CEBU MACTAN MEMBERS CENTER, INC., PETITIONER, VS. MASAHIRO TSUKAHARA, RESPONDENT.

G.R. No. 159624. July 17, 2009

Ponente: CARPIO, J.

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CARPIO, J.:

The Case

This is a petition for review[1] of the Court of Appeals' Decision[2] dated 29 July 2003 in CA-G.R. CV No. 68321. The Court of Appeals affirmed the Decision[3] dated 24 September 1999 of the Regional Trial Court of Cebu City, Branch 58 (RTC).

The Antecedent Facts

In February 1994, petitioner Cebu Mactan Members Center, Inc. (CMMCI), through Mitsumasa Sugimoto (Sugimoto), the President and Chairman of the Board of Directors of CMMCI, obtained a loan amounting to P6,500,000 from respondent Masahiro Tsukahara. As payment for the loan, CMMCI issued seven postdated checks of CMMCI payable to Tsukahara, with details as follows:[4]

Check No.

Date

Amount

PNB Check No. 892657

6 May 1994

P4,860,000

PNB Check No. 892683

6 September 1994

280,000

PNB Check No. 892684

25 December 1994

270,000

PNB Check No. 892685

31 March 1995

270,000

PNB Check No. 892686

30 June 1995

280,000

PNB Check No. 892687

30 September 1995

270,000

PNB Check No. 892688

25 December 1995

270,000

Total

P6,500,000

On 13 April 1994, CMMCI, through Sugimoto, obtained another loan amounting to P10,000,000 from Tsukahara. Sugimoto executed and signed a promissory note in his capacity as CMMCI President and Chairman, as well as in his personal capacity.[5] The promissory note states:

> FOR VALUE RECEIVED, the undersigned CEBU MACTAN MEMBERS CENTER, INC., a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, through its undersigned chairman and president, MITSUMASA SUGIMOTO, hereby promise to pay MASAHIRO TSUKAHARA or order the sum of TEN MILLION PESOS (P10,000,000.00) on or before August 30, 1996, plus interest thereon at the rate of EIGHTEEN PERCENT (18%) per annum computed from the date of this instrument until fully paid.
>
> x x x
>
> CEBU MACTAN MEMBERS CENTER, INC.
>
> By:
>
> (Signed)
> MITSUMASA SUGIMOTO
> In his capacity as Chairman and President
> and in his personal capacity.
>
> x x x

Upon maturity, the seven checks were presented for payment by Tsukahara, but the same were dishonored by PNB, the drawee bank. After several failed attempts to collect the loan amount totaling P16,500,000, Tsukahara filed the instant case for collection of sum of money against CMMCI and Sugimoto.

Tsukahara alleged that the amount of P16,500,000 was used by CMMCI for the improvement of its beach resort, which included the construction of a wave fence, the purchase of airconditioners and curtains, and the provision of salaries of resort employees. He also asserted that Sugimoto, as the President of CMMCI, "has the power to

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borrow money for said corporation by any legal means whatsoever and to sign, endorse and deliver all checks and promissory notes on behalf of the corporation."[6]

CMMCI, on the other hand, denied borrowing the amount from Tsukahara, and claimed that both loans were personal loans of Sugimoto. The company also contended that if the loans were those of CMMCI, the same should have been supported by resolutions issued by CMMCI's Board of Directors.

On 24 September 1999, the RTC rendered a Decision, the dispositive portion of which reads:

> WHEREFORE, premises considered, judgment is hereby rendered in favor of the plaintiff and against the defendants by ordering the defendants to pay jointly and severally to the plaintiff the sum of Six Millions (sic) Five Hundred Thousand Pesos (P6,500,000.00), Philippine Currency, with interest thereon at the legal rate from the filing of the amended complaint on September 13, 1996 until fully paid, the sum of Ten Million Pesos (P10,000,000.00), Philippine Currency, with interest of eighteen percent (18%) per annum from April 13, 1994 until fully paid, the sum of One Hundred Fifty Thousand Pesos (P150,000.00), Philippine Currency, as and for attorney's fees and costs of suit.
>
> As the defendant Mitsumasa Sugimoto, who was served with summons by publication, was declared in default, let this decision be served upon him by publication once in a newspaper of general circulation at the expense of the plaintiff, pursuant to Section 9, Rule 13 of the 1997 Revised Rules of Civil Procedure.
>
> SO ORDERED.[7]

The Court of Appeals' Ruling

On appeal, the Court of Appeals rendered judgment, affirming the decision of the RTC, thus:

> WHEREFORE, the instant appeal is hereby DISMISSED and the Decision dated September 24, 1999 AFFIRMED.
>
> SO ORDERED.[8]

Hence, this petition.

The Issue

The sole issue for resolution in this case is: Whether the Court of Appeals erred in holding that CMMCI is liable for the loan contracted by its President without a resolution issued by the CMMCI Board of Directors.

The Court's Ruling

We find the petition without merit.

