

Title:

Federico Valera vs. Miguel Velasco, 51 Phil. 695 (1928)

Facts:

1. ****April 11, 1919, and August 8, 1922****: Plaintiff Federico Valera appoints defendant Miguel Velasco as his attorney-in-fact through powers of attorney (Exhibits X and Z) to manage his property in the Philippines, specifically the usufruct of a real property on Echague Street, City of Manila.
2. ****March 31, 1923****: Velasco submits a final account to Valera, indicating a balance of Php 3,058.33 in favor of Valera. However, the liquidation shows that Valera owes Velasco Php 1,100.
3. ****Subsequent Disagreement****: Dispute arises over the balance, leading Velasco to file a civil suit (Civil Case No. 23447) against Valera on March 28, 1923. Velasco wins, and the court issues a writ of execution.
4. ****Public Auction****: The sheriff levies Valera's usufructuary rights and sells them at public auction. Velasco purchases these rights.
5. ****May 11, 1923****: Valera sells his right of redemption to Eduardo Hernandez for Php 200 (Exhibit A).
6. ****September 4, 1923****: Hernandez conveys the right of redemption back to Valera for the same amount (Exhibit C).
7. ****Subsequent Execution****: Salvador Vallejo, another creditor with a judgment against Valera, levies upon the right of redemption. The sheriff sells it to Vallejo for Php 250.
8. ****Vallejo to Velasco****: Vallejo transfers the right of redemption to Velasco, establishing full title on Velasco.

Procedure:

1. ****Court of First Instance (CFI)****: Valera files a complaint against Velasco. The CFI dismisses Valera's complaint on grounds of insufficient proof of his claims.
2. ****Appeal****: Valera appeals to the Supreme Court of the Philippines, asserting various errors by the trial court.

Issues:

1. Whether the CFI erred in recognizing the renunciation of the agency through Velasco's actions.
2. Whether the filing of a lawsuit by Velasco against Valera equates to the renunciation of agency powers.
3. Validity and implications of the sales and transfers concerning the right of redemption

and usufructuary rights.

4. Whether Velasco's actions as a purchaser and agent were lawful.
5. Whether Velasco should be liable to account for proceeds collected post-renunciation.
6. Entitlement to damages claimed by Valera.

Court's Decision:

1. **Renunciation of Agency**:

- The Court held that Velasco's act of filing a lawsuit and obtaining a judgment against Valera constituted an implicit renunciation of the agency relationship.
- This is in accordance with **Article 1732** and **Article 1736** of the Civil Code, which state that agency can be terminated by the withdrawal of the agent, whether express or implied, manifest in acts incompatible with the agency relationship.

2. **Validity of Transfers and Auctions**:

- The Supreme Court found that since Velasco legally acquired Valera's usufructuary rights via a sheriff's auction post-valid execution judgment, subsequent sales and redemptions were validly engaged.
- Neither Valera nor Hernandez acted within the legal redemption period to reclaim the rights.
- The multiple transfers, including to Vallejo and subsequently back to Velasco, consolidated lawful title in Velasco's hands.

3. **Accounting and Damages**:

- Since Velasco legally acquired the property rights, he is under no obligation to account for proceeds collected after the property acquisition period.
- The right to these proceeds converted to ownership rents, which became non-redeemable post-expiry of the redemption period.
- Valera's claim for damages was dismissed because of the lawful termination of the agency and valid property transactions.

Doctrine:

- **Termination of Agency by Implication**: Actions by an agent that are manifestly inconsistent with the agency relationship, such as filing a lawsuit for claims against the principal, constitute an implicit renunciation of the agency (Article 1736, Civil Code).
- **Validity of Actions Following Termination**: An agent's role, post-termination, in acquiring principal's property through legal means, converts status from agent to lawful owner without ensuing accounting obligations to the ex-principal.

Class Notes:

- ****Elements of Termination of Agency****:
- ****Article 1732****: Termination by revocation, agent withdrawal, or incapacitation of either party.
- ****Article 1736****: Agent's act causing detriment to the agency equates to implied renunciation.
- ****Agency Doctrine****:
- ****De La Peña vs. Hidalgo Rule****: Explicit or implicit acts by an agent demonstrating the renunciation of the agency terminate the relationship despite formal expressions.

Historical Background:

- This case unfolds post-World War I during the American colonial period in the Philippines, reflecting the legal principles and transactional complexities typical of proprietary disputes in evolving commercial society.
- The case demonstrates early jurisprudential thinking in agency law within the Philippines' civil law system, grounded in the Spanish Civil Code.

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This case demonstrates the principle where agency relationships can be implicitly renounced, effectively shaping the legal understanding of agent-principal disputes in property management and fiduciary obligations.