



Republic of the Philippines
SUPREME COURT
Manila

CERTIFIED TRUE COPY

Wilfredo V. Lapid
WILFREDO V. LAPID
Division Clerk of Court
Third Division
DEC 28 2015

THIRD DIVISION

STAR ELECTRIC CORPORATION,
Petitioner,

G.R. No. 212058

Present:

- versus -

VELASCO, JR., J., Chairperson,
PERALTA,
VILLARAMA, JR.,
REYES,
JARDELEZA, JJ.

**R & G CONSTRUCTION
DEVELOPMENT AND TRADING,
INC.,**

Promulgated:

Respondent.

December 7, 2015

X-----*Wilfredo V. Lapid*X

DECISION

VELASCO, JR., J.:

Nature of the Case

This is a Petition for Review under Rule 45 of the Rules of Court assailing the Decision of the Court of Appeals (CA) in CA-G.R. CV No. 95008, reversing and setting aside the Decision of the Regional Trial Court of Parañaque City, Branch 196 (RTC) which granted petitioner Star Electric Corporation's complaint for collection of sum of money against respondent R & G Construction Development and Trading, Inc.

The Facts

In May 2002, petitioner, as sub-contractor, entered into a Construction Contract with respondent where it undertook the installation of electrical, plumbing, and mechanical works in a commercial building known as Grami Empire Hotel (the Project) for the amount of ₱2,571,457.21¹ payable via the progress billing method.² As stipulated, construction of the project

¹ Rollo, pp. 49-54.

² Article 3, Section 3.1 of the Construction Contract – 20% Downpayment shall be paid upon signing of the contract, and the remaining balance shall be paid thru progress billing based on actual accomplishment done by the "Second Party". First Party shall withhold 10% of every request progress payments by the Second Party until full completion and final acceptance of the project and shall be released upon furnished by warranty bond covering 1 year period from acceptance. Amortization for down payment paid, shall also be proportionately deducted from every progress billing based on the presented and approved progress of work.

commenced upon the signing of the contract, and respondent paid petitioner ₱500,000 and ₱80,000 as downpayment and advance payment, respectively.

Subsequent developments saw respondent refusing to pay petitioner’s progress billings despite repeated demands. Because of this, petitioner informed respondent through a letter dated September 20, 2002 that it would be stopping its work at the project site until the amount due under the progress billings is fully paid. Petitioner made it clear, however, that it is amenable to terminate their contract, without prejudice to its claim for payment.³

The next day, on September 21, 2002, petitioner received a letter from respondent formally terminating the Construction Contract.⁴ In the said letter, respondent informed petitioner that it had conducted a detailed inspection of its work and found that: (1) most of the delivered breakers were secondhand; and (2) the rough-in materials such as full-boxes and PVC conduit pipes were installed improperly. Further, respondent stated that it found petitioner’s overall progress of work to be 23.13% and, thus, the downpayment of ₱580,000 already fully compensated petitioner’s effort.

In its reply letter of September 24, 2002,⁵ petitioner attributed project delay to the several modifications in the building’s construction plan. It argued that respondent should have rejected the electrical panel boards right away and before delivery. Petitioner also insisted that without the electrical panel boards, the extent of its completion should be at least 40%, including all unused materials on site. Petitioner also suggested the appointment of an independent appraiser to evaluate and finally resolve the rate of completion. Finally, petitioner requested that it be allowed to pull-out from the project site its tools and equipment, enumerated in the letter.

As its demand letter dated October 14, 2002⁶ went unheeded, petitioner filed, on April 4, 2003, a complaint for the payment of sum of money against respondent before the RTC. In the complaint, petitioner, as plaintiff, prayed that respondent be ordered to pay it ₱1,235,052.70 representing the amount due under the following progress billings:

Progress Billing No. 1 ⁷	August 18, 2002	₱356,129.26
Change Order No. 1 ⁸	August 18, 2002	50,000.00
Progress Billing No. 2 ⁹	September 12, 2002	278,250.66
Progress Billing No. 3 ¹⁰	September 13, 2002	345,100.00
Progress Billing No. 4 ¹¹	October 1, 2002	<u>205,472.82</u>
Total		₱1,235,052.70

³ *Rollo*, p. 60.
⁴ Annex 2 of respondent’s Comment.
⁵ *Rollo*, pp. 63-64.
⁶ Records, p. 653.
⁷ *Rollo*, p. 55.
⁸ *Id.* at 56.
⁹ *Id.* at 57.
¹⁰ *Id.* at 58.
¹¹ *Id.* at 59.

