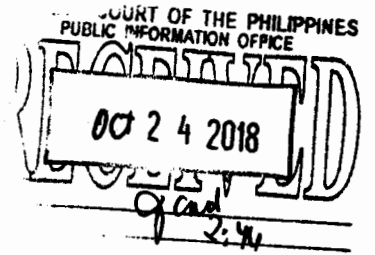




Republic of the Philippines
Supreme Court
 Manila



FIRST DIVISION

AYALA LAND, INC.,
Petitioner,

G.R. No. 210043

Present:

- versus -

LEONARDO- DE CASTRO, C.J.,
 BERSAMIN,
 DEL CASTILLO,
 LEONEN,* *and*
 TIJAM, JJ.

ASB REALTY CORPORATION
and E.M. RAMOS & SONS, INC.,
Respondents.

Promulgated:
SEP 26 2018

X ----- X

DECISION

DEL CASTILLO, J.:

[U]nder the doctrine of apparent authority, the question in every case is whether the principal has by his [/her] voluntary act placed the agent in such a situation that a person of ordinary prudence, conversant with business usages and the nature of the particular business, is justified in presuming that such agent has authority to perform the particular act in question.¹

Petitioner Ayala Land, Inc. (ALI) comes to this Court *via* this Petition² for review on *certiorari* to assail the April 30, 2013 Decision³ and the November 7, 2013 Resolution⁴ of the Court of Appeals (CA) in CA-G.R. CV No. 97198. The assailed CA Decision and Resolution affirmed the June 29, 2010 Decision⁵ of the Regional Trial Court (RTC) of Imus, Cavite, Branch

* Per raffle dated September 19, 2018.

¹ *Professional Services, Inc. v. Court of Appeals*, 568 Phil. 158, 168 (2008).

² *Rollo*, pp. 15-34.

³ *Id.* at 44-58; penned by Associate Justice Stephen C. Cruz and concurred in by Associate Justices Magdangal M. de Leon and Myra V. Garcia-Fernandez.

⁴ *Id.* at 60-62.

⁵ *Id.* at 255-268; penned by Presiding Judge Fernando L. Felicen.

20, which (a) declared null and void and unenforceable the May 18, 1994 Contract to Sell entered into between ALI, on the one hand, and Emerito B. Ramos, Jr. (Ramos, Jr.), Januario B. Ramos (Januario), Josefa R. de la Rama, Victoria R. Tanjuatco, Horacio de la Rama and Teofilo Tanjuatco III (collectively, Ramos children); and, (b) declared valid, binding and enforceable the May 21, 1994 Letter-Agreement entered into between respondent E.M. Ramos & Sons, Inc. (EMRASON) and ASB Realty Corporation (ASBRC).⁶

Factual Antecedents

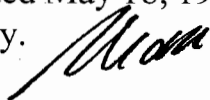
ALI and ASBRC are domestic corporations engaged in real estate development. On the other hand, EMRASON is a domestic corporation principally organized to manage a 372- hectare property located in Dasmariñas, Cavite (Dasmariñas Property).⁷

The parties' respective versions of the factual antecedents are, as follows:

Version of the Petitioner

ALI claimed that, sometime in August 1992, EMRASON's brokers sent a proposal for a joint venture agreement (JVA) between ALI and EMRASON for the development of EMRASON's Dasmariñas Property.⁸ ALI initially declined but eventually negotiated with Ramos, Jr., Antonio B. Ramos (Antonio), and Januario to discuss the terms of the JVA.⁹ According to ALI, EMRASON made it appear that Ramos, Jr., Antonio, and Januario had full authority to act on EMRASON's behalf in relation to the JVA.¹⁰ ALI alleged that Emerito Ramos, Sr. (Ramos, Sr.), then EMRASON's President and Chairman, wrote to ALI and therein acknowledged that Ramos, Jr. and Antonio were fully authorized to represent EMRASON in the JVA, as shown in Ramos, Sr.'s letter¹¹ dated August 3, 1993.

ALI and the Ramos children subsequently entered into a Contract to Sell dated May 18, 1994, under which ALI agreed to purchase the Dasmariñas Property.



⁶ Id. at 267.

⁷ Particularly TCT Nos. T-19285; T-19286; T-19287; T-19288; T-19289; T-19290 (Lot No. 3860-A-1); T-19290 (Lot No. 3860-A-3); T-19291; T-19292; T-19293; T-19294; T-19295; T-19296; T-19297; T-19298; T-19299 (Lot No. 3868-A); T-19299 (Lot No. 3868-B); and T-20806. Id. at 66.

