PHILROCK, INC., PETITIONER, VS. CONSTRUCTION INDUSTRY ARBITRATION COMMISSION AND SPOUSES VICENTE AND NELIA CID, RESPONDENTS.

G.R. Nos. 132848-49. June 26, 2001

Ponente: PANGANIBAN, J.

Read online (full-text search, related cases, audio case brief): https://batas.org/library/g-r-nos-132848-49/

PANGANIBAN, J.:

Courts encourage the use of alternative methods of dispute resolution. When parties agree to settle their disputes arising from or connected with construction contracts, the Construction Industry Arbitration Commission (CIAC) acquires primary jurisdiction. It may resolve not only the merits of such controversies; when appropriate, it may also award damages, interests, attorney's fees and expenses of litigation.

The Case

Before us is a Petition for Review under Rule 45 of the Rules of Court. The Petition seeks the reversal of the July 9, 1997 Decision[1] and the February 24, 1998 Resolution of the Court of Appeals (CA) in the consolidated cases docketed as CA-GR SP Nos. 39781 and 42443. The assailed Decision disposed as follows:

> "WHEREFORE, judgment is hereby rendered DENYING the petitions and, accordingly, AFFIRMING in toto the CIAC's decision. Costs against petitioner."[2]

The assailed Resolution ruled in this wise:

> "Considering that the matters raised and discussed in the motion for reconsideration filed by appellant's counsel are substantially the same arguments which the Court had passed upon and resolved in the decision sought to be reconsidered, and there being no new issue raised, the subject motion is hereby DENIED."[3]

The Facts

The undisputed facts of the consolidated cases are summarized by the CA as follows:

> "On September 14, 1992, the Cid spouses, herein private respondents, filed a Complaint for damages against Philrock and seven of its officers and engineers with the Regional Trial Court of Quezon City, Branch 82.
>
> "On December 7, 1993, the initial trial date, the trial court issued an Order dismissing the case and referring the same to the CIAC because the Cid spouses and Philrock had filed an Agreement to Arbitrate with the CIAC.
>
> "Thereafter, preliminary conferences were held among the parties and their appointed arbitrators. At these conferences, disagreements arose as to whether moral and exemplary damages and tort should be included as an issue along with breach of contract, and whether the seven officers and engineers of Philrock who are not parties to the Agreement to Arbitrate should be included in the arbitration proceedings. No common ground could be reached by the parties, hence, on April 2, 1994, both the Cid spouses and Philrock requested that the

case be remanded to the trial court. On April 13, 1994, the CIAC issued an Order stating, thus:

'x x x the Arbitral Tribunal hereby formally dismisses the above-captioned case for referral to Branch 82 of the Regional Trial Court, Quezon City where it first originated.

SO ORDERED.'

"The Cid spouses then filed with said Branch of the Regional Trial Court of Quezon City a Motion To Set Case for Hearing which motion was opposed by Philrock.

"On June 13, 1995, the trial court declared that it no longer had jurisdiction over the case and ordered the records of the case to be remanded anew to the CIAC for arbitral proceedings.

"Pursuant to the aforementioned Order of the Regional Trial C[o]urt of Quezon City, the CIAC resumed conducting preliminary conferences. On August 21, 1995, herein [P]etitioner Philrock requested to suspend the proceedings until the court clarified its ruling in the Order dated June 13, 1995. Philrock argued that said Order was based on a mistaken premise that 'the proceedings in the CIAC fell through because of the refusal of [Petitioner] Philrock to include the issue of damages therein,' whereas the true reason for the withdrawal of the case from the CIAC was due to Philrock's opposition to the inclusion of its seven officers and engineers, who did not give their consent to arbitration, as party defendants. On the other hand, private respondent Nelia Cid manifested that she was willing to exclude the seven officers and engineers of Philrock as parties to the case so as to facilitate or expedite the proceedings. With such manifestation from the Cid spouses, the Arbitral Tribunal denied Philrock's request for the suspension of the proceedings. Philrock's counsel agreed to the continuation of the proceedings but reserved the right to file a pleading elucidating the position he [had] raised regarding the Court's Order dated June 13, 1995. The parties then proceeded to finalize, approve and sign the Terms of Reference. Philrock's counsel and representative, Atty. Pericles C. Consunji affixed his signature to said Terms of Reference which stated that 'the parties agree that their differences be settled by an Arbitral Tribunal x x x x' (p. 9, Terms of Reference, p. 200, Rollo).

