

WCTC v. Meteolechol, 14 ROP 58 (2007)
WESTERN CAROLINE TRADING COMPANY,
Appellant,

v.

AGNES METEOLECHOL,
Appellee.

CIVIL APPEAL NO. 06-035
Civil Action No. 06-037

Supreme Court, Appellate Division
Republic of Palau

Decided: January 29, 2007¹

Counsel for Appellant: David F. Shadel

Counsel for Appellee: pro se

BEFORE: ARTHUR NGIRAKLSONG, Chief Justice; LARRY W. MILLER, Associate Justice;
KATHLEEN M. SALII, Associate Justice.

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Appeal from the Trial Division, the Honorable LOURDES F. MATERNE, Associate Justice,
presiding.

NGIRAKLSONG, Chief Justice:

This is an appeal from a default judgment entered against Agnes Meteolechol awarding appellant Western Caroline Trading Company (“WCTC”) \$123.06 on an unpaid debt. WCTC argues that the trial court erred when it failed to grant default judgment in the amount requested and instead awarded a lesser amount without explanation. WCTC further argues that the trial court’s apparent refusal to award attorney’s fees constitutes a violation of the Contract Clause and its due process rights. Because the method by which the trial court arrived at the \$123.06 judgment amount cannot be ascertained from the record, this matter is remanded to the trial court for further proceedings.

I. BACKGROUND

This is a collections case based on a promissory note signed by appellee Agnes

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Pursuant to ROP R. App. P. 34(a), the Court finds that this matter can be decided on the papers submitted by the parties. The oral argument scheduled for February 8, 2007, is hereby canceled.

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Meteolechol on behalf of an entity known as Dental Division. Meteolechol promised to pay \$1000 plus interest in monthly installments of not less than \$50. The note contains a provision for the recovery of attorney's fees which reads:

In the event of commencement of suit to enforce payment of this note, the undersigned agrees to pay such additional sums as attorney fees as the court in such action may adjudge reasonable.

Meteolechol made payments on the debt but failed to repay the full amount owed. WCTC filed suit on February 22, 2006, seeking \$210.11 in principal, \$53.05 in prejudgment interest, \$946.25 in attorney's fees, and court costs of \$60.00.

When Meteolechol failed to respond to the complaint, WCTC moved for default judgment in the amount of \$1,474.17 (\$210.11 in principal, \$70.56 in prejudgment interest, \$1125.00 in attorney's fees, and \$68.50 in court costs). WCTC supplied an affidavit from its accountant authenticating the promissory note and stating that the amounts set forth in the motion for default judgment had not been paid and were still due and owing. On September 14, 2006, the trial court entered judgment against Meteolechol in the amount of \$123.06, rather than the \$1,474.17 requested by WCTC. This appeal followed.

II. STANDARD OF REVIEW

We review the trial court's findings of fact for clear error. *Ongidobel v. ROP*, 9 ROP 63, 65 (2002). Under this standard, the factual determinations of the lower court will be set aside only if they lack evidentiary support in the record such that no reasonable trier of fact could have reached the same conclusion. *Dilubech Clan v. Ngaremlengui State Pub. Lands Auth.*, 9 ROP 162, 164 (2002). Conclusions of law are reviewed *de novo*. *Roman Tmetuchl Family Trust v. Whipps*, 8 ROP Intrm. 317, 318 (2001).

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III. ANALYSIS

A. Effect of a Default

WCTC argues that "the trial court had no lawful right or power, under the circumstances, to fail to render judgment for an amount less than the complaint and motion had sought." Opening Brief at 2. Although there are surprisingly few published opinions in Palau regarding the effect of a default and the quantum of evidence necessary to support a default judgment, WCTC's argument is not well-founded. The entry of a default does not necessarily mean that judgment is appropriate or that plaintiff is entitled to any particular amount of damages. When a party fails to respond to a complaint, the trial court takes the well-pleaded allegations of fact related to liability as true. *TeleVideo Sys., Inc. v. Heidenthal*, 826 F.2d 915, 917 (9th Cir. 1987). Thus, by operation of the default entered against her, Meteolechol admitted the existence of the promissory note and her failure to pay all amounts when due. Nevertheless, the trial court has an independent obligation to review the allegations of the complaint and determine whether they establish all of the elements of a cause of action, whether basic jurisdictional requirements are

