

SIREDY ENTERPRISES, INC. PETITIONER, VS. HON. COURT OF APPEALS AND CONRADO DE GUZMAN, RESPONDENTS.

G.R. No. 129039. September 17, 2002

Ponente: QUISUMBING, J.

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QUISUMBING, J.:

Before us is a petition for review seeking to annul the decision[1] dated April 26, 1996 of the Court of Appeals in CA-G.R. CV No. 30374, reversing the decision of the Regional Trial Court of Malolos, Bulacan, and the resolution[2] dated April 22, 1997, denying petitioner's motion for reconsideration.

The following are the facts as found by the Court of Appeals,[3] undisputed by the parties and adopted by petitioner:[4]

Private respondent Conrado De Guzman is an architect-contractor doing business under the name and style of Jigscon Construction. Herein petitioner Siredy Enterprises, Inc. (hereafter Siredy) is the owner and developer of Ysmael Village, a subdivision in Sta. Cruz, Marilao, Bulacan.[5] The president of Siredy is Ismael E. Yanga.[6]

As stated in its Articles of Incorporation,[7] the primary corporate purpose of Siredy is to acquire lands, subdivide and develop them, erect buildings and houses thereon, and sell, lease or otherwise dispose of said properties to interested buyers.[8]

Sometime before October 1978, Yanga executed an undated Letter of Authority,[9] hereunder reproduced verbatim:

KNOW ALL MEN BY THESE PRESENTS:

That I, DR. ISMAEL E. YANGA, SR., of legal age, Filipino, married, resident of and with Postal address at Poblacion, Bocaue, Bulacan and duly authorized to execute this LETTER OF AUTHORITY, do hereby authorize MR. HERMOGENES B. SANTOS of legal age, Filipino, married, resident of and with Postal Address at 955 Banawe St., Quezon City to do and execute all or any of the following acts:

1. To negotiate and enter into contract or contracts to build Housing Units on our subdivision lots in Ysmael Village, Sta. Rosa, Marilao, Bulacan. However, all proceeds from said contract or contracts shall be deposited in my name, payments of all obligation in connection with the said contract or contracts should be made and the remainder will be paid to MR. HERMOGENES B. SANTOS.
2. To sell lots on our subdivisions and;
3. To represent us, intercede and agree for or make agreements for all payments in our favor, provided that actual receipts thereof shall be made by the undersigned.

(SGD) DR. ISMAEL E. YANGA, SR.

For myself and in my capacity as President

of SIREDY ENTERPRISE, INCORPORATED

PRINCIPAL

On October 15, 1978, Santos entered into a Deed of Agreement[10] with De Guzman. The deed expressly stated that Santos was “representing Siredy Enterprises, Inc.” Private respondent was referred to as “contractor” while petitioner Siredy was cited as “principal”.

In said Deed of Agreement we find the following stipulations:

- 1.) That, the PRINCIPAL has contracts with different SSS members employed with different domestic entities to build for them 2-bedroom single housing units and 4-bedroom duplex housing units;
- 2.) That, the site of the said housing project is at YSMAEL VILLAGE, Bo. Sta. Rosa, Marilao, Bulacan owned and developed by SIREDY ENTERPRISES and Mr. Ismael E. Yanga, Sr.;
- 3.) That, the PRINCIPAL has contracted to build the said units at the amount of FORTY FIVE THOUSAND (P45,000.00) PESOS for the 2-bedroom single and SIXTY NINE THOUSAND (P69,000.00) PESOS, Philippine Currency for the duplex residences;
- 4.) That, the CONTRACTOR intends to build for the PRINCIPAL eighty (80) units singles and eighteen (18) units duplex residences at the cost above mentioned or a lump sum total of FOUR MILLION, EIGHT HUNDRED FORTY TWO THOUSAND (P4,842,000.00) PESOS, Philippine Currency;
- 5.) That, the CONTRACTOR agrees to supply all Construction Materials, labor, tools and equipments necessary for the completion of the said housing units;
- 6.) That, the PRINCIPAL agrees to pay all necessary permits and papers in accordance with Government rules and regulations;
- 7.) That, the PRINCIPAL agrees to supply water and electrical facilities needed during the time of construction;
- 8.) That, the manner of payment shall be in accordance with SSS releases. Should the SSS fail to pay the PRINCIPAL, the PRINCIPAL is still in obligation to pay the CONTRACTOR for whatever accomplishments the CONTRACTOR have finished provided, that the failure of the SSS to pay is not due to defective work of the CONTRACTOR;
- 9.) That, the CONTRACTOR promises to finish the project at the rate of TEN (10) units in THIRTY (30) days or a total of THREE HUNDRED (300) working days;
- 10.) That, the integral part of this CONTRACT are:
 - a. Plans and Specifications
 - b. Subdivision Plan indicating the Lot location of each unit
 - c. Authority of the National Housing Authority;
- 11.) That, the CONTRACTOR agree[s] to start work on the housing units thirty (30) days after signing of this CONTRACT.

