

FAIRLAINE DELOS REYES, PLAINTIFF-APPELLEE, VS. SPOUSES ERNESTO LACSON AND ADELA LACSON, DEFENDANTS-APPELLANTS.*CV No. 92017, March 19, 2010*Read online (full-text search, related cases, audio case brief): <https://batas.org/library/5c23e5ec1971/>**Court of Appeals**

Before Us is an appeal from the Decision[1] dated May 17, 2005 of the Regional Trial Court, Branch 3, Baguio City in Civil Case No. 5230-R ordering herein defendants-appellants spouses Ernesto and Adela Lacson to pay plaintiff-appellee Fairlaine Delos Reyes[2] P492,944.13, representing the amount due and payable the latter as contractor in the renovation of the former's residential building, plus interest of 12% per annum from date of judgment, the dispositive portion of which reads:

WHEREFORE, based on the Committee Report that defendants Sps. Ernesto and Adela Lacson owed the contractor plaintiff Fairlane Delos Reyes under a sole proprietorship of RFAP Enterprises and Marketing in the amount of Four Hundred Ninety Two Thousand Nine Hundred Forty Four Pesos and Thirteen Centavos (P492,944.13), judgment is hereby rendered for defendants to pay the plaintiff in the said principal amount with legal interest of 12% per annum from date of this judgment until the amount is fully paid.

IT IS SO ORDERED.[3]

THE FACTS

Appellants spouses Ernesto and Adela Lacson are the owners of a two-storey residential building situated at Upper Brookside, Baguio City. On the other hand, appellee Fairlaine Delos Reyes is the proprietor and general manager of RFAP Enterprises and Marketing (RFAP for brevity), a sole proprietorship which is authorized by law to engage in the construction business[4]

On May 9, 2001, appellants and RFAP, through appellee and one Engineer Ferdinand D. Cacas, executed a contract denominated as Proposed Major Renovation and Construction of Two Storey (Extension) Residential Building[5] whereby the latter undertook to renovate the former's residential building for and in consideration of P1,537,834.41. The parties agreed that RFAP would supply all labor, materials, tools, equipment and supervision needed for the completion of the project in accordance with the specifications stated in the Bill of Materials.

Pursuant to the agreement, RFAP commenced the construction work. Upon its completion, RFAP sent appellants a Notice⁶ of Completion dated December 20, 2001 informing the latter that the project was already 100% complete and that the same was being turned over to them. Upon receipt thereof, appellants signed the said notice signifying their acceptance of the completed work. Appellants then took possession and settled in the renovated house.

Thereafter, RFAP sent appellants a summary of accounts dated December 20, 2001 which was received by the latter on December 28, 2001. As stated therein, the total construction cost, after the changed orders were accounted for, amounted to P1,553,096.12[7]. However, since appellants already paid P1,040,000.00[8], the remaining unpaid balance of P513,096.12 was then due and collectible. On March 4, 2002, RFAP sent a demand letter[9] to appellants informing them to settle their unpaid obligation in the amount of P513,096.12. Despite

appellants' receipt of the said letter on March 8, 2002, no payments were made. On April 24, 2002, appellee's counsel sent appellants another demand letter[10]. Appellants still failed to pay, hence, appellee filed with the Regional Trial Court of Baguio City the instant complaint for collection of sum of money with damages[11].

In an Answer with Counterclaim[12] dated September 11, 2002, appellants denied that they have an outstanding obligation to appellee and averred that they had already paid her whatever was due to appellee. They likewise claimed that appellee failed to complete the project in accordance with the specifications agreed upon. While appellants admitted having signed the notice informing them of the completion of the project, they asserted that the same was signed sometime in April 2001 and not on December 20, 2001. They signed the notice even before the completion of the project upon the request of appellee who made representations that she would be needing the document to obtain a loan from the bank. By way of counterclaim, appellants prayed that appellee be made to pay actual and moral damages as well as attorney's fees.

During the pre-trial conference on January 3, 2003, the parties entered into an agreement to form a committee which shall determine the extent of the work completed by appellee as well as the amount due her.[13] The parties likewise agreed to be bound by the result of the evaluation to be undertaken by the committee.[14] Pursuant to the agreement, the court a quo formed a three-member committee headed by court-appointed Engineer Januario Borillo of the Office of the City Engineer, Baguio City.[15] The other two were Engineer Ferdinand Cacas and Engineer Isabelo Abing who were nominated by appellee and appellants, respectively.[16]

In the process of evaluation, the counsels of both parties furnished the committee with the following documents: Building Plans, Contract and Bill of Materials, Computation for the Changed Orders, Notice of Completion, Statement of Account and

Billing, Evaluation of Engineer Isabelo Abing, and Reply of RFAP Enterprises and Marketing to the Evaluation of Engineer Abing.[17] The committee also conducted a site inspection on January 22, 2003 in the presence of appellant Adela Lacson.

