Republic of the Philippines
Supreme Court
Baguio City

FIRST DIVISION

INTERNATIONAL HOTEL CORPORATION, Petitioner,	**G.R. No. 158361**
	Present:
- versus -	SERENO, *C.J.*, LEONARDO-DE CASTRO, BERSAMIN, VILLARAMA, JR., REYES*JJ.*
FRANCISCO B. JOAQUIN, JR. and RAFAEL SUAREZ, Respondents.	Promulgated: APR 10 2013

x----------x

D E C I S I O N

BERSAMIN, *J.*:

To avoid unjust enrichment to a party from resulting out of a substantially performed contract, the principle of *quantum meruit* may be used to determine his compensation in the absence of a written agreement for that purpose. The principle of *quantum meruit* justifies the payment of the reasonable value of the services rendered by him.

The Case

Under review is the decision the Court of Appeals (CA) promulgated on November 8, 2002,[1] disposing:

> WHEREFORE, premises considered, the decision dated August 26, 1993 of the Regional Trial Court, Branch 13, Manila in Civil Case No. R-82-2434 is AFFIRMED with Modification as to the amounts awarded as follows: defendant-appellant IHC is ordered to pay plaintiff-appellant

---

[1] *Rollo*, pp. 38-49; penned by Associate Justice Remedios A. Salazar-Fernando, with Associate Justice Ruben T. Reyes (later Presiding Justice, and Member of the Court, but now retired) and Edgardo F. Sundiam (retired/deceased) concurring.

Joaquin ₱700,000.00 and plaintiff-appellant Suarez ₱200,000.00, both to be paid in cash.

SO ORDERED.

Antecedents

On February 1, 1969, respondent Francisco B. Joaquin, Jr. submitted a proposal to the Board of Directors of the International Hotel Corporation (IHC) for him to render technical assistance in securing a foreign loan for the construction of a hotel, to be guaranteed by the Development Bank of the Philippines (DBP).[2] The proposal encompassed nine phases, namely: (1) the preparation of a new project study; (2) the settlement of the unregistered mortgage prior to the submission of the application for guaranty for processing by DBP; (3) the preparation of papers necessary to the application for guaranty; (4) the securing of a foreign financier for the project; (5) the securing of the approval of the DBP Board of Governors; (6) the actual follow up of the application with DBP[3]; (7) the overall coordination in implementing the projections of the project study; (8) the preparation of the staff for actual hotel operations; and (9) the actual hotel operations.[4]

The IHC Board of Directors approved phase one to phase six of the proposal during the special board meeting on February 11, 1969, and earmarked ₱2,000,000.00 for the project.[5] Anent the financing, IHC applied with DBP for a foreign loan guaranty. DBP processed the application,[6] and approved it on October 24, 1969 subject to several conditions.[7]

On July 11, 1969, shortly after submitting the application to DBP, Joaquin wrote to IHC to request the payment of his fees in the amount of ₱500,000.00 for the services that he had provided and would be providing to IHC in relation to the hotel project that were outside the scope of the technical proposal. Joaquin intimated his amenability to receive shares of stock instead of cash in view of IHC's financial situation.[8]

On July 11, 1969, the stockholders of IHC met and granted Joaquin's request, allowing the payment for both Joaquin and Rafael Suarez for their services in implementing the proposal.[9]

---

2 Records, pp. 211-222.
3 Id. at 221.
4 Id. at 220-221.
5 Exhibits, pp. 51-53.
6 Id. at 43.
7 Id. at 47-48.
8 Id. at 49-50.
9 Id. at 58-60.

On June 20, 1970, Joaquin presented to the IHC Board of Directors the results of his negotiations with potential foreign financiers. He narrowed the financiers to Roger Dunn & Company and Materials Handling Corporation. He recommended that the Board of Directors consider Materials Handling Corporation based on the more beneficial terms it had offered. His recommendation was accepted.[10]

Negotiations with Materials Handling Corporation and, later on, with its principal, Barnes International (Barnes), ensued. While the negotiations with Barnes were ongoing, Joaquin and Jose Valero, the Executive Director of IHC, met with another financier, the Weston International Corporation (Weston), to explore possible financing.[11] When Barnes failed to deliver the needed loan, IHC informed DBP that it would submit Weston for DBP's consideration.[12] As a result, DBP cancelled its previous guaranty through a letter dated December 6, 1971.[13]

On December 13, 1971, IHC entered into an agreement with Weston, and communicated this development to DBP on June 26, 1972. However, DBP denied the application for guaranty for failure to comply with the conditions contained in its November 12, 1971 letter.[14]

Due to Joaquin's failure to secure the needed loan, IHC, through its President Bautista, canceled the 17,000 shares of stock previously issued to Joaquin and Suarez as payment for their services. The latter requested a reconsideration of the cancellation, but their request was rejected.

