

THIRD DIVISION

[G.R. No. 199513, April 18, 2018]

TERESA GUTIERREZ YAMAUCHI, PETITIONER, V. ROMEO F. SUÑIGA, RESPONDENT.

DECISION

MARTIRES, J.:

We resolve the petition for review on certiorari appealing the 12 April 2011 Decision^[1] and the 22 November 2011^[2] Resolution of the Court of Appeals (CA) in CA-G.R. CV No. 91381. Although the CA affirmed the 28 January 2008 Decision^[3] of the Regional Trial Court, Branch 24 of Manila (RTC) in Civil Case No. 02-105365, it (1) reduced the award for actual damages, and (2) deleted the award for moral and exemplary damages, attorney's fees, and costs of suit. The instant petition contests only the CA's reduction and deletion of the award of damages.

THE FACTS

On 13 December 2002, Teresa Gutierrez Yamauchi (*Yamauchi*) filed a complaint against Romeo F. Suñiga (*Suñiga*) for rescission with prayer for damages.^[4] The factual antecedents leading to the complaint are summarized by the CA as follows:

[Yamauchi] owns a house located at Block 88, Lot 23, Laguna Bel Air, Sta. Rosa, Laguna [hereinafter subject house]. Sometime in September 2000, [Yamauchi] consulted [Suñiga], the husband of her cousin, regarding the renovation of the subject house. After [Yamauchi] gave [Suñiga] a sketch of her intended renovations, the latter apprised her of the estimated cost that it would entail. Based on the Scope of Works given by [Suñiga] and accepted by [Yamauchi], the total cost was P869,658.00-P849,658.00 for the renovation and P20,000.00 for permits and licenses. The estimated costs for the renovation were itemized in the document denominated as Bill of Materials. On October 9, 2000, [Yamauchi] gave a partial payment in the amount of P300,000.00 and another payment in the amount of P100,000.00 on January 31, 2001. It appears that, by January 2001, the renovation stopped as [Suñiga] was also constructing his house.

Subsequently, [Suñiga] gave [Yamauchi] a Billing Summary stating that he had accomplished 47.02% of the intended renovations and that after deducting the amount of P400,000.00 previously given by [Yamauchi], the latter was liable for the billing amount of P8,992.50. Likewise, [Suñiga] gave [Yamauchi] an Accomplishment Billing stating that he had accomplished 25.13% of the additional works and that [Yamauchi] was liable for the billing amount of P49,512.50. These additional works consisted of a carport balcony, lanai trellis, and installation of new door and dormer at the carport balcony.

At around March 2001, [Yamauchi] inquired from [Suñiga] as to when the renovation would be completed and the latter asked for additional funds. [Yamauchi] requested [Suñiga] to advance the expenses and proposed and that she will pay him later, but [Suñiga] replied that he had no money. The renovation was thereafter suspended and [Suñiga] told [Yamauchi] that he will resume the renovation after the construction of his house, and [Yamauchi] should give the additional funds then. In the interim, [Yamauchi] consulted her neighbor, a certain Engr. Froilan Thomas, who told her that the amount stated on the Bill of Materials could actually build a new house. Feeling shortchanged and deceived, [Yamauchi] asked [Suñiga] to explain why she should pay the additional amount he was demanding. The confrontation eventually led to a heated argument and [Suñiga] decided to stop the work and pulled out the workers and recalled the materials.

[Yamauchi], through counsel, sent a letter to [Suñiga] stating that due to the bloated amount of the cost of renovation and [Suñiga's] stubborn refusal to complete the project, she was constrained to terminate their contract. She demanded the payment of P400,000.00, plus 12% interest thereon. [Suñiga] sent a reply stating that the demand for payment was without basis since the stoppage of the renovation was due to [her] non-payment of the billing. In turn, [Suñiga] demanded the payment of P49,512.50, representing the amount of additional works that he had partially accomplished.^[5]

In her complaint, Yamauchi alleged that she was seeking rescission of their contract because of the following: (a) Suñiga's misrepresentation that he was a licensed architect; (b) the changes on the subject house were not in accordance with what they agreed upon; (c) Suñiga refused to comply with his obligation to finish the renovation by December 2000; (d) there were some renovations which were reported as accomplished, when in fact they had not yet been constructed; and (e) the subject house was rendered uninhabitable. According to Yamauchi, these circumstances constituted substantial breach of Suñiga's contractual obligations, entitling her to seek for the rescission of the contract, plus award of damages and attorney's fees.^[6]