In a report[18] dated February 18, 2003, the committee found that the project was fully completed on December 20, 2001 and that appellants were still liable to appellee in the amount of P492,944.13. In arriving at this amount, the committee deducted from the contract price of P1,537,834.41 the amount of P284,895.09 which represents the revisions made in the original work contract. The committee then added thereto the amounts of P288,544.89 and P1,459.92, representing the consideration for the changed orders and additional cost of labor, respectively. Finally, the committee subtracted the partial payments made by appellants in the amount of P1,040,000.00 as well as the amount of P10,000.00 to account for the defects in appellee's work. The full text of the committee's report is quoted:

Republic of the Philippines
OFFICE OF THE CITY ENGINEER
Baguio City

BACKGROUND

The project subject for assessment is a structure located along Upper Brookside this city, which is owned by Spouses Ernesto and Adela Lacson. Renovation and extension works [were] done on the structure by RFAP Enterprises & Marketing of which was completed as of December 20, 2001 as per Notice of Completion prepared by Ms. Fairlane P. Delos Reyes, manager.

The committee conducted site inspection on January 22, 2003.

DOCUMENTS USED:

1. Building plans consisting of three pages
2. Contract and bill of materials
3. Computation for the Changed Orders
4. Notice of Completion
5. Statement of Account and Billing
6. Evaluation of Engr. Isabelo Abing
7. Reply of RFAP enterprises and Marketing to the Evaluation of Engr. Abing

FINDINGS

- a. Removal of concrete hollow blocks walls at the first floor level along line 1, B and D.
- b. Removal of concrete hollow blocks walls at the second floor level along line 2.
- c. Revision of toilet and bath at the first and second floor level along line 2.
- d. Revision of second floor access door to the renovated existing structure.
- e. Defects noted on some portions of painted surfaces.
- f. Defective electrical line noted in a portion of the attic area.
- g. Increase in the area of wall to be constructed of Hardiflex board on light cage steel.
- h. Reduction of the wall area made of glass blocks.
- i. Reduction of the units of downpouts.
- j. Revision of the gutters from ordinary galvanized iron to stainless gutters.
- k. Additional under sheathing and partition walls.
- l. Revision of the color of pebbles.

EVALUATION

Deductive

Construction of Extension:

Retaining Wall

35,360.00

CHB Wall (Due to Cancellation of other Partitions)

7,864.20

Steel Casement Window With glass

12,000.00

Glass Blocks

19,950.00

Doors

27,600.00

Downspout Floor Drains, Catch Basin

10,000.00

Building Renovation: Roofing

102,120.89

Downspout, Catch Basin 10,000.00 Steel Frames & Hardiflex Board

80,000.00

284,895.09

Additive (Change Order):

Construction of Two Storey Extension:

CHB Wall to Replace

Retaining Wall

21,239.20

CHB Wall Added (CR)

4,268.50

Glass Blocks

10,395.00

Doors

24,600.00

Downspout, Floor Drains,
Catch Basin

5,000.00

Building Renovation:

Column (Frontage)

10,496.22

Roofing

109,406.22

Downspouts, Catch Basin

5,000.00

Supply and Installation

of Light Gauge, Steel
Frames & Hardiflex
Board

66,096.00

Under Sheating/partition wall

32,043.00

288,544.89

Sum(Additive)

3,649.80

+ 40% Labor

1,459.92

5,109.72

Amount Payable to Contractor:

Contract Cost

1,537,834.41

Less:

Partial Payments

1,040,000.00

Defects

10,000.00

Add:

5,109.72

Amount Payable to Contractor

P492,944.13

(Sgd.) JANUARIO S. BORILLO
Chairman

(Sgd.) FERDINAND CACAS
Member

(Sgd.) ISABELO ABING
Member [19]
(Emphasis Supplied)

On March 3, 2003, appellants filed a Motion for the Conduct of a Re-assessment/Re-evaluation[20] contending that the evaluation of the committee did not completely consider the value of the construction works actually done by the appellee vis-a-vis the cost of the agreed plan. Appellants were not also given ample opportunity to participate in the committee's evaluation and to relay the corrective measures they undertook on the building.

