

ISIDRO NANTES, PLAINTIFF AND APPELLANT, VS. DAMIAN MADRIGUERA AND ANACLETO CAINTO, DEFENDANTS AND APPELLEES.

G. R. No. 15297. November 25, 1921

Ponente: JOHNSON, J.

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JOHNSON, J.:

The defendant Damian Madriguera is a merchant engaged in the purchase and sale of abaca (hemp), having his principal place of business in the municipality of Faete, Province of Laguna; and, up to the time hereinafter mentioned, he had been engaged in such business for at least twenty years. On the 10th day of July, 1917, the other defendant herein, Anacleto Cainto, acting as an agent of the said Madriguera, purchased from the plaintiff, Isidro Nantes, in the municipality of Lukban, Province of Tayabas, 1,257 kilos of abaca at the agreed price of P1,357.56. Of this sum only P70 was paid by Cainto to Nantes at the time of the sale, leaving a balance of P1,287.56. The whole transaction was reduced to writing in the words and figures following:

"Be it known that I, Anacleto Cainto, of age, of Paete, Laguna, have this day bought from Mr. Isidro Nantes, of Lukban, for the account of my principal Mr. Damian Madriguera, of Paete, 1,257 kilos of abaca for the sum of one thousand three hundred fifty-seven pesos and fifty-six centavos (P1,357.56), of which I have only paid the sum of seventy pesos (P70), the balance of P1,287.56 to be paid to said Isidro Nantes or any other person that may be designated by him, in Santa Cruz, Laguna, where the abaca is to be sent by him as per our agreement, upon receipt of the abaca and delivery thereof to my principal, all the transportation expenses to the amount of P25.81 to be paid by me, and I promise to do all this immediately after delivery.

"In witness whereof I have hereunto set my hand in the presence of two witnesses at Lukban, this 10th day of July, 1917.

"On behalf of

"Mr. Damian Madriguera

(Sgd.) "ANACLETO CAINTO.

(Sgd.) "MARCELO RADUVAN,

"ISABELO DEVESA.

"I have this 16th day of July, 1917, received from Mr. Isabelo Devesa the 1,257 kilos of abaca, and I promise to pay him the balance of P1,313.37 on Friday, the 20th, in the municipality of Lukban, as I have to get the money yet from my said principal, Mr. Damian Madriguera, for whose account I have purchased the abaca.

"Santa Cruz, Laguna, July 16, 1917.

(Sgd.) "A. CAINTO."

The 1,257 kilos of abaca above-mentioned was duly delivered by the defendant Anacleto Cainto to his codefendant Damian Madriguera.

The present action was instituted by the vendor, Isidro Nantes, on the 7th day of August, 1917, against Damian Madriguera as principal and Anacleto Cainto as agent, to recover the said balance of P1,287.56 together with interest and costs. The defendant Madriguera in his answer denied the relation of principal and agent between him and his codefendant Cainto, and disclaimed any liability to the plaintiff. The defendant Cainto, in his answer, admitted all the allegations of the complaint, but claimed that, inasmuch as in the transaction in question he had acted as a mere agent of Madriguera, the latter alone, as principal, was liable to the plaintiff, and prayed that he be absolved from all liability under the complaint.

During the trial of the cause the plaintiff called the defendant Anacleto Cainto to the witness stand, and he testified, in substance, that he was a buyer of abaca for the account of Damian Madriguera, and had been such a buyer since the month of March, 1917; that Madriguera furnished him the money with which to pay for the abaca which he purchased; that, when he had no cash on hand, he had instructions from Madriguera to buy abaca on credit, issuing a receipt therefor and promising to pay upon the arrival of Madriguera from Manila where he held the abaca which had been purchased by his agent, Cainto; that he bought the 1,257 kilos of abaca in question from the plaintiff, Isidro Nantes, for the account of his principal, Madriguera, and issued the document Exhibit A, hereinabove quoted; and that he delivered the said abaca to the defendant Madriguera.

Counsel for Madriguera moved to strike out the testimony of the witness Cainto with reference to the relation of principal and agent between the former and the latter, upon the ground that it was incompetent, and the court reserved its ruling.