"On September 12, 1995, [P]etitioner Philrock filed its Motion to Dismiss, alleging therein that the CIAC had lost jurisdiction to hear the arbitration case due to the parties' withdrawal of their consent to arbitrate. The motion was denied by x x x CIAC per Order dated September 22, 1995. On November 8, public respondent ordered the parties to appear before it on November 28, 1995 for the continuation of the arbitral proceedings, and on February 7, 1996, public respondent directed [P]etitioner Philrock to set two hearing dates in the month of February to present its evidence and to pay all fees assessed by it, otherwise x x x Philrock would be deemed to have waived its right to present evidence.

"Hence, petitioner instituted the petition for certiorari but while said petition was pending, the CIAC rendered its Decision dated September 24, 1996, the dispositive portion of which reads, as follows:

'WHEREFORE, judgment is hereby rendered in favor of the Claimant, directing Respondent to pay Claimant as follows:

- P23,276.25 representing the excess cash payment for materials ordered by the Claimants, (No. 7 of admitted facts) plus interests thereon at the rate of 6% per annum from September 26, 1995 to the date payment is made.

- P65,000.00 representing retrofitting costs.

- P13,404.54 representing refund of the value of delivered but unworkable concrete mix that was laid to waste.

- P50,000.00 representing moral damages.

- P50,000.00 representing nominal damages.

- P50,000.00 representing attorney's fees and expenses of litigation.

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

> - P144,756.80 representing arbitration fees, minus such amount that may already have been paid to CIAC by respondent.
>
> "Let a copy of this Decision be furnished the Honorable Salvador C. Ceguera, presiding judge, Branch 82 of Regional Trial Court of Quezon City who referred this case to the Construction Industry Arbitration Commission for arbitration and proper disposition.' (pp. 44-45, Rollo, CA-G.R. SP No. 42443) "[4]

Before the CA, petitioner filed a Petition for Review, docketed as CA-GR SP No. 42443, contesting the jurisdiction of the CIAC and assailing the propriety of the monetary awards in favor of respondent spouses. This Petition was consolidated by the CA with CA-GR SP No. 39781, a Petition for Certiorari earlier elevated by petitioner questioning the jurisdiction of the CIAC.

Ruling of the Court of Appeals

The CA upheld the jurisdiction of the CIAC[5] over the dispute between petitioner and private respondent. Under Executive Order No. 1008, the CIAC acquires jurisdiction when the parties agree to submit their dispute to voluntary arbitration. Thus, in the present case, its jurisdiction continued despite its April 13, 1994 Order referring the case back to the Regional Trial Court (RTC) of Quezon City, Branch 82, the court of origin. The CIAC's action was based on the principle that once acquired, jurisdiction remains "until the full termination of the case unless a law provides the contrary." No such "full termination" of the case was evident in the said Order; nor did the CIAC or private respondents intend to put an end to the case.

Besides, according to Section 3 of the Rules of Procedure Governing Construction Arbitration, technical rules of law or procedure are not applicable in a single arbitration or arbitral tribunal. Thus, the "dismissal" could not have divested the CIAC of jurisdiction to ascertain the facts of the case, arrive at a judicious resolution of the dispute and enforce its award or decision.

