

**INTERNATIONAL EXPRESS TRAVEL & TOUR SERVICES, INC.,
PETITIONER, VS. HON. COURT OF APPEALS, HENRI KAHN,
PHILIPPINE FOOTBALL FEDERATION, RESPONDENTS. D E C I S I O N**

G.R. No. 119020. October 19, 2000

Ponente: KAPUNAN, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-119020/>

KAPUNAN, J.:

On June 30 1989, petitioner International Express Travel and Tour Services, Inc., through its managing director, wrote a letter to the Philippine Football Federation (Federation), through its president private respondent Henri Kahn, wherein the former offered its services as a travel agency to the latter.[1] The offer was accepted.

Petitioner secured the airline tickets for the trips of the athletes and officials of the Federation to the South East Asian Games in Kuala Lumpur as well as various other trips to the People's Republic of China and Brisbane. The total cost of the tickets amounted to P449,654.83. For the tickets received, the Federation made two partial payments, both in September of 1989, in the total amount of P176,467.50.[2]

On 4 October 1989, petitioner wrote the Federation, through the private respondent a demand letter requesting for the amount of P265,894.33.[3] On 30 October 1989, the Federation, through the Project Gintong Alay, paid the amount of P31,603.00.[4]

On 27 December 1989, Henri Kahn issued a personal check in the amount of P50,000 as partial payment for the outstanding balance of the Federation.[5] Thereafter, no further payments were made despite repeated demands.

This prompted petitioner to file a civil case before the Regional Trial Court of Manila. Petitioner sued Henri Kahn in his personal capacity and as President of the Federation and impleaded the Federation as an alternative defendant. Petitioner sought to hold Henri Kahn liable for the unpaid balance for the tickets purchased by the Federation on the ground that Henri Kahn allegedly guaranteed the said obligation.[6]

Henri Kahn filed his answer with counterclaim. While not denying the allegation that the Federation owed the amount P207,524.20, representing the unpaid balance for the plane tickets, he averred that the petitioner has no cause of action against him either in his personal capacity or in his official capacity as president of the Federation. He maintained that he did not guarantee payment but merely acted as an agent of the Federation which has a separate and distinct juridical personality.[7]

On the other hand, the Federation failed to file its answer, hence, was declared in default by the trial court.[8]

In due course, the trial court rendered judgment and ruled in favor of the petitioner and declared Henri Kahn personally liable for the unpaid obligation of the Federation. In arriving at the said ruling, the trial court rationalized:

Defendant Henri Kahn would have been correct in his contentions had it been duly established that defendant Federation is a corporation. The trouble, however, is that neither the plaintiff nor the defendant Henri Kahn has

adduced any evidence proving the corporate existence of the defendant Federation. In paragraph 2 of its complaint, plaintiff asserted that "Defendant Philippine Football Federation is a sports association xxx."

This has not been denied by defendant Henri Kahn in his Answer. Being the President of defendant Federation, its corporate existence is within the personal knowledge of defendant Henri Kahn. He could have easily denied specifically the assertion of the plaintiff that it is a mere sports association, if it were a domestic corporation. But he did not.

x x x

A voluntary unincorporated association, like defendant Federation has no power to enter into, or to ratify, a contract. The contract entered into by its officers or agents on behalf of such association is not binding on, or enforceable against it. The officers or agents are themselves personally liable.

x x x[9]

The dispositive portion of the trial court's decision reads:

WHEREFORE, judgment is rendered ordering defendant Henri Kahn to pay the plaintiff the principal sum of P207,524.20, plus the interest thereon at the legal rate computed from July 5, 1990, the date the complaint was filed, until the principal obligation is fully liquidated; and another sum of P15,000.00 for attorney's fees.

The complaint of the plaintiff against the Philippine Football Federation and the counterclaims of the defendant Henri Kahn are hereby dismissed.

With the costs against defendant Henri Kahn.[10]

Only Henri Kahn elevated the above decision to the Court of Appeals. On 21 December 1994, the respondent court rendered a decision reversing the trial court, the decretal portion of said decision reads:

WHEREFORE, premises considered, the judgment appealed from is hereby REVERSED and SET ASIDE and another one is rendered dismissing the complaint against defendant Henri S. Kahn.[11]

In finding for Henri Kahn, the Court of Appeals recognized the juridical existence of the Federation. It rationalized that since petitioner failed to prove that Henri Kahn guaranteed the obligation of the Federation, he should not be held liable for the same as said entity has a separate and distinct personality from its officers.

