

EUGENIO JUAN GONZALES, PETITIONER, VS. THE HONORABLE COURT OF APPEALS AND ENDEL ENTERPRISES CORPORATION, RESPONDENTS.

G.R. No. 55943. September 21, 1983

Ponente: MELENCIO-HERRERA, J.

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MELENCIO-HERRERA, J.:

Sought to be reversed in this Petition for Review on Certiorari are respondent Appellate Court's Decision, promulgated on September 29, 1980, as well as its Resolution of January 6, 1981 denying reconsideration thereof in CA-G.R. No. 64123-R, entitled "Endel Enterprises Corporation vs. Eugenio Juan Gon-zales."

The center of controversy revolves around a letter agreement, dated January 28, 1972, entered into by petitioner Eugenio Juan GONZALES, an architect and contractor, and respondent ENDEL Enterprises Corporation for the construction of a condominium building on the latter's lot at Legaspi Village, Makati. In said agreement, GONZALES agreed to undertake the preparation of plans for said building as well as the supervision of its construction. The pertinent portions of the agreement are quoted hereunder:

"We agreed on the following:

1. That, our services shall include the preparation of the plans and supervision of the construction of the said building and that the construction shall be done 'by contract'.
2. That, for these services our fees shall be five (5%) per cent of the final and total cost of the construction of the building.
3. That, pending the bidding, when full knowledge of the final and total cost of this project may be ascertained, these fees shall be assumed to be One Hundred Thousand (P100,000.00) Pesos.
4. That, 50% shall be for the Plans and Specifications and 50% shall be for Supervision.
5. That, the manner of payment shall be as follows:

For Plans:

- a.) Upon our being commissioned as your Architects, 10% or.
..... P10,000.00
- b.) Upon the approval of the plans preparatory to its conversion to working drawings, by the Engineering Department of the Ayala Securities Corporation.
.....20,000.00
- c.) Upon delivery to you of the working drawings and Specifications.
.....20,000.00

For Supervision:

The 50% for supervision shall be paid during the constructions at monthly intervals to be agreed upon then.

We further agreed that another method of construction may be adopted such as by 'Administration', in which case a new contract shall be drawn up between us." [1]

It should be noted that the aforementioned agreement contained no time frame within which the plans; working drawings and specifications had to be submitted to ENDEL under item 5 (c). But ENDEL contends that said plans and working drawings had to be finished within three (3) months from the date of agreement, or by April 30, 1972.

On February 23, 1972, the plans mentioned in item 5 (b) of said agreement were approved by the Engineering Department of Ayala Securities Corporation.

On April 5, 1972, GONZALES acknowledged payment of the amount of P20,000.00 under item 5 (b). [2] By then, he had received from ENDEL the total amount of P30,000.00 as even before the execution of said agreement he had received the amount of P10,000.00 specified in item 5 (a).

In early May, 1972, ENDEL, through its President Enrique Galan, allegedly expressed verbally its desire not to proceed with the construction of the condominium considering that the working drawings had not yet been completed within the period promised. [3]

On August 8, 1972, or seven (7) months from the date of the agreement, GONZALES delivered the working drawings and specifications to ENDEL [4] pursuant to item 5 (c).

In December 1972, GONZALES demanded from ENDEL the payment of P20,000.00 under item 5 (c), which was rejected by the latter.

On March 2, 1973, ENDEL sued for rescission or cancellation of its contract with GONZALES before the then Court of First Instance of Rizal, Branch VI (CC No. 17441). ENDEL essentially averred that GONZALES' neglect and delay in completing the drawings and specifications within three (3) months, or by April 30, 1972, conformably with the practice of architects, to enable ENDEL to complete plans for its financing and make public announcements of said project resulted in great damage and prejudice to it as to warrant rescission and cancellation of the contract. To further justify cancellation, ENDEL further alleged that at the time the working drawings and specifications were delivered to it, big disastrous floods had already wrought considerable damage in Manila and that the declaration of Martial Law in September of 1972 resulted in certain restrictions on non-governmental projects. ENDEL thus prayed for rescission of the contract; the return to it of the amount of P30,000.00 with interest; damages in the amount of P100,000.00 representing unrealized rentals; and reasonable attorney's fees and costs. [5]

Traversing the Complaint, GONZALES, as defendant below, alleged that 1) he was neither negligent nor in delay nor aware of any practice that plans and working drawings should be submitted within three (3) months from the agreement; 2) assuming that there was delay, the same was due to ENDEL's refusal to discuss with him the preparation of said drawings and specifications; 3) that at no time prior to the demand made by him of the balance from ENDEL did the latter inform him of its desire to abandon the construction of the proposed building and that had he been so informed, he would not have incurred expenses in preparing the working drawings and specifications, which portion of the agreement entailed the greatest expense. GONZALES then prayed for the dismissal of the Complaint and counterclaimed for payment of the balance of P20,000.00; moral damages in the amount of P20,000.00; attorney's fees and other equitable remedy. [6]

On May 10, 1978, the Trial Court rendered a Decision holding that "neither plaintiff (Endel) nor defendant (Gonzales) should be faulted for the situation in which they find themselves" and dismissed both the Complaint

and Counterclaim.

In reaching said conclusion, the Trial Court declared that while there was delay in the delivery of the plans and specifications by GONZALES thus warranting rescission and restitution, equity demanded that he should be compensated for the time, effort and expense in the execution of the plans and specifications.[7]

Dissatisfied with the Decision, ENDEL appealed to respondent Appellate Court. GONZALES did not appeal even in respect of the denial of his counterclaim.

