Republic of the Philippines
SUPREME COURT
FIRST DIVISION

G.R. No. 154428 October 20, 2005

PHILIPPINE NATIONAL BANK, Petitioner,
vs.
SHELLINK PLANNERS, INC., Respondent.

D E C I S I O N

QUISUMBING, *J.*:

This petition for review under Rule 45 of the 1997 Rules of Civil Procedure seeks to set aside the **Decision**[1] dated July 26, 2002 of the Court of Appeals in CA-G.R. CV No. 62231, which affirmed the **Decision**[2] of the Regional Trial Court, Branch 226 of Quezon City in Civil Case No. Q96-26105.

In May 1990, petitioner bank engaged respondent, an architectural consultancy company, to render furniture/movables designs (FMD) and consultancy services for Phase IA of the PNB Complex in Pasay City. Respondent immediately commenced the preparation of the FMD designs, upon receiving verbal notice to proceed from then PNB President Edgardo Espiritu. In previous projects, it was the practice of both petitioner and respondent, to commence with the project even before documentation of the contract agreement.[3]

On September 26, 1991, respondent submitted to petitioner the formal proposal for the project at a cost of ₱5,663,150.75. The Furniture/Movables Work (FMW) consultancy services included: (a) FMD, (b) Periodic Fabrication/Assembly Supervision (PFAS), and (c) FMW Monitoring. Petitioner, in turn, made a counter offer of ₱2,348,844.39 for the project.

Finding the amount insufficient, respondent made a revised offer, *viz:* (a) to scale down the PFAS and FMW monitoring services, or (b) to perform full services as originally proposed at the adjusted compensation package of ₱4,473,999.03 only.

Since no agreement was reached, respondent, through its General Manager, Armando N. Alli, sent petitioner a letter on July 8, 1994, demanding the payment of ₱1,152,730.29, representing rendered FMD services for Phase IA for the period 1990-1991.

On April 24, 1995, the respondent, thru its counsel, sent another letter to then PNB Senior Vice President and Banking Center Building Committee (BCBC) Chairman Lucas R. Vidad, demanding payment of said amount, ₱1,152,730.29. In response, Mr. Vidad assured respondent in a letter[4] dated May 9, 1995, that petitioner was willing to pay, although he would recommend to BCBC, a settlement of ₱864,547.71 only, arrived at by adopting a "billing factor/multiplier" of 1.5, instead of 2.0, as used by respondent.

On January 11, 1996, respondent filed a **Complaint**[5] for Collection of Sum of Money and Damages, demanding the reimbursement of ₱1,152,730.29 representing the actual expenses in the FMD plans for Phase IA of the PNB Complex Project.[6]

On August 24, 1998, the regional trial court rendered its assailed decision allowing recovery by respondent based on *quantum meruit*, thus,

WHEREFORE, premises considered, judgment is hereby rendered ordering defendant Philippine National Bank to pay plaintiff Shellink Planners, Inc. the following:

1) ₱864,547.71, as and by way of actual damages, plus interest at the legal rate from the time said amount was due and demandable, or on July 8, 1994, until fully paid;
2) ₱20,000.00, as and by way of attorney's fees; and
3) ₱6,937.10, as litigation expenses.

SO ORDERED.[7]

The Court of Appeals affirmed this decision on July 26, 2002.

Dissatisfied with the ruling, herein petitioner filed the instant petition, raising the following errors:

I

THE COURT OF APPEALS ERRED IN HOLDING THAT SPI IS ENTITLED TO BE COMPENSATED BASED ON QUANTUM MERUIT BY PNB FOR THE EXPENSES SPI INCURRED IN THE PREPARATION OF THE FURNITURE/MOVABLE DESIGNS (FMD) PLANS WHEN THE PARTIES FAILED TO ARRIVE AT ANY WRITTEN AGREEMENT CONCERNING THE PREPARATION OF THE SAID FMD AND THAT PNB DID NOT DERIVE ANY BENEFIT FROM THE DESIGNS/DRAWINGS.

II

THE [COURT OF APPEALS] ERRED IN AWARDING SPI LEGAL INTEREST AND ATTORNEY'S FEES ON THE BELIEF THAT PNB HAS AN OBLIGATION TO SPI WHICH PNB ALLEGEDLY REFUSE[D] TO PAY, WHEN IT HAD BEEN SHOWN THAT PNB DID NOT ENTER INTO ANY AGREEMENT WITH SPI FOR THE LATTER TO AT LEAST RENDER THE DESIGN WORK (FMD) FOR THE PNB COMPLEX PROJECT; HENCE, THERE WAS NO LEGAL BASIS FOR SPI'S DEMAND FOR PAYMENT FOR THE COST OF THE FMD.[8]

Is respondent entitled to payment for services rendered on the basis of *quantum meruit*?

