

**BIENVENIDO R. MEDRANO AND IBAAN RURAL BANK, PETITIONERS,  
VS. COURT OF APPEALS, PACITA G. BORBON, JOSEFINA E. ANTONIO  
AND ESTELA A. FLOR, RESPONDENTS.**

*G.R. NO. 150678. February 18, 2005*

Ponente: CALLEJO, SR., J.

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**CALLEJO, SR., J.:**

This is a petition for review of the Decision[1] of the Court of Appeals (CA) affirming in toto the Decision[2] of the Regional Trial Court (RTC) of Makati City, Branch 135, in Civil Case No. 15664 which awarded to the respondents their 5% broker's commission.

The facts are as follows:

Bienvenido R. Medrano was the Vice-Chairman of Ibaan Rural Bank, a bank owned by the Medrano family. In 1986, Mr. Medrano asked Mrs. Estela Flor, a cousin-in-law, to look for a buyer of a foreclosed asset of the bank,[3] a 17-hectare mango plantation priced at P2,200,000.00, located in Ibaan, Batangas.[4]

Mr. Dominador Lee, a businessman from Makati City, was a client of respondent Mrs. Pacita G. Borbon, a licensed real estate broker. The two met through a previous transaction where Lee responded to an ad in a newspaper put up by Borbon for an 8-hectare property in Lubo, Batangas, planted with atis trees. Lee expressed that he preferred a land with mango trees instead. Borbon promised to get back to him as soon as she would be able to find a property according to his specifications.

Borbon relayed to her business associates and friends that she had a ready buyer for a mango orchard. Flor then advised her that her cousin-in-law owned a mango plantation which was up for sale. She told Flor to confer with Medrano and to give them a written authority to negotiate the sale of the property.[5] Thus, on September 3, 1986, Medrano issued the Letter of Authority, as follows:

Mrs. Pacita G. Borbon & Miss Josefina E. Antonio  
Campos Rueda Building  
Tindalo, Makati, M.M.

Mrs. Estela A. Flor & Miss Maria Yumi S. Karasig  
23 Mabini Street  
Quezon City, M.M.

Dear Mesdames:

This letter will serve as your authority\* to negotiate with any prospective buyer for the sale of a certain real estate property more specifically a mango plantation which is described more particularly therein below:

Location : Barrio Tulay-na-Patpat, Ibaan,  
Batangas

Lot Area : 17 hectares (more or less) per  
attached Appendix “A”

Improvements : 720 all fruit-bearing mango trees  
(carabao variety) and other trees

Price : P 2,200,000.00

For your labor and effort in finding a purchaser thereof, I hereby bind myself to pay you a commission of 5% of the total purchase price to be agreed upon by the buyer and seller.

Very truly yours,

(Sgd.)

B.R. Medrano

Owner

\* Subject to price sale.[6]

The respondents arranged for an ocular inspection of the property together with Lee which never materialized – the first time was due to inclement weather; the next time, no car was available for the tripping to Batangas.[7] Lee then called up Borbon and told her that he was on his way to Lipa City to inspect another property, and might as well also take a look at the property Borbon was offering. Since Lee was in a hurry, the respondents could no longer accompany him at the time. Thus, he asked for the exact address of the property and the directions on how to reach the lot in Ibaan from Lipa City. Thereupon, Lee was instructed to get in touch with Medrano’s daughter and also an officer of the bank, Mrs. Teresa Ganzon, regarding the property.[8]

Two days after the visit, respondent Josefina Antonio called Lee to inquire about the result of his ocular inspection. Lee told her that the mango trees “looked sick” so he was bringing an agriculturist to the property. Three weeks thereafter, Antonio called Lee again to make a follow-up of the latter’s visit to Ibaan. Lee informed her that he already purchased the property and had made a down payment of P1,000,000.00. The remaining balance of P1,200,000.00 was to be paid upon the approval of the incorporation papers of the corporation he was organizing by the Securities and Exchange Commission. According to Antonio, Lee asked her if they had already received their commission. She answered “no,” and Lee expressed surprise over this.[9]

A Deed of Sale was eventually executed on November 6, 1986 between the bank, represented by its President/General Manager Teresa M. Ganzon (as Vendor) and KGB Farms, Inc., represented by Dominador Lee (as Vendee), for the purchase price of P1,200,000.00.[10] Since the sale of the property was consummated, the respondents asked from the petitioners their commission, or 5% of the purchase price. The petitioners refused to pay and offered a measly sum of P5,000.00 each.[11] Hence, the respondents were constrained to file an action against herein petitioners.