Suñiga filed his answer with counterclaims denying Yamauchi's allegations and at the same time claiming that: (a) he did not solicit the contract and it was Yamauchi who requested him to renovate the subject house; (b) he told Yamauchi that payments would be on accomplishment basis; (c) there was no target schedule as Yamauchi intimated to him that she did not have sufficient funds to finance the project; (d) he was able to accomplish 47% of the renovation works aside from the additional works requested by Yamauchi; and (e) it was Yamauchi who asked him to suspend the renovation. Claiming that he was the one who had the right to seek rescission, Suñiga averred that Yamauchi should pay her unpaid obligation in the amount of P58,005.00, as well as attorney's fees, moral and exemplary damages, and costs of suit.^[7]

The RTC Ruling

After reception of evidence and submission of the parties' respective memoranda, the RTC rendered its decision warranting rescission and payment of damages in

favor of Yamauchi.^[8] As a result, the RTC ruled:

Palpable in the case at bar is the action of [Yamauchi] in periodically assessing the progress of [the] renovation and in all instances felt shorthanded. From the delay in starting the construction, lack of a laborer at the site, the utter absence of supervision by [Suñiga], and the bloated cost of construction materials. All these can only be indicative of [Suñiga's] breach of his obligation to [Yamauchi]. Thus, we find it unjust that [Suñiga] would rebuke [Yamauchi] for coming up short with the payments when he has violated the very terms of the agreement and was in no position to fulfill what was incumbent [upon] him to accomplish.^[9]

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The dispositive portion of the RTC decision reads:

Accordingly, judgment is hereby rendered ordering [Suñiga] to pay [Yamauchi] the following:

- (1) Four Hundred Thousand (P400,000.00) Pesos, as actual damages;
- (2) Fifty Thousand (P50,000.00) Pesos, as moral damages;
- (3) Fifty Thousand (P50,000.00) Pesos, as exemplary damages;
- (4) Attorney's fees in the amount of Thirty Thousand (P30,000.00) Pesos; and
- (5) Costs of suit.^[10]

The CA Ruling

Dissatisfied, Suñiga appealed to the CA, which affirmed the RTC's ruling to rescind the contract between Yamauchi and Suñiga under Article 1191 of the Civil Code.^[11] The CA held however, that the RTC erred in its award for damages, to *wit*:

Accordingly, when a decree for rescission is handed down, it is the duty of the court to require both parties to surrender that which they have respectively received and to place each other as far as practicable in his original situation. In the present case, the court a quo ordered [Suñiga] to return the entire amount (P400,000.00) paid by [Yamauchi].

We differ from the court a quo's conclusion.

The rule is that when it is no longer possible to return the object of the contract, an indemnity for damages operates as restitution. The important consideration is that the indemnity for damages should restore to the injured party what was lost. However, restoration of the parties to their relative position which they would have occupied had no contract ever been made is not practicable nor possible because we cannot turn back the hands of time so as to undo the partial renovations undertaken

by [Suñiga]. At any rate, it is worthy to note that [Yamauchi] had not lost the entire amount (P400,000.00) she gave to [Suñiga]. A perusal of the photographs offered by [Yamauchi], as part of her evidence, clearly shows that the house had been partially renovated by [Suñiga]. Ergo, to order [Suñiga] to pay actual damages in the amount of P400,000.00 to [Yamauchi] would result to unjust enrichment on the latter's part.