Petitioner contends that since there was no written agreement, respondent's right to compensation on the basis of *quantum meruit* must flow from the benefit it derived from the use of the FMD drawings or designs. Therefore, unless it fabricates its office furniture using the said designs, it should not be held liable.[9]

Respondent, on the other hand, asserts that petitioner, by its actions, anterior and posterior to the transmittal of the FMD design and drawings, engaged its services on the basis of the verbal notice to proceed.[10] Petitioner should be held liable for these services based on its verbal engagements.

We find for respondent.

The facts show that a perfected oral contract exists between petitioner and respondent for the FMD. A contract is a meeting of minds between two persons whereby one binds himself, with respect to the other, to give something or to render service.[11] It is perfected by mere consent. From that moment, the parties are bound not only to the fulfillment of what has been expressly stipulated but also to all the consequences which, according to their nature, may be in keeping with good faith, usage and law.[12] It is obligatory, in whatever form it may have been entered into, provided all the essential requisites for its validity are present.[13]

As found by the lower court, the FMD was prepared pursuant to the verbal notice to proceed given in May 1990 to then SPI President Nestor David by former PNB President Edgardo Espiritu. Petitioner failed to disprove such finding.

The actual fabrication of the Furniture/Movables is entirely different from the design preparation. Respondent evidently incurred expenses in the preparation of the FMD drawings that were transmitted to, and acknowledged by petitioner. It is of no moment that the said designs were not utilized further for petitioner's material benefit.[14]

It is further noted that the designs submitted to petitioner were neither returned nor rejected. Thus, in fairness to respondent, we agree that petitioner should not be allowed to avoid its obligation to respondent even if the petitioner did not fabricate furniture based on the FMD because petitioner already derived benefit from the labor and materials of respondent.[15]

The doctrine of *quantum meruit* prevents undue enrichment based on the equitable postulate that it is unjust for a person to retain benefit without paying for it.[16] However, since there is a perfected oral contract between petitioner and respondent, this contract for FMD should be enforced, using the multiplier standard[17] of 2, which is the industry minimum, instead of 1.5, which is only recommended by PNB's Vice President Vidad, in determining the amount due, inasmuch as the parties failed to formally agree on the exact amount as payment or consideration for the services. Based on the 2.0 industry minimum multiplier standard, the amount due is ₱1,152,730.29.

WHEREFORE, the assailed Court of Appeals Decision is **AFFIRMED** with the **MODIFICATION** such that petitioner is ordered to pay respondent ₱1,152,730.29 representing the value of rendered FMD services, by way of actual damages, plus the legal interest, from July 8, 1994, the date said amount was due and demandable, until it is fully paid. Costs against petitioner.

SO ORDERED.

LEONARDO A. QUISUMBING
Associate Justice

WE CONCUR:

HILARIO G. DAVIDE, JR.
Chief Justice
Chairman

CONSUELO YNARES-SANTIAGO, ANTONIO T. CARPIO
Associate Justice Associate Justice

ADOLFO S. AZCUNA
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, it is hereby certified that the conclusions in the above Decision were reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

HILARIO G. DAVIDE, JR.
Chief Justice

Footnotes

[1] Rollo, pp. 24-33. Penned by Associate Justice Wenceslao I. Agnir, Jr., with Associate Justices Danilo B. Pine, and Regalado E. Maambong concurring.
[2] Records, pp. 233-244.
[3] Rollo, pp. 72-73.
[4] *Id.* at 31-32.
[5] Records, pp. 1-5.
[6] Rollo, pp. 26-27.
[7] Records, p. 244.
[8] Rollo, pp. 14-15.
[9] *Id.* at 15-16.
[10] *Id.* at 36-37.
[11] Civil Code, Art. 1305.
[12] Lapinig v. Court of Appeals, No. L-37751, 20 July 1982, 115 SCRA 213, 218.
[13] Art. 1318. There is no contract unless the following requisites concur:
1. Consent of the contracting parties;
2. Object certain which is the subject matter of the contract;
3. Cause of the obligation which is established.
[14] Rollo, p. 38.
[15] *See* Soler v. Court of Appeals, G.R. No. 123892, 21 May 2001, 358 SCRA 57, 64.
[16] *Ibid*.
[17] The billing factor/multiplier of 2 used by respondent is deemed the minimum multiplier under the UAP (United Architects of the Philippines) documents. *See* Rollo, p. 27.