Title:
Atrium Management Corporation vs. Court of Appeals, E.T. Henry and Co., Lourdes Victoria M. de Leon, Rafael de Leon, Jr., and Hi-Cement Corporation

Facts:
1. **Initiation of Checks**: Hi-Cement Corporation issued four postdated checks totaling P2 million to E.T. Henry and Co., endorsed to Atrium Management Corporation.
2. **Presentment**: Upon presenting the checks for payment, the drawee bank dishonored them, citing "payment stopped."
3. **Filing of Complaint**: On January 3, 1983, Atrium Management Corporation filed an action for collection of the checks' proceeds at the Regional Trial Court, Manila.
4. **Trial Court Decision**: On July 20, 1989, the RTC ruled in favor of Atrium, ordering Lourdes M. de Leon, her husband Rafael de Leon, E.T. Henry and Co., and Hi-Cement Corporation to pay P2 million plus interest and attorney's fees.
5. **Appeal to the Court of Appeals**: Both Lourdes M. de Leon and Hi-Cement appealed the RTC decision.
6. **CA Decision**: On March 17, 1993, the Court of Appeals modified the RTC decision, absolving Hi-Cement Corporation from liability, holding that de Leon acted ultra vires (beyond her authority) and dismissing the complaint against Hi-Cement.

Issues:
1. **G.R. No. 109491 (Atrium):**
– Whether the issuance of the checks was an ultra vires act.
– Whether Atrium was a holder in due course and for value.
– Whether the Court of Appeals erred in dismissing the case against Hi-Cement and ordering Atrium to pay attorney's fees.

2. **G.R. No. 121794 (de Leon):**
– Whether de Leon should be personally liable for the checks.
– Whether Atrium was a holder in due course.
– Whether the checks were issued without consideration and thus not binding.
– Whether the Court of Appeals erroneously awarded attorney's fees against de Leon.

Court's Decision:
1. **Ultra Vires Act**:
– The Court found that the issuance of the checks was not ultra vires. The checks were for securing a loan for E.T. Henry, not as payment for goods delivered. This was within the

corporation’s operational powers and hence not ultra vires.

2. **Personal Liability of de Leon**:
– Lourdes M. de Leon was held personally liable due to negligence in confirming the checks were for payment, which they were not. The confirmation enabled the discounting of the checks and caused damage to Hi-Cement.

3. **Holder in Due Course**:
– Atrium Management was not a holder in due course due to awareness that the checks were crossed for deposit only. However, this did not preclude Atrium from recovering on the instruments; it just made the checks subject to defenses such as lack of consideration.

4. **Absence or Failure of Consideration**:
– Despite Atrium not being a holder in due course, it could still recover. The lack of consideration defense was not sufficiently proven by Hi-Cement.

Doctrine:
– **Ultra Vires Acts**: Ultra vires acts are those done beyond a corporation’s objectives as defined by law. Such acts are voidable, not void, and can be validated through ratification or estoppel.
– **Personal Liability of Corporate Officers**: Corporate officers may be held personally liable if they assent to unlawful acts, act in bad faith or with gross negligence, consent to issuing watered stock, or agree to be personally liable.
– **Holder in Due Course**: Per the Negotiable Instruments Law, a holder in due course takes an instrument under conditions of regularity, before overdue status, in good faith, and without knowledge of infirmity. Failure to be a holder in due course subjects the instrument to existing defenses but does not preclude recovery.

Class Notes:
– **Ultra Vires Acts**: Acts beyond corporate authority but not illegal, can be ratified.
– **Personal Liability**: Forumulated under certain conditions including assent to illegal acts, negligence, conflict of interest, or statutory imposition.
– **Holder in Due Course**: Defined in Section 52 of the Negotiable Instruments Law; key conditions must be met to be considered a holder in due course.

Historical Background:
– **Context of Financial Instruments**: This case underscores the intricacies in financial instruments and corporate governance in the Philippines. The decision highlights the need

for clear authority and purpose in the issuance of corporate checks and the consequences of misrepresentations to third parties. It reflects a period wherein corporate financial dealings and the role of financial intermediaries were under tight scrutiny for procedural adherence and genuine economic substance.

The case is a reminder of the increasing sophistication and regulatory oversight in corporate and financial law during the late 20th century within the Philippine jurisdiction.