

THIRD DIVISION

[G.R. No. 181676, June 11, 2014]

**ASIAN CONSTRUCTION AND DEVELOPMENT CORPORATION,
PETITIONER, VS. SANNAEDLE CO., LTD., RESPONDENT.**

DECISION

PERALTA, J.:

Before the Court is a Petition for Review on *Certiorari* under Rule 45 of the Rules of Court seeking the reversal of the Decision^[1] and Resolution,^[2] dated April 25, 2006 and February 6, 2008, respectively, of the Court of Appeals (CA) in CA-G.R. CV No. 71916.

The facts follow.

This case stemmed from a Complaint^[3] for Sum of Money filed by respondent against petitioner. The complaint alleged that petitioner and respondent executed a Memorandum of Agreement wherein respondent was engaged to supply and erect insulated panel systems at various pavilions at the Philippine Centennial Exposition Theme Park, specifically for the Phase I Project, for an agreed amount of US\$3,745,287.94.

Pursuant to the Memorandum of Agreement, petitioner made various payments amounting to US\$3,129,667.32 leaving a balance of US\$615,620.33. Respondent claims that it made several written demands for petitioner to pay the said balance, but the latter continuously refused to heed its plea.

Thereafter, petitioner filed its Answer with Counterclaim.^[4]

Respondent then moved for judgment on the pleadings on the ground that the Answer admitted all material allegations of the Complaint and, therefore, failed to tender an issue. Thus, respondent deems that petitioner's Answer, in effect, admitted the existence of the Memorandum of Agreement and its failure to pay the balance despite repeated demands.

In a Judgment^[5] dated October 6, 2000, the Regional Trial Court (RTC) of Makati City rendered judgment in favor of respondent. Pertinent portions of said decision read:

In claiming that the Answer of the [petitioner] failed to tender an issue, [respondent] argued that the present action is for collection of the amount of US\$615,620.33 with interest at the rate of 12% per annum, which amount represents the balance of the payment under the Memorandum of Agreement, Annex B of the Complaint entered into

between [respondent] and [petitioner] which was not denied in the Answer. [Respondent] further claimed that in a letter dated February 2, 2000, Annex C of the Complaint, it demanded payment of the said amount of US\$615,620.33 and in reply thereto, [petitioner] stated in part –

“We refer to your letter dated February 2, 2000 regarding the US\$2,635,333.00 balance unpaid claim of SANNAEDLE.

x x x x x x x x x

2. Phase I Contract

While we recognize being obligated to this amount, we do not have at the moment the capability to pay it. This is because our financial position has been severely affected by the freezing of the government of all our collectibles on EXPO projects including the P80M (approx. US\$2.0M) from DPWH intended to pay the cost increment of reverting back the use of Sannaedle in Phase I.

x x x x x x x x x

The partial amount of about US\$1.4M paid by ASIAKONSTRUKT to Sannaedle in excess of its allocated budget of US\$1.745M actually came from its own source and initiatives. This effort made by ASIAKONSTRUKT significantly reduced the balance due Sannaedle to only US\$615,620.33.

x x x x x x x x x

The Court notes that in the Answer with Counterclaim of the [petitioner], the execution of the Memorandum of Agreement, Annex B of the Complaint was admitted (paragraph 13, Answer). Further, it did not deny specifically the claim of the [respondent] of being entitled to collect the said amount of US\$615,620.33.^[6]

x x x x x

WHEREFORE, judgment is rendered in favor [of] the [respondent] and [petitioner] is ordered to pay [respondent] the amount of US \$615,620.33 with interest thereon at the rate of 12% per annum from February 2, 2000 until fully paid.

No pronouncement as to costs.

SO ORDERED.^[7]

Petitioner filed a motion for reconsideration against said decision. However, the

same was denied in an Order^[8] dated December 13, 2000.

Thus, petitioner filed an appeal before the CA.

On April 25, 2006, the CA rendered its assailed Decision which disposed as follows:

WHEREFORE, the instant appeal is **DISMISSED**. The judgment of the Regional Trial Court of Makati City, Branch 138, dated October 6, 2000, is hereby **AFFIRMED**.

Costs against the [petitioner].

SO ORDERED.^[9]

Petitioner filed a motion for reconsideration, but the CA denied it in a Resolution dated February 6, 2008.

