



Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

FORT BONIFACIO DEVELOPMENT
CORPORATION,

Petitioner,

- versus -

MANUEL M. DOMINGO,
Respondent.

G.R. No. 218341

Present:

CAGUIOA, J.,
Chairperson,
INTING,
GAERLAN,
DIMAAMPAO,* and
SINGH, JJ.

Promulgated:
December 7, 2022

Mis + DC Ball

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DECISION

GAERLAN, J.:

Assailed in this Petition for Review on *Certiorari*¹ are the Decision² dated November 20, 2014 and the Resolution³ dated May 21, 2015 rendered by the Court of Appeals (CA) in CA-G.R. CV No. 96338, which affirmed the Decision⁴ dated December 18, 2009 of the Regional Trial Court (RTC) of Pasay City, Branch 109 in Civil Case No. 06-200cfm, finding petitioner Fort Bonifacio Development Corporation (FBDC) liable to respondent Manuel M. Domingo (Domingo), for the amount of ₱804,068.21 with legal interest computed from November 20, 2014.

* On official leave.

¹ *Rollo*, pp. 3-41.

² Id. at 44-58; penned by Associate Justice Edwin D. Sorongon, with Associate Justices Rosmari D. Carandang (now a retired Member of this Court) and Marlene Gonzales-Sison, concurring.

³ Id. at 59-60.

⁴ Id. at 265-278; penned by Presiding Judge Tingaraan U. Guiling.

The Facts

On June 5, 2000, FBDC, a domestic corporation duly organized under Philippine laws engaged in the real estate development business, entered into a Trade Contract⁵ with MS Maxco Company, Inc. (MS Maxco), then using the name L&M Maxco Company Inc.,⁶ for the execution of the structural and partial architectural works of the Bonifacio Ridge Condominium Project (project) in Taguig City.⁷

Under the said Trade Contract, FBDC had the right to withhold the retention money amounting to 5% of the contract price for a period of one year after the completion of the project.⁸ Retention money pertains to a percentage of the contract price set aside by the project owner and retained for a specified period to guarantee the contractor's performance of all corrective works and services throughout the defect-liability period.⁹ The defect-liability period refers to the 12 month-period from the issuance of a practical completion within which MS Maxco is obliged to repair any defects in the project at no cost to FBDC.¹⁰ For this project, the defect-liability period commenced in January 2005 and ended in December 2005.¹¹

The Trade Contract likewise provides that MS Maxco is prohibited from assigning or transferring any of its rights, obligations, or liabilities under the said Contract without the written consent of FBDC.¹²

On July 30, 2004, FBDC received the first Notice of Garnishment¹³ directed against the receivables of MS Maxco, issued by the Construction Industry Arbitration Commission (CIAC). The garnishment was in connection to CIAC Case No. 11-2002 filed by Asia-Con Builders against MS Maxco, making the latter liable for the amount of ₱5,990,927.77.¹⁴

Meanwhile, because of the defect and delay in MS Maxco's work on the project, FBDC unilaterally terminated the Trade Contract in a letter¹⁵ dated August 24, 2004, and engaged another contractor to complete the

⁵ Id. at 135-171.

⁶ Id. at 7.

⁷ Id. at 46.

⁸ Id.

⁹ *Fort Bonifacio Development Corporation v. Domingo*, 599 Phil. 554, 556 (2009).

¹⁰ *Rollo*, p. 46.

¹¹ Id.

¹² Id. at 161.

¹³ Id. at 172.

¹⁴ Id. at 46.