During the hearing of the motion on April 8, 2005, Engineer Borillo, the chairman of the three-member committee, testified that the committee determined the value of the construction based on the prior separate evaluations of Engineers Cacas and Abing, the two engineers nominated by appellee and appellants, respectively. Further, when the committee conducted the on-site inspection on January 22, 2003, appellant Adela Lacson was present.

In a Decision[21] dated May 17, 2005, the court a quo found that the renovation of appellants' two-storey house has already been fully completed and that they are already staying therein but have not fully paid appellee yet. The court a quo then adopted the findings of the committee that appellants are liable to appellee in the amount of P492,944.13. It ratiocinated that appellants are bound thereby on account of their agreement to form the committee for the purpose of determining the state of construction of appellants' residential building as well as the amount that appellants should pay appellee. Likewise, appellants voluntarily chose Engineer Abing as their representative in the committee. The agreement is thus equivalent to a compromise agreement which, upon approval of the court, has the force and effect of res judicata between the parties. The pertinent portions of the decision read:

The parties particularly the defendants should abide by the result of the findings of the Committee which found the defendants to be liable to the plaintiff in the amount of P492,944.13. The parties agreed on the formation of the Committee.

1. The Committee was formed in order to determine the present state of the construction and the amount that should be paid by the defendants to the plaintiff which was found in the amount of P492,944.13. The parties agreed on the formation of the committee.

2. The defendants chose voluntarily their engineer, Engr. Isabelo Abing to represent them in this Committee. Engr. Isabelo Abing signed with the other Engineers Januario Borillo and Ferdinand Cacas regarding the said finding. It is too late for the defendants to repudiate the representation made by Engr. Isabelo Abing in their behalf. Further, nothing appears in the record that Engr. Isabelo Abing betrayed his clients, the defendants. As ruled in the case of *Kalalo*, 34 SCRA 337, the agreement by the parties to abide in the findings of facts is equivalent to the agreement of facts binding upon them which the Court cannot brush aside. Said agreement for a formation of a Committee to find out the actual price of the renovation is equivalent to find out the actual price to a compromise agreement, and the agreement as approved by the Court has the force and effect of [res judicata] between the parties (*Ogan vs. Occena*, 148 SCRA 677).

3. A perusal of [the] record of this case reveals that defendants signed the Proposed Major Renovation and

Construction of Two-Storey (Extension) Residential Building (Annex A of the Complaint). In fact, not only one, but both Spouses Ernesto and Adela Lacson signed the same, *** on a stipulated Contract of P1,537,834.41. Similarly, defendants signed the Notice of Completion dated December 20, 2001 yet they disagree now with the said Notice of Completion which they signed. It further appears that the [t]wo-storey house has already been completed. Defendants are now staying in the said house contrary to the allegations that the plaintiff is in bad faith. What appears now is that the defendants are the ones in bad faith, enjoying the benefits of a renovated house and yet not paying the plaintiff, at all.[22]

Appellants received a copy of the decision on June 10, 2005[23]. They then filed a motion for reconsideration thereon June 27, 2005 since the last day of the required fifteen (15) day period which was on June 25, 2005 falls on a Saturday. Incidentally, the court a quo issued a Certificate of Finality[24] dated June 27, 2005 of the assailed decision. Consequently, the court a quo denied appellants' motion for reconsideration in an Order[25] dated July 5, 2005 which was received by them on July 7, 2005. On July 21, 2005, appellants filed notice of appeal[26] which was denied due course in an Order[27] dated September 8, 2005. Appellants moved for reconsideration thereof but the same was denied in an Order dated January 10, 2006 for the reason that the appeal was filed thirteen (13) days late.

Aggrieved, appellants filed before this Court a petition for certiorari with mandamus assailing the court a quo's issuance of the certificate of finality, the denial of their motion for reconsideration of the Decision dated May 17, 2005 and the denial of the notice of appeal. In a Decision[28] dated July 19, 2007, the Former Fourteenth Division of this Court granted the petition for certiorari and directed the court a quo to give due course to appellants' notice of appeal. It was ratiocinated that appellants seasonably filed their notice of appeal on July 21, 2005 or within the period of fifteen (15) days from their receipt of the order denying their motion for reconsideration on July 7, 2005.

Hence, this appeals raising the following assignment of errors[29], to wit:

I.

