

**PEOPLE'S GENERAL INSURANCE CORPORATION,
REPRESENTED BY ITS SENIOR BONDS MANAGER ROMULUS J.
MUÑOZ., PETITIONER, VS. CONSTRUCTION INDUSTRY ARBITRATION
COMMISSION (PUBLIC RESPONDENTS)**

Ponente: GONZALES-SISON, M., J.

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GONZALES-SISON, M., J.:

Before this Court is a Petition for Certiorari^[1] assailing the twin Orders of the Construction Industry Arbitration Commission (CIAC) through Arbitrator Victor P. Lazatin in CIAC Case No. 22-2013. The first Order dated 24 September 2013 (first Assailed Order) dismissed the third party complaint instituted by People's General Insurance Corporation against private respondents Eng. Adelina Wong Ignacio, Noel Ignacio, and Regina I. Castro by reason of want of jurisdiction over the private respondents. While the second assailed Order dated 23 October 2013 (second Assailed Order) denied the motion for reconsideration of the first Order.

Briefly, the facts of the case, are as follows:

The instant controversy traces its roots when New City Creative Construction, Inc., (New City) became the general contractor for the structural works of EVM Convention Center in Quezon City. Subsequently, New City entered into a Sub-Contract Agreement with Bridge and Building Technology Corp. (Bridge and Building) whereby the latter undertook to perform the post tensioning works for a contract price of Php18,000,000.00. As required by the Sub-Contract Agreement, Bridge and Building posted a Surety Bond and a Performance Bond which were secured from petitioner People's General Insurance Corporation (PGIC) rendering both companies jointly and severally liable to New City for the complete and faithful performance of the Sub-Contract Agreement. PGIC, in turn, for its security, made Bridge and Building execute an Indemnity Agreement binding the latter to indemnify PGIC for all the payments, damages, cost or losses, among others, which PGIC may sustain in relation to the Surety and Performance Bonds. The Indemnity Agreement was signed by herein private respondents Eng. Adelina Wong Ignacio, Noel Ignacio, and Regina I. Castro (private respondents) on behalf of Bridge and Building and in their personal capacities.

Unfortunately, Bridge and Building, after receiving a down payment from New City, allegedly abandoned its contractual obligation under the Sub-Contract Agreement. As a result, New City filed a complaint for breach of contract with damages against Bridge and Building and PGIC before the CIAC based on the arbitration clause in the Sub-Contract Agreement.

In response, PGIC filed an answer with special and affirmative defenses, counter-claim, cross-claim, and third party complaint. Specifically, PGIC's cross-claim is directed against Bridge and Building based on the Indemnity Agreement to claim reimbursement for whatever amount PGIC may be adjudged liable by the CIAC. On the other hand, the third party complaint of PGIC is directed against private respondents as co-signers, co-makers, or co-indemnitors in their individual and personal capacities in the Indemnity Agreement.

Unperturbed, Bridge and Building and private respondents filed a motion to dismiss cross-claim and third party

complaint on the grounds that the Indemnity Agreement does not contain an arbitration clause and that the venue stipulation therein states that any action arising therein should be strictly filed in the courts of Manila. Subsequently, the CIAC, in the first Assailed Order, sustained the filing of the cross-claim but dismissed the third party complaint for lack of jurisdiction over the private respondents.

In resolving the motion, the CIAC stressed that two conditions must be present before it could exercise jurisdiction over a dispute: first, the dispute must be somehow connected to a construction contract; and second, the parties must have agreed to submit the dispute to arbitration proceedings. It goes without saying that the second condition is the only the issue in this case: whether Bridge and Building and private respondents agreed to submit the respective disputes against them before the CIAC.

On this score, the CIAC first explained that the principle of incorporation by reference^[2] is applied in arbitration agreement. Though there was no arbitration clause in the Indemnity Agreement, the Surety and Performance Bonds procured by Bridge and Building both made reference to the Sub-Contract Agreement. Hence, when Bridge and Building executed the customary Indemnity Agreement after securing the Surety and Performance Bonds, it was already aware that its possible liability therein is already connected to the Sub-Contract Agreement which, in turn, contained an arbitration clause. As such, Bridge and Building cannot argue that the arbitration clause is not applicable to the cross-claim of PGIC based on the Indemnity Agreement.

As to the issue of venue stipulation in the Indemnity Agreement, the CIAC brushed aside the same and ratiocinated that its jurisdiction is determined by law and not by the will of parties nor can it be expanded or diminished by stipulation or agreement.

With respect to the private respondents on the other hand, the CIAC ruled the other way around. The CIAC, this time emphasized that the private respondents were never parties to the Sub-Contract Agreement, hence they could not have known when they executed the Indemnity Agreement that their plausible liability would be intimately linked to the Sub-Contract Agreement which contained the arbitration clause. Simply stated, the private respondents never assented to put the claims of the PGIC against them before any arbitrator, more specifically, the CIAC. The CIAC thus decreed:

“WHEREFORE, premises considered, the Motion to Dismiss is hereby DENIED with respect to the cross-claim, and GRANTED with respect to the third-party complaint.

