

****Title:** Central Bank of the Philippines vs. Court of Appeals and Ablaza Construction & Finance Corporation******

****Facts:**** The case concerns a contractual dispute arising from the Central Bank of the Philippines' (petitioner) invitation to bid for the construction of its regional office in San Fernando, La Union, in 1965. Ablaza Construction and Finance Corporation (respondent) submitted a bid and was subsequently awarded the contract. The award was formally communicated to Ablaza in December 1965, prompting the latter to seek permission to commence preliminary works on the site, which was granted by the Bank in January 1966. Despite multiple follow-ups from Ablaza for the execution of a formal contract, and after partial commencement of the project, the Bank signaled in May 1966, through a meeting, its intention to discontinue the project citing fiscal restraint policies of the new administration. This led to a series of exchanges between the parties, ultimately culminating in Ablaza filing a lawsuit for damages due to breach of contract. The Court of First Instance of Rizal ruled in favor of Ablaza, a decision affirmed by the Court of Appeals, leading to the Central Bank's petition to the Supreme Court for review.

****Issues:****

1. Whether there was a perfected contract between the parties.
2. Whether the Central Bank committed a breach of contract.
3. Whether the Central Bank approved the work done by Ablaza.
4. The fairness and reasonableness of the awarded damages, attorney's fees, and costs.

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

1. ****Perfected Contract:**** The Supreme Court held that the contract was perfected upon the Central Bank's acceptance of Ablaza's bid and Ablaza's subsequent acceptance of the award, notwithstanding the absence of a formal written contract.
2. ****Breach of Contract:**** The Court found that the Central Bank breached the contract by unilaterally discontinuing the project without just cause.
3. ****Approval of Work:**** The Court recognized that the actions taken by the Central Bank, including permitting Ablaza to commence work and requesting material schedules, constituted approval of Ablaza's work.
4. ****Damages:**** The Court affirmed the award of damages for actual work done and unrealized profits, but it modified the award for attorney's fees to 10% of the total recovery instead of the 15% awarded by the lower courts.

****Doctrine:****

- The acceptance of a bid and the bidder's acceptance of the award results in a perfected contract that binds both parties, even in the absence of a formal written agreement.
- A party may be held liable for breach of contract if it unilaterally discontinues a project without valid cause, especially after permitting commencement of work based on the contract.

****Class Notes:****

- Key elements of contract law include offer, acceptance, and consideration, which lead to the perfection of a contract.
- In government contracts, compliance with procedural requirements, like the execution of a formal contract, is critical but may be deemed waived by the conduct of the parties.
- Breach of contract entails liability for damages, which can include both actual losses and unrealized profits.

****Historical Background:****

This case illustrates the legal intricacies of government procurement and contract law in the Philippines, particularly under the regime of fiscal restraint policies introduced by the administration at the time. It also underscores the principle that government entities are bound by their contractual commitments to private parties, reflecting the judiciary's role in upholding contractual rights and obligations amidst changes in government policy or administration.