Settled is the rule that actual damages must be proved with reasonable degree of certainty. A party is entitled only up to such compensation for the pecuniary loss that he had duly proven. It cannot be presumed. Absent proof of the amount of actual damages sustained, the court cannot rely on speculations, conjectures, or guesswork as to the fact and amount of damages, but must depend upon competent proof that they have been suffered by the injured party and on the best obtainable evidence of the actual amount thereof. In this case, [Yamauchi]'s evidence relative to the award of actual damages consists of the checks she paid to [Suñiga]. On the other hand, in support of his claim that there was 47.02% accomplishment, [Suñiga] adduced in evidence the Billing Summary. In addition, the foreman of the renovation project, Alberto Otto, corroborated [Suñiga]'s claim and categorically testified that they had accomplished 45%-50% of the renovation. As [w]e have earlier stated, the photographs presented by [Yamauchi] undoubtedly show that the house had been partially renovated by [Suñiga]. [He] had already demolished the exterior wall, built the 2.5-meter extension (sans paint, doors, windows and roof), and the concrete posts for the garage/carport were already in place. Thus, [w]e are inclined to believe [Suñiga's] claim that he had accomplished 47.02% of the renovation. However, in view of the fact the amount charged by [Suñiga] for demolition works was P75,650.00 which was not in accordance with their initial agreement of P35,070.00, [Suñiga] should return the amount of P40,580 to [Yamauchi]. Also, [Suñiga] should return the amount of P20,000.00, representing costs for permits and licenses, since [Yamauchi] had already paid the amount of P11,000.00, representing payment to Laguna Bel-Air Homeowners' Association for construction bond/permit. In sum, [Yamauchi] is only entitled to the amount of P60,580.00 as actual damages.

As to the award of moral and exemplary damages, [w]e find that the court a quo erred in awarding the same to [Yamauchi].

The established rule is that a breach of contract may give rise to an award of moral damages if the party guilty of the breach acted fraudulently or in bad faith. In this case, there was no proof that [Suñiga] acted fraudulently or in bad faith. In any case, it should be pointed out that [Yamauchi] is not entirely blameless for the stoppage of the renovation as [she] had not sufficient funds. Hence, the award of moral damages must be deleted. As [Yamauchi] is not entitled to moral damages, *a fortiori*, she is not entitled to exemplary damages. Exemplary damages is allowed only in addition to moral damages such that no exemplary damages can be awarded unless the claimant first establishes his clear right to moral damages. In the instant case, [Yamauchi] failed to establish her claim for moral damages, thus, she is not entitled to exemplary damages. Further, the award of attorney's fees and cost of

suit should also be vacated since the court a quo did not make any finding that any of the instances enumerated in Article 2208 of the New Civil Code exists. Besides, while it may be true that [Yamauchi] was constrained to engage the services of counsel due to [Suñiga]'s refusal to return the amount of P400,000.00, such refusal was justified taking into account Our disquisition that [Yamauchi] is not entitled thereto, but only to the amount of P60,580.00.

WHEREFORE, the Decision dated January 28, 2008 of the Regional Trial Court of Manila, Branch 24, in Civil Case No. 02-105365, is hereby **AFFIRMED** with the **MODIFICATION** in that the award for actual damages is hereby reduced to P60,580.00 while the awards of moral and exemplary damages, attorney's fees and cost of suit are hereby **DELETED**.^[12]

On 3 May 2011, Yamauchi filed a partial motion for reconsideration questioning the reduction and deletion of the award for damages.^[13] As to actual damages, Yamauchi claimed that she actually lost the entire amount of P400,000.00 because after the so-called "renovation," her house was left in shambles and became uninhabitable. In other words, the money she paid to Suñiga went nowhere because the house was now destroyed and useless. Thus, even if the house was partially renovated, Yamauchi could not use it because Suñiga left it exposed to the elements.

As for moral and exemplary damages, Yamauchi argued that Suñiga misrepresented himself and acted in bad faith during the whole period of engagement. Yamauchi averred that he considered hiring Suñiga believing that he was a licensed architect. However, she later found out that he was in fact not one. In their meetings, never did Suñiga correct Yamauchi's belief that he was not a licensed architect. The bloated figures in the billing summary submitted by Suñiga showed that he had been dealing with her in bad faith. Suñiga also kept requesting Yamauchi to make payments for the renovations, for which, as found out later that Yamauchi had already made double payments.

Unmoved, the CA denied Yamauchi's motion saying that there were no new and substantial issues raised therein; hence, the present petition before this Court.

OUR RULING

Before us, Yamauchi raised the following:

ISSUES

I.

THE HONORABLE COURT OF APPEALS ERRED IN REDUCING THE AMOUNT OF ACTUAL DAMAGES AWARDED TO MS. GUTIERREZ-YAMAUCHI.

II.

THE HONORABLE COURT OF APPEALS ERRED IN DELETING THE AWARD FOR MORAL AND EXEMPLARY DAMAGES, ATTORNEY'S FEES AND COSTS OF LITIGATION.^[14]

Procedural Issue