

CARLOS SANCHEZ, PETITIONER, VS. MEDICARD PHILIPPINES, INC., DR. NICANOR MONTOYA AND CARLOS EJERCITO, RESPONDENTS.

G.R. No. 141525. September 02, 2005

Ponente: SANDOVAL-GUTIERREZ, J.

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SANDOVAL-GUTIERREZ, J.

This petition for review on certiorari seeks to reverse the Decision[1] of the Court of Appeals dated February 24, 1999 and its Resolution dated January 12, 2000 in CA-G.R. CV No. 47681.

The facts, as established by the trial court and affirmed by the Court of Appeals, follow:

Sometime in 1987, Medicard Philippines, Inc. (Medicard), respondent, appointed petitioner as its special corporate agent. As such agent, Medicard gave him a commission based on the "cash brought in."

In September, 1988, through petitioner's efforts, Medicard and United Laboratories Group of Companies (Unilab) executed a Health Care Program Contract. Under this contract, Unilab shall pay Medicard a fixed monthly premium for the health insurance of its personnel. Unilab paid Medicard P4,148,005.00 representing the premium for one (1) year. Medicard then handed petitioner 18% of said amount or P746,640.90 representing his commission.

Again, through petitioner's initiative, the agency contract between Medicard and Unilab was renewed for another year, or from October 1, 1989 to September 30, 1990, incorporating therein the increase of premium from P4,148,005.00 to P7,456,896.00. Medicard paid petitioner P1,342,241.00 as his commission.

Prior to the expiration of the renewed contract, Medicard proposed to Unilab, through petitioner, an increase of the premium for the next year. Unilab rejected the proposal "for the reason that it was too high," prompting Dr. Nicanor Montoya (Medicard's president and general manager), also a respondent, to request petitioner to reduce his commission, but the latter refused.

In a letter dated October 3, 1990, Unilab, through Carlos Ejercito, another respondent, confirmed its decision not to renew the health program contract with Medicard.

Meanwhile, in order not to prejudice its personnel by the termination of their health insurance, Unilab, through respondent Ejercito, negotiated with Dr. Montoya and other officers of Medicard, to discuss ways in order to continue the insurance coverage of those personnel.

Under the new scheme, Unilab shall pay Medicard only the amount corresponding to the actual hospitalization expenses incurred by each personnel plus 15% service fee for using Medicard facilities, which amount shall not be less than P780,000.00.

Medicard did not give petitioner any commission under the new scheme.

In a letter dated March 15, 1991, petitioner demanded from Medicard payment of P338,000.00 as his commission

plus damages, but the latter refused to heed his demand.

Thus, petitioner filed with the Regional Trial Court (RTC), Branch 66, Makati City, a complaint for sum of money against Medicard, Dr. Nicanor Montoya and Carlos Ejercito, herein respondents.

After hearing, the RTC rendered its Decision dismissing petitioner's complaint and respondents' counterclaim.

On appeal, the Court of Appeals affirmed the trial court's assailed Decision. The Appellate Court held that there is no proof that the execution of the new contract between the parties under the "cost plus" system is a strategy to deprive petitioner of his commission; that Medicard did not commit any fraudulent act in revoking its agency contract with Sanchez; that when Unilab rejected Medicard's proposal for an increase of premium, their Health Care Program Contract on its third year was effectively revoked; and that where the contract is ineffectual, then the agent is not entitled to a commission.

Petitioner filed a motion for reconsideration, but this was denied by the Court of Appeals on January 12, 2000.

Hence, the instant petition for review on certiorari.

The basic issue for our resolution is whether the Court of Appeals erred in holding that the contract of agency has been revoked by Medicard, hence, petitioner is not entitled to a commission.

It is dictum that in order for an agent to be entitled to a commission, he must be the procuring cause of the sale, which simply means that the measures employed by him and the efforts he exerted must result in a sale.[2] In other words, an agent receives his commission only upon the successful conclusion of a sale.[3] Conversely, it follows that where his efforts are unsuccessful, or there was no effort on his part, he is not entitled to a commission.

In *Prats vs. Court of Appeals*,^[4] this Court held that for the purpose of equity, an agent who is not the efficient procuring cause is nonetheless entitled to his commission, where said agent, notwithstanding the expiration of his authority, nonetheless, took diligent steps to bring back together the parties, such that a sale was finalized and consummated between them. In *Manotok Borthers vs. Court of Appeals*,^[5] where the Deed of Sale was only executed after the agent's extended authority had expired, this Court, applying its ruling in *Prats*, held that the agent (in *Manotok*) is entitled to a commission since he was the efficient procuring cause of the sale, notwithstanding that the sale took place after his authority had lapsed. The proximate, close, and causal connection between the agent's efforts and the principal's sale of his property can not be ignored.

It may be recalled that through petitioner's efforts, Medicard was able to enter into a one-year Health Care Program Contract with Unilab. As a result, Medicard paid petitioner his commission. Again, through his efforts, the contract was renewed and once more, he received his commission. Before the expiration of the renewed contract, Medicard, through petitioner, proposed an increase in premium, but Unilab rejected this proposal. Medicard then requested petitioner to reduce his commission should the contract be renewed on its third year, but he was obstinate. Meantime, on October 3, 1990, Unilab informed Medicard it was no longer renewing the Health Care Program contract.

In order not to prejudice its personnel, Unilab, through respondent Ejercito, negotiated with respondent Dr. Montoya of Medicard, in order to find mutually beneficial ways of continuing the Health Care Program. The negotiations resulted in a new contract wherein Unilab shall pay Medicard the hospitalization expenses actually incurred by each employees, plus a service fee. Under the "cost plus" system which replaced the premium scheme, petitioner was not given a commission.

It is clear that since petitioner refused to reduce his commission, Medicard directly negotiated with Unilab, thus

revoking its agency contract with petitioner. We hold that such revocation is authorized by Article 1924 of the Civil Code which provides:

"Art. 1924. The agency is revoked if the principal directly manages the business entrusted to the agent, dealing directly with third persons."

Moreover, as found by the lower courts, petitioner did not render services to Medicard, his principal, to entitle him to a commission. There is no indication from the records that he exerted any effort in order that Unilab and Medicard, after the expiration of the Health Care Program Contract, can renew it for the third time. In fact, his refusal to reduce his commission constrained Medicard to negotiate directly with Unilab. We find no reason in law or in equity to rule that he is entitled to a commission. Obviously, he was not the agent or the "procuring cause" of the third Health Care Program Contract between Medicard and Unilab.

WHEREFORE, the petition is DENIED. The challenged Decision and Resolution of the Court of Appeals in CA-G.R. CV No. 47681 are AFFIRMED IN TOTO. Costs against petitioner.

SO ORDERED.

Artemio V. Panganiban (Chairman), Renato C. Corona, Conchita Carpio Morales, Cancio C. Garcia, JJ., concur.

[1]Per Associate Justice Mariano M. Umali (retired) and concurred in by Associate Justice Fermin A. Martin, Jr. (retired) and Associate Justice Romeo J. Callejo, Sr., (now a member of this Court).

[2]Damon vs. Antonio A. Brimo & Co., 42 Phil. 134, 139 (1921). See also Ramos vs. Court of Appeals, G.R. No. 25463, April 4, 1975, 63 SCRA 331.

[3] Hanh vs. Court of Appeals, G.R. No. 113074, January 22, 1997, 266 SCRA 537, 549.

[4] G.R. No. 39822, January 31, 1978, 81 SCRA 360.

[5] G.R. No. 94753, April 7, 1993, 221 SCRA 224.

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