Hence, the present petition wherein petitioner raises this sole issue for our resolution: whether or not judgment on the pleadings is proper.

Petitioner contends that the judgment on the pleadings is not proper, because it raised special and affirmative defenses in its Answer. It asserts that with this specific denial, a genuine issue of fact had been joined to the extent that a judgment on the pleadings could not be made.

For its part, respondent counters that petitioner's Answer admitted the material allegations of its complaint regarding the cause of action, which is collection of sum of money. Respondent emphasizes that assuming petitioner's defense of respondent's lack of capacity to sue has a leg to stand on, still, the same cannot prevent respondent from seeking the collection of petitioner's unpaid balance.

The Court finds the petition bereft of merit.

Judgment on the pleadings is governed by Section 1, Rule 34 of the 1997 Rules of Civil Procedure which reads:

Sec. 1. Judgment on the pleadings. – Where an answer fails to tender an issue, or otherwise admits the material allegations of the adverse party's pleading, the court may, on motion of that party, direct judgment on such pleading. However, in actions for declaration of nullity or annulment of marriage or for legal separation, the material facts alleged in the complaint shall always be proved.^[10]

Judgment on the pleadings is proper when an answer fails to tender an issue, or otherwise admits the material allegations of the adverse party's pleading. An answer fails to tender an issue if it does not comply with the requirements of a specific denial as set out in Sections 8^[11] and 10,^[12] Rule 8 of the 1997 Rules of Civil Procedure, resulting in the admission of the material allegations of the adverse

party's pleadings.^[13]

This rule is supported by the Court's ruling in *Mongao v. Pryce Properties Corporation*^[14] wherein it was held that "judgment on the pleadings is governed by Section 1, Rule 34 of the 1997 Rules of Civil Procedure, essentially a restatement of Section 1, Rule 19 of the 1964 Rules of Court then applicable to the proceedings before the trial court. Section 1, Rule 19 of the Rules of Court provides that where an answer fails to tender an issue, or otherwise admits the material allegations of the adverse party's pleading, the court may, on motion of that party, direct judgment on such pleading. The answer would fail to tender an issue, of course, if it does not comply with the requirements for a specific denial set out in Section 10 (or Section 8) of Rule 8; and it would admit the material allegations of the adverse party's pleadings not only where it expressly confesses the truthfulness thereof but also if it omits to deal with them at all."^[15]

Further, in *First Leverage and Services Group, Inc. v. Solid Builders, Inc.*,^[16] this Court held that where a motion for judgment on the pleadings is filed, the essential question is whether there are issues generated by the pleadings. In a proper case for judgment on the pleadings, there is no ostensible issue at all because of the failure of the defending party's answer to raise an issue. The answer would fail to tender an issue, of course, if it does not deny the material allegations in the complaint or admits said material allegations of the adverse party's pleadings by confessing the truthfulness thereof and/or omitting to deal with them at all.^[17]

Here, it is irrefutable that petitioner acknowledged having entered into a Memorandum of Agreement with respondent and that it still has an unpaid balance of US\$615,620.33.

We note that respondent's complaint for a sum of money is based mainly on the alleged failure of petitioner to pay the balance of US\$615,620.33 under the Memorandum of Agreement. Quoting petitioner's Answer, it is obvious that it admitted the foregoing material allegations in paragraphs 3, 4 and 5 of the complaint, which states as follows:

3. The [Petitioner] ASIAN CONSTRUCTION AND DEVELOPMENT CORPORATION ("ASIAKONSTRUKT" for brevity), is a corporation duly incorporated under the laws of the Philippines, with capacity to sue and be sued, and with business address at the Second Floor, Union Ajinomoto Building, Sen. Gil Puyat Avenue, Makati City, and within the jurisdiction of this Honorable Court; and where it may be served with summons and other court processes of this Honorable Court,

4. **That the [respondent] and the [petitioner] entered into a Memorandum of Agreement in Makati City, within the jurisdiction of this Honorable Court, dated February 17, 1998, wherein the [Petitioner] corporation agreed with and ordered the herein [Respondent], as Contractor, to design and install INSUPANEL SYSTEMS at various pavilions, etc. at expo projects site; and specifically for the Phase I project at an agreed amount of US\$3,745,287.94 (Par. 2.1). A xerox copy of this Memorandum of**