

PHILIPPINE NATIONAL BANK, PETITIONER, VS. THE COURT OF APPEALS, RITA GUECO TAPNIO, CECILIO GUECO AND THE PHILIPPINE AMERICAN GENERAL INSURANCE COMPANY, INC., RESPONDENTS.

G.R. No. L-27155. May 18, 1978

Ponente: ANTONIO, J.

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ANTONIO, J.:

Certiorari to review the decision of the Court of Appeals which affirmed the judgment of the Court of First Instance of Manila in Civil Case No. 34185, ordering petitioner, as third-party defendant, to pay respondent Rita Gueco Tapnio, as third-party plaintiff, the sum of P2,379.71, plus 12% interest per annum from September 19, 1957 until the same is fully paid, P200.00 attorney's fees and costs, the same amounts which Rita Gueco Tapnio was ordered to pay the Philippine American General Insurance Co., Inc., to be paid directly to the Philippine American General Insurance Co., Inc. in full satisfaction of the judgment rendered against Rita Gueco Tapnio in favor of the former; plus P500.00 attorney's fees for Rita Gueco Tapnio and costs. The basic action is the complaint filed by Philamgen (Philippine American General Insurance Co., Inc.) as surety against Rita Gueco Tapnio and Cecilio Gueco, for the recovery of the sum of P2,379.71 paid by Philamgen to the Philippine National Bank on behalf of respondents Tapnio and Gueco, pursuant to an indemnity agreement. Petitioner Bank was made third-party defendant by Tapnio and Gueco on the theory that their failure to pay the debt was due to the fault or negligence of petitioner.

The facts as found by the respondent Court of Appeals, in affirming the decision of the Court of First Instance of Manila, are quoted hereunder:

"Plaintiff executed its Bond, Exh. A, with defendant Rita Gueco Tapnio as principal, in favor of the Philippine National Bank Branch at San Fernando, Pampanga, to guarantee the payment of defendant Rita Gueco Tapnio's account with said Bank. In turn, to guarantee the payment of whatever amount the bonding company would pay to the Philippine National Bank, both defendants executed the indemnity agreement, Exh. B. Under the terms and conditions of this indemnity agreement, whatever amount the plaintiff would pay would earn interest at the rate of 12% per annum, plus attorney's fees in the amount of 15% of the whole amount due in case of court litigation.

"The original amount of the bond was for P4,000.00; but the amount was later reduced to P2,000.00.

"It is not disputed that defendant Rita Gueco Tapnio was indebted to the bank in the sum of P2,000.00, plus accumulated interests unpaid, which she failed to pay despite demands. The Bank wrote a letter of demand to plaintiff, as per Exh. C; whereupon, plaintiff paid the bank on September 18, 1957, the full amount due and owing in the sum of P2,379.91, for and on account of defendant Rita Gueco's obligation (Exhs. D and D-1).

"Plaintiff, in turn, made several demands, both verbal and written, upon defendants (Exhs. E and F), but to no avail.

"Defendant Rita Gueco Tapnio admitted all the foregoing facts. She claims, however, when demand was made upon her by plaintiff for her to pay her debt to the Bank, that she told the plaintiff that she did not consider herself to be indebted to the Bank at all because she had an agreement with one Jacobo Tuazon whereby she had leased to the latter her unused export sugar quota for the 1956-1957 agricultural year, consisting of 1,000 piculs at the rate of P2.80 per picul, or for a total of P2,800.00, which was already in excess of her obligation guaranteed by plaintiff's bond, Exh. A. This lease agreement, according to her, was with the knowledge of the bank. But the Bank has placed obstacles to the consummation of the lease, and the delay caused by said obstacles forced Tuazon to rescind the lease contract. Thus, Rita Gueco Tapnio filed her third-party complaint against the Bank to recover from the latter any and all sums of money which may be adjudged against her and in favor of the plaintiff, plus moral damages, attorney's fees and costs.

"Insofar as the contentions of the parties herein are concerned, we quote with approval the following findings of the lower court based on the evidence presented at the trial of the case:

'It has been established during the trial that Mrs. Tapnio had an export sugar quota of 1,000 piculs for the agricultural year 1956-1957 which she did not need. She agreed to allow Mr. Jacobo C. Tuazon to use said quota for the consideration of P2,500.00 (Exh. "4"-Gueco). This agreement was called a contract of lease of sugar allotment.