Consequently, Joaquin and Suarez commenced this action for specific performance, annulment, damages and injunction by a complaint dated December 6, 1973 in the Regional Trial Court in Manila (RTC), impleading IHC and the members of its Board of Directors, namely, Felix Angelo Bautista, Sergio O. Rustia, Ephraim G. Gochangco, Mario B. Julian, Benjamin J. Bautista, Basilio L. Lirag, Danilo R. Lacerna and Hermenegildo R. Reyes.[15] The complaint alleged that the cancellation of the shares had been illegal, and had deprived them of their right to participate in the meetings and elections held by IHC; that Barnes had been recommended by IHC President Bautista, not by Joaquin; that they had failed to meet their obligation because President Bautista and his son had intervened and negotiated with Barnes instead of Weston; that DBP had canceled the guaranty because Barnes had failed to release the loan; and that IHC had

---

10 Records, pp. 209-210.
11 TSN dated October 2, 1975, p. 58.
12 Records, p. 236.
13 Id. at 233.
14 TSN dated July 8, 1977, pp. 20-21.
15 Records, pp. 5-14.

agreed to compensate their services with 17,000 shares of the common stock plus cash of ₱1,000,000.00.[16]

IHC, together with Felix Angelo Bautista, Sergio O. Rustia, Mario B. Julian and Benjamin J. Bautista, filed an answer claiming that the shares issued to Joaquin and Suarez as compensation for their "past and future services" had been issued in violation of Section 16 of the *Corporation Code*; that Joaquin and Suarez had not provided a foreign financier acceptable to DBP; and that they had already received ₱96,350.00 as payment for their services.[17]

On their part, Lirag and Lacerna denied any knowledge of or participation in the cancellation of the shares.[18]

Similarly, Gochangco and Reyes denied any knowledge of or participation in the cancellation of the shares, and clarified that they were not directors of IHC.[19] In the course of the proceedings, Reyes died and was substituted by Consorcia P. Reyes, the administratrix of his estate.[20]

Ruling of the RTC

Under its decision rendered on August 26, 1993, the RTC held IHC liable pursuant to the second paragraph of Article 1284 of the *Civil Code*, disposing thusly:

> WHEREFORE, in the light of the above facts, law and jurisprudence, the Court hereby orders the defendant International Hotel Corporation to pay plaintiff Francisco B. Joaquin, the amount of Two Hundred Thousand Pesos (₱200,000.00) and to pay plaintiff Rafael Suarez the amount of Fifty Thousand Pesos (₱50,000.00); that the said defendant IHC likewise pay the co-plaintiffs, attorney's fees of ₱20,000.00, and costs of suit.
>
> IT IS SO ORDERED.[21]

The RTC found that Joaquin and Suarez had failed to meet their obligations when IHC had chosen to negotiate with Barnes rather than with Weston, the financier that Joaquin had recommended; and that the cancellation of the shares of stock had been proper under Section 68 of the

---

16 TSN dated May 9, 1976, pp. 43-47.
17 Records, pp. 48-59.
18 Id. at 60-64.
19 Id. at 65-74.
20 Id. at 477.
21 Id. at 591.

Corporation Code, which allowed such transfer of shares to compensate only past services, not future ones.

Ruling of the CA

Both parties appealed.[22]

Joaquin and Suarez assigned the following errors, to wit:

> DESPITE HAVING CORRECTLY ACKNOWLEDGED THAT PLAINTIFFS-APPELLANTS FULLY PERFORMED ALL THAT WAS INCUMBENT UPON THEM, THE HONORABLE JUDGE ERRED IN NOT ORDERING THAT:
>
> A. DEFENDANTS WERE UNJUSTIFIED IN CANCELLING THE SHARES OF STOCK PREVIOUSLY ISSUED TO PLAINTIFFS-APPELLANTS; AND
>
> B. DEFENDANTS PAY PLAINTIFFS-APPELLANTS TWO MILLION SEVEN HUNDRED PESOS (*sic*) (₱2,700,000.00), INCLUDING INTEREST THEREON FROM 1973, REPRESENTING THE TOTAL OBLIGATION DUE PLAINTIFFS-APPELLANTS.[23]

On the other hand, IHC attributed errors to the RTC, as follows:

> [I.]
> THE LOWER COURT ERRED IN HOLDING THAT PLAINTIFFS-APPELLANTS HAVE NOT BEEN COMPLETELY PAID FOR THEIR SERVICES, AND IN ORDERING THE DEFENDANT-APPELLANT TO PAY TWO HUNDRED THOUSAND PESOS (₱200,000.00) AND FIFTY THOUSAND PESOS (₱50,000.00) TO PLAINTIFFS-APPELLANTS FRANCISCO B. JOAQUIN AND RAFAEL SUAREZ, RESPECTIVELY.
>
> [II.]
> THE LOWER COURT ERRED IN AWARDING PLAINTIFFS-APPELLANTS ATTORNEY'S FEES AND COSTS OF SUIT.[24]

In its questioned decision promulgated on November 8, 2002, the CA concurred with the RTC, upholding IHC's liability under Article 1186 of the *Civil Code*. It ruled that in the context of Article 1234 of the *Civil Code*, Joaquin had substantially performed his obligations and had become entitled to be paid for his services; and that the issuance of the shares of stock was *ultra vires* for having been issued as consideration for future services.

---

22 Id. at 593-594, 598-599.
23 CA *rollo*, p. 33.
24 Id. at 107.

Anent how much was due to Joaquin and Suarez, the CA explained thusly:

> This Court does not subscribe to plaintiffs-appellants' view that defendant-appellant IHC agreed to pay them ₱2,000,000.00. Plaintiff-appellant Joaquin's letter to defendant-appellee F.A. Bautista, quoting defendant-appellant IHC's board resolutions which supposedly authorized the payment of such amount cannot be sustained. The resolutions are quite clear and when taken together show that said amount was only the "estimated maximum expenses" which defendant-appellant IHC expected to incur in accomplishing phases 1 to 6, not exclusively to plaintiffs-appellants' compensation.This conclusion finds support in an unnumbered board resolution of defendant-appellant IHC dated July 11, 1969:
>
> > "Incidentally, it was also taken up *the necessity of giving the Technical Group a portion of the compensation* that was authorized by this corporation in its Resolution of February 11, 1969 considering that the assistance so far given the corporation by said Technical Group in continuing our project with the DBP and its request for guaranty for a foreign loan is 70% completed leaving only some details which are now being processed. It is estimated that ₱400,000.00 worth of Common Stock would be reasonable for the present accomplishments and to this effect, the President is authorized to issue the same in the name of the Technical Group, as follows:
> >
> > > ₱200,000.00 in common stock to Rafael Suarez, as associate in the Technical Group, and ₱200,000.00 in common stock to Francisco G. Joaquin, Jr., also a member of the Technical Group.
>
> It is apparent that not all of the ₱2,000,000.00 was allocated exclusively to compensate plaintiffs-appellants. Rather, it was intended to fund the whole undertaking including their compensation. On the same date, defendant-appellant IHC also authorized its president to pay plaintiff-appellant Joaquin ₱500,000.00 either in cash or in stock or both.
>
> The amount awarded by the lower court was therefore less than what defendant-appellant IHC agreed to pay plaintiffs-appellants. While this Court cannot decree that the cancelled shares be restored, for they are without a doubt null and void, still and all, defendant-appellant IHC cannot now put up its own *ultra vires* act as an excuse to escape obligation to plaintiffs-appellants. Instead of shares of stock, defendant-appellant IHC is ordered to pay plaintiff-appellant Joaquin a total of ₱700,000.00 and plaintiff-appellant Suarez ₱200,000.00, both to be paid in cash.
>
> Although the lower court failed to explain why it was granting the attorney's fees, this Court nonetheless finds its award proper given defendant-appellant IHC's actions.[25]

---

[25] *Rollo*, pp. 47-49.

Issues

In this appeal, the IHC raises as issues for our consideration and resolution the following:

> I
> WHETHER OR NOT THE COURT OF APPEALS IS CORRECT IN AWARDING COMPENSATION AND EVEN MODIFYING THE PAYMENT TO HEREIN RESPONDENTS DESPITE NON-FULFILLMENT OF THEIR OBLIGATION TO HEREIN PETITIONER
>
> II
> WHETHER OR NOT THE COURT OF APPEALS IS CORRECT IN AWARDING ATTORNEY'S FEES TO RESPONDENTS[26]

IHC maintains that Article 1186 of the *Civil Code* was erroneously applied; that it had no intention of preventing Joaquin from complying with his obligations when it adopted his recommendation to negotiate with Barnes; that Article 1234 of the *Civil Code* applied only if there was a merely slight deviation from the obligation, and the omission or defect was technical and unimportant; that substantial compliance was unacceptable because the foreign loan was material and was, in fact, the ultimate goal of its contract with Joaquin and Suarez; that because the obligation was indivisible and subject to a suspensive condition, Article 1181 of the *Civil Code*[27] applied, under which a partial performance was equivalent to non-performance; and that the award of attorney's fees should be deleted for lack of legal and factual bases.

