approval of the MOA for being prejudicial to MCPI's interest. Thereafter, on February 7, 2000, Flores manifested to MCPI's Board of Directors and President his view regarding the illegality of the MOA, which, therefore, cannot be validly ratified.[9]

On March 22, 2001, the herein respondents filed with the RTC a derivative suit[10] against the petitioners for violation of Section 31[11] of the

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6 Id. at 46, 50-51, 68-69.

7 Id. at 70-71.

8 Id. at 68-70.

9 Id. at 72.

10 Docketed as Civil Case No. CV-01-0140, RTC of Parañaque City, Branch 258, id. at 11.

11 **Sec. 31.** ***Liability of directors, trustees or officers***. - Directors or trustees who willfully and knowingly vote for or assent to patently unlawful acts of the corporation or who are guilty of gross negligence or bad faith in directing the affairs of the corporation or acquire any personal or pecuniary interest in conflict with their duty as such directors or trustees shall be liable jointly and severally for all damages resulting therefrom suffered by the corporation, its stockholders or members and other persons.

When a director, trustee or officer attempts to acquire or acquires, in violation of his duty, any interest adverse to the corporation in respect of any matter which has been reposed in him in confidence, as to which equity imposes a disability upon him to deal in his own behalf, he shall be liable as a trustee for the corporation and must account for the profits which otherwise would have accrued to the corporation.

Corporation Code. Among the prayers in the Complaint were: (a) the annulment of the MOA and the accounting of and refund by the petitioners of all profits, income and benefits derived from the said agreement; and (b) payment of damages and attorney's fees.[12]

In their Answer with Counterclaim, the petitioners argued that the derivative suit must be dismissed for non-joinder of MCPI, an indispensable party. The petitioners likewise claimed that under Section 32[13] of the Corporation Code, the MOA was merely voidable. Since there was no proof that the subsequent Board of Directors of MCPI moved to annul the MOA, the same should be considered as having been ratified. Further, in the Annual Stockholders Meeting held on February 11, 2000, the MOA had already been discussed and passed upon.[14]

To implead MCPI as a party-plaintiff, the individual respondents filed an Amended Complaint dated September 11, 2001.[15] The RTC admitted the said amended complaint on October 12, 2001.

Rulings of the RTC and the CA

On March 22, 2005, the RTC rendered a Decision dismissing the respondents' amended complaint. The RTC found that MCPI had, in effect, impliedly ratified the MOA by accepting or retaining benefits flowing therefrom. Moreover, the elected MCPI's Board Directors for the years 1998 to 2000 did not institute legal actions against the petitioners. MCPI slept on its rights for almost four years, and estoppel had already set in before the derivative suit was filed in 2001. The RTC likewise stressed that the sharing agreement, per MOA provisions, was fair, just and reasonable. From the ultrasound unit's operations for the years 1997 to 1999, MCPI received a net share of □1,567,699.78, while the ultrasound investors only got □803,723.00. Further, under the "business judgment rule," the trial court cannot undertake to control the discretion of the corporation's board as long as good faith attends its exercise.[16]

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12 *Rollo*, p. 46.

13 **Sec. 32.** ***Dealings of directors, trustees or officers with the corporation***. - A contract of the corporation with one or more of its directors or trustees or officers is voidable, at the option of such corporation, unless all the following conditions are present:

1. That the presence of such director or trustee in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;
2. That the vote of such director or trustee was not necessary for the approval of the contract;
3. That the contract is fair and reasonable under the circumstances; and
4. That in case of an officer, the contract has been previously authorized by the board of directors.

Where any of the first two conditions set forth in the preceding paragraph is absent, in the case of a contract with a director or trustee, such contract may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock or of at least two-thirds (2/3) of the members in a meeting called for the purpose: Provided, That full disclosure of the adverse interest of the directors or trustees involved is made at such meeting: Provided, however, That the contract is fair and reasonable under the circumstances.

14 *Rollo*, pp. 47-48.

15 Id. at 18.

16 Id. at 57-62.

The petitioners challenged the RTC's judgment before the CA.

