

## YUN KWAN BYUNG, PETITIONER, VS. PHILIPPINE AMUSEMENT AND GAMING CORPORATION, RESPONDENT.

*G.R. No. 163553. December 11, 2009*

Ponente: CARPIO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-163553/>

---

### CARPIO, J.:

#### The Case

Yun Kwan Byung (petitioner) filed this Petition for Review[1] assailing the Court of Appeals' Decision[2] dated 27 May 2003 in CA-G.R. CV No. 65699 as well as the Resolution[3] dated 7 May 2004 denying the Motion for Reconsideration. In the assailed decision, the Court of Appeals (CA) affirmed the Regional Trial Court's Decision[4] dated 6 May 1999. The Regional Trial Court of Manila, Branch 13 (trial court), dismissed petitioner's demand against respondent Philippine Amusement and Gaming Corporation (PAGCOR) for the redemption of gambling chips.

#### The Facts

PAGCOR is a government-owned and controlled corporation tasked to establish and operate gambling clubs and casinos as a means to promote tourism and generate sources of revenue for the government. To achieve these objectives, PAGCOR is vested with the power to enter into contracts of every kind and for any lawful purpose that pertains to its business. Pursuant to this authority, PAGCOR launched its Foreign Highroller Marketing Program (Program). The Program aims to invite patrons from foreign countries to play at the dollar pit of designated PAGCOR-operated casinos under specified terms and conditions and in accordance with industry practice.[5]

The Korean-based ABS Corporation was one of the international groups that availed of the Program. In a letter-agreement dated 25 April 1996 (Junket Agreement), ABS Corporation agreed to bring in foreign players to play at the five designated gaming tables of the Casino Filipino Silahis at the Grand Boulevard Hotel in Manila (Casino Filipino). The relevant stipulations of the Junket Agreement state:

- PAGCOR will provide ABS Corporation with separate junket chips. The junket chips will be distinguished from the chips being used by other players in the gaming tables.
- ABS Corporation will distribute these junket chips to its players and at the end of the playing period, ABS Corporation will collect the junket chips from its players and make an accounting to the casino treasury.
- ABS Corporation will assume sole responsibility to pay the winnings of its foreign players and settle the collectibles from losing players.
- ABS Corporation shall hold PAGCOR absolutely free and harmless from any damage, claim or liability which may arise from any cause in connection with the Junket Agreement.

- In providing the gaming facilities and services to these foreign players, PAGCOR is entitled to receive from ABS Corporation a 12.5% share in the gross winnings of ABS Corporation or 1.5 million US dollars, whichever is higher, over a playing period of 6 months. PAGCOR has the option to extend the period.[6]

Petitioner, a Korean national, alleges that from November 1996 to March 1997, he came to the Philippines four times to play for high stakes at the Casino Filipino.[7] Petitioner claims that in the course of the games, he was able to accumulate gambling chips worth US\$2.1 million. Petitioner presented as evidence during the trial gambling chips with a face value of US\$1.1 million. Petitioner contends that when he presented the gambling chips for encashment with PAGCOR's employees or agents, PAGCOR refused to redeem them.[8]

Petitioner brought an action against PAGCOR seeking the redemption of gambling chips valued at US\$2.1 million. Petitioner claims that he won the gambling chips at the Casino Filipino, playing continuously day and night. Petitioner alleges that every time he would come to Manila, PAGCOR would extend to him amenities deserving of a high roller. A PAGCOR official who meets him at the airport would bring him to Casino Filipino, a casino managed and operated by PAGCOR. The card dealers were all PAGCOR employees, the gambling chips, equipment and furnitures belonged to PAGCOR, and PAGCOR enforced all the regulations dealing with the operation of foreign exchange gambling pits. Petitioner states that he was able to redeem his gambling chips with the cashier during his first few winning trips. But later on, the casino cashier refused to encash his gambling chips so he had no recourse but to deposit his gambling chips at the Grand Boulevard Hotel's deposit box, every time he departed from Manila.[9]

PAGCOR claims that petitioner, who was brought into the Philippines by ABS Corporation, is a junket player who played in the dollar pit exclusively leased by ABS Corporation for its junket players. PAGCOR alleges that it provided ABS Corporation with distinct junket chips. ABS Corporation distributed these chips to its junket players. At the end of each playing period, the junket players would surrender the chips to ABS Corporation. Only ABS Corporation would make an accounting of these chips to PAGCOR's casino treasury.[10]

As additional information for the junket players playing in the gaming room leased to ABS Corporation, PAGCOR posted a notice written in English and Korean languages which reads:

#### NOTICE

This GAMING ROOM is exclusively operated by ABS under arrangement with PAGCOR, the former is solely accountable for all PLAYING CHIPS wagered on the tables. Any financial ARRANGEMENT/TRANSACTION between PLAYERS and ABS shall only be binding upon said PLAYERS and ABS.[11]

PAGCOR claims that this notice is a standard precautionary measure[12] to avoid confusion between junket players of ABS Corporation and PAGCOR's players.

