

FIRST DIVISION

[G.R. NO. 167767, August 29, 2006]

**SPOUSES WILLIAM AND JEANETTE YAO, PETITIONERS, VS.
CARLOMAGNO B. MATELA, RESPONDENT.**

[G.R. NO. 167799, AUGUST 29, 2006]

**CARLOMAGNO B. MATELA, PETITIONER, VS. SPOUSES WILLIAM
AND JEANETTE YAO, RESPONDENTS.**

DECISION

YNARES-SANTIAGO, J.:

These consolidated petitions for review assail the Decision^[1] of the Court of Appeals dated September 30, 2004, in CA-G.R. CV No. 75264, which modified the Decision^[2] of the Regional Trial Court of Las Piñas City, Branch 275 in Civil Case No. 98-0263, as well as the Resolution^[3] dated April 15, 2005, denying the motions for reconsideration of both parties.

In G.R. No. 167767, spouses William and Jeanette Yao pray that the assailed decision and resolution of the Court of Appeals be reversed and set aside and that the original complaint filed by Carlomagno B. Matela in the lower court be dismissed for lack of merit.

In G.R. No. 167799, Matela prays that the judgment of the Court of Appeals be modified by ordering the spouses Yao to pay the amount of P741,482.00 as actual damages instead of P391,582.00, plus interest and attorney's fees.

The antecedent facts are as follows:

On March 30, 1997, the spouses Yao contracted the services of Matela, a licensed architect, to manage and supervise the construction of a two-unit townhouse at a total cost of P5,090,560.00.^[4]

The construction started in the first week of April 1997 and was completed in April 1998, with additional works costing P300,000.00. Matela alleged that the spouses Yao paid him the amount of P4,649,078.00, thereby leaving a balance of P741,482.00.^[5] When his demand for payment of P741,482.00 went unheeded, Matela filed a complaint^[6] for sum of money with the Regional Trial Court of Las Piñas City which was docketed as LP-98-0263 and raffled to Branch 275.

In their answer, the spouses Yao denied that the project was completed in April 1998. Instead, they alleged that Matela abandoned the project without notice. They claimed that they paid Matela the sum of P4,699,610.93 which should be considered

as sufficient payment considering that Matela used sub-standard materials causing damage to the project which needed a substantial amount of money to repair.

On April 1, 2002, the Regional Trial Court of Las Piñas City, Branch 275 rendered judgment in favor of Matela, the dispositive portion of which reads:

WHEREFORE, judgment is rendered in favor of [Matela] and against the [spouses Yao] ordering the latter to pay the former the sum of P741,428.00 plus legal rate of interest from the filing of the Complaint until fully paid and P50,000.00 as and by way of attorney's fees and to pay the costs.

SO ORDERED.^[7]

The trial court anchored its decision on the following findings of facts:

Defendant spouses engaged the professional services of the plaintiff on March 30, 1997 to manage and supervise the construction of their two unit townhouses in Makati City at the agreed construction cost of P5,090,560.00. The construction started in the first week of April, 1997 and was completed by the plaintiff in April, 1998.

Close scrutiny of the evidence reveals that contrary to the allegation of the defendant spouses the construction of the two unit townhouses x x x were completed by the plaintiff. This is shown by the fact that the Building Official of Makati City, after inspection of the construction thereof, issued, the Evaluation Sheet Occupancy Permit (Exhs. "E" and "E-1"), Certificate of Completion (Exh. "F"), Certificate of Occupancy (Exh. "G") and Progress Flow Sheet of Occupancy Permit (Exh. "G-1").

It appears from these documents that the construction was completed on April 5, 1998 (Exh. "F") and that after inspection the same was found to have been done in accordance with its plans and specifications (Exh. "G").

If there (sic) defects were found all over the two unit townhouses, the Building Official of Makati City would not have issued the said documents, which are presumed to have been executed in due course and good faith.