⁸ Id. at 16.

⁹ Id. at 17.

¹⁰ Id.

¹¹ Id. at 134.

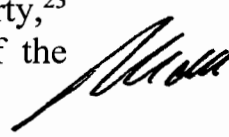
ALI alleged that it came to know that a Letter-Agreement¹² dated May 21, 1994 (Letter-Agreement) and a Real Estate Mortgage¹³ respecting the Dasmariñas Property¹⁴ had been executed by Ramos, Sr. and Antonio for and in behalf of EMRASON, on one hand, and ASBRC on the other. It also alleged that the Ramos children¹⁵ wrote to Luke C. Roxas, ASBRC's President, informing the latter of the Contract to Sell between ALI and EMRASON.¹⁶

Version of the Respondents

For their part, respondents averred that ALI submitted to EMRASON and Ramos, Sr. its proposal to purchase the Dasmariñas Property which proposal was however rejected.¹⁷ On May 17, 1994, EMRASON, through Ramos, Sr., informed ALI that it had decided to accept the proposal of ASBRC because the latter's terms were more beneficial and advantageous to EMRASON.¹⁸ As a result, ASBRC and EMRASON entered into a Letter-Agreement on May 21, 1994.¹⁹ The following day, or on May 22, 1994, EMRASON executed a Real Estate Mortgage in compliance with its obligations under the said Letter-Agreement.²⁰

Prior to the execution of the Letter-Agreement, a special stockholders' meeting was held on May 17, 1994 during which EMRASON's stockholders "authorized, approved, confirmed and ratified"²¹ the Resolution of EMRASON's Board of Directors (Board Resolution). The Board Resolution, which approved the Letter-Agreement and authorized Ramos, Sr. and Antonio to sign the same, was in turn likewise approved by EMRASON's stockholders on the same date, May 17, 1994.²²

After ASBRC learned about the Contract to Sell executed between ALI and the Ramos children and the annotation of the Contract to Sell on the transfer certificates of title (TCTs) covering the Dasmariñas Property,²³ ASBRC and EMRASON filed a Complaint²⁴ for the nullification of the



¹² Id. at 78-88. Another letter of even date was made by ASBRC, with the conformity of Ramos, Sr. and Antonio including additional conditions to the letter-agreement. Id at 89-90.

¹³ Id. at 91-102.

¹⁴ Id. at 18.

¹⁵ Particularly Ramos, Jr., Januario, Josefa R. De La Rama, and Victoria R. Tanjuatco.

¹⁶ *Rollo*, p. 103.

¹⁷ Id. at 67.

¹⁸ Id. at 67-68.

¹⁹ Id. at 68.

²⁰ Id. at 69.

²¹ Id. at 68.

²² Id.

²³ Id. at 70.

²⁴ Id. at 64-77.

Contract to sell and the cancellation of the annotations on the TCTs over the Dasmariñas Property.

Ruling of the Regional Trial Court

In a Decision²⁵ dated June 29, 2010, the RTC declared the Contract to Sell between ALI and the Ramos children void because of the latter's lack of authority to sign the Contract to Sell on behalf of EMRASON. The trial court explained in this wise:

In the case at bar, defendant Ramos children failed to adduce a single evidence to show that they have been validly authorized by the Board of Directors of EMRASON to enter into a Contract to Sell with ALI thereby rendering the aforesaid contract void and unenforceable. Defendant Ramos children failed to present even a single witness to identify board resolutions, secretary's certificates or any written document for the purpose of proving that EMRASON validly conferred authority upon them to sell the subject property. Notably, not a single signatory to the Contract to Sell was presented by defendant Ramos children to identify the same and to testify as to the execution thereof.

