

## SECOND DIVISION

[ G.R. No. 187240, October 15, 2014 ]

**CARLOS A. LORIA, PETITIONER, VS. LUDOLFO P. MUÑOZ, JR.  
RESPONDENT.**

### D E C I S I O N

**LEONEN, J.:**

No person should unjustly enrich himself or herself at the expense of another.

This is a petition for review on certiorari<sup>[1]</sup> to set aside the Court of Appeals' decision<sup>[2]</sup> and resolution<sup>[3]</sup> in CA-G.R. CV No. 81882. The Court of Appeals ordered petitioner Carlos A. Loria to pay respondent Ludolfo P. Muñoz, Jr. P2,000,000.00 in actual damages with 12% interest per year from the filing of the complaint until full payment.<sup>[4]</sup>

The facts of this case are as follows:

Ludolfo P. Muñoz, Jr. (Muñoz) filed a complaint for sum of money and damages with an application for issuance of a writ of preliminary attachment against Carlos A. Loria (Loria) with the Regional Trial Court of Legazpi City.<sup>[5]</sup>

In his complaint, Muñoz alleged that he has been engaged in construction under the name, "Ludolfo P. Muñoz, Jr. Construction." In August 2000, Loria visited Muñoz in his office in Doña Maria Subdivision in Daraga, Albay. He invited Muñoz to advance P2,000,000.00 for a subcontract of a P50,000,000.00 river-dredging project in Guinobatan.<sup>[6]</sup>

Loria represented that he would make arrangements such that Elizaldy Co, owner of Sunwest Construction and Development Corporation, would turn out to be the lowest bidder for the project. Elizaldy Co would pay P8,000,000.00 to ensure the project's award to Sunwest. After the award to Sunwest, Sunwest would subcontract 20% or P10,000,000.00 worth of the project to Muñoz.<sup>[7]</sup>

Since Muñoz had known Loria for five years, Muñoz accepted Loria's proposal.<sup>[8]</sup>

On October 2, 2000, Muñoz requested Allied Bank to release P3,000,000.00 from his joint account with his business partner, Christopher Co, to a certain Grace delos Santos (delos Santos). Loria then obtained the money from delos Santos.<sup>[9]</sup>

Four days later, P1,800,000.00 of the P3,000,000.00 was returned to Muñoz.<sup>[10]</sup>

On January 10, 2001, Loria collected Muñoz's P800,000.00 balance. After deducting Loria's personal loans from Muñoz, Muñoz issued a check to Loria for P481,800.00.

Loria acknowledged receiving this amount from Muñoz.<sup>[11]</sup>

The project to dredge the Masarawag and San Francisco Rivers in Guinobatan was subjected to public bidding. The project was awarded to the lowest bidder, Sunwest Construction and Development Corporation.<sup>[12]</sup>

Sunwest allegedly finished dredging the Masarawag and San Francisco Rivers without subcontracting Muñoz.<sup>[13]</sup> With the project allegedly finished, Muñoz demanded Loria to return his P2,000,000.00. Loria, however, did not return the money.<sup>[14]</sup>

Muñoz first charged Loria and Elizaldy Co with estafa. This criminal case was dismissed by the Municipal Trial Court of Daraga, Albay for lack of probable cause.<sup>[15]</sup>

Muñoz then filed the complaint for sum of money. The case was raffled to Branch 6 and presided by Judge Vladimir B. Brusola.<sup>[16]</sup>

Loria answered Muñoz's complaint. He admitted receiving P481,800.00 from Muñoz but argued that the complaint did not state a cause of action against him. According to Loria, he followed up the project's approval with the Central Office of the Department of Public Works and Highways as the parties agreed upon. He was, therefore, entitled to his representation expenses.<sup>[17]</sup>

Loria also argued that Muñoz was guilty of forum shopping. Muñoz first filed a criminal complaint for estafa against him and Elizaldy Co, which complaint the Municipal Trial Court of Daraga, Albay dismissed. The subsequently filed complaint for sum of money, allegedly a complaint to recover the civil aspect of the estafa case, must, therefore, be dismissed as argued by Loria.<sup>[18]</sup>

During pre-trial, the parties agreed to litigate the sole issue of whether Loria is liable to Muñoz for P2,000,000.00.<sup>[19]</sup>