On October 20, 2003, petitioner filed an **amended complaint** where it lowered the amount of its claim to ₱771,152.48. In arriving at this lower figure, petitioner subtracted respondent's downpayment of ₱580,000 from ₱1,235,052.70 and added ₱116,100 which, allegedly, represented the cost of petitioner's tools and equipment withheld by respondent at the project site.¹²

On August 29, 2004, petitioner sent respondent another letter demanding payment for a final billing dated November 3, 2002¹³ in the amount of ₱498,581.35.¹⁴ Petitioner explained that this final billing was presented sometime in November 2002 to respondent's Project Engineer, Ronnie Lauzon, who, however, refused to receive the billing document.

On October 4, 2004, petitioner filed a **second amended complaint** increasing its claim to ₱1,269,734.05.¹⁵ It alleged that it should have included in its computation the amount of ₱498,581 which was reflected in the November 3, 2002 final billing. In its Motion to Admit Second Amended Complaint,¹⁶ petitioner explained that it failed to include this final billing in its original complaint and first amended complaint because the same was misplaced and was discovered only sometime during the 2nd week of August 2004.

For its part, respondent asserted that it disapproved the payment for the progress billings for a reason and not arbitrarily.¹⁷ As alleged, petitioner was guilty of delay and unacceptable workmanship of its alleged finished work. Further, respondent insisted that it already made a complete payment of ₱580,000, proportionate to respondent's actual finished work which passed the generally accepted standards of good workmanship and which was 23.13% of the contract amount, ₱2,571,457.21.¹⁸

Respondent said that it has expressed its dissatisfaction to petitioner, first, through a September 12, 2002 memo addressed to the latter's general manager, Gerald R. Martinez (Martinez), complaining of delay,¹⁹ and thereafter, through a September 17, 2002 memo rejecting the room panel boards in the building's third floor due to uneven surface finish and ordering rectification at petitioner's cost.

To remedy petitioner's defective work, respondent allegedly engaged the services of CP Giron Enterprises (CP Giron) and PTL Power Corporation (PTL Power), which respectively charged ₱558,730 and ₱161,810 for the reworks, restorations, and rectifications these two sub-contractors had undertaken on the project. Thus, as counterclaim,

¹² Records, pp. 137-143.

¹³ Id. at 332.

¹⁴ Id. at 656.

¹⁵ Id. at 265-273.

¹⁶ Id. at 263-264.

¹⁷ Id. at 28.

¹⁸ Id. at 31.

¹⁹ Annex 3 of Respondent's Comment.

respondent sought for the reimbursement of the foregoing expenses it incurred to repair and complete the work of petitioner.

RTC Decision

On November 16, 2009, the RTC rendered judgment in favor of petitioner, respondent being ordered to pay the former ₱1,153,534.09,²⁰ with legal interest plus attorney's fees and cost of suit.²¹

The trial court found respondent's allegation of defective works as self-serving and considered petitioner to have faithfully performed its obligations in accordance with the Construction Contract. Further, the RTC explained that respondent could not benefit from its allegation of delay when it allowed petitioner to work up to November 3, 2002 and caused a number of changes in the project. The RTC expounded:

With the mild objection by defendant on alleged defective works, defendant is not entirely opposed to the line of evidence of plaintiff in squarely proving the line of construction activity made by the latter to the construction project which services remained partially unpaid. In fact, born by the testimony of defendant's witness, Engineer Lauson he evaluated the project to be 30% complete to his satisfaction at the time that 4th progress billing was given to him for liquidation to signify that plaintiff had complied with the contract of services to October 1, 2002, or two (2) months beyond the original contract period, and it was only unfortunate that the principal owner of the hotel was unsatisfied with the work of plaintiff who was contracted out by defendant company, nevertheless, the engagement and consummation of the sub-contract agreement was properly undertaken by plaintiff up to November 3, 2002, or beyond the original period for construction.