x x x x

Upon the other hand, defendant ALI claims that it transacted with the Ramos children in good faith. On the contrary, evidence show that ALI knew and has in fact acknowledged the authority of Emerito Ramos, Sr to enter into contracts for and in behalf of EMRASON before ALI entered into the contract with defendant Ramos children. In almost all of defendant ALI's correspondence with EMRASON, defendant ALI specifically addressed the same to Emerito Ramos, Sr., referring to him either as Chairman or President. In acknowledging the position of Emerito Ramos, Sr. in EMRASON, defendant ALI even requested Emerito Ramos, Sr. to meet its Chairman Jaime Zobel de Ayala, President Francisco H. Licuanan, Vice-President Fernando Zobel and Assistant Vice-President Victor H. Manarang for a luncheon meeting. More importantly, defendant ALI, through its representatives/realtors namely Mr. Geronimo J. Manzano and Oscar P. Garcia, wrote Emerito Ramos Sr. a letter dated 22 April 1994 regarding the draft formal offer of ALI to develop the subject property. In addition, ALI's letter dated 11 May 1994 clearly shows that it acted in bad faith. A perusal of the said letter which was described to be its "best and final offer", would readily show that the same [was] solely addressed to Emerito Ramos, Sr., seeking his acceptance and approval. If defendant ALI honestly believe[d] that Emerito Ramos, Jr. and Antonio Ramos [were] fully authorized by EMRASON to execute the Contract to Sell, surely defendant ALI would not have bothered to seek the acceptance and approval of Emerito Ramos, Sr. Notably, the alleged authorized agents of EMRASON, Emerito Ramos, Jr. and Antonio Ramos, were merely



²⁵ Id. at 255-268.

furnished a copy of the said letter proposal and were not even included as signatories for the approval of the same. x x x

x x x x

It is an established rule that persons dealing with an assumed agent, whether the assumed agency be a general or special one, are bound at their peril, if they would hold the principal liable, to ascertain not only the fact of agency but also the nature and extent of authority, and in case either is controverted, the burden of proof is upon them to establish it.

In this connection, the Court observes numerous formal defects in the Contract to Sell[,] which would further support the fact that defendant ALI knew the absence of authority of defendant Ramos children to execute the same. Oddly, the first page of the contract failed to include the names of the duly authorized representative/s of EMRASON as the space specifically provided therefor was left in blank. In contrast, the duly appointed [a]ttorneys-in-fact of ALI are clearly named therein and designated as such. Similarly, page eighteen (18) of the said contract merely provided blank spaces to be filled up by the signatories of EMRASON vis-à-vis that of defendant ALI where the names of the [a]ttorneys-in-[f]act of defendant ALI are typewritten. Even in the acknowledgment page, only the names of the representatives of ALI were included. Interestingly, the acknowledgment failed to mention the names of signatories of EMRASON and their respective Community Tax Certificate Numbers. Considering that the subject contract involves a multi-million [peso] transaction, the Court finds it absolutely incredible that the parties thereto would fail to include the names of the signatories, their respective positions and/or authorities to enter into the said contract.²⁶ (Citations omitted)

In consequence of the nullification of the Contract to Sell, the RTC ruled that the annotations on the TCTs covered by the said Contract to Sell must likewise be cancelled.²⁷

In addition, the RTC declared valid the Letter-Agreement deeding the Dasmariñas Property to ASBRC. Following this Court's ruling in *People's Aircargo and Warehousing Company, Inc. v. Court of Appeals*,²⁸ the RTC held that Ramos, Sr., as President of EMRASON, had the authority to enter into the Letter-Agreement because "the president is presumed to have the authority to act within the domain of the general objectives of [a company's] business and within the scope of [the president's] usual duties."²⁹



²⁶ Id. at 258-260.

²⁷ Id. at 261.

²⁸ 357 Phil. 850 (1998).

²⁹ *Rollo*, p. 262.

The RTC further explained that, assuming *arguendo* that the signing of the Letter-Agreement “was outside the usual powers of Emerito Ramos, Sr., as president,” EMRASON’s ratification of the Letter-Agreement *via* a stockholders’ meeting on March 6, 1995, cured the defect caused by Ramos, Sr.’s apparent lack of authority.³⁰

The dispositive portion of the RTC Decision reads:

WHEREFORE, premises considered judgment is hereby rendered in favor of plaintiffs ASB Realty Corporation (ASB) and E.M. Ramos & Sons, Inc. (EMRASON) and against defendant Ayala Land and [sic] Inc. (ALI), and defendants Emerito B. Ramos, Jr., Januario [sic] B. Ramos, Josefa R. de la Rama, Victoria R. Tanjuatco, Horacio de la Rama, Teofilo Tanjuatco III, (Ramos children) as follows, *viz*[.]:

1. DECLARING the Contract to Sell dated 18 May 1994 involving the “Dasmariñas Properties” entered into by defendant Ayala Land Inc. and defendant[s] Ramos children as null [and] void and unenforceable;
2. DIRECTING the Register of Deeds for the Province of Cavite to CANCEL the annotation of the aforesaid “Contract to Sell” on the following Transfer Certificates[s] of Title Nos. –

2.1 T-19285	2.7 T-19291	2.13 T-19297
2.2 T-19286	2.8 T-19292	2.14 T-19298
2.3 T-19287	2.9 T-19293	2.15 T-19299
2.4 T-19288	2.10 T-19294	2.16 T-20806
2.5 T-19289	2.11 T-19295	2.17 T-45584
2.6 T-19290	2.12 T-19296	2.18 T-16444

3. DECLARING the “Letter-Agreement” dated 21 May 1994 entered into by ASB and EMRASON as valid, binding and enforceable;
4. DENYING the claim of plaintiffs ASB and EMRASON for moral damages for lack of merit;
5. ORDERING defendant Ayala Land Inc. and defendant[s] Ramos children to jointly and severally pay ASB and EMRASON the sum of Two [Hundred Fifty] Thousand Pesos (Php250,000.00) as and by way of exemplary damages;
6. ORDERING defendant Ayala Land Inc. and defendant[s] Ramos children to jointly and severally pay ASB and EMRASON the sum of Two [Hundred Fifty] Thousand Pesos (Php250,000.00) as and by way of temperate damages;

³⁰ Id. at 263.

7. ORDERING defendant Ayala Land Inc. and defendant[s] Ramos children to jointly and severally pay ASB and EMRASON the sum of One Hundred Fifty Thousand Pesos (Php150,000.00) as and by way of nominal damages;
8. ORDERING defendant Ayala Land Inc. and defendant[s] Ramos children to jointly and severally pay ASB and EMRASON the sum of Two Hundred Thousand Pesos (Php200,000.00) as and by way of attorney's fees;
9. ORDERING defendant Ayala Land Inc. and defendant[s] Ramos children to jointly and severally pay ASB and EMRASON the costs of suit;
10. DENYING the respective Counter-claims of defendant Ayala Land Inc. and defendant[s] Ramos children against plaintiff[s] ASB and EMRASON for lack of factual and legal basis; [and]
11. DENYING the respective Crossclaims of defendant Ayala Land Inc. and defendant[s] Ramos children against one another for lack of merit.

SO ORDERED.³¹

Dissatisfied with the RTC's verdict ALI, Ramos, Jr. and Horacio appealed to the CA.³²

Ruling of the Court of Appeals

In its April 30, 2013 Decision,³³ the CA dismissed the appeal and affirmed the RTC's findings.³⁴ The CA reiterated the RTC's pronouncement that the Ramos children failed to prove their authority to enter into a Contract to Sell on behalf of EMRASON.³⁵ Citing ALI's letters addressed to Ramos, Sr. and the latter's uncontroverted deposition "that he is the corporation's sole and exclusive authorized representative in the sale of the Dasmariñas Property"³⁶ vis-à-vis the Ramos children's limited authority to negotiate for the best terms of a sale, the CA then declared that ALI knew or was aware of the Ramos children's lack of authority.

In sustaining the validity of the Letter-Agreement between EMRASON and ASBRC, the appellate court effectively held that Ramos, Sr. was invested with the presumed authority to enter into the said Letter-Agreement.³⁷ The

³¹ Id. at 266-268.

³² Id. at 293-297 and 301-302.

³³ Id. at 44-58.

³⁴ Id. at 53.

³⁵ Id. at 54.

³⁶ Id. at 55.

³⁷ Id.



May 17, 1994³⁸ stockholders meeting ratifying the Letter-Agreement was likewise considered by the CA as corroborative of the validity of the Letter-Agreement.³⁹ Moreover, the CA noted that “the very filing of the instant case by EMRASON against ALI and the Ramos children not only for the nullification of the Contract to Sell x x x but also for the confirmation of the Letter-Agreement between EMRASON and [ASBRC] is [a] pure and simple x x x ratification on the part of EMRASON of [Ramos, Sr.’s] act of entering into the said Letter-Agreement.”⁴⁰

The dispositive portion of the CA Decision reads:

WHEREFORE, the appeal is **DISMISSED**. The Decision dated June 29, 2010 of the Regional Trial Court of Imus, Cavite, Branch 20, in Civil Case No. 931-94, is **AFFIRMED**.

