

[G.R. No. 191088, August 17, 2016]

**FRILOU CONSTRUCTION, INC., PETITIONER, VS. AEGIS
INTEGRATED STRUCTURE CORPORATION, RESPONDENT.**

D E C I S I O N

This Petition for Review on *Certiorari* under Rule 45 of the Rules of Court assails the Decision^[1] of the Court of Appeals in CA-G.R. CV No. 92108 which reversed and set aside the Decision^[2] of the Regional Trial Court, Branch 58, Makati City in Civil Case No. 05-711, a suit for a Sum of Money filed by respondent Aegis Integrated Structure Corporation against petitioner Frilou Construction, Inc.

Respondent's Complaint alleged, in pertinent part,:

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2. On October 5, 2004, [petitioner] engaged the services of [respondent] to supply, fabricate, deliver and erect the structural steel requirements of [petitioner] for the proposed Exhibit Building for and in consideration of P5,000,000.00 under Purchase Order No. 0461, x x x.

3. On November 19, 2004, [petitioner], again, engaged the services of [respondent] to supply, fabricate, deliver and erect the structural requirements of [petitioner] for the proposed Residential Bldg. for and in consideration of P1,024,306.00 under Purchase Order No. 0500, x x x;

4. Payment of the sum of P6,024,306.00 has long been overdue in that [respondent] had long supplied, fabricated, delivered and erected the structural steel requirements of [petitioners] but the latter has paid [respondent] the sum of P4,490,014.32 only thereby leaving an unpaid balance off 1,534,291.68;

5. [Respondent] made repeated demands for the sum of P1,534,291.68 but [petitioner] failed/refused to pay, hence, it was necessary for [respondent] to institute the instant suit for which it incurred attorney's fee of P 150,000.00;

WHEREFORE, it is respectfully prayed that judgment be rendered ordering [petitioner] to pay [respondent] the following:

1. P1,534,291.68 plus interest thereon at the legal rate from May 25, 2005 until fully paid;
2. P150,000.00 as attorney's fee;
3. Cost of suit;

[Respondent] prays for such other relief as may be deemed just and equitable under the foregoing premises.^[3]

Petitioner filed its Answer and countered that:

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2. [Petitioner] likewise ADMITS paragraphs 2 and 3 of the Complaint, the truth of the matter being those stated in the Special and Affirmative Defenses;

3. Similarly, [petitioner] also DENIES paragraphs 4 and 5 for being contrary to the facts and circumstances surrounding the case;

4. As and by way of Special and Affirmative Defenses, [petitioner] respectfully states:

SPECIAL AND AFFIRMATIVE DEFENSES

5. While [petitioner] does not deny having engaged [the] services of [respondent] for the supply and delivery of steel requirements, such delivery had already been paid in the amount of Php4,490,014.32 as of March 2005;

6. [Respondent] failed to show evidence that indeed [petitioner] still owes the balance of P1,534,291.68 as alleged in the Complaint;

7. No demand whatsoever was made against herein [petitioner] for the alleged balance complained of.

WHEREFORE, premises considered, it is respectfully prayed of this Honorable Court to DISMISS and DENY the aforementioned Complaint for lack of merit in fact and in law.

[Petitioner] further prays for such other reliefs and remedies just and equitable under the premises.^[4]

During trial, respondent presented its Sales Engineer, Geronimo S. Mangubat, whose testimony was summarized by the Court of Appeals, thus:

[Respondent] supplies and fabricates building materials for its clients. [Mangubat's] duties include offering the services of [respondent] to clients and negotiating with the latter. He knows [petitioner] which contracted their services for the supply and delivery of construction materials. The first transaction worth P5,000,000.00 took place on October 5, 2004, covered by Purchase Order No. 0461, while the second under Purchase Order No. [0]500 with a consideration of f 1,024,306.00 happened on November 19, 2004. The purchase orders were signed for and in behalf of [petitioner] by Architect George Matunog, the Vice-President for Operations. After receipt of the purchase orders, [respondent] supplied the materials and erected the same at the construction site. They submitted billings and [petitioner] issued checks in payment thereof. All in all, [petitioner] paid a total of P4,490,014.32

out of the total contract price of P6,024,306.00. With respect to the balance in the amount of P1,534,291.68, the same remains unpaid, thus they sent two (2) demand letters, both signed by Filomeno H. Castillo, Jr., [respondent's] Vice-President, informing [petitioner] of the deficiency and inviting its representative to a meeting. When [petitioner's] representative failed to show up in the meeting, [respondent] referred the matter to its lawyer, Atty. Jose F. Manacop, who sent a demand letter to [petitioner] and filed this case in court against the latter. For the filing of this case, [respondent] Aegis incurred expenses in the amount of P150,000.00.