On the part of respondents, only Joaquin filed a comment,[28] arguing that the petition was fatally defective for raising questions of fact; that the obligation was divisible and capable of partial performance; and that the suspensive condition was deemed fulfilled through IHC's own actions.[29]

Ruling

We deny the petition for review on *certiorari* subject to the ensuing disquisitions.

---

[26] *Rollo*, p. 22.

[27] Article 1181. In conditional obligations, the acquisition of rights, as well as the extinguishment or loss of those already acquired, shall depend upon the happening of the event which constitutes the condition.

[28] *Rollo*,pp. 143-144.

[29] Under the resolution dated October 22, 2007, the Court dispensed with the comment of Suarez following the manifestation by his daughter that he was already 83 years old and already residing in the United States of America.

1.
IHC raises questions of law

We first consider and resolve whether IHC's petition improperly raised questions of fact.

A question of law exists when there is doubt as to what the law is on a certain state of facts, but, in contrast, a question of fact exists when the doubt arises as to the truth or falsity of the facts alleged. A question of law does not involve an examination of the probative value of the evidence presented by the litigants or by any of them; the resolution of the issue must rest solely on what the law provides on the given set of circumstances.[30] When there is no dispute as to the facts, the question of whether or not the conclusion drawn from the facts is correct is a question of law.[31]

Considering that what IHC seeks to review is the CA's application of the law on the facts presented therein, there is no doubt that IHC raises questions of law. The basic issue posed here is whether the conclusions drawn by the CA were correct under the pertinent laws.

2.
Article 1186 and Article 1234 of the *Civil Code* cannot be the source of IHC's obligation to pay respondents

IHC argues that it should not be held liable because: (*a*) it was Joaquin who had recommended Barnes; and (*b*) IHC's negotiation with Barnes had been neither intentional nor willfully intended to prevent Joaquin from complying with his obligations.

IHC's argument is meritorious.

Article 1186 of the *Civil Code* reads:

> Article 1186. The condition shall be deemed fulfilled when the obligor voluntarily prevents its fulfillment.

This provision refers to the constructive fulfillment of a suspensive condition,[32] whose application calls for two requisites, namely: (*a*) the intent of the obligor to prevent the fulfillment of the condition, and (*b*) the actual

---

[30] *Lorzano v. Tabayag*, G.R. No. 189647, February 6, 2012; *Tongonan Holdings and Development Corporation v. Escano, Jr.*, G.R. No. 190994, September 7, 2011, 657 SCRA 306, 314; *Republic v. Malabanan*, G.R. No. 169067, October 6, 2010, 632 SCRA 338, 345.

[31] *The Heirs of Nicolas S. Cabigas v. Limbaco*, G.R. No. 175291, July 27, 2011, 654 SCRA 643, 651-652.

[32] Jurado, *Comments and Jurisprudence on Obligations and Contracts*, 2002, p. 122.

prevention of the fulfillment. Mere intention of the debtor to prevent the happening of the condition, or to place ineffective obstacles to its compliance, without actually preventing the fulfillment, is insufficient.[33]

The error lies in the CA's failure to determine IHC's intent to pre-empt Joaquin from meeting his obligations. The June 20, 1970 minutes of IHC's special board meeting discloses that Joaquin impressed upon the members of the Board that Materials Handling was offering more favorable terms for IHC, to wit:

> x x x x
>
> At the meeting all the members of the Board of Directors of the International Hotel Corporation were present with the exception of Directors Benjamin J. Bautista and Sergio O. Rustia who asked to be excused because of previous engagements. In that meeting, the President called on Mr. Francisco G. Joaquin, Jr. to explain the different negotiations he had conducted relative to obtaining the needed financing for the hotel project in keeping with the authority given to him in a resolution approved by the Board of Directors.
>
> Mr. Joaquin presently explained that he contacted several local and foreign financiers through different brokers and after examining the different offers he narrowed down his choice to two (2), to wit: the foreign financier recommended by George Wright of the Roger Dunn & Company and the offer made by the Materials Handling Corporation.
>
> **After explaining the advantages and disadvantages to our corporation of the two (2) offers specifically with regard to the terms and repayment of the loan and the rate of interest requested by them, he concluded that the offer made by the Materials Handling Corporation is much more advantageous because the terms and conditions of payment as well as the rate of interest are much more reasonable and would be much less onerous to our corporation**. However, he explained that the corporation accepted, in principle, the offer of Roger Dunn, per the corporation's telegrams to Mr. Rudolph Meir of the Private Bank of Zurich, Switzerland, and until such time as the corporation's negotiations with Roger Dunn is terminated, we are committed, on one way or the other, to their financing.
>
> It was decided by the Directors that, should the negotiations with Roger Dunn materialize, at the same time as the offer of Materials Handling Corporation, that the funds committed by Roger Dunn may be diverted to other borrowers of the Development Bank of the Philippines. **With this condition, Director Joaquin showed the advantages of the offer of Materials Handling Corporation**. Mr. Joaquin also informed the corporation that, as of this date, the bank confirmation of Roger Dunn & Company has not been received. In view of the fact that the corporation is racing against time in securing its financing, he recommended that the corporation entertain other offers.