It cannot be gainsaid that plaintiff was in delay considering defendant permitted the continuity of construction activity up to the time of the progress billing of November 3, 2002, despite the fact that there might be minor objections to the construction activity of plaintiff. Defendant cannot gain premium to an alleged delay in the project when it had caused numerous renovation on the installation projects and even raised the level of the floor area of the construction works which would practically cause an implied amendment to the construction period and the activity attending the same given the multitude of activities confronting plaintiff. The interpretation of the extended period for the contract period should be interpreted in favor of both parties, and the period of five months for the construction project which was substantially performed by plaintiff is reasonable enough to undertake the various electrical, plumbing, mechanical and related works.

Defendants self-serving statements over its claimed defective works of plaintiff does not stand the test of evidence when the project engineer of defendant failed to present better or cogent evidence to really show that the circuit breakers installed in the project were second hand and the pipe installation and electrical boxes were defective. In effect,

²⁰ Amount claimed in the Second Amended complaint minus ₱116,000. which represents the cost of tools, etc.

²¹ CA *rollo*, pp. 14-22.

plaintiff is considered to have regularly and faithfully installed materials in good working condition in accordance with the contract entered into by the parties. Furthermore, in the absence of substantial line of objection other than a bare notice or other defective works, there remains no reason for defendant to insist on the same which remains entirely imaginary if not untrue for want of evidence.²²

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WHEREFORE, premises considered, judgment is herewith rendered in favor of plaintiff Star Electric Corporation and defendant R&G Construction Development and Trading, Inc. is ordered to pay plaintiff the amount of One Million One Hundred Fifty-Three Thousand Six Hundred Thirty-four pesos and Nine Centavos (Php 1,153,634.09) representing the unpaid value of the service contract to the defendant company, with legal interest from demand; the amount of One Hundred Twenty Thousand Pesos (Php 120,000) representing Attorney's fees and costs of suit.²³

Respondent then appealed to the CA.

CA Decision

By Decision dated July 17, 2013,²⁴ the CA reversed and set aside the RTC Decision and entered a new one dismissing petitioner's complaint and ordering the latter to pay respondent ₱540,009.75 as liquidated damages.

The appellate court predicated its ruling on the following premises: petitioner's work was, indeed, defective and that the materials it installed in the building were substandard. On the other hand, respondent likewise violated its obligations under the Construction Contract when it entered into agreements with CP Giron and PTL Power without giving petitioner the opportunity to repair its defective work. Being both guilty of breach of contract, the CA declared that each party should bear its own loss. The CA held:

What is clear was that the works performed by the plaintiff-appellee were defective and the materials it used were of poor quality leaving the defendant-appellant with no choice but to demand for the rectification of the same at plaintiff-appellee's expense and thereafter engaged the services of another contractor to remedy the defective works and finish the project as well. In fact, when defendant-appellant obtained the services of CP Giron Enterprises and PTL Power Corporation, it was charged Php 558,730.00 and Php 161,810.00, respectively, for the reworks, restorations, repairs, and rectifications these two sub-contractors had undertaken on the project.

At any rate, we find that the defendant-appellant has its own share of breach of the Construction Contract. Like the plaintiff-appellee, it likewise failed to comply with its undertaking to afford the plaintiff-

²² Id. at 19-20.

²³ Id. at 22.

²⁴ Penned by Associate Justice Edwin D. Sorongon and concurred in by Associate Justices Hakim S. Abdulwahid and Marlene Gonzales-Sison.

appellee the opportunity to rectify the defects in their works and proceeded instead to unilaterally hire another contractor to finish the project. In its letter dated September 24, 2004, plaintiff-appellee explained that it had tried to replace and correct immediately the works which defendant-appellant found unacceptable. Yet, the former found their efforts and works still way below their standard notwithstanding defendant-appellant's close monitoring.

