

SECOND DIVISION

[G.R. NO. 160242, May 17, 2005]

**ASIAN CONSTRUCTION AND DEVELOPMENT CORPORATION,
PETITIONER, VS. COURT OF APPEALS AND MONARK EQUIPMENT
CORPORATION, RESPONDENTS.**

D E C I S I O N

CALLEJO, SR., J.:

On March 13, 2001, Monark Equipment Corporation (MEC) filed a Complaint^[1] for a sum of money with damages against the Asian Construction and Development Corporation (ACDC) with the Regional Trial Court (RTC) of Quezon City. The complaint alleged the following: ACDC leased Caterpillar generator sets and Amida mobile floodlighting systems from MEC during the period of March 13 to July 15, 1998 but failed, despite demands, to pay the rentals therefor in the total amount of P4,313,935.00; from July 14 to August 25, 1998, various equipments from MEC were, likewise, leased by ACDC for the latter's power plant in Mauban, Quezon, and that there was still a balance of P456,666.67; and ACDC also purchased and took custody of various equipment parts from MEC for the agreed price of P237,336.20 which, despite demands, ACDC failed to pay.

MEC prayed that judgment be rendered in its favor, thus:

1. Ordering defendant to pay the plaintiff the total amount of FIVE MILLION SEVENTY-ONE THOUSAND THREE HUNDRED THIRTY-FIVE [PESOS] & 86/100 (P5,071,335.86);
2. Ordering defendant to pay the plaintiff legal interest of 12% per annum on the principal obligations in the total amount of FIVE MILLION SEVENTY-ONE THOUSAND THREE HUNDRED THIRTY-FIVE [PESOS] & 86/100 (P5,071,335.86) computed from the date the obligations became due until fully paid;
3. Ordering defendant to pay attorney's fees in the amount equivalent to 15% of the amount of claim;
4. Ordering defendant to pay all costs of litigation.

Plaintiff prays for such other reliefs as may be just and equitable under the premises.^[2]

ACDC filed a motion to file and admit answer with third-party complaint against Bechtel Overseas Corporation (Bechtel). In its answer, ACDC admitted its indebtedness to MEC in the amount of P5,071,335.86 but alleged the following special and affirmative defenses:

5. Defendant has incurred an obligation with plaintiff, in the amount of P5,071,335.86. But third-party defendant fails and refuses to pay its overdue obligation in connection with the leased equipment used by defendant to comply with its contracted services;
6. The equipment covered by the lease were all used in the construction project of Becthel in Mauban, Quezon, and Expo in Pampanga and defendant was not yet paid of its services that resulted to the non-payment of rentals on the leased equipment.^[3]

And by way of third-party complaint against Becthel as third-party defendant, ACDC alleged that:

7. Third-party plaintiff repleads the foregoing allegations in the preceding paragraphs as may be material and pertinent hereto;
8. Third-party BECTHEL OVERSEAS CORPORATION (herein called "Becthel") is a corporation duly organized and existing under the laws of the United States of America but may be served with summons at Barangay Cagsiay I, Mauban, Quezon 4330, Philippines;
9. Third-party defendant Becthel contracted the services of third-party plaintiff to do construction work at its Mauban, Quezon project using the leased equipment of plaintiff Monark;
10. With the contracted work, third-party plaintiff rented the equipment of the plaintiff Monark;
11. Third-party plaintiff rendered and complied with its contracted works with third-party defendant using plaintiff's (Monark) rented equipment. But, third-party defendant BECTHEL did not pay for the services of third-party plaintiff ASIAKONSTRUKT that resulted to the non-payment of plaintiff Monark's claim;
12. 12. Despite repeated demands, third-party defendant failed and refused to pay its overdue obligation to third-party plaintiff ASIAKONSTRUKT, and third-party defendant needs to be impleaded in this case for contribution, indemnity, subrogation or other reliefs to off-set or to pay the amount of money claim of plaintiff Monark on the leased equipment used in the Mauban, Quezon project in the total amount of P456,666.67;
13. By reason thereof, third-party plaintiff was compelled to prosecute its claim against third-party defendant and hired the services of undersigned counsel for an attorney's fees of P500,000.00.^[4]

ACDC prayed that judgment be rendered in its favor dismissing the complaint and ordering the third-party defendant (Becthel) to pay P456,666.67 plus interest thereon and attorney's fees.^[5]

MEC opposed the motion of ACDC to file a third-party complaint against Becthel on

the ground that the defendant had already admitted its principal obligation to MEC in the amount of P5,071,335.86; the transaction between it and ACDC, on the one hand, and between ACDC and Bechtel, on the other, were independent transactions. Furthermore, the allowance of the third-party complaint would result in undue delays in the disposition of the case.^[6]

