Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

METRO BOTTLED WATER CORPORATION,
Petitioner,

-versus-

ANDRADA CONSTRUCTION & DEVELOPMENT CORPORATION, INC.,
Respondent.

G.R. No. 202430

Present:

PERALTA, *J., Chairperson,*
LEONEN,
JARDELEZA,*
HERNANDO, and
CARANDANG,** *JJ.*

Promulgated:
March 6, 2019

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DECISION

LEONEN, *J.*:

Generally, judicial review of arbitral awards is permitted only on very narrow grounds. Republic Act No. 876, or the Arbitration Law, does not allow an arbitral award to be revisited without a showing of specified conditions,[1] which must be proven affirmatively by the party seeking its

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* Designated additional Member per Raffle dated February 27, 2019.

** Designated additional Member per Special Order No. 2624 dated November 28, 2018.

1 Rep. Act No. 876 (1953), sec. 24 provides:

SECTION 24. Grounds for vacating award. — In any one of the following cases, the court must make an order vacating the award upon the petition of any party to the controversy when such party proves affirmatively that in the arbitration proceedings:

(a) The award was procured by corruption, fraud, or other undue means; or

(b) That there was evident partiality or corruption in the arbitrators or any of them; or

(c) That the arbitrators were guilty of misconduct in refusing to postpone the hearing upon sufficient cause shown, or in refusing to hear evidence pertinent and material to the controversy; that one or more of the arbitrators was disqualified to act as such under section

review. The Special Rules of Court on Alternative Dispute Resolution,[2] implementing the Alternative Dispute Resolution Act of 2004,[3] mandate that arbitral awards will not be vacated "merely on the ground that the arbitral tribunal committed errors of fact, or of law, or of fact and law, as the court cannot substitute its judgment for that of the arbitral tribunal."[4] Parties are even "precluded from filing an appeal or a petition for certiorari questioning the merits of an arbitral award."[5]

On the other hand, arbitral awards by the Construction Industry Arbitration Commission may only be appealed on pure questions of law,[6] though not all will justify an appeal. Consistent with the strict standards for judicial review of arbitral awards, only those appeals which involve egregious errors of law may be entertained.

Given its technical expertise, the Construction Industry Arbitration Commission is given a wide latitude of discretion so that it may resolve all issues before it in a fair and expeditious manner. Included within the bounds of its discretion are situations where it resolves, on the basis of equity, to order a party to compensate a contractor for any unpaid work done.

For this Court's resolution is a Petition for Review on Certiorari[7] assailing the March 21, 2012 Decision[8] and June 25, 2012 Resolution[9] of the Court of Appeals, which upheld the April 11, 2002 Arbitral Award[10] of the Construction Industry Arbitration Commission. The arbitral tribunal had ordered Metro Bottled Water Corporation (Metro Bottled Water) to pay Andrada Construction & Development Corporation, Inc. (Andrada Construction) the amount of ₱4,607,523.40 with legal interest from

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nine hereof, and wilfully refrained from disclosing such disqualifications or of any other misbehavior by which the rights of any party have been materially prejudiced; or

(d) That the arbitrators exceeded their powers, or so imperfectly executed them, that a mutual, final and definite award upon the subject matter submitted to them was not made.

2 A.M. No. 07-11-08-SC (2009).

3 Rep. Act No. 9285 (2004), ch. 7, sec. 41 provides:

SECTION 41. Vacation Award. — A party to a domestic arbitration may question the arbitral award with the appropriate Regional Trial Court in accordance with rules of procedure to be promulgated by the Supreme Court only on those grounds enumerated in Section 25 of Republic Act No. 876. Any other ground raised against a domestic arbitral award shall be disregarded by the regional trial court.

4 SPECIAL ADR RULES, Rule 19.10.

5 SPECIAL ADR RULES, Rule 19.7.

6 Exec. Order No. 1008 (1985), sec. 19.

7 *Rollo*, pp. 13–70.

8 Id. at 73–88. The Decision, in CA-G.R. SP No. 70562, was penned by Associate Justice Sesinando E. Villon, and concurred in by Presiding Justice Andres B. Reyes, Jr. (now a member of this Court) and Associate Justice Amy C. Lazaro-Javier (now a member of this Court) of the First Division, Court of Appeals, Manila.

9 Id. at 91. The Resolution, in CA-G.R. SP No. 70562, was penned by Associate Justice Sesinando E. Villon, and concurred in by Presiding Justice Andres B. Reyes, Jr. (now a member of this Court) and Associate Justice Amy C. Lazaro-Javier (now a member of this Court) of the First Division, Court of Appeals, Manila.

10 Id. at 94–115. The Arbitral Award, in CIAC Case No. 30-2001, was signed by Arbitrators Beda G. Fajardo, Wenfredo A. Firme, and Rosauro S. Paderon of the Construction Industry Arbitration Commission.

November 24, 2000 as unpaid work accomplishment in the construction of its manufacturing plant.

On April 28, 1995, Metro Bottled Water and Andrada Construction entered into a Construction Agreement[11] for the construction of a reinforced concrete manufacturing plant in Gateway Business Park, General Trias, Cavite for the contract price of ₱45,570,237.90. The Construction Agreement covered all materials, labor, equipment, and tools, including any other works required.[12] It provided:

> 8. Change Order
>
> a. Without invalidating this Agreement, the OWNER may, at any time, order additions, deletions or revisions in the Work by means of a Change Order. The CONTRACTOR shall determine whether the Change Order causes a decrease or increase in the Purchase Price or shortening or extension of the Contract Period. Within three (3) days from receipt of the Change Order, CONTRACTOR shall give written notice to the OWNER of the value of the works required under the Change Order which will increase the Contract Price and of the extension in the Contract Period necessary to complete such works. On the other hand, if the Change Order involves deletions of some works required in the original Contract Documents, the value of the works deleted shall be deducted from the Contract Price and the Contract Period shortened accordingly.
>
> In either case, any addition or reduction in the Contract Price or extension or shortening of the Contract Period shall be mutually agreed in writing by the OWNER and the CONTRACTOR prior to the execution of the works covered by the Change Order.[13]

The project was to be completed within 150 calendar days or by October 10, 1995, to be reckoned from Andrada Construction's posting of a Performance Bond to answer for liquidated damages, costs to complete the project, and third party claims. The Performance Bond was issued by Intra Strata Assurance Corporation (Intra Strata).[14]

On May 10, 1995, Metro Bottled Water extended the period of completion to November 30, 1995 upon Andrada Construction's request, due to the movement of one (1) bay of the plant building, weather conditions, and change orders.[15]

On November 14, 1995, E.S. De Castro and Associates, Metro Bottled

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11 Id. at 124–136.
12 Id. at 94.
13 Id. at 132.
14 Id. at 74.
15 Id. at 94–95.