THE HONORABLE REGIONAL TRIAL COURT, BRANCH III, BAGUIO CITY ERRED AND COMMITTED GRAVE ABUSE OF DISCRETION WHEN IT RENDERED THE DECISION DATED MAY 17, 2005 ORDERING DEFENDANTS-APPELLANTS TO PAY PLAINTIFF-APPELLEE THE AMOUNT OF P492,944.13 BASED ON THE QUESTIONABLE AND UNFOUNDED COMMITTEE REPORT AND ORDER DATED 5 JULY 2005 DENYING THE MOTION FOR RECONSIDERATION FILED BY DEFENDANTS-APPELLANTS; AND

II.

THE HONORABLE TRIAL COURT IS PATENTLY AND MANIFESTLY BIASED AND PARTIAL IN HEARING THE CASE AND IN ARRIVING AT THE DECISION.

THE ISSUES

The issues for resolution are whether or not the court a quo erred in ordering appellants to pay appellee P492,944.13 and whether or not the court a quo was biased and partial in hearing the case and in arriving at the assailed decision.

THE COURT'S RULING

The appeal is bereft of merit.

Appellants argue that the court a quo erred in finding them liable to pay appellee the amount of P492,944.13 on

the basis of the committee report. The report should be set aside because it did not reflect the actual and real monetary obligation which appellants owe appellee. It is questionable, unreliable and was not supported by any piece of evidence or document.

We do not agree.

Basic is the rule that obligations arising from contracts have the force of law between the contracting parties and should be complied with in good faith.[30] Further, contracts are perfected by mere consent, and from that moment the parties are bound not only to the fulfillment of what has been expressly stipulated but also to all the consequences which, according to their nature, may be in keeping with good faith, usage and law.[31]

Here, appellants and appellee entered into an agreement to form a committee which shall determine the extent of the construction as well as the amount that is due to appellee. They likewise agreed to be bound by the findings of such committee. Hence, pursuant to this agreement, the court a quo formed a three-man committee composed of court-appointed Engineer. Borillo and Engineers Abing and Cacas, who were nominated by appellants and appellee, respectively. These can be gleaned from the Order[32] dated January 3, 2003 of the court a quo, which is quoted:

ORDER

When the case called for hearing, the parties agreed on the formation of a committee which shall determine the finished work and unfinished work, and said committee will also determine how much is really due to the plaintiff. Said committee is given thirty (30) days from today within which to commence and to submit its findings. Atty. Guillermo R. Bandonill, Jr. for the plaintiff is nominating Engineer Ca[c]as *** and Atty. Jesse D. Lacsigen is nominating Engineer Isabelo Abing *** and the Court appoints City Engineer Leo Bernardez or his representative to be the head of the team. Furnish these Engineers copies of this Order, and both lawyers shall furnish the team, documents which shall be needed in the process of evaluation of the structures in question. ***

IT IS SO ORDERED.[33]

Having freely and voluntarily entered into the agreement, appellants are bound to comply with their undertaking to abide by the findings of the committee formed. The fact that the findings of the committee turned out to be disadvantageous to appellants and contrary to their expectations did not necessarily relieve them of their commitment.[34] Indeed, the agreement entered into between appellee and appellants is a contract and as such, it has the force and effect the law between them. The court a quo then did not commit any error in ordering appellants to pay the amount of P492,944.13 which is the same amount arrived at by the committee after its evaluation. Verily, the court a quo properly relied upon the committee's report since it was the committee's very nature and purpose to determine appellants' liability to appellee.

This conclusion finds support in the case of *The City of Cebu vs. Spouses Dedamo*[35] where the parties in an expropriation case agreed to be bound by the report of the commissioners appointed by the court to determine the just Compensation of the lots sought to be expropriated. The Supreme Court, in upholding the trial court's decision setting the just compensation on the basis of the commissioners report, ratiocinated that the parties entered into an agreement where they bound themselves to the report of the commission. The agreement is a contract between the parties, thus, should be complied with in good faith.

Appellants' contention that the committee report is unreliable, questionable and lacked basis is readily belied by the records. Foremost, the committee was composed of reputable engineers who possessed the necessary background, knowledge and experience in the field of construction. The committee was headed by no less than Engineer Borillo from the Office of the City Engineer; Baguio City while the other two members are engineers

affiliated with construction companies. Likewise, it is well to note that these committee members were mutually acceptable to the parties. In fact, Engineer Abing, one of the members of the committee, was chosen by appellants themselves.