'At the time of the agreement, Mrs. Tapnio was indebted to the Philippine National Bank at San Fernando, Pampanga. Her indebtedness was known as a crop loan and was secured by a mortgage on her standing crop including her sugar quota allocation for the agricultural year corresponding to said standing crop. This arrangement was necessary in order that when Mrs. Tapnio harvests, the P.N.B., having a lien on the crop, may effectively enforce collection against her. Her sugar cannot be exported without sugar quota allotment. Sometimes, however, a planter harvests less sugar than her quota, so her excess quota is utilized by another who pays her for its use. This is the arrangement entered into between Mrs. Tapnio and Mr. Tuazon regarding the former's excess quota for 1956-1957 (Exh. "4"-Gueco).

'Since the quota was mortgaged to the P.N.B., the contract of lease had to be approved by said Bank. The same was submitted to the branch manager at San Fernando, Pampanga. The latter required the parties to raise the consideration of P2.80 per picul or a total of P2,800.00 (Exh. "2"-Gueco") informing them that "the minimum lease rental acceptable to the Bank, is P2.80 per picul." In a letter addressed to the branch manager on August 10, 1956, Mr. Tuazon informed the manager that he was agreeable to raising the consideration to P2.80 per picul. He further informed the manager that he was ready to pay said amount as the funds were in his folder which was kept in the bank.

'Explaining the meaning of Tuazon's statement as to the funds, it was stated by him that he had an approved loan from the bank but he had not yet utilized it as he was intending to use it to pay for the quota. Hence, when he said the amount needed to pay Mrs. Tapnio was in his folder which was in the bank, he meant and the manager understood and knew he had an approved loan available to be used in payment of the quota. In said Exh. "6"-Gueco", Tuazon also informed the manager that he would wait for a notice from the manager as to the time when the bank needed the money so that Tuazon could sign the corresponding promissory note.'

"Further consideration of the evidence discloses that when the branch manager of the Philippine National Bank at San Fernando recommended the approval of the contract of lease at the price of P2.80 per picul (Exh. 11-Bank), whose recommendation was concurred in by the Vice-President of said Bank, J. V. Buenaventura, the board of directors required that the amount be raised to P3.00 per picul. This act of the board of directors was communicated to Tuazon, who in turn asked for a reconsideration thereof. On November 19, 1956, the branch manager submitted Tuazon's request for reconsideration to the board of directors with another recommendation for the approval of the lease at P2.80 per picul, but the board returned the recommendation unacted upon, considering that the current price prevailing at the time was P3.00 per picul (Exh. 9-Bank).

"The parties were notified of the refusal on the part of the board of directors of the Bank to grant the motion for reconsideration. The matter stood as it was until February 22, 1957, when Tuazon wrote a letter (Exh. 10-Bank) informing the Bank that he was no longer interested to continue the deal, referring to the lease of sugar quota allotment in favor of defendant Rita Gueco Tapnio. The result is that the latter lost the sum of P2,800.00 which she should have received from Tuazon and which she could have paid the Bank to cancel off her indebtedness.

"The court below held, and in this holding we concur, that failure of the negotiation for the lease of the sugar quota allocation of Rita Gueco Tapnio to Tuazon was due to the fault of the directors of the Philippine National Bank. The refusal on the part of the bank to approve the lease at the rate of P2.80 per picul which, as stated above, would have enabled Rita Gueco Tapnio to realize the amount of P2,800.00 which was more than sufficient to pay off her indebtedness to the Bank, and its insistence on the rental price of P3.00 per picul thus unnecessarily increasing the value by only a difference of P200.00, inevitably brought about the rescission of the lease contract to the damage and prejudice of Rita Gueco Tapnio in the aforesaid sum of P2,800.00. The unreasonableness of the position adopted by the board of directors of the Philippine National Bank in refusing to approve the lease at the rate of P2.80 per picul and insisting on the rate of P3.00 per picul, if only to increase the retail value by only P200.00, is shown by the fact that all the accounts of Rita Gueco Tapnio with the Bank were secured by chattel mortgage on standing crops, assignment of leasehold rights and interests on her properties, and surety bonds, aside from the fact that from Exh. 8-Bank, it appears that she was offering to execute a real estate mortgage in favor of the Bank to replace the surety bond. This statement is further bolstered by the fact that Rita Gueco Tapnio apparently had the means to pay her obligation to the Bank, as shown by the fact that she has been granted several sugar crop loans of the total value of almost P80,000.00 for the agricultural years from 1952 to 1956." [1]

Its motion for the reconsideration of the decision of the Court of Appeals having been denied, petitioner filed the present petition.

