

IGNACIO VICENTE AND MOISES ANGELES, PETITIONERS, VS. HON. AMBROSIO M. GERALDEZ, AS JUDGE OF THE COURT OF FIRST INSTANCE OF BULACAN, BRANCH V (STA. MARIA), AND HI CEMENT CORPORAT...*G.R. No. L-32473. July 31, 1973*Read online (full-text search, related cases, audio case brief): <https://batas.org/library/fe07d22469de/>**ANTONIO, J.:**

These are two original actions of certiorari with prayer for preliminary injunction wherein petitioners seek to annul the orders dated April 24, May 18, and July 18, 1970 of respondent Judge of the Court of First Instance of Bulacan in Civil Case No. SM-201 (Hi Cement Corporation vs. Juan Bernabe , Ignacio Vicente and Moises Angeles). The two cases are herein decided jointly because they proceed from the same case and involve in substance the same question of law.

On September 9, 1967 herein private respondent Hi Cement Corporation filed with the Court of First Instance of Bulacan a complaint for injunction and damages against herein petitioners Juan Bernabe, Ignacio Vicente and Moises Angeles. In said complaint the plaintiff alleged that it had acquired on October 27, 1965, Placer Lease Contract No. V-90, from the Banahaw Shale Mining Association, under a deed of sale and transfer which was duly registered with the Office of the Mining Recorder of Bulacan on November 4, 1965 and duly approved by the Secretary of Agriculture and Natural Resources on December 15, 1965; that the said Placer Lease Contract No. V-90 was for a period of twenty-five years commencing from August 1, 1960 and covered two mining claims (Red Star VIII & IX) with a combined area of about fifty-one hectares; that within the limits of Placer Mining Claim Red Star VIII are three parcels of land claimed by the defendants Juan Bernabe (about two hectares), Ignacio Vicente (about two hectares), and Moises Angeles (about one-fourth hectare); that the plaintiff had, on several occasions, informed the defendants, thru its representatives, of the plaintiffs acquisition of the aforesaid placer mining claims which included the areas occupied by them; that the plaintiff had requested the defendants to allow its workers to enter the area in question for exploration and development purposes as well as for the extraction of minerals therefrom, promising to pay the defendants reasonable amounts as damages, but the defendants refused to allow entry of the plaintiff's representatives; that the defendants were threatening the plaintiffs workers with bodily harm if they entered the premises, for which reason the plaintiff had suffered irreparable damages due to its failure to work on and develop its claims and to extract minerals therefrom, resulting in its inability to comply with its contractual commitments, for all of which reasons the plaintiff prayed the court to issue preliminary writs of mandatory injunction perpetually restraining the defendants and those cooperating with them from the commission or continuance of the acts complained of, ordering defendants to allow plaintiff, or its agents and workers, to enter, develop and extract minerals from the areas claimed by defendants, to declare the injunction permanent after hearing, and to order the defendants to pay damages to the plaintiff in the amount of P200,000.00, attorney's fees, expenses of litigation and costs.

On September 12, 1967 the trial court issued a restraining order and required the defendants to file their answers. The defendants filed their respective answers, which contained the usual admissions and denials and interposed

special and affirmative defenses, namely, among others, that they are the rightful owners of certain portions of the land covered by the supposed mining claims of the plaintiff; that it was the plaintiff and its workers who had committed acts of force and violence when they entered into and intruded upon the defendant's lands; and that the complaint failed to state a cause of action. The defendants set up counterclaims against the plaintiff for actual and moral damages, as well as for attorney's fees.

In another pleading filed on the same date, defendant Juan Bernabe opposed the issuance of a writ of preliminary mandatory or prohibitory injunction. In its Order dated September 30, 1967, the trial court, however, directed the issuance of a writ of preliminary mandatory injunction upon the plaintiffs posting of a bond in the amount of P100,000.00. In its order, the court suggested the relocation of the boundaries of the plaintiffs claims in relation to the properties of the defendants, and to this end named as Commissioner, a Surveyor from the Office of the District Engineer of Bulacan to relocate the boundaries of the plaintiffs mining claims, to show in a survey plan the location of the areas thereof in conflict with the portions whose ownership is claimed by the defendants and to submit his report thereof to the court on or before October 31, 1967. The court also directed the parties to send their representatives to the place of the survey on the date thereof and to furnish the surveyor with copies of their titles. The Commissioner submitted his report to the Court on November 24, 1967 containing the following findings:

"1. In the attached survey plan, the area covered and embraced by full and heavy lines is the Placer Mining Claims of the Plaintiff containing an area of 107 hectares while the area bounded by fine-broken lines are the properties of the Defendants.