Water's consultant for the project, recommended the forfeiture of the Performance Bond to answer for the completion and correction of the project, as well as liquidated damages for delay.[16]

On May 2, 1996, Metro Bottled Water filed a claim against the Performance Bond issued by Intra Strata.[17] Andrada Construction opposed the claim for lack of legal and factual basis.[18]

On September 6, 1996, Andrada Construction wrote to Metro Bottled Water contesting E.S. De Castro and Associates' Special Report.[19] The works performed by Andrada Construction were inspected by Metro Bottled Water and E.S. De Castro and Associates. Punch lists were prepared to monitor Andrada Construction's rectifications.[20]

Andrada Construction sent letters to Metro Bottled Water requesting for payment of unpaid work accomplishments amounting to ₱7,292,721.27.[21] Metro Bottled Water refused to pay.[22]

On August 6, 2001, Andrada Construction filed a Request for Arbitration[23] before the Construction Industry Arbitration Commission, alleging that Metro Bottled Water refused to pay its unpaid work accomplishment amounting to ₱7,954,961.10, with interest of ₱494,297.31.[24]

In its Answer,[25] Metro Bottled Water denied the allegations and counterclaimed for cost to complete and correct the project in the amount of ₱5,231,452.03 and liquidated damages in the amount of ₱1,663,884.36, among others.

A preliminary conference was held. On February 16, 2002, the arbitral tribunal conducted an ocular inspection of the construction site. The parties subsequently filed their respective Memoranda.[26]

In its April 24, 2002 Decision,[27] the Construction Industry Arbitration Commission found that Andrada Construction was entitled to unpaid work

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16 Id. at 137–138.
17 Id. at 150.
18 Id. at 95.
19 Id. at 163.
20 Id. at 95.
21 Id. at 228–240.
22 Id. at 95.
23 Id. at 118–123.
24 Id. at 95.
25 Id. at 242–272.
26 Id. at 96.
27 Id. at 94–115.

accomplishment in the amount of ₱4,607,523.40, with legal interest from November 24, 2000. It, however, denied Metro Bottled Water's counterclaims.[28]

According to the Construction Industry Arbitration Commission, Andrada Construction was entitled to the claims from the change orders since Metro Bottled Water did not strictly enforce its procedures in approving Change Orders 1 to 38 and impliedly approved Change Orders 39 to 109 by funding the payrolls and materials. However, it deducted: (1) ₱648,773.63, as this was already included in the claim for change orders; (2) ₱2,474,647.28, as costs for completion; and (3) ₱2,756,804.75, as corrective costs for the cracks on the concrete slabs in the production plant building.[29]

The Construction Industry Arbitration Commission also found that there was no delay in the completion since Metro Bottled Water validly granted an extension until November 30, 1995. It denied Metro Bottled Water's claim for corrective costs since any advance made by Metro Bottled Water for labor and materials was charged against Andrada Construction's 10% retention[30] money.[31]

The Construction Industry Arbitration Commission also clarified that there were no valid factual and legal grounds for Metro Bottled Water's termination of agreement. This was because Andrada Construction completed the project within the extended period, and Metro Bottled Water failed to substantiate its allegation of payroll padding. The arbitral tribunal concluded that Metro Bottled Water could not have taken over the project from November 15, 1995, since there was no notice of termination and Andrada Construction remained in full control of the original contract and change orders during the extended period.[32] The Arbitral Award read:

> WHEREFORE, premises considered we hold that:
>
> A. Claimant's claims
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> | | | |
> |---|---|---|
> | Unpaid work accomplishment | - | P4,607,523.40 |
> | Interest on the unpaid work Accomplishment | - | 6% per annum on P4,607,523.40 reckoned from November 24, 2000 date of receipt of the letter dated October 24, 2000 by |

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28 Id. at 104–105.

29 Id. at 98–100.

30 "In the construction industry, the 10 percent retention money is portion of the contract price automatically deducted from the contractor's billings, as security for the execution of corrective work—if any—becomes necessary. This amount is to be released one year after the completion of the project, minus the cost of corrective work." *H.L. Carlos Construction v. Marina Properties Corporation*, 466 Phil. 182, 199-200 (2004) [Per J. Panganiban, First Division].

31 *Rollo*, pp. 100–102.

32 Id. at 103–104.

		Respondent and 12% per annum from the time the judgment becomes final and executory until the entire sum including interest is fully paid.
B. Respondent's Counterclaims		
Cost to complete and correct the projects	-	none
Liquidated damages	-	none

All other claims and counterclaims are dismissed for lack of merit.

The costs of arbitration shall be shared equally by the parties.

Accordingly, judgment is hereby rendered ordering Metro Bottled Water Corporation to pay Andrada Construction and Development Inc. the amount of P4,607,523.40 with interest at 6% per annum reckoned from November 24, 2000 date of receipt of the letter dated October 24, 2000 by Respondent and 12% per annum from the time this judgment becomes final and executory until the entire sum including interest is fully paid.

SO ORDERED, April 11, 2002.[33]

Metro Bottled Water filed before the Court of Appeals a Petition for Review[34] assailing the Arbitral Award.

In its March 21, 2012 Decision,[35] the Court of Appeals dismissed the Petition for lack of merit[36] and upheld the factual findings of the Construction Industry Arbitration Commission.[37] It agreed with the arbitral tribunal's evaluation that Metro Bottled Water confirmed the completed works, and thus, Andrada Construction was entitled to compensation. To deny the payment would be to permit unjust enrichment at Andrada Construction's expense.[38]

The Court of Appeals found no error in the entitlement of legal interest since demand could be reasonably established from Andrada Construction's October 24, 2000 Letter, which stated that payment was being requested as a formal claim.[39] It held that it could not pass upon Metro Bottled Water's allegation that the claims were barred by laches since it was not among the issues for resolution in the parties' Terms of

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33 Id. at 104–105.
34 Id. at 1773–1828.
35 Id. at 73–88.
36 Id. at 87.
37 Id. at 86.
38 Id. at 77–80.
39 Id. at 80–83.

Reference.[40]

Metro Bottled Water filed a Motion for Reconsideration, but it was denied by the Court of Appeals in its June 25, 2012 Resolution.[41] Hence, this Petition[42] was filed.

Petitioner argues that the Court of Appeals erred in applying the principle of unjust enrichment, considering that Article 1724 of the Civil Code[43] provides the requisites for the recovery of the costs of additional work. It contends that Article 1724 requires both the written authority of the owner allowing the changes and a written agreement by the parties as to the increase in costs, neither of which were present in this case.[44] Even the Construction Agreement, it asserts, requires a written order to the contractor signed by the owner, authorizing work changes or adjustments on the contract price or contract period—to which respondent did not comply.[45]

Petitioner explains that there was no evidence to conclude that it did not observe the contractual provisions on Change Order Nos. 1 to 38 since respondent admitted that Change Order Nos. 1 to 38 were submitted to petitioner for approval. At any rate, it argues, the Construction Agreement provides that any non-enforcement under the contract cannot be construed as a waiver of its rights. Hence, its non-enforcement of the contractual provisions on Change Order Nos. 1 to 38 should not be construed as a waiver of its rights to enforce the contractual provisions on Change Order Nos. 39 to 109.[46]

Petitioner asserts that it was entitled to the payment of liquidated damages since respondent was unable to complete the project within the contract period. Respondent had no valid reasons to extend the contract period or execute change orders. It points out that its October 11, 1995 Letter did not grant a time extension, but merely provided a new schedule of completion; hence, respondent's completion of the project nine (9) days after the contract period constituted delay.[47]

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40 Id. at 86–87.

