

EDUARDO B. MANZANO, PETITIONER, VS. ANTONIO B. LAZARO, RESPONDENT.

G.R. No. 173320. April 11, 2012

Ponente: PERALTA, J.

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PERALTA, J.:

Before us is a Petition for Review on Certiorari of the Decision[1] and Resolution[2] of the Court of Appeals in CA-GR. CV No. 82753, dated February 28, 2006 and June 21, 2006, respectively, affirming the Decision[3] of the Regional Trial Court (RTC), Branch 97, Quezon City, in Civil Case No. Q-98-35924.

On February 16, 1998, petitioner Eduardo B. Manzano and respondent Antonio B. Lazaro entered into a Professional Services Contract[4] pertaining to the former's candidacy for the Vice-Mayoralty post in Makati City. Petitioner as the first party and respondent as the second party agreed that the contract shall take effect on February 16, 1998 until May 15, 1998. The contract provided among others:

II. Roles and Responsibilities of Contracting Parties

Responsibilities of the Second Party:

- He shall head the organizational machinery of the First Party.
- He shall be responsible in hiring and firing the required personnel to man the different positions of the organization.
- He shall authorize the expenditures of the campaign.
- He shall assist in the mobilization of resources for the campaign.
- He shall set-up administrative mechanisms to safeguard the efficient and effective use of resources.
- He shall take full responsibility for all the furniture and fixtures to be assigned to the designated headquarters.
- He shall develop programs and projects in aid of ensuring the winnability of the candidate.

Responsibilities of the First Party.

- He shall ensure the provision of financial resources and other logistical requirements for the conduct of operations.
- He shall compensate the second party as stipulated in the Section III for Remuneration and Manner of Payment.

III. Remuneration and Manner of Payment:

A. The monthly rate due for the Second Party is SEVENTY THOUSAND PESOS (P70,000.00). This will be given in two equal tranches, on the 15th and 30th of each month, from February 16, 1998 up to May 15, 1998,

or a total of three (3) months.

B. A bonus pay amounting to TWO HUNDRED THOUSAND PESOS (P200:000.00) shall be given to the second party in the event that the First Party win the Vice-Mayoralty post.[5]

Subsequently, petitioner won as Vice-Mayor of Makati. Respondent, thereafter, learned in a transmittal letter[6] dated June 16, 1998 representing the last payroll of certain individuals, which included him, that he would be paid the amount of P15,000.00 only and the balance of P20,000.00 shall be forwarded only upon his final inventory of materials used during the campaign. Hence, respondent, in his letter[7] dated July 3, 1998 to petitioner, wrote that he had already turned over the equipment used for the campaign. Respondent then demanded the payment of P20,000.00 as balance of his compensation and the P200,000.00 bonus pay agreed upon.

Petitioner acknowledged respondent's demand letter and the delivery of the campaign equipment and furniture in his letter[8] dated July 17, 1998, but wrote that he needed to receive the liquidation of the expenses incurred during the campaign, which task was requested shortly after the May 11, 1998 elections.

In his letter[9] dated July 30, 1998, respondent wrote that the preparation of the audited financial report of the campaign was not part of his responsibilities as he was not in charge of the management of campaign funds; that such function was assigned to Robert Gomez and Soliman Cruz (Cruz) who acted as petitioner's Director for Finance with petitioner's brother, Angie Manzano (Angie), as the auditor. He reiterated the payment of P220,000.00 due him.

On even date, Cruz wrote petitioner a letter[10] dated July 30, 1998, stating that he did not volunteer respondent to prepare the liquidation of expenses, as respondent had nothing to do with the campaign accounting records; and that petitioner's request for liquidation of campaign expenses was another switch in petitioner's condition prior to settling his obligation with respondent.

As respondent's demand for petitioner to pay him remained unheeded, he filed with the RTC an action for collection of sum of money against petitioner.

In his defense, petitioner argued that he hired respondent's services of the latter's representation of being a seasoned and an experienced campaign manager. However, during the campaign period, he discovered that respondent had no expertise or capacity for political organization and was often absent during campaign sorties and public meetings; that he failed to provide petitioner with poll watchers to safeguard his chances of winning against electoral fraud. Petitioner deemed it best to merely exclude him from the strategic planning sessions rather than confront him as he had already the knowledge of the campaign activities and supporters. Petitioner opined that he won the elections due to his popularity and the support of his family and friends; and that respondent was not entitled to a bonus pay, since respondent failed to show any significant contribution or role in his electoral victory.

