

FIRST DIVISION

[G.R. No. 124899, March 30, 2004]

**RENATO C. SALVADOR, PETITIONER, VS. COURT OF APPEALS,
MARIA ROMAYNE MIRANDA AND GILBERT MIRANDA,
RESPONDENTS.**

DECISION

CARPIO, J.:

The Case

Before the Court is a petition for review^[1] assailing the Decision^[2] of 30 April 1996 of the Court of Appeals in CA-G.R. CV No. 39661. The Court of Appeals set aside the Decision^[3] of 18 August 1992 of the Regional Trial Court of San Mateo, Rizal, Branch 76, in Civil Case No. 754. The trial court dismissed petitioner's complaint and respondents' counterclaims for insufficiency of basis. The appellate court found for respondents, and directed petitioner to pay damages.

Antecedent Facts

Maria Romaine Miranda ("Romaine") is the owner of a parcel of land ("Property") with an area of 17,748 square meters in Cabcaben, Mariveles, Bataan. The Property is registered with the Register of Deeds of Bataan under TCT No. T-129442.

Romaine appointed her cousin, Gilbert Miranda ("Gilbert"), as her attorney-in-fact under a General Power of Attorney^[4] dated 15 April 1990. Romaine authorized Gilbert to execute contracts on her behalf and to manage her properties, including the Property subject of the present case, and to perform other acts in her place.

On 9 July 1990, Gilbert, as Romaine's agent, entered into a Development and Construction Contract^[5] ("Contract") with Renato C. Salvador ("Salvador"), a duly licensed contractor and proprietor of Montariza Construction. The Contract was for the development of the Property into the Haven of Peace Memorial Park ("Project") and the construction of several structures for that purpose. Salvador agreed to undertake the Project for the consideration of P3,986,643.50 ("Contract Price").

Salvador undertook to complete the Project within 180 working days from receipt of the down payment, with a grace period of 45 working days. The Contract also contained the following provisions:

17. In case of changes, alterations or deviations in the plans, specifications and bill of materials hereinabove mentioned as may be necessary in the course of the implementation of the development and construction, the same shall be mutually agreed

upon by the herein parties in writing;

18. In case of substantial increase/s of prices of the materials, like cement, G.I. corrugated sheets, the said contract price shall be adjusted accordingly as to the particular item/s of (sic) material/s involved in the increase/s of prices;

xxx

20. All other matters relating to the project not stipulated in this contract are deemed not included herein unless the parties may agree on said matters in writing;

xxx.^[6]

Work on the Project began sometime in July 1990 upon Gilbert's payment of P797,328.70 as twenty per cent (20%) down payment. Salvador periodically submitted progress billings, which Gilbert promptly paid. The billings included work on the structures stipulated in the Contract, as well as additional works and change orders.

In December 1990, however, Salvador demanded that Gilbert pay the following amounts in addition to the Contract Price: (1) P39,000 or a 20% fee on P196,000 worth of filling materials respondents themselves supplied for the Project; (2) a 20% escalation or adjustment of the unpaid balance of the Contract Price in the amount of P637,862.96; and (3) billing for alleged additional works in the amount of P399,190.46.

Salvador was particularly insistent on the escalation of the Contract Price. In his first letter dated 18 December 1990, Salvador informed Gilbert that the prices of construction materials had increased by "about forty (40%) percent."^[7] Two days later, Salvador wrote again to advise Gilbert that although the Project was almost 90% completed, the latter's failure to grant the escalation would leave Salvador with "no choice but to stop operation and wait for you (Gilbert) to initiate a renegotiation."^[8]

Gilbert responded by requesting for a detailed computation of the proposed escalation. On 25 December 1990, Salvador submitted a breakdown of the services and construction work done on the Project. The breakdown included the total cost of each service and the portion of the Contract Price still due for each service. To arrive at the proposed escalation of P637,862.96, the computation merely imposed a uniform increase of 20% on the outstanding balance still payable on each service.^[9]

Dissatisfied with the computation, Gilbert required Salvador to submit receipts showing the purchase of construction materials used in the Project, the dates of purchase of these materials, and the increase in their prices. Gilbert pointed out that he had already paid a total of P3,775,804.80 for work on the Project and that the remaining balance due under the Contract was P210,838.71. Salvador agreed to submit the required documents while Gilbert agreed to release an additional P120,065.80. Thus, only P90,772.91 of the Contract Price remained unpaid.

Gilbert also paid Salvador an additional P100,000^[10] and P150,000^[11] as advances

on the escalation of the Contract Price. However, citing paragraph 17 of the Contract, Gilbert contended that further demands for additional costs and escalation were baseless and unreasonable.

On 11 January 1991, Salvador reiterated his “last and final demand” that Gilbert pay within 5 days a total of P1,076,253.32 – representing the 20% charge on filling materials, the 20% escalation of the Contract Price and the latest billing for additional works. Otherwise, Salvador would stop work on the Project because he had “no more funds and resources to continue the operation.”^[12] Salvador ceased construction work on the Project on 14 January 1991.

In a letter dated 16 January 1991, Salvador informed Gilbert that his office had received a notice of illegal construction (“DPWH Notice”) from the Balanga, Bataan district office of the Department of Public Works and Highways. The DPWH Notice, ^[13] copy of which Salvador attached to his letter, was dated 8 January 1991 and received by one of Salvador’s engineers on 15 January 1991.^[14] The DPWH Notice stated that the Project had no building permit and ordered Salvador to stop immediately all building activities and to contact the district office within 3 days. Salvador reminded Gilbert that it was the latter’s responsibility under the Contract to secure the necessary permits and licenses for the Project.