41 Id. at 91.

42 Id. at 13–70. Comment (*rollo*, pp. 2136–2258) was filed on November 20, 2012 while Reply (*rollo*, pp. 2265–2284) was filed on February 28, 2013. A Rejoinder (*rollo*, pp. 2286–2371) was submitted but was expunged in a June 3, 2013 Resolution (*rollo*, p. 2373) for being a prohibited pleading.

43 CIVIL CODE, art. 1724 provides:

ARTICLE 1724. The contractor who undertakes to build a structure or any other work for a stipulated price, in conformity with plans and specifications agreed upon with the land-owner, can neither withdraw from the contract nor demand an increase in the price on account of the higher cost of labor or materials, save when there has been a change in the plans and specifications, provided:

(1) Such change has been authorized by the proprietor in writing; and

(2) The additional price to be paid to the contractor has been determined in writing by both parties.

44 *Rollo*, pp. 32–35.

45 Id. at 35–36.

46 Id. at 36–37.

47 Id. at 42–52.

Petitioner submits that the Court of Appeals and the Construction Industry Arbitration Commission erred in not finding that there were no factual and legal grounds for terminating the Construction Agreement and petitioner taking over the project. It argues that respondent not only failed to complete the project on time, but also engaged in payroll padding, as proven by documentary evidence. It points out that it needed no notice to take over the project if, upon notice of default, respondent could not complete it within 10 days, per the Construction Agreement.[48] Thus, petitioner, on November 15, 1995, assumed the payment of labor and supervision of manpower, as proven by its consultant's testimony and the Progress Reports submitted during the period.[49]

Respondent counters that petitioner assails the competence of the Construction Industry Arbitration Commission on its findings of fact. This, it points outs, is not among the grounds for which petitioner may appeal the arbitral award. It argues that petitioner agreed to be bound by arbitration proceedings in an administrative agency "vested with special powers to determine issues in construction contracts, agreements[,] and projects."[50] It maintains that this Court may only entertain questions of law and that the arbitral tribunal's factual findings are "regarded with full respect, if not finality."[51]

Respondent contends that E.S. De Castro and Associates' engineers and architects gave instructions on change orders that would later be endorsed to petitioner for approval.[52] For Change Order Nos. 1 to 109, the practice was that respondent would receive "[a]dvise, directive or instruction and orders"[53] from E.S. De Castro and Associates, after which respondent would draft a written quotation or proposal to be reviewed and evaluated by E.S. De Castro and Associates and endorsed to petitioner for approval. Thus, respondent proceeded with the changes advised and directed by E.S. De Castro and Associates, without need of petitioner's written authority.[54]

Respondent further argues that petitioner was not entitled to liquidated damages considering its requested extension was thoroughly reviewed by E.S. De Castro and Associates, which later approved it.[55] Since there was no delay, it asserts, petitioner would have no valid reason to terminate the Construction Agreement.[56] It argues that the Construction Industry Arbitration Commission and the Court of Appeals correctly found that petitioner did not take over the project from November 15, 1995 since no

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48 Id. at 52–57.
49 Id. at 57–62.
50 Id. at 2177.
51 Id. at 2170–2177. Exact quote at 2173.
52 Id. at 2189.
53 Id. at 2201.
54 Id. at 2201–2202.
55 Id. at 2209–2215.
56 Id. at 2223–2224.

evidence presented proved this allegation.[57] Further, it raises the presence of a "domino effect"[58] in that the contract period was validly extended; hence, there could be no delay. Without delay, there could be no reason for the award of damages, termination of contract, or take-over of the project.[59]

Respondent submits that there was no error in the application of unjust enrichment considering that petitioner "has already reaped enormous benefits out of the use of the construction project" and has "continued to profit [from the] unhampered commercial operations of the plant[.]"[60] It asserts that equity and law are "applied distinctly based on the antecedents of each case" and that the factual circumstances of this case necessarily require the application of equity rather than "strict legalism or form."[61]

In rebuttal, petitioner argues that it indeed raised questions of law when it questioned respondent's entitlement to recover its claims despite its admission that there was no written approval by petitioner, as required by the Construction Agreement and the Civil Code.[62] It also points out that while the arbitral tribunal's factual findings are entitled to great respect, they may still be reviewed by the Court of Appeals and this Court when there is a conflict in the application of law, jurisprudence, or the contract between the parties.[63] It reiterates its arguments in the Petition[64] and asserts that respondent "erroneously raised arguments on equity"[65] when the provisions of law are clear.[66]

The main issue raised before this Court is whether or not the Construction Industry Arbitration Commission and the Court of Appeals erred in finding that petitioner Metro Bottled Water Corporation was liable to respondent Andrada Construction & Development Corporation, Inc. for unpaid work accomplishment.

To resolve this issue, this Court must pass upon the issue of whether the Court of Appeals erred in affirming the arbitral tribunal's findings that: (1) petitioner agreed to the Change Orders; (2) respondent did not commit delay in the project completion; and (3) petitioner did not terminate the contract or take over the project. However, considering the limited scope of review of arbitral awards by the Construction Industry Arbitration Commission, this Court must first determine whether petitioner raises questions of law.

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57 Id. at 2250–2251.
58 Id. at 2251.
59 Id. at 2251–2252.
60 Id. at 2255.
61 Id. at 2255–2256.
62 Id. at 2266–2267.
63 Id. at 2267–2268.
64 Id. at 2269–2279.
65 Id. at 2279.
66 Id.

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The Construction Industry Arbitration Commission was created by Executive Order No. 1008,[67] or the Construction Industry Arbitration Law, to have "original and exclusive jurisdiction over disputes arising from, or connected with, contracts entered into by parties involved in construction in the Philippines, whether the dispute arises before or after the completion of the contract, or after the abandonment or breach thereof."[68] The extent of its jurisdiction is clearly provided for in the law:

> The jurisdiction of the CIAC may include but is not limited to violation of specifications for materials and workmanship; violation of the terms of agreement; interpretation and/or application of contractual time and delays; maintenance and defects; payment, default of employer or contractor and changes in contract cost.
>
> Excluded from the coverage of this law are disputes arising from employer-employee relationships which shall continue to be covered by the Labor Code of the Philippines.[69]

Considering that the law covers a specific field of industry and the arbitral tribunal's jurisdiction is well defined, several provisions of the law emphasize the technical nature of the proceedings before it, and provide for the particular expertise required of the arbitrators:

> SECTION 14. Arbitrators. — A sole arbitrator or three arbitrators may settle a dispute.
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> . . . .
>
> Arbitrators shall be men of distinction in whom the business sector and the government can have confidence. They shall not be permanently employed with the CIAC. Instead, they shall render services only when called to arbitrate. For each dispute they settle, they shall be given fees.[70]

The Revised Rules of Procedure Governing Construction Arbitration provides more stringent qualifications for arbitrators and enumerate specific professions that they may hold, such as "engineers, architects, construction managers, engineering consultants, and businessmen familiar with the construction industry":[71]

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67 Enacted February 4, 1985.
68 Exec. Order No. 1008 (1985), sec. 4.
69 Exec. Order No. 1008 (1985), sec. 4.
70 Exec. Order No. 1008 (1985), sec. 14.
71 CIAC Revised Rules of Procedure Governing Construction Arbitration (2011), Rule 8, sec. 8.1.

