

Title: Diesel Construction Co., Inc. vs. UPSI Property Holdings, Inc. (G.R. No. 154885 & 154937)

Facts:

1. **Contract Agreement**: On August 26, 1995, Diesel as contractor and UPSI as owner entered into a Construction Agreement for finishing the 14th to 16th floors of UPSI Building 3 in Ermita, Manila for PhP 12,739,099.
2. **Project Timeline**: Originally scheduled from August 2, 1999, for 90 days ending November 8, 1999; later moved from August 21, 1999, to November 20, 1999.
3. **Performance Bond**: Diesel posted a performance bond through FGU Insurance Corp.
4. **Delay and Change Orders**: Diesel sought periodic extensions due to factors such as manual hauling, delayed marble supply, various change orders, and delay in shower installation, all of which UPSI disapproved.
5. **Disabled Extensions**: UPSI deemed Diesel in default and deducted liquidated damages from Diesel's payments.
6. **Completion Notice**: Diesel declared project completion on March 16, 2000, which UPSI rejected, accusing Diesel of abandonment and withheld retention money.
7. **CIAC Complaint**: Diesel sought CIAC arbitration for unpaid balance and damages; UPSI counterclaimed, arguing project abandonment and claiming liquidated damages and attorney fees.
8. **CIAC Decision**: On December 14, 2001, CIAC awarded Diesel PhP 4,027,861.60 but dismissed UPSI's counterclaims.
9. **CA Appeal**: UPSI petitioned the CA, resulting in a modification; liquidated damages awarded to UPSI were PhP 1,309,500, later reduced to PhP 1,146,519 on reconsideration.
10. **Diesel's Petition**: Diesel filed a separate petition arguing factual findings against it and attorney's fees award denial.
11. **UPSI's Petition**: UPSI sought reimbursement for additional expenses and challenged the CA's findings on delay and liquidated damages.

Issues:

1. **Jurisdiction and Review**: Whether the CA overstepped its jurisdiction in reviewing CIAC's findings.
2. **Delay Determination**: Whether the delay caused by Diesel was excusable, entitling UPSI to liquidated damages.
3. **Attorney Fee Award**: Validity of CA denial of attorney's fees to Diesel.
4. **UPSI's Additional Costs**: Whether UPSI is entitled to compensation for additional expenses incurred due to project continuation.

Court's Decision:

1. Jurisdiction and Review:

- **CIAC's Technocratic Expertise**: The CA cannot review CIAC's factual findings unless evidence is insubstantial. Confusion arose concerning the qualifications of CIAC members. The CA's decision to review was upheld with clarity that CIAC's panel was presumed competent and qualified.

2. Delay Determination:

- **Non-excusable Delay**: Manual hauling delay was foreseeable and within Diesel's control. CA validly excluded this as excusable. CA ultimately calculated a 45-day non-excusable delay and awarded PhP 1,146,519 in liquidated damages.

- **Substantial Completion**: Noted 97.56% completion, deemed substantial. Liquidated damages cancellation upheld, reflecting that no further charges accrue post substantial completion.

3. Attorney Fee Award:

- **Reinstatement**: Art. 2208 of Civil Code applied due to UPSI's bad faith in withholding payments, leading Diesel to litigation, entitling Diesel to attorney fees (PhP 366,169).

4. UPSI's Additional Costs:

- **Denial of Claims**: CIAC and CA agreed that UPSI's claim of Diesel's project abandonment wasn't supported by records. Labor still on-site, thus no reimbursement for additional costs, except damages for incomplete work valued at PhP 310,834.01.

Doctrine:

1. **Substantial Completion**: Per Civil Code Art 1234, substantial completion of an obligation with minor corrections entitles the contractor to recover the contract price less damages.

2. **Factual Determinations by Specialized Agencies**: The factual determinations of specialized bodies like CIAC are typically conclusive unless evidence is patently insubstantial.

3. **Attorney's Fees for Bad Faith**: Attorney fees can be awarded when a party acts in evident bad faith refusing to satisfy justified claims.

Class Notes:

- **Key Elements**: Contractual obligations, excusable delays, liquidated damages, substantial completion, bad faith, attorney fees.

- ****Statutes Cited****: Civil Code Art. 1234; Art. 2208.
- ****Principles Applied****:
- ***Substantial completion*** justifies full payment minus actual damages.
- ***CIAC factual findings*** respected unless patently lacking evidence.
- ***Attorney's fees*** for gross and evident bad faith actions.

Historical Background:

This case arose amid commercial construction disputes specifying issues on contract performance, delays, and the role of arbitration in resolving such matters in the Philippine judiciary. Underlines the importance of precise contract terms and the realistic capability of parties to adhere to agreed schedules and conditions.