

BANGKO SENTRAL NG PILIPINAS, PETITIONER, VS. JESUS G. SANTAMARIA, DOING BUSINESS UNDER THE NAME AND STYLE OF J. SANTAMARIA & ASSOCIATES, RESPONDENT.

G.R. No. 139885. January 13, 2003

Ponente: QUISUMBING, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-139885/>

QUISUMBING, J.:

For review on certiorari is the Court of Appeals' decision[1] dated May 21, 1999, in CA-G.R. SP No. 47274, which dismissed the Bangko Sentral ng Pilipinas' (BSP) petition for review under Rule 43 of the 1997 Rules of Civil Procedure of the decision[2] dated February 9, 1998 and Amended Award[3] dated February 20, 1998 of the Construction Industry Arbitration Commission (CIAC), in CIAC Case No. 37-97. The appellate court affirmed in toto the CIAC decision ordering BSP to pay herein respondent Jesus G. Santamaria (JGS), doing business under the name and style of J. Santamaria and Associates (JSA), unpaid billings amounting to P621,666.53 plus the corresponding interest. Before us, BSP likewise assails the appellate court's resolution[4] dated August 19, 1999 denying its motion for reconsideration.

The facts, as culled from the records, are as follows:

Petitioner BSP, thru its Prequalification, Bids & Awards Committee (PBAC), invited respondent herein to submit a sealed proposal for Project Construction Management (PCM) services of petitioner's Regional Unit Building in Lucena City. Initially, respondent's proposal amounted to P1,087,963.56 but this was later reduced to a lump sum fee of P676,044.35, broken down into P59,278.86 pre-construction phase fee for two months and P616,765.49 construction/post-construction phase fee for the succeeding eight (8) months, or a total service period of 10 months.

On January 7, 1993, BSP issued the Notice of Award to JSA for the said project.

On March 13, 1993, BSP and respondent entered into a "Contract for the Project Construction Management Services,"[5] with the following pertinent provisions:

ARTICLE I – SCOPE OF WORK

The PCM[6] shall undertake the project management, design management and construction management, with the end-view of ensuring for the BANK a high degree of quality control and inspection, and that all phases of the construction, such as architectural, structural, electrical, mechanical, sanitary/plumbing, airconditioning, civil works and other phases of work that are necessary to complete the project, are properly accomplished. Its services shall supplement and/or complement administrative supervision by the BANK and the PCM shall provide an on-site Construction Management Staff to monitor and closely coordinate the different phases of the construction work.

x x x

ARTICLE II- COMPENSATION AND MANNER OF PAYMENT

For services to be rendered by the PCM for ten (10) months, inclusive of the pre-construction, construction and post-construction periods, the BANK shall pay the amount of SIX HUNDRED SEVENTY SIX THOUSAND FORTY FOUR PESOS & 35/100 (P676,044.35) Philippine Currency, broken down as follows:

Pre-Construction Phase

-

P59,278.86 to be paid in two (2) equal payments: 1st payment to be released after the opening of bids while the 2nd payment will be released after the issuance of the Notice of Award (NOA)

Construction, Post-Construction & Project Close-out Phase

-

P616,765.49 to be paid as progress billings on the value of work accomplished including cost of owner-furnished materials.

Supervision of construction work beyond the original contract completion time, unless officially authorized by the BANK, shall not entitle the PCM to additional compensation and shall be undertaken by the PCM for his own account.

Contract completion time may, however, be extended only for the following reasons:

- Delay in delivery of owner-furnished materials
- Change in scope of work due to revisions
- Hold orders on areas requiring the decision of the BANK
- Unreasonably delayed payments
- Force majeure

Supervision by the PCM during duly authorized extensions of contract time shall be compensated on the basis of actual man-months rendered and approved rates multiplied by a factor of 1.5.

x x x

On September 9, 1994, BSP and C.T. Gumaru Construction (CTGC) entered into a "Contract for the Complete Supply of Labor and Materials for the Proposed Construction of the Bangko Sentral Regional Unit Building in Lucena City." By virtue of said agreement, CTGC bound itself to, among other things, undertake the proposed construction of BSP's building in Lucena City to be completed within two hundred forty (240) calendar days, to be reckoned from ten (10) calendar days after CTGC's receipt of the Notice to Proceed.

