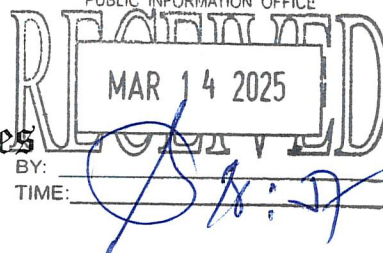




Republic of the Philippines
Supreme Court
Manila

SUPREME COURT OF THE PHILIPPINES
PUBLIC INFORMATION OFFICE



SECOND DIVISION

MOTHER GOOSE SPECIAL SCHOOL SYSTEM, INC.,

G.R. No. 267331

Petitioner, Present:

-versus-

SPOUSES SAMUEL PALAGANAS AND VILLA PALAGANAS,

Respondents.

LEONEN, S.A.J., Chairperson,
LAZARO-JAVIER,
LOPEZ, M.,
LOPEZ, J., and
KHO, JR., * JJ.

Promulgated:

JAN 20 2025

X-----X

DECISION

LOPEZ, M., J.:

The present Petition¹ assails the Decision² dated May 23, 2023 of the Court of Appeals (CA) in CA-G.R. CV No. 114714, which affirmed with modifications the Decision³ dated March 17, 2017 and the Order⁴ dated January 3, 2019 of Branch 56, Regional Trial Court, San Carlos City, Pangasinan (RTC) in Civil Case No. SCC-3097, holding Mother Goose Special School System, Inc. (Mother Goose School) civilly liable for its negligence in handling the punching incident among its pupils.

* On official business.

¹ Rollo, pp. 27-53.

² Id. at 10-25. Penned by Associate Justice Carlito B. Calpatura and concurred in by Associate Justices Pedro B. Corales and Wilhelmina B. Jorge-Wagan of the Fifteenth Division, Court of Appeals, Manila.

³ Id. at 76-82. Penned by Presiding Judge Hermogenes C. Fernandez.

⁴ Id. at 83. Penned by Acting Presiding Judge Rusty M. Naya.

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Antecedents

In 2007, Rhys Palaganas (Rhys) was enrolled as a grade school student at Mother Goose School in Dagupan City, Pangasinan. He belonged to the same class with Noel Fernandez (Noel) and Mark Dy (Mark).⁵

On January 19, 2007, Noel lost his mechanical pencil during Music class. Rhys found Noel's pencil and brought it home. Few days after, Noel noticed that Rhys was using his mechanical pencil during Filipino class. He then informed Rhys that the pencil belonged to him. Nevertheless, Noel allowed Rhys to use the pencil because Rhys had no pencil at that time. However, Rhys forgot to return the pencil at the end of the day.⁶

On January 26, 2007, during Computer class, Noel asked Rhys to return his pencil. However, Rhys told him that he did not bring the pencil and will return it next time. Rhys was seated beside Mark and Noel. After a while, Mark suddenly punched Rhys's left arm three times, Noel followed up with two more punches, then Mark for another three punches, and Noel for another three punches. In total, Rhys was punched six times by Mark and five times by Noel. Mr. Gerald Gomez (Gomez), the teacher at that time, was in the comfort room during the incident.⁷

On January 29, 2007, Rhys reported the incident to his Hekasi teacher, Mr. Mark Anthony Gallardo (Gallardo). Rhys told him "*Teacher simuntok nila ako*,"⁸ but Mr. Gallardo did nothing on the matter.⁹

On February 1, 2007, one of Rhys's classmates saw his bruises and reported the matter to their class adviser, a certain teacher named Cecil. Teacher Cecil asked Rhys as to what happened. Then, Teacher Cecil called Noel and Mark who admitted punching Rhys.¹⁰

The afternoon of the same day, Gloria Fernandez (Gloria), Noel's mother, called Villa Palaganas (Villa), Rhys's mother, and asked for an apology. This was the first time that Rhys's parents, Villa and Samuel Palaganas (Samuel), learned about the punching incident. Samuel then went to the municipal health office to have Rhys undergo a medical examination.¹¹

⁵ *Id.* at 10-11, 76, 242.

⁶ *Id.* at 10-11, 76, 242-243, 283.

⁷ *Id.* at 11, 76, 243, 283.