PAGCOR argues that petitioner is not a PAGCOR player because under PAGCOR's gaming rules, gambling chips cannot be brought outside the casino. The gambling chips must be converted to cash at the end of every gaming period as they are inventoried every shift. Under PAGCOR's rules, it is impossible for PAGCOR players to accumulate two million dollars worth of gambling chips and to bring the chips out of the casino premises.[13]

Since PAGCOR disclaimed liability for the winnings of players recruited by ABS Corporation and refused to encash the gambling chips, petitioner filed a complaint for a sum of money before the trial court.[14] PAGCOR filed a counterclaim against petitioner. Then, trial ensued.

On 6 May 1999, the trial court dismissed the complaint and counterclaim. Petitioner appealed the trial court's decision to the CA. On 27 May 2003, the CA affirmed the appealed decision. On 27 June 2003, petitioner moved

for reconsideration which was denied on 7 May 2004.

Aggrieved by the CA's decision and resolution, petitioner elevated the case before this Court.

#### The Ruling of the Trial Court

The trial court ruled that based on PAGCOR's charter,[15] PAGCOR has no authority to lease any portion of the gambling tables to a private party like ABS Corporation. Section 13 of Presidential Decree No. 1869 or the PAGCOR's charter states:

##### Sec. 13. Exemptions -

x x x

(4) Utilization of Foreign Currencies - The Corporation shall have the right and authority, solely and exclusively in connection with the operations of the casino(s), to purchase, receive, exchange and disburse foreign exchange, subject to the following terms and conditions:

(a) A specific area in the casino(s) or gaming pit shall be put up solely and exclusively for players and patrons utilizing foreign currencies;

(b) The Corporation shall appoint and designate a duly accredited commercial bank agent of the Central Bank, to handle, administer and manage the use of foreign currencies in the casino(s);

(c) The Corporation shall provide an office at casino(s) exclusively for the employees of the designated bank, agent of the Central Bank, where the Corporation shall maintain a dollar account which will be utilized exclusively for the above purpose and the casino dollar treasury employees;

(d) Only persons with foreign passports or certificates of identity (for Hong Kong patron only) duly issued by the government or country of their residence will be allowed to play in the foreign exchange gaming pit;

(e) Only foreign exchange prescribed to form part of the Philippine International Reserve and the following foreign exchange currencies: Australian Dollar, Singapore Dollar, Hong Kong Dollar, shall be used in this gaming pit;

(f) The disbursement, administration, management and recording of foreign exchange currencies used in the casino(s) shall be carried out in accordance with existing foreign exchange regulations, and periodical reports of the transactions in such foreign exchange currencies by the Corporation shall be duly recorded and reported to the Central Bank thru the designated Agent Bank; and

(g) The Corporation shall issue the necessary rules and regulations for the guidance and information of players qualified to participate in the foreign exchange gaming pit, in order to make certain that the terms and conditions as above set forth are strictly complied with.

The trial court held that only PAGCOR could use foreign currency in its gaming tables. When PAGCOR accepted only a fixed portion of the dollar earnings of ABS Corporation in the concept of a lease of facilities, PAGCOR shared its franchise with ABS Corporation in violation of the PAGCOR's charter. Hence, the Junket Agreement is void. Since the Junket Agreement is not permitted by PAGCOR's charter, the mutual rights and obligations of the parties to this case would be resolved based on agency and estoppel.[16]

The trial court found that the petitioner wanted to redeem gambling chips that were specifically used by ABS Corporation at its gaming tables. The gambling chips come in distinctive orange or yellow colors with stickers bearing denominations of 10,000 or 1,000. The 1,000 gambling chips are smaller in size and the words "no cash value" marked on them. The 10,000 gambling chips do not reflect the "no cash value" sign. The senior treasury

head of PAGCOR testified that these were the gambling chips used by the previous junket operators and PAGCOR merely continued using them. However, the gambling chips used in the regular casino games were of a different quality.[17]