NOW THEREFORE, for and in consideration of the amount of FOUR MILLION, EIGHT HUNDRED FORTY TWO THOUSAND (P4,842,000.00) PESOS, Philippine Currency, the PARTIES agree and herein set their hands on the date and place above-mentioned.

X X X

From October 1978 to April 1990, De Guzman constructed 26 residential units at Ysmael Village. Thirteen (13) of these were fully paid but the other 13 remained unpaid. The total contractual price of these 13 unpaid houses is P412,154.93 which was verified and confirmed to be correct by Santos, per an Accomplishment Billing[11] that the latter signed.

De Guzman tried but failed to collect the unpaid account from petitioner. Thus, he instituted the action below for specific performance against Siredy, Yanga, and Santos who all denied liability.

During the trial, Santos disappeared and his whereabouts remain unknown.

In its defense, petitioner presented testimonial evidence to the effect that Siredy had no contract with De Guzman and had not authorized Santos to enter into a contract with anyone for the construction of housing units at Ysmael Village.

The trial court agreed with petitioner based on the doctrine of privity of contract and gave the following rationale:[12]

The Deed of Agreement (Exh. A and A-1) clearly reflects that the said contract was entered into by and between plaintiff De Guzman, on one hand, and defendant Hermogenes B. Santos as purported authorized representative of defendant Siredy Enterprises, on the other. Plainly and clearly enough, defendants Siredy Enterprises and Ismael Yanga, Sr. were neither parties nor signatories to the same. It does not bear any legal significance that Dr. Yanga appears to have signed the Letter of Authority (Exh. B) designating defendant Santos as the authorized representative “for myself and as president of the Siredy Enterprises, Inc.” For the evidentiary fact remains that Siredy Enterprises and Dr. Yanga had absolutely had nothing to do with the fulfillment of the terms and conditions stipulated in the Deed of Agreement, much less had they benefited in any perceptible degree therefrom.

In the light of the foregoing circumstances, Siredy Enterprises and Dr. Yanga cannot be held liable in favor of the plaintiff in any manner whatsoever respecting the unpaid residential units constructed by the plaintiff. This is as it should be, because “contracts take effect only between the parties, their assigns and heirs,” except only in the cases provided for by law. (Art. 1311, Civil Code of the Philippines). Not one of the exceptions obtains in this case.[13]

Thus, the trial court disposed of the case as follows:

WHEREFORE, premises considered, judgment is hereby rendered:

a) directing defendant Hermogenes B. Santos to pay unto plaintiff Conrado de Guzman the amount of P412,154.93 as actual damages with legal interest thereon from the filing of the complaint on July 29, 1982 until the same shall have been fully paid, and P25,000.00 as attorney’s fees, plus costs;

b) dismissing the above-entitled case as against defendants Siredy Enterprises, Inc. and Dr. Ismael Yanga, Sr.