⁸ *Id.* at 11, 284, 338.

⁹ *Id.* at 11, 76, 244, 284.

¹⁰ *Id.* at 11, 76, 244-245, 284.

¹¹ *Id.*

On February 2, 2007, Samuel and Villa went to Mother Goose School to complain but they were ignored. On February 7, 2007, Samuel sent a request letter¹² for an investigation to the school principal, Mrs. Julia Palaroan (Palaroan). When it appeared that no investigation was forthcoming, Samuel sent a second request letter¹³ for an investigation on February 26, 2007 to Mrs. Palaroan.¹⁴ When Mrs. Palaroan showed the results of the investigation report, Samuel pointed out the following observations:

- a. The bullying incident transpired on January 26, 2007 and not February 4, 2007;
- b. It was only on January 25, 2007 that Noel Fernandez was aware that his pencil was missing;
- c. Mark Dy punched Rhys Palaganas six times and not twice and Noel Fernandez punched Rhys five times;
- d. On February 7, 2007, Mrs. Palaroan informed Samuel that Mark and Noel admitted to her that they punched Rhys. In the report, Noel is allegedly innocent of the charges;
- e. It was only Noel Fernandez and Reince, another classmate, who was made to sign the violation report. Mark Dy was cleared of all charges and his parents were not made to sign the violation action report notwithstanding that he was the one who threw the six punches;
- f. Mrs. Palaroan downplayed the bullying incident of Rhy[s's] Palaganas as a form of "teasing," natural and part of the growing up process.¹⁵

Samuel also told Mrs. Palaroan that he was puzzled as to why Mark was never penalized despite Mark's admission that he threw the most punches on Rhys. Thus, Samuel requested for a reinvestigation.¹⁶

On March 5, 2007, a reinvestigation was conducted by Mother Goose School. The investigation yielded the same conclusion that there was only teasing or rough play among Rhys, Noel, and Mark. No disciplinary action was taken against Mark.¹⁷

Aggrieved, Samuel and Villa filed a Complaint for Damages against Calixto Fernandez (Calixto), father of Noel; Bernabe Dy, Jr., father of Mark; Mother Goose School, represented by its Director for Academic Affairs, Dr. Aurora Samson-Reyna; and Mrs. Palaroan, Mr. Gomez, and Mr. Gallardo (Calixto, et al). Samuel alleged that the fathers of Noel and Mark are liable for the damages caused by their children while Mother Goose School and its teachers were liable for negligence. In response, Calixto alleged that the boys were only playing.¹⁸

¹² *Id.* at 124-125.

¹³ *Id.* at 126.

¹⁴ *Id.* at 11-12, 76, 245, 284.

¹⁵ *Id.* at 285.

¹⁶ *Id.* at 11-12, 76.

¹⁷ *Id.* at 12, 22, 76, 245-246, 285.

¹⁸ *Id.* at 12, 76-77, 246.

Ruling of the RTC

In its Decision¹⁹ dated March 17, 2017, the RTC found Mother Goose School and Mr. Gomez, the teacher-in-charge, solidarily liable to Samuel and Villa. Since the incident occurred at school premises during class hours, Mother Goose School and Mr. Gomez were exercising parental authority and had the obligation to protect Rhys from harm. Further, Mother Goose School was negligent as it failed to take the steps necessary to prevent the punching incident from happening.²⁰ The dispositive portion of the Decision reads:

WHEREFORE, judgment is hereby rendered finding defendant Mother Goose Special School System Inc. and Gerald Gomez jointly and solidary liable for damages to plaintiffs as follows:

1. PHP 500,000.00 as moral damages,
2. PHP 200,000.00 as exemplary damages, and
3. PHP 150,000.00 as attorney's fees.

SO ORDERED.²¹ (Emphasis in the original)

Aggrieved, Calixto, et al. moved for partial reconsideration²² but was denied in an Order²³ dated January 3, 2019. After, Mother Goose School and Mr. Gomez filed an appeal²⁴ before the CA.