According to the trial court, Muñoz established with preponderant evidence that Loria received P2,000,000.00 from Muñoz for a subcontract of the river-dredging project. Since no part of the project was subcontracted to Muñoz, Loria must return the P2,000,000.00 he received, or he would be "unduly enriching himself at the expense of [Muñoz]."<sup>[20]</sup>

On the claim of forum shopping, the trial court ruled that Loria's obligation to return the P2,000,000.00 did not arise from criminal liability. Muñoz may, therefore, file a civil action to recover his P2,000,000.00.<sup>[21]</sup>

As to the prayer for issuance of a writ of preliminary attachment, the trial court denied the prayer for lack of sufficient basis.<sup>[22]</sup>

Thus, in the decision<sup>[23]</sup> dated January 30, 2004, the trial court ordered Loria to return the P2,000,000.00 to Muñoz as actual damages with 12% interest from the filing of the complaint until the amount's full payment. The trial court likewise

ordered Loria to pay Muñoz P100,000.00 in attorney's fees, P25,000.00 in litigation expenses, and P25,000.00 in exemplary damages with costs against Loria.<sup>[24]</sup>

Loria appealed to the Court of Appeals, arguing that Muñoz failed to establish his receipt of the P2,000,000.00. Specifically, Muñoz failed to establish that he obtained P3,000,000.00 from a certain Grace delos Santos. Loria also appealed the award of attorney's fees, litigation expenses, and exemplary damages for having no basis in fact and in law.<sup>[25]</sup>

The Court of Appeals sustained the trial court's factual findings. In ruling that Loria received the net amount of P2,000,000.00 from Muñoz, the Court of Appeals referred to Muñoz's testimony that he ordered Allied Bank to release P3,000,000.00 from his joint account with Christopher Co to a certain Grace delos Santos.<sup>[26]</sup> Loria then obtained the money from delos Santos and confirmed with Muñoz his receipt of the money.<sup>[27]</sup> This testimony, according to the appellate court, was supported by Exhibit "C," a check voucher the trial court admitted in evidence. Loria signed this check voucher and acknowledged receiving P1,200,000.00 on October 2, 2000 and P800,000.00 on January 10, 2001, or a total of P2,000,000.00.<sup>[28]</sup>

Considering that Muñoz did not benefit from paying Loria P2,000,000.00, the appellate court ruled that Loria must return the money to Muñoz under the principle of unjust enrichment.<sup>[29]</sup>

The appellate court, however, ruled that Muñoz failed to show his right to exemplary damages and attorney's fees.<sup>[30]</sup>

Thus, in the decision<sup>[31]</sup> dated October 23, 2008, the Court of Appeals affirmed the trial court's decision but deleted the award of exemplary damages and attorney's fees.<sup>[32]</sup> The appellate court likewise denied Loria's motion for reconsideration in the resolution<sup>[33]</sup> dated March 12, 2009.

Loria filed a petition for review on certiorari<sup>[34]</sup> with this court, arguing that the principle of unjust enrichment does not apply in this case. As the trial and appellate courts found, Muñoz paid Loria P2,000,000.00 for a subcontract of a government project. The parties' agreement, therefore, was void for being contrary to law, specifically, the Anti-Graft and Corrupt Practices Act, the Revised Penal Code, and Section 6 of Presidential Decree No. 1594. The agreement was likewise contrary to the public policy of public or open competitive bidding of government contracts.<sup>[35]</sup>

Since the parties' agreement was void, Loria argues that the parties were *in pari delicto*, and Muñoz should not be allowed to recover the money he gave under the contract.<sup>[36]</sup>

On the finding that he received a net amount of P2,000,000.00 from Muñoz, Loria maintains that Muñoz failed to prove his receipt of P3,000,000.00 through a certain Grace delos Santos.<sup>[37]</sup>

In the resolution<sup>[38]</sup> dated June 3, 2009, this court ordered Muñoz to comment on Loria's petition.

In his comment,<sup>[39]</sup> Muñoz argues that Loria's petition raises questions of fact and law that the trial and appellate courts have already passed upon and resolved in his favor. He prays that this court deny Loria's petition for raising questions of fact.