The petitioners alleged that Medrano issued the letter of authority in favor of all the respondents, upon the representation of Flor that she had a prospective buyer. Flor was the only person known to Medrano, and he had never met Borbon and Antonio. Medrano had asked that the name of their prospective buyer be immediately registered so as to avoid confusion later on, but Flor failed to do so. Furthermore, the other officers of the bank had never met nor dealt with the respondents in connection with the sale of the property. Ganzon also asked Lee if he had an agent and the latter replied that he had none. The petitioners also denied that the purchase price of the property was P2,200,000.00 and alleged that the property only cost P1,200,000.00. The petitioners further contended that the letter of authority signed by Medrano was not binding or enforceable against the bank because

the latter had a personality separate and distinct from that of Medrano. Medrano, on the other hand, denied liability, considering that he was not the registered owner of the property, but the bank. The petitioners, likewise, filed a counterclaim as they were constrained to hire the services of counsel and suffered damages.[12]

After the case was submitted for decision, Medrano died, but no substitution of party was made at this time.[13]

The trial court resolved the case based on the following common issues:

- Whether or not the letter of authority is binding and enforceable against the defendant Bank only or both defendants; and

- Whether or not the plaintiffs are entitled to any commission for the sale of the subject property.[14]

On September 21, 1994, the trial court rendered a Decision in favor of the respondents. The petitioners were ordered to pay, jointly and severally, the 5% broker's commission to herein respondents. The trial court found that the letter of authority was valid and binding as against Medrano and the Ibaan Rural bank. Medrano signed the said letter for and in behalf of the bank, and as owner of the property, promising to pay the respondents a 5% commission for their efforts in looking for a purchaser of the property. He is, therefore, estopped from denying liability on the basis of the letter of authority he issued in favor of the respondents. The trial court further stated that the sale of the property could not have been possible without the representation and intervention of the respondents. As such, they are entitled to the broker's commission of 5% of the selling price of P1,200,000.00 as evidenced by the deed of sale.[15] The fallo of the decision reads as follows:

WHEREFORE, premises considered, judgment is hereby rendered in favor of the plaintiffs and against the defendants, for the latter, jointly and severally:

- To pay plaintiffs the sum of P60,000.00 representing their five percent (5%) commission of the purchase price of the property sold based on Exh. "D" or "9" plus legal interest from date of filing of the herein complaint until fully paid;

- To pay plaintiffs the sum of P20,000.00 as and for attorney's fees;

- To pay the plaintiffs the sum of P10,000.00 as litigation expenses;

- To pay the costs of the proceedings.[16]

Unable to agree with the RTC decision, petitioner Ibaan Rural Bank filed its notice of appeal.[17]

On October 10, 1994, the heirs of Bienvenido Medrano filed a Motion for Reconsideration[18] praying that the late Bienvenido Medrano be substituted by his heirs. They further prayed that the trial court's decision as far as Medrano was concerned be set aside and dismissed considering his demise. The trial court denied the motion for reconsideration.[19] Hence, the heirs of Medrano also filed their notice of appeal.[20]

On appeal, the petitioners reiterated their stance that the letter of authority was not binding and enforceable, as the same was signed by Medrano, who was not actually the owner of the property. They refused to give the respondents any commission, since the latter did not perform any act to consummate the sale. The petitioners pointed out that the respondents (1) did not verify the real owner of the property; (2) never saw the property in question; (3) never got in touch with the registered owner of the property; and (4) neither did they perform any act of assisting their buyer in having the property inspected and verified.[21] The petitioners further raised the trial

court's error in not dismissing the case against Bienvenido Medrano considering his death.

On May 3, 2001, the CA promulgated the assailed decision affirming the finding of the trial court that the letter of authority was valid and binding. Applying the principle of agency, the appellate court ruled that Bienvenido Medrano constituted the respondents as his agents, granting them authority to represent and act on behalf of the former in the sale of the 17-hectare mango plantation. The CA also ruled that the trial court did not err in finding that the respondents were the procuring cause of the sale. Suffice it to state that were it not for the respondents, Lee would not have known that there was a mango orchard offered for sale.

The CA further ruled that an action for a sum of money continues even after the death of the defendant, and shall remain as a money claim against the estate of the deceased.