Ruling of the CA

In its Decision²⁵ dated May 23, 2023, the CA affirmed the RTC with modifications. The CA ruled that Mr. Gomez was not negligent because he was at the comfort room at the time Rhys was punched; as such, there was no substitute teacher to supervise the class. The CA also classified the punching incident as a form of "bullying" under the Anti-Bullying Act of 2013²⁶ and found Mother Goose School directly liable for its own negligence in handling the incident. However, it reduced the amount of damages.²⁷ Thus:

Finally, considering the foregoing findings and being the losing party, the counterclaims of the defendants-appellants must be denied. Besides, there is also lack of basis to grant their counterclaims as no evidence was adduced to substantiate the same.

¹⁹ *Id.* at 76–82.

²⁰ *Id.* at 77–82.

²¹ *Id.* at 82.

²² See Partial Motion for Reconsideration dated May 9, 2019; *id.* at 221–233.

²³ *Id.* at 83.

²⁴ See Brief for Defendants-appellants dated September 20, 2020; *id.* at 235–270.

²⁵ *Id.* at 10–25.

²⁶ Republic Act No. 10627 (2013), An Act Requiring All Elementary and Secondary Schools to Adopt Policies to Prevent and Address the Acts of Bullying in Their Institutions.

²⁷ *Id.* at 11–24.

WHEREFORE, premises considered, the appeal is **PARTLY GRANTED**. The Decision, dated March 17, 2017, and the Order, dated January 3, 2019, of the Regional Trial Court, San Carlos City, Pangasinan, Branch 56, in Civil Case No. SCC-3097 are: (1) **MODIFIED** to the extent that (a) the Complaint is **DISMISSED** as against defendant-appellant Gerald Gomez, and that (b) the award of moral damages against Mother Goose Special School System, Inc. and in favor of the plaintiffs-appellees is **REDUCED** to PHP 300,000.00; and (2) **AFFIRMED** in all other respects.

SO ORDERED.²⁸ (Emphasis in the original)

Hence, this Petition.²⁹

Issue

Whether Mother Goose School may be held liable in its handling of the punching incident among its pupils.

Ruling of the Court

The Petition is unmeritorious.

At the outset, it must be emphasized that the Court is not a trier of facts. The function of the Court in petitions for review on *certiorari* under Rule 45 of the Rules of Court is limited to reviewing errors of law that may have been committed by the lower courts.³⁰ While this rule is not absolute, none of the recognized exceptions,³¹ which allows the Court to review factual issues, exists in the instant case. Moreover, factual findings of the trial court, especially when affirmed by the appellate court, are binding upon this Court.³²

²⁸ *Id.* at 24.

²⁹ *Id.* at 27-53.

³⁰ *Heirs of Villanueva v. Heirs of Mendoza*, 810 Phil. 172, 177-178 (2017) [Per J. Peralta, Second Division].

³¹ The general rule for petitions filed under Rule 45 admits exceptions, to wit: (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. See *Spouses Miano v. Manila Electric Co.*, 800 Phil. 118, 123 (2016) [Per J. Leonen, Second Division].

³² *Miro v. Vda. de Erederos*, 721 Phil. 772, 784 (2013) [Per J. Brion, Second Division].

Mother Goose School is liable, not on the basis of law or quasi-delict, but for the breach of its contractual obligation to provide and maintain a safe learning environment for its students

Mother Goose School argues that it is not liable to Samuel and Villa because it did not incur any legal obligation in their favor. The school's vicarious liability as an employer arises only upon a finding that Mr. Gomez, the teacher-in-charge at the time of the incident, was negligent. Since Mr. Gomez was exonerated by the CA, Mother Goose School may not be held vicariously responsible.³³ Further, no negligence may be ascribed to Mother Goose School since it exercised due diligence in the selection of its employees.³⁴

Mother Goose School's contentions are not well-taken.

Articles 1156 and 1157 of the Civil Code define what obligations are, as well as their sources, to wit:

Article 1156. An obligation is a juridical necessity to give, to do or not to do.

Article 1157. Obligations arise from:

- (1) Law;
- (2) Contracts;
- (3) Quasi-contracts;
- (4) Acts or omissions punished by law; and
- (5) Quasi-delicts.