The trial court pointed out that PAGCOR had taken steps to warn players brought in by all junket operators, including ABS Corporation, that they were playing under special rules. Apart from the different kinds of gambling chips used, the junket players were confined to certain gaming rooms. In these rooms, notices were posted that gambling chips could only be encashed there and nowhere else. A photograph of one such notice, printed in Korean and English, stated that the gaming room was exclusively operated by ABS Corporation and that ABS Corporation was solely accountable for all the chips wagered on the gaming tables. Although petitioner denied seeing this notice, this disclaimer has the effect of a negative evidence that can hardly prevail against the positive assertions of PAGCOR officials whose credibility is also not open to doubt. The trial court concluded that petitioner had been alerted to the existence of these special gambling rules, and the mere fact that he continued to play under the same restrictions over a period of several months confirms his acquiescence to them. Otherwise, petitioner could have simply chose to stop gambling.[18]

In dismissing petitioner's complaint, the trial court concluded that petitioner's demand against PAGCOR for the redemption of the gambling chips could not stand. The trial court stated that petitioner, a stranger to the agreement between PAGCOR and ABS Corporation, could not under principles of equity be charged with notice other than of the apparent authority with which PAGCOR had clothed its employees and agents in dealing with petitioner. Since petitioner was made aware of the special rules by which he was playing at the Casino Filipino, petitioner could not now claim that he was not bound by them. The trial court explained that in an unlawful transaction, the courts will extend equitable relief only to a party who was unaware of all its dimensions and whose ignorance of them exposed him to the risk of being exploited by the other. Where the parties enter into such a relationship with the opportunity to know all of its ramifications, as in this case, there is no room for equitable considerations to come to the rescue of any party. The trial court ruled that it would leave the parties where they are.[19]

#### The Ruling of the Court of Appeals

In dismissing the appeal, the appellate court addressed the four errors assigned by petitioner.

First, petitioner maintains that he was never a junket player of ABS Corporation. Petitioner also denies seeing a notice that certain gaming rooms were exclusively operated by entities under special agreement.[20]

The CA ruled that the records do not support petitioner's theory. Petitioner's own testimony reveals that he enjoyed special accommodations at the Grand Boulevard Hotel. This similar accommodation was extended to players brought in by ABS Corporation and other junket operators. Petitioner cannot disassociate himself from ABS Corporation for it is unlikely that an unknown high roller would be accorded choice accommodations by the hotel unless the accommodation was facilitated by a junket operator who enjoyed such privilege.[21]

The CA added that the testimonies of PAGCOR's employees affirming that notices were posted in English and Korean in the gaming areas are credible in the absence of any convincing proof of ill motive. Further, the specified gaming areas used only special chips that could be bought and exchanged at certain cashier booths in that area.[22]

Second, petitioner attacks the validity of the contents of the notice. Since the Junket Agreement is void, the notice, which was issued pursuant to the Junket Agreement, is also void and cannot affect petitioner.[23]

The CA reasoned that the trial court never declared the notice valid and neither did it enforce the contents thereof. The CA emphasized that it was the act of cautioning and alerting the players that was upheld. The trial court ruled

that signs and warnings were in place to inform the public, petitioner included, that special rules applied to certain gaming areas even if the very agreement giving rise to these rules is void.[24]

Third, petitioner takes the position that an implied agency existed between PAGCOR and ABS Corporation.[25]

The CA disagreed with petitioner's view. A void contract has no force and effect from the very beginning. It produces no effect either against or in favor of anyone. Neither can it create, modify or extinguish the juridical relation to which it refers. Necessarily, the Junket Agreement, being void from the beginning, cannot give rise to an implied agency. The CA explained that it cannot see how the principle of implied agency can be applied to this case. Article 1883[26] of the Civil Code applies only to a situation where the agent is authorized by the principal to enter into a particular transaction, but instead of contracting on behalf of the principal, the agent acts in his own name.[27]

The CA concluded that no such legal fiction existed between PAGCOR and ABS Corporation. PAGCOR entered into a Junket Agreement to lease to ABS Corporation certain gaming areas. It was never PAGCOR's intention to deal with the junket players. Neither did PAGCOR intend ABS Corporation to represent PAGCOR in dealing with the junket players. Representation is the basis of agency but unfortunately for petitioner none is found in this case.[28]

The CA added that the special gaming chips, while belonging to PAGCOR, are mere accessories in the void Junket Agreement with ABS Corporation. In Article 1883, the phrase "things belonging to the principal" refers only to those things or properties subject of a particular transaction authorized by the principal to be entered into by its purported agent. Necessarily, the gambling chips being mere incidents to the void lease agreement cannot fall under this category.[29]