Since the issues concerning the monetary awards were questions of fact, the CA held that those awards were inappropriate in a petition for certiorari. Such questions are final and not appealable according to Section 19 of EO 1008, which provides that "arbitral awards shall be x x x final and [u]nappealable except on questions of law which shall be appealable to the Supreme Court x x x." Nevertheless, the CA reviewed the records and found that the awards were supported by substantial evidence. In matters falling under the field of expertise of quasi-judicial bodies, their findings of fact are accorded great respect when supported by substantial evidence.

Hence, this Petition.[6]

Issues

The petitioner, in its Memorandum, raises the following issues:

> "A.
>
> Whether or not the CIAC could take jurisdiction over the case of Respondent Cid spouses against Petitioner Philrock after the case had been dismissed by both the RTC and the CIAC.
>
> "B.
>
> Whether or not Respondent Cid spouses have a cause of action against Petitioner Philrock.
>
> "C.
>
> Whether or not the awarding of the amount of P23,276.75 for materials ordered by Respondent Spouses Cid plus interest thereon at the rate of 6% from 26 September 1995 is proper.

Study hands-free: podcast-style lessons with read-along highlighting - batas.org

"D.

Whether or not the awarding of the amount of P65,000.00 as retrofitting costs is proper.

"E.

Whether or not the awarding of the amount of P1,340,454 for the value of the delivered but the allegedly unworkable concrete which was wasted is proper.

"F.

Whether or not the awarding o[f] moral and nominal damages and attorney's fees and expenses of litigation in favor of respondents is proper.

"G.

Whether or not Petitioner Philrock should be held liable for the payment of arbitration fees."[7]

In sum, petitioner imputes reversible error to the CA (1) for upholding the jurisdiction of the CIAC after the latter had dismissed the case and referred it to the regular court, (2) for ruling that respondent spouses had a cause of action against petitioner, and (3) for sustaining the award of damages.

This Court's Ruling

The Petition has no merit.

First Issue:
Jurisdiction

Petitioner avers that the CIAC lost jurisdiction over the arbitration case after both parties had withdrawn their consent to arbitrate. The June 13, 1995 RTC Order remanding the case to the CIAC for arbitration was allegedly an invalid mode of referring a case for arbitration.

We disagree. Section 4 of Executive Order 1008 expressly vests in the CIAC original and exclusive jurisdiction over disputes arising from or connected with construction contracts entered into by parties that have agreed to submit their dispute to voluntary arbitration.[8]

It is undisputed that the parties submitted themselves to the jurisdiction of the Commission by virtue of their Agreement to Arbitrate dated November 24, 1993. Signatories to the Agreement were Atty. Ismael J. Andres and Perry Y. Uy (president of Philippine Rock Products, Inc.) for petitioner, and Nelia G. Cid and Atty. Esteban A. Bautista for respondent spouses.[9]

Petitioner claims, on the other hand, that this Agreement was withdrawn by respondents on April 8, 1994, because of the exclusion of the seven engineers of petitioners in the arbitration case. This withdrawal became the basis for the April 13, 1994 CIAC Order dismissing the arbitration case and referring the dispute back to the RTC. Consequently, the CIAC was divested of its jurisdiction to hear and decide the case.

This contention is untenable. First, private respondents removed the obstacle to the continuation of the arbitration, precisely by withdrawing their objection to the exclusion of the seven engineers. Second, petitioner continued participating in the arbitration even after the CIAC Order had been issued. It even concluded and signed the Terms of Reference[10] on August 21, 1995, in which the parties stipulated the circumstances leading to the dispute; summarized their respective positions, issues, and claims; and identified the composition of the tribunal of arbitrators. The document clearly confirms both parties' intention and agreement to submit the dispute to voluntary arbitration. In view of this fact, we fail to see how the CIAC could have been divested of its

jurisdiction.