---

[33] Tolentino, *Civil Code of the Philippines*, Volume IV, 1991, p. 160.

> After a brief exchange of views on the part of the Directors present and after hearing the clarification and explanation made by Mr. C. M. Javier who was present and who represented the Materials Handling Corporation, **the Directors present approved unanimously the recommendation of Mr. Joaquin to entertain the offer of Materials Handling Corporation.**[34]

Evidently, IHC only relied on the opinion of its consultant in deciding to transact with Materials Handling and, later on, with Barnes. In negotiating with Barnes, IHC had no intention, willful or otherwise, to prevent Joaquin and Suarez from meeting their undertaking. Such absence of any intention negated the basis for the CA's reliance on Article 1186 of the *Civil Code*.

Nor do we agree with the CA's upholding of IHC's liability by virtue of Joaquin and Suarez's substantial performance. In so ruling, the CA applied Article 1234 of the *Civil Code*, which states:

> Article 1234. If the obligation has been substantially performed in good faith, the obligor may recover as though there had been a strict and complete fulfillment, less damages suffered by the obligee.

It is well to note that Article 1234 applies only when an obligor admits breaching the contract[35] after honestly and faithfully performing all the material elements thereof except for some technical aspects that cause no serious harm to the obligee.[36] IHC correctly submits that the provision refers to an omission or deviation that is slight, or technical and unimportant, and does not affect the real purpose of the contract.

Tolentino explains the character of the obligor's breach under Article 1234 in the following manner, to wit:

> In order that there may be substantial performance of an obligation, there must have been an attempt in good faith to perform, without any willful or intentional departure therefrom. The deviation from the obligation must be slight, and the omission or defect must be technical and unimportant, and must not pervade the whole or be so material that the object which the parties intended to accomplish in a particular manner is not attained. The non-performance of a material part of a contract will prevent the performance from amounting to a substantial compliance.
>
> The party claiming substantial performance must show that he has attempted in good faith to perform his contract, but has through oversight, misunderstanding or any excusable neglect failed to completely perform in certain negligible respects, for which the other party may be adequately indemnified by an allowance and deduction from the contract price or by

---

34 Records, pp. 209-210.
35 *Mathis Implement Company v. Heath*, 2003 SD 72, 665 N.W.2d 90 (S.D. 2003).
36 17A Am Jur 2d, Contracts § 617.

> an award of damages. But a party who knowingly and wilfully fails to perform his contract in any respect, or omits to perform a material part of it, cannot be permitted, under the protection of this rule, to compel the other party, and the trend of the more recent decisions is to hold that the percentage of omitted or irregular performance may in and of itself be sufficient to show that there had not been a substantial performance.[37]

By reason of the inconsequential nature of the breach or omission, the law deems the performance as substantial, making it the obligee's duty to pay.[38] The compulsion of payment is predicated on the substantial benefit derived by the obligee from the partial performance. Although compelled to pay, the obligee is nonetheless entitled to an allowance for the sum required to remedy omissions or defects and to complete the work agreed upon.[39]

Conversely, the principle of substantial performance is inappropriate when the incomplete performance constitutes a material breach of the contract. A contractual breach is material if it will adversely affect the nature of the obligation that the obligor promised to deliver, the benefits that the obligee expects to receive after full compliance, and the extent that the non-performance defeated the purposes of the contract.[40] Accordingly, for the principle embodied in Article 1234 to apply, the failure of Joaquin and Suarez to comply with their commitment should not defeat the ultimate purpose of the contract.

