

Title: Harry E. Keeler Electric Co., Inc. vs. Domingo Rodriguez, 44 Phil. 19 (1922)

Facts:

1. **Parties and Initial Transaction:**

- The plaintiff, Harry E. Keeler Electric Co., Inc., is a domestic corporation engaged in the electrical business, specifically selling “Matthews” electric plants.
- The defendant, Domingo Rodriguez, is a resident of Talisay, Occidental Negros.
- A. C. Montelibano, residing in Iloilo, approached the plaintiff in Manila, claiming he could find purchasers for the “Matthews” plant. The plaintiff agreed to pay Montelibano a 10% commission for any sales he facilitated.
- Montelibano introduced the defendant to the plaintiff, leading to the sale and shipment of the electric plant from Manila to Iloilo. The plant was installed at the defendant’s premises by Juan Cenar, an employee of the plaintiff.

2. **Payment Dispute:**

- Without the plaintiff’s knowledge, the defendant paid the purchase price of the plant to Montelibano instead of directly to the plaintiff.
- The plaintiff filed a complaint alleging the sale and delivery of the plant on August 18, 1920, for P2,513.55, which the defendant had failed to pay.
- The defendant admitted the purchase but claimed that he had already paid Montelibano, whom he believed was authorized to collect the payment.

3. **Lower Court Proceedings:**

- The defendant denied the plaintiff’s complaint and asserted that he had settled the bill with Montelibano.
- The lower court ruled in favor of the defendant, holding that the payment to Montelibano discharged the defendant’s debt.

Issues:

1. Whether the payment made by the defendant to Montelibano discharged the obligation to pay the plaintiff.
2. Whether Montelibano had the authority, express or implied, to collect the payment on behalf of the plaintiff.

Court’s Decision:

1. **Payment Validity:**

- The Supreme Court ruled that payment must be made to the person in whose favor the

obligation is constituted or to an authorized representative, based on Article 1162 of the Civil Code.

- Montelibano did not have authorization from the plaintiff to receive or receipt payment. Hence, the defendant's payment to Montelibano did not discharge the debt.

2. **Montelibano's Authority:**

- The Court found no evidence showing that Montelibano was authorized to collect payments on behalf of the plaintiff. His role was limited to sourcing potential buyers.

- The Court highlighted that any authority to act as an agent must come from the principal (plaintiff) and cannot be assumed by the representations or actions of the agent (Montelibano).

3. **Reliance on Agent's Representations:**

- The Court emphasized that those dealing with an agent must ascertain the agent's authority and ensure compliance with the principal's instructions.

- The defendant relied solely on Montelibano's assurances without verifying Montelibano's authority with the plaintiff, resulting in the payment being made at his own risk.

Doctrine:

- Payment must be made to the person in whose favor the obligation is constituted or to an authorized representative (Article 1162, Civil Code).

- The agent cannot establish his own authority through representations or by assuming to exercise it (Ormachea Tin-Congco vs. Trillana, 13 Phil., 194).

- Persons dealing with an assumed agent are obliged to verify the agent's authority from the principal, and the burden of proof falls on them if they wish to hold the principal liable for the agent's actions.

Class Notes:

Key Legal Concepts:

1. **Agency Law:**

- Authority of Agent: Must be expressly granted by the principal.

- Ratification: The principal must explicitly or implicitly ratify the agent's unauthorized acts for them to be binding.

- Validation of Payment: Payment made to an unauthorized agent does not discharge the debtor's obligation.

2. **Relevant Civil Code Provisions:**

- Article 1162: Payment must go to the person in whose favor the obligation is constituted or an authorized recipient.
- Article 1727: Principal liability for agent's unauthorized actions only on ratification.

3. **Case Precedents and Legal Principles:**

- **Mechem on Agency:** Establishes strict guidelines on confirming agent authority and the risks of non-verification.

Historical Background:

- During the early 20th century, business transactions required clear definitions of agency and authority, especially as corporations expanded operations across regions in the Philippines.
- This case illustrates the importance of clear authority delineations and the legal responsibilities when engaging intermediaries in commercial transactions.

The Supreme Court decision underscores the necessity for due diligence in verifying the authority of agents and clarifies the legal consequences of neglecting such verification. This case serves as a seminal reference for understanding agency principles in Philippine commercial law.