

FIRST DIVISION

[G.R. NO. 154428, October 20, 2005]

PHILIPPINE NATIONAL BANK, PETITIONER, VS. SHELLINK PLANNERS, INC., RESPONDENT.

D E C I S I O N

QUISUMBING, J.:

This petition for review under Rule 45 of the 1997 Rules of Civil Procedure seeks to set aside the **Decision**^[1] dated July 26, 2002 of the Court of Appeals in CA-G.R. CV No. 62231, which affirmed the **Decision**^[2] of the Regional Trial Court, Branch 226 of Quezon City in Civil Case No. Q96-26105.

In May 1990, petitioner bank engaged respondent, an architectural consultancy company, to render furniture/movables designs (FMD) and consultancy services for Phase IA of the PNB Complex in Pasay City. Respondent immediately commenced the preparation of the FMD designs, upon receiving verbal notice to proceed from then PNB President Edgardo Espiritu. In previous projects, it was the practice of both petitioner and respondent, to commence with the project even before documentation of the contract agreement.^[3]

On September 26, 1991, respondent submitted to petitioner the formal proposal for the project at a cost of P5,663,150.75. The Furniture/Movables Work (FMW) consultancy services included: (a) FMD, (b) Periodic Fabrication/Assembly Supervision (PFAS), and (c) FMW Monitoring. Petitioner, in turn, made a counter offer of P2,348,844.39 for the project.

Finding the amount insufficient, respondent made a revised offer, viz: (a) to scale down the PFAS and FMW monitoring services, or (b) to perform full services as originally proposed at the adjusted compensation package of P4,473,999.03 only.

Since no agreement was reached, respondent, through its General Manager, Armando N. Alli, sent petitioner a letter on July 8, 1994, demanding the payment of P1,152,730.29, representing rendered FMD services for Phase IA for the period 1990-1991.

On April 24, 1995, the respondent, thru its counsel, sent another letter to then PNB Senior Vice President and Banking Center Building Committee (BCBC) Chairman Lucas R. Vidad, demanding payment of said amount, P1,152,730.29. In response, Mr. Vidad assured respondent in a letter^[4] dated May 9, 1995, that petitioner was willing to pay, although he would recommend to BCBC, a settlement of P864,547.71 only, arrived at by adopting a "billing factor/multiplier" of 1.5, instead of 2.0, as used by respondent.

On January 11, 1996, respondent filed a **Complaint**^[5] for Collection of Sum of Money and Damages, demanding the reimbursement of P1,152,730.29 representing the actual expenses in the FMD plans for Phase IA of the PNB Complex Project.^[6]

On August 24, 1998, the regional trial court rendered its assailed decision allowing recovery by respondent based on *quantum meruit*, thus,

WHEREFORE, premises considered, judgment is hereby rendered ordering defendant Philippine National Bank to pay plaintiff Shellink Planners, Inc. the following:

- 1) P864,547.71, as and by way of actual damages, plus interest at the legal rate from the time said amount was due and demandable, or on July 8, 1994, until fully paid;
- 2) P20,000.00, as and by way of attorney's fees; and
- 3) P6,937.10, as litigation expenses.

SO ORDERED.^[7]

The Court of Appeals affirmed this decision on July 26, 2002.

Dissatisfied with the ruling, herein petitioner filed the instant petition, raising the following errors:

I

THE COURT OF APPEALS ERRED IN HOLDING THAT SPI IS ENTITLED TO BE COMPENSATED BASED ON QUANTUM MERUIT BY PNB FOR THE EXPENSES SPI INCURRED IN THE PREPARATION OF THE FURNITURE/MOVABLE DESIGNS (FMD) PLANS WHEN THE PARTIES FAILED TO ARRIVE AT ANY WRITTEN AGREEMENT CONCERNING THE PREPARATION OF THE SAID FMD AND THAT PNB DID NOT DERIVE ANY BENEFIT FROM THE DESIGNS/DRAWINGS.

II

THE [COURT OF APPEALS] ERRED IN AWARDING SPI LEGAL INTEREST AND ATTORNEY'S FEES ON THE BELIEF THAT PNB HAS AN OBLIGATION TO SPI WHICH PNB ALLEGEDLY REFUSE[D] TO PAY, WHEN IT HAD BEEN SHOWN THAT PNB DID NOT ENTER INTO ANY AGREEMENT WITH SPI FOR THE LATTER TO AT LEAST RENDER THE DESIGN WORK (FMD) FOR THE PNB COMPLEX PROJECT; HENCE, THERE WAS NO LEGAL BASIS FOR SPI'S DEMAND FOR PAYMENT FOR THE COST OF THE FMD.^[8]

Is respondent entitled to payment for services rendered on the basis of *quantum meruit*?

Petitioner contends that since there was no written agreement, respondent's right to compensation on the basis of *quantum meruit* must flow from the benefit it derived from the use of the FMD drawings or designs. Therefore, unless it fabricates its