X X X X

Using as yardstick the foregoing ruling, we are of the view that both parties committed breach of certain provisions in their Construction Contract and each shall bear their own loss. Thus, whatever collectible plaintiff-appellee has with defendant-appellant, the same shall be reasonably offset to the expenses the latter had shouldered in securing the services of other contractors who undertook the remedial works on the project.²⁵

The CA, however, found that, indeed, petitioner incurred delay in the construction of the project, in the process disagreeing with the RTC's disquisition on the implied extension of the project when respondent "permitted the continuity of the construction activity up to the time of the progress billing of November 2002 x x x." According to the CA, the RTC's holding would imply a partial novation due to the change in the period of the contract. The appellate court explained, however, that novation is never presumed and requires an overt or explicit act to bind the parties. Here, the CA held that there was no novation of the contract especially as to the period agreed upon. Thus, the appellate court assessed petitioner ₱540,009.75 as liquidated damages in accordance with the formula stated in the Construction Contract. The dispositive portion of the CA Decision reads:

WHEREFORE, above premises duly considered, the instant appeal is **GRANTED**. The impugned decision of the Regional Trial Court of Paranaque City, Branch 196 dated November 16, 2009 is **REVERSED AND SET ASIDE** and a new one is entered **DISMISSING** plaintiff-appellee's complaint and ordering the latter to pay defendant-appellant the sum of P 540,009.75 as liquidated damages.²⁶

The CA denied petitioner's motion for reconsideration on April 1, 2014.²⁷ Thus, petitioner filed the instant petition.

Issue

Whether the CA erred in setting aside the RTC Decision and in ordering petitioner to pay respondent liquidated damages for its alleged delay in the construction of the project.

²⁵ *Rollo*, pp. 39-40, 44.

²⁶ *Id.* at 45.

²⁷ *Id.* at 47-48.

The Court's Ruling

Petitioner tags as untrue respondent's allegations accusing its liability for poor workmanship, utilization of inferior material, and delay. Hence, it insists that respondent should be ordered to pay the balance due under the Construction Contract.

The resolution of the issues raised in this case requires a re-examination of the evidence presented during the trial of the case.

It is an established rule that in the exercise of its power of review under Rule 45, the Court only resolves questions of law and not questions of facts. However, this rule is not absolute. Jurisprudence has recognized several exceptions in which factual issues may be resolved by the Supreme Court, such as: (1) when the findings are grounded entirely on speculation, surmises or conjectures; (2) when the inference made is manifestly mistaken, absurd or impossible; (3) when the judgment is based on a misapprehension of facts; (4) when the findings of facts are conflicting; (5) when in making its findings the Court of Appeals went beyond the issues of the case, or its findings are contrary to the admissions of both the appellant and the appellee; (6) when the findings are contrary to the trial court; (7) when the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondent; (8) when the findings of fact are premised on the supposed absence of evidence and contradicted by the evidence on record; or (9) when the Court of Appeals manifestly overlooked certain relevant facts not disputed by the parties, which, if properly considered, would justify a different conclusion.²⁸

In this case, the findings of the CA are contrary to those of the trial court. Further, it appears that the appellate court manifestly overlooked undisputed facts which, when properly considered, would justify a different conclusion. With the foregoing exceptions to the general rule present in this case, the resolution of this petition through a review of the facts is in order.

After a careful evaluation of the records of this case, the Court finds merit in the petition.

Here, the CA found that both parties were in breach of the Construction Contract; thus, each should bear its own loss.²⁹ In arriving at this conclusion, the appellate court applied Art. 1192 of the Civil Code which provides:

Art. 1192. In case both parties have committed a breach of the obligation, the liability of the first infractor shall be equitably tempered by the courts. If it cannot be determined which of the parties first violated the contract, the same shall be deemed extinguished, and each shall bear his own damages.

²⁸ *Almendrala v. Wing On Ngo*, G.R. No. 142408, September 30, 2005, 471 SCRA 311, 322.

²⁹ *Rollo*, p. 44.

The appellate court misapplied the aforesaid provision because the facts and evidence before the Court fail to prove that **both** parties committed breach of their contractual obligations.