"2. The property of the Defendant MOISES ANGELES, consisting of two (2) parcels known as Lot 1-B and Lot 2 of Psu-103374, both described in O.C.T. No. 0-1769 with a total area of 34,984 square meters were totally covered by the Claims of the Plaintiff.

"3. The property of the Defendant IGNACIO VICENTE, containing an area of 32,619 square meters, is also inside the Claims of the Plaintiff.

"4. The property of the Defendant JUAN BERNABE known as Psu-178969, described in OCT. No. 0-2050 is partially covered by the Claims of the Plaintiff and the area affected is 57,539 square meters."

In an Order issued on December 14, 1967, the court approved the report "with the conformity of all the parties in this case."

Thereafter, on April 2, 1968 plaintiff Hi Cement Corporation filed a motion to amend the complaint "so as to conform to the facts brought out and/or impliedly admitted in the pre-trial." This motion was granted by the court on April 6, 1968. Accordingly, on October 21, 1968, the plaintiff filed its amended complaint. The amendments consisted in the statement of the correct areas of the land belonging to defendants Bernabe (57,539 square meters), Vicente (32,619 square meters) and Angeles (34,984 square meters), as well as the addition of allegations to the effect, among others, that at the pre-trial the defendants Angeles and Vicente declared their willingness to sell to the plaintiff their properties covered by the plaintiffs mining claims for P10.00 per square meter, and that when the plaintiff offered to pay only P0.90 per square meter, the said defendants stated that they are willing to go to trial on the issue of what would be the reasonable price for the properties of defendants sought to be taken by

plaintiff With particular reference to defendant Bernabe , the amended complaint alleged that the said defendant neither protested against nor prohibited the predecessor-in-interest of the plaintiff from prospecting, discovering, locating and contracting minerals from the aforementioned claims, or from conducting the survey thereon, or filed any opposition against the application for lease by the Red Star Mining Association, and that as a result of the failure of said defendant to object to the acts of possession or occupation over the said property by plaintiff, defendant is now estopped from claiming that plaintiff committed acts of usurpation on said property. The plaintiff prayed the court, among other things, to fix the reasonable value of the defendants' properties as reasonable compensation for any resulting damage.

Defendant Bernabe filed an amended answer substantially reproducing his original answer and denying the averments concerning him in the amended complaint.

The respective counsels of the parties then conferred among themselves on the possibility of terminating the case by compromise, the defendants having previously signified their willingness to sell to the plaintiff their respective properties at reasonable prices.

On January 30, 1969 the counsels of the parties executed and submitted to the court for its approval the following Compromise Agreement:

"COMPROMISE AGREEMENT

"COME NOW the plaintiff and the defendants, represented by their respective counsel, and respectfully submit the following agreement:

"1. That the plaintiff is willing to buy the properties subject of litigation, and the defendants are willing to sell their respective properties;

"2. That this Honorable Court authorizes the plaintiff and the defendants to appoint their respective commissioners, that is, one for the plaintiff and one for each defendant;

"3. That the parties hereby agree to abide by the decision of the Court based on the findings of the Commissioners;

"4. That the fees of the Commissioners shall be paid as follows:

For those appointed by the parties shall be paid by them respectively; and for the one appointed by the Court, his fees shall be paid pro-rata by the parties;

"5. That the names of the Commissioners to be appointed by the parties shall be submitted to the Court on or before February 8, 1969.

"WHEREFORE, the undersigned respectfully pray that the foregoing agreement be approved.

"Sta. Maria, Bulacan, January 30, 1969. "For the Plaintiff:

(Sgd.) FRANCISCO VENTURA
t/ FRANCISCO VENTURA

(Sgd.) FLORENTINO V. CARDENAS
t/ FLORENTINO V. CARDENAS

(Sgd.) ENRIQUETO I. MAGPANTAY
t/ ENRIQUETO I. MAGPANTAY

"For Juan Bernabe :

(Sgd.) ANDRECIANO F. CABALLERO
t/ ANDRECIANO F. CABALLERO

"For Ignacio Vicente and Moises Angeles:

(Sgd.) CONRADO MANZANO
t/ CONRADO MANZANO

"The Clerk of Court
CFI, Sta. Maria, Bulacan

"GREETINGS:

"Please submit the foregoing Compromise Agreement to the Honorable Court for the consideration and approval immediately upon receipt hereof.