SO ORDERED.[14]

On appeal, De Guzman obtained a favorable judgment from the Court of Appeals. The appellate court held that the Letter of Authority duly signed by Yanga clearly constituted Santos as Siredy’s agent,[15] whose authority included entering into a contract for the building of housing units at Ysmael Village. Consequently, Siredy cannot deny liability for the Deed of Agreement with private respondent De Guzman, since the same contract was entered into by Siredy’s duly designated agent, Santos. There was no need for Yanga himself to be a signatory to the contract, for him and Siredy to be bound by the terms thereof.

Hence, the Court of Appeals held:

WHEREFORE, We find merit in the appeal and We hereby REVERSE the appealed Decision. In its stead, we render the following verdict: Appellee Siredy Enterprises, Inc. is ordered to pay appellant Conrado de Guzman cost (sic) and P412,154.93 as actual damage plus legal interest thereon from the filing of the Complaint on July 29, 1982 until full payment thereof. All other claims and counterclaims are dismissed.

SO ORDERED.[16]

Petitioner Siredy Enterprises, Inc. now comes to us via a petition for review on certiorari[17] under Rule 45 of the Rules of Court, on the following grounds:

I. RESPONDENT COURT ERRED IN HOLDING THAT A VALID AGENCY WAS CONSTITUTED DESPITE THE FACT THAT PETITIONER WAS NOT INVOLVED IN THE CONSTRUCTION BUSINESS;

II. RESPONDENT COURT ERRED IN FAILING TO CONSIDER A VITAL PROVISION IN THE DEED OF AGREEMENT (PAR. 8), WHEN IT RENDERED ITS DECISION; and

III. RESPONDENT COURT ERRED IN FAILING TO CONSIDER THAT PRIVATE RESPONDENT WAS NOT ENTITLED TO HIS CLAIM AS HE WAS THE PARTY WHO VIOLATED THE CONTRACT.[18]

We find two main issues presented for resolution: First, whether or not Hermogenes B. Santos was a duly constituted agent of Siredy, with authority to enter into contracts for the construction of residential units in Ysmael Village and thus the capacity to bind Siredy to the Deed of Agreement; and Second, assuming arguendo that Siredy was bound by the acts of Santos, whether or not under the terms of the Deed of Agreement, Siredy can be held liable for the amount sought to be collected by private respondent De Guzman.

By the relationship of agency, one party called the principal authorizes another called the agent to act for and in his behalf in transactions with third persons. The authority of the agent to act emanates from the powers granted to him by his principal; his act is the act of the principal if done within the scope of the authority. "He who acts through another acts himself." [19]

Was Santos then an agent of Siredy? Was he acting within the scope of his authority?

Resolution of the first issue necessitates a review of the Letter of Authority executed by Ismael E. Yanga as president of Siredy in favor of Santos. Within its terms can be found the nature and extent of the authority granted to Santos which, in turn, determines the extent of Siredy's participation in the Deed of Agreement.

On its face, the instrument executed by Yanga clearly and unequivocally constituted Santos "to do and execute", among other things, the act of negotiating and entering into "contract or contracts to build Housing Units on our subdivision lots in Ysmael Village, Sta. Rosa, Marilao, Bulacan." [20] Nothing could be more express than the written stipulations contained therein.

It was upon the authority of this document that De Guzman transacted business with Santos that resulted in the construction contract denominated as the Deed of Agreement.

However, petitioner denies any liability by stating that: (1) the nature of Siredy's business did not involve the construction of housing units since it was merely engaged in the selling of empty lots; (2) the Letter of Authority is defective, and hence needed reformation; (3) Santos' entering into the Deed of Agreement was invalid because the same was in excess of his authority; and (4) there is now implied revocation of such Letter of Authority.

Testifying on the nature of the business and the business practices of Siredy, its owner Yanga testified [21] that Siredy was interested only in the sale of lots. It was up to the buyers, as owners, to construct their houses in the particular style they prefer. It was allegedly never the practice of the company to sell lots with houses already

erected thereon. On the basis of the foregoing testimony, petitioner states that “despite the letter of authority, it is quite certain that such provision would go against the nature of the business of Siredy as the same has absolutely no capability of undertaking such a task as constructing houses.”