> SECTION 8.1 General qualification of Arbitrators. — The Arbitrators shall be men of distinction in whom the business sector and the government can have confidence. They shall be technically qualified to resolve any construction dispute expeditiously and equitably. The Arbitrators shall come from different professions. They may include engineers, architects, construction managers, engineering consultants, and businessmen familiar with the construction industry and lawyers who are experienced in construction disputes.

The Construction Industry Arbitration Law even allows the appointment of experts if requested by the parties or by the arbitral tribunal:

> SECTION 15. Appointment of Experts. — The services of technical or legal experts may be utilized in the settlement of disputes if requested by any of the parties or by the Arbitral Tribunal. If the request for an expert is done by either or by both of the parties, it is necessary that the appointment of the expert be confirmed by the Arbitral Tribunal.
>
> Whenever the parties request for the services of an expert, they shall equally shoulder the expert's fees and expenses, half of which shall be deposited with the Secretariat before the expert renders service. When only one party makes the request, it shall deposit the whole amount required.[72]

Likewise, the law mandates that any resort to arbitration must be voluntary.[73]

Under the Revised Rules, a party's refusal to submit to arbitration may result in the dismissal of the complaint without prejudice to its refiling:

> Respondent's refusal to Answer the Complaint or the filing of a Motion to Dismiss for lack of jurisdiction shall be deemed a refusal to submit to arbitration. In either case, the Commission (CIAC) shall dismiss the Complaint without prejudice to its refiling upon a subsequent submission.[74] (Citation omitted)

Due to the highly technical nature of proceedings before the Construction Industry Arbitration Commission, as well as its emphasis on the parties' willingness to submit to the proceedings, the Construction

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72 Exec. Order No. 1008 (1985), sec. 15.

73 Exec. Order No. 1008 (1985), sec. 4 provides:

> SECTION 4. Jurisdiction. — The CIAC shall have original and exclusive jurisdiction over disputes arising from, or connected with, contracts entered into by parties involved in construction in the Philippines, whether the dispute arises before or after the completion of the contract, or after the abandonment or breach thereof. These disputes may involve government or private contracts. *For the Board to acquire jurisdiction, the parties to a dispute must agree to submit the same to voluntary arbitration.* (Emphasis supplied)

74 Revised Rules of Procedure Governing Construction Arbitration (2011), Rule 2, sec. 2.3(2.3.3).

Industry Arbitration Law provides for a narrow ground by which the arbitral award can be questioned in a higher tribunal. Section 19 states:

> SECTION 19. Finality of Awards. — The arbitral award shall be binding upon the parties. It shall be final and inappealable except on questions of law which shall be appealable to the Supreme Court.

The Construction Industry Arbitration Commission has since been categorized as a quasi-judicial agency in *Metro Construction, Inc. v. Chatham Properties, Inc.*:[75]

> [The Construction Industry Arbitration Commission] is a quasi-judicial agency. A quasi-judicial agency or body has been defined as an organ of government other than a court and other than a legislature, which affects the rights of private parties through either adjudication or rule-making. The very definition of an administrative agency includes its being vested with quasi-judicial powers. The ever increasing variety of powers and functions given to administrative agencies recognizes the need for the active intervention of administrative agencies in matters calling for technical knowledge and speed in countless controversies which cannot possibly be handled by regular courts. The CIAC's primary function is that of a quasi-judicial agency, which is to adjudicate claims and/or determine rights in accordance with procedures set forth in E.O. No. 1008.[76]

To standardize appeals from quasi-judicial agencies, Rule 43 of the 1997 Rules of Civil Procedure provides that appeals "may be taken to the Court of Appeals within the period and in the manner herein provided, whether the appeal involves questions of fact, of law, or mixed questions of fact and law."[77] The Construction Industry Arbitration Commission is among the quasi-judicial agencies explicitly listed in the rule.

While there is uniformity between appeals of the different quasi-judicial agencies, Rule 43 does not automatically apply to all appeals of arbitral awards. *Fruehauf Electronics Philippines Corporation v. Technology Electronics Assembly and Management Pacific Corporation*[78] has since distinguished between commercial arbitration, construction arbitration, and voluntary arbitration under Article 219(n) of the Labor Code.[79] *Fruehauf Electronics Philippines Corporation* declared that

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75 418 Phil. 176 (2001) [Per C.J. Davide Jr., First Division].

76 Id. at 202–203 *citing The Presidential Anti-Dollar Salting Task Force v. Court of Appeals*, 253 Phil. 344 (1989) [Per J. Sarmiento, En Banc]; *Tropical Homes v. National Housing Authority*, 236 Phil. 580 (1987) [Per J. Gutierrez, Jr., En Banc]; *Antipolo Realty Corp. v. NHA*, 237 Phil. 389 (1987) [Per J. Feliciano, En Banc]; and *Solid Homes, Inc. v. Payawal*, 257 Phil. 914 (1989) [Per J. Cruz, First Division].

77 RULES OF COURT, Rule 43, sec. 3.

78 800 Phil. 721 (2016) [Per J. Brion, Second Division].

79 LABOR CODE, art. 219.
ARTICLE 219. [212] Definitions. — . . .

commercial arbitration tribunals are not quasi-judicial agencies, but " purely *ad hoc* bodies operating through contractual consent and as they intend to serve private, proprietary interests."[80] A commercial arbitration tribunal is a "creature of contract"[81] that becomes *functus officio* once the arbitral award attains finality.[82]

However, the jurisdiction of construction arbitration tribunals and voluntary arbitrators is vested by statute. This jurisdiction exists independently of the will of the contracting parties due to the public interest inherent in their respective spheres,[83] thus:

> Voluntary Arbitrators resolve labor disputes and grievances arising from the interpretation of Collective Bargaining Agreements. These disputes were specifically excluded from the coverage of both the Arbitration Law and the ADR Law.
>
> Unlike purely commercial relationships, the relationship between capital and labor [is] heavily impressed with public interest. Because of this, Voluntary Arbitrators authorized to resolve labor disputes have been clothed with quasi-judicial authority.
>
> On the other hand, commercial relationships covered by our commercial arbitration laws are purely private and contractual in nature. Unlike labor relationships, they do not possess the same compelling state interest that would justify state interference into the autonomy of contracts. Hence, commercial arbitration is a purely private system of adjudication facilitated by private citizens instead of government instrumentalities wielding quasi-judicial powers.
>
> Moreover, judicial or quasi-judicial jurisdiction cannot be conferred upon a tribunal by the parties alone. The Labor Code itself confers subject-matter jurisdiction to Voluntary Arbitrators.
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> Notably, the other arbitration body listed in Rule 43 — the Construction Industry Arbitration Commission (CIAC) — is also a government agency attached to the Department of Trade and Industry. Its jurisdiction is likewise conferred by statute. By contrast, the subject-

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. . . .

