

GRACE PARK ENGINEERING CO., INC., PLAINTIFF-APPELLEE, VS. MOHAMAD ALI DIMAPORO, DEFENDANT-APPELLANT.

G.R. No. L-27482. September 10, 1981

Ponente: DE CASTRO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/09ab592bfc43/>

DE CASTRO, J.:

Appeal (prior to the effectivity of Republic Act No. 5440) by Mohamad Ali Dimaporo from a decision of the Court of First Instance of Rizal, Branch VI (in its Civil Case No. 3828), the dispositive portion of which reads:

"WHEREFORE, all premises considered, judgment is hereby rendered declaring the rescission of the Contract for the Sale of Cassava Flour and Starch Processing Machinery and Equipment, Exh. A, dated April 1, 1954, and ordering mutual restitution by the parties, defendant to return to plaintiff the cassava flour and starch processing machinery and equipment and bear the transportation expenses thereof to the port of Cotabato, plaintiff corporation to bear the freight charges thereof for its shipment to Manila, and, to pay plaintiff the total amount of P19,628.93 with interest thereon at the rate of 6% per annum from the date of filing of this complaint until full payment of the same, and plaintiff to return to defendant the amount of P15,750.00 representing the partial payment made to it by defendant for the purchase price of said machinery and equipment. No pronouncement as to damages and costs."[1]

Defendant-Appellant Dimaporo questions the validity of the questioned decision in so far as said decision 1) orders him to return the cassava flour and starch processing machinery and equipment and 2) orders him to pay plaintiff-appellee Grace Park Engineering Co. P19,628.93 with interest.

The records disclose that on April 1, 1954, Grace Park Engineering, Inc., and Mohamad Ali Dimaporo entered into a Contract for the Sale of Cassava Flour and Starch Processing Machinery and Equipment (Exh. A)[2] whereby the corporation agreed to sell and install, for the consideration of P52,000.00, a cassava flour and starch processing machinery and equipment specifically described therein at Dimaporo's place in Karomatan, Lanao Mill Site, within a period of 70 working days from the date of signing of the contract. It was agreed that P5,750.00 shall be paid upon signing of the contract; P10,000.00 shall be paid within 30 days from the date of the signing of the contract but before machinery and equipment is loaded at Manila Harbor and P36,750.00 shall be payable in 12 monthly installments as provided in the contract.

In view of the foregoing considerations, the Corporation guaranteed said machinery and equipment to process at least 6 tons of cassava flour and starch per 24-hour day operation, while Dimaporo undertook to supply at his own expenses the building wherein shall be housed the machinery and equipment, laborers needed to complement the operation of the mill, food, foundation materials, and effective water system (par. 6, Exh. A.).

In compliance with the agreement, defendant paid plaintiff the amounts of P5,750.00 and P10,000.00 as agreed upon, thus leaving a balance of P36,750.00.

It appears on record, however, that during the course of installation of said machinery and equipment, Dimaporo failed to comply with his obligations specified in par. 6 of said contract, so much so that the Corporation was

forced to provide the necessary materials and labor and advance whatever expenses had been made for that purpose with previous knowledge and consent given by Dimaporo because the latter was short of funds during that time.

It took the Corporation one (1) year and three (3) months to install the said machinery and equipment, after which, it demanded from Dimaporo complete payment of the balance due and for all expenses made in advance arising from the supply of materials and labor which Dimaporo failed to provide on time. Dimaporo refused to pay on the ground that the balance of P36,750.00 never became due and demand-able because of the Corporation's failure to complete the installation of the machinery and equipment within the stipulated period and place the same in satisfactory running conditions as guaranteed by it in the contract.

Hence, on October 1, 1955 the Corporation brought an action against Dimaporo for rescission of the aforesaid contract after mutual restitution by the parties with pro-portion for damages in its favor. Dimaporo, in his answer, likewise seeks the rescission of the contract, after mutual restitution by the parties, but with provision for the pay-ment by the Corporation of freight charges that may be incurred due to such restitution, and with the award of damages in his favor.

After hearing on the merit, the trial court found both parties having violated the terms and conditions of the contract, defendant Dimaporo failing to comply with his obligations under par. 6 of the contract and plaintiff corporation liable for installing machinery and equipment that are basically defective and inadequate. As to who was the first infractor in point of time, it was not determined by the trial court. Rescission of the contract was granted but held that parties should bear his/its own damages, applying article 1192 of the New Civil Code which provides:

"In case both parties have committed a breach of the obligation, the liability of the first infractor should be equitably tempered by the Courts. If it cannot be determined which of the parties first violated the contract, the same should be deemed extinguished, and each shall bear his own damages."