SO ORDERED.⁴¹ (Emphasis in the original)

With the denial of its motion for reconsideration in a Resolution⁴² dated November 7, 2013, ALI elevated the case to this Court through this petition for review on *certiorari*.

Issues

- I. THE COURT OF APPEALS GRAVELY ERRED IN ANNULLING THE CONTRACT TO SELL BETWEEN PETITIONER AND EMRASON NOTWITHSTANDING CLEAR EVIDENCE CONSISTENT WITH STATUTE AND CASE LAW SHOWING EMRASON’S OWN CONFIRMATION THAT THE RAMOS CHILDREN WITH WHOM PETITIONER DEALT, HAD BOTH AUTHORITY AND CAPACITY TO CLOSE THE SALE BETWEEN THEM.
- II. THE COURT OF APPEALS SERIOUSLY ERRED IN UPHOLDING THE VALIDITY OF THE LETTER-AGREEMENT BETWEEN ASBRC AND EMRASON DESPITE EVIDENCE AS ALLOWED BY LAW AND JURISPRUDENCE SHOWING THAT THE CONTRACT TO SELL THE RAMOS CHILDREN HAD SIGNED ON BEHALF OF EMRASON PRE-DATED THAT SIGNED BY RAMOS, SR. WITH ASRBC WHICH CARRIED NO BOARD AUTHORITY TO BEGIN WITH.
- III. THE COURT OF APPEALS SERIOUSLY ERRED IN AFFIRMING THE RTC’S DISMISSAL OF PETITIONER’S COMPULSORY

³⁸ Inadvertently stated by the CA as “a special meeting on May 7, 1994”. Id. at 56.

³⁹ Id.

⁴⁰ Id. at 57.

⁴¹ Id.

⁴² Id. at 60-62.



COUNTERCLAIM AND CROSS-CLAIM DESPITE UNCONTROVERTED EVIDENCE ALLOWED BY LAW AND JURISPRUDENCE SHOWING THE BAD FAITH AND DAMAGE INFLICTED BY EMRASON ON PETITIONER BY ITS DISAVOWAL OF THE AUTHORITY GIVEN THE RAMOS CHILDREN TO CLOSE THE SALE TRANSACTION THEY HAD EARLIER SIGNED WITH PETITIONER.⁴³

Ruling

We deny the Petition for raising factual issues and failure to show that the CA committed any reversible error in its assailed Decision and Resolution as to warrant the exercise of this Court's discretionary appellate jurisdiction.

All the issues raised by petitioner ALI are factual in nature. ALI contends that there was sufficient evidence showing that EMRASON confirmed the authority of the Ramos children to enter into contract with ALI; that there was evidence that the Contract to Sell signed by the Ramos children pre-dated the Letter-Agreement signed by Ramos, Sr. and which carried no board authority; and, that there was evidence of bad faith on the part of EMRASON. Suffice it to say that only questions of law are allowed in a petition for review on *certiorari*; this Court is not a trier of facts and is not obliged to go over and recalibrate anew evidence that already passed the scrutiny of the lower courts, all the more in this case where the findings of the RTC were affirmed by the CA. This Court is not unaware of the exceptions to this rule; none, however, exists in this case.

In any case, ALI failed to show any reversible error on the part of the CA.

“A contract is void if one of the essential requisites of contracts under Article 1318 of the New Civil Code is lacking.”⁴⁴ Consent, being one of these requisites, is vital to the existence of a contract “and where it is wanting, the contract is non-existent.”⁴⁵

For juridical entities, consent is given through its board of directors. As this Court held in *First Philippine Holdings Corporation v. Trans Middle East (Phils.) Equities, Inc.*,⁴⁶ a juridical entity, like EMRASON, “cannot act except through its board of directors as a collective body, which is vested with the power and responsibility to decide whether the corporation should enter into a contract that will bind the corporation, subject to the articles of

⁴³ Id. at 20-21.

⁴⁴ *First Philippine Holdings Corporation v. Trans Middle East (Phils.) Equities, Inc.*, 622 Phil. 623, 628 (2009).

⁴⁵ Id. at 629.

⁴⁶ Id.

incorporation, by-laws, or relevant provisions of law.”⁴⁷ Although the general rule is that “no person, not even its officers, can validly bind a corporation”⁴⁸ without the authority of the corporation’s board of directors, this Court has recognized instances where third persons’ actions bound a corporation under the doctrine of apparent authority or ostensible agency.