The records likewise reveal that the committee's report has sufficient basis. As per Order dated January 3, 2003 of the court a quo, the parties' counsels furnished the committee with the pertinent documents that were needed in the evaluation. In fact, the report itself enumerates the documents used by the committee in the process of its evaluation. The list included the evaluation prepared by Engineer Abing as well as that prepared by Engineer Cacas. Most importantly, the team conducted a site inspection on January 22, 2003 during which appellant Adela Lacson herself was present. It was only after due consideration of all these that the committee rendered its report finding appellants liable to appellee for the unpaid balance of the reason for appellants to contest the reliability the committee report. Finally, appellants' claim of bias and partiality on the part of the court a quo deserves scant consideration in the absence of clear and convincing evidence to prove the same.

In *Negros Grace Pharmacy, Inc. vs. Judge Hilario*[36], the Supreme Court pronounced that there should be clear and convincing evidence to prove the charge of bias and partiality. Mere suspicion of partiality is not enough. Bias and prejudice cannot be presumed especially if weighed against a judge's sacred obligation under his oath of office to administer justice without respect to the person and do equal right to the poor and rich. Further, it was held in *Barnes vs. Reyes, et al.*[37], that to establish bias, bad faith, malice, or corrupt purpose, extrinsic evidence must be presented in addition to palpable error which may be inferred from the decision or order assailed.

In the case at bench, appellants' bare allegations of bias and partiality are mere suspicions and conjectures which do not suffice to prove the charge. Further, there is no merit to their claim that the court a quo's bias and partiality were manifested by its issuance of a certificate of finality when the period to appeal has not yet lapsed and in its denial of the notice of appeal which was filed on time. By themselves, these do not sufficiently prove bias and partiality. Although these acts proved to be erroneous, as ruled by the Former Fourteenth Division of this Court in its Decision[38] dated July 19, 2007, they are not enough, absent any extrinsic evidence of malice and bad faith, to conclude that the court a quo was biased and partial against appellants. Inevitably, the presumption remains that the court a quo decided the instant case based on its merits with the cold impartiality of a neutral judge.[39]

In view of the foregoing, We find no compelling reason to depart from the assailed ruling of the court a quo.

Wherefore, the instant appeal is hereby denied. The Decision[40] dated May 17, 2005 of the Regional Trial Court, Branch 3, Baguio City is **AFFIRMED**.

SO ORDERED.

Asuncion-Vicente and Ybañez[*], JJ., concur.

[1] Decision penned by Presiding Judge Fernando Vil Pamintuan, Rollo, pp. 9-16

[2] Also referred in the records as Ferlaine Delos Reyes.

[3] Rollo, p. 16

[4] Records, p. 45.

[5] Records, pp. 6-7.

[6] Records, p. 12.

- [7] Records, p. 13.
- [8] Ibid.
- [9] Per demand letter dated March 4, 2002, Records, p. 17.
- [10] Records, p. 18.
- [11] Records, pp. 2-5.
- [12] Records, pp. 37-42.
- [13] Per Order dated January 3, 2003, Records, p.58.
- [14] TSN, Engr. Januario Borillo, Jr., April 8, 2005, pp. 2-15
- [15] Per Order dated January 28, 2003, Records, p. 63.
- [16] Ibid
- [17] Records, p. 65.
- [18] Records, pp. 64-65
- [19] Records, pp. 65-66.
- [20] Records, pp. 70-72.
- [21] Supra, at Note 1.
- [22] Rollo, pp. 15-16
- [23] Rollo, p. 42.
- [24] Records, p. 163.
- [25] Records, p. 173.
- [26] Records, p. 178.
- [27] Records, p. 188.
- [28] Rollo, pp. 39-49
- [29] Rollo, p. 31.
- [30] Article 1159 of the Civil Code.
- [31] Article 1315 of the Civil Code.
- [32] Records, p. 58.
- [33] Ibid.
- [34] Vide: Dommgo Realty, et al. vs. Court of Appeals, et al, G.R. No. 123236, January 26, 2007.
- [35] G.R. No. 142971, May 7, 2002.
- [36] A.M No. MTJ-02-1422, November 21, 2003.
- [37] G.R. No. 179583, September 3, 2009.

[38] Supra, at Note 28.

[39] *Negros Grace Pharmacy, Inc. vs. Judge Hilario*, A.M. No. MTJ-02-1422, November 21, 2003, citing *People vs. Court of Appeals*, G.R. No. 129120, July 2, 1999, 309 SCRA 705.

[40] Supra, at note 1.

[*] Acting Junior Member per Office Order No. 23-10-ABR dated March 12, 2010.

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