SO ORDERED.”^[3]

Dissatisfied with the above ruling, PGIC filed a motion for partial reconsideration of the same, but was met with disapproval in the second Assailed Order, the decretal portion of which reads:

“Wherefore, the Motion for Partial Reconsideration is hereby denied.

SO ORDERED.”^[4]

PGIC now comes to this Court for relief, and in support thereof, assigns this lone issue for this Court's consideration, to wit:

WHETHER OR NOT PUBLIC RESPONDENT CONSTRUCTION INDUSTRY ARBITRATION COMMISSION (CIAC) ACTED WITH GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OR EXCESS OF JURISDICTION IN DISMISSING THE THIRD-PARTY COMPLAIN AGAINST INDIVIDUAL PRIVATE RESPONDENTS, DESPITE BEING AN ANCILLARY ACTION TO THE MAIN COMPLAIN PENDING BEFORE ITS HONORABLE OFFICE.

Essentially, PGIC argues that since the CIAC has jurisdiction over the main action, i.e., the complaint of New

City against Bridge and Building and PGIC, it follows then that the CIAC also has jurisdiction over the ancillary action which is the third party complaint of PGIC against the private respondents. It is thus the position of PGIC that jurisdiction over the main case embraces all incidental matters arising therefrom and connected therewith.

The private respondents, on the other hand, failed to file their Comment/Opposition to the instant Petition.

In resolving the issues before this Court, We deem it proper to articulate beforehand the purpose of certiorari and what constitutes grave abuse of discretion.

A petition for certiorari is the proper remedy when any tribunal, board or officer exercising judicial or quasi-judicial functions has acted without or in excess of its jurisdiction, or with grave abuse of discretion amounting to lack or excess of jurisdiction and there is no appeal, nor any plain speedy, and adequate remedy at law. There is "grave abuse of discretion" when respondent acts in a capricious or whimsical manner in the exercise of its judgment as to be equivalent to lack of jurisdiction.[5]

After sifting through the facts of the case, as guided by the applicable laws and jurisprudence, this Court finds the instant Petition meritorious.

Undeniably, Section 2.3 of the Revised Rules of Procedure Governing Construction Arbitration states that "[f]or the CIAC to acquire jurisdiction, the parties to a dispute must be bound by an arbitration agreement in their contract or subsequently agree to submit the same to voluntary arbitration."

Unlike the CIAC, however, we find that the private respondents acquiesced to the arbitration clause in the Sub-Contract Agreement when they signed the Indemnity Agreement in their official and personal capacities.

Verily, it is well settled that the accessory follows the principal; and, concomitantly, accessory contracts should not be read independently of the main contract.[6] This doctrine has been aptly termed as the "complementary contracts construed together" doctrine. Indeed, where it is necessary to determine the correct interpretation of a document for the purpose of making the intention of the parties to prevail, the Rules of Court instructs that the circumstances under which it was made may be shown. Thus Rule 130 provides:

"Sec. 13. Interpretation according to circumstances. - For the proper construction of an instrument, the circumstances under which it was made, including the situation of the subject thereof and of the parties to it, may be shown, so that the judge may be placed in the position of those whose language he is to interpret."
(underscoring supplied)

Here, the Indemnity Agreement is not an isolated independent contract but is an accessory contract tightly intertwined with the Sub-Contract Agreement containing the arbitration clause. To look at it the other way around, the Sub-Contract Agreement is the one that breathes life into the Indemnity Agreement. A pertinent portion of the Indemnity Agreement reads:

"2) INDEMNITY: - To indemnify the COMPANY upon its demand and keep it indemnified for, and to hold and save it harmless from and against, any and all payments, damages, cost, losses, penalties, charges and expenses or whatsoever kind and nature which the COMPANY as such surety shall or may at any time make, sustain, incur and/or suffer or for which it has or may become liable to the obligee, xxx."[7]

If read alone, the above provision does not make any sense because it does elucidate how the COMPANY (PGIC) would sustain any damage as a surety and for such reason PGIC can claim indemnity from private respondents. Obviously in that scenario, the Indemnity Agreement would be a meaningless arrangement, because the private respondents could not be made liable for anything. However, if the Indemnity Agreement is read together with the Sub-Contract Agreement, it now becomes apparent that the issue of whether PGIC is entitled to collect on the Indemnity Agreement, is a dispute arising from or connected to the complete and faithful performance of the

Sub-Contract Agreement. Considering then that the Indemnity Contract Agreement is deemed to have integrated the Sub-Contract Agreement, it necessarily follows that it has likewise integrated the arbitration clause in the latter agreement.