On June 7, 2004, the RTC rendered its Decision, the dispositive portion of which reads:

WHEREFORE, premises considered, Decision is hereby rendered directing the defendant Eduardo B. Manzano to pay to the plaintiff the following:

- Two Hundred Twenty Thousand Pesos (PHP220,000.00) representing the plaintiff's professional service fee covering the May 1-15 1998 period and bonus for the defendant's electoral victory as stipulated in the Professional Service Contract, plus legal interests from 03 July 1998 until fully paid; and
- Thirty Thousand Pesos (PHP30,000.00) as Attorney's Fees.[11]

In so ruling, the RTC said that to allege that petitioner's consent was vitiated would not justify the refusal to pay

the agreed remuneration in the absence of a court ruling annulling the subject contract; and that unless said contract was annulled, the terms therein remained enforceable. As to the alleged failure to comply with the responsibilities set forth in the contract, the RTC said that the power to rescind obligation is implied in reciprocal ones, but in the absence of a stipulation to the contrary, the power must be invoked judicially and cannot be exercised solely on a party's own judgment that the other has committed a breach of obligation. It also found petitioner's allegation of breach of contract inconsistent with the statement in the last payroll where petitioner acknowledged the balance due respondent, since if petitioner believed that respondent failed to perform his responsibilities, he should not have stated in the last payroll that the balance due respondent would be given upon submission of the inventory of the campaign materials. The RTC concluded that petitioner's contention was merely used as an excuse to evade payment after respondent had complied with the conditions requiring the latter to submit such inventory. The RTC awarded attorney's fees, because of petitioner's refusal to pay respondent's claim which compelled him to litigate.

Dissatisfied, petitioner filed his appeal with the CA. Respondent filed his Comment and petitioner his Reply thereto. Thereafter, the case was submitted for decision.

On February 28, 2006, the CA rendered its assailed Decision, which dismissed the appeal and affirmed the RTC decision.

Petitioner's motion for reconsideration was denied in a Resolution dated June 21, 2006.

Hence, the instant petition which raises the following errors:

I

THE COURT OF APPEALS GRAVELY ERRED IN LIMITING THE DISCUSSION OF ITS QUESTIONED DECISION ONLY TO THE SUBJECT OF THE PROFESSIONAL SERVICES CONTRACT BETWEEN PETITIONER AND RESPONDENT BEING VOIDABLE AND ITS ALLEGED RATIFICATION BY PETITIONER. THE RULING OF THE COURT OF APPEALS, DOES NOT, IN ANY WAY, TOUCH UPON THE ISSUE OF RESPONDENT'S MATERIAL BREACH OF

THE CONTRACT, AND WHETHER HE IS ENTITLED TO THE BONUS OF P200,000.00 AS A RESULT OF SUCH BREACH.

II

THE COURT OF APPEALS GRAVELY ERRED IN FAILING TO HOLD THAT RESPONDENT COMMITTED SERIOUS BREACH BY FAILING TO PERFORM HIS DUTIES UNDER HIS PROFESSIONAL SERVICES CONTRACT WITH PETITIONER AS HEAD OF THE LATTER'S CAMPAIGN AND ORGANIZATIONAL MACHINERY.

III

THE COURT OF APPEALS GRAVELY ERRED IN NOT FINDING THAT RESPONDENT COMMITTED A BREACH OF HIS PROFESSIONAL SERVICES CONTRACT WITH PETITIONER BY MISREPRESENTING THAT HE WAS AN EXPERT IN ESTABLISHING A POLITICAL CAMPAIGN MACHINERY.