A few days later, Gilbert received a demand letter from Salvador’s counsel requiring the payment of P1,076,253.32 and 10% attorney’s fees within 3 days. On 31 January 1991, Salvador filed before the trial court a complaint for collection of sum of money and damages or for declaration of claim as lien against Romaine and Gilbert (“respondents”).

In March 1991, Gilbert replaced Salvador with a new contractor and ejected Salvador’s crew from the Project site.

The Ruling of the Trial Court

After trial on the merits, the trial court dismissed Salvador’s complaint and respondents’ counterclaims for insufficiency of basis.

The trial court observed that the escalation clause in the Contract required Salvador to specify the materials the prices of which had increased. Since the documents submitted by Salvador did not specify these materials, the trial court held that there was no basis for an adjustment or escalation of the Contract Price.

The trial court likewise ruled that Salvador failed to prove that the parties had agreed on the P399,190.46 worth of additional work performed on the Project. There was neither a written agreement nor notice to respondents that Salvador would undertake such additional work.

The trial court denied Salvador’s claim for P39,000 or 20% of the cost of filling materials for lack of basis. The evidence showed that respondents themselves purchased the filling materials for P196,000 and had them delivered to the Project site. Salvador merely caused the spreading of the filling materials. The trial court ruled that no provision in the Contract or subsequent written agreement justified the 20% charge on materials not procured or delivered by Salvador.

The salient portion of the trial court's decision reads as follows:

The totality of the evidence adduced in this case would show the need for the herein parties to make a true and honest accounting of all the expenses incurred in the implementation of the subject construction contract, in the presence of an independent third party. As it now stands, plaintiff's cause of action herein is insufficiently supported, wanting in fact [and] in credible and competent basis, as afore-discussed.

WHEREFORE, premises considered, judgment is hereby rendered dismissing the instant case for insufficiency of basis. No pronouncement as to costs.

Defendants' counterclaims are likewise dismissed for insufficiency of basis.

SO ORDERED.^[15]

Salvador appealed the trial court's decision to the Court of Appeals.

The Ruling of the Court of Appeals

The Court of Appeals upheld the denial of Salvador's claims. However, the appellate court ruled that the receipts submitted by respondents during the trial adequately established the damage respondents sustained when Salvador ceased work on the Project. The Court of Appeals also found Salvador in bad faith for stopping the construction of the Project without valid reasons.

The Court of Appeals granted respondents' counterclaims and awarded damages:

WHEREFORE, premises considered, the judgment of the lower court is hereby REVERSED and SET ASIDE and a new one is entered:

- a) Dismissing the Complaint;
- b) Ordering plaintiff to reimburse defendant the amount of P1,685,532.48 representing the amount spent by the defendant in completing the project herself less the P90,772.91 that defendant admitted to be the balance of her obligation to plaintiff as of December 28, 1990;
- c) Ordering plaintiff to pay defendant P100,000.00 moral damages and P50,000.00 exemplary damages;
- d) Ordering plaintiff to pay defendant P20,000.00 as attorney's fees.

Cost against plaintiff-appellant.^[16]

Hence, the instant petition.

The Issues

The petition contends that:

1. THE COURT OF APPEALS SERIOUSLY ERRED IN ORDERING PETITIONER TO REIMBURSE THE PRIVATE RESPONDENTS OF P1,685,532.48^[17] ALLEGEDLY SPENT IN COMPLETING THE PROJECT;
2. THE COURT OF APPEALS ERRED IN HOLDING THAT PETITIONER'S CLAIM FOR ADJUSTMENT OR ESCALATION OF THE CONTRACT PRICE HAD NO REASONABLE BASIS, IN THE LIGHT OF THE ADMISSION OF THE OBLIGATION BY PRIVATE RESPONDENTS AND CLEAR EVIDENCE;
3. THE COURT OF APPEALS ERRED IN HOLDING THAT THE ADDITIONAL WORKS OF PETITIONER WERE NOT AUTHORIZED, IN THE LIGHT OF THE ADMISSION OF THE OBLIGATION BY PRIVATE RESPONDENTS AND THE CLEAR EVIDENCE.
4. THE COURT OF APPEALS ERRED IN HOLDING THAT THE ACT OF PETITIONER IN STOPPING WORK IN THE PROJECT WAS DUE TO NON-PAYMENT OF THE ESCALATED PRICE AND ADDITIONAL WORKS, CONTRARY TO THE CLEAR EVIDENCE.^[18]

The central issues left for the resolution of this Court are: (1) whether Salvador's claims for additional work, including the 20% charge on filling materials, and escalation of the Contract Price are valid; and (2) whether respondents are entitled to their counterclaim and damages.

The Ruling of the Court

The petition is partly meritorious.

The Claims for Additional Works Done on the Project and for Escalation of the Contract Price

It is evident from the issues raised that the petition seeks a review of some of the factual findings of the Court of Appeals.

Petitions for review on *certiorari* under Rule 45 are generally limited to questions of law. Moreover, factual findings of the Court of Appeals, particularly when they affirm those of the trial court, are binding on this Court.^[19]

Upon examining the evidence, the trial and appellate courts found that: (1) respondents did not authorize additional works on the Project nor agree to a price for such works; and (2) Salvador did not specify the particular items or materials which had increased in price. The Court will not disturb these factual findings absent compelling or exceptional reasons.^[20]

Given these facts, we rule that the law and the Contract do not allow petitioner's claims for additional works and escalation of the Contract Price.