Construction commenced on September 29, 1994 with a target completion date on May 26, 1995, after CTGC received the Notice to Proceed on September 19, 1994.

The construction incurred delays. On January 26, 1995, the construction was suspended pending finalization of revisions and issuance by BSP of Variation Orders.[7]

On June 28, 1995, BSP issued Variation Order No. 1 for the relocation of the guardhouse, pump room, underground water tank, front property fence and gate, and the electrical service pedestal. As a result, construction work came to a halt in the areas affected by the order.

On July 18, 1995, BSP lifted the suspension and came out with Variation Order No. 2 covering the increase in height of the additional columns, walls, additional filling works, and additional height of shoring for the second floor at the main building. Once more, work on the construction was suspended in the affected areas.

On August 16, 1995, BSP issued Variation Order No. 3 with certain revisions for the exterior site development.

In view of the Variation Orders, BSP granted CTGC's request for a 90-day extension of the construction period. The target completion date of the project was reset to April 9, 1996.

On January 8, 1996, CTGC requested the BSP for temporary suspension of the contract time pending resolution of CTGC's unpaid billings, request for unit price adjustment and the effect of the Expanded Value Added Tax on its contract. Respondent recommended denial of the request for lack of merit and suggested that BSP rescind CTGC's contract should the delay in the construction schedule reach the critical limit.

On February 23, 1996, respondent submitted to BSP claims for payment for extended services from May 27, 1995 to January 31, 1996 in the amount of P450,604.96 (stress supplied).[8] However, BSP took no action on said request for payment.

Upon the expiration of the April 9, 1996 extended completion date, CTGC had completed only 32.8884% of the project but continued working on the site, while JSA continued to provide project management services.

On July 31, 1996, CTGC pulled out of the project, having only completed only about one-third or 33.1881% of the work. The following day, respondent likewise ceased to provide management services.

On September 10, 1996, JSA submitted another claim for payment of extended services from February 1, 1996 to April 9, 1996 in the amount of P62,451.05.[9] Again, BSP played deaf and dumb to the request for payment. Respondent sent several follow-up letters to BSP regarding this as well as the previous claim but without any response from BSP.

On August 4, 1997, BSP and CTGC entered into a "Supplemental Contract for the Proposed Construction of the Bangko Sentral Regional Unit in Lucena City." Under this new agreement, the project was to be completed within two hundred forty (240) calendar days effective from receipt of the Notice to Resume Work.

On August 14, 1997, BSP issued to CTGC the Notice to Resume Work.

On September 25, 1997, BSP advised respondent of CTGC's resumption of work. It then requested that respondent remobilize and deploy his resident/project engineer at the project site. Respondent, however, refused to comply with BSP's request pending resolution of his claims for payment for the extended services previously rendered.

In its letter of October 27, 1997, BSP explained its position on the contract saying that payments were to be made on a lump sum basis. It promised to pay respondent after a definite milestone had been reached in the project. It again reiterated its request for remobilization of respondent's resident/project engineer.

On November 12, 1997, respondent filed a Request for Adjudication before the CIAC to demand payment from BSP of unpaid billings amounting to P746,867.93, inclusive of interest and arbitration fees. CIAC found respondent's claims to be valid, thus:

On the basis of the above findings, it is the conclusion of this Arbitrator that the claim of JGS is valid. Accordingly, BSP is ordered to pay JGS its first billing in the amount of P450,604.96, with interest at the rate of 6% per annum from February 23, 1996 until it is fully paid; and its second billing for the amount of P62,451.05 with interest also at the rate of 6% per annum from September 10, 1996 until it is fully paid.