IV

THE COURT OF APPEALS GRAVELY ERRED IN NOT HOLDING THAT RESPONDENT SHOULD NOT BE PAID THE BALANCE OF HIS REMUNERATION ON THE BASIS OF EQUITY AND SUBSTANTIAL JUSTICE, AND BECAUSE HE WILL BE UNJUSTLY ENRICHED AS A RESULT OF SUCH PAYMENT.[12]

Petitioner contends that the CA decision was limited to the issue that the contract was merely voidable and its alleged ratification by petitioner but did not take into account respondent's breach of his obligations which goes into the heart of the issue of respondent's entitlement to the bonus; and that awarding him of bonus despite such breach would result to unjust enrichment. He argues that respondent was always absent or unavailable during the campaign sorties and public meetings which resulted in petitioner's having to continue his campaign with little or no assistance from respondent; that he failed to provide the required personnel to man the different positions of the organization since the personnel provided by respondent were also working for another candidate in Mandaluyong City; that there was no assistance extended in the mobilization of resources for his campaign because of the less visibility of the personnel hired to serve as his advance party to the territories covered by petitioner's campaign which constrained petitioner to proceed to the areas on his own; and that during the canvassing of votes, respondent only made a brief appearance and was thereafter gone with his whereabouts unknown; and that he also failed to provide petitioner with poll watchers in the precinct level to ensure that all votes cast for him were all accounted for.

Petitioner also argues that respondent misrepresented himself to be an expert in carrying out a political campaign, thus, his consent into entering the contract with respondent was vitiated by fraud and mistake as to the latter's qualifications and credentials.

We find no merit in the petition.

The above-stated arguments by petitioner raise factual matters. As a rule, only questions of law may be appealed to the Court by a petition for review. The Court is not a trier of facts, its jurisdiction being limited to errors of law. Moreover, factual findings of the trial court, particularly when affirmed by the Court of Appeals, are generally binding on this Court.[13] In weighing the evidence of the parties, the RTC, as affirmed by the CA, found respondent's evidence to be sufficient in proving his case. We found no reason to disturb such finding as it was borne by the evidence on record.

Under the Professional Services Contract executed between petitioner and respondent on February 16, 1998, particularly under the subheading of remuneration and manner of payment, it was provided that:

A. The monthly rate due for the Second Party is SEVENTY THOUSAND PESOS (P70,000.00). This will be given in two equal tranches, on the 15[th] and 30[th] of each month, from February 16, 1998 up to May 15, 1998, or a total of three (3) months.

B. A bonus pay amounting to TWO HUNDRED THOUSAND PESOS (P200,000.00) shall be given to the second party in the event that the First Party wins the Vice-Mayoralty post.

It is basic that a contract is the law between the parties. Obligations arising from contracts have the force of law between the contracting parties and should be complied with in good faith.[14] Unless the stipulations in a contract are contrary to law, morals, good customs, public order or public policy, the same are binding as between the parties.[15]

In this case, the three-month period stated in the contract had already elapsed and petitioner won as Vice-Mayor of Makati in the 1998 elections, thus, respondent is entitled not only to the full payment of his compensation but also to a bonus pay. However, respondent's compensation for the period from May 1 to 15, 1998 was not yet paid in full as there was still a balance of P20,000.00 as well as his bonus pay. Petitioner refuses to pay the said amounts on the allegation that respondent failed to fulfill his obligations under the contract.

We are not persuaded.

Petitioner's claim of breach of obligation consisted only of his uncorroborated and self-serving statement which

was contradicted by the evidence on record.

In the June 1998 remittance of the last payroll, it was stated that respondent would be paid the amount of P15,000.00 and the balance of P20,000.00 shall be forwarded upon his final inventory of equipment used during the campaign. Clearly, the payment of the balance of P20,000.00 was conditioned upon respondent's final inventory of the equipment used in the campaign. On July 3, 1998, respondent wrote petitioner a letter informing the latter that he had already turned over the equipment by delivering the same to petitioner's doorstep on July 2, 1998; and that his final act of turning over his obligation merited petitioner's reciprocal action.

Consequently, respondent demanded the payment of P20,000.00 as well as the P200,000.00 bonus pay as petitioner won the Vice-Mayoralty race.