VENTURA, CARDENAS & MAGPANTAY

By: (Sgd.) FRANCISCO VENTURA

t/ FRANCISCO VENTURA"

On the same date, the foregoing Compromise Agreement was approved by the trial court, which enjoined the parties to comply with the terms and conditions thereof.

Pursuant to the terms of the said compromise agreement the counsels of both parties submitted the names of the persons designated by them as their respective commissioners, and in conformity therewith, the trial court, in its Order dated February 26, 1969, appointed the following as Commissioners: Mr. Larry G. Marquez, to represent the plaintiff; Mr. Demetrio M. Aquino, to represent defendant Bernabe; Mr. Moises Correa, to represent defendant Angeles; Mr. Santiago Cabungcal, to represent defendant Vicente; and Mr. Liberato Barrameda, to represent the court, and directed that said Commissioners should appear before the court on March 17, 1969, to take their oath and qualify as such Commissioners, and then meet on March 31, 1969 in the court for their first session and to submit their report not later than April 30, 1969.

On September 15, 1969, Commissioner Liberate Barrameda submitted to the court for its approval a Consolidated Report, containing the three reports of the Commissioners of the plaintiff and the three defendants, together with an analysis of the said reports and a summary of the important facts and conclusions. The following unit prices for the three defendants' properties were recommended in the Consolidated Report:

"A - JUAN BERNABE at P12.00 per square meter, wherefrom plaintiff has been extracting its first output, and would still continue to extract therefrom as the property consists of a mountain of limestone and shale;

"B - IGNACIO VICENTE:

a) 60% or 19,571.4 sq. m. (mineral land) at P12.00 per sq. m.

b) 40% or 13,047.6 sq. m. (riceland) at P8.00 per sq. m.

"C - MOISES ANGELES (riceland) at P8.00 per sq. m."

It is worthy of note that in the individual report of the Commissioner nominated by plaintiff Hi Cement Corporation, the price recommended for defendant Juan Bernabe's property was P0.60 per square meter, while in the individual report of the Commissioner nominated by the said defendant, the price recommended was P50.00 per square meter. The Commissioners named by defendants Vicente and Angeles recommended P15.00 per square meter for the lands owned by the said two defendants, while the Commissioner named by the plaintiff recommended P0.65 per square meter for Vicente's land, and P0.55 per square meter for Angeles land.

On October 21, 1969, Atty. Francisco Ventura, one of the three lawyers for plaintiff Hi Cement Corporation, filed with the trial court a manifestation stating that on September 1, 1969 he sent a copy of the Compromise Agreement to Mr. Antonio W. Diokno, Vice President of the corporation, requesting the latter to intercede with the Board of Directors for the confirmation or approval of the commitment made by the plaintiffs lawyers to abide by the decision of the court based on the reports of the Commissioners; and that on October 15, 1969 he received

a letter from Mr. Diokno, a copy of which was attached to the manifestation. In that letter Mr. Diokno said:

"While I realize your interest in cooperating with the Court in its desire to expedite the disposition of the case, this commitment would deprive us of the right to appeal if we do not agree with the valuation set by the Court. Our Board, therefore, cannot waive its rights; only when it knows the value set by the Court on the properties can it decide whether to abide by it or appeal therefrom. I would like to stress that, under the law, the compromise agreement requires the express approval of our Board of Directors to be binding on our corporation. Such an approval, I regret to say, cannot be obtained at this time."

On November 5, 1969, defendant Bernabe filed an answer to Atty. Ventura's manifestation, praying the court to ignore, disregard and, if possible, order stricken from the record, the plaintiffs manifestation on the following grounds: that its filing after the Consolidated Report of the Commissioners had been submitted and approved, and long after the signing of the Compromise Agreement on January 30, 1969, cast suspicion on the sincerity of the plaintiffs motive; that when the Compromise Agreement was being considered, the court inquired from the parties and their respective lawyers if all the attorneys appearing in the case and been duly authorized and/or empowered to enter into a compromise agreement, and the three lawyers for the plaintiff answered in the affirmative; that in fact it was Atty. Ventura himself who prepared the draft of the Compromise Agreement in his own handwriting and was the first to sign the agreement; that one of the three lawyers for the plaintiff, Atty. Florentino V. Cardenas, who also signed the Compromise Agreement, was the official representatives; indeed was an executive official, of plaintiff corporation; that the Compromise Agreement, having been executed pursuant to a pre-trial conference, partakes the nature of a stipulation of facts mutually agreed upon by the parties and approved by the court, hence, was binding and conclusive upon the parties; and that the nomination by the plaintiff of Mr. Larry G. Marquez as its Commissioner pursuant to the Compromise Agreement, was a clear indication of the plaintiffs tacit approval of the terms and conditions of the Compromise Agreement, if not an implied ratification of Atty. Ventura's acts.