MEC then filed a motion for summary judgment, alleging therein that there was no genuine issue as to the obligation of ACDC to MEC in the total amount of P5,071,335.86, the only issue for the trial court's resolution being the amount of attorney's fees and costs of litigation.^[7]

ACDC opposed the motion for summary judgment, alleging that there was a genuine issue with respect to the amount of P5,071,335.86 being claimed by MEC, and that it had a third-party complaint against Bechtel in connection with the reliefs sought against it which had to be litigated.^[8]

In its reply, MEC alleged that the demand of ACDC in its special and affirmative defenses partook of the nature of a negative pregnant, and that there was a need for a hearing on its claim for damages.

On August 2, 2001, the trial court issued a Resolution denying the motion of ACDC for leave to file a third-party complaint and granting the motion of MEC, which the trial court considered as a motion for a judgment on the pleadings. The fallo of the resolution reads:

ACCORDINGLY, this Court finds defendant Asian Construction and Development Corporation liable to pay plaintiff Monark Equipment Corporation and is hereby ordered to pay plaintiff the amount of FIVE MILLION SEVENTY-ONE THOUSAND AND THREE HUNDRED THIRTY-FIVE & 86/100 PESOS (P5,071,335.86) plus 12% interest from the filing of the complaint until fully paid.

SO ORDERED.^[9]

ACDC appealed the resolution to the Court of Appeals (CA), alleging that –

- I. THE LOWER COURT ERRED IN DENYING THE MOTION TO FILE AND ADMIT ANSWER WITH THIRD-PARTY COMPLAINT;
- II. THE LOWER COURT ERRED IN GRANTING THE MOTION FOR SUMMARY JUDGMENT;
- III. THE LOWER COURT ERRED WHEN IT DENIED THE THIRD-PARTY COMPLAINT AND ORDERED DEFENDANT TO PAY THE AMOUNT OF P5,071,335.86 PLUS INTEREST OF 12% PER ANNUM.^[10]

On July 18, 2001, the CA rendered judgment dismissing the appeal and affirming the assailed decision. The appellate court ruled that since MEC had prayed for judgment on the pleadings, it thereby waived its claim for damages other than the amount of P5,071,335.86; hence, there was no longer a genuine issue to be resolved by the court which necessitated trial. The appellate court sustained the disallowance of the third-party complaint of ACDC against Bechtel on the ground

that the transaction between the said parties did not arise out of the same transaction on which MEC's claim was based.

Its motion for reconsideration of the decision having been denied, ACDC, now the petitioner, filed the present petition for review on certiorari, and raises the following issues:

I. WHETHER OR NOT A THIRD-PARTY COMPLAINT IS PROPER; AND

II. WHETHER OR NOT JUDGMENT ON THE PLEADINGS IS PROPER.^[11]

Citing the rulings of this Court in *Allied Banking Corporation v. Court of Appeals*^[12] and *British Airways v. Court of Appeals*,^[13] the petitioner avers that the CA erred in ruling that in denying its motion for leave to file a third-party complaint, the RTC acted in accordance with the Rules of Court and case law. The petitioner maintains that it raised genuine issues in its answer; hence, it was improper for the trial court to render judgment on the pleadings:

With due respect, the judgment on the pleadings affirmed by the Court of Appeals is not, likewise, proper considering that the Answer with Third-Party Complaint, although it admitted the obligation to respondent, tendered an issue of whether the respondent's claim is connected with the third-party claim.

As alleged in the Answer with Third-Party Complaint, it is admitted then by respondent, for purposes of judgment on the pleadings, that failure to pay respondent was in connection of Bechtel Overseas Corporation's failure to pay its obligation to petitioner and that the equipment leased was used in connection with the Bechtel Overseas Corporation project.

This tendered issue could not just be disregarded in the light of the third-party complaint filed by herein petitioner and third-party plaintiff which, as argued in the first discussion/argument, is proper and should have been given due course.^[14]

The petition is denied for lack of merit.

Section 11, Rule 6 of the Rules of Court provides:

Sec. 11. *Third (fourth, etc.)-party complaint.* – A third (fourth, etc.) – party complaint is a claim that a defending party may, with leave of court, file against a person not a party to the action, called the third (fourth, etc.) – party defendant, for contribution, indemnity, subrogation or any other relief, in respect of his opponent's claim.

Furthermore, Section 1, Rule 34 of the Rules of Court provides that the Court may render judgment on the pleadings, as follows:

Section 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