

**PLLAR GIL VDA. DE MURCIANO, REPRESENTED IN THIS CASE BY
HER ATTORNEY-IN-FACT, CARLOS RODRIGUEZ, PETITIONER, VS.
THE AUDITOR GENERAL, ET AL., RESPONDENTS.**

G.R. No. 11744. May 28, 1958

Ponente: REYES, J.B.L., J.

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REYES, J.B.L., J.:

This is a petition to review a decision of the Auditor General denying payment of petitioner Pilar Gil Vda. de Murciano's claim for the balance of back rentals on her property in Porac and Floridablanca, Pampanga, which was used as impact area by the Armed Forces of the Philippines from May 1, 1948 to October 8, 1949.

The property in question was originally occupied by the United States Army after liberation, and the United States Government paid for it a monthly rental of P6.00 per hectare. After the withdrawal of the United States Army from the premises, a portion thereof was occupied and utilized from May 1, 1949 to October 8, 1949, by the Artillery Firing Group of the Philippine Ground Force, Armed Forces of the Philippines, as impact area. To indemnify petitioner for this occupancy and use of her property, the Office of the Chief of Engineers, Philippine Service Command, Armed Forces of the Philippines, at Camp Murphy, through Lt. Col. Rigoberto J. Atienza, on July 27, 1950 forwarded to petitioner for her signature a quitclaim agreement whereby she was to be paid the amount of P15,067.31 representing "complete payment of rentals for the entire period of occupancy from 1 May 1948 to 8 October 1949 at the rate of P6.00 per hectare per month", "the same rate the U. S. Army was paying before for similar lot within the area", with the understanding that upon payment of said amount, "the Armed Forces of the Philippines is released from all claims which you may have against it for the occupancy of the land upon payment of the above-mentioned rentals". (Annexes "C" and "D", Petition)

The above quitclaim agreement was signed by petitioner, through her attorney-in-fact, on August 14, 1950, but for some reason or another was not received by the Office of the Chief of Engineers of the Armed Forces of the Philippines; so that on February 5, 1951, Lt. Col. Atienza sent petitioner another letter asking for the return of the signed quitclaim agreement in order that payment thereof may be made upon availability of funds. A new quitclaim agreement of exactly the same tenor as the first was, therefore, on April 4, 1951, prepared and signed by petitioner, through her attorney-in-fact, and again returned to the Office of the Chief of Engineers of the Armed Forces, of the Philippines at Camp Murphy, but before it could be signed by Lt. Col. Littaua of the Philippine Service Command in representation of the Republic of the Philippines, the Armed Forces of the Philippines was reorganized and the Philippine Service Command abolished. Whereupon, Col. Antonio P. Chanco, Deputy and Ex-O, Office of the Chief of Engineers, sent petitioner another copy of the quitclaim agreement similar to the first, informing petitioner that due to the reorganization of the Armed Forces and the abolition of the Philippine Service Command, it was the Acting Chief of Staff who had been authorized to sign contracts of lease in behalf of the Republic of the Philippines, and asking petitioner to sign said agreement and forward the same to his Office. The agreement was signed by petitioner's attorney-in-fact and returned to the Armed Forces of the Philippines.

Before signing the agreement in behalf of the Republic, however, the Chief of Staff of the Armed Forces appointed a survey party to ascertain the amount of damage to petitioner's property, and the survey party found that no substantial damage was caused thereto to justify the payment of P15,067.31 to petitioner. Wherefore, petitioner was offered the amount of P3,386.40 in full satisfaction of her claim, which she refused to accept. Protracted negotiations followed, resulting in the payment by the Armed Forces of the Philippines to petitioner of the sum of P7,000, without prejudice to "further claims on the balance" (Annex E).

On June 26, 1956, petitioner sent a letter to the Auditor General requesting payment of her claim of P15,067.31, plus interests at the rate of 6% per annum from May 1, 1948 until full payment, minus the sum of P7,000 already received by her from the Armed Forces of the Philippines. This letter was endorsed by the Auditor General to the Chief of Staff of the Armed Forces, who returned the claim with the recommendation that it be denied, for the reason that the use of petitioner's land by the Armed Forces was only intermittent; that the Armed Forces did not have any contract, express or implied, with petitioner for the payment of rentals on her property; that its payment to petitioner of the sum of P7,000 was based on the principle of "quantum meruit" that petitioner had not submitted satisfactory proof that the damage to her property warranted the payment of her additional claim; and that although petitioner had reserved her right to make further claims upon the government, such reservation did not bind the government to accept the same, totally or partially. In view of the explanations and recommendation of the Chief of Staff, the Deputy Auditor General denied petitioner's claim, hence the present petition for review.

On the basis of the above facts, we believe the Deputy Auditor General erred in denying petitioner's claim.

It appears that it was the Armed Forces of the Philippines, through the Office of the Chief of Engineers, which, on July 27, 1950, offered to pay the petitioner the total amount of P15,067.31 as rentals for its use of her property from May 1, 1948 to October 8, 1949, even enclosing in its offer a quitclaim agreement prepared by the Army for petitioner's signature. The authority of the representatives of the Armed Forces who made this offer to petitioner is not denied; therefore, the offer was binding and effective on the Armed Forces of the Philippines. Said offer was accepted by petitioner and the quitclaim agreement, duly signed by petitioner's attorney-in-fact, was returned to the offeror. Receipt of petitioner's acceptance is, again, admitted by the Armed Forces of the Philippines. From the time the Armed Forces received petitioner's acceptance, therefore, a contract for the payment of P15,067.31 to petitioner in full satisfaction of rentals on her property during its use and occupancy by the Philippine Army was perfected between the parties (Art. 1319, New Civil Code).