On March 13, 1970 the court rendered a decision in which the terms and conditions of the Compromise Agreement are reproduced, and the Consolidated Report of the Commissioners is extensively quoted. The rationale and dispositive portion of the decision read:

"What is fair and just compensation?

'Just compensation includes all elements of value that inheres in the property, but it does not exceed market value fairly determined. The sum required to be paid the owner does not depend upon the usage to which he has devoted his land but is to be arrived at upon just consideration of all the uses for which it is suitable. The highest and most profitable use for which the property is adoptable and needed or likely to be needed in the reasonably near future is to be considered, not necessarily as the measure of value, but to the full extent that the prospect of demand for such use affects the market value while the property is privately held.'

"The term fair and just compensation as applied in expropriation or eminent domain proceedings need not necessarily be applied in the present case. In expropriation proceedings the government is the party involved and its use is for public purpose. In the instant case, however, private parties are involved and the use of the land is a

private venture and for profit.

"It appears that defendants' properties are practically adjacent to plaintiffs plant site. It also appears that practically all the surrounding areas were acquired by the plaintiff by purchase.

"In the report submitted by the commissioner representing the plaintiff, it is claimed that the surrounding areas were acquired thru purchase by the plaintiff in the amount of less than P1.00 per square meter. On the other hand, it appears from the reports submitted by the commissioners representing the defendants that there were some recorded sales around the area from P20.00 to P25.00 per square meter and there were subdivision lots which command even higher prices.

"The properties are reported to consist of mineral land which are rocky and barren containing limestone and shale. From the viewpoint of the owners their property which is described as rocky and barren mineral land must necessarily command a higher price, and this Court believes that the plaintiff will adopt the same attitude from the viewpoint of its business.

"While it maybe true that the plaintiff acquired properties within the area in question at a low price, we cannot overlook the fact that this was so at the time when plaintiff corporation was not yet in operation and that the land owners were not as yet aware of the potential value of their landholdings.

"Irrespective of the different classifications of the properties owned by the defendants, and considering the benefits that will enure to the plaintiff and bearing in mind the property rights and privileges to which the property owners are entitled both under the constitution and the mining law, coupled with the fact that the plaintiff had already taken advantage of the properties even long before the rightful acquisition of the same, this Court believes that the just and fair market value of the land should be in the amount of P15.00 per square meter.

"In view of the above findings, the plaintiff pursuant to the compromise agreement, is hereby ordered to pay the defendants the amount of P15.00 per square meter for the subject properties, and upon full payment, the restraining order earlier issued by this Court shall be deemed lifted."

On March 23, 1970 defendant Juan Bernabe filed an urgent motion for execution of judgment anchored on the proposition that the judgment, being based on a compromise agreement, is not appealable and is, on the other hand, immediately executory. The other two defendants, Moises Angeles and Ignacio Vicente, likewise filed their respective motions for execution. These motions were granted by the court in its Order of April 14, 1970.

On April 17, 1970 the plaintiff filed a motion for reconsideration of the April 14, 1970 Order, alleging that it had an opposition to the defendants' motions for execution, and that the Compromise Agreement had been repudiated by the plaintiff corporation through its Vice President, as earlier manifested by the plaintiff. The plaintiff prayed for ten days from the date of the hearing of the motion within which to file its written opposition to the motions for execution. Defendant Juan Bernabe filed an opposition to the plaintiffs motion on April 21, 1970.

