

Title

****Malate Construction Development Corp. & Giovanni Olivares vs. Extraordinary Realty Agents & Brokers Cooperative****

Facts

Malate Construction Development Corporation (MCDC), engaged in residential real estate development and sales, including low-cost housing, entered into a Marketing Agreement with Extraordinary Realty Agents & Brokers Cooperative (ERABCO) in July 2003. Under this agreement, ERABCO was engaged to market and sell properties in Mahogany Villas, Calamba, Laguna. The agreement included detailed provisions on the promotional and selling activities to be carried out by ERABCO, with specific tranches for commission payments based on both milestones achieved by ERABCO and the buyers' progress in payments and documentation.

ERABCO successfully marketed and sold 202 units valued at approximately P140,461,655.56 under the terms stipulated. Despite ERABCO meeting its obligations, MCDC refused to pay the due commissions in 2005 and 2006, leading ERABCO to initiate a complaint for sum of money demanding payment of P4,962,935.77 plus interests and additional damages including attorney's fees.

In their defense, MCDC and Giovanni Olivares (MCDC's president) proclaimed inconsistencies in ERABCO's claims and argued that the commission paid amounted to more than due. Furthermore, they suggested that some of the units were ineligible for the standard commission rates because these units had been repurchased by MCDC from Pag-IBIG financing.

Procedural History

ERABCO filed the complaint at the Regional Trial Court (RTC) of Manila. The RTC's ruling favored ERABCO, awarding the unpaid broker's commission and attorney's fees but denying claims for higher commission rates and additional damages. Dissatisfied, MCDC and Olivares appealed the decision to the Court of Appeals (CA).

The CA upheld the RTC decision, affirming the commission due to ERABCO, adjusting the interest rates in line with jurisprudence. MCDC's subsequent motions for reconsideration were denied, prompting them to file a Petition for Review on Certiorari to the Supreme Court.

Issues

1. **Whether MCDC is liable for broker's fees to ERABCO.**
2. **Whether Giovanni Olivares may be held solidarily liable with MCDC for these broker's fees.**

Court's Decision

The Supreme Court found partial merit in the petition, leading to the modification of the lower courts' rulings as follows:

On the Liability for Broker's Fees:

1. **Affirmation of MCDC's Liability:**

- The Court upheld that MCDC was liable to pay ERABCO the unpaid broker's fees amounting to P4,069,919.88.
- ERABCO had fulfilled all the conditions specified in the Marketing Agreement for obtaining their commission.
- The fact ERABCO's documents were photocopies did not invalidate the claim since MCDC failed to object to them during the trial, effectively waiving the right to question their admissibility.
- MCDC's unilateral buyback of units from Pag-IBIG financing was immaterial to ERABCO's entitlement to the commissions, as the take-out loan proceeds had been duly released.

On Giovanni Olivares' Personal Liability:

1. **Reversal of Personal Liability:**

- The Court determined Olivares, as a corporate officer of MCDC, could not be held personally liable for the corporation's debts.
- There was no clear evidence of bad faith or unlawful acts on Olivares' part that would justify piercing the corporate veil and holding him personally accountable.

Doctrine

1. **Freedom to Contract:**

- Contracts are considered the law between the parties; as long as they follow and perform as per the terms specified, courts are not to alter such contracts. (Civil Code, Art. 1370)

2. **Burden of Proof:**

- The burden of proof rests with the party making the claim. Once met, the burden of evidence may shift to the opposing party to refute the claim.

3. **Corporate Personality:**

- Corporate officers and directors are generally not held personally liable for the

corporation's debts unless specific conditions, such as bad faith or gross negligence, are met.

Class Notes

- **Elements of Agency and Commission Contracts:**
- Contractual obligations and conditions precedent.
- Tranches for commission payments are conditional upon milestones.
- Rules on procedural objections (Best Evidence Rule).

- **Corporate Law:**
- Corporate officers' liability is typically limited unless gross negligence, bad faith, or acting beyond authority is established.
- **Revised Corporation Code, Section 30:** Details specific instances where officers or directors are liable.

Historical Background

The case aligns with the evolving jurisprudence regarding corporate liabilities and the robustness of commercial contracts. It reinforces the principles of honoring contractual obligations and delineates the roles and responsibilities of corporate officers within the bounds of corporate personality legal principles, amidst the broader real estate business industry's marketing and commission practices in the Philippines.