Petitioner admitted having received the equipment in his letter reply dated July 17, 1998 to respondent as he wrote:

xxx I appreciate your delivering the inventory at my doorstep even though it was never requested. With regards to my reciprocal action, I have yet to receive the liquidation of the expenses incurred during the campaign. Mrs. Rufino informed me about two weeks back that when we requested said liquidation from Mr. S. Cruz he volunteered that you would be the individual who will be preparing the report. We have yet to receive the breakdown from either you or Mr. Cruz considering it was requested shortly after the May 11, 1998 elections. I, more than anyone else, would like to end this chapter of my life. I hope to hear from either of you soonest.[16]

In respondent's letter reply dated July 30, 1998, he clearly indicated that the preparation of the audited financial report was not part of his responsibilities as he was not in charge of the management of campaign funds; that such function was assigned to Cruz who would write a separate letter to support his statement.

In his letter to petitioner, Cruz clarified that there was never a request for liquidation of expenses, as what Ms. Rufino requested from him was the preparation of the summary of transportation and other expenses which would form part of the petitioner's campaign expenses to be filed with the Comelec; that he did not volunteer respondent to prepare anything as he had nothing to do with the campaign's accounting records; that he only instructed his secretary to assemble the needed information and asked her to seek respondent's help for expediency. He also wrote that to ask respondent with the liquidation of campaign expenses was another switch in petitioner's condition prior to settling his obligation with respondent.

As shown by the foregoing exchange of correspondences, the first condition imposed before the payment of P20,000.00 balance was the inventory of campaign equipment. After respondent complied with such condition which petitioner even acknowledged, respondent asked for the payment of the balance as well as his bonus. However, a subsequent condition was imposed on respondent before payment would be given, i.e., submission of report on the liquidation of expenses incurred during the campaign, which respondent and Cruz wrote that respondent had nothing to do with, to which petitioner failed to show evidence to the contrary.

Surprisingly, respondent's alleged breach of obligation was never brought up by petitioner during the time that the former was asking for the payment of the amounts owing to him which betrays the falsity of petitioner's allegation. Noteworthy to mention is the fact that petitioner had even paid respondent his salary for the three-month period with only a balance of P20,000.00, conditioned upon respondent's delivery of the inventory of campaign equipment. Such payment established that indeed respondent had performed his responsibilities under the contract. We, therefore, agree with the RTC's conclusion that petitioner's claim of breach of contract was merely used as an excuse to evade payment of the amounts due respondent.

Petitioner's contention that respondent's misrepresentation that he had the expertise in establishing a political

machinery for his campaign, was not at all true thus his consent was vitiated, is not meritorious. Again, petitioner's allegation was not supported by the evidence on record. We find apropos what the CA said on this issue, to wit:

It bears emphasis that vitiated consent does not make a contract unenforceable but merely voidable. Such contract is binding on all the contracting parties until annulled and set aside by a court of law. If indeed appellant's consent was vitiated, his remedy would have been to annul the contract, considering that voidable contracts produce legal effects until they are annulled. This is the clear import of Article 1390 (2) of the Civil Code, which provides:

Art. 1390. - The following contracts are voidable or annulable, even though there may have been no damage to the contracting parties.

1. Those where one of the parties is incapable of giving consent to a contract.
2. Those where the consent is vitiated by mistake, violence, intimidation, undue influence or fraud.

These contracts are binding, unless they are annulled by a proper action in court. They are susceptible of ratification.

Pursuant to the above-quoted provision, the alleged fraud committed by appellee upon appellant made the contract for professional services a voidable contract. Being a voidable contract, it is susceptible of either ratification or annulment. If the contract is ratified, the action to annul it is extinguished and the contract is cleansed from all its defects. But if the contract is annulled, the contracting parties are restored to their respective situations before the contract and mutual restitution follows as a consequence.

As stated earlier, an annulable contract may be rendered perfectly valid by ratification, which can be express or implied. Implied ratification may take the form of accepting and retaining the benefits of a contract. This is what happened in this case. No action was taken by appellant to annul the professional service contract. Appellant also did not confront appellee regarding the latter's poor campaign services. This silence, taken together with appellant's demand for appellee to make an inventory of equipment and a liquidation of the funds used during the campaign, constitutes in itself an effective ratification of the original agreement in accordance with Article 1393 of the Civil Code, which reads:

x x x x

If appellant was, indeed, tricked into contracting with appellee and was unsatisfied with the latter's services, he should have taken steps in order for the latter not to expect any bonus. After all, the bonus was dependent solely on the condition of appellant's victory in the elections. Or he could have immediately instituted an action for annulment of their contract. But none of these happened. As the records show, appellant even went further by giving appellant other election related tasks. This bolsters the view that, indeed there was ratification. One cannot continue on demanding a certain task to be performed but at the same time contend that the contract cannot be enforced because of poor performance and misrepresentation. Notably, it was only when appellee already demanded the payment of the stipulated amount that appellant raised the defense of vitiated consent. Clearly, appellant was agreeable to the contract except that appellee's expertise fell short of appellant's expectations.[17]

