

SPECIAL SECOND DIVISION

[G.R. No. 183444, February 08, 2012]

**DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS, PETITIONER,
VS. RONALDO E. QUIWA, DOING BUSINESS UNDER THE NAME
"R.E.Q. CONSTRUCTION," EFREN N. RIGOR, DOING BUSINESS
UNDER THE NAME "CHIARA CONSTRUCTION," ROMEO R.
DIMATULAC, DOING BUSINESS UNDER THE NAME "ARDY
CONSTRUCTION," AND FELICITAS C. SUMERA, DOING BUSINESS
UNDER THE NAME "F.C.S. CONSTRUCTION," REPRESENTED BY
HER ATTORNEY-IN-FACT ROMEO M. DE LEON, RESPONDENTS.**

R E S O L U T I O N

SERENO, J.:

Assailed in this Motion for Partial Reconsideration dated 8 November 2011 filed by petitioner Department of Public Works and Highways (DPWH) is the 12 October 2011 Decision of the Court, primarily affirming the trial and the appellate courts' judgments in favor of respondents' entitlement to compensation.

To recall, after the Mt. Pinatubo tragedy in 1991, DPWH engaged a number of contractors, including the respondents, for the urgent rehabilitation of the affected river systems. Save for Chiara Construction and Ardy Construction, respectively owned by Efren N. Rigor and Romeo R. Dimatulac, the contractors signed written agreements with Engineer Philip Meñez, Project Manager II of the DPWH.

It is undisputed that the contractors have completed their assigned rehabilitation works.^[1] But DPWH refused to pay the contractors for the reason that the contracts were invalid due to non-compliance with legal requirements.^[2] As such, respondents filed an action for a sum of money against DPWH.^[3] The Regional Trial Court (RTC) of Manila, in Civil Case No. 96-77180, held that the contracts were valid and thus directed payment of compensation to the contractors.^[4] DPWH appealed to the Court of Appeals (CA), which like the RTC, ruled that the respondents are entitled to their claim of compensation.^[5]

Petitioner appealed by *certiorari* before this Court. In the questioned 12 October 2011 Decision, the Court primarily affirmed the trial and the appellate courts' judgments in favor of respondents' entitlement to compensation against petitioner DPWH.

On 10 November 2011, petitioner filed a Motion for Partial Reconsideration^[6] assailing the aforementioned Decision.

Petitioner's main contention is that respondents did not come to court with clean hands to assert their money claims against petitioner in view of their failure to

comply with the legal requirements concerning government contracts and in ascertaining the extent of authority of the public official with whom they contracted. [7] These omissions made the contracts void *ab initio* and, as a consequence, petitioner should not be made to suffer by paying respondents huge sums of money arising from void contracts. [8]

We deny the motion.

Petitioner unsuccessfully established the applicability of the clean hands doctrine. Citing *Muller v. Muller*, petitioner points out that “a litigant may be denied relief by a court of equity on the ground that his conduct has been inequitable, unfair and dishonest, or fraudulent, or deceitful as to the controversy in issue.” [9]

However, respondents’ purported omissions, standing alone, cannot be construed as fraudulent or deceitful. Petitioner did not present evidence of actual fraud and merely inferred that because of the omissions, the respondent contractors were in bad faith. “Fraud is never presumed but must be established by clear and convincing evidence. The strongest suspicion cannot sway judgment or overcome the presumption of regularity.” [10]

Parties who do not come to court with clean hands cannot be allowed to profit from their own wrongdoing. [11] The action (or inaction) of the party seeking equity must be “free from fault, and he must have done nothing to lull his adversary into repose, thereby obstructing and preventing vigilance on the part of the latter.” [12] Neither the trial court nor the appellate court found any design to defraud on the part of the respondent contractors.

While petitioner is correct in saying that one who seeks equity must do equity, and one who comes into equity must come with clean hands, [13] it is equally true that an allegation of fraud and dishonesty to come within the doctrine’s purview must be substantiated:

Bad faith and fraud are allegations of fact that demand clear and convincing proof. They are serious accusations that can be so conveniently and casually invoked, and that is why they are never presumed. They amount to mere slogans or mudslinging unless convincingly substantiated by whoever is alleging them. [14]

This court recognizes that certain omissions will qualify as “acting with unclean hands.” The omission, though, must be such as to give rise to a confusion that leads to an undesirable state of things. [15]

Here, even with the respondents’ supposed failure to ascertain the validity of the contract and the authority of the public official involved in the construction agreements, there is no such confusion as to the matter of the contract’s validity and the equivalent compensation. As found by the court *a quo*, petitioner had assured the contractors that they would be paid for the work that they would do, as even DPWH Undersecretary Teodoro T. Encarnacion had told them to “fast-track” the