On May 23, 2008, the CA rendered the herein assailed decision, the dispositive portion of which reads:

> **WHEREFORE**, premises considered, the Petition for Review is **GRANTED**. The Decision dated 22 March 2005 of the [RTC] of Parañaque City, Branch 258 in *Civil Case No. 01-0140* is **REVERSED** and **SET ASIDE** and a new one entered declaring the [MOA] (ultrasound contract) as invalid. Further, [petitioners] **Angeles Balinghasay, Dr. Renato Bernabe, Dr. Alodia del Rosario, Dr. Rustico Jimenez, Dr. Virgilio Oblepias, Dr. Reynaldo Savet, Dr. Salvacion Villamora** and **Dr. Humberto Villareal** are hereby ordered to fully account to [respondent **MCPI**] all the profits from said ultrasound contract which otherwise would have accrued to **[MCPI]** and to jointly and severally pay the amount of P200,000.00 as attorney's fees in favor of the [respondents]. Costs against said named [petitioners].
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> **SO ORDERED**.[17]

The CA, however, denied the respondents' claims for moral and exemplary damages. The appellate court explained that moral damages cannot be awarded in favor of a corporation, which in this case is MCPI, the real party-in-interest. Further, there is no ample evidence to prove that the petitioners acted wantonly, recklessly and oppressively.[18]

In declaring the invalidity of the MOA, the CA explained that:

> "Quorum" is defined as that number of members of a body which, when legally assembled in their proper places, will enable the body to transact its proper business. "Majority," when required to constitute a quorum, means the greater number than half or more than half of any total.
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> In the case at bar, the majority of the number of directors, if it is indeed thirteen (13), is seven (7), while if it is eleven (11), the majority is six (6). During the meetings held by the MCPI Board of Directors *i.e.* 1) 14 August 1998 meeting x x x, twelve (12) directors were present, and of said number, seven (7) of them belong to the ultrasound investors x x x, and at which meeting, the Board decided to make a counter-offer x x x to the ultrasound group and; 2) 05 February 1999 meeting x x x, twelve (12) directors were present, and of said number, eight (8) of them belong to the ultrasound investors x x x, and at which meeting, the Board decided to proceed with the signing of the [MOA] x x x. As can be gleaned from the Minutes of said Board meetings, without the presence of the [petitioners] directors/ultrasound investors, there can be no quorum. At any rate, during the Board meeting on 14 August 1998, the [MOA] was not

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17 Id. at 76.
18 Id. at 75.

approved as only a counter-offer was agreed upon. As to the 05 February 1999 Board meeting, without considering the votes of the [petitioners] directors/ultrasound investors, in connection with the signing of the [MOA], no valid decision can be made. It further appears that x x x [Oblepias], who signed the [MOA] on behalf of the ultrasound/Ob-Gyne group as OWNER of the ultrasound equipment, and x x x President Dr. Bernabe, who signed the same on behalf of MCPI x x x, are both ultrasound investors. Thus, We find that the [MOA] was not validly approved by the MCPI Board. Plainly, [the petitioners/directors] x x x, in acquiring an interest adverse to the corporation, are liable as trustees for the corporation and must account for the profits under the [MOA] which otherwise would have accrued to MCPI.

x x x x

x x x [T]he presence of the [petitioners] directors/ultrasound investors who approved the signing of the [MOA] was necessary to constitute a quorum for such meeting on 05 February 1999 and the votes of [the petitioners] directors/ultrasound investors were necessary in connection with the decision to proceed with the signing of the [MOA]. Further, there is no clear and convincing evidence that the [MOA] was ratified by the vote of 2/3 of the outstanding capital stock of MCPI in a meeting called for the purpose and that a full disclosure of the interest of the [petitioners] directors/ultrasound investors, was made at such meeting. At any rate, if the ultrasound contract has indeed been impliedly ratified[,] there would have been no need to submit the matter repeatedly to the stockholders of MCPI in a vain attempt to have the same ratified.