Undaunted by the CA's unfavorable decision, the petitioners filed the instant petition, raising eight (8) assignments of errors, to wit:

- THE COURT OF APPEALS ERRED WHEN IT FOUND THE PRIVATE RESPONDENTS TO BE THE PROCURING CAUSE OF THE SALE;
- THE COURT OF APPEALS ERRED IN GIVING CREDENCE TO THE LETTER-AUTHORITY OF PETITIONER MR. MEDRANO;
- THE COURT OF APPEALS MADE A MISTAKE WHEN IT CORRECTLY RECOGNIZED THE EXTENT OF THE PRIVATE RESPONDENTS' OBLIGATION AND AUTHORITY CONTAINED IN MEDRANO'S LETTER-AUTHORITY AND YET ERRONEOUSLY GRANTED THE PRIVATE-RESPONDENTS' DEMAND, NOTWITHSTANDING THE NON-PERFORMANCE OF THEIR OBLIGATION THEREUNDER;
- THE COURT OF APPEALS ERRED IN PRESUMING BAD FAITH UPON THE PETITIONERS;
- THE COURT OF APPEALS ERRED IN PLACING THE BURDEN OF PROOF UPON THE DEFENDANTS-PETITIONERS;
- THE COURT OF APPEALS FAILED TO SUBSTANTIATE ITS CONCLUSION WITH EVIDENCE AND INSTEAD RELIED ON INFERENCE;
- THE COURT OF APPEALS FAILED TO SUBSTANTIATE ITS CONCLUSION WITH EVIDENCE AND MERELY RELIED ON SPECULATION AND SURMISE;
- THE COURT OF APPEALS MISAPPRECIATED THE FACTS PRESENTED BEFORE IT, AND CONSEQUENTLY FAILED TO CONSIDER REASONABLY THE TWO (2) BASIC ARGUMENTS OF THE PETITIONERS.[22]

The petition is denied.

The records disclose that respondent Pacita Borbon is a licensed real estate broker[23] and respondents Josefina Antonio and Estela A. Flor are her associates.[24] A broker is generally defined as one who is engaged, for others,

on a commission, negotiating contracts relative to property with the custody of which he has no concern; the negotiator between other parties, never acting in his own name but in the name of those who employed him; he is strictly a middleman and for some purposes the agent of both parties. A broker is one whose occupation is to bring parties together, in matters of trade, commerce or navigation.[25] For the respondents' participation in finding a buyer for the petitioners' property, the petitioners refuse to pay them commission, asserting that they are not the efficient procuring cause of the sale, and that the letter of authority signed by petitioner Medrano is not binding against the petitioners.

"Procuring cause" is meant to be the proximate cause.[26] The term "procuring cause," in describing a broker's activity, refers to a cause originating a series of events which, without break in their continuity, result in accomplishment of prime objective of the employment of the broker – producing a purchaser ready, willing and able to buy real estate on the owner's terms.[27] A broker will be regarded as the "procuring cause" of a sale, so as to be entitled to commission, if his efforts are the foundation on which the negotiations resulting in a sale are begun.[28] The broker must be the efficient agent or the procuring cause of the sale. The means employed by him and his efforts must result in the sale. He must find the purchaser, and the sale must proceed from his efforts acting as broker.[29]

Indeed, the evidence on record shows that the respondents were instrumental in the sale of the property to Lee. Without their intervention, no sale could have been consummated. They were the ones who set the sale of the subject land in motion.[30] Upon being informed by Flor that Medrano was selling his mango orchard, Borbon lost no time in informing Lee that they had found a property according to his specifications. An ocular inspection of the property together with Lee was immediately planned; unfortunately, it never pushed through for reasons beyond the respondents' control. Since Lee was in a hurry to see the property, he asked the respondents the exact address and the directions on how to reach Ibaan, Batangas. The respondents thereupon instructed him to look for Teresa Ganzon, an officer of the Ibaan Rural Bank and the person to talk to regarding the property. While the letter-authority issued in favor of the respondents was non-exclusive, no evidence was adduced to show that there were other persons, aside from the respondents, who informed Lee about the property for sale. Ganzon testified that no advertisement was made announcing the sale of the lot, nor did she give any authority to other brokers/agents to sell the subject property.[31] The fact that it was Lee who personally called Borbon and asked for directions prove that it was only through the respondents that Lee learned about the property for sale.[32] Significantly, too, Ms. Teresa Ganzon testified that there were no other persons other than the respondents who inquired from her about the sale of the property to Lee.[33] It can thus be readily inferred that the respondents were the only ones who knew about the property for sale and were responsible in leading a buyer to its consummation. All these circumstances lead us to the inescapable conclusion that the respondents were the procuring cause of the sale. When there is a close, proximate and causal connection between the broker's efforts and the principal's sale of his property, the broker is entitled to a commission.[34]