Even after the reorganization of the Armed Forces of the Philippines and the transfer of authority to sign contracts of lease in behalf of the Republic of the Philippines to the Chief of Staff, the Armed Forces had recognized the existence of a perfected contract to pay petitioner the sum of P15,067.31, as shown by the letter of Col. Antonio P. Chanco of the Office of the Chief of Engineers, Camp Murphy, advising petitioner of said reorganization and transfer of authority to sign the quitclaim agreement to the Chief of Staff, and asking her to sign anew the same agreement (Orig. Recs., p. 14).

The Armed Forces claim that after the signed agreement was returned by petitioner, the Chief of Staff refused to sign it in behalf of the Republic because it was found that the damage to petitioner's property did not warrant the payment to her of the sum of P15,067.31. But that as it may, this circumstance does not in the least affect petitioner's right to ask for the fulfillment of her perfected agreement with the Armed Forces of the Philippines for the payment to her of the amount of P15,067.31. It is elementary that a contract, once perfected, is binding on both parties and its validity or compliance cannot be left to the will of one of them (Art. 1308, Civil Code). The absence of a writing does not preclude the binding effect of the contract duly perfected by a meeting of the minds, the contract not being of the class called "formal" or "solemn" in which the writing is essential to their binding effect. Nor may contracts deliberately entered into be overturned by reason of mistake of one of the parties to

which the other in no way has contributed (*De Gonzales Mondragon vs. Santos*, 48 Off. Gaz., (2), 560, 87 Phil., 471; also *Tanda vs. Aldaya*, 89 Phil., 497).

The Armed Forces of the Philippines claim that when it had refused to pay petitioner her claim of P15,067.31, her attorney-in-fact submitted a counteroffer of P7,000.00 allegedly in full satisfaction of her claim. Granting the truth of this allegation, the Armed Forces admit, however, that said counteroffer was not considered by its Headquarters "due, among other things, to lack of funds". In fact, what appears is that the Armed Forces insisted in paying petitioner no more than P3,386.40. Assuming therefore, that petitioner did offer to novate her original contract with the Army by reducing her claim to P7,000.00, such offer was not accepted by the latter; hence, no novation took place and the parties are still bound by their original agreement.

The Solicitor General asserts that petitioner had waived whatever rights she had to make further claims on the Armed Forces when she finally accepted the sum of P7,000.00 and signed with the Republic of the Philippines an agreement (Orig. Recs., pp. 20-21) providing, among other things, that she accepted said amount of P7,000.00 "in the complete payment and full satisfaction" of all her claims against the Republic, and that "both parties agree to release each other from all claims whatsoever". We find the argument untenable, for in the same agreement that petitioner signed with the Republic, she made the following reservation:

"Notwithstanding the stipulation in this contract, the Party of the First Part hereby reserves her rights in accordance with the letter of her counsel dated April 12, 1956, to the Chief of Staff, AFP."

In fact, it appears that the amount of P7,000.00 was paid to petitioner "without prejudice of further claim on the balance" (Orig. Recs., p. 19) ; and this is confirmed by the endorsement of the chief of Staff returning petitioner's claim to the Auditor General, stating that "after protracted , negotiations, the Armed Forces of the Philippines paid the claimant the compromise sum of P7,000.00 which the latter accepted without prejudice to her right to make further claims" (supra, p. 25). It is thus clear that petitioner had never waived, but had always insisted on, her right to make further claims upon the Armed Forces of the Philippines, even as she had accepted the amount of P7,000.00, which she merely considered as partial payment of her claim.

The Solicitor General also argues that petitioner's claim is not one for rentals but for damages to her property; and that the extent of damages to which petitioner is entitled is only the reasonable compensation for the use of the premises, which the Office of the Chief of Staff later found to be only P3,386.40. Whether petitioner's claim be for rentals or damages, however, the fact remains that from the very beginning the Armed Forces of the Philippines had itself fixed the reasonable compensation or indemnity due to petitioner at the amount of P15,067.31, even justifying its reasonableness on the ground that "this is the same rate the U.S. Army was paying before for similar lots within the area" (Orig. Recs., p. 17). As this offer was, as already stated, legally accepted by petitioner, the Armed Forces can not, by unilateral act and without petitioner's consent or approval, modify or alter its previous perfected contract with her by reducing the amount payable.

For the above reasons, we hold that petitioner is entitled to, and should be paid, the balance of her claim against the Republic of the Philippines in the amount of P8,067.31. She can not, however, recover interests on this amount from May 1, 1948, as prayed for by her. The rule is that a debtor is considered to incur in delay only from the time the obligee judicially or extrajudicially demands the fulfillment of the obligation (Art. 1169, New Civil Code), and it is only from the time of delay that interest is recoverable (Art. 2209, supra). There being no evidence showing that petitioner made demands upon the Armed Forces of the Philippines for the payment of the balance of her claim prior to her filing thereof with the Auditor General on June 26, 1956, she must be considered to have made demand for its payment only on this date. Therefore, petitioner is entitled to the payment of interests only from June 26, 1956.

The decision appealed from is reversed, and the Auditor General is ordered to approve payment for petitioner the amount of P8,067.31, with legal interests thereon from June 26, 1956 until full payment. Cost de oficio. So ordered.

Paras, C.J., Bengzon, Montemayor, Reyes, A., Bautista Angelo, Labrador, Concepcion, Endencia, and Felix, JJ., concur.

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