The [RTC's] observation that [the respondents'] silence and acquiescence to the [MOA] impliedly ratified the same is also belied by the fact that [the respondents] did not stop questioning the validity of the [MOA]. x x x.

Further, under the Corporation Code, where a corporation is an injured party, its power to sue is lodged with its board of directors or trustees. But an individual stockholder may be permitted to institute a derivative suit in behalf of the corporation in order to protect or vindicate corporate rights whenever the officials of the corporation refuse to sue, or when a demand upon them to file the necessary action would be futile because they are the ones to be sued, or because they hold control of the corporation. In such actions, the corporation is the real party-in-interest while the suing stockholder, in behalf of the corporation, is only a nominal party.

x x x x

In the instant case, [the respondents] filed an Amended Complaint dated 11 September 2001. Paragraphs 1a, 3 and 17-24 thereof sufficiently allege their derivative action. There was compliance with Section 1, Rule 8 of the Interim Rules of Procedure for Intra-Corporate Controversies. x x x It is undisputed that [the respondents] are stockholders of MCPI x x x; [the respondents] exerted all reasonable efforts to exhaust all remedies available to them x x x; there are no appraisal rights available to [the respondents] for the act complained of; and the case is clearly not a nuisance or harassment suit. x x x

> x x x x
>
> It is clear that under the "business judgment rule", the courts are barred from intruding into the business judgments of the corporation, when the same are made in good faith.
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> x x x x
>
> [The petitioners] MCPI directors, who are ultrasound investors, in violation of their duty as such directors, acquired an interest adverse to the corporation when they entered into the ultrasound contract. By doing so, they have unjustly profited from the transaction which otherwise would have accrued to MCPI. In fact, as reflected in the ultrasound income x x x for the year 1997 to 2001, the ultrasound investors earned a net share of P4,417,573.81. [The petitioners] directors/ultrasound investors failed to inhibit themselves from participating in the meeting and from voting with respect to the decision to proceed with the signing of the [MOA]. Certainly, said [petitioners] directors/ultrasound investors have dealt in their behalf and took an interest adverse to MCPI.
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> Moreover, based on the audited financial statements of MCPI x x x for the year 1996-2000, it appears that the corporation has available cash to purchase its own ultrasound unit. It was testified to by Dr. Villamora that the cost of the ultrasound unit is P850,000.00, while the cash and cash equivalents of MCPI for the year 1996 is P5,479,242.00; for the year 1997, P5,509,058.51; and for the year 1998, P8,662,909.00.[19] (Citations omitted)

In the now assailed Resolution[20] issued on December 12, 2008, the CA denied the Motion for Reconsideration filed by the herein petitioners.

Issues

Undaunted, the petitioners are before this Court raising the issues of whether or not the CA: (1) committed an error of law in ignoring the circumstances under which the MOA was conceived and implemented; (2) failed to consider that the MOA was a very informal agreement meant to address an urgent hospital necessity; (3) committed an error of law in not applying the "business judgment rule"; and (4) committed an error of law in assessing attorney's fees of □200,000.00 against the directors-contributors.[21]

The petitioners allege that the ultrasound equipment was purchased for its transvaginal probe capacity. Prior to its purchase, the Philippine Board of Obstetrics and Gynecology of the Philippine Obstetrical and Gynecology Society adopted a policy enjoining the Ob-gyne departments of hospitals to have their own ultrasound equipment for the purpose of being

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19 Id. at 70-75.
20 Id. at 81-83.
21 Id. at 20-21.

able to pinpoint responsibility for their use.[22]

Further, the MCP's Ob-gyne doctors observed that the absence of ultrasound equipment within MCP may compel the patients to go instead to other hospitals, thus, resulting to both loss of income and an unpleasant reputation of being ill-equipped. The MCP's Ob-gyne doctors were, hence, moved to pass around the hat to raise the amount of □850,000.00 for the equipment's purchase. However, not all of the Board Directors and holders of Class A shares contributed as there was no guaranteed return of investments to speak of. Several holders of Class B shares participated though. As for MCPI, it was then interested to acquire a lot adjacent to the hospital and was, therefore, not in the financial position to buy the ultrasound equipment.[23]