We also affirm the award of attorney's fees, as respondent was compelled to litigate and incur expenses to protect his interest because of petitioner's unjust refusal to satisfy respondent's claim.[18]

The RTC, as affirmed by the CA, ordered petitioner to pay respondent the amount of P220,000.00 plus legal interest, however, the legal rate of interest was not specified. As to computation of legal interest, Eastern Shipping Lines, Inc. u Court of Appeals[19] laid down the following guidelines, thus:

x x x x

II. With regard particularly to an award of interest in the concept of actual

and compensatory damages, the rate of interest, as well as the accrual thereof, is imposed, as follows;

- x 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.[20]

In this case, petitioner's obligation does not constitute a loan or forbearance of money, but a contract for professional service of respondent as petitioner's campaign manager. Hence, the amount of P220,000.00 owing to respondent shall earn an interest of 6% per annum to be computed from the time the extrajudicial demand for payment was made on July 3, 1998 until the finality of this decision. As ruled in *Eastern Shipping*, after a judgment has become final and executory, the rate of legal interest, whether the obligation was in the form of a loan or forbearance of money or otherwise, shall be 12% per annum from such finality until its satisfaction. Thus, from the date the liability for the principal obligation has become final and executory, an annual interest of 12% shall be imposed until its final satisfaction, this interim period being deemed to be by then an equivalent to a forbearance of credit.[21]

WHEREFORE, in view of all the foregoing, the instant petition is DENIED. The Decision dated February 28, 2006 and the Resolution dated June 21, 2006 of the Court of Appeals in CA-GR. CV No. 82753, which affirmed the RTC decision ordering petitioner to pay respondent the amount of P220,000.00, plus P30,000.00 as attorney's fees, are AFFIRMED with the MODIFICATION that the award of P220,000.00 shall earn interest at the rate of 6% per annum from July 3, 1998 until the finality of this decision. After this decision becomes final and executory, petitioner is ORDERED to pay interest at 12% per annum on the principal obligation until full payment.

SO ORDERED.

Velasco, Jr., (Chairperson), Abad, Mendoza, and Reyes,[*] JJ., concur.

[*]Designated as Acting Member in lieu of Associate Justice Estela M. Perlas-Bernabe, per Special Order No. 1210 dated March 23, 2012.

[1]Penned by Associate Justice Magdangal M. de Leon with Associate Justices Conrado M. Vasquez, Jr. and Mariano C. del Castillo (now Associate Justice of the Supreme Court), concurring; rollo, pp. 40-47.

[2] Id. at 49-51.

[3] Per Acting Presiding Judge Hilario L. Laqui; rollo, pp. 88-91.

[4] Rollo, pp. 61-62.

[5] Id.

[6] Id. at 115.

[7] Id. at 113.

[8] Id. at 114.

[9] Id. at 119-120.

[10] Id. at 116-118.

[11] Id. at 91.

[12] Id. at 21-22.

[13] Titan Construction Corporation v. Uni-field Enterprise Inc., G.R. No. 153874, March 1, 2007, 517 SCRA 180, 186.

[14] Civil Code, Art. 1159.

[15] Civil Code, Art. 1306; See Liga v. Allegro Resources Corporation, G.R. No. 175554, December 23, 2008, 575 SCRA 310, 320. (Citations omitted.)

[17] Id. at 44-46.

[18] Art. 2208 of the Civil Code states:

In the absence of stipulation, attorney's fees and expenses of litigation, other than judicial costs, cannot be recovered, except:

x x x x

(2) When the defendant's act or omission has compelled the plaintiff to litigate with third persons or to incur expenses to protect his interest.

[19] GR. No. 97412, July 12, 1994, 234 SCRA78.

[20] Id. at 95-97.

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