¹⁵ Id. at 236-237.

remaining work left unfinished by the former.¹⁶ Pursuant to the Trade Contract, the expenses incurred by FBDC in completing the remaining work were deducted from the retention money.¹⁷ Nonetheless, FBDC was still obliged to pay MS Maxco a fraction of the contract price in accordance with the works previously completed by the latter.¹⁸

Sometime in April 2005, FBDC received a letter¹⁹ dated April 18, 2005 from the counsel of Domingo informing the former that MS Maxco had already assigned its receivables from FBDC to him by virtue of a notarized Deed of Assignment²⁰ dated February 28, 2005. Under the said Deed of Assignment, MS Maxco assigned the amount of ₱804,068.21 to Domingo as payment of the former's obligation to the latter, which amount was to be taken from the retention money with FBDC.²¹ In its letter-reply²² dated October 11, 2005, FBDC acknowledged the 5% retention money of MS Maxco, but asserted that the same was not yet due and demandable and that it was already the subject of garnishment by the latter's other creditors.²³

Unsatisfied with the reply, Domingo, through counsel, sent another letter²⁴ dated October 14, 2005, asserting his ownership over a portion of the retention money, and maintaining that the amount thereof assigned to him cannot be garnished to satisfy the obligations of MS Maxco to other creditors, since the same ceased to be MS Maxco's properties pursuant to the Deed of Assignment.²⁵ Attached was MS Maxco's endorsement letter,²⁶ dated January 17, 2005, approving Domingo's claim against FBDC in the sum of ₱804,068.21, to be charged against the retention money.²⁷

During the interim, FBDC received another Notice of Garnishment,²⁸ dated June 6, 2005, issued by the National Labor Relations Commission (NLRC) in connection with NLRC-NCR Case No. 00-07-05483-2003 filed by Nicolas Consigna against MS Maxco and/or Michael Say, where the latter was made to pay ₱181,635.01.²⁹

¹⁶ Id. at 9.

¹⁷ Id.

¹⁸ Id. at 46.

¹⁹ Id. at 77.

²⁰ Id. at 75-76.

²¹ Id. at 75.

²² Id. at 78-79.

²³ Id. at 78.

²⁴ Id. at 80.

²⁵ Id.

²⁶ Id. at 82.

²⁷ Id.

²⁸ Id. at 70.

²⁹ Id.

On July 13, 2005, FBDC received an Order of Delivery of Money³⁰ enforcing the first Notice of Garnishment in connection with CIAC Case No. 11-2002.³¹

On January 26, 2006, FBDC was served with a third Notice of Garnishment³² against the receivables of MS Maxco, already accompanied by an Order of Delivery of Money,³³ issued by the RTC of Makati, Branch 133 in Civil Case No. 05-164 filed by Concrete Masters, Inc. against MS Maxco, where the latter was made liable for ₱558,448.27. FBDC received a consequent Order of Delivery of Money.³⁴

FBDC was able to make the following payments³⁵ pursuant to the Garnishment Orders:

Garnishment Order in CIAC Case No. 11-2002 due to Asia-Con	₱5,110,833.44
Garnishment Order in NLRC-NCR Case No. 00-07-05483-2003 due to Nicolas Consigna	₱181,635.01
Garnishment Order in Civil Case No. 05-164 due to Concrete Masters, Inc.	₱558,448.27
Total	₱5,850,916.72

Precisely, the garnishment proceedings cost the retention money ₱5,850,916.72. Adding the said amount to the costs of rectification of defects totaling to ₱1,567,779.12,³⁶ the final amount to be deducted from the retention money amounted to ₱17,418,695.84. Thus, in a letter³⁷ dated January 31, 2006, FBDC emphatically refused Domingo's claim on MS Maxco's retention money, arguing that following the completion of the project and fulfilment of the multiple garnishment orders, the retention money of ₱17,237,060.83³⁸ was already exhausted.³⁹

The preceding circumstances prompted Domingo to file a Complaint for Collection of Sum of Money,⁴⁰ dated February 7, 2006, against both MS Maxco and FBDC before the RTC of Pasay City, Branch 109, docketed as

³⁰ Id. at 173.
³¹ Id.
³² Id. at 174.
³³ Id. at 175.
³⁴ Id.
³⁵ Id. at 48.
³⁶ Id.
³⁷ Id. at 84.
³⁸ Id. at 47.
³⁹ Id. at 84.
⁴⁰ Id. at 72-74.

