

### Title:

**\*\*Linear Construction Corporation vs. Dolmar Property Ventures, Inc.: A Case on Legal and Judicial Compensation\*\***

### Facts:

In 1998, Linear Construction Corporation was engaged by Dolmar Property Ventures, Inc. to construct a drainage system for Dolmar Golden Hills Subdivision in Bulacan, Philippines. This project, along with another project in 2003 for the same subdivision but in a different area, faced contentious disputes concerning the final payments, leading to a series of legal battles culminating at the Supreme Court.

The dispute primarily centered around Dolmar's withholding of retention money due to Linear, claiming defects and discrepancies in the construction. Despite corrective measures taken by Linear and its demands for the unpaid retention money, Dolmar insisted on offsetting this amount against the costs of rectification for the alleged defects, leading to Linear filing a complaint for collection of sum with damages.

The Regional Trial Court (RTC) favored Linear, ordering Dolmar to pay the retention money with interest, among other fees. Conversely, the Court of Appeals (CA) reversed the RTC's decision, holding Linear accountable to pay Dolmar for the rectification costs, effectively applying legal compensation. Linear, dissatisfied, petitioned the Supreme Court for review.

### Issues:

1. Whether Linear's procedural lapses in filing the petition should lead to its dismissal.
2. Whether legal compensation is applicable, thereby extinguishing Linear's claim over the retention money.

### Court's Decision:

The Supreme Court granted Linear's petition, reversing the CA's decision and affirming the RTC's ruling with modifications. It delved into the procedural and substantive aspects of the case:

- **\*\*Procedural Aspect\*\***: Despite initial procedural lapses by Linear, the Supreme Court decided to proceed with the merit-based review of the case, emphasizing the pursuit of substantive justice over strict procedural adherence.
- **\*\*Substantive Aspect\*\***: The Court ruled that the concept of legal compensation did not apply to this case as the alleged debt from Linear to Dolmar was neither liquidated nor

demandable. It pointed out that Dolmar's claim for the rectification costs was based on estimates and not actual expenses, negating the conditions required for legal compensation. The Supreme Court thus ordered Dolmar to pay Linear the retention money with the appropriate interest, exemplary damages, attorney's fees, and costs of the suit.

### ### Doctrine:

This case elucidates the doctrines on legal compensation and the distinction between liquidated and unliquidated claims. It underscores that for legal compensation to apply, debts must be liquidated, demandable, and not surrounded by substantial disputes.

### ### Class Notes:

- **Legal and Judicial Compensation**: Legal compensation requires the debts to be liquidated and demandable. Unliquidated claims, or those under substantial dispute, cannot be subject to legal compensation but may lead to judicial compensation upon final judgment.
- **Liquidated vs. Unliquidated Claims**: A liquidated claim is definitively quantified or is quantifiable through simple calculation, whereas an unliquidated claim involves amounts not yet definitively fixed or those under dispute.
- **Interest on Monetary Awards**: The legal interest for obligations arising from judicial decisions is computed at 12% per annum from the date of judicial demand until June 30, 2013, and at 6% per annum thereafter until fully paid.

### ### Historical Background:

The legal battle between Linear Construction Corporation and Dolmar Property Ventures, Inc. presents a significant study on the application of legal principles in contractual disputes within the construction industry. It highlights the Philippine judiciary's balancing act between adherence to procedural technicalities and the dispensation of equitable justice.