The CA ruled that Article 2152[30] of the Civil Code is also not applicable. The circumstances relating to negotiorum gestio are non-existent to warrant an officious manager to take over the management and administration of PAGCOR.[31]

Fourth, petitioner asks for equitable relief.[32]

The CA explained that although petitioner was never a party to the void Junket Agreement, petitioner cannot deny or feign blindness to the signs and warnings all around him. The notices, the special gambling chips, and the separate gaming areas were more than enough to alert him that he was playing under different terms. Petitioner persisted and continued to play in the casino. Petitioner also enjoyed the perks extended to junket players of ABS Corporation. For failing to heed these signs and warnings, petitioner can no longer be permitted to claim equitable relief. When parties do not come to court with clean hands, they cannot be allowed to profit from their own wrong doing.[33]

#### The Issues

Petitioners raise three issues in this petition:

- Whether the CA erred in holding that PAGCOR is not liable to petitioner, disregarding the doctrine of implied agency, or agency by estoppel;
- Whether the CA erred in using intent of the contracting parties as the test for creation of agency, when such is not relevant since the instant case involves liability of the presumed principal in implied agency to a third party; and
- Whether the CA erred in failing to consider that PAGCOR ratified, or at least adopted, the acts of the agent,

ABS Corporation.[34]

The Ruling of the Court

The petition lacks merit.

Courts will not enforce debts arising from illegal gambling

Gambling is prohibited by the laws of the Philippines as specifically provided in Articles 195 to 199 of the Revised Penal Code, as amended. Gambling is an act beyond the pale of good morals,[35] and is thus prohibited and punished to repress an evil that undermines the social, moral, and economic growth of the nation.[36]Presidential Decree No. 1602 (PD 1602),[37] which modified Articles 195-199 of the Revised Penal Code and repealed inconsistent provisions,[38] prescribed stiffer penalties on illegal gambling.[39]

As a rule, all forms of gambling are illegal. The only form of gambling allowed by law is that stipulated under Presidential Decree No. 1869, which gave PAGCOR its franchise to maintain and operate gambling casinos. The issue then turns on whether PAGCOR can validly share its franchise with junket operators to operate gambling casinos in the country. Section 3(h) of PAGCOR's charter states:

Section 3. Corporate Powers. - The Corporation shall have the following powers and functions, among others:

x x x

h) to enter into, make, perform, and carry out contracts of every kind and for any lawful purpose pertaining to the business of the Corporation, or in any manner incident thereto, as principal, agent or otherwise, with any person, firm, association, or corporation.

x x x

The Junket Agreement would be valid if under Section 3(h) of PAGCOR's charter, PAGCOR could share its gambling franchise with another entity. In *Senator Jaworski v. Phil. Amusement and Gaming Corp.*,[40] the Court discussed the extent of the grant of the legislative franchise to PAGCOR on its authority to operate gambling casinos:

A legislative franchise is a special privilege granted by the state to corporations. It is a privilege of public concern which cannot be exercised at will and pleasure, but should be reserved for public control and administration, either by the government directly, or by public agents, under such conditions and regulations as the government may impose on them in the interest of the public. It is Congress that prescribes the conditions on which the grant of the franchise may be made. Thus the manner of granting the franchise, to whom it may be granted, the mode of conducting the business, the charter and the quality of the service to be rendered and the duty of the grantee to the public in exercising the franchise are almost always defined in clear and unequivocal language.

After a circumspect consideration of the foregoing discussion and the contending positions of the parties, we hold that PAGCOR has acted beyond the limits of its authority when it passed on or shared its franchise to SAGE.

In the *Del Mar* case where a similar issue was raised when PAGCOR entered into a joint venture agreement with two other entities in the operation and management of jai alai games, the Court, in an *En Banc* Resolution dated 24 August 2001, partially granted the motions for clarification filed by respondents therein insofar as it prayed that PAGCOR has a valid franchise, but only by itself (i.e. not in association with any other person or entity), to operate, maintain and/or manage the game of jai-alai.

