

****Title:**** Jesus M. Gozun vs. Jose Teofilo T. Mercado A.K.A. “Don Pepito Mercado”

****Facts:****

In the 1995 local elections, Jose Teofilo T. Mercado (hereafter “respondent”) ran for Governor of Pampanga. Jesus M. Gozun (hereafter “petitioner”), owner of JMG Publishing House in San Fernando, Pampanga, claimed that he was approached by Mercado’s campaign and requested to print various campaign materials including posters, leaflets, sample ballots, poll watcher ID cards, and stickers. Gozun alleged that Mercado’s wife orally approved the price quotation for the materials, prompting him to start printing, leveraging the services of Metro Angeles Printing, owned by his daughter, and St. Joseph Printing Press, owned by his mother, to complete the order in time.

The campaign materials were delivered to Mercado’s headquarters. On March 31, 1995, Mercado’s sister-in-law, Lilian Soriano, requested a cash advance of P253,000 supposedly for poll watcher allowances and other campaign-related expenses. Gozun gave the money, which Lilian acknowledged in Gozun’s diary.

Gozun later issued a Statement of Account totaling P2,177,906, which included charges for JMG Publishing House, Metro Angeles Printing, St. Joseph Printing Press, and the cash advance to Lilian. Mercado’s wife made a partial payment of P1,000,000 on August 11, 1995. However, Mercado failed to settle the remaining balance.

Due to unmet payment commitments, despite significant delays and personal connections (both men were wedding sponsors for each other’s daughters), Gozun sought legal counsel. Subsequently, Gozun filed a complaint with the Regional Trial Court (RTC) of Angeles City on November 25, 1998, to recover the remaining balance plus “inflationary adjustment” and attorney’s fees.

Mercado, in his Answer with Compulsory Counterclaim, denied any direct contract or transaction with Gozun, asserting that the campaign materials were donations from supporters. He also denied authorizing Lilian to receive the P253,000.

****Procedural History:****

1. RTC ruled in favor of Gozun and awarded him the balance due plus interest and attorney’s fees.
2. Mercado appealed to the Court of Appeals (CA).
3. The CA reversed the RTC decision, dismissed Gozun’s complaint, and stated that Gozun’s evidence did not sufficiently prove his claims.

4. Gozun filed a petition for review on certiorari to the Supreme Court, faulting the CA's decision on two main grounds.

****Issues:****

1. Whether Lilian Soriano was authorized to receive a cash advance on behalf of Mercado.
2. Whether Gozun could claim amounts due from Metro Angeles Printing and St. Joseph Printing Press when they were not impleaded as parties to the case.

****Court's Decision:****

1. ****Authority of Lilian Soriano to Receive Cash Advance:****

- The Supreme Court held that Gozun failed to provide adequate proof that Lilian had special authority from Mercado to borrow money on his behalf as required by law.
- Gozun's diary acknowledgment did not definitively establish that the advance was made at Mercado's behest.
- Hence, the requirement under Article 1317 of the Civil Code for contract authorization was not met.

2. ****Real Party in Interest Claim:****

- The Supreme Court recognized Gozun as the real party in interest as he contracted personally with Mercado and subcontracted the work to his mother and daughter's printing presses.
- The CA erred in requiring the other printing presses to be included as plaintiffs. Gozun was acting as the principal contractor.

3. ****Partial Payment and Remaining Balance:****

- Calculated the total obligation for campaign materials was P1,924,906 after excluding the cash advance, with Mercado's payment of P1,000,000 partially satisfying this amount.
- Mercado's remaining balance was determined to be P924,906.

****Doctrine:****

1. ****Contract of Agency (Civil Code, Article 1868):**** Person binds himself to act on behalf of another with their consent.
2. ****Unauthorized Contracts (Article 1317):**** Contracts by unauthorized individuals are unenforceable.
3. ****Requirement for Specific Authority (Article 1878):**** Special authorization needed for agents to borrow money on another's behalf unless related to urgent necessities.

****Class Notes:****

- **Agency Principles:** Proper authorization required for agents to bind principals.
- **Contract Enforcement:** Written or adequately proved oral authorization is needed.
- **Real Party in Interest:** Only contracting parties can sue on contracts unless they act as principals with implied authority.

Historical Background:

As this case involves contestation over obligations arising from electoral campaign transactions, it highlights the importance of clearly defined and properly documented agreements in political campaign finance, especially within the challenging and competitive nature of Philippine local elections. It underscores the judicial process' role in navigating personal relationships and legal formalities in resolving financial disputes.