Loria replied<sup>[40]</sup> to the comment, arguing that he raised only questions of law in his petition.<sup>[41]</sup> Even assuming that he raised questions of fact, Loria argues that this does not warrant the automatic dismissal of his petition since the trial and appellate courts allegedly erred in ruling for Muñoz.<sup>[42]</sup>

On October 8, 2010, the parties filed their joint motion to render judgment based on the compromise agreement.<sup>[43]</sup> In their compromise agreement,<sup>[44]</sup> the parties declared that this case "was a product of a mere misunderstanding."<sup>[45]</sup> To amicably settle their dispute, the parties agreed to waive all their claims, rights, and interests against each other.<sup>[46]</sup>

This court denied the joint motion for lack of merit in the resolution<sup>[47]</sup> dated December 15, 2010.

The issues for our resolution are the following:

- I. Whether Loria initially obtained P3,000,000.00 from a certain Grace delos Santos
- II. Whether Loria is liable for P2,000,000.00 to Muñoz
- III. We rule for Muñoz and deny Loria's petition for review on certiorari.

## I

### **Whether Loria initially received P3,000,000.00 is a question of fact not proper in a petition for review on certiorari**

We first address Loria's contention that Muñoz failed to prove his initial receipt of P3,000,000.00. This is a question of fact the trial and appellate courts have already resolved. In a Rule 45 petition, we do not address questions of fact, questions which require us to rule on "the truth or falsehood of alleged facts."<sup>[48]</sup> Under Section 1, Rule 45 of the Rules of Court, we only entertain questions of law — questions as to the applicable law given a set of facts<sup>[49]</sup> — in a petition for review on certiorari:

#### *Section 1. Filing of petition with Supreme Court.*

A party desiring to appeal by certiorari from a judgment or final order or resolution of the Court of Appeals, the Sandiganbayan, the Regional Trial Court or other courts whenever authorized by law, may file with the Supreme Court a verified petition for review on certiorari. The petition

shall raise *only questions of law* which must be distinctly set forth.  
(Emphasis supplied)<sup>[50]</sup>

We may review questions of fact in a Rule 45 petition:

. . . (1) when the findings are grounded entirely on speculations, surmises, or conjectures; (2) when the inference made is manifestly mistaken, absurd, or impossible; (3) when there is a grave abuse of discretion; (4) when the judgment is based on misappreciation of facts; (5) when the findings of fact are conflicting; (6) when in making its findings, the same are contrary to the admissions of both appellant and appellee; (7) the findings are contrary to those of the trial court; (8) when the findings are conclusions without citation of specific evidence on which they are based; (9) the facts set forth in the petition as well as in petitioner's main and reply briefs are not disputed by respondent; and (10) the findings of fact are premised on the supposed absence of evidence and contradicted by the evidence on record.<sup>[51]</sup> [Emphases omitted]

Loria failed to convince us why we should make an exception in this case.

During trial, Muñoz testified that he ordered Allied Bank to release P3,000,000.00 from his joint account with Christopher Co to a certain Grace delos Santos.<sup>[52]</sup> Loria then obtained the money from delos Santos and confirmed with Muñoz his receipt of the amount.<sup>[53]</sup> P1,800,000.00 was subsequently returned to Muñoz, leaving a P1,200,000.00 balance with Loria. This testimony was supported by Exhibit "C," the check voucher where Loria acknowledged receiving P1,200,000.00 from Muñoz.<sup>[54]</sup>

We agree that these pieces of evidence duly prove Loria's initial receipt of P3,000,000.00. We will not disturb this finding.

## II

### **Loria must return Munoz's P2,000,000.00 under the principle of unjust enrichment**

Under Article 22 of the Civil Code of the Philippines, "every person who through an act of performance by another, or any other means, acquires or comes into possession of something at the expense of the latter without just or legal ground, shall return the same to him." There is unjust enrichment "when a person unjustly retains a benefit to the loss of another, or when a person retains money or property of another against the fundamental principles of justice, equity and good conscience."<sup>[55]</sup>

The principle of unjust enrichment has two conditions. First, a person must have been benefited without a real or valid basis or justification. Second, the benefit was derived at another person's expense or damage.<sup>[56]</sup>