In view of the long delay in the construction of the Project, the prices quoted by JGS are no longer realistic. It would be unjust and inequitable for JGS to be required to complete the balance of the work which is estimated to be 66% in accordance with the unit rates made by JGS in his proposal. This Arbitrator would have no basis for determining the appropriate adjustment taking into consideration cost escalation. The parties are, therefore, directed to negotiate and determine the amount of cost escalation to be allowed JGS for work already performed and for performing the balance of 66% of the work....

x x x

In view of the finding that neither party acted in bad faith, no award for attorney's fees is made. Both parties are ordered to pay in equal share the cost of arbitration including the arbitrator's fees.[10]

The CIAC noted that the contract itself had allowed additional compensations on authorized extensions and that any delays in this case are solely attributable to BSP first, due to design revision and second, due to its delay in resolving the issues raised by CTGC, so that the project completion date had gone far beyond what the parties had contemplated. Hence, BSP should bear any resulting losses.

Upon respondent's request, CIAC amended the first paragraph of the award to read as follows:

On the basis of the above findings, it is the conclusion of this Arbitrator that the claim of JGS is valid. Accordingly, BSP is ordered to pay JGS its first billing in the amount of P450,604.96, with interest at the rate of 6% per annum from February 23, 1996 until it is fully paid; and its second billing for the amount of P62,451.05 with interest also at the rate of 6% per annum from September 10, 1996 until it is fully paid; and the amount of P108,610.52 for services rendered from April 10, 1996 to July 31, 1996.[11] (*Italics supplied*)

On March 11, 1998, BSP filed a Motion for Correction/ Reconsideration, which the CIAC denied in its Order[12] of March 16, 1998.

BSP then filed a petition for review before the Court of Appeals, but the latter affirmed in toto the decision and amended award of the CIAC, to wit:

FOR ALL THE FOREGOING, the instant petition is hereby DISMISSED and the challenged decision dated February 9, 1998 and Amended Award dated February 20, 1998, both of the Construction Industry Arbitration Commission in CIAC Case No. 37-97 AFFIRMED (sic) in toto.

SO ORDERED.[13]

The Court of Appeals found that while the PCM contract provided for a lump-sum payment for services rendered, it also provided for additional compensation for services rendered beyond the original completion date, if officially authorized by BSP. Thus, it is purely lump sum only when the project is accomplished on the original completion date. The appellate court likewise observed that the absence of formal authorization to extend the completion date cannot be a source of comfort for BSP, as the contract was ambiguous on this point. It was not comprehensive enough to include mechanisms for respondent to compel BSP to issue an official authorization to extend the project period, should circumstances call for such an issuance. It noted that the delays were clearly not attributable to respondent. Hence, it would be utterly oppressive to respondent if the "progress billing" provisions be strictly applied as such presupposes that the project will be completed within the targeted completion date. The appellate court ruled that respondent should not be made to pay for the consequence of CTGC's incompetence, negligence or abandonment of the project since respondent rendered full service within the project period.

Hence, the instant petition, alleging that the Court of Appeals erred in not finding that:

- ...THE PCM CONTRACT IS A LUMP SUM CONTRACT IN AND FOR THE SUM OF P676,044.35.

- ...THE COMPENSATION FOR THE PROJECT CONSTRUCTION MANAGEMENT SERVICES IN THE CONSTRUCTION, POST-CONSTRUCTION, AND PROJECT CLOSE-OUT PHASES IS TO BE PAID ON PROGRESS BILLINGS BASED ON THE VALUE OF WORK ACCOMPLISHED BY THE GENERAL CONTRACTOR, INCLUDING THE COST OF OWNER-FURNISHED MATERIAL.
- ...ADDITIONAL COMPENSATION FOR ALLEGED EXTENDED SERVICES RENDERED BY JSA MAY BE GIVEN ONLY IF THE SUPERVISION IS OFFICIALLY AUTHORIZED BY BSP.
- ...THE CONSTRUCTION INDUSTRY ARBITRATION COMMISSION'S COMPUTATION OF THE AWARD IN FAVOR OF JSA'S IS NOT SUPPORTED BY EVIDENCE.[14]

Given these averments, the only issue for our resolution is whether or not the Court of Appeals erred in holding that respondent is entitled to the payment claimed for extended services under the PCM Contract.