(n) "Voluntary Arbitrator" means any person accredited by the Board as such, or any person named or designated in the Collective Bargaining Agreement by the parties to act as their Voluntary Arbitrator, or one chosen with or without the assistance of the National Conciliation and Mediation Board, pursuant to a selection procedure agreed upon in the Collective Bargaining Agreement, or any official that may be authorized by the Secretary of Labor and Employment to act as Voluntary Arbitrator upon the written request and agreement of the parties to a labor dispute.

80 *CE Construction v. Araneta Center*, G.R. No. 192725, August 9, 2017, 836 SCRA 181, 214 [Per J. Leonen, Second Division] *citing Fruehauf Electronics v. Technology Electronics Assembly and Management Pacific*, 800 Phil. 721 (2016) [Per J. Brion, Second Division].

81 *Fruehauf Electronics Philippines Corporation v. Technology Electronics Assembly and Management Pacific Corporation*, 800 Phil. 721, 744 (2016) [Per J. Brion, Second Division].

82 *See Fruehauf Electronics Philippines Corporation v. Technology Electronics Assembly and Management Pacific Corporation*, 800 Phil. 721 (2016) [Per J. Brion, Second Division].

83 *See CE Construction v. Araneta Center*, G.R. No. 192725, August 9, 2017, 836 SCRA 181, 215 [Per J. Leonen, Second Division].

> matter jurisdiction of commercial arbitrators is stipulated by the parties.[84] (Citation omitted)

In *CE Construction v. Araneta Center*,[85] however, this Court emphasized that Rule 43 must be read together with the Construction Industry Arbitration Law, which provides that appeals of arbitral awards must only raise questions of law. Thus, even if Rule 43 now provides that appeals may be brought before the Court of Appeals, these appeals must still be confined to questions of law:

> This is not to say that factual findings of CIAC arbitral tribunals may now be assailed before the Court of Appeals. Section 3's statement "whether the appeal involves questions of fact, of law, or mixed questions of fact and law" merely recognizes variances in the disparate modes of appeal that Rule 43 standardizes: there were those that enabled questions of fact; there were those that enabled questions of law, and there were those that enabled mixed questions [of] fact and law. Rule 43 emphasizes that though there may have been variances, all appeals under its scope are to be brought before the Court of Appeals. However, in keeping with the Construction Industry Arbitration Law, *any appeal from CIAC arbitral tribunals must remain limited to questions of law*.[86] (Emphasis supplied)

The rationale for this limitation has already been thoroughly explained in *Hi-Precision Steel Center, Inc. v. Lim Kim Steel Builders, Inc.*:[87]

> Section 19 [of Executive Order No. 1008] makes it crystal clear that questions of fact cannot be raised in proceedings before the Supreme Court — which is not a trier of facts — in respect of an arbitral award rendered under the aegis of the CIAC. Consideration of the animating purpose of voluntary arbitration in general, and arbitration under the aegis of the CIAC in particular, requires us to apply rigorously the above principle embodied in Section 19 that the Arbitral Tribunal's findings of fact shall be final and unappealable.
>
> Voluntary arbitration involves the reference of a dispute to an impartial body, the members of which are chosen by the parties themselves, which parties freely consent in advance to abide by the arbitral award issued after proceedings where both parties had the opportunity to be heard. The basic objective is to provide a speedy and inexpensive method of settling disputes by allowing the parties to avoid the formalities, delay, expense and aggravation which commonly accompany ordinary litigation, especially litigation which goes through the entire hierarchy of courts. Executive Order No. 1008 created an arbitration facility to which the construction industry in the Philippines can have recourse. The Executive Order was enacted to encourage the early and expeditious settlement of disputes in the construction industry, a

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84 Id. at 215–216.
85 G.R. No. 192725, August 9, 2017, 836 SCRA 181 [Per J. Leonen, Second Division].
86 Id. at 219.
87 298-A Phil. 361 (1993) [Per J. Feliciano, Third Division].

> public policy the implementation of which is necessary and important for the realization of national development goals.[88]

CE Construction further provides that even exceptions that may be allowed in the review of Rule 45 petitions,[89] such as the lower court's misapprehension of facts or a conflict in the factual findings, will not apply to reviews of the arbitral tribunal's decisions. *Hi-Precision Steel Center, Inc.* sufficiently explains the rationale of why courts are duty bound to uphold the factual findings of the tribunal:

> Aware of the objective of voluntary arbitration in the labor field, in the construction industry, and in any other area for that matter, the Court will not assist one or the other or even both parties in any effort to subvert or defeat that objective for their private purposes. The Court will not review the factual findings of an arbitral tribunal upon the artful allegation that such body had "misapprehended the facts" and will not pass upon issues which are, at bottom, issues of fact, no matter how cleverly disguised they might be as "legal questions." The parties here had recourse to arbitration and chose the arbitrators themselves; they must have had confidence in such arbitrators. The Court will not, therefore, permit the parties to relitigate before it the issues of facts previously presented and argued before the Arbitral Tribunal, save only where a very clear showing is made that, in reaching its factual conclusions, the Arbitral Tribunal committed an error so egregious and hurtful to one party as to constitute a grave abuse of discretion resulting in lack or loss of jurisdiction. Prototypical examples would be factual conclusions of the Tribunal which resulted in deprivation of one or the other party of a fair opportunity to present its position before the Arbitral Tribunal, and an award obtained through fraud or the corruption of arbitrators. Any other, more relaxed, rule would result in setting at naught the basic objective of a voluntary arbitration and would reduce arbitration to a largely inutile institution.[90]

Thus, the general rule is that appeals of arbitral awards by the Construction Industry Arbitration Commission may only be allowed on pure questions of law. Even the Construction Industry Arbitration Law does not provide for any instance when an arbitral award may be vacated. *Spouses David v. Construction Industry and Arbitration Commission*[91] recognized

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88 Id. at 372 *citing* the first three (3) Whereas clauses and sec. 2 of Exec. Order No. 1008 (1985), as amended.

89 *See Medina v. Mayor Asistio, Jr.*, 269 Phil. 225, 232 (1990) [Per J. Bidin, Third Division] for the complete list of exceptions to the prohibition of questions of fact in Rule 45 petitions.

90 *Hi-Precision Steel Center v. Lim Kim Steel Builders*, 298-A Phil. 361, 373–374 (1993) [Per J. Feliciano, Third Division] *citing Asian Construction and Development Corporation v. Construction Industry Arbitration Commission*, 291-A Phil. 576 (1993) [Per J. Padilla, First Division]; *Chung Fu Industries (Phil.) Inc. v. Court of Appeals*, 283 Phil. 474 (1992) [Per J. Romero, Third Division]; *Primary Structures Corporation v. Victor P. Lazatin, etc.*, G.R. No. 101258, July 13, 1992 (Unsigned Resolution); *A.C. Enterprises, Inc. v. Construction Industry Arbitration Commission, et al.*, 313 Phil. 745 (1995) [Per J. Quiason, En Banc]; and *Sime Darby Pilipinas, Inc. v. Magsalin*, 259 Phil. 658 (1989) [Per J. Feliciano, Third Division].