The CA wrongly held petitioner liable for liquidated damages for causing delays, but as will be discussed below, it was actually respondent who caused the delay in the construction of the project.

Respondent failed to prove petitioner's poor workmanship and use of substandard materials

Respondent failed to prove by preponderant evidence petitioner's alleged poor quality of work and utilization of substandard materials for the project.

To support its assertions, respondent presented its September 15, 2002 memo to petitioner rejecting certain panel boards installed in the building's third floor as well as its September 21, 2002 letter, this time complaining about the breakers which were allegedly secondhand and the improper installation of full-boxes and conduit pipes.

Respondent, however, did not dispute petitioner's contention that it inspected the panel boards in petitioner's workshop on September 4, 2002 before they were delivered to the project site and that it (respondent) even insisted that the panel boards be included in petitioner's next progress billing. Neither did respondent deny petitioner's allegation that the latter promptly repaired the installation of the electrical pull boxes complained of in respondent's September 17, 2002 letter.

It was likewise undisputed that respondent's president, Mr. Kyung Sung Lee and project manager, Mr. Ronnie Lauzon, worked closely with petitioner's general manager, Gerardo Martinez, at the project site to monitor the progress of the construction. It was Kyung Sung Lee's usual practice to inform Martinez, right then and there at the project site, of work and materials he found defective or substandard. Likewise, Martinez addressed Kyung Sung Lee's complaints immediately upon being informed thereof. Considering that this was their usual practice, it appears that respondent's rejection of petitioner's work was merely an afterthought since it was made known to petitioner only on September 15, 2002 or after it received petitioner's progress billings dated August 18, 2002, September 12, 2002 and September 13, 2002. This rejection was very inconsistent with how they worked at the project site.

What is more, respondent did not deny petitioner's claim that the alleged inferior and substandard materials were still installed in the building.³⁰ Neither did it contest petitioner's argument that if respondent's

³⁰ Id. at 15.

complaints were true, it should have rejected the materials upon delivery or on the spot, or returned all these materials to petitioner.

Respondent presented its unnotarized construction contracts with CP Giron and PTL Power as well as several purchase orders and sales invoices to prove petitioner's substandard work and the fact that it was forced to enter into these contracts to rectify, improve, and repair said work and the cost therefor. However, these documents, without more, are not enough to prove that, indeed, petitioner's work was poor. There is nothing in the records pointing to the specific defective works repaired by these contractors. Respondent did not even allege or expound on this matter in its pleadings or testimonies. If at all, these documents merely show that respondent entered into agreements with these contractors and incurred expenses pursuant thereto.

Moreover, these construction contracts with CP Giron and PTL Power should not have been considered by the trial court since they were not properly authenticated in accordance with Section 20, Rule 132 of the Revised Rules of Court which states:

Sec. 20. *Proof of private document.* – Before any private document offered as authentic is received in evidence, its due execution and authenticity must be proved either:

- (a) By anyone who saw the document executed or written; or
- (b) By evidence of the genuineness of the signature or handwriting of the maker.

Any other private document need only be identified as that which it is claimed to be.

While respondent presented Engr. Ronnie Lauzon to authenticate the construction contracts, he expressly stated during his testimony taken on April 21, 2009 that he had no participation in the execution of the same.³¹ It was not established that Engr. Lauzon saw the writing or execution of the said construction contracts. Also, there was no evidence on the genuineness of the signature or handwriting of the signatories of the contracts.

Taken altogether, the allegations of respondent on petitioner's defective work fail to convince since they were bare and self-serving assertions, uncorroborated by any other evidence.

Delay was caused by respondent

It may be true that petitioner's work went beyond the agreed three-month period in the Construction Contract. Evidence discloses, however, that the delay in the project was caused by respondent, not by petitioner.

³¹ TSN, April 21, 2009, p. 15.