Admittedly, little formality was observed by the MCP's Ob-gyne doctors in raising the funds for and purchasing the ultrasound equipment, but the endeavor was motivated by good faith.[24] At the outset, the antecedents leading to the purchase and operation of the ultrasound equipment were not introduced into the records, but the respondents themselves acknowledged these circumstances in the petition they filed before the CA.[25]

The petitioners likewise reiterate the RTC's declaration that "[q]uestions of policy or of management are left solely to the honest decision of the board as the business manager of the corporation, and the court is without authority to substitute its judgment for that of the board, and as long as its acts in good faith and in the exercise of honest judgment in the interest of the corporation, its orders are not reviewable by the courts."[26]

As regards the award of attorney's fees, the petitioners claim the same to be erroneous as their acts were all performed in good faith and profit was not their consideration.[27]

In their Motion to Dismiss[28] filed on January 19, 2009 and Comment[29] filed on April 30, 2009, the respondents argue that the instant petition should be outrightly dismissed as the material portions of the records, to wit, copies of the MOA, complaint, answer and RTC decision, are not attached.[30]

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22 Id. at 25.
23 Id. at 25-30.
24 Id. at 27.
25 Id. at 28.
26 Id. at 34.
27 Id. at 34-35.
28 Id. at 88-104.
29 Id. at 121-161.
30 Id. at 90-91.

Moreover, the issues raised herein are essentially all factual in nature, requiring a recalibration of the evidence offered by the parties. Specifically, the instant petition prays for the Court to determine the existence of: (a) circumstances surrounding the purchase and operation of the ultrasound equipment; (b) an urgent hospital necessity justifying the MOA's approval; (c) conditions precedent to the application of the business judgment rule; and (d) or absence of justifications for the award of attorney's fees, which the CA had supposedly all ignored.[31]

In the case at bar, to the petitioners' own detriment, they admit that the antecedents and circumstances surrounding the operation of the ultrasound unit, which they invoke to prove good faith on their part, were not introduced into the records during the trial.[32]

The respondents once again stress that MCPI's Balance Sheets for the years 1996 up to 2000 unequivocally show that the corporation had more than enough cash and cash equivalents to purchase and operate the ultrasound equipment.[33] Hence, the petitioners were either impelled by bad faith or were grossly negligent when they failed to conduct a simple examination of MCPI's financial records.[34] As regards MCPI's intent to buy the lot adjacent to the hospital, the respondents claim that the allegation is an afterthought and no evidence supports it.[35]

The respondents also contend that estoppel does not apply in the instant case as they had repeatedly, but in vain, asked the MCPI's Board of Directors for a copy of the MOA, and letters were thereafter sent to challenge its validity.[36]

The respondents aver as well that the petitioners' several attempts for the MOA's ratification by the stockholders through the required two-third votes had failed in the years 2000 up to 2003. Despite the foregoing, the ultrasound investors continue to operate the unit and receive income therefrom causing prejudice to MCPI.[37] Pursuant to Section 31 of the Corporation Code, the petitioners should therefore be liable not just for the profits or revenues they had received from the ultrasound unit's operation, but for all profits which otherwise would have accrued to MCPI.[38]

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31 Id. at 96-98.
32 Id. at 140.
33 Id. at 131.
34 Id. at 148-149.
35 Id. at 150.
36 Id. at 131-132.
37 Id. at 132-133.
38 Id. at 151.

Ruling of the Court

The Court affirms but clarifies and modifies the CA's disquisition.

The instant petition raises mere factual issues and no exceptional grounds exist for the Court to re-evaluate the evidence submitted by the parties.

