

Title: Republic of the Philippines vs. Carlito Lacap

Facts:

The District Engineer of Pampanga issued an "Invitation To Bid" for a construction project, where Carlito Lacap, under Carwin Construction, emerged as the winning bidder due to the lowest bid for the concreting of Sitio 5 Bahay Pare. A contract was executed on November 4, 1992, after Lacap received a Notice to Proceed in September. Upon completion and acceptance of the project, attempts to seek payment were thwarted when the Disbursement Voucher was disapproved by the Commission on Audit (COA) District Auditor, citing the expiration of Carwin Construction's license at the time of contract execution. Despite advisories from the Department of Public Works and Highways (DPWH) Legal Department affirming the enforceability of the contract, payment was withheld, prompting Lacap to file a complaint for Specific Performance and Damages against the Republic of the Philippines.

Petitioner (Republic) filed a Motion to Dismiss on the basis of lack of cause of action and jurisdiction, citing failure to exhaust administrative remedies, which was denied by the Regional Trial Court (RTC) and affirmed on motion for reconsideration. The OSG then filed an Answer invoking non-exhaustion of administrative remedies and the doctrine of non-suability of the State. The RTC ruled in favor of Lacap, a decision sustained by the Court of Appeals (CA) with a modification on the rate of interest payable.

Issues:

1. Whether the respondent's recourse to judicial action was premature due to failure to exhaust administrative remedies.
2. Whether the contracts for construction entered into with an expired contractor's license are enforceable.
3. If enforceable, whether the contractor is entitled to payment for the completed project.
4. Application of the principle of estoppel and unjust enrichment against the government.

Court's Decision:

The Supreme Court denied the petition, thereby affirming the CA's decision. It ruled that exceptions to the doctrine of exhaustion of administrative remedies applied, given the unreasonable delay and official inaction prejudicial to the respondent, and that the matter was a pure question of law which did not necessitate technical expertise but rather the interpretation of law, specifically on the enforceability of contracts entered with an expired license and entitlement to payment post-completion.

The Court found that the Contractor's License Law does not nullify contracts made under an expired license but mandates a fine, thus deeming the respondent's projects enforceable and eligibility for compensation owed by the government, preventing unjust enrichment.

Doctrine:

1. Contracts entered into with an expired contractor's license are enforceable, subject to penalties.
2. The principle of unjust enrichment and estoppel can apply against the government to prevent it from benefiting at the expense of another without just compensation.

Class Notes:

- **Doctrine of Exhaustion of Administrative Remedies**: Parties must typically exhaust all administrative remedies before seeking judicial intervention, with noted exceptions.
- **Principle of Estoppel Against the Government**: Government can be estopped from denying contractual agreements if it has accepted the benefits thereof.
- **Unjust Enrichment (Article 22, Civil Code)**: Prevents one party from unjustly benefiting at the expense of another.
- **Enforceability of Contracts with an Expired License (R.A. No. 4566, Sec. 35)**: A contractor with an expired license at the time of contract execution is nonetheless entitled to payment for completed works, subject to fines.

Historical Background:

This case reflects the complexities of contractual agreements with government entities, emphasizing legal safeguards against administrative omission or delay, and underscores the balance between technical regulatory compliance and principles of equity and fairness in contractual fulfillments.