At the outset, we must stress that petitioner is raising factual issues which are not proper in a petition for review. In an appeal via certiorari, only questions of law may be reviewed.[15] We note that matters on the entitlement of respondent to additional compensation for the extended services and the provisions of lump-sum payment and progress billings on the PCM contract are factual issues which had been exhaustively discussed and ruled upon by CIAC and affirmed by the Court of Appeals. It is well settled that factual findings of quasi-judicial bodies that have acquired expertise are generally accorded great respect and even finality, if they are supported by substantial evidence.[16]

In this case, we find no cogent reason to disturb the factual findings of the CIAC as affirmed by the Court of Appeals. Both the Court of Appeals and CIAC found that the PCM contract is purely lump sum and payments be made based on "progress billings" only when it is completed within the original completion date. However, it also allowed additional compensations for services rendered beyond the original completion date and as noted by the CIAC, any delays in this case are solely attributable to BSP, hence it should bear any resulting losses. Apparently, petitioner would insist on its own interpretation of the PCM contract. This cannot be, as it is not in accord with reason and the law. In interpreting a contract, its provisions should not be read in isolation but in relation to each other and in their entirety so as to render them effective, having in mind the intention of the parties and the purpose to be achieved. The various stipulations of a contract shall be interpreted together, attributing to the doubtful ones that sense which may result from all of them taken jointly.[17]

Petitioner claims that the monetary awards on the extended services of respondent from May 27, 1995 to July 31, 1996 granted by CIAC and affirmed by the Court of Appeals are incorrect and unsupported by evidence. Petitioner assails the CIAC for relying on the affidavit of Jesus G. Santamaria and the certification of one Percival Pagador[18] which indicate that the Project Manager, Project Engineer and Cost Engineer were all present during the extended period and not considering the logbooks it presented showing that only a resident engineer was on the site during the said period. Again, these are factual matters which are improper in this petition. But we note the Court of Appeals already found that petitioner did not present any substantial evidence to refute the affidavit and certification, to wit:

Petitioner BSP itself alleges that in finding that the personnel of JGS were at the project site during the subject periods, CIAC merely relied on the affidavit of Jesus Santamaria (Exhibit "A-29"), and the Certification dated January 27, 1998 (Exh. "A-30"), of one Percival Pagador, Project Manager of CTGC. In short, BSP impliedly admits that this particular finding of the CIAC is somehow supported by evidence, albeit not of the quantum desired by it. We are constrained to uphold such finding because We do not see in the instant petition any countervailing proof that the same and the computation made on the basis thereof are actually inaccurate.

As it appears, BSP is itself not in a position to competently ascertain the truth of JGS's allegation relative to the number and actual presence of its personnel at the site. For sure, on page 19 of its petition, BSP in fact

admits that it “had no other way of checking the actual presence of JGS’s personnel at the project site”. If this were so, then how can We fault the CIAC for relying on the figures furnished by JGS when no evidence whatsoever was put forward by the petitioner to refute what JGS had presented as bases for its monetary claim?[19]

Moreover, as pointed out by CIAC, BSP had raised this issue belatedly, thus:

Moreover, the [BSP], in its answer and in its special defenses, had not raised as issues the matter of the number of Claimant’s technical personnel at the project site, nor of the basis of the computation of the Claimant’s billings. It should have done so since the Claimant’s exhibits were attached to his original claim.

It is, therefore, too late in the day for the [BSP] to raise Ground No. IV as basis for seeking a reconsideration of the Decision and of the Amended Award.[20]

Finally, we find that the award of interest needs modification. Except on the amount of P108,610.52 for services rendered from April 10, 1996 to July 31, 1996, for which no interest was awarded, the CIAC awarded interest at the rate of 6% per annum from the dates of demand, i.e. February 23, 1996 and September 10, 1996, respectively, until fully paid. These referred to the first and second billings amounting to P450,604.96 and P62,451.05, respectively.

