

FIRST DIVISION

[G.R. No. 147349, February 13, 2004]

**MANILA INTERNATIONAL AIRPORT AUTHORITY (MIAA),
PETITIONER, VS. ALA INDUSTRIES CORPORATION,
RESPONDENT.**

D E C I S I O N

PANGANIBAN, J.:

Foreseeable difficulties that occur during the Christmas season and cause a delay do not constitute a fortuitous event. The difficulties in processing claims during that period are not “acts of God” that would excuse noncompliance with judicially approved obligations.

The Case

Before us is a Petition for Review^[1] under Rule 45 of the Rules of Court, assailing the February 28, 2001 Decision^[2] of the Court of Appeals (CA) in CA-GR CV No. 59518. The dispositive part of the Decision reads:

“**WHEREFORE**, the appealed final order is hereby **REVERSED**. The Court a quo is ordered to issue a Writ of Execution directing the branch sheriff to enforce [Respondent] ALA Industries’ unpaid claim against [Petitioner] Manila International Airport Authority (MIAA) in the total amount of P7,171,835.53.”^[3]

The Facts

The facts of the case are narrated by the CA as follows:

“[Petitioner] MIAA conducted a public bidding for a contract involving the structural repair and waterproofing of the International Passenger Terminal (IPT) and International Container Terminal (ICT) buildings of the Ninoy Aquino International Airport (NAIA). Out of eleven bidders, [Respondent] ALA submitted the second lowest and most advantageous bid. The contract was awarded to [respondent] in the amount of P32,000,000.00 when it agreed to reduce the price from P36,000.00.^[4] On June 28, 1993, the contract was executed providing, *inter alia*, the following terms:

‘ARTICLE I

‘SCOPE OF WORK

‘1.1 The CONTRACTOR shall furnish all materials, labor, tools, plans, equipment and other services and [perform] all

operations necessary to complete the structural repair and waterproofing of IPT and ICT buildings, all in accordance with the plans and specifications and subject to the terms and conditions of the Bid Documents. The CONTRACTOR shall likewise be responsible for the removal, hauling, disposal of materials used in the work area including cleaning thereof during and after completion of the work.

'1.2 The CONTRACTOR guarantees and warrants the availability, quality and genuineness of all the materials it will supply, deliver and use in the construction.

'1.3 The CONTRACTOR warrants further that all works stipulated in the Contract shall be done in good and acceptable condition and to make good at the CONTRACTOR's expense any imperfections or defects which the MIAA or its representative may discover during the progress of the work within one (1) year from and after acceptance in writing of the said work by the MIAA, as provided in the General Conditions and Specifications.

x x x

x x x

x x x

'ARTICLE IV

'CONTRACT PRICE/MANNER OF PAYMENT

4.1 In consideration of the full, satisfactory and faithful performance by the CONTRACTOR of all its undertakings and obligations defined in and provided for under this agreement, the MIAA agrees to pay the CONTRACTOR the total amount of PESOS: THIRTY TWO MILLION [AND] 00/100 (P32,000,000.00) Philippine Currency, payable as follows:

4.1.1 Initial payment shall be made upon submission of work accomplishment of not less than 15%;

4.1.2 Subsequent payments shall be for work accomplished as measured, verified and approved by MIAA. Such progress billings shall indicate actual work accomplishments and shall be subject to the approval of MIAA, which approval shall not be unreasonably withheld.

4.1.3 Progress billings shall be paid by the MIAA periodically but not

more than once a month within 30
calendar days from receipt hereof.

"The contract contains escalation clauses and price adjustments. [Respondent] made the necessary repairs and waterproofing. After submission of its progress billings to [petitioner], [respondent] received partial payments. Progress billing No. 6 remained unpaid despite repeated demands by [respondent].

"On June 30, 1994, [petitioner] unilaterally rescinded the contract on the ground that [respondent] failed to complete the project within the agreed completion date. On September 16, 1994, [petitioner] advised [respondent] of a committee formed to determine the extent of the work done which was given until September 30, 1994 to submit its findings. Just the same, [respondent] was not fully paid.

"On October 20, 1994, [respondent] objected to the rescission made by [petitioner] and reiterated its claims. As of the filing of the complaint for sum of money and damages on July 18, 1995, [respondent] was seeking to recover from [petitioner] P10,376,017.00 as the latter's outstanding obligation and P1,642,112.84 due from the first to [the] fifth progress billings.

