

****Title:**** Fort Bonifacio Development Corporation vs. Valentin L. Fong

****Facts:****

Fort Bonifacio Development Corporation (FBDC), a real estate development firm, engaged MS Maxco Company, Inc. for the construction of the Bonifacio Ridge Condominium in Taguig City. Delays and defects in construction led FBDC to hire other contractors for repairs, the costs of which were deducted from MS Maxco's retention money as per the contract provisions. MS Maxco had assigned its receivables from FBDC to Valentin L. Fong, a proprietor of VF Industrial Sales, through a Deed of Assignment. Despite Fong's demands, FBDC refused to release the assigned amount, claiming it had been offset by the repair costs and garnished by MS Maxco's creditors. Fong filed a civil case against FBDC for payment of the assigned sum plus interest and litigation expenses. The Regional Trial Court (RTC) ruled in favor of Fong, a decision affirmed by the Court of Appeals (CA).

****Issues:****

1. Whether FBDC was bound by the Deed of Assignment between MS Maxco and Fong.
2. Assuming FBDC was bound, whether it was liable to pay Fong the assigned amount from MS Maxco's retention money.

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

The Supreme Court reversed the CA and RTC's decisions, granting the petition in favor of FBDC. It emphasized that obligations from contracts bind parties and their assignees; however, the assignee cannot acquire greater rights than the assignor. As MS Maxco was prohibited from transferring rights under the trade contract without FBDC's written consent, Fong, as an assignee, could not enforce the credit without FBDC's consent. The Court highlighted that the assignment's efficacy, although valid between Fong and MS Maxco, hinged on FBDC's consent, not obtained in the instant case. Consequently, Fong could not demand the assigned sum from FBDC.

****Doctrine:****

The doctrine established reiterates the principle of relativity of contracts under Article 1311 of the Civil Code and the conditions under which an assignee is considered subrogated to the rights and obligations of the assignor. An assignee cannot have superior rights than the assignor and is bound by the same conditions that bound the assignor, requiring consent for any assignment of rights or liabilities under a contract to be effective against the other contracting party.

****Class Notes:****

- ****Principle of Relativity of Contracts:**** Contracts only affect the parties who entered into them, their assigns, and heirs, with the caveat that the rights and obligations are transferrable.
- ****Assignment of Rights:**** An assignment is valid between the assignor and the assignee but requires the debtor's acknowledgment (or, depending on the contract, their consent) to be effective against third parties or the debtor.
- ****Article 1311 of the Civil Code:**** Outlines the principle of relativity of contracts and specifies that contracts take effect only between the parties, their assigns, and heirs.
- ****Obligatory Force of Contracts:**** Contract stipulations are binding unless contrary to law, morals, good customs, public order, or public policy.

****Historical Background:****

This case provides insight into the stringent requirements and the intricacies of contract law in the Philippines, particularly regarding the assignment of rights and the principle of consensuality in contractual agreements. It underscores the fundamental tenet that, while parties are free to enter into agreements and assign rights thereunder, such freedoms are circumscribed by the terms of the contract itself and the consent of all pertinent parties.