However, the self-serving contention of petitioner cannot stand against the documentary evidence clearly showing the company’s liability to De Guzman. As we stated in the case of *Cuizon vs. Court of Appeals*:^[22]

...As it is, the mere denial of petitioner cannot outweigh the strength of the documentary evidence presented by and the positive testimony of private respondents. As a jurist once said, “I would sooner trust the smallest slip of paper for truth than the strongest and most retentive memory ever bestowed on mortal man.”^[23]

Aside from the Letter of Authority, Siredy’s Articles of Incorporation, duly approved by the Securities and Exchange Commission, shows that Siredy may also undertake to erect buildings and houses on the lots and sell, lease, or otherwise dispose of said properties to interested buyers.^[24] Such Articles, coupled with the Letter of Authority, is sufficient to have given De Guzman reason to believe that Santos was duly authorized to represent Siredy for the purpose stated in the Deed of Agreement. Petitioner’s theory that it merely sold lots is effectively debunked.

Thus, it was error for the trial court to have ignored the Letter of Authority. As correctly held by the Court of Appeals:

There is absolutely no question that the Letter of Authority (Exhibit B) executed by appellee Yanga constituted defendant Santos as his and appellee Siredy’s agent. As agent, he was empowered inter alia to enter into a contract to build housing units in the Ysmael Village. This was in furtherance of appellees’ business of developing and subdividing lands, erecting houses thereon, and selling them to the public.

x x x ^[25]

We find that a valid agency was created between Siredy and Santos, and the authority conferred upon the latter includes the power to enter into a construction contract to build houses such as the Deed of Agreement between Santos and De Guzman’s Jigscon Construction. Hence, the inescapable conclusion is that Siredy is bound by the contract through the representation of its agent Santos.

The basis of agency is representation, that is, the agent acts for and in behalf of the principal on matters within the scope of his authority (Art. 1881) and said acts have the same legal effect as if they were personally done by the principal. By this legal fiction of representation, the actual or legal absence of the principal is converted into his legal or juridical presence.^[26]

Moreover, even if *arguendo* Santos’ mandate was only to sell subdivision lots as Siredy asserts, the latter is still bound to pay De Guzman. De Guzman is considered a third party to the agency agreement who had no knowledge of the specific instructions or agreements between Siredy and its agent. What De Guzman only saw was the written Letter of Authority where Santos appears to be duly authorized. Article 1900 of the Civil Code provides:

Art. 1900. So far as third persons are concerned, an act is deemed to have been performed within the scope of the agent’s authority, if such act is within the terms of the power of attorney, as written, even if the agent has in fact exceeded the limits of his authority according to an understanding between the principal and the agent.

The scope of the agent’s authority is what appears in the written terms of the power of attorney. While third persons are bound to inquire into the extent or scope of the agent’s authority, they are not required to go beyond the terms of the written power of attorney. Third persons cannot be adversely affected by an understanding between the principal and his agent as to the limits of the latter’s authority. In the same way, third persons need not concern themselves with instructions given by the principal to his agent outside of the written power of

attorney.

The essence of agency being the representation of another, it is evident that the obligations contracted are for and on behalf of the principal. This is what gives rise to the juridical relation. A consequence of this representation is the liability of the principal for the acts of his agent performed within the limits of his authority that is equivalent to the performance by the principal himself who should answer therefor.[27]

Petitioner belatedly asserts, however, that the Letter of Authority was defective as it allegedly failed to reduce into writing the real intentions of the parties, and insists on its reformation.

Such an argument deserves scant consideration. As found by the Court of Appeals, being a doctor of medicine and a businessman, Yanga knew the meaning and import of this document and had in fact admitted having signed it. As aptly observed by the Court of Appeals, there is no evidence that ante litem, he abrogated the Letter of Authority and withdrew the power conferred on Santos.