An obligation arises from law when the law itself expressly provides what needs to be done; from contracts, when a party binds themselves to give something or to render some service to another person, there being meeting of the minds;³⁵ from quasi-contracts, when lawful, voluntary, and unilateral acts give rise to the juridical relation between the parties;³⁶ from delicts, when the civil obligations arise from criminal offense;³⁷ and finally, from quasi-delicts, when a person's act or omission causes damage to another, there being fault or negligence.³⁸

In this case, Mother Goose School's liability arises from the breach of its contractual obligation as an educational institution (*culpa*)

³³ *Rollo*, pp. 44-45.

³⁴ *Id.* at 49.

³⁵ See CIVIL CODE, art. 1305.

³⁶ See CIVIL CODE, art. 2142.

³⁷ See CIVIL CODE, art. 1161.

³⁸ See CIVIL CODE, art. 2176.

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***contractual*) to provide and maintain a safe learning environment for its students, and not from quasi-delict (*culpa aquiliana*).**

Jurisprudence has consistently differentiated *culpa contractual* from *culpa aquiliana*.

Culpa contractual is the fault or negligence in the performance of a pre-existing obligation. It is governed by Articles 1170 to 1174 of the Civil Code.³⁹ The mere proof of the existence of the contract and the failure of its compliance justify, *prima facie*, a corresponding right of relief.⁴⁰

On the other hand, *culpa aquiliana* is the wrongful or negligent act or omission which creates a *vinculum juris* and gives rise to an obligation between two persons not formally bound by any other obligation. It is governed by Article 2176 of the Civil Code.⁴¹

Nevertheless, jurisprudence has also clarified that if the contracting party's act that breaches the contract would have given rise to an extra-contractual liability had there been no contract, the contract would be deemed breached by a tort.⁴²

In *Huang v. Phil. Hoteliers, Inc.*,⁴³ the Court further discussed that in *quasi-delict*, the negligence is direct, substantive, and independent; whereas in *culpa contractual*, the negligence is merely incidental to the performance of a pre-existing contractual obligation. The defense of "good father of a family" in the selection and supervision of employees is a complete defense available to employers only with respect to *culpa aquiliana* and not for *culpa contractual*:

[T]his Court finds it significant to take note of the following differences between *quasi-delict* (*culpa aquiliana*) and breach of contract (*culpa contractual*). In *quasi-delict*, negligence is direct, substantive and independent, while in breach of contract, negligence is merely incidental to the performance of the contractual obligation; there is a pre-existing contract or obligation. In *quasi-delict*, the defense of "good father of a family" is a complete and proper defense insofar as parents, guardians and employers are concerned, while in breach of contract, such is not a complete and proper defense in the selection and supervision of employees. *In quasi-delict, there is no*

³⁹ *Spouses Batal v. Spouses Tominaga*, 534 Phil. 798, 804–805 (2006) [Per J. Austria-Martinez, First Division].

⁴⁰ *Saludaga v. Far Eastern University*, 576 Phil. 680, 688 (2008) [Per J. Ynares-Santiago, Third Division].

⁴¹ *Spouses Batal v. Spouses Tominaga*, 534 Phil. 798, 804–805 (2006) [Per J. Austria-Martinez, First Division].

⁴² *Orient Freight International, Inc. v. Keihin-Everett Forwarding Company, Inc.*, 816 Phil. 163, 180 (2017) [Per J. Leonen, Second Division].

⁴³ 700 Phil. 327 (2012) [Per J. Perez, Second Division].

presumption of negligence and it is incumbent upon the injured party to prove the negligence of the defendant, otherwise, the former's complaint will be dismissed, *while in breach of contract, negligence is presumed so long as it can be proved that there was breach of the contract* and the burden is on the defendant to prove that there was no negligence in the carrying out of the terms of the contract; the rule of *respondeat superior* is followed.⁴⁴ (Emphasis in the original)

In the landmark case of *Philippine School of Business Administration v. CA*,⁴⁵ the Court eloquently explained the nature of the contractual relationship between the school and its students resulting in bilateral obligations:

When an academic institution accepts students for enrollment, there is established a contract between them, resulting in bilateral obligations which both parties are bound to comply with. For its part, the school undertakes to provide the student with an education that would presumably suffice to equip him with the necessary tools and skills to pursue higher education or a profession. On the other hand, the student covenants to abide by the school's academic requirements and observe its rules and regulations.⁴⁶ (Emphasis supplied)