The petitioners insist that the respondents are not entitled to any commission since they did not actually perform any acts of "negotiation" as required in the letter-authority. They refuse to pay the commission since according to them, the respondents' participation in the transaction was not apparent, if not nil. The respondents did not even look at the property themselves; did not introduce the buyer to the seller; did not hold any conferences with the buyer, nor take part in concluding the sale. For the non-compliance of this obligation "to negotiate," the petitioners argue, the respondents are not entitled to any commission.

We find the argument specious. The letter of authority must be read as a whole and not in its truncated parts. Certainly, it was not the intention of Medrano to expect the respondents to do just that (to negotiate) when he issued the letter of authority. The clear intention is to reward the respondents for procuring a buyer for the

property. Before negotiating a sale, a broker must first and foremost bring in a prospective buyer. It has been held that a broker earns his pay merely by bringing the buyer and the seller together, even if no sale is eventually made.[35] The essential feature of a broker's conventional employment is merely to procure a purchaser for a property ready, able, and willing to buy at the price and on the terms mutually agreed upon by the owner and the purchaser. And it is not a prerequisite to the right to compensation that the broker conduct the negotiations between the parties after they have been brought into contact with each other through his efforts.[36] The case of *Macondray v. Sellner*[37] is quite instructive:

The business of a real estate broker or agent, generally, is only to find a purchaser, and the settled rule as stated by the courts is that, in the absence of an express contract between the broker and his principal, the implication generally is that the broker becomes entitled to the usual commissions whenever he brings to his principal a party who is able and willing to take the property and enter into a valid contract upon the terms then named by the principal, although the particulars may be arranged and the matter negotiated and completed between the principal and the purchaser directly.

Notably, there are cases where the right of the brokers to recover commissions were upheld where they actually took no part in the negotiations, never saw the customer, and even some in which they did nothing except advertise the property, as long as it can be shown that they were the efficient cause of the sale.[38]

In the case at bar, the role of the respondents in the transaction is undisputed. Whether or not they participated in the negotiations of the sale is of no moment. Armed with an authority to procure a purchaser and with a license to act as broker, we see no reason why the respondents can not recover compensation for their efforts when, in fact, they are the procuring cause of the sale.[39]

Anent the validity of the letter-authority signed by Medrano, we find no reversible error with the findings of the appellate and trial courts that the petitioners are liable thereunder. Such factual findings deserve this Court's respect in the absence of any cogent reason to reverse the same. Medrano's obligation to pay the respondents commission for their labor and effort in finding a purchaser or a buyer for the described parcel of land is unquestionable. In the absence of fraud, irregularity or illegality in its execution, such letter-authority serves as a contract, and is considered as the law between the parties. As such, Medrano can not renege on the promise to pay commission on the flimsy excuse that he is not the registered owner of the property. The evidence shows that he comported himself to be the owner of the property. His testimony is quite telling:

Q Mr. Medrano, do you know any of the plaintiffs in this case, Pacita Borbon, Josefina Antonio, and Stella (sic) F. Flor?

WITNESS

A I know only Stella (sic) F. Flor. The rest, I do not know them. I have never met them, up to now.

Q How about the co-defendant Ibaan Rural Bank?

A I know co-defendant Ibaan Rural Bank, having been the founder and at one time or another, I have served several capacities from President to Chairman of the Board.

Q Are you familiar with a certain parcel of land located at Barrio Tulay na Patpat, Ibaan, Batangas, with an area of 17 hectares?

A Yes, Sir. I used to own that property but later on mortgaged it to Ibaan Rural Bank.

Q And what, if any, [did] the bank do to your property after you have mortgaged the same to it?

A After many demands for payment or redemption of my mortgage, which I failed to do so, the Ibaan Rural Bank sold it.

Q After it was foreclosed?

A Yes, Sir.

Q Do you recall having made any transaction with plaintiff Stella (sic) F. Flor regarding the property?