Corollary to this it has been held in *Sps. Rigor v. Consolidated Orix Leasing And Finance Corporation*,^[8] that accessory contracts must be read in its entirety and together with the principal contract between the parties. The provisions must be construed together to arrive at their true meaning. Certain stipulations cannot be segregated and then made to control.

On this score, there exists a presumption that a person takes ordinary care of his concerns.^[9] Hence, the natural presumption is that the private respondents would not have signed the Indemnity Contract if they did not fully peruse and studied the Sub-Contract Agreement to which their possible liability ultimately lie. This presumption takes greater significance in this case where the private respondents were the ones who executed the Performance and Surety Bonds which both refer to the Sub-Contract Agreement.^[10] Hence, the private respondents were very much aware that a suit on the principal contract, i.e., Sub-Contract Agreement with the arbitration clause in tow, would necessarily encompass a suit on the accessory contract, i.e., Indemnity Agreement.

The fact that the Indemnity Contract identifies the courts of Manila as the proper venue for any action therein does not withdraw this case within the ambit of CIAC's jurisdiction. In *National Irrigation Administration v. Court of Appeals*,^[11] it was held that as long as the parties agree to submit to voluntary arbitration, regardless of what forum they may choose, their agreement will fall within the jurisdiction of the CIAC, such that, even if they specifically choose another forum, the parties will not be precluded from electing to submit their dispute to the CIAC because this right has been vested upon each party by law. As discussed above, the intention of the private respondents to submit to CIAC's jurisdiction is unmistakable.

At any rate, it has been ruled that when a trial court had acquired jurisdiction over the complaint, it necessarily follows that it likewise had jurisdiction over the third party complaint which is but an incident thereof. This must be so because jurisdiction over the main case embraces all incidental matters arising therefrom and connected therewith. A contrary rule would result in 'split jurisdiction' which is not favored, and in multiplicity of suits, a situation obnoxious to the orderly administration of justice. The court acquired jurisdiction over the third-party complaint, provided it had jurisdiction over the main case, for the reason that the third-party complaint is but a continuation thereof, its purpose being to seek 'contribution, indemnity, subrogation or any other relief, in respect to his opponent's claim.'^[12]

Also, on a more practical note, the joint hearing of the complaint and the third party complaint would save time and cost by avoiding duplication of evidence, and enabling the obtaining of consistent results from identical or similar proofs. ^[13]

Moreover, it is well to remember that the CIAC was created in recognition of the contribution of the construction industry to national development goals. Realizing that delays in the resolution of construction industry disputes would also hold up the development of the country, Executive Order No. 1008 expressly mandates the CIAC to expeditiously settle construction industry disputes and, for this purpose, vests in the CIAC original and exclusive jurisdiction over disputes arising from, or connected with, contracts entered into by the parties involved in construction in the Philippines.^[14]

Undoubtedly, to split the third party complaint from the complaint and cross-claim would result in a further retardation in the resolution of the insurance and indemnity claims which have become integral parts of present-day construction disputes, further impeding the achievement of our national development goals.

In fine, we rule and find that the CIAC committed grave abuse of discretion amounting to lack or excess of jurisdiction in dismissing the third party complaint of PGIC.

WHEREFORE, premises considered, the instant Petition for Certiorari is GRANTED, such that the assailed Orders dated 24 September 2013 and 13 October 2013 rendered by the Construction Industry Arbitration Commission (CIAC) in CIAC Case No. 22-2013 are hereby REVERSED and SET ASIDE.

SO ORDERED.

Carandang, R.D., (Chairperson) and Sorongon, E.D. JJ., concur.

[1] Rollo, p. 3.

[2] The method of making one document of any kind become a part of another separate document by alluding to the former in the latter and declaring that the former shall be taken and considered as a part of the latter the same as if it were completely set out therein., Black's Law Dictionary, 5th ed., p. 690.

[3] Rollo, p. 26.

[4] Rollo, pp. 26-27.

[5] People's Broadcasting v. The Sec. of the Department Labor and Employment, etc., G.R. No. 179652, 08 May 2009.

[6] Landbank of the Philippines v. Atlanta Industries, Inc., G.R. No. 193796, 2 July 2014.

[7] Rollo, p. 93.

[8] G.R. No. 136423, 20 August 2002 citing National Power Corporation v. Court of Appeals, G.R. No. :-43706, 14 November 1986.

[9] Section 3 (d), Rule 131 of the Revised Rules of Court.

[10] Rollo, pp. 47 and 49.

[11] G.R. No. 129169, 17 November 1999.

[12] Eastern Assurance and Surety Corporation v. Hon. Cui, G.R. No. L-54452, 20 July 1981, citing Republic vs. Central Surety & Insurance Co., G.R. L-27802, 26 October 1968.

[13] Leonquinco v. Canada Dry Bottling Company of the Phils, Inc., G.R. No. L-28621, 22 February 1971.

[14] William Golangco Construction Company v. Ray Burton Development Corporation, G.R. No. 163582, 9 August 2010.

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