

Title: Philippine Race Horse Trainer's Association, Inc. vs. Piedras Negras Construction and Development Corporation, G.R. No. 189871 (2016)

****Facts:****

The case began with a series of contracts involving the Philippine Race Horse Trainer's Association, Inc. (PRHTAI) and Piedras Negras Construction and Development Corporation (PNCDC). These contracts revolved around the development of the Royal Homes Subdivision Project, which entailed constructing 170 housing units in Batangas.

1. ****First Contract: October 3, 2000**** - PRHTAI, led by Rogelio J. Catajan, signed a contract with Fil-Estate Properties, Inc. for the project worth P67,453,000. Fil-Estate subsequently passed on its obligations to PNCDC.
2. ****Second Contract: October 13, 2004**** - PRHTAI and PNCDC entered into a new contract, increasing the project cost to P80,324,788.00.
3. ****Third Contract: August 23, 2005**** - Another contract was signed by PRHTAI and PNCDC raising the project cost significantly to P101,150,000.00, with P42,868,048.21 already advanced, making the remaining balance due P58,281,951.80.
4. On April 25, 2007, PNCDC issued a Certificate of Completion and Acceptance to PRHTAI, but by January 18, 2008, was demanding the balance, which PRHTAI acknowledged but could not pay, citing financial difficulties.
5. A new set of officers and directors elected at PRHTAI on April 28, 2008, initiated an inquiry into the project. PNCDC then filed a request for arbitration on March 4, 2009, seeking P14,571,618.24.
6. ****CIAC Decision: July 30, 2009**** - CIAC declared the third contract unenforceable, noting an overpayment by PRHTAI of P14,351,484.61. CIAC directed PNCDC to pay back the overpayment plus attorney's fees.
7. ****CA Decision: March 18, 2010**** - The Court of Appeals overturned the CIAC ruling, directing PRHTAI to pay the remaining balance of P6,473,727.59 plus interest.
8. PRHTAI's motion for reconsideration was denied by the CA, leading to an appeal to the Supreme Court.

****Issues:****

1. Whether the CIAC had jurisdiction to rule on the enforceability of the contract.
2. Whether the third and final contract between PRHTAI and PNCDC was enforceable.
3. Whether PRHTAI had overpaid PNCDC.

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

1. ****CIAC's Jurisdiction****:

- The Supreme Court upheld CIAC's jurisdiction based on Section 4 of Executive Order No. 1008, which grants CIAC original and exclusive jurisdiction over disputes related to construction contracts. The CIAC's role is to assess matters connected with contractual money claims and the execution of works which squarely applies to the present case.

2. ****Unenforceability of the Third Contract****:

- The Court confirmed that the third contract was unenforceable as Rogelio J. Catajan, PRHTAI's President, did not have the board's authorization to bind PRHTAI to the inflated third contract amount. The provided board resolutions and secretary certificates used to claim Catajan's authorization were either insufficient or falsified. This negates any enforceability of the third contract.

3. ****Overpayment by PRHTAI****:

- The Supreme Court, agreeing with CIAC, recognized factual findings about overpayments. PNCDC had acted negligently without verifying Catajan's authority while the price escalations lacked sufficient justification.

The Court thus reinstated CIAC's award but modified the interest rate imposed, reducing it from 12% to 6% per annum according to new banking regulations.

****Doctrine:****

- ****CIAC Jurisdiction:**** Section 4 of Executive Order No. 1008 grants CIAC original and exclusive jurisdiction over disputes arising from construction contracts when the parties agree to arbitration.

- ****Authority of Corporate Officers:**** For a contract to bind a corporation, it must be entered into by an authorized officer; otherwise, it is unenforceable without the proper authorization or subsequent ratification by the corporation's board of directors.

- ****Apparent Authority:**** A corporation may be estopped from denying the authority of an agent if the corporation knowingly allows the agent to act within the perceived scope of authority. However, the good faith of the third party is necessary.

****Class Notes:****

- **CIAC Jurisdiction:** E.O. No. 1008, Section 4 covers disputes from construction contracts.
- **Corporate Authority:** Board resolutions or by-laws necessary for corporate officers' contract authority.
- **Apparent Authority:** Requires corporate conduct implying agent's authority and reliance by third parties acting in good faith.

Historical Background:

This case highlights the complexities around corporate contract authority, especially in the large-scale construction industry. It emphasizes the necessity for corporate governance and proper authorization in contracts to prevent disputes and financial mismanagement. The decision reiterates the expertise and jurisdiction of CIAC in construction-related disputes, underscoring their critical role in resolving specialized commercial conflicts.