91 479 Phil. 578 (2004) [Per J. Puno, Second Division].

this gap, and thus, applied the provisions of Republic Act No. 876, or the Arbitration Law:[92]

> [F]actual findings of construction arbitrators are final and conclusive and not reviewable by this Court on appeal, except when the petitioner proves affirmatively that: (1) the award was procured by corruption, fraud or other undue means; (2) there was evident partiality or corruption of the arbitrators or of any of them; (3) the arbitrators were guilty of misconduct in refusing to postpone the hearing upon sufficient cause shown, or in refusing to hear evidence pertinent and material to the controversy; (4) one or more of the arbitrators were disqualified to act as such under section nine of Republic Act No. 876 and willfully refrained from disclosing such disqualifications or of any other misbehavior by which the rights of any party have been materially prejudiced; or (5) the arbitrators exceeded their powers, or so imperfectly executed them, that a mutual, final and definite award upon the subject matter submitted to them was not made.[93]

Notably, these exceptions refer to the *conduct* of the arbitral tribunal and the *qualifications* of the arbitrator.[94] They do not refer to the arbitral tribunal's errors of fact and law, misappreciation of evidence, or conflicting findings of fact. Hence, *CE Construction*, in recognizing the nature of these exceptions, held that questions of law may be allowed "only in instances when the integrity of the arbitral tribunal itself has been put in jeopardy."[95] This Court further mandated that "factual findings may be reviewed only in cases where the CIAC arbitral tribunals conducted their affairs in a haphazard, immodest manner that the most basic integrity of the arbitral process was imperiled."[96]

Thus, parties seeking to appeal an arbitral award of a construction tribunal must raise an *egregious* error of law to warrant the exercise of this Court's appellate jurisdiction. Absent any allegation and proof of these exceptions, the factual findings of the Construction Industry Arbitration Commission will be treated by the courts with great respect and even finality.

II

Petitioner raised issues that are questions of fact in the guise of questions of law. As such, they are not proper for this Court's review.

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92 Approved June 19, 1953.

93 *Spouses David v. Construction Industry Arbitration Commission*, 479 Phil. 578, 590–591 (2004) [Per J. Puno, Second Division] citing Rep. Act No. 876, sec. 24.

94 *See also Fruehauf Electronics v. Technology Electronics Assembly and Management Pacific*, 800 Phil. 721 (2016) [Per J. Brion, Second Division].

95 *CE Construction v. Araneta Center*, G.R. No. 192725, August 9, 2017, 836 SCRA 181, 186 [Per J. Leonen, Second Division].

96 Id. at 222.

The difference between a question of law and a question of fact is settled. In *Spouses David*:

> There is a question of law when the doubt or difference in a given case arises as to what the law is on a certain set of facts, and there is a question of fact when the doubt arises as to the truth or falsity of the alleged facts. Thus, for a question to be one of law, it must not involve an examination of the probative value of the evidence presented by the parties and there must be no doubt as to the veracity or falsehood of the facts alleged.[97]

Petitioner alleges that it is not liable to respondent for the costs incurred in Change Order Nos. 39 to 109 since the Construction Agreement clearly required a written agreement by both parties of the change orders, which petitioner alleges it did not provide. At first glance, petitioner appears to be raising a question of law, *i.e.*, whether respondent complied with the provisions of the Construction Agreement as to be entitled to compensation, which, in turn, would require the proper interpretation of the contract between the parties. This would be a question of law since it requires the courts to determine the parties' rights under the contract. The Construction Agreement provided:

> 8. Change Order
>
> a. Without invalidating this Agreement, the OWNER may, at any time, order additions, deletions or revisions in the Work by means of a Change Order. The CONTRACTOR shall determine whether the Change Order causes a decrease or increase in the Purchase Price or shortening or extension of the Contract Period. Within three (3) days from receipt of the Change Order, CONTRACTOR shall give written notice to the OWNER of the value of the works required under the Change Order which will increase the Contract Price and of the extension in the Contract Period necessary to complete such works. On the other hand, if the Change Order involves deletions of some works required in the original Contract Documents, the value of the works deleted shall be deducted from the Contract Price and the Contract Period shortened accordingly.
>
> In either case, any addition or reduction in the Contract Price or extension or shortening of the Contract Period shall be mutually agreed in writing by the OWNER and the CONTRACTOR prior to the execution of the works covered by the Change Order.[98]

To resolve this issue, however, this Court would have to accept the factual premise alleged by petitioner: that Change Order Nos. 39 to 109 *were not* authorized by petitioner. This runs counter to the factual finding

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[97] 479 Phil. 578, 584 (2004) [Per J. Puno, Second Division] *citing Serna v. Court of Appeals*, 368 Phil. 1 (1999) [J. Pardo, First Division] and *Palon v. Nino*, 405 Phil. 670 (2001) [Per J. Pardo, First Division].

[98] *Rollo*, p. 132.

established by the Construction Industry Arbitration Commission that petitioner *did indeed agree* to the change orders, thus:

> We are not convinced by Respondent's argument that Claimant is not entitled to its claim for change orders for not following the procedure prescribed by the contract for change orders because it did not strictly enforce the same procedure in approving Change Order 1-38 and impliedly allowed Change Orders 39-109 by funding the payrolls and some materials. . . . Claimant was able to present sketches plans and cost estimates and receipts supporting them (*sic*). . . . Upon the other hand respondent was not able to produce contrary evidence that they were not additional and extra works to the original plans and specifications or that they spent for them.[99]

Petitioner further argues that even if it waived its right to strictly enforce the provisions of the Construction Agreement on Change Order Nos. 1 to 38, it should not have been considered to have waived the same right with regard to Change Order Nos. 38 to 109, citing Item No. 14 of the Construction Agreement:

> 14. Waiver
>
> Any forebearance or extension that the OWNER may grant to the CONTRACTOR or any non-exercise or non-enforcement by the OWNER of its rights or remedies under this Agreement shall not in any manner be construed as a waiver of such right or remedies of the OWNER.[100]

Again, at first glance, this appears to be a legal issue, since it requires a recognition of whether the waiver of petitioner's rights in Change Order Nos. 1 to 38 carried with it a waiver of its rights in Change Order Nos. 39 to 109. However, to fully discuss the extent of the waiver under the contract, this Court would be required to accept the factual premise that petitioner *did not* waive its rights with regard to Change Order Nos. 39 to 109. This clearly runs counter to the factual finding of the Construction Industry Arbitration Commission that petitioner *did* waive its right to strictly enforce the provisions of the contract with regard to Change Order Nos. 39 to 109. Even the Court of Appeals was inclined to affirm the arbitral tribunal's finding on this matter, summarizing the latter's findings as follows:

> 1. Change Order Nos. 39 to 64 — Within the period from October 30 to November 30, 1995, respondent was still working on the project. During this period petitioner provided respondent financial assistance by paying the payroll. This financial assistance was deducted from the billing of respondent;

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[99] Id. at 99.
[100] Id. at 134.