The Court also emphasized that academic institutions have a "built-in" **obligation of providing a conducive atmosphere for learning**, where there are **no constant threats to life and limbs of the students. Thus, the school must ensure the maintenance of peace and order within the campus:**

Institutions of learning must also meet the implicit or "built-in" obligation of providing their students with an atmosphere that promotes or assists in attaining its primary undertaking of imparting knowledge. **Certainly, no student can absorb the intricacies of physics or higher mathematics or explore the realm of the arts and other sciences when bullets are flying or grenades exploding in the air or where there looms around the school premises a constant threat to life and limb. Necessarily, the school must ensure that adequate steps are taken to maintain peace and order within the campus premises and to prevent the breakdown thereof.**⁴⁷ (Emphasis supplied)

The institution's obligation to provide and maintain a safe learning atmosphere extends even to out-of-school premises where the school conducts its official activities. In *St. Luke's College of Medicine-William H. Quasha Memorial Foundation v. Spouses Perez*,⁴⁸ the school designated a community clinic in Cabiao, Nueva Ecija, as the base operation of its clerkship program. Fire broke out which resulted in the death of female medical students. The

⁴⁴ *Id.* at 357-358; citations omitted.

⁴⁵ 282 Phil. 759 (1992) [Per J. Padilla, Second Division].

⁴⁶ *Id.* at 764.

⁴⁷ *Id.* at 764-765.

⁴⁸ 796 Phil 178 (2016) [Per J. Perez, Third Division].

Court found St. Luke's College of Medicine liable and ruled that the school failed to ensure that peace and order was maintained:

In the case at bar, the Cabiao Community Clinic is to be considered as part of the campus premises of St. Luke's. In the course description of the clerkship program in preventive and community medicine, it is stated that the Cabiao Community Clinic serves as the base operation of the clerkship program. As such, petitioner had the same obligation to their students, even though they were stationed in the Cabiao Community Clinic, and it was incumbent upon petitioners to ensure that said Clinic was conducive for learning, that it had no constant threats to life and limb, and that peace and order was maintained thereat[.]⁴⁹

In *Saludaga vs. Far Eastern University*,⁵⁰ a sophomore law student was shot inside the campus by the school's security guard. The Court found that Far Eastern University breached its student-school contract for a safe learning environment due to its negligence:

It is settled that in *culpa contractual*, the mere proof of the existence of the contract and the failure of its compliance justify, *prima facie*, a corresponding right of relief. In the instant case, we find that, when petitioner was shot inside the campus by no less the security guard who was hired to maintain peace and secure the premises, there is a *prima facie* showing that respondents failed to comply with its obligation to provide a safe and secure environment to its students.

....

After a thorough review of the records, we find that respondents failed to discharge the burden of proving that they exercised due diligence in providing a safe learning environment for their students. They failed to prove that they ensured that the guards assigned in the campus met the requirements stipulated in the Security Service Agreement. Indeed, certain documents about Galaxy were presented during trial; however, no evidence as to the qualifications of Rosete as a security guard for the university was offered.⁵¹ (Emphasis supplied)

Nevertheless, jurisprudence has also cautioned that a school is not an insurer of all risks. The institution or school may still avoid liability by proving that the breach of its contractual obligation to the students was not due to its negligence.⁵²

Article 1173 of the Civil Code defines negligence as the "omission of that diligence which is required by the nature of the obligation and corresponds with the circumstances of the persons, of the time and of the place." In the absence of a stipulated standard of diligence, the diligence of a

⁴⁹ *Id.* at 196.

⁵⁰ 576 Phil. 680 (2008) [Per J. Ynares-Santiago, Third Division].

⁵¹ *Id.* at 688-689.

⁵² *See id.* at 689-690.

good father of a family must be observed. Furthermore, negligence becomes gross when there is a "want of even slight care and diligence."⁵³

Here, both the RTC and the CA found Mother Goose School to be grossly negligent in handling the punching incident.

The Court agrees.

