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SECOND DIVISION

[G.R. No. 225402, September 04, 2017]

ENCARNACION CONSTRUCTION & INDUSTRIAL CORPORATION, PETITIONER, V. PHOENIX READY MIX CONCRETE DEVELOPMENT & CONSTRUCTION, INC., RESPONDENT.

D E C I S I O N

PERLAS-BERNABE, J.:

Before the Court is a petition for review on *certiorari*[1] assailing the Decision[2] dated July 22, 2015 and the Resolution[3] dated June 29, 2016 of the Court of Appeals (CA) in CA-G.R. CV No. 102671, which affirmed the Decision[4] dated December 4, 2013 of the Regional Trial Court of Imus, Cavite, Branch 20 (RTC) in Civil Case No. 3547-10 granting the complaint for sum of money filed by respondent Phoenix Ready Mix Concrete Development and Construction, Inc. (Phoenix) against petitioner Encarnacion Construction & Industrial Corporation (ECIC), and dismissing the latter's counterclaim for damages.

The Facts

On January 27 and March 25, 2009, Phoenix entered into two (2) separate Contract Proposals and Agreements (Agreement)[5] with ECIC for the delivery of various quantities of ready-mix concrete.[6] The Agreement was made in connection with the construction of the Valenzuela National High School (VNHS) Marulas Building.[7] ECIC received the ready-mix concrete delivery in due course. However, despite written demands from Phoenix, ECIC refused to pay. Hence, Phoenix filed before the RTC the Complaint[8] for Sum of Money against ECIC for the payment of P982,240.35, plus interest and attorney's fees.[9]

In its Answer with Counterclaim,[10] ECIC claimed that it opted to suspend payment since Phoenix delivered substandard ready-mix concrete, such that the City Engineer's Office of Valenzuela (City Engineer's Office) required the demolition and reconstruction of the VNHS building's 3rd floor.[11] It contended that since the samples taken from the 3rd floor slab failed to reach the comprehensive strength of 6,015 psi in 100 days,[12] the City Engineer's Office ordered the dismantling of the VNHS building's 3rd floor, and thus, incurred additional expenses amounting to P3,858,587.84 for the dismantling and reconstruction.[13]

The RTC Ruling

In a Decision[14] dated December 4, 2013, the RTC ordered ECIC to pay Phoenix the amount of P865,410.00, with twelve percent (12%) interest per annum, reckoned from November 5, 2009, the date ECIC received the demand, as well as P50,000.00 as attorney's fees, and the costs of suit.[15]

Primarily, the RTC found that Phoenix fully complied with its obligation under their Agreement to deliver the ready-mix concrete, with the agreed strength of 3000 and 3500 psi G-3/4 7D PCD,[16] which ECIC used to complete the 3rd floor slab of the VNHS building.[17] Moreover, it pointed out that the alleged sub-standard quality of the delivered ready-mix concrete did not excuse ECIC from refusing payment, noting that under Paragraph 15 of the Agreement, any claim it has on the quality and strength of the transit mixed concrete should have been made at the time of delivery. Since ECIC raised the alleged defects in the delivered concrete only on June 16, 2009, or 48 days after the last delivery date on April 29, 2009,[18] it considered ECIC to have waived its right to question the quality of the delivered concrete under the principle of *estoppel in pais*.[19] It added that under Paragraph 15 of the Agreement, ECIC does not have the right to suspend or refuse payment once delivery has been made; thus, ECIC's refusal to pay despite demand constitutes breach of their Agreement, entitling Phoenix to attorney's fees, but at the reduced amount of P50,000.00.[20] Lastly, it reduced the rate of the stipulated interest from 18% to 12% per annum, counted from November 5, 2009.[21]

Meanwhile, the RTC denied ECIC's counterclaim for failure to pay the necessary docket fees.[22]

Aggrieved, ECIC appealed[23] to the CA, arguing that it paid the necessary docket fees for its counterclaim well within a reasonable time from its filing or on June 18, 2010[24] and that it did not waive its right to question the strength of the delivered concrete which, based on various tests, was substandard.[25]

The CA Ruling

In a Decision[26] dated July 22, 2015, the CA affirmed the RTC ruling holding ECIC liable for the payment of the delivered ready-mix concrete.