Siredy's contention that the present case is in effect a revocation of the Letter of Authority also deserves scant consideration. This is a patently erroneous claim considering that it was, in fact, private respondent De Guzman who instituted the civil case before the RTC.

With regard to the second issue put forth by petitioner, this Court notes that this issue is being raised for the first time on appeal. From the trial in the RTC to the appeal before the Court of Appeals, the alleged violation of the Deed of Agreement by Conrado de Guzman was never put in issue. Heretofore, the substance of petitioner's defense before the courts a quo consisted of its denial of any liability under the Deed of Agreement.

As we held in the case of *Safic Alcan & Cie vs. Imperial Vegetable Oil Co., Inc.*: [28]

It must be borne in mind that a question that was never raised in the courts below cannot be allowed to be raised for the first time on appeal without offending basic rules of fair play, justice and due process. Such an issue was not brought to the fore either in the trial court or the appellate court, and would have been disregarded by the latter tribunal for the reasons previously stated. With more reason, the same does not deserve consideration by this Court.[29]

WHEREFORE, this petition is DENIED for lack of merit. The Decision of the Court of Appeals dated April 26, 1996, in CA-G.R. CV No. 30374, is hereby AFFIRMED. Petitioner Siredy Enterprises, Inc. is ordered to pay Conrado de Guzman actual damages in the amount of P412,154.93, with legal interest thereon from the time the case was filed until its full payment. Costs against petitioner.

SO ORDERED.

Bellosillo, (Chairman), Mendoza, Austria-Martinez, and Callejo, Sr., JJ., concur.

[1] Rollo, pp. 32-40.

[2] Id. at 42.

[3] Id. at 33-37.

[4] Id. at 12-16.

[5] The name of the subdivision is also spelled as "Ismael" in other parts of the records, Rollo, pp. 12 & 33. The location is sometimes indicated as "Sta. Rosa," Marilao, Bulacan, Records, p. 146.

[6] He died on June 21, 1993 while the case was pending appeal before the Court of Appeals per Certificate of

Death, CA Rollo, p. 131.

[7] Folder of Exhibits, pp. 2-6, Exhibit “1-A” – “1-E”.

[8] Id. at 2, Exhibit “E” – part 2, Exhibit “1-A”; The entire paragraph reads:

(a) To acquire by purchase, lease or otherwise, lands and interest in lands, and to own, hold and improve, develop, manage and subdivide any real estate so acquired and to erect or cause to be erected on any lands owned, held or occupied by the corporation, buildings, houses and other structures with their appurtenances and to sell, lease or otherwise dispose of any lands or interests in lands and buildings, houses, other structures and other improvements at any time owned or controlled by the corporation.

[9] Records, p. 146, Exhibit “B”.

[10] Id. at 6-7.

[11] Id. at 147, Exhibit “C.”

[12] CA Rollo, pp. 79-88.

[13] Id. at 86.

[14] Id. at 88.

[15] Rollo, p. 38.

[16] Id. at 40.

[17] Id. at 9-27.

[18] Id. at 16.

[19] Rallos vs. Felix Go Chan & Sons Realty Corporation, 81 SCRA 251, 259 (1978).

[20] Emphasis supplied.

[21] TSN, December 3, 1984, p. 3.

[22] 260 SCRA 645, 668-669 (1996).

[23] Ibid, citing June Limpkin of Georgia in Miller vs. Cotten, 5 Ga. 341, 349 (cited in R.J. Francisco, Evidence, 1993 Ed., Footnote 65, p. 563).

[24] Folder of Exhibits, pp. 2-6, Exhibit “1-A” – “1-E”.

[25] Rollo, p. 38.

[26] A. Padilla, AGENCY TEXT AND CASES (1986 ed.), p. 2.

[27] Padilla, op. cit., p. 150.

[28] 355 SCRA 559 (2001).

[29] Id. at 569.

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