The petitioner contends that the Court of Appeals erred:

- (1) In finding that the rescission of the lease contract of the 1,000 piculs of sugar quota allocation of respondent Rita Gueco Tapnio by Jacobo C. Tuazon was due to the unjustified refusal of petitioner to approve said lease contract, and its unreasonable insistence on the rental price of P3.00 instead of P2.80 per picul; and
- (2) In not holding that based on the statistics of sugar price and prices of sugar quota in the possession of the petitioner, the latter's Board of Directors correctly fixed the rental price per picul of 1,000 piculs of sugar quota leased by respondent Rita Gueco Tapnio to Jacobo C. Tuazon at P3.00 per picul.

Petitioner argued that as an assignee of the sugar quota of Tapnio, it has the right, both under its own Charter and under the Corporation Law, to safeguard and protect its rights and interests under the deed of assignment, which include the right to approve or disapprove the said lease of sugar quota and in the exercise of that authority, its Board of Directors necessarily had authority to determine and fix the rental price per picul of the sugar quota subject of the lease between private respondents and Jacobo C. Tuazon. It argued further that both under its Charter and the Corporation Law, petitioner, acting thru its Board of Directors, has the perfect right to adopt a policy with respect to fixing of rental prices of export sugar quota allocations, and in fixing the rentals at P3.00 per picul, it did not act arbitrarily since the said Board was guided by statistics of sugar price and prices of sugar quotas prevailing at the time. Since the fixing of the rental of the sugar quota is a function lodged with petitioner's Board of Directors and is a matter of policy, the respondent Court of Appeals could not substitute its own judgment for that of said Board of Directors, which acted in good faith, making as its basis therefor the prevailing market price as shown by statistics which were then in their possession.

Finally, petitioner emphasized that under the appealed judgment, it shall suffer a great injustice because as a

creditor, it shall be deprived of a just claim against its debtor (respondent Rita Gueco Tapnio) as it would be required to return to respondent Philamgen the sum of P2,379.71, plus interest, which amount had been previously paid to petitioner by said insurance company in behalf of the principal debtor, herein respondent Rita Gueco Tapnio, and without recourse against respondent Rita Gueco Tapnio.

We must advert to the rule that this Court's appellate jurisdiction in proceedings of this nature is limited to reviewing only errors of law, accepting as conclusive the factual findings of the Court of Appeals upon its own assessment of the evidence.[2]

The contract of lease of sugar quota allotment at P2.50 per picul between Rita Gueco Tapnio and Jacobo C. Tuazon was executed on April 17, 1956. This contract was submitted to the Branch Manager of the Philippine National Bank at San Fernando, Pampanga. This arrangement was necessary because Tapnio's indebtedness to petitioner was secured by a mortgage on her standing crop including her sugar quota allocation for the agricultural year corresponding to said standing crop. The latter required the parties to raise the consideration to P2.80 per picul, the minimum lease rental acceptable to the Bank, of a total of P2,800.00. Tuazon informed the Branch Manager, thru a letter dated August 10, 1956, that he was agreeable to raising the consideration to P2.80 per picul. He further informed the manager that he was ready to pay the said sum of P2,800.00 as the funds were in his folder which was kept in the said Bank. This referred to the approved loan of Tuazon from the Bank which he intended to use in paying for the use of the sugar quota. The Branch Manager submitted the contract of lease of sugar quota allocation to the Head Office on September 7, 1956, with a recommendation for approval, which recommendation was concurred in by the Vice-President of the Bank, Mr. J. V. Buenaventura. This notwithstanding, the Board of Directors of petitioner required that the consideration be raised to P3.00 per picul.

Tuazon, after being informed of the action of the Board of Directors, asked for a reconsideration thereof. On November 19, 1956, the Branch Manager submitted the request for reconsideration and again recommended the approval of the lease at P2.80 per picul, but the Board returned the recommendation unacted, stating that the current price prevailing at that time was P3.00 per picul.

On February 22, 1957, Tuazon wrote a letter, informing the Bank that he was no longer interested in continuing the lease of sugar quota allotment. The crop year 1956-1957 ended and Mrs. Tapnio failed to utilize her sugar quota, resulting in her loss in the sum of P2,800.00 which she should have received had the lease in favor of Tuazon been implemented.