2. Change Order Nos. 65 to 86 — petitioner confirms that the work is "completed and can be seen at site", and it was not able to disprove the claim. The respondent is therefore entitled to its claim.

3. Change Order Nos. 87 to 89 — it was verified during the ocular inspection that they had been completed. Petitioner was not able to disprove the claim. Respondent is therefore entitled to its claim.

4. Change Order No. 90 — petitioner confirms that the work is "completed and can be seen at site", and it was not able to disprove the claim. The respondent is therefore entitled to its claim.

5. Change Order No. 91 — it was verified during the ocular inspection that they had been completed. Petitioner was not able to disprove the claims. Respondent is therefore entitled to its claim.

6. Change Order No. 92 — was inspected during the ocular inspection and found to have been completed. Petitioner was not able to disprove the claim. Respondent is therefore entitled to its claim.

7. Change Order Nos. 93 to 99 — it was verified during the ocular inspection that they had been completed. Petitioner was not able to disprove the claim. Respondent is therefore entitled to its claim.

8. Change Order Nos. 100 to 101 — petitioner confirms that the work is "completed and can be seen at site", and it was not able to disprove the claim. The respondent is therefore entitled to its claim.

9. Change Order Nos. 102 to 104 — it was verified during the ocular inspection that they had been completed. Petitioner was not able to disprove the claim. Respondent is therefore entitled to it[s] claim.

10. Change Order Nos. 105 to 106 — petitioner confirms that the work is "completed and can be seen at site", and it was not able to disprove the claim. The respondent is therefore entitled to its claim.

11. Change Order No. 107 — it was verified during the ocular inspection that they had been completed. Petitioner was not able to disprove the claim. Respondent is therefore entitled to its claim.

12. Change Order Nos. 108 to 109 — petitioner confirms that the work is "completed and can be seen at site", and it was not able to disprove the claim. The respondent is therefore entitled to its claim.[101]

Petitioner further argues that the Court of Appeals erred in not finding that it was entitled to liquidated damages since respondent allegedly committed delay in completing the project.

Liquidated damages[102] may be awarded if the contract provides for monetary compensation in case of breach. The contractor must agree to pay

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[101] Id. at 78–80.

[102] CIVIL CODE, art. 2226. Liquidated damages are those agreed upon by the parties to a contract, to be paid in case of breach thereof.

the owner in case there is delay.[103] Thus, this provision must be embodied in the contract. A perusal of the Construction Agreement, however, shows that no such stipulation was provided. In case of default, the contract provided:

> 10. / Termination
>
> The OWNER shall have the right to terminate this Agreement, without prejudice to any other remedies it may have, in case the CONTRACTOR defaults in the performance of any of its obligations herein and fails to remedy such default within ten (10) days from receipt of written notice of default given by the OWNER.
>
> Upon such termination, the OWNER shall have the right to exclude the CONTRACTOR from the Work Site, take possession of what has so far been completed and all materials, equipment and tools at the Work Site, and finish the Work in whatever manner the OWNER deems expedient including the engagement of another contractor. The CONTRACTOR shall lose its right to be paid the unpaid balance of the Contract Price and if the costs and expenses for completing the works and enforcing OWNER's aforementioned right exceed the unpaid balance of the Purchase Price, the CONTRACTOR shall pay the OWNER the difference upon the written demand of the OWNER.[104]

Under the contract, respondent must first be found in default, after which it was only required to pay if the enforcement of petitioner's rights exceeded the unpaid balance of the purchase price. No specific provision holds respondent liable for liquidated damages in case of delay.

Even assuming that liquidated damages could be awarded in case of delay, petitioner's right to receive liquidated damages *must first be anchored on a factual finding that respondent incurred delay.* This, again, is a question of fact since it requires a review of the findings of the Construction Industry Arbitration Commission. The arbitral tribunal, however, found that *there was no delay in the completion of the project*:

> There was no failure on the part of Claimant to complete the project within the contractual period because Respondent extended the period up to November 30, 1995 on valid grounds which are the (1) change orders (Change Order Nos. 1-109) (2) error in the building set back (Exh. II, Annex A) and rainy weather condition (Exh. M39C-1). The value of Change Order Nos. 39 - 109 (Evaluation of Change Orders by Tribunal) of P4,607,523.40 would justify the extension of the contract to even beyond November 30, 1995 while the error in the building set back and rainy weather would require an extension of more than twenty five days. And Claimant completed the original contract and the change orders within the extension period.[105]

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[103] *See H.L. Carlos Construction v. Marina Properties Corporation*, 466 Phil. 182 (2004) [Per J. Panganiban, First Division].

[104] *Rollo*, p. 133.

[105] Id. at 102.

Even the arbitral tribunal could not be swayed by petitioner's argument that it did not grant an "extension" but merely provided for a "new schedule of completion":

> The attempt by Respondent [petitioner here] to distinguish between a "time extension" and "new schedule of completion" in order to consider the letter of ESCA dated October 10, 1995 as not a notice of extension does not convince the tribunal because the two phrases have the same meaning and effect of extending the period of work from the original or prior period of work in order to complete the construction.[106]

This Court cannot pass upon petitioner's arguments that it terminated the Construction Agreement and took over the project on November 15, 1995. These are questions of fact already resolved by the arbitral tribunal. It found that since no notice of termination was served on respondent, there was no contract termination.[107] Consequently, there was no takeover. Any costs for labor and materials advanced to respondent during the extension period were actually deducted by petitioner from respondent's 10% retention. Thus, no new costs for the alleged project takeover were actually incurred.[108]

The arbitral tribunal arrived at these findings after an ocular inspection of the construction site conducted by proven experts in the field. Any review by this Court of their findings would require conducting its own ocular inspection, hiring its own experts in the construction industry to provide amicus briefs, and attempting to provide its own interpretations of the findings of a highly technical agency. Review of these factual findings, therefore, requires no less than proof that the integrity of the arbitral tribunal has been compromised.

Petitioner has neither alleged that the arbitral tribunal arrived at its findings "in a haphazard, immodest manner"[109] nor questioned the integrity of the arbitrators. Absent any proof to the contrary, this Court will not disturb its factual findings.

III

The Construction Industry Arbitration Commission may employ aids in interpretation when there is ambiguity in the contractual provisions, or

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106 Id. at 103.
107 Id.
108 Id. at 103–104.
109 *CE Construction v. Araneta Center*, G.R. No. 192725, August 9, 2017, 836 SCRA 181, 222 [Per J. Leonen, Second Division].

when there is no written instrument that can define what was agreed upon by the parties.[110] Otherwise, it need not do so when the provisions of the contract on the matter in dispute are already provided.

Petitioner submits that the Construction Industry Arbitration Commission and the Court of Appeals erred in applying the equitable principle of unjust enrichment, since applying Article 1724 of the Civil Code was more appropriate under the circumstances. Article 1724 provides:

> Article 1724. The contractor who undertakes to build a structure or any other work for a stipulated price, in conformity with plans and specifications agreed upon with the land-owner, can neither withdraw from the contract nor demand an increase in the price on account of the higher cost of labor or materials, save when there has been a change in the plans and specifications, provided:
>
> (1) Such change has been authorized by the proprietor in writing; and
>
> (2) The additional price to be paid to the contractor has been determined in writing by both parties.