From the judgment of the Court below, Dimaporo directly appealed to this Court imputing seven (7) assignments of errors committed by the trial court, which may be synthesized into four (4) main issues:

- a) whether he was guilty of breach of contract.
- b) whether he was liable to return the machinery and equipment subject matter of the contract.
- c) whether he was liable to pay appellee Corporation the amount of P19,628.93 with interest.
- d) whether he was entitled to the award of damages in his favor.

Appellant Dimaporo maintained that he has not committed any breach of contract, Exh. A, particularly par. 6 thereof; that it was appellee Corporation who was guilty thereof, and points in his appellant's brief testimonial and documentary evidence in support of the same. Upon the other hand, the trial court, in its decision, makes the following findings:

"From the entire evidence presented, it appears that defendant had failed to comply with his obligations under the contract, Exh. A, more particularly with the provisions of par. 6 thereof. He was unable to furnish sufficient laborers needed to complete the operations of the mill, food, foundation materials and effective water systems (Exhs. G, G-1, I, Y-1, J-1, K, R, CC, KK, LL, NN-1). Under Exh. MM, a daily work progress report duly certified correct by defendant, the hammer mill and flash drier were already commercially operated on December 11, 1954 (Exh. MM-3). This necessarily gives the impression that the installation of the mill has been completed in accordance with the contract and the subsequent failure of the project is due to defendant's fault. x x x. Taking into consideration defendant's failure to comply with this obligation, plaintiff's delay in the

complete installation of the machinery and equipment seems reasonable and understandable. x x x"[3]

The foregoing is a conclusion of fact of the trial court. The rule is well-settled that factual findings of the trial court, supported by substantial evidence, are generally binding on the Supreme Court. They are entitled to great respect, the lower court having had the opportunity of weighing carefully what was testified to and did so without oversight or neglect.[4] Hence the rule that when a party appeals directly to this Court, he is deemed to have waived the right to dispute any finding of fact made by the court below.[5]

It is next argued for appellant Dimaporo that the trial court erred in ordering the return of the machinery and equipment subject matter of the contract to appellee corporation and maintained that although a rescission of the contract is in order, he has no obligation, however, to return the machinery and equipment, much less pay the transportation expenses thereof to the port of Cotabato, since the machinery and equipment shipped by appellee corporation were never delivered to appellant. He contended that by reference to the contract, Exh. A, it is clear that the obligation of the appellee did not end with the shipment of the machinery and equipment to the mill site; it must also install the machinery and equipment in such a manner that they would produce at least 6 tons of cassava flour per 24 hours of operations so much so that until such machinery and equipment were installed and shown to be capable of producing at the warranted rate, there could be no delivery of such machinery and equipment to appellant.

This contention is in Our opinion, not sustained by the terms of the contract or by the facts appearing in evidence. It is true that under par. 8 of the contract, Exh. A, the "SELLER warrants that it will deliver all the machinery and equipment as agreed in par. 4, guaranteed to process at least 6 tons of cassava flour or starch per 24-hour day operation." However in said paragraph it was also stipulated that "this warranty of capacity shall be attained only when properly coordinated to the necessary manual labor required for the purpose." And according to the trial court, "the delay of the completion of the installation as well as the incapacity of the mill to produce the desired amount of flour/starch as warranted by the plaintiff under the contract are attributable to defendant's non-compliance with his obligation to furnish food, materials, and water system."

Even assuming that there is some degree of plausibility in appellant's position, still the lower court did not commit any error in ordering appellant to return the machinery and equipment to appellee corporation, for when the former, as defendant in the lower court, filed his Answer to the complaint of appellee corporation, he prayed for the rescission of the contract between him and the plaintiff and for mutual restitution by the parties.[6] To sustain appellant's contention that he is not liable for the return of machinery and equipment would be fundamentally contradicting the very notion of rescission. The first paragraph of article 1385 of the New Civil Code provides:

"Rescission creates the obligation to return the things which were the object of the contract, together with their fruits, and the price with its interest; consequently, it can be carried out only when he who demands rescission can return whatever he may be obliged to restore."