In *Nogales v. Capitol Medical Center*,⁴⁹ this Court explained the doctrine of apparent authority or ostensible agency, which is actually a species of the doctrine of estoppel, thus –

The doctrine of apparent authority is a species of the doctrine of estoppel. Article 1431 of the Civil Code provides that ‘[t]hrough estoppel, an admission or representation is rendered conclusive upon the person making it, and cannot be denied or disproved as against the person relying thereon.’ Estoppel rests on this rule: ‘Whenever a party has, by his own declaration, act, or omission, intentionally and deliberately led another to believe a particular thing true, and to act upon such belief, he cannot, in any litigation arising out of such declaration, act or omission, be permitted to falsify it.’⁵⁰

Given this jurisprudential teaching, ALI insists that the August 3, 1993 letter⁵¹ of Ramos, Sr. to ALI was proof that EMRASON had acknowledged the authority of the Ramos children to transact with ALI and that such letter met the requisites for the application of the doctrine, following this Court’s ruling in *Woodchild Holdings, Inc. v. Roxas Electric and Construction Company, Inc.*⁵²

ALI’s argument does not persuade.

The August 3, 1993 letter⁵³ pertinently reads:

August 3, 1993

AYALA LAND INC. (ALI)
Makati Stock Exchange Bldg.
Ayala Avenue, Makati
Metro Manila



⁴⁷ Id. at 629, citing *Associated Bank v. Pronstroller*, 580 Phil. 104, 118 (2008).

⁴⁸ *People’s Aircargo and Warehousing Company, Inc. v. Court of Appeals*, supra note 28 at 862, citing *Premium Marble Resources, Inc. v. Court of Appeals*, 332 Phil. 10, 18 (1996).

⁴⁹ 540 Phil. 225 (2006).

⁵⁰ Id. at 246, citing *De Castro v. Ginete*, 137 Phil. 453, 459 (1969).

⁵¹ *Rollo*, p. 134.

⁵² 479 Phil. 896, 914 (2004), where this Court held:

For the principle of apparent authority to apply, the petitioner was burdened to prove the following: (a) the acts of the respondent justifying belief in the agency by the petitioner; (b) knowledge thereof by the respondent which is sought to be held; and, (c) reliance thereon by the petitioner consistent with ordinary care and prudence. x x x

⁵³ *Rollo*, p. 134.

Attention: Don Jaime Zobel de Ayala
Chairman

Thru : Mr. Victor H. Manarang
Assistant Vice President
Project Development Group

Gentlemen:

We deeply appreciate the privilege of receiving your letter- proposal dated July 28, 1993 signed by Mr. Victor H. Manarang regarding your interest in the development of our properties at Barrios Bucal and Langkaan, Dasmariñas, Cavite on a joint venture basis.

Your said letter-proposal was taken up by the Board of EMRASON during its regular meeting last Saturday, July 31, 1993 for our usual study and consideration. Messrs. Emerito B. Ramos, Jr. and Antonio B. Ramos, corporation officials, have been authorized to collaborate and continue negotiating and discussing with you terms and conditions that are equitable and profitable and mutually beneficial to both ALI and EMRASON.

We are honored to look forward for the possibility of starting business and friendly relationship with your goodselves.

Very truly yours,

(sgd.)

EMERITO M. RAMOS, SR.
Chairman of the Board

A perusal of the August 3, 1993 letter shows that EMRASON, through Ramos, Sr. authorized Ramos, Jr. and Antonio merely to “*collaborate and continue negotiating and discussing with [ALI] terms and conditions that are mutually beneficial*” to the parties therein. Nothing more, nothing less. To construe the letter as a virtual *carte blanche* for the Ramos children to enter into a Contract to Sell regarding the Dasmariñas Property would be unduly stretching one’s imagination. “[A]cts done by [the] corporate officers beyond the scope of their authority cannot bind the corporation unless it has ratified such acts expressly or is estopped from denying them.”⁵⁴ What is clear from the letter is that EMRASON authorized the Ramos children **only** to negotiate the terms of a **potential** sale over the Dasmariñas Property, and not to sell the property in an absolute way or act as signatories in the contract.

