

****Title:**** Spouses Guanio vs. Makati Shangri-la Hotel and Resort, Inc.: A Case of Breach of Contract and Damages

****Facts:****

Spouses Luigi M. Guanio and Anna Hernandez-Guanio (petitioners) arranged their wedding reception at Makati Shangri-la Hotel (respondent) for July 28, 2001. An initial food tasting was set, and during subsequent preparations, concerns over meal sizes and pricing arose. Ultimately, a contract was formalized a day before the event.

During the reception, various issues occurred, including absent representatives from the respondent, delays in service, missing menu items, and additional charges for extensions. The petitioners also highlighted a failure to serve the wine and liquor they provided as per their open bar arrangement. They filed a complaint after receiving a less than satisfactory response from the respondent's Executive Assistant Manager.

The case proceeded through the legal system, with the Regional Trial Court (RTC) of Makati City ruling in favor of the petitioners, granting them damages. However, the Court of Appeals overturned this decision, attributing the proximate cause of inconvenience to an unexpected increase in guests—a responsibility of the petitioners.

****Issues:****

1. Whether the doctrine of proximate cause is applicable in actions involving breach of contract.
2. Whether the respondent breached the banquet service contract and was liable for damages.
3. The validity and effect of the respondent's apology letter in assuming liability for the service failures.

****Court's Decision:****

The Philippine Supreme Court held that the doctrine of proximate cause is inapplicable in breach of contract cases, focusing instead on the contractual obligations and any failure to honor them. It clarified that any breach is subject to compensation for the resulting damages. In reviewing the banquet service contract, the Court found the petitioners failed to notify the respondent of the increased number of guests, as required, which excused the respondent from liability for any ensuing inconvenience or damages related to this failure.

However, the Court found merit in awarding nominal damages to the petitioners for the discomfiture they experienced, recognizing a breach of their right to courtesy and

professional service, albeit not in the full extent claimed.

****Doctrine:****

The case reiterates that in breach of contract, the doctrine of proximate cause does not apply. Instead, the parties' obligations are governed by the terms of their agreement, as supported by Article 1170 of the Civil Code. It highlights the court's discretion in awarding nominal damages to emphasize a breach of contractual obligations and the resultant violation of personal rights.

****Class Notes:****

- ****Breach of Contract:**** Failure, without legal reason, to comply with contract terms.
- ****Proximate Cause Doctrine:**** Irrelevant in breach of contract cases.
- ****Nominal Damages:**** Can be awarded for breach of contract, signifying a right was violated without a substantial loss.
- ****Contract Obligations:**** Governed by the agreement terms between parties, not by external doctrines.

****Historical Background:****

This case underscores the importance of clear communication and adherence to contractual agreements in service arrangements, especially for significant events like weddings. It highlights the evolving legal standards for service quality and customer satisfaction in the Philippine hospitality industry. The dispute reflects growing consumer expectations and legal protections in private contracts, marking a notable point in the legal discourse on contractual obligations and compensation for service failures.