Century Iron Works, Inc. v. Banas[39] explains what the proper subjects of a petition filed under Rule 45 of the Rules of Court are, *viz*:

> A petition for review on *certiorari* under Rule 45 is an appeal from a ruling of a lower tribunal on pure questions of law. It is only in exceptional circumstances[40] that we admit and review questions of fact.
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> A question of law arises when there is doubt as to what the law is on a certain state of facts, while there is a question of fact when the doubt arises as to the truth or falsity of the alleged facts. For a question to be one of law, the question must not involve an examination of the probative value of the evidence presented by the litigants or any of them. The resolution of the issue must rest solely on what the law provides on the given set of circumstances. Once it is clear that the issue invites a review of the evidence presented, the question posed is one of fact.
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> Thus, the test of whether a question is one of law or of fact is not the appellation given to such question by the party raising the same; rather, it is whether the appellate court can determine the issue raised without reviewing or evaluating the evidence, in which case, it is a question of law; otherwise it is a question of fact.[41] (Citations omitted)

In the instant petition, the Court agrees with the respondents that the issues presented are not legal. The RTC and the CA differed in their factual findings and their appreciation of the same. However, no compelling grounds exist for this Court to apply the exception in lieu of the general rule

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39 G.R. No. 184116, June 19, 2013, 699 SCRA 157.

40 In *New City Builders, Inc. v. NLRC*, 499 Phil. 207, 212-213 (2005), citing *The Insular Life Assurance Company, Ltd. v. CA*, G.R. No. 126850, April 28, 2004, 428 SCRA 79, this Court recognized several exceptions to this rule, to wit: (1) when the findings are grounded entirely on speculation, surmises or conjectures; (2) when the inference made is manifestly mistaken, absurd or impossible; (3) when there is grave abuse of discretion; (4) when the judgment is based on a misapprehension of facts; (5) when the findings of facts are conflicting; (6) when in making its findings the CA went beyond the issues of the case, or its findings are contrary to the admissions of both the appellant and the appellee; (7) when the findings are contrary to the trial court; (8) when the findings 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 respondent; (10) when the findings of fact are premised on the supposed absence of evidence and contradicted by the evidence on record; and (11) when the CA manifestly overlooked certain relevant facts not disputed by the parties, which, if properly considered, would justify a different conclusion.

41 Supra note 39, at 166-167.

that evidence shall not be re-evaluated.

As acknowledged by the petitioners and aptly pointed out by the respondents, the existence of the circumstances and urgent hospital necessity justifying the purchase and operation of the ultrasound unit by the investors were not at the outset offered as evidence. Having been belatedly raised, the aforesaid defenses were not scrutinized during the trial and their truth or falsity was not uncovered. This is fatal to the petitioners' cause. The CA thus cannot be faulted for ruling against the petitioners in the face of evidence showing that: (a) there was no quorum when the Board meetings were held on August 14, 1998 and February 5, 1999; (b) the MOA was not ratified by a vote of two-thirds of MCPI's outstanding capital stock; and (c) the Balance Sheets for the years 1996 to 2000 indicated that MCPI was in a financial position to purchase the ultrasound equipment.

The petitioners harp on their lofty purpose, which had supposedly moved them to purchase and operate the ultrasound unit. Unfortunately, their claims are not evident in the records. Further, even if their claims were to be assumed as true for argument's sake, the fact remains that the Board Directors, who approved the MOA, did not outrightly inform the stockholders about it. The ultrasound equipment was purchased and had been in operation since 1997, but the matter was only brought up for ratification by the stockholders in the annual meetings held in the years 2000 to 2003. This circumstance lends no credence to the petitioners' cause.

The Court thus finds the CA's ruling anent the invalidity of the MOA as amply supported by both evidence and jurisprudence.

The acts of petitioner MCPI Board of Directors compelled the respondents to litigate, hence, the CA's award of attorney's fees is proper.