The primary objective of the parties in entering into the services agreement was to obtain a foreign loan to finance the construction of IHC's hotel project. This objective could be inferred from IHC's approval of phase 1 to phase 6 of the proposal. Phase 1 and phase 2, respectively the preparation of a new project study and the settlement of the unregistered mortgage, would pave the way for Joaquin and Suarez to render assistance to IHC in applying for the DBP guaranty and thereafter to look for an able and willing foreign financial institution acceptable to DBP. All the steps that Joaquin and Suarez undertook to accomplish had a single objective – to secure a loan to fund the construction and eventual operations of the hotel of IHC. In that regard, Joaquin himself admitted that his assistance was specifically sought to seek financing for IHC's hotel project.[41]

Needless to say, finding the foreign financier that DBP would guarantee was the essence of the parties' contract, so that the failure to completely satisfy such obligation could not be characterized as slight and unimportant as to have resulted in Joaquin and Suarez's substantial performance that consequentially benefitted IHC. Whatever benefits IHC

---

37 Tolentino, *supra*, note 29, pp. 276-277.
38 Corbin on Contracts § 709 (One Volume Edition 1952) at p. 668.
39 17 Illinois Jurisprudence, Commercial Law § 5:9.
40 Corbin, *supra*, note 34, at p. 661.
41 TSN dated May 9, 1975, p. 7.

gained from their services could only be minimal, and were even probably outweighed by whatever losses IHC suffered from the delayed construction of its hotel. Consequently, Article 1234 did not apply.

3.
IHC is nonetheless liable to pay under the rule on constructive fulfillment of a mixed conditional obligation

Notwithstanding the inapplicability of Article 1186 and Article 1234 of the *Civil Code*, IHC was liable based on the nature of the obligation.

Considering that the agreement between the parties was not circumscribed by a definite period, its termination was subject to a condition – the happening of a future and uncertain event.[42] The prevailing rule in conditional obligations is that the acquisition of rights, as well as the extinguishment or loss of those already acquired, shall depend upon the happening of the event that constitutes the condition.[43]

To recall, both the RTC and the CA held that Joaquin and Suarez's obligation was subject to the suspensive condition of successfully securing a foreign loan guaranteed by DBP. IHC agrees with both lower courts, and even argues that the obligation with a suspensive condition did not arise when the event or occurrence did not happen. In that instance, partial performance of the contract subject to the suspensive condition was tantamount to no performance at all. As such, the respondents were not entitled to any compensation.

We have to disagree with IHC's argument.

To secure a DBP-guaranteed foreign loan did not solely depend on the diligence or the sole will of the respondents because it required the action and discretion of third persons – an able and willing foreign financial institution to provide the needed funds, and the DBP Board of Governors to guarantee the loan. Such third persons could not be legally compelled to act in a manner favorable to IHC. There is no question that when the fulfillment of a condition is dependent partly on the will of one of the contracting parties,[44] or of the obligor, and partly on chance, hazard or the will of a third person, the obligation is mixed.[45] The existing rule in a mixed conditional obligation is that when the condition was not fulfilled but the obligor did all

---

[42] Tolentino, *supra*, note 29, p. 144

[43] *Development Bank of the Philippines v. Court of Appeals*, G.R. No. 118180, September 20, 1996, 262 SCRA 245, 252.

[44] Tolentino, *supra*, note 29, p. 151.

[45] *Naga Telephone Co., Inc. v. Court of Appeals*, G.R. No. 107112, February 24, 1994, 230 SCRA 351, 371.

in his power to comply with the obligation, the condition should be deemed satisfied.[46]

Considering that the respondents were able to secure an agreement with Weston, and subsequently tried to reverse the prior cancellation of the guaranty by DBP, we rule that they thereby constructively fulfilled their obligation.

4.
***Quantum meruit* should apply in the absence of an express agreement on the fees**

The next issue to resolve is the amount of the fees that IHC should pay to Joaquin and Suarez.

Joaquin claimed that aside from the approved ₱2,000,000.00 fee to implement phase 1 to phase 6, the IHC Board of Directors had approved an additional ₱500,000.00 as payment for his services. The RTC declared that he and Suarez were entitled to ₱200,000.00 each, but the CA revised the amounts to ₱700,000.00 for Joaquin and ₱200,000.00 for Suarez.

Anent the ₱2,000,000.00, the CA rightly concluded that the full amount of ₱2,000,000.00 could not be awarded to respondents because such amount was not allocated exclusively to compensate respondents, but was intended to be the estimated *maximum* to fund the expenses in undertaking phase 6 of the scope of services. Its conclusion was unquestionably borne out by the minutes of the February 11, 1969 meeting, *viz*:

> x x x x
>
> II
>
> The [p]reparation of the necessary papers for the DBP including the preparation of the application, the presentation of the mechanics of financing, the actual follow up with the different departments of the DBP which includes the explanation of the feasibility studies up to the approval of the loan, conditioned on the DBP's acceptance of the project as feasible. **The estimated expenses for this particular phase would be contingent, i.e. upon DBP's approval of the plan now being studied and prepared, is somewhere around ₱2,000,000.00.**
>
> After a brief discussion on the matter, the Board on motion duly made and seconded, unanimously adopted a resolution of the following tenor:
>
> RESOLUTION NO. _____
> (Series of 1969)

---

[46] *Smith Bell & Co. v. SoteloMatti*, No.L-16570, 44 Phil. 874, 880 (1922).

