



Republic of the Philippines
Supreme Court
Office of the Court Administrator
Manila

OCA CIRCULAR NO. 123-2023

TO : ALL JUDGES OF THE FIRST AND SECOND LEVEL COURTS

SUBJECT : GUIDELINES IN THE PAYMENT OF ATTORNEY'S FEES TO THE PUBLIC ATTORNEY'S OFFICE

This addresses the letter dated 6 February 2023 of the Public Attorney's Office (PAO) requesting for guidelines to be followed by judges regarding payment of PAO attorney's fees.

It is settled that the award of attorney's fees is the exception rather than the general rule; counsel's fees are not awarded every time a party prevails in a suit because of the policy that no premium should be placed on the right to litigate. In the ordinary sense, attorney's fees represent the reasonable compensation paid to a lawyer by his client for the legal services he has rendered to the latter; while in its extraordinary concept, they may be awarded by the court as indemnity for damages to be paid by the losing party to the prevailing party. Attorney's fees as part of damages are awarded only in the instances specified in Article 2208 of the Civil Code.¹ On occasions that those fees are awarded, the basis for the grant must be clearly expressed in the decision of the court.²

In labor cases, attorney's fees partake of the nature of an extraordinary award granted to the victorious party as an indemnity for damages. As a general rule, it is payable to the client, not to his counsel, unless the former agreed to give the amount to the latter as an addition to, or part of the counsel's compensation.³ Article 111 of the Labor Code provides that the culpable party may be assessed attorney's fees equivalent to ten percent (10%) of the amount of wages recovered in cases of unlawful withholding of wages. The withholding of wages need not be coupled with malice or bad faith.⁴

The laborer's availment of the free legal services offered by the PAO does not prevent the award of attorney's fees upon the successful conclusion of the

¹ *Benedicto v. Villaflores*, G.R. No. 185020, 06 October 2010, as cited in *Philippine National Construction Corporation v. APAC Marketing Corporation*, G.R. No. 190957, June 5, 2013.

² *Philippine National Construction Corporation v. APAC Marketing Corporation*, *supra*.

³ *Kaisahan at Kapatiran ng mga Manggagawa at Kawani sa MWC-East Zone Union, et al. v. Manila Water Co., Inc.*, 676 Phil. 262, 275 (2011), citing *PCL Shipping Philippines, Inc. v. NLRC*, 540 Phil. 65, 84 (2006), as cited in *Joselito A. Alva v. High Capacity Security Force, Inc. and Armando M. Villanueva*, G.R. No. 203328, November 08, 2017

⁴ *Lorenzo T. Tangga-an v. Philippine Transmarine Carriers, Inc. et al.*, 706 Phil. 339, 340 (2013), as cited in *Alva v. High Capacity Security Force, Inc.*, *supra*.

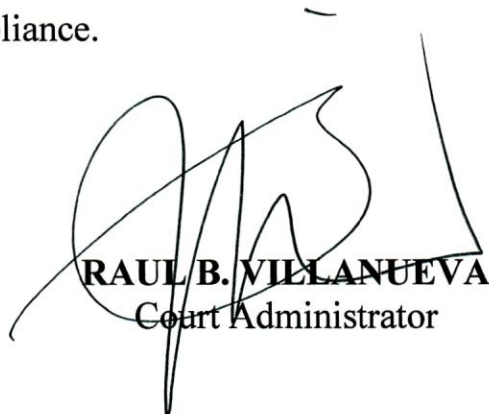
litigation.⁵ The Court has clarified that there is nothing that prevents PAO clients and their PAO lawyers from entering into an agreement assigning attorney's fees in favor of the latter.⁶ Under the PAO Law, or Republic Act No. 9406⁷, the costs of the suit, attorney's fees and contingent fees imposed upon the adversary of the PAO clients after a successful litigation shall be deposited with the National Treasury as a trust fund and shall be disbursed for special allowances of authorized officials and lawyers of the PAO.⁸

Bearing the above in mind, judges are **REMINDED** to take into account in their decisions, if so warranted, after a showing that PAO client/s and PAO lawyer/s entered into an agreement assigning costs of the suit, attorney's fees and contingent fees to the PAO lawyer:

- 1) The decisions shall explicitly mention that the costs of suit, attorney's fees, and contingent fees imposed upon adversaries of PAO clients after a successful litigation, if so awarded by the courts, are payable to the PAO and to be deposited with the National Treasury as a trust fund for the PAO pursuant to Section 6 of R.A. No. 9406;
- 2) For payments of the costs of suit, attorney's fees, and contingent fees by checks, the decisions shall expressly direct the adversaries of PAO clients to issue the same in the name of the PAO: "PUBLIC ATTORNEY'S OFFICE";
- 3) For cash payments of the costs of suit, attorney's fees, and contingent fees collected by the courts, the decisions shall explicitly state that the same may be released to an authorized PAO personnel, after sufficient proof of said authority; and,
- 4) Should there be a compromise agreement between the PAO client and the latter's adversary, the decision and the compromise agreement shall expressly state that the costs of suit, attorney's fees, and contingent fees are payable to the PAO, and, if so agreed upon, would not be subject to waiver.

For guidance and strict compliance.

20 March 2023


RAUL B. VILLANUEVA
Court Administrator

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⁵ *Alva v. High Capacity Security Force, Inc., supra.*

⁶ *supra.*

⁷ AN ACT REORGANIZING AND STRENGTHENING THE PUBLIC ATTORNEY'S OFFICE (PAO), AMENDING FOR THE PURPOSE PERTINENT PROVISIONS OF EXECUTIVE ORDER NO. 292, OTHERWISE KNOWN AS THE "ADMINISTRATIVE CODE OF 1987", AS AMENDED, GRANTING SPECIAL ALLOWANCE TO PAO OFFICIALS AND LAWYERS, AND PROVIDING FUNDS THEREFOR, March 23, 2007.

⁸ *Our Haus Realty Development Corporation v. Alexander Parian, et al.* 740 Phil. 699 (2014)