Finally, as pointed out by the solicitor general, petitioner maneuvered to avoid the RTC's final resolution of the dispute by arguing that the regular court also lost jurisdiction after the arbitral tribunal's April 13, 1994 Order referring the case back to the RTC. In so doing, petitioner conceded and estopped itself from further questioning the jurisdiction of the CIAC. The Court will not countenance the effort of any party to subvert or defeat the objective of voluntary arbitration for its own private motives. After submitting itself to arbitration proceedings and actively participating therein, petitioner is estopped from assailing the jurisdiction of the CIAC, merely because the latter rendered an adverse decision.[11]

Second Issue:
Cause of Action

Petitioner contends that respondent spouses were negligent in not engaging the services of an engineer or architect who should oversee their construction, in violation of Section 308 of the National Building Code. It adds that even if the concrete it delivered was defective, respondent spouses should bear the loss arising from their illegal operation. In short, it alleges that they had no cause of action against it.

We disagree. Cause of action is defined as an act or omission by which a party violates the right of another.[12] A complaint is deemed to have stated a cause of action provided it has indicated the following: (1) the legal right of the plaintiff, (2) the correlative obligation of the defendant, and (3) the act or the omission of the defendant in violation of the said legal right.[13] The cause of action against petitioner was clearly established. Respondents were purchasers of ready-mix concrete from petitioner. The concrete delivered by the latter turned out to be of substandard quality. As a result, respondents sustained damages when the structures they built using such cement developed cracks and honeycombs. Consequently, the construction of their residence had to be stopped.

Further, the CIAC Decision clearly spelled out respondents' cause of action against petitioner, as follows:

> "Accordingly, this Tribunal finds that the mix was of the right proportions at the time it left the plant. This, however, does not necessarily mean that all of the concrete mix delivered had remained workable when it reached the jobsite. It should be noted that there is no evidence to show that all the transit mixers arrived at the site within the allowable time that would ensure the workability of the concrete mix delivered.
>
> "On the other hand, there is sufficiently strong evidence to show that difficulties were encountered in the pouring of concrete mix from certain transit mixers necessitating the [addition] of water and physically pushing the mix, obviously because the same [was] no longer workable. This Tribunal holds that the unworkability of said concrete mix has been firmly established.
>
> "There is no dispute, however, to the fact that there are defects in some areas of the poured structures. In this regard, this Tribunal holds that the only logical reason is that the unworkable concrete was the one that was poured in the defective sections."[14]

Third Issue:
Monetary Awards

Petitioner assails the monetary awards given by the arbitral tribunal for alleged lack of basis in fact and in law. The solicitor general counters that the basis for petitioner's assigned errors with regard to the monetary awards is purely factual and beyond the review of this Court. Besides, Section 19, EO 1008, expressly provides that monetary awards by the CIAC are final and unappealable.

We disagree with the solicitor general. As pointed out earlier, factual findings of quasi-judicial bodies that have

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

acquired expertise are generally accorded great respect and even finality, if they are supported by substantial evidence.[15] The Court, however, has consistently held that despite statutory provisions making the decisions of certain administrative agencies "final," it still takes cognizance of petitions showing want of jurisdiction, grave abuse of discretion, violation of due process, denial of substantial justice or erroneous interpretation of the law.[16] Voluntary arbitrators, by the nature of their functions, act in a quasi-judicial capacity, such that their decisions are within the scope of judicial review.[17]

Petitioner protests the award to respondent spouses of P23,276.25 as excess payment with six percent interest beginning September 26, 1995. It alleges that this item was neither raised as an issue by the parties during the arbitration case, nor was its justification discussed in the CIAC Decision. It further contends that it could not be held liable for interest, because it had earlier tendered a check in the same amount to respondent spouses, who refused to receive it.

