

Title: Cebu Mactan Members Center, Inc. vs. Masahiro Tsukahara

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Facts

1. **Initial Loan Transaction (February 1994)**:

- Cebu Mactan Members Center, Inc. (CMMCI), through its President and Chairman Mitsumasa Sugimoto, secured a loan amounting to P6,500,000 from Masahiro Tsukahara.
- As payment for this loan, Sugimoto issued seven postdated checks on behalf of CMMCI to Tsukahara, dated between May 6, 1994, and December 25, 1995.

2. **Subsequent Loan Transaction (April 1994)**:

- CMMCI obtained an additional loan of P10,000,000.
- Sugimoto signed a promissory note for the sum, binding himself both in his capacity as CMMCI President and personally, payable by August 30, 1996, with an 18% interest per annum.

3. **Loan Utilization**:

- Tsukahara claimed the total loan amount of P16,500,000 was utilized for enhancing CMMCI's beach resort, including infrastructure and salaries.

4. **Loan Non-Fulfillment & Legal Action**:

- The postdated checks were dishonored when presented for payment.
- After failed collection attempts, Tsukahara filed a case for the collection of the loan against CMMCI and Sugimoto.

5. **CMMCI's Response**:

- CMMCI denied corporate liability, arguing that the loans were Sugimoto's personal ventures and contended that corporate borrowing requires a Board of Directors' resolution.

6. **Regional Trial Court (RTC) Decision (September 24, 1999)**:

- RTC ruled in favor of Tsukahara, ordering CMMCI and Sugimoto to pay P6,500,000 with legal interest and P10,000,000 with an 18% interest per annum from April 13, 1994, along with attorney's fees of P150,000.

7. **Court of Appeals Decision (July 29, 2003)**:

- The Court of Appeals affirmed RTC's decision, maintaining CMMCI's liability.

8. **Petition to the Supreme Court**:

- CMMCI filed a petition for review with the Supreme Court.

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Issues

1. **Corporate Authority**:

- Whether the CMMCI is liable for the loan obligations contracted by its President, Sugimoto, without an explicit resolution from the CMMCI Board of Directors.

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Court's Decision

1. **CMMCI's Liability**:

- The Supreme Court upheld the absence of merit in CMMCI's petition, affirming its liability for the loans contracted by Sugimoto.

2. **Board of Directors' Authority & Delegation**:

- The Court applied Section 23 of the Corporation Code of the Philippines, indicating that corporate actions are generally conducted through the board of directors.
- However, corporations can and do delegate authorities to specific officers, which in this case included powers vested within the corporate by-laws.

3. **Specific Corporate By-Law Provisions**:

- CMMCI's by-laws explicitly empowered its President to borrow money, execute contracts, and sign promissory notes and checks on behalf of the corporation.
- These by-laws provisions established adequate authority for Sugimoto to undertake the loan transactions without requiring separate board resolutions.

4. **Estoppel & Binding Nature of Corporate By-Laws**:

- The Court ruled that CMMCI is estopped from repudiating Sugimoto's authority since the by-laws vested him with explicit powers to borrow money on behalf of the corporation.
- Corporate by-laws align in legal effect with the entity's charter, binding the corporation, its directors, and its officers.

Doctrine

- **Corporate Authority and By-Laws**:

- As established in this case, corporate officers can exercise specific powers, such as borrowing money and executing contractual agreements if explicitly granted by corporate by-laws. These powers do not necessitate separate board resolutions unless the by-laws or specific statutory provisions require otherwise.

Class Notes

- **Corporate Authority (Sec. 23, Corporation Code of the Philippines)**:

- "The corporate powers of all corporations shall be exercised by the board of directors."
- Corporate by-laws can explicitly grant specific powers to officers without the need for board resolution per transaction.
- Delegation of authority can be express or implied by practices or usage.

- **Estoppel**:

- The principle prevents a corporation from denying its officers' authority if said authority aligns with authorized delegation or corporate by-laws.

Historical Background

- **Governance and Legal Framework**:

- This case underscores the importance of corporate governance principles under Philippine corporate law, specifically the delegation of authority within corporate structures.
- The case serves as a landmark for clarifying how corporate by-laws and board resolutions interplay in corporate liabilities and authorities, reflecting a matured legal framework guiding corporate affairs in the Philippines.