Furthermore, when a contract is resolved or rescinded, it is the duty of the court to require the parties to surrender that which they have severally received and to place each as far as practicable in his original situation; and when a resolution is granted, it has the effect of abrogating the contract in all parts. The party seeking resolution cannot ask "performance as to part and resolution as to remainder." [7]

The last two issues are both centered on the question of who is liable for the payment of damages and interests as a result of the breach of contract. The trial court, in resolving the issues, applied Article 1192 of the New Civil Code, which as aforesaid, enunciated the rule if both parties committed a breach of obligation. The trial court find the following facts: "Both parties have failed to comply with what is respectively incumbent upon them to do, and the object of the contract is consequently defeated; defendant failed to comply with his obligations under

the contract, Exh. A; that further scrutiny of the evidence shows that the machinery and equipment sold and installed by plaintiff were all along, by themselves, defective and inadequate. As to who was the first infractor in point of time, under said circumstances, cannot be specifically delineated. Hence, parties should bear his/its own damages."

Based on these findings, the trial court ruled, as aforesaid in the dispositive portion, that appellant Dimaporo must pay appellee corporation the total amount of P19,628.93 which the latter had spent by way of advances to the former with which to purchase the necessary materials and supplies at the rate of 6% per annum; that appellee corporation must return to appellant the amount of P15,750.00 representing the partial payment made by it to appellant for the purchase price of said machinery and equipment. The trial court, however, made no pronouncement as to damages and costs.

But appellant would contend that the amount of P19,628.93 should be offset by the damages that are due to him by reason of the violations by the appellee corporation of its obligation under the contract; that appellee must be required to pay interests on the amount of P15,750.00 since this amount paid has already been used by it; and that since the first infractor was the appellee's corporation, therefore, damages should be paid by that party to the appellant.

The findings of fact of the trial court that both appellant Dimaporo and appellee corporation have committed a breach of obligation are fully supported by the evidence on record. As We have stated, We are not in a position to disturb the same. Therefore, it correctly applied Article 1192 of the New Civil Code to the effect that in case both parties have committed a breach of obligation and it cannot be determined who was the first infractor, the contract shall be deemed extinguished and each shall bear his/its own damages. Consequently, the trial court committed no reversible error when it ordered appellee corporation to pay appellant the amount of P15,570.00 representing partial payment of the purchase price of the machinery and equipment. This is but a consequence of the decree of rescission granted by the trial court. Neither did it commit any error when it refused to grant any interest on the afore-said amount of P15,570.00. This is also but a consequence of the enunciated rule that each party should bear his/its own damages. For the same reasons, We hold that although appellant is liable to pay the amount of P19,628.93 which appellee corporation had spent by way of advances with which to purchase the necessary materials and supplies, however, he is not liable to pay interest thereon at the rate of 6% per annum until full payment of the same, as held by the lower court. Otherwise, to hold so would be in conflict with the above-mentioned rule that each party must bear his/its own damages.

PREMISES CONSIDERED, with the only modification that the sum of P19,628.93 be paid by appellant Dimaporo to appellee Grace Park Engineering, Inc., without interest, the judgment appealed from is affirmed in all other respects. No pronouncement as to costs.

SO ORDERED.

Teehankee, (Chairman), Makasiar, Fernandez, Guerrero, and Melencio-Herrera, JJ., concur.

[1] p. 54, Record on Appeal, p. 34, Rollo.

[2] p. 8, Record on Appeal, p. 34, Rollo.

[3] pp. 48-49, Record on Appeal, p. 34, Rollo.

[4] *Corliss vs. Manila Railroad Company* 27 SCRA 674; *Miguel vs. Court of Appeals*, 29 SCRA 760. *Yturalde vs. Vagilidad*, 28 SCRA 393; *Samson Jr. vs. Tarroza*, 28 SCRA 792; *Perez vs. Araneta*, 24 SCRA 43.

[5] Cebu Portland Cement Co. vs. Mun. of Naga, Cebu, 24 SCRA 708; Pascua vs. Capuyoc, 77 SCRA 78 citing Mañacop vs. Cansino, 111 Phil. 106.

[6] p. 31, Record on Appeal, p. 34, Rollo.

[7] Po Pauco vs. Siguenza and Aguilar, 49 Phil. 404; Magdalena Estate Inc. vs. Louis J. Myrick, 71 Phil. 344; Verceluz vs. Edaño, 46 Phil, 801.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.