Petitioner's contentions are completely untenable. Respondent Nelia G. Cid had already raised the issue of overpayment even prior to the formal arbitration. In paragraph 9 of the Terms of Reference, she stated:

> "9. Claimants were assured that the problem and her demands had been the subject of several staff meetings and that Arteche was very much aware of it, a memorandum having been submitted citing all the demands of [c]laimants. This assurance was made on July 31, 1992 when Respondents Secillano, Martillano and Lomibao came to see Claimant Nelia Cid and offered to refund P23,276.25, [t]he difference between the billing by Philrock's Marketing Department in the amount of P125,586.25 and the amount charged by Philrock's Batching Plant Department in the amount of only P102,586.25, which [c]laimant refused to accept by saying, 'Saka na lang'."[18]

The same issue was discussed during the hearing before the arbitration tribunal on December 19, 1995.[19] It was also mentioned in that tribunal's Decision dated September 24, 1996.[20]

The payment of interest is based on Article 2209 of the Civil Code, which provides that if the obligation consists of the payment of a sum of money, and the debtor incurs delay, the indemnity for damages shall be the payment of legal interest which is six per cent per annum, in the absence of a stipulation of the rate.

Awards for Retrofitting Costs, Wasted
Unworkable But Delivered Concrete,
and Arbitration Fees

Petitioner maintains that the defects in the concrete structure were due to respondent spouses' failure to secure the services of an engineer or architect to supervise their project. Hence, it claims that the award for retrofitting cost was without legal basis. It also denies liability for the wasted unworkable but delivered concrete, for which the arbitral court awarded P13,404.54. Finally, it complains against the award of litigation expenses, inasmuch as the case should not have been instituted at all had respondents complied with the requirements of the National Building Code.

We are unconvinced. Not only did respondents disprove the contention of petitioner; they also showed that they sustained damages due to the defective concrete it had delivered. These were items of actual damages they sustained due to its breach of contract.

Moral and Nominal Damages, Attorney's Fees and Costs

Petitioner assails the award of moral damages, claiming no malice or bad faith on its part.

We disagree. Respondents were deprived of the comfort and the safety of a house and were exposed to the agony of witnessing the wastage and the decay of the structure for more than seven years. In her Memorandum,

Respondent Nelia G. Cid describes her family's sufferings arising from the unreasonable delay in the construction of their residence, as follows: "The family lives separately for lack of space to stay in. Mrs. Cid is staying in a small dingy bodega, while her son occupies another makeshift room. Their only daughter stayed with her aunt from 1992 until she got married in 1996. x x x."[21] The Court also notes that during the pendency of the case, Respondent Vicente Cid died without seeing the completion of their home.[22] Under the circumstances, the award of moral damages is proper.

Petitioner also contends that nominal damages should not have been granted, because it did not breach its obligation to respondent spouses.

Nominal damages are recoverable only if no actual or substantial damages resulted from the breach, or no damage was or can be shown.[23] Since actual damages have been proven by private respondents for which they were amply compensated, they are no longer entitled to nominal damages.

Petitioner protests the grant of attorney's fees, arguing that respondent spouses did not engage the services of legal counsel. Also, it contends that attorney's fees and litigation expenses are awarded only if the opposing party acted in gross and evident bad faith in refusing to satisfy plaintiff's valid, just and demandable claim.

We disagree. The award is not only for attorney's fees, but also for expenses of litigation. Hence, it does not matter if respondents represented themselves in court, because it is obvious that they incurred expenses in pursuing their action before the CIAC, as well as the regular and the appellate courts. We find no reason to disturb this award.

WHEREFORE, the Petition is DENIED and the assailed Decision AFFIRMED; however, the award of nominal damages is DELETED for lack of legal basis. Costs against petitioner.

SO ORDERED.

Melo, (Chairman), Vitug, Gonzaga-Reyes, and Sandoval-Gutierrez, JJ., concur.

---

[1] Penned by Justice Ramon A. Barcelona with the concurrence of Justices Jesus M. Elbinias, Division chairman; and Maximiano C. Asuncion, member. By the time the assailed Resolution was promulgated, Justice Asuncion had died and had thus been replaced by Justice Jorge S. Imperial.