A Yes, Sir. Since she is the first cousin of my wife, I remember [that] she came to my office once and requested for a letter of authority which I issued [in] September 1986, I think, and I gave her the letter of authority.[40]

As to the liability of the bank, we quote with favor the disquisition of the respondent court, to wit:

Further, the appellants cannot use the flimsy excuse (only to evade liability) that “(w)hat Mr. Medrano represented to the plaintiffs-appellees, without the knowledge or consent of the defendant Bank, did not bind the Bank. *Res inter alios acta alteri nocere non debet.*” (page 8 of the Appellant’s Brief; page 35 of the Rollo). While it may be true that technically the Ibaan Rural Bank did not authorize Bienvenido R. Medrano to sell the land under litigation or that the latter was no longer an officer of the said bank, still, these circumstances do not convince this Court fully well to absolve the bank. Note that, as former President of the said bank, it is improbable that he (Bienvenido R. Medrano) was completely oblivious of the developments therein. By reason of his past association with the officers of the said bank (who are, in fact, his relatives), it is unbelievable that Bienvenido R. Medrano could simply have issued the said letter of authority without the knowledge of the said officers. Granting *por aguento* that Bienvenido R. Medrano did not act on behalf of the bank, however, We doubt that he had no financial and/or material interest in the said sale – a fact that could not possibly have eluded Our attention.[41]

From all the foregoing, there can be no other conclusion than the respondents are indeed the procuring cause of the sale. If not for the respondents, Lee would not have known about the mango plantation being sold by the petitioners. The sale was consummated. The bank had profited from such transaction. It would certainly be iniquitous if the respondents would not be rewarded their commission pursuant to the letter of authority.

WHEREFORE, the petition is DENIED due course. The Decision of the Court of Appeals is AFFIRMED.

**SO ORDERED.**

Puno, (Chairman), Tinga, and Chico-Nazario, JJ., concur.

Austria-Martinez, J., no part.

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[1] Penned by Associate Justice Jose L. Sabio, Jr., with Associate Justices Ma. Alicia Austria-Martinez (now an Associate Justice of the Supreme Court) and Hilarion L. Aquino (retired), concurring.

[2] Penned by Judge Omar U. Amin.

[3] Records, p. 8.

[4] TSN, 4 January 1989, p. 6.

[5] TSN, 4 December 1987, pp. 7-8.

[6] Exhibit “B,” Records, p. 153.

[7] TSN, 4 December 1987, pp. 9-10; TSN, 15 March 1989, p. 9.

[8] TSN, 15 March 1989, p. 10

[9] TSN, 11 May 1989, pp. 8-9.

- [10] Exhibit “D,” Records, p. 178.
- [11] TSN, 15 March 1989, p. 14.
- [12] Records, pp. 8-10.
- [13] Id. at 320.
- [14] Id.
- [15] Id. at 229.
- [16] Id. at 321.
- [17] Id. at 322.
- [18] Id. at 325-327.
- [19] Id. at 370-371.
- [20] Id. at 372.
- [21] Rollo, p. 39.
- [22] Rollo, pp. 16-17.
- [23] Exhibit “A,” Records, p. 168.
- [24] TSN, 4 December 1987, p. 6.
- [25] Tan v. Gullas, 393 SCRA 334 (2002).
- [26] Black’s Law Dictionary, Fifth Edition.
- [27] Clark v. Ellsworth, 66 Ariz. 119, 184 P.2d 821 (1947).
- [28] See Mohamed v. Robbins, 23 Ariz. App. 195, 531 P.2d 928, 930 (1975).
- [29] Danon v. Brimo, 48 Phil. 133 (1921).
- [30] Tan v. Gullas, *supra*.
- [31] TSN, 11 September 1990, p. 5.
- [32] TSN, 4 December 1987, p. 11.
- [33] TSN, 11 September 1990, p. 5.
- [34] Manotok Brothers, Inc. v. Court of Appeals, 221 SCRA 224 (1993).
- [35] Tan v. Gullas, *supra*.
- [36] Wickersham v. T. D. Harris, 313 F.2d 468 (1963).
- [37] 33 Phil. 370 (1916).
- [38] Libby v. Ivers & Pond Piano Co., 317 Mass. 478, 58 N.E.2d 834 (1945); Gleason v. Nelson, 162 Mass. 245, 38 N.E. 497 (1894); Clark v. Ellsworth, *supra*.
- [39] Wickersham v. Harris, *supra*.

[40] TSN, 6 November 1990, pp. 5-6.

[41] Rollo, p. 41.

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