As correctly held by the RTC and the CA, and stressed in *Banate v. Philippine Countryside Rural Bank (Liloan, Cebu), Inc.*:⁵⁵

It is a settled rule that persons dealing with an agent are bound at their peril, if they would hold the principal liable, to ascertain not only the fact of agency **but also the nature and extent of the agent's authority,**

⁵⁴ *Woodchild Holdings, Inc. v. Roxas Electric and Construction Company, Inc.*, supra note 52 at 910.

⁵⁵ 639 Phil. 35 (2010).

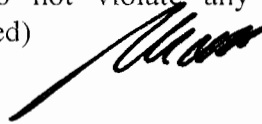
and in case either is controverted, the burden of proof is upon them to establish it. x x x⁵⁶ (Emphasis supplied)

Equally misplaced is ALI's reliance on our pronouncement in *People's Aircargo Warehousing v. Court of Appeals*,⁵⁷ where we said that the authority of the apparent agents may be "expressly or impliedly [shown] by habit, custom or acquiescence in the general course of business."⁵⁸ For, indeed, ALI never mentioned or pointed to certain palpable acts by the Ramos children which were indicative of a habit, custom, or acquiescence in the general course of business that compel the conclusion that EMRASON must be deemed to have been bound thereby implacably and irretrievably. ALI's bare allegation that "the Ramos children submitted corporate documents to [ALI] to convince it that it was negotiating with the controlling shareholders of EMRASON"⁵⁹ is gratuitous and self-serving, hence, does not merit this Court's consideration. As an established business entity engaged in real estate, ALI should know that a corporation acts through its Board of Directors and not through its controlling shareholders.

In *People's Aircargo*,⁶⁰ this Court zeroed in on the apparent authority of a *corporate president* to bind the corporation, viz.:

Inasmuch as a corporate president is often given general supervision and control over corporate operations, the strict rule that said officer has no inherent power to act for the corporation is slowly giving way to the realization that such officer has certain limited powers in the transaction of the usual and ordinary business of the corporation. In the absence of a charter or bylaw provision to the contrary, the president is presumed to have the authority to act within the domain of the general objectives of its business and within the scope of his or her usual duties.

Hence, it has been held in other jurisdictions that the president of a corporation possesses the power to enter into a contract for the corporation, when the 'conduct on the part of both the president and the corporation [shows] that he had been in the habit of acting in similar matters on behalf of the company and that the company had authorized him so to act and had recognized, approved and ratified his former and similar actions.' Furthermore, a party dealing with the president of a corporation is entitled to assume that he has the authority to enter, on behalf of the corporation, into contracts that are within the scope of the powers of said corporation and that do not violate any statute or rule on public policy.⁶¹ (Citations omitted)



⁵⁶ Id. at 48, citing *Manila Memorial Park Cemetery, Inc. v. Linsangan*, 485 Phil. 764, 779 (2004).

⁵⁷ Supra note 28.

⁵⁸ Id. at 863.

⁵⁹ *Rollo*, pp. 23-24.

⁶⁰ Supra note 28.

⁶¹ Id. at 866-867.

Here, Ramos, Sr.'s authority to execute and enter into the Letter-Agreement with ASBRC was clearly proven. We quote with approval the RTC's finding thereon, to wit:

Emerito Ramos, Sr. testified that on 17 May 1994[,] a special Board meeting was called to discuss various proposals regarding the Dasmariñas Property. In attendance were Emerito Ramos, Sr., Rogerio Escobal and Arturo de Leon. After some discussion, the Board resolved to accept the proposal of ASB Realty being the most advantageous and beneficial to EMRASON. In the said meeting, the Board [of] Directors also agreed, viz[.]: that Emerito Ramos, Sr. shall be authorized to accept the cash advance from ASB in his personal capacity; and that Emerito Ramos, Sr and Antonio Ramos shall be authorized to execute a Real Estate Mortgage in favor of ASB. Then, he identified the Minutes of the aforesaid Board Meeting and the signatures of the members of the board appearing thereon. He further alleged that at 4:00 in the afternoon of 17 May 1994 a Stockholders¹ Meeting was subsequently held. He alleged that there was a quorum during the said meeting considering that he was present and the fact that he owns 2/3 of the subscribed capital of EMRASON.⁶²