According to the RTC, the Mother Goose School should be primarily faulted for failing to exercise the required diligence, prudence, and foresight to avoid the happening of the assault and to address the incident after it had happened:

It has been shown that the school has not conducted training or awareness seminars or trainings to enable its teachers-personnel to cope with situations such as the incident subject of this case. It is not out of tune to say then that the school, which should have been aware of the probability of events such as this happening failed insufficiently and effectively addressing the concern. **The school, then as an institution, and not its employees could be faulted, primarily with the happening of the incident, or its management after its occurrence. The defendant school failed to exercise the required diligence, prudence and foresight to avoid the happening of the assault, or to address its happening.**⁵⁴ (Emphasis supplied)

Similarly, the CA concurred with the RTC in finding that Mother Goose School had total lack of capacity to detect, prevent, and address the bullying incident, made even more manifest by the apparent intent of its personnel to downplay the incident as a simple case of play fighting between the children:

In this regard, Mother Goose miserably failed to prove that it complied with its obligation to provide Rhys with an atmosphere that promotes learning. Based on the evidence, Mother Goose was ill-equipped at identifying and addressing bullying. Palaroan testified that the teachers of Mother Goose are not trained to detect bullying and they were merely given instructions how to discipline the same. More, it does not even appear that it has an employee who can properly address the adverse effects of bullying to the bully, the victim, and their families.

Mother Goose's lack of capacity to detect and address bullying was made apparent by how it negligently handled the incident. When Teacher Cecil found out about the incident, only Noel and Rhys were given violations. Mark, despite being the main perpetrator, was unscathed. Worse, not one of Mother Goose's employees informed the spouses Palaganas about the incident. They only learned about the incident when Mark's mother called to apologize.⁵⁵

⁵³ *Amedo vs. Rio y Olabarrieta, Inc.*, 95 Phil. 33, 37 (1954) [Per J. Concepcion, *En Banc*].

⁵⁴ *Rollo*, p. 78.

⁵⁵ *Id.* at 22.

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The Court finds no reason to overturn the *courts a quo*'s unanimous factual findings. However, the word "bullying" as used by the CA should be construed in its generic sense, that is, the "abuse and mistreatment of someone vulnerable by someone stronger,"⁵⁶ and not the definition under the Anti-Bullying Act of 2013 which was not yet in force at the time the punching incident took place.

At any rate, records show that Mother Goose School was indeed grossly negligent, as shown in the following manner:

Foremost, the teachers in Mother Goose School were ill-equipped in addressing a student's complaints of physical harm. Rhys initially reported the incident to his Hekasi teacher but he was just ignored. Rhys's classmate then reported the matter to their class adviser who merely confirmed with Noel and Mark, the offenders, whether they had indeed punched Rhys;

Second, despite learning about the punching incident, Mother Goose School did not inform Rhys's parents about the harm committed against him. Had the offender's mother, Gloria, not called Rhys's mother, Rhys's parents would not have known about the incident. Rhys would not have been able to undergo medical checkup;

Third, Mother Goose School itself does not have a protocol in addressing any harm committed by one student against another, which explains why its teachers also did not know how to handle the situation;

Fourth, Mother Goose School conducted an investigation only upon the request and prodding of Rhys's father, Samuel;

Fifth, Mother Goose School did not update Rhys's parents regarding the investigation, which led Samuel to send a second letter requesting for an investigation;

Sixth, the results of Mother Goose School's investigation was replete with inaccurate information. No disciplinary action was taken against the offenders despite their own admission that they punched Rhys multiple times.

Clearly, there is preponderant evidence to support a finding of gross negligence on the part of Mother Goose School. By failing to address the harm committed by one student against another and by

⁵⁶ MERRIAM-WEBSTER DICTIONARY, "bullying," available at <https://www.merriam-webster.com/dictionary/bullying> (last accessed January 20, 2025).



negligently handling the punching incident after it had already happened, Mother Goose School failed to exercise the diligence of a good father of the family in providing a safe learning environment to its students. Notably, every parent who entrusts their child to a learning institution does so with the assurance that the school, owing to its obligation not only to provide but also to maintain a safe learning environment, will protect the child from harm or will promptly address similar incidents after its occurrence. Unfortunately, Mother Goose School failed in this regard.

Since Mother Goose School's negligence arises from an existing contractual obligation, its defense that it exercised due diligence in the selection and hiring of employees under Article 2180⁵⁷ of the Civil Code, which is applicable only for quasi-delicts, must fail.