Respondent did not deny that the project went through a number of major and minor modifications. It was not disputed that when respondent was negotiating its Construction Contract with petitioner, the parties based their quotations on a construction plan for a building with four (4) floors (original plan). However, the construction plan actually approved by the City Engineer's Office of Parañaque included a fifth floor (approved plan). Thereafter, while the project was ongoing, respondent altered the plan again by adding a sixth floor to the building³² and extending its frontage by 60 centimeters and its back, by 50 centimeters (revised plan).³³

Due to the said revisions, the architectural and sewerage plans of the building were correspondingly altered; thus, petitioner had to change the vertical length of some of its materials and relocate the power outlets, pipes, and electrical control systems.³⁴ Moreover, there were instances when petitioner had to wait for the completion of certain structures in the building before it could proceed with its installation of electrical and plumbing materials.³⁵

That there were changes in the project's plans was also proved by the Inspection Report of the Office of the City Building Official of the City of Parañaque (Inspection Report) finding that:

4. The roofdeck area was made into another floor level, converting the structure from Five (5) Storey to Six (6) Storey Building;
5. Likewise, alteration of partitions on ground floor was also noted.³⁶

It appears that these changes were not submitted to the Parañaque City Building Official for approval which eventually led to the revocation of respondent's building permit on March 14, 2003.³⁷

While the Inspection Report³⁸ states that the building is seventy percent (70%) complete, nothing therein shows the completion rate of the project's electrical and plumbing works alone. Further, there is nothing in the records showing that the parties appointed a third party to inspect and evaluate the completion rate of petitioner's work. Considering that respondent contributed to petitioner's delay and no evidence is on record establishing the rate of completion of petitioner's electrical and plumbing work, the CA's award of liquidated damages in favor of respondent has no basis.

³² TSN, October 9, 2007, pp. 32-34.

³³ Id. at 40.

³⁴ Id.

³⁵ Id. at 6.

³⁶ Records, p. 696.

³⁷ Id. at 698.

³⁸ Id. at 696.

Respondent committed breach in refusing to pay petitioner

The facts and evidence before the Court fail to prove petitioner's alleged violation of its contractual obligations. On the contrary, they tend to show that respondent's refusal to pay petitioner's progress billings were without basis. Thus, the RTC did not err in directing respondent to pay petitioner One Million One Hundred Fifty-Three Thousand Six Hundred Thirty-Four Pesos and Nine Centavos (₱1,153,634.09) representing the amount covered by all of petitioner's progress billings from August 18, 2002 to November 3, 2002.

There is, however, nothing to support the CA's finding that respondent breached its obligation under the Construction Contract for failing to afford petitioner an opportunity to rectify its defective works before it contracted with a third party to repair the same. Quite the contrary, petitioner even stated that respondent's representatives called its attention, right there at the construction site, whenever the latter found the former's work defective precisely to give petitioner the opportunity to fix the same. Petitioner itself impliedly admitted in its letter dated September 24, 2004 that it was given an opportunity to rectify its defective works when it tried to replace and immediately correct the works which respondent found unacceptable.

Award of attorney's fees and cost of suit is proper

It is settled that the award of attorney's fees is the exception rather than the general rule, and counsel'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.³⁹ Still, the award of attorney's fees to the winning party lies within the discretion of the court, taking into account the circumstances of each case.⁴⁰ This means that such an award demands factual, legal, and equitable justification, such as those instances specified in Article 2208 of the Civil Code,⁴¹ as when the defendant's act or omission has compelled the

³⁹ *Benedicto v. Villaflores*, G.R. No. 185020, October 6, 2010, 632 SCRA 446.

⁴⁰ *Alcatel Philippines, Inc. v. I.M. Bongar & Co., Inc. and Stronghold Insurance Co., Inc.*, G.R. No. 182946, October 5, 2011, 658 SCRA 741.

⁴¹ ART. 2208. In the absence of stipulation, attorney's fees and expenses of litigation, other than judicial costs, cannot be recovered, except:

1. When exemplary damages are awarded;
2. When the defendant's act or omission has compelled the plaintiff to litigate with third persons or to incur expenses to protect his interest;
3. In criminal cases of malicious prosecution against the plaintiff;
4. In case of a clearly unfounded civil action or proceeding against the plaintiff;
5. Where the defendant acted in gross and evident bad faith in refusing to satisfy the plaintiff's plainly valid, just and demandable claim;
6. In actions for legal support;
7. In actions for the recovery of wages of household helpers, laborers and skilled workers;
8. In actions for indemnity under workmen's compensation and employer's liability laws;
9. In a separate civil action to recover civil liability arising from a crime;
10. When at least double judicial costs are awarded;
11. In any other case where the court deems it just and equitable that attorney's fees and expenses of litigation should be recovered.