Civil Case No. 06-0200-CFM.⁴¹ Instead of filing an Answer, FBDC filed a Motion to Dismiss⁴² on the ground of lack of jurisdiction over the subject matter, among others.⁴³ The Motion to Dismiss was denied,⁴⁴ and the issue on jurisdiction was settled by the Court in *Fort Bonifacio Development Corporation v. Domingo*,⁴⁵ where it was ruled that the RTC, not the CIAC, has jurisdiction over the case at bar.⁴⁶ With the said motion being denied, a full-blown trial was held.⁴⁷

The Ruling of the RTC

The RTC ruled in favor of Domingo, the dispositive portion of the Decision⁴⁸ dated December 18, 2009 reads:

WHEREFORE, premises considered, judgment is hereby rendered:

1. Declaring plaintiff as successful party as far as defendant MS Maxco and to pay plaintiff the sum P804,068.21 with legal interest from the filing of the case plus costs;
2. Directing co-defendant Fort Bonifacio Development Corporation to secure the amount of P804,068.21 in the retention money in the name of MS Maxco for and in behalf of plaintiff and as preferred creditor.

SO ORDERED.⁴⁹

In ruling so, the RTC refused to treat FBDC as a principal debtor pursuant to the rules on preference of credit since Domingo is not FBDC's creditor, yet it ordered FBDC to consider Domingo as a preferred creditor and set aside the amount claimed by the latter.⁵⁰

Aggrieved, FBDC appealed to the CA. In its appellant's brief, FBDC argued that the above directive of the RTC runs counter to its finding that it has no obligation as debtor to Domingo.⁵¹ FBDC also emphasized that the retention money was already completely exhausted by reason of payments

⁴¹ Id. at 72.

⁴² Id. at 85-134.

⁴³ Id. at 85-86.

⁴⁴ Id. at 14.

⁴⁵ Supra note 9.

⁴⁶ Id. at 563-564.

⁴⁷ *Rollo*, p. 14.

⁴⁸ Id. at 265-278.

⁴⁹ Id. at 278.

⁵⁰ Id.

⁵¹ Id. at 309.



made to the garnishing creditors of MS Maxco, in addition to the cost of rectification works advanced by FBDC.⁵²

The Ruling of the CA

In a Decision⁵³ dated November 20, 2014, the CA affirmed the RTC ruling, the dispositive portion reads:

WHEREFORE, We **DISMISS** the Appeal for want of merit. Further, in view of the points we have herein set forth, We **MODIFY** the appealed Decision of the Regional Trial Court of Pasay City, Branch 109 in Civil Case No. 06-200 to conform to the evidence thuswise: (i) Fort Bonifacio Development Corporation (FBDC) is held liable to pay Manuel M. Domingo the amount of Eight Hundred Four Thousand Sixty Eight and 21/100 (P804,068.21) with legal interest from the date of the finality of this Decision until fully paid as and by way of actual or compensatory damages; and (ii) the pronouncement made as against defendant MS MAXCO COMPANY, INC. is **DELETED** its obligation under Article 1628 of the New Civil Code not having been properly established.

SO ORDERED.⁵⁴ (Emphases in the original)

Consequently, FBDC filed a Motion for Reconsideration,⁵⁵ which was denied by the CA in a Resolution⁵⁶ dated May 21, 2015, to wit:

WHEREFORE, defendant-appellants' Motion for Reconsideration is **DENIED** for lack of merit.

SO ORDERED.⁵⁷ (Emphases in the original)

Undaunted, FBDC filed the present recourse.

Issue

For the resolution of this Court is the issue of whether FBDC is liable to pay Domingo the amount ₱804,068.21 representing a portion of the retention money subject of the Deed of Assignment.

⁵² Id. at 314-315.

⁵³ Id. at 44-58.

⁵⁴ Id. at 57.

⁵⁵ Id. at 332-349.

⁵⁶ Id. at 59-60.

⁵⁷ Id. at 60.

The Ruling of this Court

The Court grants the petition.