Award of Damages

Under Article 1170⁵⁸ of the Civil Code, liability for damages arises when those in the performance of their obligations are guilty of negligence.

Moreover, moral damages may be awarded for breaches of contract where the defendant acted in bad faith,⁵⁹ to enable the injured party to obtain means that will serve to alleviate his or her moral suffering by reason of the defendant's culpable action.⁶⁰ Although there is no fixed rule as to how the Court should award moral damages, the yardstick is that it should not be excessive.⁶¹

In addition, Article 2232⁶² of the Civil Code provides that in contracts, the court may award exemplary damages if the defendant acted in a wanton, reckless, oppressive, or malevolent manner, by way of example or correction for the public good.⁶³

⁵⁷ Article 2180. The obligation imposed by Article 2176 is demandable not only for one's own acts or omissions, but also for those of persons for whom one is responsible.

.....
Lastly, teachers or heads of establishments of arts and trades shall be liable for damages caused by their pupils and students or apprentices, so long as they remain in their custody.

The responsibility treated of in this article shall cease when the persons herein mentioned prove that they observed all the diligence of a good father of a family to prevent damage.

⁵⁸ Article 1170. Those who in the performance of their obligations are guilty of fraud, negligence or delay, and those who in any manner contravene the tenor thereof, are liable for damages.

⁵⁹ Article 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 breaches of contract where the defendant acted fraudulently or in bad faith.

⁶⁰ See *Kierulf v. CA*, 336 Phil. 414, 431-432 (1997) [Per J. Panganiban, Third Division].

⁶¹ *Citibank, N.A. v. Spouses Cabamongan*, 522 Phil. 476, 495 (2006) [Per J. Austria-Martinez, First Division].

⁶² 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.

⁶³ Article 2229. Exemplary or corrective damages are imposed, by way of example or correction for the public good, in addition to the moral, temperate, liquidated or compensatory damages.

Moreover, attorney's fees may be awarded when exemplary damages are awarded and when it is just and equitable to do so, upon the discretion of the court.⁶⁴

Here, considering the gross negligence exhibited by Mother Goose School and proof of mental anguish suffered by Samuel and Villa, the Court affirms the amounts awarded by the courts *a quo* as follows: PHP 300,000.00 as moral damages, PHP 200,000.00 as exemplary damages, and PHP 150,000.00 as attorney's fees.

Finally, as to the interest, *Lara's Gifts & Decors, Inc. v. Midtown Industrial Sales*⁶⁵ is instructive:

B. In obligations not consisting of loans or forbearances of money, goods or credit:

1. For liquidated claims:

The compensatory interest due shall be that which is stipulated by the parties in writing as the penalty or compensatory interest rate, provided it is not unconscionable. In the absence of a stipulated penalty or compensatory interest rate, or if these rates are unconscionable, the compensatory interest shall be at the rate of 6%. Compensatory interest, in the absence of a stipulated reckoning date, shall be computed from default, i.e., from extrajudicial or judicial demand, *until full payment*.

- a. Interest on stipulated compensatory interest shall accrue at the stipulated interest rate (compounded interest) from the stipulated reckoning point or, in the absence thereof, from extrajudicial or judicial demand *until full payment*, provided it is not unconscionable. In the absence of a stipulated compounded interest rate or if this rate is unconscionable, legal interest at the rate of 6% shall apply from the time of judicial demand *until full payment*.

⁶⁴ See CIVIL CODE, art. 2208, which provides:

Article 2208. In the absence of stipulation, attorney's fees and expenses of litigation, other than judicial costs, cannot be recovered, except:

- (1) When exemplary damages are awarded;
- (2) When the defendant's act or omission has compelled the plaintiff to litigate with third persons or to incur expenses to protect his interest;
- (3) In criminal cases of malicious prosecution against the plaintiff;
- (4) In case of a clearly unfounded civil action or proceeding against the plaintiff;
- (5) Where the defendant acted in gross and evident bad faith in refusing to satisfy the plaintiff's plainly valid, just and demandable claim;

....
(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.

⁶⁵ G.R. No. 225433. September 20, 2022 [Per J. Leonen, *En Banc*].