Plaintiff offered three other witnesses—Pablo Valquiera, Aniceto Caiud, and Rosendo Bagabaldo—to further prove the relation of principal and agent existing between the two defendants herein, but the court, upon objection of counsel for the defendant Madriguera, refused to allow them to testify upon the ground that their testimony was incompetent.

Plaintiff also offered Exhibits A and B in evidence, but they were likewise rejected by the court upon objection of counsel for the defendant Madriguera.

"In its decision the lower court held that the plaintiff, at the time of filing his complaint, had no cause of action against the defendant Madriguera because the latter in his answer denied that the defendant Cainto had acted as his agent in the purchase of the abaca in question from the plaintiff; and, for that reason; the court held, proof was inadmissible which tended to establish the liability of Madriguera to the plaintiff, Nantes, inasmuch as at the time of the presentation of the complaint no obligation had arisen on the part of the former to pay the balance of the price of abaca which the latter sold to Cainto. The lower court, construing article 247 of the Code of Commerce, held that under that article only when the commission is known and admitted can the third person hold the principal liable upon a contract executed by his agent; that when the commission is denied the third person can only sue the agent personally; and that in the present case he only person who could prove the commission or agency was Cainto, and not Nantes. For the reasons stated, the lower court rendered a judgment against the defendant Anacleto Cainto and in favor of the plaintiff for the sum of P1,287.56, with interest thereon at the legal rate from the 7th day of August, 1917, and to pay the costs. The defendant Damian Madriguera was absolved from all liability under the complaint, without prejudice to the action which the defendant Cainto might institute against him. From that judgment the plaintiff appealed to this court.

Appellant contends that the lower court committed an error in discarding and in refusing to admit any and all proof adduced and offered by him to show the relation of principal and agent between the defendants Madriguera and Cainto.

It will be seen that the only question presented is one of law, to wit: When an agent contracts in the name and for the account of his principal, can the person with whom he has so contracted prove the existence of the agency, in an action brought by him against the principal, in case the latter should deny the same?

Article 247 of the Code of Commerce provides:

"ART. 247. If the agent transacts business in the name of the principal, he must state that fact; and if the contract is in writing, he must state it therein or in the subscribing clause, giving the name, surname, and domicile of said principal.

"In the case prescribed in the foregoing paragraph, the contract and the actions arising therefrom shall be effective between the principal and the persons or person who may have transacted business with the agent; but the latter shall be liable to the persons with whom he transacted business during the time he does not prove the commission, if the principal should deny it, without prejudice to the obligation and proper actions between the principal and agent."

Article 246 of the same Code provides:

"ART. 246. When the agent transacts business in his, own name, it shall not be necessary for him to state who is the principal and he shall be directly liable, as if the business were for his own account, to the persons with whom he transacts the same, said persons not having any right of action against the principal, nor the latter against the former, the liabilities of the principal and of the agent to each other always being reserved."

It will be noted from the foregoing provisions that when the agent transacts business in his own name, the person with whom he transacts the same can only sue such agent, he not having any right of action against the principal; but when the agent transacts business in the name of the principal, as prescribed by article 247, the person with whom he transacts the same can only sue the principal, he having a right of action against the agent only when the principal denies the agency and the agent does not prove the same. The reason, we think, is obvious: In the first case, the third person, in contracting with the agent, has relied exclusively upon his business standing and financial ability; whereas in the second case, he has relied upon the business standing and financial ability of the principal in whose name the agent has contracted.

Now, in the case contemplated by article 247, when a person sues the principal on a contract duly entered into by his agent, is the mere denial by said principal of the existence of the agency sufficient to defeat the action? An affirmative answer, in our opinion, is not only repugnant to the spirit of the law but is fraught with disastrous consequences. The article in question (art. 247) provides that "the contract and the actions arising therefrom shall be effective between the principal and the persons or person who may have transacted business with the agent; but the latter shall be liable to the persons with whom he transacted business during the time he does not prove the commission, if the principal should deny it." Under this provision, as we construe it, the mere fact that the agent becomes liable to the third person upon denial of the agency by his principal and upon his failure to prove the same, cannot and does not, of itself, wipe out the liability of said principal to the person with whom the agent has contracted in the name of the principal. The third person can prosecute his action against the principal, and if he does not succeed because of his failure or inability to prove the agency upon which the action is based, he can turn to the agent himself; or, if he so elects (as he undoubtedly would if he knew beforehand that he could not prove the agency), he can sue the agent directly, without the necessity of suing the principal first. In other words, the denial of the agency by the principal will save him from liability to a third person on a contract executed in his (principal's) name by one who purports to be his agent, only when such agency or commission is not ultimately proved. For, if it be satisfactorily proved that he really authorized the supposed agent to enter into such contract as the one on which the action is based, and if that contract is valid and legal in every respect, we see no reason why he (the principal) should not be held liable thereon to the person with whom his agent has contracted. It follows