"With the filing of [respondent's] sur-rejoinder to [petitioner's] rejoinder, the trial Court directed the parties to proceed to arbitration on July 16, 1996. The Court a quo's ruling is based on Article XXVII of the contract that provides for arbitration.

"Both parties executed a compromise agreement, assisted by their counsels, and jointly filed in court a motion for judgment based on compromise agreement.

RTC Disposition

"On November 4, 1997, the Court a quo rendered judgment approving the compromise agreement. The pertinent portions of the compromise read as follows:

'1. As full and complete payment of its claims against [petitioner] arising from their waterproofing contract subject of this case, [respondent] accepts [petitioner]'s offer of payment in the amount of FIVE MILLION NINE HUNDRED FORTY SIX THOUSAND TWO HUNDRED NINETY FOUR AND 31/100 (P5,946,294.31).

'2. [Petitioner] shall pay [respondent] said amount of FIVE MILLION NINE HUNDRED FORTY SIX THOUSAND TWO HUNDRED NINETY FOUR AND 31/100 (P5,946,294.31) within a period of thirty (30) days from receipt of a copy of the Order of the Court approving this Compromise Agreement.

'3. Failure of the [petitioner] to pay said amount to [respondent] within the period above stipulated shall entitle the [respondent] to a writ of execution from this Honorable Court to enforce all its claims^[5] pleaded in the Complaint.

'4. In consideration of the Implementation of this Compromise Agreement, [respondent] agrees to waive all its claims against the [petitioner] as pleaded in the Complaint, and [petitioner] also agrees to waive all its claims, rights and interests pleaded in the answer, and all such other claims that it has or may have in connection with, related to or arising from the Waterproofing Contract subject of this case with [respondent].

'Finding the aforesaid COMPROMISE AGREEMENT not to be contrary to law, moral[s], good customs, public order, and public policy, the Court hereby approves the same and renders judgment in conformity with the terms and conditions of the said COMPROMISE AGREEMENT, enjoining the parties to comply with the provisions thereof strictly and in good faith without pronouncement as to costs.

'SO ORDERED.'

"For [petitioner's] failure to pay within the period above stipulated, [respondent] filed a motion for execution to enforce its claim in the total amount of P13,118,129.84. [Petitioner] filed a comment and attributed the delays to its being a government agency. In its effort to render [respondent's] motion for execution moot and academic, [petitioner] paid [respondent] P5,946,294.31 on February 2, 1998.

"On February 16, 1998, the trial court denied [respondent's] motion for execution. It also denied the motion for reconsideration, ruling as follows:

'The delay in complying with the Compromise Agreement having been satisfactorily explained by the Office of the Government Counsel, the Motion for Reconsideration of the order denying [respondent's] Motion for Execution is denied.'

"SO ORDERED."^[6]

Ruling of the Court of Appeals

Reversing the trial court, the CA ordered it to issue a writ of execution to enforce

respondent's claim to the extent of petitioner's remaining balance. The appellate court ratiocinated that a judgment rendered in accordance with a compromise agreement was immediately executory, and that a delay of almost two months was not substantial compliance therewith.

Hence this Petition.^[7]

Issues

Petitioner raises the following issues for our consideration:

"I.

Whether or not the slight delay of petitioner in complying with its obligation under the Compromise Agreement is a valid ground for the enforcement of private respondent's claim under the Complaint.

"II.

Whether or not the delay of petitioner in complying with its obligation under the Compromise Agreement is justified under the principle that no person shall be responsible for those events which could not be foreseen, or which though foreseen, were inevitable.

"III.

Whether or not private respondent is estopped from enforcing its claim under the Complaint considering that it already enjoyed the benefits of the Compromise Agreement."^[8]

The foregoing may be summed up in one issue: Whether there was a fortuitous event that excused petitioner from complying with the terms and conditions of the judicially approved Compromise Agreement.

The Court's Ruling

The Petition has no merit.

Sole Issue: **Delay in Payment by Reason** **of a Fortuitous Event**

A compromise agreement is a contract whereby the parties make reciprocal concessions to resolve their differences,^[9] thus avoiding litigation^[10] or putting an end to one that has already commenced.^[11] Generally favored in law,^[12] such agreement is a bilateral act or transaction that is binding on the contracting parties and is expressly acknowledged by the Civil Code as a juridical agreement between them.^[13] Provided it is not contrary to law, morals, good customs, public order or