The issue on the validity of the Deed of Assignment between MS Maxco and its creditor, in relation to FBDC, was already settled in *Fort Bonifacio Development Corporation v. Fong (FBDC v. Fong)*.⁵⁸ The Court emphasized therein that obligations arising from contracts have the force of law between the contracting parties and should be complied with in good faith.⁵⁹ These stipulations in contracts are binding on them unless the same is contrary to law, morals, good customs, public order, or public policy.⁶⁰

Consequently, by virtue of the principle of relativity of contracts, these stipulations bind the parties, their assigns and heirs, except in cases where the rights and obligations arising from the contract are not transmissible by their nature, or by stipulation or by provision of law.⁶¹ As explained by the Court in *FBDC v. Fong*, the rationale behind the assignees, although a third party to the contract, being bound by the original party's transaction under the relativity principle further lies in the concept of subrogation, which inheres in assignment.⁶²

Thus, in *FBDC v. Fong*, the Court stressed that when a person assigns his or her credit to another person, the latter is deemed subrogated to the rights and obligations of the former.⁶³ The assignee is bound by the exact same conditions as those which bound the assignor, since the former simply stands into the shoes of the latter, and hence cannot acquire greater rights than those pertaining to the assignor.⁶⁴

Relevantly, the foregoing concepts were applied in *FBDC v. Fong*, where the Court ruled that MS Maxco, as Trade Contractor, cannot assign or transfer any of its rights, obligations, or liabilities under the Trade Contract without the written consent of FBDC, the Client.⁶⁵ As such, the Court emphasized that without any proof that FBDC had consented to the assignment, Fong, as the assignee therein, cannot validly demand from the former the delivery of the sum of money that was assigned to him by MS

⁵⁸ 757 Phil. 324 (2015).

⁵⁹ Article 1159 of the CIVIL CODE OF THE PHILIPPINES.

⁶⁰ Id. at Article 1306.

⁶¹ Id. at Article 1311.

⁶² *Fort Bonifacio Development Corporation v. Fong*, supra note at 58 at 324.

⁶³ Id. at 323-324.

⁶⁴ Id. at 324.

⁶⁵ Id. at 324-325.

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Maxco as a portion of its retention money with FBDC.⁶⁶ To stress, the practical efficacy of the assignment, although valid between the MS Maxco and Fong, remains contingent upon the written approval of FBDC.⁶⁷

Without fail, the above-discussed principles and findings in *FBDC v. Fong* apply squarely in the present case. The aforementioned case and the case at bar concern the same Trade Contract between FBDC and MS Maxco, and the same receivables of MS Maxco from FBDC. The difference lies on the identity of the assignees of MS Maxco – Fong being the assignee in the settled case of *FBDC v. Fong*, and Domingo being the assignee in the present case.

Applying the foregoing, the Court herein finds that FBDC and Domingo, as assignee of MS Maxco, are bound by the stipulations under the Trade Contract. The stipulation in dispute specifically provides:

19.1 The Trade Contractor [MS Maxco] shall not, without written consent of the Client [FBDC], assign or transfer any of his rights, obligations or liabilities under this Contract. The Trade Contractor shall not, without the written consent of the Client, sub-let any portion of the Works and such consent, if given, shall not relieve the Trade Contractor from any liability or obligation under the Contract.⁶⁸

By virtue of the obligatory force and relativity of contracts, the said stipulation, not being contrary to law, morals, good customs, public order, or public policy, is valid and binding among the parties. Thus, pursuant to Clause 19.1, MS Maxco, the Trade Contractor, cannot assign or transfer its receivables under the Trade Contract without the written consent of FBDC, the Client. The same clause equally binds Domingo as the assignee of MS Maxco.

Since MS Maxco failed to secure the written consent of FBDC when the former assigned its receivables to Domingo, the Court concludes that FBDC is not liable to pay Domingo the amount ₱804,068.21 representing a portion of the retention money subject of the Deed of Assignment.

The purported liability of FBDC to Domingo is sourced from the Deed of Assignment, where MS Maxco assigned its receivables under its Trade Contract with FBDC to Domingo. However, as its practical efficacy remains

⁶⁶ Id. at 325.

⁶⁷ Id.

⁶⁸ *Rollo*, p. 161.

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contingent upon the written assent of FBDC, the same still wanting in this case, FBDC cannot be made liable to Domingo.