On April 22, 1970 the plaintiff filed with the court a motion for new trial on the ground that the decision of the court dated March 13, 1970 is null and void because it was based on the Compromise Agreement of January 30, 1969 which was itself null and void for want of a special authority by the plaintiffs lawyers to enter into the said agreement. The plaintiff also prayed that the decision dated March 13, 1970 and the Order dated April 14, 1970 granting March 13, 1970 and the Order dated April 14, 1970 granting the defendants' motions for execution, be set aside. Defendant Juan Bernabe filed on April 27, 1970 an opposition to the plaintiff's motion on the grounds that the decision of the court is in accordance with law, for three lawyers for the plaintiff signed the Compromise Agreement, and one of them, Atty. Cardenas, was an official representative of plaintiff corporation, hence, when he signed the Compromise Agreement, he did so in the dual capacity of lawyer and representative of the management of the corporation; that the plaintiff itself pursued, enforced and implemented the agreement by appointing Mr. Larry Marquez as its duly accredited Commissioner; and that the plaintiff is conclusively bound by the acts of its lawyers in entering into the Compromise Agreement.

In the meantime, or on April 24, 1970, the court issued an Order setting aside its Order of April 14, 1970 under which the defendants' motion for execution of judgment had been granted, and gave the plaintiff ten days within which to file an opposition to the defendants' motions for execution.

On May 9, 1970 the plaintiff filed an opposition to the motions for execution of judgment, on the grounds that the decision dated March 13, 1970 is contrary to law for it is based on a compromise agreement executed by the plaintiff's lawyers who had no special power of attorney as required by Article 1878 of the Civil Code, or any special authority as required by Section 23, Rule 138 of the Rules of Court; and that the judgment is void for lack of jurisdiction of the court because the same is based on a void compromise agreement.

On May 18, 1970 the court issued an Order setting aside its decision dated March 13, 1970, denying the defendants' motions for execution of judgment, and setting for June 23, 1970 a pre-trial conference in the case. The three defendants moved for reconsideration, but their motions were denied in an Order dated July 18, 1970.

It is in these factual premises that the defendants in Civil Case No. SM-201 came to this Court by means of the present petitions. In G.R. No. L-32473, petitioners Vicente and Angeles pray this Court to Issue a writ of preliminary injunction, and, after hearing, to annul and set aside the Order dated May 18, 1970 issued by respondent Judge setting aside the decision dated March 13, 1970; to declare the said decision legal, effective and immediately executory; to dissolve the writ of preliminary mandatory injunction issued by respondent Judge on September 30, 1967 commanding petitioners to allow private respondent to enter their respective properties and excavate thereon; to make the preliminary injunction permanent; and to award treble costs in favor of petitioners and against private respondent. In G.R. No. L-32483, petitioner Juan Bernabe prays this Court to issue a writ of preliminary injunction or, at least a temporary restraining order, and, after hearing, to annul and set aside the Order dated April 24, 1970 issued by respondent Judge setting aside his Order of April 14, 1970 and allowing private respondent to file an opposition to petitioner's motion for execution, the Order dated May 18, 1970, and the Order dated July 18, 1970 denying the motion for reconsideration of the Order of May 18, 1970. Petitioner Bernabe also seeks the reinstatement of the trial court's decision dated May 13, 1970 and its Order dated April 14, 1970 granting his motion for execution of judgment, and an award in his favor of attorney's fees and of actual, moral and exemplary damages.

At issue is whether the respondent court, in setting aside its decision of March 13, 1970 and denying the motions for execution of said decision, had acted without or in excess of its jurisdiction or with grave abuse of discretion. We hold that said court did not, in view of the following considerations:

1. Special powers of attorney are necessary, among other cases, in the following: to compromise and to renounce

the right to appeal from a judgment.[1] Attorneys have authority to bind their clients in any case by any agreement in relation thereto made in writing, and in taking appeals, and in all matters of ordinary judicial procedure, but they cannot, without special authority, compromise their clients' litigation, or receive anything in discharge of their clients' claims but the full amount in cash.[2]

The Compromise Agreement dated January 30, 1969 was signed only the lawyers for petitioners and by the lawyers for private respondent corporation. It is not disputed that the lawyers of respondent corporation had not submitted to the Court any written authority from their client to enter into a compromise.