^[8]

The Court of Appeals affirmed the decision of the lower court but modified the amount of actual damages to P391,582.00. The dispositive portion of the decision reads:

WHEREFORE, premises considered, the decision of the Regional Trial Court of Las Piñas City, Branch 275, in Civil Case No. 98-0263 is hereby MODIFIED in that the [spouses Yao] are hereby ordered to pay actual damages of Three Hundred Ninety One Thousand Five Hundred Eighty Two Pesos (P 391,582.00). The decision of the Regional Trial Court of Las Piñas City, Branch 275, dated 1 April 2002 in Civil Case No. 98-0263 is hereby AFFIRMED in all other aspect.

SO ORDERED.^[9]

In affirming the findings of the court *a quo*, the Court of Appeals declared that:

As to the second assigned error, defendants-appellants claimed that plaintiff-appellee failed to finish the project within the agreed one hundred eighty (180) days. They pointed out that one hundred eighty (180) days from April 1997 ended on October 1997, however, the units were turned over only in April 1998.

The Court does not find any merit in this argument either. Any delay in the delivery is cured by acceptance of the thing after delay incurred. (See: *Tayong v. CA*, 219 SCRA 480, [1993]). In the present case, defendants-appellants do not deny they took over the townhouse units and have even sold the same. (See: Records, p. 363)^[10]

Hence these consolidated petitions.

In G.R. No. 167799, Matela raised the lone issue of:

WHETHER OR NOT [MATELA] IS ENTITLED TO THE ADDITIONAL CONSTRUCTION COST.^[11]

In G.R. No. 167767, the issue raised by the spouses Yao is:

WHETHER OR NOT THE DECISION OF THE COURT OF APPEALS IN NOT DISMISSING THE COMPLAINT [OF MATELA] AND NOT AWARDING THE COUNTER CLAIM [OF THE SPOUSES YAO] IS IN ACCORDANCE WITH LAW AND JURISPRUDENCE.^[12]

Matela claims that although the spouses Yao did not expressly admit their obligation as regards the additional construction cost of P300,000.00, they impliedly admitted the same as evidenced by the testimony of Jeanette Yao before the court *a quo*.^[13]

On the other hand, the spouses Yao contend that the complaint for the collection of a sum of money filed by Matela should be dismissed because it was the latter who breached his undertaking by using sub-standard materials and not completing the project. They also allege that the payments they made amounting to P4,699,610.93 should be considered as sufficient payment for the construction of the project.

The resolution of the issues raised by the parties require a re-examination of the pieces of evidence presented during the trial of the case. This is an exception to the established rule that in the exercise of our power of review, we only resolve questions of law and not questions of facts.

The rule that the Supreme Court does not resolve questions of facts, however, is not absolute. Jurisprudence has recognized several exceptions in which factual issues may be resolved by the Supreme Court, such as: (1) when the findings are grounded entirely on speculation, surmises or conjectures; (2) when the inference made is manifestly mistaken, absurd or impossible; (3) when there is grave abuse of discretion; (4) when the judgment is based on a misapprehension of facts; (5) when the findings of facts are conflicting; (6) when in making its findings the Court of Appeals went beyond the issues of the case, or its findings are contrary to the admissions of both the appellant and the appellee; (7) when the findings are contrary to the trial court; (8) when the findings are conclusions without citation of

specific evidence on which they are based; (9) when the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondent; (10) when the findings of fact are premised on the supposed absence of evidence and contradicted by the evidence on record; or (11) when the Court of Appeals manifestly overlooked certain relevant facts not disputed by the parties, which, if properly considered, would justify a different conclusion.^[14]

In the instant case, we find that the factual findings of the trial court and Court of Appeals are contradicted by the evidence on record. Thus, a review of the facts is in order.

As agreed by the parties, Matela will construct the townhouses in accordance with the Specification^[15] while spouses Yao will pay Matela the agreed construction cost based on progress billings. The spouses Yao will not pay Matela the agreed price in full unless the latter has fully complied with and has discharged his obligations as specified in the contract.

