

FIRST DIVISION

[G.R. No. 116682, January 02, 1997]

**ROBLETT INDUSTRIAL CONSTRUCTION CORPORATION,
PETITIONER, VS. COURT OF APPEALS AND CONTRACTORS
EQUIPMENT CORPORATION, RESPONDENTS.**

D E C I S I O N

BELLOSILLO, J.:

On 23 September 1986 respondent Contractors Equipment Corporation (CEC) instituted an action for a sum of money against petitioner Roblett Industrial Construction Corporation (RICC) before the Regional Trial Court of Makati alleging that in 1985 it leased to the latter various construction equipment which it used in its projects. As a result RICC incurred unpaid accounts amounting to P342, 909.38.

On 19 December 1985 RICC through its Assistant Vice President for Finance Candelario S. Aller Jr. entered into an Agreement^[1] with CEC where it confirmed petitioner's account. As an off-setting arrangement respondent received from petitioner construction materials worth P115,000.00 thus reducing petitioner's balance to P227, 909.38.

A day before the execution of their Agreement, or on 18 December 1985, RICC paid CEC P10,000.00 in postdated checks which when deposited were dishonored. As a consequence the latter debited the amount to petitioner's account of P227,909.38 thus increasing its balance to P237,909.38.

On 24 July 1986 Mariano R. Manaligod Jr., General Manager of CEC, sent a letter of demand to petitioner through its Vice President for Finance regarding the latter's overdue account of P237,909.38 and sought settlement thereof on or before 31 July 1986. In reply, petitioner requested for thirty (30) days to have enough time to look for funds to substantially settle its account.

Traversing the allegations of respondent, Candelario S. Aller Jr. declared that he signed the Agreement with the real intention of having proof of payment. In fact Baltazar Banlot, Vice President for Finance of petitioner, claimed that after deliberation and audit it appeared that petitioner overpaid respondent by P12,000.00 on the basis of the latter's Equipment Daily Time Reports for 2 May to 14 June 1985 which reflected a total obligation of only P103,000.00. He claimed however that the Agreement was not approved by the Board and that he did not authorize Aller Jr. to sign thereon.

On rebuttal, Manaligod Jr. declared that petitioner had received a statement of account covering the period from 28 March to 12 July 1985 in the amount of P376,350.18 which it never questioned. From this amount P3,440.80, based on respondent's account with petitioner and P30,000.00, representing payments made

by the latter, were deducted thus leaving a balance of P342,909.38 as mentioned in the Agreement.

On 19 December 1990 the trial court rendered judgment ordering petitioner to pay respondent: (a) P237,909.38 plus legal interest from 31 July 1986 until full payment; (b) P2,000.00 as litigation expenses; (c) 20% of the sum due and payable as attorney's fees and, (d) cost of suit.^[2] Its ruling is anchored on its finding that -

1. The Court finds the Agreement (EXHIBIT "A," EXHIBIT "I") between the parties valid and that it reflects the true intention of the parties. It must be emphasized that the same agreement was used by plaintiff as the basis for claiming defendant's obligation of P237,909.38 and also used by defendant as the same basis for its alleged payment in full of its obligation to plaintiff. But while plaintiff treats the entire agreement as valid, defendant wants the court to treat that portion which treats of the offsetting of P115,000.00 as valid, whereas it considers the other terms and conditions as "onerous, illegal and want of prior consent and Board approval." This Court cannot agree to defendant's contention. It must be stressed that defendant's answer was not made under oath, and therefore, the genuineness and due execution of the agreement (EXHIBIT "A," EXHIBIT "I") which was the basis for plaintiff's claim is deemed admitted (Section 8, Rule 8, Rules of Court). Such admission, under the principle of estoppel, is rendered conclusive upon defendant and cannot be denied or disproved as against plaintiff (Art. 1431, Civil Code). Either the agreement (EXHIBIT "A," EXHIBIT "I") is valid or void. It must be treated as a whole and not to be divided into parts and consider only those provisions which favor one party (in this case the defendant). Contracts must bind both contracting parties, its validity or compliance cannot be left to the will of one of them (Art. 1308, New Civil Code).

Defendant further contends that the agreement did not reflect the real intention of the parties. However, when plaintiff wrote defendant in its letter dated July 24, 1986 (EXHIBIT "F") that it be given thirty (30) days to substantially settle the same, clearly, at this point in time, defendant did not question its account with plaintiff, nor did it question the validity nor the contents of the Agreement (EXHIBIT "A," EXHIBIT "I"). This Court is not convinced that the Agreement (EXHIBIT "A," EXHIBIT "I") does not reflect the true intention of the parties. On the contrary, it does.

2. To the issue that defendant has fully paid its obligation to plaintiff by way of offset for the P115,000.00 construction materials received by plaintiff, this Court finds the contention of defendant without basis in fact. Defendant's presentation of evidence (EXHIBITS "2," "2-A" up to "2-Z") merely consists of daily time reports of plaintiff consisting of 191 hours only, the period May 2, 1985 to June 14 1985 and does not reflect the entire period of the lease agreement (EXHIBIT "L"), while plaintiff accurately reflects in Exhibits "I," "J," "K" and its submarkings the entire period, covered by the lease agreement (EXHIBIT "L"), which is from March 28, 1985 to July 12, 1985 and correctly states the amount due plaintiff from defendant in the amount of P376,350.18. ^[3]