This Court has said that the Rules[3] "require, for attorneys to compromise the litigation of their clients, a special authority. And while the same does not state that the special authority be in writing the court has every reason to expect that, if not in writing, the same be duly established by evidence other than the self-serving assertion of counsel himself that such authority was verbally given him." [4]

2. The law specifically requires that "juridical persons may compromise only in the form and with the requisites which may be necessary to alienate their property." [5] Under the corporation law the power to compromise or settle claims in favor of or against the corporation is ordinarily and primarily committed to the Board of Directors. The right of the Directors "to compromise a disputed claim against the corporation rests upon their right to manage the affairs of the corporation according to their honest and informed judgment and discretion as to what is for the interests of the corporation." [6] This power may however be delegated either expressly or impliedly to other corporate officials or agents. Thus it has been stated, that as a general rule an officer or agent of the corporation has no power to compromise or settle a claim by or against the corporation, except to the extent that such power is given to him either expressly or by reasonable implication from the circumstances. [7] It is therefore necessary to ascertain whether from the relevant facts it could be reasonably concluded that the Board of Directors of the Hi Cement Corporation had authorized its lawyers to enter into the said compromise agreement.

Petitioner claim that private respondent's attorneys admitted twice in open court on January 30, 1969, that they were authorized to compromise their client's case, which fact, according to them, was never denied by the said lawyers in any of the pleadings filed by them in the case. The claim is unsupported by evidence. On the contrary, in private respondent's "Reply to Defendant Bernabe's Answer Dated November 8, 1969," said counsels categorically denied that they ever represented to the court that they were authorized to enter into a compromise. Indeed, the complete transcripts of stenographic notes taken at the proceedings on January 30, 1969 are before Us, and nowhere does it appear therein that respondent corporation's lawyers ever made such a representation. In any event, assuming arguendo that they did, such a self-serving assertion cannot properly be the basis for the conclusion that the respondent corporation had in fact authorized its lawyers to compromise the litigation.

3. Petitioners however insist that there was tacit ratification on the part of the corporation, because it nominated Mr. Larry Marquez as its commissioner pursuant to the agreement, paid his services therefor, and Atty. Florentino V. Cardenas, respondent corporation's administrative manager, not only did not object but even affixed his signature to the agreement. It is also argued that respondent corporation having represented, through its lawyers, to the court and to petitioners that said lawyers had authority to bind the corporation and having induced by such representations the petitioners to sign the compromise agreement, said respondent is now estopped from questioning the same.

The infirmity of these arguments is in their assumption that Atty. Cardenas as administrative manager had authority to bind the corporation or to compromise the case. Whatever authority the officers or agents of a corporation may have is derived from the board of directors, or other governing body, unless conferred by the charter of the corporation. A corporate officer's power as an agent of the corporation must therefore be sought

from the statute, the charter, the by-laws, or in a delegation of authority to such officer, from the acts of the board of directors, formally expressed or implied from a habit or custom of doing business.[8] In the case at bar no provision of the charter and by-laws of the corporation or any resolution or any other act of the board of directors of Hi Cement Corporation has been cited, from which We could reasonably infer that the administrative manager had been granted expressly or impliedly the power to bind the corporation or the authority to compromise the case. Absent such authority to enter into the compromise, the signature of Atty. Cardenas on the agreement would be legally ineffectual.

4. As regards the nomination of Mr. Marquez as commissioner, counsel for respondent corporation has explained — and this had not been disproven — that Atty. Cardenas, apparently on his own, submitted the same to the court. There is no iota of proof that at the time of the submission to the Court, on February 26, 1969, of the name of Mr. Marquez, respondent corporation knew of the contents of the compromise agreement. As a matter of fact, according to the manifestation of Atty. Ventura to the court, it was only on September 1, 1969 that he sent to Mr. Antonio Diokno, Vice-President of the corporation, a copy of the compromise agreement for the approval by the board of directors and on October 22, 1969, Mr. Diokno informed him that the approval of the Board cannot be obtained, as under the agreement the corporation is deprived of its right to appeal from the judgment.

In the absence of any proof that the governing body of respondent corporation had knowledge, either actual or constructive, of the contents of the compromise agreement before September 1, 1969, why should the nomination of Mr. Marquez as commissioner, by Attys. Ventura, Cardenas and Magpantay, on February 26, 1969, be considered as a form of tacit ratification of the compromise agreement by the corporation? In order to ratify the unauthorized act of an agent and make it binding on the corporation, it must be shown that the governing body or officer authorized to ratify had full and complete knowledge of all the material facts connected with the transaction to which it relates.[9] It cannot be assumed also that Atty. Cardenas, as administrative manager of the corporation, had authority to ratify. For ratification can never be made "on the part of the corporation by the same persons who wrongfully assume the power to make the contract, but the ratification must be by the officer or governing body having authority to make such contract and, as we have seen, must be with full knowledge." [10]

