

THIRD DIVISION

[G.R. No. 190601, February 07, 2011]

**SPOUSES LUIGI M. GUANIO AND ANNA HERNANDEZ-GUANIO,
PETITIONERS, VS. MAKATI SHANGRI-LA HOTEL AND RESORT,
INC., ALSO DOING BUSINESS UNDER THE NAME OF SHANGRI-LA
HOTEL MANILA, RESPONDENT.**

DECISION

CARPIO MORALES, J.:

For their wedding reception on July 28, 2001, spouses Luigi M. Guanio and Anna Hernandez-Guanio (petitioners) booked at the Shangri-la Hotel Makati (the hotel).

Prior to the event, Makati Shangri-La Hotel & Resort, Inc. (respondent) scheduled an initial food tasting. Petitioners claim that they requested the hotel to prepare for seven persons – the two of them, their respective parents, and the wedding coordinator. At the scheduled food tasting, however, respondent prepared for only six.

Petitioners initially chose a set menu which included black cod, king prawns and angel hair pasta with wild mushroom sauce for the main course which cost P1,000.00 per person. They were, however, given an option in which salmon, instead of king prawns, would be in the menu at P950.00 per person. They in fact partook of the salmon.

Three days before the event, a final food tasting took place. Petitioners aver that the salmon served was half the size of what they were served during the initial food tasting; and when queried about it, the hotel quoted a much higher price (P1,200.00) for the size that was initially served to them. The parties eventually agreed on a final price – P1,150 per person.

A day before the event or on July 27, 2001, the parties finalized and forged their contract.^[1]

Petitioners claim that during the reception, respondent's representatives, Catering Director Bea Marquez and Sales Manager Tessa Alvarez, did not show up despite their assurance that they would; their guests complained of the delay in the service of the dinner; certain items listed in the published menu were unavailable; the hotel's waiters were rude and unapologetic when confronted about the delay; and despite Alvarez's promise that there would be no charge for the extension of the reception beyond 12:00 midnight, they were billed and paid P8,000 per hour for the three-hour extension of the event up to 4:00 A.M. the next day.

Petitioners further claim that they brought wine and liquor in accordance with their open bar arrangement, but these were not served to the guests who were forced to

pay for their drinks.

Petitioners thus sent a letter-complaint to the Makati Shangri-la Hotel and Resort, Inc. (respondent) and received an apologetic reply from Krister Svensson, the hotel's Executive Assistant Manager in charge of Food and Beverage. They nevertheless filed a complaint for breach of contract and damages before the Regional Trial Court (RTC) of Makati City.

In its Answer, respondent claimed that petitioners requested a combination of king prawns and salmon, hence, the price was increased to P1,200.00 per person, but discounted at P1,150.00; that contrary to petitioners' claim, Marquez and Alvarez were present during the event, albeit they were not permanently stationed thereat as there were three other hotel functions; that while there was a delay in the service of the meals, the same was occasioned by the sudden increase of guests to 470 from the guaranteed expected minimum number of guests of 350 to a maximum of 380, as stated in the Banquet Event Order (BEO);^[2] and that Isaac Albacea, Banquet Service Director, in fact relayed the delay in the service of the meals to petitioner Luigi's father, Gil Guanio.

Respecting the belated service of meals to some guests, respondent attributed it to the insistence of petitioners' wedding coordinator that certain guests be served first.

On Svensson's letter, respondent, denying it as an admission of liability, claimed that it was meant to maintain goodwill to its customers.

By Decision of August 17, 2006, Branch 148 of the Makati RTC rendered judgment in favor of petitioners, disposing as follows:

WHEREFORE, premises considered, judgment is hereby rendered in favor of the plaintiffs and against the defendant ordering the defendants to pay the plaintiff the following:

- 1) The amount of P350,000.00 by way of actual damages;
- 2) The amount of P250,000.00 for and as moral damages;
- 3) The amount of P100,000.00 as exemplary damages;
- 4) The amount of P100,000.00 for and as attorney's fees.

With costs against the defendant.

SO ORDERED.^[3]

In finding for petitioners, the trial court relied heavily on the letter of Svensson which is partly quoted below:

Upon receiving your comments on our service rendered during your reception here with us, we are in fact, very distressed. Right from minor issues pappadums served in the soup instead of the creutons, lack of valet parkers, hard rolls being too hard till a major one - slow service, rude and arrogant waiters, we have disappointed you in all means.

