

MORAL DAMAGES IN ARBITRAL AWARDS

In "Philrock, Inc. vs. Construction Industry Arbitration Commission (CIAC) and Spouses Vicente and Nelia Cid" (S.C. G.R. 132848-49, June 26, 2001), the Supreme Court declared: "(W)hen parties agree to settle their disputes arising from or connected with construction contracts, the CIAC acquires primary jurisdiction. **It may resolve not only the merits of such controversies; when appropriate, it may also award damages, interests, attorney's fees and expenses of litigation.**"

The spouses Vicente and Nelia Cid purchased ready mix concrete from petitioner Philrock. The concrete delivered turned out to be of substandard quality. As a result, respondents sustained damages when the structures they built using such ready mix concrete developed cracks and honeycombs.

Initially, the spouse Cid filed suit for damages against Philrock and seven of its officers and engineers with the Regional Trial Court. The Regional Trial Court dismissed the case and referred the case to the CIAC because the Cid spouses and Philrock had executed an Agreement to Arbitrate with the CIAC.

At the CIAC, however, Philrock questioned the jurisdiction of CIAC over the 7 Philrock officers and engineers arguing they were not signatories to the agreement to arbitrate. The CIAC referred back the case to the RTC which, however, refused to reassume jurisdiction. To break the impasse, the spouses Cid opted to exclude the seven officers and engineers to pave the way for the resumption of jurisdiction by the CIAC.

The CIAC subsequently rendered judgment in favor of the Spouses Cid directing the respondent Philrock to reimburse/refund the payments made and awarded the Spouses Cid P50,000 as moral damages, P50,000 as nominal damages, P50,000 as attorney's fees.

Philrock elevated the CIAC decision to the Court of Appeals contesting the jurisdiction of the CIAC and assailing the propriety of the monetary awards in favor of the Spouses Cid. The Court of Appeals sustained the CIAC decision. Respondent filed a petition for review with the Supreme Court.

The Supreme Court ruled that "Section 4 of Executive Order 1008 expressly vests in the CIAC original and exclusive jurisdiction over disputes arising from or connected with construction contracts entered into by parties that have agreed to submit their dispute to voluntary arbitrary. IT ruled that after submitting itself to arbitration proceedings and actively participating therein, petitioner is estopped from assailing the jurisdiction of the CIAC.

Interestingly, the Supreme Court sustained the award of actual damages. However, since actual damages were proven and respondents were amply compensated, the Supreme Court withdrew the award for nominal damages. It also sustained the award of attorney's fees even if the respondents represented themselves before the CIA because they purportedly incurred litigation expenses in pursuing their action before the CIAC, the Court of Appeals and also at the Supreme Court.