2. For unliquidated claims:

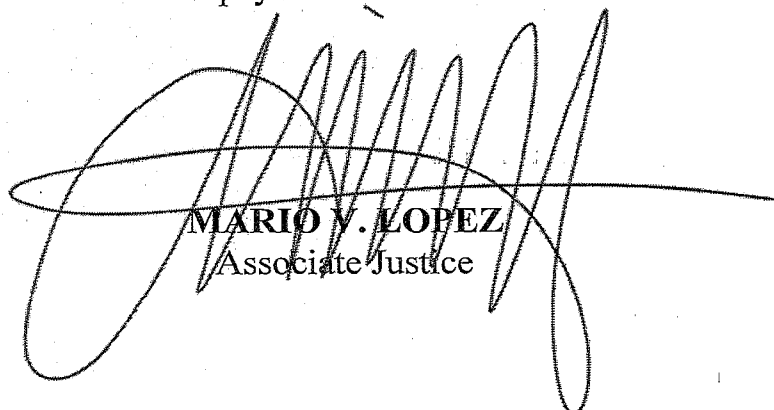
Compensatory interest on the amount of damages awarded may be imposed in the discretion of the court at the rate of 6% per annum. No compensatory interest, however, shall be adjudged on unliquidated claims or damages until the demand can be established with reasonable certainty. Thus, when such certainty cannot be so reasonably established at the time the demand is made, the interest shall begin to run only from the date of the judgment of the trial court (at which time the quantification of damages may be deemed to have been reasonably ascertained) *until full payment*. The actual base for the computation of the interest shall, in any case, be on the principal amount finally adjudged.⁶⁶ (Emphasis in the original)

The Court in *Sulpicio Lines, Inc. v. Major Karaan*,⁶⁷ further clarified that the legal interest due on the moral and exemplary damages awarded to the aggrieved party shall be computed at the time of the finality of the judgment, when the amount of damages has already been determined with finality.⁶⁸

Here, Mother Goose School's obligation did not arise from a loan or forbearance of money, but as a result of negligence. Thus, the rate of legal interest to be imposed upon the obligation of Mother Goose School shall be 6% per annum computed from the finality of this Decision until full payment.

ACCORDINGLY, the Petition is **DISMISSED**. The Decision dated May 23, 2023 of the Court of Appeals in CA-G.R. CV No. 114714, which affirmed with modifications the Decision dated March 17, 2017 and the Order dated January 3, 2019 of Branch 56, Regional Trial Court, San Carlos City, Pangasinan, is **AFFIRMED WITH MODIFICATION**. Petitioner Mother Goose Special School System, Inc, is **ORDERED** to **PAY** respondents Spouses Samuel Palaganas and Villa Palaganas the following amounts: PHP 300,000.00 as moral damages, PHP 200,000.00 as exemplary damages, and PHP 150,000.00 as attorney's fees. The amounts shall earn legal interest at the rate of six 6% per annum on all monetary awards from the finality of this Decision until full payment.

SO ORDERED.


MARIO V. LOPEZ
Associate Justice

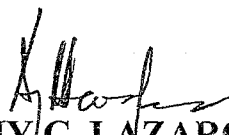
⁶⁶ *Id.*

⁶⁷ 841 Phil. 239 (2018) [Per J. Tijam, First Division].

⁶⁸ *Id.* at 254–255.

WE CONCUR:


MARVIC M.V.F. LEONEN
Senior Associate Justice


AMY C. LAZARO-JAVIER
Associate Justice


JHOSEP Y. LOPEZ
Associate Justice

On official business
ANTONIO T. KHO, JR.
Associate Justice

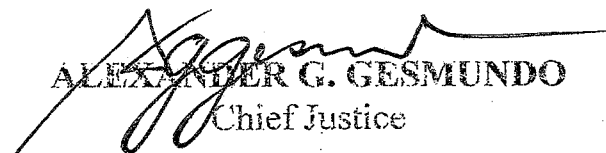
ATTESTATION

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.


MARVIC M.V.F. LEONEN
Senior Associate Justice
Chairperson, Second Division

CERTIFICATION

Pursuant to Article VIII, Section 13 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.


ALEXANDER G. GESMUNDO
Chief Justice