ALI's argument that "respondents failed to establish that [Ramos], Sr. had been in the habit of executing contracts on behalf of EMRASON"⁶³ is negated by the fact that correspondences between ALI and EMRASON had always been addressed to Ramos, Sr.⁶⁴ In fact, ALI must be deemed to have acknowledged the authority of Ramos, Sr. to act on behalf of EMRASON when ALI relied on the August 3, 1993 letter of Ramos, Sr. In any case, this Court clarified in *People's Aircargo*⁶⁵ that "[i]t is **not** the quantity of similar acts which establishes apparent authority, but the vesting of a corporate officer with the power to bind the corporation."⁶⁶ Together with this Court's pronouncement that "a party dealing with the president of a corporation is entitled to assume that he has the authority to enter, on behalf of the corporation, into contracts that are within the scope of the powers of said corporation and that do not violate any statute or rule on public policy,"⁶⁷ the inevitable conclusion is that Ramos, Sr. was properly authorized to, and validly executed with ASBRC, the said Letter-Agreement.

Petitioner contends, nonetheless, that Ramos, Sr. could not have possibly been at the stockholders' meeting due to his presence at the time at the Wack-Wack Golf and Country Club.⁶⁸ This argument undoubtedly raises

⁶² *Rollo*, p. 262.

⁶³ *Id.* at 27.

⁶⁴ See *id.* at 25 where ALI stated, "[t]hat petitioner had addressed some of its letters to [Ramos], Sr. does not mean that petitioner knew of his supposed status as EMRASON's exclusive authorized representative, or, that the Ramos children only had limited authority to negotiate.

⁶⁵ *Supra* note 28.

⁶⁶ *Id.* at 864. Emphasis supplied.

⁶⁷ *Id.* at 867.

⁶⁸ The same was raised by petitioner in his appellant's brief before the CA. See *rollo*, p. 327.

a factual issue, and on this score alone, this Court can give it short shrift. Nonetheless, even shunting aside for a moment this legal infirmity, and allowing a re-evaluation of the evidence on record, petitioner's stance is still untenable, because the record shows that another stockholders' meeting was in fact subsequently held on March 6, 1995; and in this March 6, 1995 stockholders' meeting, the stockholders unanimously approved to confirm and ratify the Letter-Agreement.⁶⁹

More than these, this Court cannot gloss over the formal defects in the Contract to Sell, which further shows that ALI did entertain doubts as to the Ramos children's authority to enter into the said contract. Consider the following pronouncement of the RTC, to wit:

In this connection, the Court observes numerous formal defects in the Contract to Sell which would further support the fact that defendant ALI knew the **absence** of authority of defendant Ramos children to execute the same. Oddly, the first page of the contract failed to include the names of the duly authorized representative/s of EMRASON as the space specifically provided therefor was left in blank. In contrast, the duly appointed [a]ttorneys-in-fact of ALI are clearly named therein and designated as such. Similarly, page eighteen (18) of the said contract merely provided blank spaces to be filled up by the signatories of EMRASON vis-à-vis that of defendant ALI where the names of the [a]ttorney's-in-[f]act of defendant ALI are typewritten. Even in the acknowledgment page, only the names of the representatives of ALI were included. Interestingly, the acknowledgment **failed** to mention the names of signatories of EMRASON and their respective Community Tax Certificate Numbers. Considering that the subject contract involves a multi-million transaction, the Court finds it absolutely incredible that the parties thereto would **fail** to include the names of the signatories, their respective positions and/or authorities to enter into the said contract.⁷⁰ (Emphasis supplied)

Against this backdrop, this Court must uphold, as it hereby upholds, the validity of the Letter-Agreement entered into by and between EMRASON and ASBRC. Under the same parity of reasoning, this Court must affirm, as it hereby affirms, the RTC and CA's declaration of the invalidity or nullity of the Contract to Sell entered into by and between ALI and the Ramos children.

WHEREFORE, the instant Petition is **DENIED**. The April 30, 2013 Decision and November 7, 2013 Resolution of the Court of Appeals in CA-G.R. CV No. 97198 are **AFFIRMED**.



⁶⁹ Id. at 263.

⁷⁰ Id. at 260.

SO ORDERED.


MARIANO C. DEL CASTILLO
Associate Justice

WE CONCUR:


TERESITA J. LEONARDO-DE CASTRO
Chief Justice


LUCAS P. BERSAMIN
Associate Justice

(On official leave)
MARVIC M.V.F. LEONEN
Associate Justice


NOEL GIMENEZ TIJAM
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, 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.


TERESITA J. LEONARDO-DE CASTRO
Chief Justice