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met, and whether the amounts sought are justified. *See, e.g., Cripps v. Life Ins. Co. of No. Am.*, 980 F.2d 1261, 1267 (9th Cir. 1992) (stating that “necessary facts not contained in the pleadings, and claims which are legally insufficient, are not established by default.”); *Garberg & Assocs., Inc. v. Pack-Tech Int’l Corp.*, 115 F.3d 767, 771-72 (10th Cir. 1997) (reiterating that “when entry of a default judgment is sought against a party who has failed to plead or otherwise defend, the district court has an affirmative duty to look into its jurisdiction both over the subject matter and the parties.”); *Dundee Cement Co. v. Howard Pipe & Concrete Prods.*, 722 F.2d 1319, 1323-24 (7th Cir. 1983) (reversing a default judgment of \$250,000 because there was no evidence supporting that amount). *See also* ROP R. Civ. P. 8(d) (“Averments in a pleading to which a responsive pleading is required, other than those as to the amount of damage, are admitted when not denied in the responsive pleading.”) (emphasis added).

Following the entry of default against a non-appearing defendant, the trial court must satisfy itself that the proposed judgment is supported by the record and may use its discretion to amend or deny the requested relief as warranted by the circumstances. *See* Wright, Miller & Kane, 10A *Federal Practice and Procedure: Civil 3d* § 2685; *Nishimatsu Constr. Co., Ltd. v. Houston Nat’l Bank*, 515 F.2d 1200, 1206 (5th Cir. 1975) (citing the “venerable but still definitive case” of *Thomson v. Wooster*, 114 U.S. 104, 113 (1885), for the proposition that a default judgment may be lawfully entered only “according to what is proper to be decreed upon the statements of the bill, assumed to be true,” and not “as of course according to the prayer of the bill.”). To the extent WCTC’s appeal is based on the assertion that the court must enter whatever judgment a party puts before it, that contention is rejected.

B. Lack of Adequate Basis for Review of Judgment Amount

Although WCTC’s initial argument fails, a remand for further proceedings is appropriate. It is impossible to determine from the record how the trial court arrived at **161** its \$123.06 judgment amount. WCTC had requested a judgment of \$1474.17, including \$210.11 in principal, \$70.56 in pre-judgment interest, \$1125.00 in attorney’s fees, and \$68.50 in court costs. At the very least, WCTC was entitled to recover the principal that was still owed on the debt and pre-judgment interest. *See Ngirausui v. Baiei*, 4 ROP Intrm. 140 (1994) (finding that “a party is entitled to pre-judgment interest on the amounts owed dating from the time payment becomes due . . .”). In most collection cases, courts have also awarded court costs, apparently on the theory that an injured party is entitled to recover a sum that will, to the extent possible, put him in as good a position as he would have been had the contract been performed. *See, e.g., Asia Pacific Commercial Bank, Inc. v. Kazuma*, Civil Action No. 05-205 (J. Miller presiding). WCTC’s claim for \$349.06 in principal, pre-judgment interest, and court costs was adequately supported by the Affidavit of Omera M. Daligidig and the trial court made no findings of fact or conclusions of law to explain why WCTC was awarded less than half of that amount. In addition, WCTC has a contractual right to an award of reasonable attorney’s fees in this case. While the trial court was not compelled to award the full \$1,125.00 requested by WCTC, it is impossible to determine from a review of the record whether WCTC’s claim for attorney’s fees was even considered. The trial court must provide a decision that “reveals an understanding analysis of the evidence, a resolution of the material issues of ‘fact’ that penetrate beneath the generality of conclusions, and an application of the law to the facts.” *Cura v. Salvador*, 11 ROP

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221, 223 (2004). Because the bare record does not support a judgment of \$123.06 and the trial court did not make any legal or factual findings that would justify such an award, this Court lacks an adequate basis to review the trial court's decision. A remand for further proceedings is necessary.

C. RPPL 7-11 and WCTC's Constitutional Claims

Because it is not clear whether the trial court was relying on RPPL 7-11 when calculating the judgment amount or whether it will do so on remand, it would be premature to discuss any constitutional impediments that might prohibit the statute's application in this case.

IV. CONCLUSION

This matter is hereby remanded to the trial court for further proceedings.