In any case, it must be stressed that the retention money amounting to ₱17,237,060.83 has already been exhausted against the liabilities of MS Maxco which totaled to ₱17,418,695.84, consisting of the cost of the garnishment proceedings against MS Maxco and cost of rectification of defects advanced by FBDC.

In sum, since the Deed of Assignment between MS Maxco and Domingo cannot be enforced against FBDC for want of its written consent, FBDC is not liable to pay Domingo the amount ₱804,068.21 representing a portion of the retention money subject of the Deed of Assignment. Needless to say, this finding does not preclude Domingo from any recourse he may take against MS Maxco.

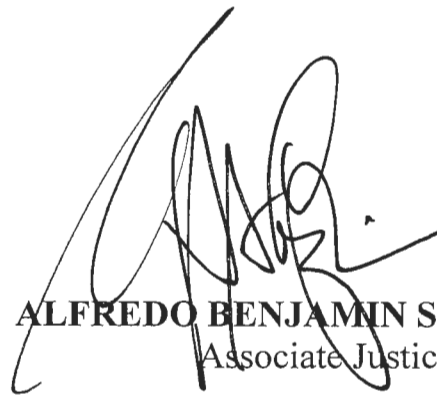
WHEREFORE, the petition is **GRANTED**. The Decision dated November 20, 2014 and the Resolution dated May 21, 2015 of the Court of Appeals in CA-G.R. CV No. 96338, affirming the Decision dated December 18, 2009 of the Regional Trial Court of Pasay City, Branch 109 in Civil Case No. 06-200cfm are hereby **REVERSED** and **SET ASIDE**.

Likewise, the award of money amounting to Eight Hundred Four Thousand Sixty-Eight and 21/100 (₱804,068.21) in favor of Manuel Domingo with legal interest from the date of the finality of this Decision until fully paid as and by way of actual or compensatory damages is **DELETED** without prejudice to the filing of a separate civil action against the proper party.

SO ORDERED.


SAMUEL H. GAERLAN
Associate Justice

WE CONCUR:

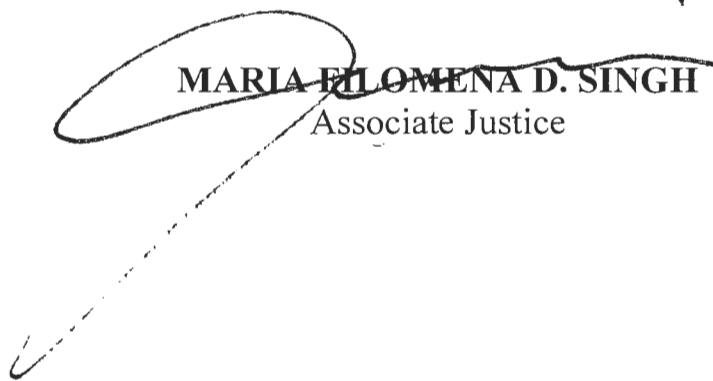


ALFREDO BENJAMIN S. CAGUIOA
Associate Justice



HENRI JEAN PAUL B. INTING
Associate Justice

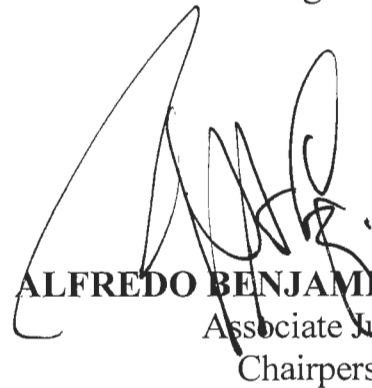
(On official leave)
JAPAR B. DIMAAMPAO
Associate Justice



MARIA FILOMENA D. SINGH
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

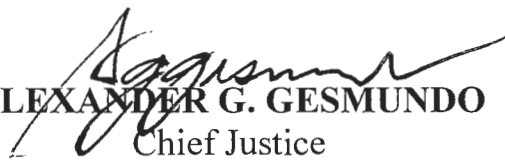


ALFREDO BENJAMIN S. CAGUIOA
Associate Justice
Chairperson



CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


ALEXANDER G. GESMUNDO
Chief Justice