Petitioner contends that the arbitral tribunal should first apply Article 1724 when resolving the issue of whether respondent should be compensated for costs incurred in Change Order Nos. 39 to 109.

Petitioner, however, fails to recognize that there was no need to apply Article 1724, since salient points of the provision had already been embodied in the Construction Agreement, which provided:

> 8. Change Order
>
> a. Without invalidating this Agreement, the OWNER may, at any time, order additions, deletions or revisions in the Work by means of a Change Order. The CONTRACTOR shall determine whether the Change Order causes a decrease or increase in the Purchase Price or shortening or extension of the Contract Period. Within three (3) days from receipt of the Change Order, CONTRACTOR shall give written notice to the OWNER of the value of the works required under the Change Order which will increase the Contract Price and of the extension in the Contract Period necessary to complete such works. On the other hand, if the Change Order involves deletions of some works required in the original Contract Documents, the value of the works deleted shall be deducted from the Contract Price and the Contract Period shortened accordingly.

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[110] *See CE Construction v. Araneta Center*, G.R. No. 192725, August 9, 2017, 836 SCRA 181 [Per J. Leonen, Second Division].

> In either case, any addition or reduction in the Contract Price or extension or shortening of the Contract Period shall be mutually agreed in writing by the OWNER and the CONTRACTOR prior to the execution of the works covered by the Change Order.[111]

It is settled that the contract is the law between the parties.[112] Without any ambiguity in Item No. 8 of the Construction Agreement, there was no need to resort to other aids in interpretation, such as Article 1724 of the Civil Code, to resolve the issue.

As previously discussed, petitioner was found to have waived its right to strictly enforce the provisions of Item No. 8 of the Construction Agreement, when respondent undertook Change Order Nos. 39 to 109. Petitioner should now reckon with the consequences of that waiver.

The Construction Industry Arbitration Commission, however, cannot be faulted for applying the equitable principle of unjust enrichment in determining petitioner's liability to respondent.

CE Construction[113] discusses two (2) main principles that guide the Construction Industry Arbitration Commission in accomplishing its tasks. First is the basic principle of fairness. The second is that of "effective dispute resolution or the overarching principle of arbitration as a mechanism relieved of the encumbrances of litigation."[114] Section 1.1 of the Revised Rules of Procedure Governing Construction Arbitration provides foremost:

> SECTION 1.1 Statement of Policy and Objectives. — It is the policy and objective of these Rules to provide a fair and expeditious resolution of construction disputes as an alternative to judicial proceedings, which may restore the disrupted harmonious and friendly relationships between or among the parties.

Here, services were rendered for which compensation was demanded. The contract between the parties, however, inadequately provides for the mechanism by which compensation may be due. The *fair* and *expeditious* resolution of the issue requires the arbitral tribunal to instead apply equitable principles to arrive at a just conclusion. In *CE Construction*:[115]

> Jurisprudence has settled that even in cases where parties enter into contracts which do not strictly conform to standard formalities or to the typifying provisions of nominate contracts, when one renders services to

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111 *Rollo*, p. 132.
112 *Alcantara v. Alinea*, 8 Phil. 111 (1907) [Per J. Torres, En Banc].
113 G.R. No. 192725, August 9, 2017, 836 SCRA 181 [Per J. Leonen, Second Division].
114 Id. at 234.
115 G.R. No. 192725, August 9, 2017, 836 SCRA 181 [Per J. Leonen, Second Division].

> another, the latter must compensate the former for the reasonable value of the services rendered. This amount shall be fixed by a court. This is a matter so basic, this Court has once characterized it as one that "springs from the fountain of good conscience":
>
> > As early as 1903, in *Perez v. Pomar*, this Court ruled that where one has rendered services to another, and these services are accepted by the latter, in the absence of proof that the service was rendered gratuitously, it is but just that he should pay a reasonable remuneration therefore because "it is a well-known principle of law, that no one should be permitted to enrich himself to the damage of another." Similarly in 1914, this Court declared that in this jurisdiction, even in the absence of statute, ". . . under the general principle that one person may not enrich himself at the expense of another, a judgment creditor would not be permitted to retain the purchase price of land sold as the property of the judgment debtor after it has been made to appear that the judgment debtor had no title to the land and that the purchaser had failed to secure title thereto . . ." The foregoing equitable principle which springs from the fountain of good conscience are applicable to the case at bar.[116]

Here, the arbitral tribunal computed the entire cost of Change Order Nos. 1 to 109 at ₱5,242,697.76.[117] This includes that of Change Order Nos. 1 to 38, which petitioner categorically admitted were authorized changes. Upon subtracting the contract price and other costs chargeable to respondent, the arbitral tribunal found that there was still an unpaid amount of ₱4,607,523.40,[118] resulting from the costs of the change orders, which petitioner refuses to pay. There was, therefore, no error in the arbitral tribunal's finding and the Court of Appeals' affirmation that petitioner is still liable to respondent for that amount.

WHEREFORE, the Petition is **DENIED**. The March 21, 2012 Decision and June 25, 2012 Resolution of the Court of Appeals in CA-G.R. SP No. 70562, as well as the April 24, 2002 Arbitral Award of the Construction Industry Arbitration Commission in CIAC Case No. 30-2001, are **AFFIRMED**. Petitioner Metro Bottled Water Corporation is ordered to pay respondent Andrada Construction & Development Corporation, Inc. the amount of ₱4,607,523.40, with legal interest of twelve percent (12%) to be computed from November 24, 2000 to June 30, 2013, and six percent (6%) from July 1, 2013 until its full satisfaction. The total amount payable shall

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[116] Id. at 235 *citing Pacific Merchandising Corp. v. Consolacion Insurance & Surety Co., Inc.*, 165 Phil. 543, 553–554 (1976) [Per J. Antonio, Second Division]; *Perez v. Pomar*, 2 Phil. 682 (1903) [Per J. Torres, En Banc]; and *Bonzon v. Standard Oil Co. and Osorio*, 27 Phil. 141 (1914) [Per J. Carson, First Division].

[117] *Rollo*, pp. 99–100. In the cited pages, the Decision erroneously indicated Change Order Nos. 1 to 108.

[118] Id.

also be subject to interest at the rate of six percent (6%) per annum from the finality of this Decision until its full satisfaction.[119]

SO ORDERED.

MARVIC M.V.F. LEONEN
Associate Justice

WE CONCUR:

DIOSDADO M. PERALTA
Associate Justice
Chairperson

FRANCIS H. JARDELEZA
Associate Justice

RAMON PAUL L. HERNANDO
Associate Justice

ROSMARI D. CARANDANG
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.

DIOSDADO M. PERALTA
Associate Justice
Chairperson

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[119] *Nacar v. Gallery Frames*, 716 Phil. 267 (2013) [Per J. Peralta, En Banc].

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.

LUCAS P. BERSAMIN
Chief Justice