that such third person has a right of action against the principal notwithstanding the latter's denial of the agency; and he, having a right of action, certainly has the right to adduce proof of the agency or commission to make that right effective. The reason for making the agent liable to the third person in case the supposed principal should deny the agency is to protect both such third person and the supposed principal from the imposition of the alleged agent who, without commission or authority whatever, might contract in the name of said principal but for his (agent's) own personal benefit. In such a case the third person would, of course, be unable to prove the agency or commission, and his only recourse would be against the pseudo-agent. But when, as in the case at bar, the third person has reliable, trustworthy, and competent proof that the principal had really commissioned or authorized the agent to transact the business, or enter into the contract in question, there is certainly no reason, either in law or in equity, why he should not be allowed to present such proof and hold the principal liable.

Aside from the foregoing, to hold otherwise, as the lower court did, would, in our opinion, lead to disastrous consequences, which the law sedulously guards against. For, if the mere denial of the agency by the principal is sufficient to bar or defeat the action of the person with whom the agent duly contracted or transacted business, it requires no stretch of the imagination to see the door to fraud thrown wide open. For, then, a person of well-known and sound financial standing could purposely employ an indigent but otherwise capable agent, publicly and legally authorizing him to transact enormous business in his name and for his account, with the intention of denying later the person or persons with whom said agent has transacted the person or persons with whom said agent has transacted business. True, such person has an action against the insolvent agent; but of what use would it be to attempt to squeeze blood out of a turnip? True, also, the insolvent agent has an action against the principal; but under what power on earth can the third person compel him to bring an action against his principal, especially if the latter should secretly and fraudulently agree to split the spoil with him? If such were the effect of article 247 of the Code of Commerce no one would ever transact business with an agent, relying upon the credit of the principal. Thus, not only said article but all the other articles of the Code relating to agency would be rendered practically nugatory.

We are therefore of the opinion that a person who has transacted business with an agent acting in the name of his principal, as prescribed by article 247 of the Code of Commerce, has an action against such principal notwithstanding the latter's denial of the agent's commission or authority, and should be permitted to prove that commission or authority of the agent to transact the business in question. It follows that the lower court committed the error assigned by the appellant herein.

Appellant in his brief asks that the decision of the lower court be revoked and that the cause be remanded to the court below with instructions to admit the proofs offered by the plaintiff with regard to the existence of the commercial commission or agency in question. Most of the proofs duly offered by the plaintiff but rejected by the trial court are attached to the record before us. Such proofs consist of (1) Exhibit A, above quoted; (2) the testimony of Anacleto Cainto, hereinabove summarized; (3) Exhibit B, a telegram prepared by the defendant Madriguera, addressed to the plaintiff, Nantes, telling the latter that the amount in question would be paid to him in Paete, Laguna; and (4) the testimony of Isabelo Devesa, appearing at pages 24 to 26 of the stenographic notes. These proofs, which should have been admitted by the lower court and which we hereby admit, fully establish the relation of principal and agent between Madriguera and Cainto. There is no proof in the record on behalf of the defendant Madriguera, which would tend to overcome the proofs presented by the plaintiff, except the testimony of Madriguera himself, simply denying that the defendant Cainto was his agent. In view whereof, we see no necessity for ordering a new trial of this cause. The expense and the delay incident to such new trial should, in justice to all the parties concerned, be avoided.

Wherefore, the judgment of the lower court is hereby revoked, and it is hereby ordered and decreed that the

plaintiff Isidro Nantes have and recover from the defendant Damian Madriguera the sum of P1,287.56, with interest thereon at the legal rate from the 7th day of August, 1917, until paid, and the costs of both instances. The defendant Anacleto Cainto is hereby absolved from all liability under the complaint. So ordered.

Araullo, C. J., Street, Avancena, and Villamor, JJ., concur.

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