At the outset, the CA agreed with ECIC that the docket fees for its counterclaim was paid well within a reasonable time from the prescriptive date; thus, the RTC should not have automatically dismissed its counterclaim.[27] Nonetheless, it ruled that ECIC is bound by their Agreement to pay for the delivered ready-mix concrete. Moreover, it observed that before ECIC signed and bound itself to the Agreement, it should have questioned the condition set under Paragraph 15, *i.e.*, that complaints about the quality of the concrete should be made upon delivery.[28] Further, there is no showing that ECIC was at a disadvantage when it contracted with Phoenix so as to render the Agreement void on the ground that it is a contract of adhesion. Thus, the CA concluded that ECIC's failure to make any claim on the strength and quality of the ready-mix concrete upon delivery, pursuant to Paragraph 15 of the Agreement, constitutes a waiver thereof on its part.[29]

Dissatisfied, ECIC moved[30] for reconsideration, which the CA denied in a Resolution[31] dated June 29, 2016; hence, this petition.

The Issue Before the Court

The essential issue for the Court's resolution is whether or not the CA erred in denying ECIC's counterclaim for damages.

The Court's Ruling

The petition lacks merit.

In the present petition, ECIC maintains that it is entitled to its counterclaim because the Agreement it signed with Phoenix, particularly Paragraph 15 thereof, is void for being a contract of adhesion; and, the ready-mix concrete Phoenix delivered for the 3rd floor slab of the VNHS building was substandard, causing it to incur additional expenses to reconstruct the building's 3rd floor.

A contract of adhesion is one wherein one party imposes a ready-made form of contract on the other. It is a contract whereby almost all of its provisions are drafted by one party, with the participation of the other party being limited to affixing his or her signature or "adhesion" to the contract.[32] However, contracts of adhesion are not invalid *per se* as they are binding as ordinary contracts.[33] While the Court has occasionally struck down contracts of adhesion as void, it did so when the weaker party has been imposed upon in dealing with the dominant bargaining party and reduced to the alternative of taking it or leaving it, completely deprived of the opportunity to bargain on equal footing.[34] Thus, the validity or enforceability of the impugned contracts will have to be determined by the peculiar circumstances obtained in each case and the situation of the parties concerned.[35]

In this case, there is no proof that ECIC was disadvantaged or utterly inexperienced in dealing with Phoenix. There were likewise no allegations and proof that its representative (and owner/proprietor) Ramon Encarnacion (Encarnacion) was uneducated, or under duress or force when he signed the Agreement on its behalf. In fact, Encarnacion is presumably an astute businessman who signed the Agreement with full knowledge of its import. Case law states that the natural presumption is that one does not sign a document without first informing himself of its contents and consequences.[36] This presumption has not been debunked.

Moreover, it deserves highlighting that apart from the January 27 and March 25, 2009 Contract Proposals and Agreements, ECIC and Phoenix had entered into three (3) similar Agreements under the same terms and conditions[37] for the supply of ready-mix concrete. Thus, the Court is hard-pressed to believe that Encarnacion had no sufficient opportunity to read and go over the stipulations of the Agreement and reject or modify the terms had he chosen to do so.

Further, the Court finds that the terms and conditions of the parties' Agreement are plain, clear, and unambiguous and thus could not have caused any confusion. Paragraph 15 of the Agreement provides that:

> x x x x Any claim on the quality, strength, or quantity of the transit mixed concrete delivered must be made at the time of delivery. Failure to make the claim constitutes a waiver on the part of the SECOND PARTY for such claim and the FIRST PARTY is released from any liability for any subsequent claims on the quality, strength or [sic] the ready mixed concrete.[38]

Based on these terms, it is apparent that any claim that ECIC may have had as regards the quality or strength of the delivered ready-mix concrete should have been made at the time of delivery. However, it failed to make a claim on the quality