Indeed, we feel as strongly as you do that the services you received were unacceptable and definitely not up to our standards. We understand that it is our job to provide excellent service and in this instance, we have fallen short of your expectations. We ask you please to accept our profound apologies for causing such discomfort and annoyance. [4] (underscoring supplied)

The trial court observed that from "the tenor of the letter . . . the defendant[-herein respondent] admits that the services the plaintiff[-herein petitioners] received were unacceptable and definitely not up to their standards." [5]

On appeal, the Court of Appeals, by Decision of July 27, 2009, [6] *reversed* the trial court's decision, it holding that the proximate cause of petitioners' injury was an unexpected increase in their guests:

x x x Hence, the alleged damage or injury brought about by the confusion, inconvenience and disarray during the wedding reception may not be attributed to defendant-appellant Shangri-la.

We find that the said proximate cause, which is entirely attributable to plaintiffs-appellants, set the chain of events which resulted in the alleged inconveniences, to the plaintiffs-appellants. Given the circumstances that obtained, only the Sps. Guanio may bear whatever consequential damages that they may have allegedly suffered. [7] (underscoring supplied)

Petitioners' motion for reconsideration having been denied by Resolution of November 19, 2009, the present petition for review was filed.

The Court finds that since petitioners' complaint arose from a contract, the doctrine of proximate cause finds no application to it:

The doctrine of proximate cause is applicable only in **actions for quasi-delicts**, not in actions involving breach of contract. x x x The doctrine is a device for imputing liability to a person where there is no relation between him and another party. In such a case, the obligation is created by law itself. But, where there is a pre-existing contractual relation between the parties, it is the parties themselves who create the obligation, and the function of the law is merely to regulate the relation thus created. [8] (emphasis and underscoring supplied)

What applies in the present case is Article 1170 of the Civil Code which reads:

Art. 1170. Those who in the performance of their obligations are guilty of fraud, negligence or delay, and those who in any manner contravene the

tenor thereof, are liable for damages.

RCPI v. Verchez, et al. [9] enlightens:

In *culpa contractual* x x x the mere proof of the existence of the contract and the failure of its compliance justify, *prima facie*, a corresponding right of relief. The law, recognizing the obligatory force of contracts, will not permit a party to be set free from liability for any kind of misperformance of the contractual undertaking or a contravention of the tenor thereof. A breach upon the contract confers upon the injured party a valid cause for recovering that which may have been lost or suffered. The remedy serves to preserve the interests of the promisee that may include his "**expectation interest**," which is his interest in having the benefit of his bargain by being put in as good a position as he would have been in had the contract been performed, or his "**reliance interest**," which is his interest in being reimbursed for loss caused by reliance on the contract by being put in as good a position as he would have been in had the contract not been made; or his "**restitution interest**," which is his interest in having restored to him any benefit that he has conferred on the other party. Indeed, agreements can accomplish little, either for their makers or for society, unless they are made the basis for action. The effect of every infraction is to create a new duty, that is, to make RECOMPENSE to the one who has been injured by the failure of another to observe his contractual obligation unless he can show extenuating circumstances, like **proof of his exercise of due diligence** x x x or of the **attendance of fortuitous event**, to excuse him from his ensuing liability. (emphasis and underscoring in the original; capitalization supplied)

The pertinent provisions of the Banquet and Meeting Services Contract between the parties read:

4.3 The ENGAGER shall be billed in accordance with the prescribed rate for the minimum guaranteed number of persons contracted for, regardless of under attendance or non-appearance of the expected number of guests, except where the ENGAGER cancels the Function in accordance with its Letter of Confirmation with the HOTEL. Should the attendance exceed the minimum guaranteed attendance, the ENGAGER shall also be billed at the actual rate per cover in excess of the minimum guaranteed attendance.

x x x x

4.5. The ENGAGER must inform the HOTEL at least forty eight (48) hours before the scheduled date and time of the Function of any change in the minimum guaranteed covers. In the absence of such notice, paragraph 4.3 shall apply in the event of under attendance. **In case the actual number of attendees exceed the minimum guaranteed number by ten percent (10%), the HOTEL shall *not in any way be held liable***