

Title: Teresa Gutierrez Yamauchi v. Romeo F. Suñiga

Facts:

Teresa Gutierrez Yamauchi sought the services of Romeo F. Suñiga in September 2000 for a renovation project of her house in Laguna Bel-Air, Sta. Rosa, Laguna. Yamauchi paid Suñiga a total of P400,000.00 in two installments for the intended renovations. By January 2001, the renovation work ceased due to Suñiga also constructing his house, leading to a suspension in work. Subsequent negotiations for resumption failed, prompting Yamauchi to consult a neighbor who suggested that the costs indicated by Suñiga could build a new house. This discovery led to confrontations, with Suñiga eventually withdrawing from the project. Yamauchi demanded reimbursement through legal counsel, which Suñiga countered by alleging non-payment for partial works. Yamauchi then filed a complaint alleging misrepresentation by Suñiga and seeking rescission of their contract with damages, while Suñiga filed his answer with counterclaims.

The Regional Trial Court (RTC) found in favor of Yamauchi, granting rescission and awarding damages. Suñiga appealed, and the Court of Appeals (CA) affirmed the rescission but modified the damages awarded, significantly reducing actual damages and eliminating the awards for moral and exemplary damages and attorney's fees.

Yamauchi moved for reconsideration on the damages award, which the CA denied, leading to her petition to the Supreme Court (SC) asserting errors in the reduction and deletion of damages.

Issues:

1. Whether the reduction of the amount of actual damages awarded by the CA was erroneous.
2. Whether the deletion of the award for moral and exemplary damages, attorney's fees, and costs of litigation by the CA was erroneous.

Court's Decision:

The SC held that the reduction of actual damages was not proper, identifying that Yamauchi suffered total loss given the uninhabitable state of the renovated house. The SC awarded temperate damages in lieu of actual damages considering the loss and the inability to ascertain the precise amount of loss. The SC reinstated moral and exemplary damages based on Suñiga's bad faith, characterized by his misrepresentation and the inflated billing. The award for attorney's fees was also reinstated, and an interest rate was imposed on the

total amount adjudged from the judgment's finality until full payment.

Doctrine:

The doctrine established pertains to the award of temperate damages in lieu of actual damages when the precise amount of loss cannot be ascertained but the fact of loss is clear. The case also reiterated the grounds for awarding moral and exemplary damages based on bad faith conduct and fraudulent misrepresentation in contractual obligations.

Class Notes:

- **Temperate Damages**: Awarded when precise loss cannot be determined, but loss is evident. This case awarded P500,000 as temperate damages considering the circumstances.
- **Moral Damages**: Granted for fraudulent or bad faith actions leading to emotional suffering. Reinstated at P50,000 due to Suñiga's misrepresentation.
- **Exemplary Damages**: Serve as a deterrent, reinstated at P50,000 to prevent similar conduct.
- **Attorney's Fees**: Awarded based on the reinstatement of exemplary damages, calculated as 10% of the total amount awarded.
- **Interest Rate**: An interest rate of 6% per annum imposed from judgment's finality until fully paid.

Relevant legal provisions include Article 2199 and 2224 of the Civil Code regarding actual and temperate damages, and Article 2208 regarding attorney's fees.

Historical Background:

This case highlights the risks and disputes arising from construction and renovation contracts, particularly emphasizing the consequences of misrepresentation and breach of trust between parties. It showcases the judiciary's role in addressing such disputes and ensuring restitution and deterrence through its decision-making process.