In all cases, the attorney's fees and expenses of litigation must be reasonable.

plaintiff to incur expenses to protect his interest or where the defendant acted in gross and evident bad faith in refusing to satisfy the plaintiff's plainly valid, just, and demandable claim.

As earlier discussed, petitioner has the legal right and basis to collect for the work it accomplished under the Construction Contract. However, respondent persistently and clearly violated the terms of its contract with petitioner when it unreasonably refused to pay petitioner's progress billings, forcing the petitioner to incur litigation expenses for 12 long years, from April 4, 2003 when the complaint was filed up to the present, in order to protect its interest. In view of the unjustified refusal of respondent to honor its commitment under the contract, the Court finds it just and equitable to award attorney's fees to petitioner in the reduced amount of Fifty Thousand Pesos (P50,000), in line with the policy enunciated in Article 2208 of the Civil Code that attorney's fees must always be reasonable, and in accordance with jurisprudence.⁴²

As regards the cost of suit, Section 1, Rule 142⁴³ of the Rules of Court provide that costs shall be allowed to the prevailing party as a matter of course. Accordingly, the award of costs of suit to petitioner, as the prevailing party, is in order.

WHEREFORE, premises considered, the Court resolves to **GRANT** the petition. The Decision and Resolution of the Court of Appeals dated July 17, 2013 and April 1, 2014, respectively, in CA-G.R. CV No. 95008 are hereby **REVERSED** and **SET ASIDE**. The RTC Decision is **REINSTATED** with **MODIFICATION**.

As thus modified, the Decision of the Regional Trial Court dated November 16, 2009 shall read, as follows:

WHEREFORE, premises considered, judgment is herewith rendered in favor of plaintiff Star Electric Corporation and defendant R&G Construction Development and Trading, Inc. is ordered to pay plaintiff the amount of One Million One Hundred Fifty-Three Thousand Six Hundred Thirty-Four pesos and Nine Centavos (P1,153,634.09) representing the unpaid value of the service contract to the defendant company, with legal interest from demand; the amount of Fifty Thousand Pesos (P50,000) representing attorney's fees; and costs of suit.

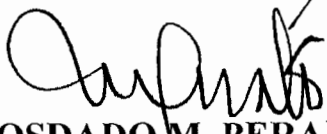
⁴² *Diego v. Diego*, G.R. No. 179965, February 20, 2013, 691 SCRA 361; *Estores v. Spouses Supangan*, G.R. No. 175139, April 18, 2012, 670 SCRA 95.


⁴³ Section 1. Costs ordinarily follow results of suit.—Unless otherwise provided in these rules, costs shall be allowed to the prevailing party as a matter of course, but the court shall have power, for special reasons, to adjudge that either party shall pay the costs of an action, or that the same be divided, as may be equitable. No costs shall be allowed against the Republic of the Philippines, unless otherwise provided by law.

SO ORDERED.

PRESBITERO J. VELASCO, JR.
Associate Justice

WE CONCUR:


DIOSDADO M. PERALTA
Associate Justice



MARTIN S. VILLARAMA, JR.
Associate Justice


BIENVENIDO L. REYES
Associate Justice


FRANCIS H. JARDELEZA
Associate Justice

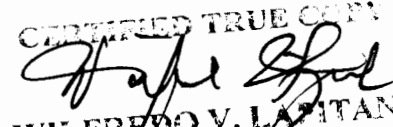
ATTESTATION

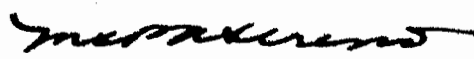
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


PRESBITERO J. VELASCO, JR.
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.


WILFREDO V. LATITAN
Division Clerk of Court
Third Division
DEC 28 2015


MARIA LOURDES P. A. SERENO
Chief Justice