

Title: Calubad v. Ricarcen Development Corporation, G.R. No. 202817, November 29, 2017

Facts:

Respondent Ricarcen Development Corporation (Ricarcent), a family-owned domestic corporation engaged in renting out real estate, owned a parcel of land in Quezon City. In 2001, Marilyn R. Soliman (Marilyn), acting as Ricarcen's president, secured a loan from petitioner Arturo Calubad amounting to P4,000,000.00, documented via a Deed of Real Estate Mortgage. The loan terms included compounded interest rates and penalties for delayed payments. Marilyn subsequently borrowed an additional P1,000,000.00 and P2,000,000.00 on behalf of Ricarcen, with the property as collateral and the transactions documented by further amendments to the mortgage.

Marilyn furnished Calubad with a board resolution and secretary's certificates that allegedly authorized her actions. However, Ricarcen's board, when discovering these transactions after foreclosure proceedings initiated by Calubad due to non-payment, claimed that Marilyn was not authorized to obtain these loans or mortgage the property.

Ricarcen filed a complaint for annulment, claiming fabricated documents and unauthorized actions by Marilyn. The Regional Trial Court (RTC) sided with Ricarcen, annulling the mortgage contracts and foreclosure sale, and the Court of Appeals (CA) upheld the RTC's decision. Calubad's petition for review to the Supreme Court argued that Ricarcen was estopped from denying Marilyn's authority because it appeared to have benefitted from the loan proceeds and evidenced acquiescence through corresponding interest payments.

Issues:

1. Whether Ricarcen is estopped from denying Marilyn Soliman's authority to enter into loan and mortgage contracts with Calubad.
2. Whether the certificates and board resolution presented by Marilyn were fabricated, voiding the transactions.
3. Whether the trial court correctly annulled the mortgage and foreclosure sale based on the alleged lack of authority.

Court's Decision:

The Supreme Court held that Ricarcen was estopped from denying Marilyn's authority to

enter into the loan and mortgage agreements with Calubad due to the apparent authority clothed by Ricarcen's actions and omissions.

Issue 1: Estoppel due to Apparent Authority

The Court found that Ricarcen, through its officers, provided Marilyn with signed blank documents and allowed the use of the land title, which conveyed apparent authority. Calubad reasonably relied on these representations, and Ricarcen's board members did nothing to counter Marilyn's authority until the foreclosure proceedings became imminent. The issuance of checks drawn by Ricarcen's officers further supported the perception of Ricarcen's approval.

Issue 2: Allegations of Fabrication

The Supreme Court ruled that even if the documents were fabricated, Ricarcen's actions post-execution indicated acquiescence and reliance on these documents. The fact that the loan proceeds were used by the corporation and interest payments were made using corporate funds defeated claims of total ignorance and unauthorized actions.

Issue 3: Legitimacy of the Annulled Contracts

By finding Ricarcen bound by the mortgage contracts due to estoppel, the Court reversed the decisions of the RTC and CA, ruling that the loans and the foreclosure process were valid and binding. The Supreme Court acknowledged the good faith of Calubad in dealing with Marilyn.

Doctrine:

1. **Doctrine of Apparent Authority** - A corporation is estopped from denying the authority of its agents if it clothed them with apparent authority that led third parties to reasonably rely on this representation. The acts of the principal influence this appearance of authority, not the agent's actions alone (CIVIL CODE, Art. 1431, Art. 1869).

Class Notes:

- **Corporate Authority Principles** - Board powers and delegation of authority under Section 23 of the Corporation Code.
- **Estoppel** - Estoppel by apparent authority binding a corporation to acts of its officers.
- **Good Faith Reliance** - Protection of third parties engaging in transactions with ostensible agents acting within their perceived authority.
- **Civil Code** - Relevant articles dealing with agency and estoppel (Articles 1317, 1431,

1869), emphasizing the protection of third parties dealing with corporate representatives.

Historical Background:

This case illuminates the possible risks in corporate governance, particularly within family-run corporations, and underscores the necessity of clear internal controls and diligence in managing corporate matters. It also demonstrates the legal safeguard of estoppel to protect third parties engaged in transactions with apparent agents of a corporation.