A corporation, being a juridical entity, may act through its board of directors, which exercises almost all corporate powers, lays down all corporate business policies and is responsible for the efficiency of management.[9] The general rule is that, in the absence of authority from the board of directors, no person, not even its officers, can validly bind a corporation.[10] Section 23 of the Corporation Code of the Philippines provides:

> SEC. 23. The Board of Directors or Trustees. -- Unless otherwise provided in this Code, the corporate powers of all corporations formed under this Code shall be exercised, all business conducted and all property of such corporations controlled and held by the board of directors or trustees x x x.

In People's Aircargo and Warehousing Co., Inc. v. Court of Appeals,[11] we held that under Section 23, the power and the responsibility to decide whether the corporation should enter into a contract that will bind the corporation are lodged in the board of directors, subject to the articles of incorporation, by-laws, or relevant

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provisions of law. However, just as a natural person may authorize another to do certain acts for and on his behalf, the board of directors may validly delegate some of its functions and powers to officers, committees or agents.[12] The authority of such individuals to bind the corporation is generally derived from law, corporate by-laws or authorization from the board, either expressly or impliedly by habit, custom or acquiescence in the general course of business.[13] This Court has held, thus:

> A corporate officer or agent may represent and bind the corporation in transactions with third persons to the extent that [the] authority to do so has been conferred upon him, and this includes powers which have been intentionally conferred, and also such powers as, in the usual course of the particular business, are incidental to, or may be implied from, the powers intentionally conferred, powers added by custom and usage, as usually pertaining to the particular officer or agent, and such apparent powers as the corporation has caused persons dealing with the officer or agent to believe that it has conferred.[14]

In this case, the corporate by-laws of CMMCI provide:

> ARTICLE III
>
> Officers
>
> x x x
>
> 2. President. The President shall be elected by the Board of Directors from their own number. He shall have the following powers and duties:
>
> x x x
>
> c. Borrow money for the company by any legal means whatsoever, including the arrangement of letters of credit and overdrafts with any and all banking institutions;
>
> d. Execute on behalf of the company all contracts and agreements which the said company may enter into;
>
> e. Sign, indorse, and deliver all checks, drafts, bill of exchange, promissory notes and orders of payment of sum of money in the name and on behalf of the corporation;[15]

It is clear from the foregoing that the president of CMMCI is given the power to borrow money, execute contracts, and sign and indorse checks and promissory notes, in the name and on behalf of CMMCI. With such powers expressly conferred under the corporate by-laws, the CMMCI president, in exercising such powers, need not secure a resolution from the company's board of directors. We quote with approval the ruling of the appellate court, viz:

x x x The court a quo correctly ruled that a board resolution in this case is a superfluity given the express provision of the corporate by-laws.

To insist that a board resolution is still required in order to bind the corporation with respect to the obligations contracted by its president is to defeat the purpose of the by-laws. By-laws of a corporation should be construed and given effect according to the general rules governing the construction of contracts. They, as the self-imposed private laws of a corporation, have, when valid, substantially the same force and effect as laws of the corporation, as have the provisions of its charter insofar as the corporation and the persons within it are concerned. They are in effect written into the charter and in this sense, they become part of the fundamental law of the corporation. And the corporation and its directors (or trustees) and officers are bound by and must comply with them.

The corporation is now estopped from denying the authority of its president to bind the former into contractual relations. x x x[16]

Thus, given the president's express powers under the CMMCI's by-laws, Sugimoto, as the president of CMMCI, was more than equipped to enter into loan transactions on CMMCI's behalf. Accordingly, the loans obtained by Sugimoto from Tsukahara on behalf of CMMCI are valid and binding against the latter, and CMMCI may be held liable to pay such loans.

WHEREFORE, we DENY the petition. We AFFIRM the Court of Appeals' Decision dated 29 July 2003 in CA-G.R. CV No. 68321.

SO ORDERED.

Puno, C.J., (Chairperson), Corona, Leonardo-De Castro, and Bersamin, JJ., concur.

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[1] Under Rule 45 of the 1997 Rules of Civil Procedure.

[2] Rollo, pp. 48-54. Penned by Associate Justice Eloy R. Bello, Jr. with Presiding Justice Cancio C. Garcia and Associate Justice Mariano C. Del Castillo, concurring.

[3] Id. at 55-63. Penned by Judge Jose P. Soberano, Jr.

[4] Records, pp. 171-183.

[5] Id. at 185.

[6] Rollo, p. 49.

[7] Id. at 62-63.

[8] Id. at 54.

[9] Campos, The Corporation Code: Comments, Notes and Selected Cases, Vol. 1 (1990), p. 340.

[10] People's Aircargo and Warehousing Co., Inc. v. Court of Appeals, 357 Phil. 850, 862 (1998), citing Premium Marble Resources, Inc. v. Court of Appeals, 332 Phil. 10, 20 (1996).

[11] Supra, citing Yao Ka Sin Trading v. Court of Appeals, G.R. No. 53820, 15 June 1992, 209 SCRA 763, 781.

[12] Id. See also San Juan Structural and Steel Fabricators, Inc. v. Court of Appeals, 357 Phil. 631, 644 (1998).

[13] Id.

[14] Id., citing 19 C.J.S. 456.

[15] Records, pp. 195-196.

[16] Rollo, p. 52, citing De Leon, The Corporation Code of the Philippines (1997), p. 425.

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