Anent when attorney's fees should be awarded, the Court, in *Benedicto v. Villaflores*,[42] declared that:

> It is settled that the award of attorney's fees is the exception rather than the rule and counsel's fees are not to be awarded every time a party wins suit. The power of the court to award attorney's fees under Article 2208 of the Civil Code demands factual, legal, and equitable justification; its basis cannot be left to speculation or conjecture. Where granted, the court must explicitly state in the body of the decision, and not only in the dispositive portion thereof, the legal reason for the award of attorney's

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42 646 Phil. 733 (2010).

fees.[43]

In the case before this Court, the CA awarded the amount of □200,000.00 as attorney's fees in favor of the respondents, predicating the same on the unjustified acts of the petitioners and the interval of time it took for the controversy to be resolved. The CA had laid down the basis for the award and the Court now finds the same to be reasonable under the circumstances.

However, the herein assailed decision and resolution still need to be modified lest unjust enrichment flows therefrom.

To prevent unjust enrichment, the ultrasound investors should retain ownership of the equipment.

Article 22 of the New Civil Code provides that "*every person who through an act of performance by another, or any other means, acquires or comes into possession of something at the expense of the latter without just or legal ground, shall return the same to him*." The main objective of the principle against unjust enrichment is to prevent one from enriching himself at the expense of another without just cause or consideration.[44]

In the case at bar, the ultrasound investors pooled together the amount of □850,000.00, which was used to purchase the equipment. Because of the MOA's invalidity, the ultrasound investors can no longer operate the ultrasound unit within MCP. Nonetheless, it is only fair for the ultrasound investors to retain ownership of the equipment, which they may use or dispose of independently of MCPI.

IN VIEW OF THE FOREGOING, the instant petition is **DENIED**. The Decision dated May 23, 2008 and Resolution dated December 12, 2008 of the Court of Appeals in CA-G.R. SP No. 89279 are **AFFIRMED** but with the following **CLARIFICATIONS/ MODIFICATIONS:**

(a) The petitioners Angeles Balinghasay, Renato Bernabe, Alodia del Rosario, Rustico Jimenez, Virgilio Oblepias, Reynaldo Savet, Salvacion Villamora and Dionisia Villareal are directed, **within SIXTY (60) DAYS from notice hereof**, to **FULLY ACCOUNT FOR** and **RETURN TO** Medical Center Parañaque, Inc. **ALL INCOME** the corporation should have earned from the operation of the ultrasound unit from 1997 to present;

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43 Id. at 742, citing *Mindex Resources Devt. v. Murillo*, 428 Phil. 934, 949 (2002).

44 *Flores v. Spouses Lindo, Jr.*, 664 Phil. 210, 221 (2011).

(b) The petitioners Angeles Balinghasay, Renato Bernabe, Alodia del Rosario, Rustico Jimenez, Virgilio Oblepias, Reynaldo Savet, Salvacion Villamora and Dionisia Villareal are also directed to **JOINTLY AND SEVERALLY PAY** the amount of ₱200,000.00 as **ATTORNEY'S FEES** to respondents Cecilia Castillo, Oscar del Rosario, Arturo Flores, Xerxes Navarro, Maria Antonia Templo and Medical Center Parañaque, Inc.; and

(c) In accordance with *Nacar v. Gallery Frames*,[45] the **NET INCOME** to be **RETURNED** to Medical Center Parañaque, Inc., plus ₱200,000.00 awarded as **ATTORNEY'S FEES**, shall be subject to **INTEREST** at the rate of six percent (6%) *per annum*, to be reckoned sixty days from notice of this Resolution until full satisfaction thereof.

The Court's directives are **without prejudice to the right of reimbursement**, which the petitioners Angeles Balinghasay, Renato Bernabe, Alodia del Rosario, Rustico Jimenez, Virgilio Oblepias, Reynaldo Savet, Salvacion Villamora and Dionisia Villareal may pursue against the rest of the ultrasound investors.

SO ORDERED.

BIENVENIDO L. REYES
Associate Justice

WE CONCUR:

PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson

DIOSDADO M. PERALTA
Associate Justice

JOSE CATRAL MENDOZA
Associate Justice

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45 G.R. No. 189871, August 13, 2013, 703 SCRA 439.

FRANCIS H. JARDELEZA
Associate Justice

ATTESTATION

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

PRESBITERO J. VELASCO, JR.
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 had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

MARIA LOURDES P. A. SERENO
Chief Justice