It has been clearly shown that when the Branch Manager of petitioner required the parties to raise the consideration of the lease from P2.50 to P2.80 per picul, or a total of P2,800.00, they readily agreed. Hence, in his letter to the Branch Manager of the Bank on August 10, 1956, Tuazon informed him that the minimum lease rental of P2.80 per picul was acceptable to him and that he even offered to use the loan secured by him from petitioner to pay in full the sum of P2,800.00 which was the total consideration of the lease. This arrangement was not only satisfactory to the Branch Manager but it was also approved by Vice-President J. V. Buenaventura of the PNB. Under that arrangement, Rita Gueco Tapnio could have realized the amount of P2,800.00, which was more than enough to pay the balance of her indebtedness to the Bank which was secured by the bond of Philamgen.

There is no question that Tapnio's failure to utilize her sugar quota for the crop year 1956-1957 was due to the disapproval of the lease by the Board of Directors of petitioner. The issue, therefore, is whether or not petitioner is liable for the damage caused.

As observed by the trial court, time is of the essence in the approval of the lease of sugar quota allotments, since the same must be utilized during the milling season, because any allotment which is not filled during such milling season may be reallocated by the Sugar Quota Administration to other holders of allotments.[3] There was no

proof that there was any other person at that time willing to lease the sugar quota allotment of private respondents for a price higher than P2.80 per picul. "The fact that there were isolated transactions wherein the consideration for the lease was P3.00 a picul", according to the trial court, "does not necessarily mean that there are always ready takers for said price." The unreasonableness of the position adopted by the petitioner's Board of Directors is shown by the fact that the difference between the amount of P2.80 per picul offered by Tuazon and the P3.00 per picul demanded by the Board amounted only to a total sum of P200.00. Considering that all the accounts of Rita Gueco Tapnio with the Bank were secured by chattel mortgage on standing crops, assignment of leasehold rights and interests on her properties, and surety bonds and that she had apparently "the means to pay her obligation to the Bank, as shown by the fact that she has been granted several sugar crop loans of the total value of almost P80,000.00 for the agricultural years from 1952 to 1956", there was no reasonable basis for the Board of Directors of petitioner to have rejected the lease agreement because of a measly sum of P200.00.

While petitioner had the ultimate authority of approving or disapproving the proposed lease since the quota was mortgaged to the Bank, the latter certainly cannot escape its responsibility of observing, for the protection of the interest of private respondents, that degree of care, precaution and vigilance which the circumstances justly demand in approving or disapproving the lease of said sugar quota. The law makes it imperative that every person "must in the exercise of his rights and in the performance of his duties, act with justice, give everyone his due, and observe honesty and good faith."^[4] This petitioner failed to do. Certainly, it knew that the agricultural year was about to expire, that by its disapproval of the lease private respondents would be unable to utilize the sugar quota in question. In failing to observe the reasonable degree of care and vigilance which the surrounding circumstances reasonably impose, petitioner is consequently liable for the damages caused on private respondents. Under Article 21 of the New Civil Code, "any person who wilfully causes loss or injury to another in a manner that is contrary to morals, good customs or public policy shall compensate the latter for the damage." The afore-cited provisions on human relations were intended to expand the concept of torts in this jurisdiction by granting adequate legal remedy for the untold number of moral wrongs which is impossible for human foresight to specifically provide in the statutes.^[5]

A corporation is civilly liable in the same manner as natural persons for torts, because "generally speaking, the rules governing the liability of a principal or master for a tort committed by an agent or servant are the same whether the principal or master be a natural person or a corporation, and whether the servant or agent be a natural or artificial person. All of the authorities agree that a principal or master is liable for every tort which he expressly directs or authorizes, and this is just as true of a corporation as of a natural person. A corporation is liable, therefore, whenever a tortious act is committed by an officer or agent under express direction or authority from the stockholders or members acting as a body, or, generally, from the directors as the governing body."^[6]

WHEREFORE, in view of the foregoing, the decision of the Court of Appeals is hereby AFFIRMED.

Fernando, (Chairman), Aquino, Concepcion, Jr., and Santos, JJ., concur.

Barredo, J., concurs on the basis of Article 19 of the Civil Code or, at least, of equity. Reserves his opinion on the matter of task relied upon in the main opinion.

[1] Court of Appeals' Decision, Rollo, pp. 20-25.

[2] Evangelista & Co., et al. v. Abad Santos, L-31684, June 28, 1973, 51 SCRA 416.

[3] Section 8-A, Act No. 4166, as amended.

[4] Article 19, New Civil Code.

[5] Commissioner's Note, Capistrano, 1 Civil Code of the Philippines, 1950 Ed., p. 29.

[6] 10 Fletcher Cyclopedia Corporation, 1970 Ed., pp. 266-267.

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