

SECOND DIVISION

[G.R. No. 172454, August 17, 2007]

**UNIWIDE SALES, INC., PETITIONER, VS. MIRAFUENTE & NG,
INC., RESPONDENT.**

DECISION

CARPIO MORALES, J.:

Uniwide Sales, Inc. (petitioner) and Mirafuente and Ng, Inc. (respondent), represented by Architect Robert Mirafuente, forged on December 13, 1993 a "DESIGN SERVICES: Architectural Services Agreement"^[1] (the agreement) whereby petitioner engaged respondent "to plan and design the proposed UNIWIDE SALES MALL" located at a 10-hectare lot along Roxas Boulevard, Parañaque for a consideration of Two Million Five Hundred Thousand (P2,500,000) Pesos "for Architectural Design Service only." The pertinent portions of the agreement read:

ARTICLE 1 SCOPE OF WORK

That the scope of work to be done by the Architect, as herein authorized by the Owner, for the subject Project herein referred to consist of professional services for the preparation, planning, design and documentation for architectural drawings of the project. The work is deemed ninety five percent (95%) complete upon submission of complete working drawings and documents for construction. The last five percent (5%) consist of task required during the construction phase as stipulated in this contract.

x x x x

ARTICLE 2 ARCHITECT FEES AND MANNER OF PAYMENTS

- The Owner shall pay the Architect **TWO MILLION FIVE HUNDRED THOUSAND PESOS (P2,500,000.00)** as compensation for the Architectural Design Service only.

x x x x

- Payments of the Architectural Design Fee shall be made in accordance with the following schedule:

Signing of this Agreement	Ten percent	(10%)
Schematic Design Phase Pro-rata to completed phase	Fifteen percent	(15%)
Design Development	Thirty Five	(35%)

Phase	Percent	
Pro-rata to completed phase		
Construction Document Phase	Thirty Five Percent	(35%)
Pro-rata to completed phase		
Construction Phase	Five Percent	(5%)
Pro-rata to contractor's payment		

TOTAL One Hundred Percent 100%

- The Owner agrees to make partial payments during each of the various stages of the Design Architect's work upon his request, provided it is within the framework of the schedule of payments outlined above.

x x x x

x x x x

ARTICLE 5 OTHER EXPENSES CHARGEABLE TO OWNER

x x x x

- **Work Suspended or abandoned:** If the work of the Architect is abandoned or suspended, in whole or in part, due to causes *not* attributable to the Architect, the Architect is to be paid by the Owner for services rendered corresponding to the fees due on the stage of suspension or abandonment of work.
- **Change Order by Owner:** If changes occur after the final design has been approved and confirmed, or changes and additions *during* construction, then the Architect is to be paid by the Owner for additional services rendered equivalent to six (6) percent of revised construction cost of the affected design submitted by the Contractor concerned.

x x x x ^[2] (Emphasis in the original; italics and underscoring supplied)

The agreement contained no provision within which respondent was to accomplish its services.

By letter of August 16, 1995 signed by respondent's Production Manager Architect Leo Villamor and noted by Architect Mirafuente, respondent submitted to petitioner, "Attn. Mr. Jimmy Gow, Chairman,"

x x x x

. . . copies of the Master Plans (e.g. Ground, Second and Third) of the latest plans of above project showing all the changes we have agreed including the changes made from last meeting with your interior design group at City Garden Restaurants.^[3]

In the same letter, respondent informed that it had "submitted the same plans together with the complete package of all Architectural plans (1 set) to Arch. Rene De Guzman on August 9, 1995 (TR# BS 00183) to cover our Change Order."

Petitioner, however, through its consultant Asian Technicon Managers & Consultants, Inc., by letter of August 22, 1995 which was received on August 23, 1995 by respondent, terminated the latter's services. The notice of termination reads:

Subject: THE COASTAL MALL PROJECT
NOTICE OF CONTRACT TERMINATION

1. Further to our **verbal** instruction given to you on 08 August 1995 that all your works be **put on-hold**, the Owner has **finally decided to stop** all the works immediately and **terminate** your Consultancy Services for the preparation, planning, design and documentation for Architectural drawings of the Project.
2. We hereby serve this Notice of Termination with immediate effect and the Owner will be very grateful to receive from you (if any) all documents and data that have been developed for this project.
3. To properly close the contract, you are **requested to submit your final statement of account** relative to this project. Your usual cooperation is appreciated.^[4] (Emphasis and underscoring supplied)

Respondent thereafter sent petitioner a letter of September 18, 1995 following up its "billing amounting to FOUR HUNDRED THOUSAND PESOS (P400,000.00) representing full payment for the Change Order requested by Owner." It also sent another letter of even date following up its "billing amounting to FOUR HUNDRED THIRTY SEVEN THOUSAND FIVE HUNDRED PESOS (P437,500.00) representing full payment for the Construction Document Phase-Architectural Design Fee."^[5] These letters were telefaxed to petitioner on October 19, 1995.

As respondent's demands were not acted upon by petitioner, respondent, by letter of December 15, 1995, again demanded payment for its services, particularly for the "Construction Document Phase" and for the "Change Order," in the amounts of P437,500 and P400,000, respectively. Through its Chairman of the Board Jimmy Gow, petitioner replied by letter of December 20, 1995 reading:

Dear Arch. Mirafuente:

I refer to your letter of December 15, 1995 demanding payment from our firm of the amount of Eight Hundred Thirty Seven Thousand Five Hundred Pesos (Php 837,500.00) for the Uniwide Coastal Mall Project.

Please be advised that we are still in the process of reconciling our records. We would, therefore, appreciate it if you can provide us with

the supporting documents for said amount.

We will revert to you as soon as we receive your inputs and our records have been reconciled.

Thank you and may you have a Merry Christmas!^[6] (Emphasis and underscoring supplied)

Its demands for the payment of its services having remained unheeded, respondent filed on February 27, 1996 with the Regional Trial Court (RTC) of Pasig a complaint for sum of money - P437,500 representing payment due on the "Construction Document Phase" of the project, and P400,000 representing payment due on the "Change Order," plus interest thereon at the rate of 24% per annum from August 9, 1995 until petitioner pays its obligation; attorney's fees equivalent to 25% of the amounts due and demandable; and costs of suit.^[7]

Branch 155 of the Pasig RTC found for respondent by Decision of June 19, 2001, ordering petitioner to pay it the following:

1. PhP837,500.00 representing the total amount of unpaid architectural fees owing to the plaintiff, plus legal interest of 6% per annum from the date of extra-judicial demand until the finality of the herein Decision;
2. Peso equivalent of 25% of the amount due and collectible as and by way of attorney's fees; and,
3. The costs of suit.^[8]

On appeal, the Court of Appeals, by Decision of November 14, 2005,^[9] affirmed the trial court's decision.

In affirming the trial court's decision, the appellate court found that respondent submitted to petitioner the complete and final set of architectural designs, plans and specifications prior to the termination of its services,^[10] but the termination appeared to be a mere ploy of petitioner to avoid its obligation to pay respondent's fees.^[11]

The appellate court went on to note that petitioner never presented any proof showing that it was dissatisfied with respondent's services,^[12] for if it was, it could have, early on, terminated the same without waiting for respondent to complete its undertakings under the agreement.

The appellate court even noted that at the time petitioner terminated respondent's services, the construction of the mall had already begun.^[13]

Hence, the present petition, petitioner faulting the appellate court:

1. . . . IN HOLDING THAT THE PETITIONER WAS NOT ABLE TO SUFFICIENTLY PROVE ITS DEFENSE AGAINST THE CLAIM OF THE