On cross-examination, Engr. Mangubat testified that [petitioner] Frilou signed a Certificate of Completion, but he did not present it as evidence. He also stated that he personally delivered one of the letters to [petitioner] through a staff of Architect Matunog.^[5]

For its part, petitioner only had one witness, its employee, Jess de Guia, Jr. (De Guia), who, since 2003, has been in charge of petitioner's warehouse and responsible for receiving deliveries of materials at the construction site. De Guia testified that he received the deliveries of respondent and signed receipt thereof. De Guia further testified that he does not know the value of the materials delivered by respondent; only that petitioner had already paid for these deliveries.

The trial court dismissed the complaint for insufficiency of evidence sustaining petitioner's contention that respondent failed to show evidence of petitioner's supposed remaining liability for the balance amount of P1,534,291.68. The trial court rejected respondent's stance that petitioner already admitted its liability for the total amount of the two (2) Purchase Orders when petitioner stated in paragraph 2 of its Answer that: "[it] ADMITS paragraphs 2 and 3 of the Complaint, the truth of the matter being those stated in the Special and Affirmative Defenses." For the trial court, the admission was qualified in that petitioner had already paid the amount of P4,490,014.32 and respondent did not show further evidence of petitioner's liability for the remaining balance. The trial court sustained petitioner's argument that the existence of the Purchase Orders in the amount of P6,024,306.00 was not equivalent to respondent's delivery of the materials to petitioner in the same amount. In all, the trial court ruled that respondent did not discharge the requisite burden of proof in civil case, i.e. preponderance of evidence.

On appeal by respondent, the appellate court reversed and set aside the trial court's ruling on the sole issue of whether [respondent] established its claim of the balance amount of P1,534,219.68 even absent presentation of delivery receipts. The appellate court ruled that:

(1) Petitioner's judicial admission of the existence of the Purchase Orders worked to establish respondent's claim of the balance amount of P1,534,291.68 by a preponderance of evidence;

(2) In failing to specifically deny respondent's allegation that respondent supplied, delivered and erected the structural steel requirements of petitioner in the amount of P6,024,306.00, the latter is deemed to have admitted the same:

(3) Consequently of paragraphs 1 and 2, respondent's material allegations

thereon need not be proven;

(4) The Purchase Orders numbered 0461 and 0500 evidence a meeting of the minds such that a valid contract existed and became the law between the parties;

(5) Petitioner's contention that the contract price was actually only P4,490,014.32, the amount petitioner has already paid, is inconsistent with its confirmation of the Purchase Orders in the amount of P6,024,306.00 as the original contract price; (6)

Petitioner is thus estopped from claiming a reduced amount of the contract price; and (7) Petitioner itself failed to present evidence that respondent only partially complied with its obligation under the Purchase Orders for just the amount of P4,490,014.32.

Hence, this appeal by *certiorari* of petitioner insisting on the appellate court's error in granting respondent's complaint and holding petitioner liable to respondent for the balance amount of P1,534,291.68. i.e. Petitioner quibbles that it did not admit liability for the entire amount of the Purchase Orders, but only for the value of the actual deliveries by respondent hereunder in the amount of P4,490,014.32. Petitioner asseverates that such constituted a specific denial when it further set forth the substance of the matters upon which it relied to support its denial, respondent had no evidence that it owed the balance of P1,534,291.68. We disagree with petitioner and completely subscribe to the appellate court's ruling.

Indeed, petitioner admitted and failed to specifically deny the material averments in respondent's complaint that respondent complied with its obligation under the Purchase Orders for the complete amount of P6,024,306.00.

Section 10, Rule 8 of the Rules of Court on Manner of Making Allegations in Pleading contemplates three (3) modes of specific denial: 1) by specifying each material allegation of the fact in the complaint, the truth of which the defendant does not admit, and whenever practicable, setting forth the substance of the matters which he will rely upon to support his denial; (2) by specifying so much of an averment in the complaint as is true and material and denying only the remainder; (3) by stating that the defendant is without knowledge or information sufficient to form a belief as to the truth of a material averment in the complaint, which has the effect of a denial.

The purpose of requiring the defendant to make a specific denial is to make him disclose the matters alleged in the complaint which he succinctly intends to disprove at the trial, together with the matter which he relied upon to support the denial. The parties are compelled to lay their cards on the table.^[6]

Thus, the disingenuousness of petitioner becomes apparent to this Court.

First. Petitioner did not make a specific denial, but a general one to the effect that it no longer has any remaining liability to respondent.

Respondent's averment in paragraph 4 of its complaint reads:

4. Payment of the sum of P6,024,306.00 has long been overdue in that [respondent] had long supplied, fabricated, delivered and erected the structural steel requirements of [petitioners] but the latter has paid