

Title: Victoria Ong v. Ernesto Bognalbal and Court of Appeals

Facts:

1. **Contract Formation:** On January 2, 1995, Ernesto Bognalbal (Bognalbal), an architect-contractor, entered into an "Owner-Contractor Agreement" with Victoria Ong (Ong), a businesswoman, for the construction of a boutique at the Shangri-La Plaza, Mandaluyong City for a sum of PHP 200,000 with a completion period of 45 days.
2. **Project Commencement:** The actual work started on January 19, 1995. Payments were structured as progress billings every two weeks based on the architect's certification.
3. **Progress Billings:**
 - **1st Billing (Jan 19-28):** PHP 35,950 paid by Ong.
 - **2nd Billing (Jan 29-Feb 15):** PHP 69,000 paid by Ong.
 - **3rd Billing (Feb 16-Mar 3):** PHP 41,500 paid by Ong.
4. **Dispute on 4th Billing:** The dispute arose over the fourth progress billing PHP 30,950 covering (Mar 4-18), which Ong refused to pay.
 - **Bognalbal's Stance:** Requested payment while insisting on curing the flooring first to avoid chemical reactions.
 - **Ong's Stance:** Required immediacy due to furniture arrival, resulting in floor discoloration due to rushing, and alleged excessive charges.
5. **Legal Actions Initiated:** Due to non-payment, Bognalbal filed a suit for a sum of money with damages in the Metropolitan Trial Court (MeTC) of Caloocan City.
6. **MeTC Decision:** On June 18, 1998, the judge ruled in favor of Bognalbal, awarding him the fourth billing amount and additional damages.
7. **RTC Appeal:** Ong appealed, and the Regional Trial Court (RTC) reversed the decision on February 18, 1999.
8. **Court of Appeals:** Bognalbal elevated the case to the Court of Appeals which reinstated the MeTC's decision on March 31, 2000, and denied Ong's Motion for Reconsideration on May 22, 2001.

Issues:

1. **Certiorari Appropriateness:** Whether a special civil action for certiorari under Rule 65 is appropriate to challenge the Court of Appeals' decision.
2. **Credibility of Architect's Certification:** Was Architect Cano's certification biased, thus challenging the progress billing.
3. **Novation of Agreement:** Whether there was a novation of the contract obliging Bognalbal to complete the Kenzo flooring before the fourth progress billing.
4. **Right to Abandon Work:** Whether Bognalbal was justified to abandon the project due

to Ong's default in payment.

5. **Damages and Counterclaim:** Whether Ong should be awarded damages for Bognalbal's abandonment and her additional expenses.

Court's Decision:

1. **Certiorari Inappropriateness:** The Supreme Court dismissed the petition, declaring that the certiorari was inappropriate since it was not correcting an error of jurisdiction but a mistake of judgment.

2. **Architect's Certification Validity:** The Court found no evidence of bias or fraud from Architect Cano. His certification was upheld as it was detailed and aligned with contractual obligations.

3. **No Novation of Agreement:** The Court found no sufficient evidence for novation. Even if a condition was imposed, Ong prevented its fulfillment by hiring another contractor.

4. **Ong's Due Payment:** Held that Ong's obligation to pay the fourth progress billing remained. Any supposed verbal agreement lacked clarity to alter the contract terms significantly.

5. **Authority to Abandon Work:** The Court acknowledged that Bognalbal was not justified but determined that Ong's breach came first, thus under article 1192, her liability remained, and Bognalbal was not liable for the counterclaim.

Doctrine:

Mutual breach in reciprocal obligations: Without clear written evidence of novation, original contractual obligations remain. Final expert determinations must be proven fraudulent or erroneous for disregard.

Class Notes:

- **Article 1730, Civil Code:** Expert certification, unless fraud or error is proven.
- **Article 1186, Civil Code:** Conditions deemed fulfilled if one party prevents fulfillment.
- **Article 1192, Civil Code:** Liability of first infractor tempered when both parties breach.

Historical Background:

Located within mid-1990s contract law practice, this case illustrates enforcement of mutual performance in contractual obligations and the importance of specific documentary proof for altering agreed terms. It also reflects the Philippine courts' balancing approach in contracts where both parties commit breaches.