

**\*\*Title: Movertrade Corporation vs. The Commission on Audit and The Department of Public Works and Highways\*\***

**\*\*Facts:\*\***

Movertrade Corporation (Petitioner) entered into a contract on February 7, 1996, with the Department of Public Works and Highways (DPWH, Respondent) for dredging works in Pampanga Bay affected by Mt. Pinatubo eruptions, amounting to P188,698,000.00. The project was supervised by the Mount Pinatubo Emergency-Project Management Office under Director Florante Soriquez.

Petitioner requested permission for side dumping (dumping within the river) due to the alleged absence of spoil sites, which was denied by Director Soriquez on August 18, 1997, citing available spoil sites. Despite the denial and prohibition, petitioner continued side dumping. By October 15, 1997, petitioner requested payment for the dredging work, arguing it was forced to side dump the dredge spoils. DPWH paid a total of P180,029,910.15 to petitioner but withheld P7,354,897.10 for 165,576.27 cubic meters of dredging work due to side dumping.

Various internal memos and resolutions within DPWH followed, with some recommending payment subject to conditions and others refusing due to breach of contract. Finally, the claim was brought to the Commission on Audit (COA), which denied the claim stating violation of the contract agreement prohibiting side dumping. Petitioner filed a Motion for Reconsideration, which was also denied. Petitioner then filed this Petition for Certiorari under Rule 65 in the Supreme Court.

**\*\*Issues:\*\***

1. Whether the petitioner is entitled to the payment of P7,354,897.10 for dredging works.
2. Whether the petitioner violated the contract agreement by side dumping the dredge spoils.
3. Whether the petitioner can invoke the principle of quantum meruit despite the existence of a written contract.
4. Whether COA committed grave abuse of discretion in denying petitioner's money claim.

**\*\*Court's Decision:\*\***

1. **\*\*Entitlement to Payment:\*\*** The Supreme Court dismissed the petition, finding that Movertrade Corporation was not entitled to the disputed payment because it breached the contract by side dumping the dredge spoils contrary to the explicit provision requiring

disposal at pre-designated areas.

2. **\*\*Violation of Contract Agreement:\*\*** The Court found that the petitioner violated the contract agreement by opting for side dumping despite clear provisions and repeated notices against such practices.

3. **\*\*Quantum Meruit:\*\*** The principle of quantum meruit was found inapplicable by the Court as there existed a written contract which was violated by the petitioner. The Court held that the principle applies only in the absence of a written contract.

4. **\*\*Grave Abuse of Discretion by COA:\*\*** The Court ruled that COA did not commit grave abuse of discretion in its decision-making. The factual findings of COA were supported by evidence, and thus, its decisions were accorded respect and finality.

**\*\*Doctrine:\*\***

Contracts have the force of law between the contracting parties and should be complied with in good faith. A breach occurs where a contractor inexcusably fails to perform substantially in accordance with the terms of the contract.

**\*\*Class Notes:\*\***

- **\*\*Contractual Obligation & Breach:\*\*** Essential elements include the existence of a contract, terms clearly defining parties' obligations, and a breach of those terms by failure to perform as prescribed.
- **\*\*Quantum Meruit:\*\*** Applies only in absence of a written contract, not when there's a clear contractual obligation and breach.
- **\*\*Enforcement and Dispute Resolution:\*\*** The COA's role in adjudicating money claims against government agencies highlights the process for resolving contractual disputes with the state.
- **\*\*Grave Abuse of Discretion:\*\*** A standard of review that examines whether an agency's action was so capricious or whimsical that it amounts to an excess or lack of jurisdiction.

**\*\*Historical Background:\*\***

The historical context involves the aftermath of the Mt. Pinatubo eruption, underscoring the government's efforts to mitigate environmental damage through infrastructure projects. This case also reflects the complex interplay between contract law, government procurement procedures, and administrative review in the context of large-scale disaster response and rehabilitation projects.