Petitioner filed a motion for reconsideration and as an alternative prayer pleaded that the Federation be held liable for the unpaid obligation. The same was denied by the appellate court in its resolution of 8 February 1995, where it stated that:

As to the alternative prayer for the Modification of the Decision by expressly declaring in the dispositive portion thereof the Philippine Football Federation (PFF) as liable for the unpaid obligation, it should be remembered that the trial court dismissed the complaint against the Philippine Football Federation, and the plaintiff did not appeal from this decision. Hence, the Philippine Football Federation is not a party to this appeal and consequently, no judgment may be pronounced by this Court against the PFF without violating the due process clause, let alone the fact that the judgment dismissing the complaint against it, had already become final by virtue of the plaintiff's failure to appeal therefrom. The alternative prayer is therefore similarly DENIED.[12]

Petitioner now seeks recourse to this Court and alleges that the respondent court committed the following assigned errors:[13]

A. THE HONORABLE COURT OF APPEALS ERRED IN HOLDING THAT PETITIONER HAD DEALT

WITH THE PHILIPPINE FOOTBALL FEDERATION (PFF) AS A CORPORATE ENTITY AND IN NOT HOLDING THAT PRIVATE RESPONDENT HENRI KAHN WAS THE ONE WHO REPRESENTED THE PFF AS HAVING A CORPORATE PERSONALITY.

B. THE HONORABLE COURT OF APPEALS ERRED IN NOT HOLDING PRIVATE RESPONDENT HENRI KAHN PERSONALLY LIABLE FOR THE OBLIGATION OF THE UNINCORPORATED PFF, HAVING NEGOTIATED WITH PETITIONER AND CONTRACTED THE OBLIGATION IN BEHALF OF THE PFF, MADE A PARTIAL PAYMENT AND ASSURED PETITIONER OF FULLY SETTling THE OBLIGATION.

C. ASSUMING ARGUENDO THAT PRIVATE RESPONDENT KAHN IS NOT PERSONALLY LIABLE, THE HONORABLE COURT OF APPEALS ERRED IN NOT EXPRESSLY DECLARING IN ITS DECISION THAT THE PFF IS SOLELY LIABLE FOR THE OBLIGATION.

The resolution of the case at bar hinges on the determination of the existence of the Philippine Football Federation as a juridical person. In the assailed decision, the appellate court recognized the existence of the Federation. In support of this, the CA cited Republic Act 3135, otherwise known as the Revised Charter of the Philippine Amateur Athletic Federation, and Presidential Decree No. 604 as the laws from which said Federation derives its existence.

As correctly observed by the appellate court, both R.A. 3135 and P.D. No. 604 recognized the juridical existence of national sports associations. This may be gleaned from the powers and functions granted to these associations. Section 14 of R.A. 3135 provides:

SEC. 14. Functions, powers and duties of Associations. - The National Sports' Association shall have the following functions, powers and duties:

- To adopt a constitution and by-laws for their internal organization and government;
- To raise funds by donations, benefits, and other means for their purposes.
- To purchase, sell, lease or otherwise encumber property both real and personal, for the accomplishment of their purpose;
- To affiliate with international or regional sports' Associations after due consultation with the executive committee;

x x x

- To perform such other acts as may be necessary for the proper accomplishment of their purposes and not inconsistent with this Act.

Section 8 of P.D. 604, grants similar functions to these sports associations:

SEC. 8. Functions, Powers, and Duties of National Sports Association. - The National sports associations shall have the following functions, powers, and duties:

- Adopt a Constitution and By-Laws for their internal organization and government which shall be submitted to the Department and any amendment thereto shall take effect upon approval by the Department: Provided, however, That no team, school, club, organization, or entity shall be admitted as a voting member of an association unless 60 per cent of the athletes composing said team, school, club, organization, or entity are Filipino citizens;
- Raise funds by donations, benefits, and other means for their purpose subject to the approval of the Department;

- Purchase, sell, lease, or otherwise encumber property, both real and personal, for the accomplishment of their purpose;
- Conduct local, interport, and international competitions, other than the Olympic and Asian Games, for the promotion of their sport;
- Affiliate with international or regional sports associations after due consultation with the Department;

x x x

- Perform such other functions as may be provided by law.

The above powers and functions granted to national sports associations clearly indicate that these entities may acquire a juridical personality. The power to purchase, sell, lease and encumber property are acts which may only be done by persons, whether natural or artificial, with juridical capacity. However, while we agree with the appellate court that national sports associations may be accorded corporate status, such does not automatically take place by the mere passage of these laws.

It is a basic postulate that before a corporation may acquire juridical personality, the State must give its consent either in the form of a special law or a general enabling act. We cannot agree with the view of the appellate court and the private respondent that the Philippine Football Federation came into existence upon the passage of these laws. Nowhere can it be found in R.A. 3135 or P.D. 604 any provision creating the Philippine Football Federation. These laws merely recognized the existence of national sports associations and provided the manner by which these entities may acquire juridical personality. Section 11 of R.A. 3135 provides:

SEC. 11. National Sports' Association; organization and recognition. - A National Association shall be organized for each individual sports in the Philippines in the manner hereinafter provided to constitute the Philippine Amateur Athletic Federation. Applications for recognition as a National Sports' Association shall be filed with the executive committee together with, among others, a copy of the constitution and by-laws and a list of the members of the proposed association, and a filing fee of ten pesos.