5. Equally inapposite is petitioners' invocation of the principle of estoppel. In the case at bar, except those made by Attys. Ventura, Cardenas and Magpantay, petitioners have not demonstrated any act or declaration of the corporation amounting to false representation or concealment of material facts calculated to mislead said petitioners. The acts or conduct for which the corporation may be liable under the doctrine of estoppel must be those of the corporation, its governing body or authorized officers, and not those of the purported agent who is himself responsible for the misrepresentation.[11]

It having been found by the trial court that "the counsel for the plaintiff entered into the compromise agreement without the written authority of his client and the latter did not ratify, on the contrary it repudiated and disowned the same ***," [12] We therefore declare that the orders of the court a quo subject of these two petitions, have not been issued in excess of its jurisdictional authority or in grave abuse of its discretion.

WHEREFORE, the petitions in these two cases are hereby dismissed. Costs against the petitioners.

Makalintal, Acting C.J., Ruiz Castro, Teehankee, Barredo, Makasiar, and Esguerra, JJ., concur.

Zaldivar, J., is on leave.

Fernando, J., did not take part.

[1] Article 1878 [3], Civil Code.

[2] Rule 138, Section 23, Rules of Court.

[3] Ibid.

[4] Home Insurance Company v. United States Lines Co., et al., L-25593, November 15, 1967, 21 SCRA 863, 866.

[5] Article 2033, New Civil Code.

[6] 2 Fletcher, Cyclopedia Corporations, 572, 1969 Revised Volume.

[7] Golden West Credit & Adjustment Co. v. Wilson, 7 P. 2d. 345, 119 Cal. App. 627.

Celeste Sugar Co. v. Dunbar-Dukate Co., 107 So. 493, 160 La. 694.

Massachusetts Hospital Life Ins. Co. v. Nesson, 190 N.E. 31, 286 Mass. 216.

Garland Corp. v. Waterloo Loan & Trust Co., 170 N.W. 373, 185 Iowa 190.

Wheatland Tube Co. v. McDowell & Co., 176 A. 217, 317 Pa. 295.

Victoria Park Co. v. Continental Ins. Co. of New York, 178 P. 724, 39 Cal, App. 347.

[8] Board of Liquidators, v. Kalaw, L-18805, Aug. 14, 1967, 20 SCRA 987.

2 Fletcher, Cyclopedia Corporations, footnote 70, 301, 1969 Revised Volume:

"A corporation is bound by the act of an officer or agent only to the extent that the power to do the act has been conferred upon him expressly by the charter, bylaws or action of the stockholders or directors, or can" be implied from powers expressly conferred, or which are incidental thereto, or where the act is within the apparent powers which the corporation has caused third persons to believe it has conferred upon the officer or agent. Erie R. Co. v. S.J. Groves & Sons Co., 114 NJL 216, 176 A. 377."

[9] "In order to ratify the unauthorized act of an agent and make it effectual and obligatory upon the principal, the general rule is that the ratification must be made by the principal with a full and complete knowledge of all the material facts connected with the transaction to which it relates; and this rule applies, of course, to ratification by a corporation of an unauthorized contract or other act by its officers or agents, whether the ratification is by the stockholders or by the directors, or by a subordinate officer having authority to ratify." (2 Fletcher, Cyclopedia Corporations, 1049-1052, 1969 Revised Volume).

[10] "Ratification can never be made on the part of the corporation by the same persons who wrongfully assume the power to make the contract, but the ratification must be by the officer or governing body having authority to make such contract and, as we have seen, must be with full knowledge. Accordingly, a corporate officer or agent cannot ratify an unauthorized act or contract done or entered into by himself so as to bind the corporation. In other words, one who makes an unauthorized contract has no more right to ratify it than he has to make it. Thus directors cannot ratify their own unauthorized acts; even though they constitute a majority of the directors or of the stockholders, and a board of directors, the majority of which were the members of a preceding board which authorized or entered into an illegal contract, cannot ratify it, since this would be in effect a ratification of one's own act." (2 Fletcher, Cyclopedia Corporations, 1067-1069, 1969 Revised Volume.)

[11] Dr. Beck & Co. v. General Elec. Co., 210 F Suppl. 86 Grummit v. Sturgeon Bay Winter Sports Club, 197 F Supp. 455. Mannion v. Campbell Soup Co., 243 Cal App 2d 317, 52 Cal Rpts 2 & 6. Spencer Concrete Products Co. v. City of Spencer, 116 NW 2d 455.

[12] Order of May 18, 1970.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.