On September 29, 1980, respondent Appellate Court rendered its Decision affirming rescission of the contract but reversing the dismissal of the complaint and holding GONZALES obligated to return to ENDEL the amount of P20,000.00, thus:

"WHEREFORE, judgment is hereby rendered affirming the decision of the lower court dated May 10, 1978 only in regard to the finding for rescission of the contract but reversing its dismissal of the complaint. Appellee Eugenio Juan Gonzales is hereby held liable to appellant Endel Enterprises Corporation in the amount of P20,000.00 representing the amount paid by appellant to appellee Gonzales for the preparation of the plans, with legal interest, from the filing of the complaint and ten per cent (10%) of said amount as attorney's fees. Costs against defendant-appellee."

In support of the Decision, respondent Appellate Court observed:

"We are, therefore, constrained to agree with appellant Endel that, on the basis of Art. 1385 of the Civil Code, appellee Gonzales was obligated, and the lower court should have adjudged him legally bound to return to appellant Endel the amount of P20,000.00 with legal interests, that appellant had paid to appellee corresponding to the plans submitted by the latter but appellant found no further use for it due to the attendant delay. x x x A cursory reading of the contract will reveal that plaintiff-appellee is entitled to the amount of P10,000.00 as his retainer's fees upon his commission to undertake the work for appellant Endel. This amount should not be returned to the latter. We also agree with appellant that, considering the existence of legal provisions directly applicable to the question, Articles 1191 and 1385 of the Civil Code, there is no justification for applying the principles of equity invoked by appellee Gonzales in arguing for his retention of the payments made to him under his contract with appellant Endel.x x x "

In its Resolution, dated January 6, 1981, respondent Court denied GONZALES' Motion for Reconsideration for lack of merit.

Hence, the instant recourse by GONZALES predicated on the issue of his liability to ENDEL for the return of the amount of P20,000.00 and for the payment of attorney's fees.

It is fundamental that contracts are to be interpreted according to their literal meaning when the terms and conditions are clear and leave no doubt as to the intention of the contracting parties.[8] An examination of the contract reveals that the compensation of GONZALES was apportioned in accordance with the stage of services to be rendered.

Upon his being commissioned, GONZALES received P10,000.00 under item 5 (a) of the contract. And under item 5 (b) he was paid P20,000.00 upon approval of the plans by the Engineering Department of Ayala Securities Corporation. GONZALES is entitled to those payments by the very terms of the contract. He had performed the services required and had earned his fees. The fact that the condominium project was later abandoned should not result in the forfeiture by GONZALES of those payments. Nor the fact that the contract has been rescinded and would ordinarily create the obligation to return the things which were the object of the contract, and the price with its interest.[9] Upon a showing that an architect has fully performed services relating to the completion of specification and general working drawings, he is entitled to recover payments specified for such services even

though the project is thereafter abandoned so as to prevent performance of other services for which additional compensation has been provided.[10]

While it may be true that GONZALES incurred in delay, as found by both the Trial and Appellate Courts, which finding is binding on us, that delay was only with respect to the submission of working drawings and specifications as provided in item 5 (c) of the letter agreement. By reason of that delay GONZALES is not entitled to the compensation provided therefor, or P20,000.00, even though he may have already submitted those drawings and specifications to ENDEL. Besides, the delay in the presentation of those working drawings are not the only cause for the failure of the contract. ENDEL itself had decided to abandon the project for other reasons. If time were, indeed, of the essence of the contract, as ENDEL alleges, it could have cancelled it in April, 1972 and it should not have allowed GONZALES to continue working further on the drawings and specifications under item 5 (c) of the agreement.

Neither do we deem it just and equitable that ENDEL should recover attorney's fees (Article 2208, Civil Code).

WHEREFORE, the judgment under review is hereby modified in that petitioner, Eugenio Juan Gonzales, is relieved from any liability to return the amount of P20,000.00 to private respondent, Endel Enterprises Corporation, and to pay the latter attorney's fees. In other respects, the judgment is affirmed.

No costs.

SO ORDERED.

Plana, Relova, and Gutierrez, Jr., JJ., concur.

Teehankee, (Chairman), J., see concurring opinion.

[1] Exhibit "A-2", p. 43, Folder of Exhibits.

[2] Exhibit "3", p. 11, *ibid*.

[3] T.s.n., August 8, 1973, p. 13.

[4] Exhibit "4", p. 19, Folder of Exhibits.

[5] pp. 5-13, Record on Appeal, CA Rollo.

[6] pp. 12-25, *ibid*.

[7] pp. 46-47, SC Rollo.

[8] Article 1370, Civil Code.

[9] Article 1385, Civil Code.

[10] 6 CJS 498, citing Board of Commissioner's of Kingfisher County v. Vahlberg, 180 P. 2d. 144, 198 Okl. 527.

Gonzales vs Court of Appeals : L-55943 : September 21, 1983 : J. Teehankee : First Division : Concurring Opinion 6 pt 6 pt 0 3

CONCURRING OPINION

TEEHANKEE, J.:

I concur. Our judgment sets aside the Appellate court's judgment which reversed the trial court's judgment dismissing respondent's complaint and in effect reinstates in toto the trial court's judgment which dismissed both the complaint and the counterclaim.

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