The Executive Committee shall give the recognition applied for if it is satisfied that said association will promote the purposes of this Act and particularly section three thereof. No application shall be held pending for more than three months after the filing thereof without any action having been taken thereon by the executive committee. Should the application be rejected, the reasons for such rejection shall be clearly stated in a written communication to the applicant. Failure to specify the reasons for the rejection shall not affect the application which shall be considered as unacted upon: Provided, however, That until the executive committee herein provided shall have been formed, applications for recognition shall be passed upon by the duly elected members of the present executive committee of the Philippine Amateur Athletic Federation. The said executive committee shall be dissolved upon the organization of the executive committee herein provided: Provided, further, That the functioning executive committee is charged with the responsibility of seeing to it that the National Sports' Associations are formed and organized within six months from and after the passage of this Act.

Section 7 of P.D. 604, similarly provides:

SEC. 7. National Sports Associations. - Application for accreditation or recognition as a national sports association for each individual sport in the Philippines shall be filed with the Department together with, among others, a copy of the Constitution and By-Laws and a list of the members of the proposed association.

The Department shall give the recognition applied for if it is satisfied that the national sports association to be organized will promote the objectives of this Decree and has substantially complied with the rules and regulations of the Department: Provided, That the Department may withdraw accreditation or recognition for

violation of this Decree and such rules and regulations formulated by it.

The Department shall supervise the national sports association: Provided, That the latter shall have exclusive technical control over the development and promotion of the particular sport for which they are organized.

Clearly the above cited provisions require that before an entity may be considered as a national sports association, such entity must be recognized by the accrediting organization, the Philippine Amateur Athletic Federation under R.A. 3135, and the Department of Youth and Sports Development under P.D. 604. This fact of recognition, however, Henri Kahn failed to substantiate. In attempting to prove the juridical existence of the Federation, Henri Kahn attached to his motion for reconsideration before the trial court a copy of the constitution and by-laws of the Philippine Football Federation. Unfortunately, the same does not prove that said Federation has indeed been recognized and accredited by either the Philippine Amateur Athletic Federation or the Department of Youth and Sports Development. Accordingly, we rule that the Philippine Football Federation is not a national sports association within the purview of the aforementioned laws and does not have corporate existence of its own.

Thus being said, it follows that private respondent Henry Kahn should be held liable for the unpaid obligations of the unincorporated Philippine Football Federation. It is a settled principal in corporation law that any person acting or purporting to act on behalf of a corporation which has no valid existence assumes such privileges and becomes personally liable for contract entered into or for other acts performed as such agent.[14] As president of the Federation, Henri Kahn is presumed to have known about the corporate existence or non-existence of the Federation. We cannot subscribe to the position taken by the appellate court that even assuming that the Federation was defectively incorporated, the petitioner cannot deny the corporate existence of the Federation because it had contracted and dealt with the Federation in such a manner as to recognize and in effect admit its existence.[15] The doctrine of corporation by estoppel is mistakenly applied by the respondent court to the petitioner. The application of the doctrine applies to a third party only when he tries to escape liability on a contract from which he has benefited on the irrelevant ground of defective incorporation.[16] In the case at bar, the petitioner is not trying to escape liability from the contract but rather is the one claiming from the contract.

WHEREFORE, the decision appealed from is REVERSED and SET ASIDE. The decision of the Regional Trial Court of Manila, Branch 35, in Civil Case No. 90-53595 is hereby REINSTATED.

SO ORDERED.

Davide, Jr., C.J., (Chairman), Puno, Pardo, and Ynares-Santiago, JJ., concur.

[1] Records, p. 10

[2] Id., at 12-13.

[3] Id., at 14.

[4] Id., at 15.

[5] Id., at 18.

[6] Id., at 1-9.

[7] Id., at 29-34.

[8] Id., at 40.

[9] Rollo, pp. 195-196.

[10] Id., at 196.

[11] Id., at 48.

[12] Id., at 50.

[13] Id., at 16-17.

[14] Albert vs. University Publishing Co. Inc., 13 SCRA 84, 87 (1965) citing Salvatierra vs. Garlitos, 56 O.G. 3069.

[15] CA Decision, p. 11, Rollo, p 46.

[16] Campos, p. 107, citing Lowell-Woodward Hardware vs. Woods, et al., Partners As The Superior Leasing Company, Supreme Court of Kansas, 1919, 104 Kan. 729, 180 p. 734.

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.