[2] CA Decision, p. 10; rollo, p. 55.

[3] Rollo, p. 44.

[4] CA Decision, pp. 1-5; rollo, pp. 46-50.

[5] The Arbitral Tribunal was composed of Joven B. Joaquin, chairman; Atty. Alfredo F. Tadiar and Engr. Loreto C. Aquino, members.

[6] This case was deemed submitted for decision upon this Court's receipt on October 21, 1999, of the Memorandum filed and personally signed by Respondent Nelia Cid; Vicente, her husband, had died in the meantime. The Memorandum for petitioner was signed by Atty. Pericles C. Consunji of Ponce Enrile Reyes & Manalastas, while the Memorandum for Public Respondent was signed by Assistant Solicitor General Carlos N. Ortega and Solicitor Geraldine C. Fiel-Macaraig.

[7] Rollo, pp. 155-156.

[8] "SECTION 4. Jurisdiction – The CIAC shall have original and exclusive jurisdiction over disputes arising

from, or connected with, contracts entered into by parties involved in construction in the Philippines, whether the dispute arises before or after the completion of the contract, or after the abandonment or breach thereof. These disputes may involve government or private contracts. For the Board to acquire jurisdiction, the parties to a dispute must agree to submit the same to voluntary arbitration.

"The jurisdiction of the CIAC may include but is not limited to violation of specifications for materials and workmanship; violation of the terms of agreement; interpretation and/or application of contractual provisions; amount of damages and penalties; commencement time and delays; maintenance and defects; payment; default of employer or contractor and changes in contract cost.

"Excluded from the coverage of this law are disputes arising from employer-employee relationships which shall continue to be covered by the Labor Code of the Philippines." (EO 1008)

[9] Annex "C"; CA rollo for GR SP No. 39781, p. 29.

[10] Annex "F"; CA rollo for GR SP No. 39781, pp. 188-203.

[11] See Spouses Benitez v. Court of Appeals, 266 SCRA 242, January 16, 1997.

[12] Camara v. Court of Appeals, 310 SCRA 608, 618, July 20, 1999; Delos Reyes v. Court of Appeals, 285 SCRA 81, 85, January 27, 1998; Leberman Realty Corporation v. Typingco, 293 SCRA 316, 327, July 29, 1998.

[13] Baluyot v. Court of Appeals, 311 SCRA 29, 45, July 22, 1999; Vergara v. Court of Appeals, 319 SCRA 323, 327, November 26, 1999; Leberman v. Typinco, ibid., p. 328.

[14] CIAC Decision dated September 24, 1996; CA rollo for GR SP No. 42443, p. 42.

[15] Villaflor v. Court of Appeals, 280 SCRA 297, 330, October 9, 1997; Philippine Merchant Marine School, Inc. v. Court of Appeals, 244 SCRA 770, 785, June 2, 1995; COCOFED v. Trajano, 241 SCRA 262, 268, February 15, 1995.

[16] Villaflor v. CA, ibid.; De Ysasi III v. National Labor Relations Commission, 231 SCRA 173, 185, March 11, 1994.

[17] Chung Fu Industries (Phils.), Inc. v. Court of Appeals, 206 SCRA 545, 556, February 25, 1992.

[18] CA rollo for GR SP No. 39781, p. 195.

[19] Ibid., pp. 118-120.

[20] CA rollo for GR SP No. 42443, p. 36.

[21] Rollo, p. 198.

[22] Respondent Nelia Cid's Explanation; rollo, pp. 184-186.

[23] Go v. Intermediate Appellate Court, 197 SCRA 22, 28-29, May 13, 1991; Ventanilla v. Centeno, 1 SCRA 215, 220, January 28, 1961; Robes-Francisco Realty v. Court of First Instance, 86 SCRA 59, 65-66, October 30, 1978.

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

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.