In his book on Obligations and Contracts, the late Court of Appeals Justice Desiderio Jurado made the following discussion on reciprocal obligations:

Reciprocal obligations are those which are created or established at the same time, out of the same cause, and which result in mutual relationships of creditor and debtor between the parties. These obligations are conditional in the sense that the fulfillment of an obligation by one party depends upon the fulfillment of the obligation by the other. Thus, in a contract of sale of an automobile for P54,000. The vendor is obliged to deliver the automobile to the vendee, while the vendee is obliged to pay the price of P54,000 to the vendor. It is clear that the vendor will not deliver the automobile to the vendee unless the latter pay the price, while the vendee will not pay the price to the vendor unless the latter will deliver the automobile. Hence, in reciprocal obligations, the general rule is that fulfillment by both parties should be simultaneous or at the same time.

The rule then is that in reciprocal obligations, one party incurs in delay from the moment the other party fulfills his obligation, while he himself does not comply or is not ready to comply in a proper manner with what is incumbent upon him. If neither party complies or is ready to comply with what is incumbent upon him, the default of one compensates for the default of the other. In such case, there can be no legal delay. These rules may be illustrated by the following example: A sold his automobile to B for P30,000. They agreed that delivery and payment shall be made on the 15th of November 1980. On that date, A was not ready to deliver the automobile, neither was B ready to pay. In such case, neither party has incurred in delay. If A, however, delivered or was ready to deliver the automobile, but B did not pay or was not ready to pay, then B is said to have incurred in delay.^[16]

Both the trial court and the Court of Appeals found that Matela's "delivery" of the project constitutes a faithful discharge of his duties. We find otherwise. Our evaluation of the records reveal that Matela failed to comply with his obligation to construct the townhouses based on the agreed specifications. As such, he cannot be

discharged from his obligations by mere delivery of the same to the spouses Yao.

The Specification contained the following provisions:

D. CARPENTRY WORKS

Lumber – This shall be of approved quality, well-seasoned, thoroughly dry, free from large, loose and unsound knots, saps, shakes and other imperfections impairing its durability, strength and appearance.

All roof trusses shall be of Apitong, conventional fabrication using wooden plates and machine bolts.

Purlins shall be 2x3 (commercial size) apitong or equivalent spaced at 0.60 m. o.c.^[17]

x x x x

All wooden partitions indicated in the drawing shall be double faced ¼" thk. ordinary plywood nailed to 2x3 (commercial size) tanguile spaced at 0.60 m. o.c. bothways (wherever available).

The ceiling shall be of 3/16" thk plywood (class C) with 2x2 ceiling joist spaced at 0.60 m. o.c.

Door jambs shall be of standard type from 2/5 K.D. tanguile or equivalent.^[18]

Contrary to the foregoing, the photographs offered by the spouses Yao as exhibits showed unfinished and uneven ceilings, rotten door jambs and door posts, unfinished wooden partitions and unhinged and unfinished doors.^[19]

Paragraph I, *Electrical Works* of the Specification contained the following undertaking:

The Contractor shall furnish all materials, (or otherwise specified) labor and other services and perform all operations necessary for the complete installation of the Electrical System for the Project in accordance with the drawings and specifications. All electrical work shall be done under the direct supervision of a licensed Electrical Engineer. The Electrical Contractor shall secure the required Electrical Wiring Permit and Certificate of Electrical Inspection and pay the corresponding permit fees. All wiring in ceiling and double walls shall be Neltex Schedule 40 uPVC conduits or equivalent. All installation on concrete shall be in rigid conduit pipes.^[20]

Furnishing and installation of conduits, boxes, wire gutters, fittings, cabinets, wireways, manholes and covers, supports and accessories for:

- a. Lighting system
- b. Convenience Outlets and other Special Purpose Outlets