> "RESOLVED, as it is hereby RESOLVED, that **if the Reparations allocation and the plan being negotiated with the DBP is realized the estimated maximum expenses of ₱2,000,000.00 for this phase is hereby authorized** subject to the sound discretion of the committee composed of Justice Felix Angelo Bautista, Jose N. Valero and Ephraim G. Gochangco."[47] (Emphasis supplied)

Joaquin's claim for the additional sum of ₱500,000.00 was similarly without factual and legal bases. He had requested the payment of that amount to cover services rendered and still to be rendered to IHC separately from those covered by the first six phases of the scope of work. However, there is no reason to hold IHC liable for that amount due to his failure to present sufficient proof of the services rendered towards that end. Furthermore, his July 11, 1969 letter revealed that the additional services that he had supposedly rendered were identical to those enumerated in the technical proposal, thus:

> The Board of Directors
> International Hotel Corporation
>
> Thru: Justice Felix Angelo Bautista
> President & Chairman of the Board
>
> Gentlemen:
>
> I have the honor to request this Body for its deliberation and action on the fees for my services rendered and to be rendered to the hotel project and to the corporation. These fees are separate from the fees you have approved in your previous Board Resolution, since my fees are separate. I realize the position of the corporation at present, in that it is not in a financial position to pay my services in cash, therefore, I am requesting this Body to consider payment of my fees even in the form of shares of stock, as you have done to the other technical men and for other services rendered to the corporation by other people.
>
> Inasmuch as my fees are contingent on the successful implementation of this project, I request that my fees be based on a percentage of the total project cost. The fees which I consider reasonable for the services that I have rendered to the project up to the completion of its construction is ₱500,000.00. I believe said amount is reasonable since this is approximately only ¾ of 1% of the total project cost.
>
> **So far, I have accomplished Phases 1-5 of my report dated February 1, 1969 and which you authorized us to do under Board Resolution of February 11, 1969. It is only Phase 6 which now remains to be implemented.** For my appointment as Consultant dated May 12, 1969 and the Board Resolution dated June 23, 1969 wherein I was

[47] Exhibits, p. 52.

appointed to the Technical Committee, it now follows that I have been also authorized to implement part of Phases 7 & 8.

A brief summary of my accomplished work has been as follows:

1. **I have revised and made the new Project Study of your hotel project, making it bankable and feasible.**

2. **I have reduced the total cost of your project by approximately ₱24,735,000.00.**

3. **I have seen to it that a registered mortgage with the Reparations Commission did not affect the application with the IBP for approval to processing.**

4. **I have prepared the application papers acceptable to the DBP by means of an advance analysis and the presentation of the financial mechanics, which was accepted by the DBP.**

5. **I have presented the financial mechanics of the loan wherein the requirement of the DBP for an additional ₱19,000,000.00 in equity from the corporation became unnecessary.**

6. **The explanation of the financial mechanics and the justification of this project was instrumental in changing the original recommendation of the Investment Banking Department of the DBP, which recommended disapproval of this application, to the present recommendation of the Real Estate Department which is for the approval of this project for proceeding.**

7. **I have submittted to you several offers already of foreign financiers which are in your files. We are presently arranging the said financiers to confirm their funds to the DBP for our project,**

8. **We have secured the approval of the DBP to process the loan application of this corporation as per its letter July 2, 1969.**

9. **We have performed other services for the corporation which led to the cooperation and understanding of the different factions of this corporation.**

I have rendered services to your corporation for the past 6 months with no clear understanding as to the compensation of my services. All I have drawn from the corporation is the amount of ₱500.00 dated May 12, 1969 and personal payment advanced by Justice Felix Angelo Bautista in the amount of P1,000.00.

I am, therefore, requesting this Body for their approval of my fees. I have shown my good faith and willingness to render services to your corporation which is evidenced by my continued services in the past 6 months as well as the accomplishments above mentioned. I believe that the final completion of this hotel, at least for the processing of the DBP up

> to the completion of the construction, will take approximately another 2 ½ years. In view of the above, I again reiterate my request for your approval of my fees. When the corporation is in a better financial position, I will request for a withdrawal of a monthly allowance, said amount to be determined by this Body.
>
> Very truly yours,
> (Sgd.)
> Francisco G., Joaquin, Jr.[48]
> (Emphasis supplied)

Joaquin could not even rest his claim on the approval by IHC's Board of Directors. The approval apparently arose from the confusion between the supposedly separate services that Joaquin had rendered and those to be done under the technical proposal. The minutes of the July 11, 1969 board meeting (when the Board of Directors allowed the payment for Joaquin's past services and for the 70% project completion by the technical group) showed as follows:

> III
>
> The Third order of business is the compensation of Mr. Francisco G. Joaquin, Jr. for his services in the corporation.
>
> After a brief discussion that ensued, upon motion duly made and seconded, the stockholders unanimously approved a resolution of the following tenor:
>
> RESOLUTION NO. ___
> (Series of 1969)
>
> "RESOLVED that Mr. Francisco G. Joaquin, Jr. be granted a compensation in the amount of Five Hundred Thousand (₱500,000.00) Pesos for his past services and services still to be rendered in the future to the corporation up to the completion of the Project. The President is given full discretion to discuss with Mr. Joaquin the manner of payment of said compensation, authorizing him to pay part in stock and part in cash."
>
> Incidentally, it was also taken up the necessity of giving the Technical Group a portion of the compensation that was authorised by this corporation in its Resolution of February 11, 1969 considering that the assistance so far given the corporation by said Technical Group in continuing our project with the DBP and its request for guaranty for a foreign loan is 70% completed leaving only some details which are now being processed. It is estimated that ₱400,000.00 worth of Common Stock would be reasonable for the present accomplishments and to this effect, the President is authorized to issue the same in the name of the Technical Group, as follows:

---

[48] Exhibits, pp. 49-50.

> ₱200,000.00 in Common Stock to Rafael Suarez, an associate in the Technical Group, and ₱200,000.00 in Common stock to Francisco G. Joaquin, Jr., also a member of the Technical Group.[49]

Lastly, the amount purportedly included services still to be rendered that supposedly extended until the completion of the construction of the hotel. It is basic, however, that in obligations to do, there can be no payment unless the obligation has been completely rendered.[50]

It is notable that the confusion on the amounts of compensation arose from the parties' inability to agree on the fees that respondents should receive. Considering the absence of an agreement, and in view of respondents' constructive fulfillment of their obligation, the Court has to apply the principle of *quantum meruit* in determining how much was still due and owing to respondents. Under the principle of *quantum meruit*, a contractor is allowed to recover the reasonable value of the services rendered despite the lack of a written contract.[51] The measure of recovery under the principle should relate to the reasonable value of the services performed.[52] The principle prevents undue enrichment based on the equitable postulate that it is unjust for a person to retain any benefit without paying for it. Being predicated on equity, the principle should only be applied if no express contract was entered into, and no specific statutory provision was applicable.[53]

Under the established circumstances, we deem the total amount of ₱200,000.00 to be reasonable compensation for respondents' services under the principle of *quantum meruit*.

Finally, we sustain IHC's position that the grant of attorney's fees lacked factual or legal basis. Attorney's fees are not awarded every time a party prevails in a suit because of the policy that no premium should be placed on the right to litigate. There should be factual or legal support in the records before the award of such fees is sustained. It is not enough justification for the award simply because respondents were compelled to protect their rights.[54]

ACCORDINGLY, the Court **DENIES** the petition for review on *certiorari*; and **AFFIRMS** the decision of the Court of Appeals promulgated

---

[49] Exhibits, p. 59.
[50] See Article 1233, *Civil Code*.
[51] *Heirs of Ramon C. Gaite v. The Plaza, Inc*., G.R. No. 177685, January 26, 2011, 640 SCRA 576, 594; *H.L. Carlos Construction , Inc. v. Marina Properties Corporation*, G.R. No. 147614, January 29, 2004, 421 SCRA 428, 439.
[52] *Department of Health v. C.V. Canchela & Associates*, G.R. Nos. 151373-74, November 17, 2005, 475 SCRA 218, 244.
[53] *Sazon v. Vasquez-Menancio*, G.R. No. 192085, February 22, 2012.
[54] *Benedicto v. Villaflores*, G.R. No. 185020, October 6, 2010, 632 SCRA 446, 455.

on November 8, 2002 in C.A.-G.R. No. 47094 subject to the **MODIFICATIONS** that: (*a*) International Hotel Corporation is ordered to pay Francisco G. Joaquin, Jr. and Rafael Suarez ₱100,000.00 each as compensation for their services, and (*b*) the award of ₱20,000.00 as attorney's fees is deleted.

No costs of suit.

SO ORDERED.

LUCAS P. BERSAMIN
Associate Justice

WE CONCUR:

MARIA LOURDES P. A. SERENO
Chief Justice

TERESITA J. LEONARDO-DE CASTRO
Associate Justice

MARTIN S. VILLARAMA, JR.
Associate Justice

BIENVENIDO L. REYES
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, 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.

MARIA LOURDES P. A. SERENO
Chief Justice