In *Eastern Shipping Lines, Inc. vs. CA*, 234 SCRA 78 (1994), we laid down the following guidelines in the imposition of interest:

x x x

- When an obligation, not constituting a loan or forbearance of money, is breached, an interest on the amount of damages awarded may be imposed at the discretion of the court at the rate of 6% per annum. No interest, however, shall be adjudged on unliquidated claims or damages except when or until the demand can be established with reasonable certainty. Accordingly, where the demand is established with reasonable certainty, the interest shall begin to run from the time the claim is made judicially or extrajudicially (Art. 1169, Civil Code) but when such certainty cannot be so reasonably established at the time the demand is made, the interest shall begin to run only from the date the judgment of the court is made (at which time the quantification of damages may be deemed to have been reasonably ascertained). The actual base for the computation of legal interest shall, in any case, be on the amount finally adjudged.

- When the judgment of the court awarding a sum of money becomes final and executory, the rate of legal interest, whether the case falls under paragraph 1 or paragraph 2, above, shall be 12% per annum from such finality until its satisfaction, this interim period being deemed to be by then an equivalent to a forbearance of credit. [21]

Since this case does not involve any obligation arising from loan or forbearance of money, then the interest should be imposed as follows:

On the first billing for P450,604.96 – 6% per annum computed from the date of demand on February 23, 1996 while an interest of 12% per annum shall be imposed on such amount from the finality of this decision until the payment thereof.

On the second billing for P62,451.05 - 6% per annum computed from the date of demand on September 10, 1996 while an interest of 12% per annum shall be imposed on such amount from the finality of this decision until the payment thereof.

On the P108,610.52 for services rendered from April 10, 1996 to July 31, 1996 - 6% per annum computed from the date of decision of CIAC on February 20, 1998 while an interest of 12% per annum shall be imposed on such amount from the finality of this decision until the payment thereof.

WHEREFORE, the petition is DENIED, and the decision of the Court of Appeals in CA G.R. SP. No. 47274 is AFFIRMED with the MODIFICATION that petitioner Bangko Sentral ng Pilipinas is ordered to pay respondent Jesus G. Santamaria the amount of P450,604.96 plus interest thereon at the rate of 6% per annum computed from February 23, 1996; the amount of P62,451.05 plus interest thereon at the rate of 6% per annum computed from September 10, 1996; and the amount of P108,610.52 plus interest thereon at the rate of 6% per annum computed from February 20, 1998. However, for any amount not yet paid after the date of the finality of this decision, the rate of interest on the payable amount shall be increased to 12% per annum from the date of this decision until fully paid. Costs against petitioner.

SO ORDERED.

Bellosillo, (Chairman), Mendoza, Austria-Martinez, and Callejo, Sr., JJ., concur.

[1] Rollo, pp. 43-60. Per Garcia, J., with Salas and Rivera, JJ., concurring.

[2] Id. at 115-123.

[3] Id. at 124-126.

[4] Id. at 62.

[5] Id. at 211-220.

[6] The acronym stands for "Project Construction Manager."

[7] Variation Order – authorizes/directs the execution of additional works needed and necessary for the completion, improvement or protection of the project which were not included as items of work in the original contract (par. C1, 1, 4[a] of the Implementing Rules and Regulations of P.D. No. 1594, as amended), cited in Rollo, p. 313, footnote no. 1.

[8] Rollo, pp. 236-237.

[9] Id. at 238.

[10] Id. at 80.

[11] Id. at 83.

[12] Id. at 85-88.

[13] Id. at 59.

[14] Id. at 10.

[15] Palon vs. Nino, 353 SCRA 204, 214 (2001).

[16] Philrock, Inc. vs. Construction Industry Arbitration Commission, 359 SCRA 632, 643-644 (2001).

[17] CIVIL CODE, art. 1374.

[18] Records, Folder No. 2, Exh. A-29.

[19] Rollo, p. 59.

[20] Id. at 129.

[21] 234 SCRA 78, 96-97 (1994). See also *Rodzssen Supply Co., Inc. vs. Far East Bank & Trust Co.*, 357 SCRA 618, 624-625 (2001).

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.