

Title: Manila Memorial Park Cemetery, Inc. vs. Pedro L. Linsangan

Facts:

In 1984, Florencia Baluyot, representing Manila Memorial Park Cemetery, Inc. (MMPCI), offered Atty. Pedro L. Linsangan a lot in the Holy Cross Memorial Park. Baluyot claimed a previous buyer had lost interest in a lot under Contract No. 25012, which was priced at P95,000.00 and available for transfer upon reimbursement. Linsangan agreed, paying P35,295.00 to cover the down payment to MMPCI and reimbursement.

In March 1985, Baluyot offered Linsangan Contract No. 28660, covering the same lot, priced at P132,250.00. Linsangan protested the new price but relented after Baluyot signed a document stating he would only pay the original P95,000.00 price. Consequently, Linsangan issued twelve postdated checks for P1,800.00 each, and continued payments the following year.

On May 25, 1987, Baluyot informed Linsangan that Contract No. 28660 was canceled and proposed alternative property, which he refused, insisting on their initial agreement. Due to the perceived breach by MMPCI and Baluyot, Linsangan filed a Complaint for Breach of Contract and Damages against MMPCI.

MMPCI argued that Baluyot was an independent contractor without authority to represent MMPCI beyond expressed terms. Baluyot did not present evidence, while MMPCI claimed the contract was voided due to non-payment. The trial court found MMPCI and Baluyot jointly and severally liable, noting estoppel, as MMPCI accepted payments from Linsangan through Baluyot.

The Court of Appeals affirmed the trial court's decision, supporting the trial court's findings on agency and estoppel. MMPCI's subsequent Motion for Reconsideration was denied.

Issues:

1. Whether MMPCI can be bound by the agreement between Baluyot and Linsangan.
2. Whether Baluyot had the authority to alter the standard contract terms and whether MMPCI ratified or was estopped from denying Baluyot's authority.
3. Whether Linsangan exercised due diligence in ascertaining the scope of Baluyot's authority.

Court's Decision:

The Supreme Court determined that while Baluyot was an agent of MMPCI, MMPCI cannot

be bound by the separate agreement between Baluyot and Linsangan to pay the lot for P95,000.00. Baluyot had authority only to solicit offers for MMPCI on company-provided forms, not to alter contract terms. MMPCI's acceptance of payments did not amount to ratification of any unauthorized acts by Baluyot, nor was it proven that MMPCI had knowledge of the arrangement. Thus, Contract No. 28660 was validly entered into by MMPCI and Linsangan for P132,250.00. Linsangan, having not acted with the required level of diligence, cannot claim to have been misled. The Supreme Court granted MMPCI's petition, reversed and set aside the decisions of the lower courts, and dismissed Linsangan's complaint.

Doctrine:

When an agent acts beyond the scope of authority, the principal is not bound unless there is ratification or estoppel. Parties dealing with an assumed agent are bound at their peril to verify the extent and nature of the agent's authority.

Class Notes:

1. Agency relationship – consent, object (execution of a juridical act), representation by the agent, and action within the scope of authority.
2. Ratification – adoption or confirmation by the principal of unauthorized acts.
3. Estoppel – requires false representation or concealment, intent to be acted upon, and knowledge of the real facts.
4. The element of due diligence in verifying an agent's authority is critical.
5. Cancellation of contracts based on non-payment or breach of terms is permissible when provided for within the contract.

Historical Background:

This case illustrates the complexities of agency law within the Philippines, focusing on the commercial practice of real estate transactions, specifically cemetery lot sales. It emphasizes the importance of clear contractual language and the strict adherence to the scope of authority granted to agents when binding principals to contractual agreements. The decision reinforces the liability of agents for their unauthorized actions and the need for individuals to exercise caution and diligence when dealing with purported agents.