In the case at bar, PAGCOR executed an agreement with SAGE whereby the former grants the latter the

authority to operate and maintain sports betting stations and Internet gaming operations. In essence, the grant of authority gives SAGE the privilege to actively participate, partake and share PAGCOR's franchise to operate a gambling activity. The grant of franchise is a special privilege that constitutes a right and a duty to be performed by the grantee. The grantee must not perform its activities arbitrarily and whimsically but must abide by the limits set by its franchise and strictly adhere to its terms and conditionalities. A corporation as a creature of the State is presumed to exist for the common good. Hence, the special privileges and franchises it receives are subject to the laws of the State and the limitations of its charter. There is therefore a reserved right of the State to inquire how these privileges had been employed, and whether they have been abused. (Emphasis supplied)

Thus, PAGCOR has the sole and exclusive authority to operate a gambling activity. While PAGCOR is allowed under its charter to enter into operator's or management contracts, PAGCOR is not allowed under the same charter to relinquish or share its franchise. PAGCOR cannot delegate its power in view of the legal principle of *delegata potestas delegare non potest*, inasmuch as there is nothing in the charter to show that it has been expressly authorized to do so.[41]

Similarly, in this case, PAGCOR, by taking only a percentage of the earnings of ABS Corporation from its foreign currency collection, allowed ABS Corporation to operate gaming tables in the dollar pit. The Junket Agreement is in direct violation of PAGCOR's charter and is therefore void.

Since the Junket Agreement violates PAGCOR's charter, gambling between the junket player and the junket operator under such agreement is illegal and may not be enforced by the courts. Article 2014[42] of the Civil Code, which refers to illegal gambling, states that no action can be maintained by the winner for the collection of what he has won in a game of chance.

Although not raised as an issue by petitioner, we deem it necessary to discuss the applicability of Republic Act No. 9487[43] (RA 9487) to the present case.

RA 9487 amended the PAGCOR charter, granting PAGCOR the power to enter into special agreement with third parties to share the privileges under its franchise for the operation of gambling casinos:

Section 1. The Philippine Amusement and Gaming Corporation (PAGCOR) franchise granted under Presidential Decree No. 1869 otherwise known as the PAGCOR Charter, is hereby further amended to read as follows:

x x x

(2) Section 3(h) is hereby amended to read as follows:

"SEC. 3. Corporate Powers. -

"x x x

"(h) to enter into, make, conclude, perform, and carry out contracts of every kind and nature and for any lawful purpose which are necessary, appropriate, proper or incidental to any business or purpose of the PAGCOR, including but not limited to investment agreements, joint venture agreements, management agreements, agency agreements, whether as principal or as an agent, manpower supply agreements, or any other similar agreements or arrangements with any person, firm, association or corporation." (Boldfacing supplied)

PAGCOR sought the amendment of its charter precisely to address and remedy the legal impediment raised in *Senator Jaworski v. Phil. Amusement and Gaming Corp.*

Unfortunately for petitioner, RA 9487 cannot be applied to the present case. The Junket Agreement was entered

into between PAGCOR and ABS Corporation on 25 April 1996 when the PAGCOR charter then prevailing (PD 1869) prohibited PAGCOR from entering into any arrangement with a third party that would allow such party to actively participate in the casino operations.

It is a basic principle that laws should only be applied prospectively unless the legislative intent to give them retroactive effect is expressly declared or is necessarily implied from the language used.[44] RA 9487 does not provide for any retroactivity of its provisions. All laws operate prospectively absent a clear contrary language in the text,[45] and that in every case of doubt, the doubt will be resolved against the retroactive operation of laws.[46]

Thus, petitioner cannot avail of the provisions of RA 9487 as this was not the law when the acts giving rise to the claimed liabilities took place. This makes the gambling activity participated in by petitioner illegal. Petitioner cannot sue PAGCOR to redeem the cash value of the gambling chips or recover damages arising from an illegal activity for two reasons. First, petitioner engaged in gambling with ABS Corporation and not with PAGCOR. Second, the court cannot assist petitioner in enforcing an illegal act. Moreover, for a court to grant petitioner's prayer would mean enforcing the Junket Agreement, which is void.

Now, to address the issues raised by petitioner in his petition, petitioner claims that he is a third party proceeding against the liability of a presumed principal and claims relief, alternatively, on the basis of implied agency or agency by estoppel.

Article 1869 of the Civil Code states that implied agency is derived from the acts of the principal, from his silence or lack of action, or his failure to repudiate the agency, knowing that another person is acting on his behalf without authority. Implied agency, being an actual agency, is a fact to be proved by deductions or inferences from other facts.[47]

On the other hand, apparent authority is based on estoppel and can arise from two instances. First, the principal may knowingly permit the agent to hold himself out as having such authority, and the principal becomes estopped to claim that the agent does not have such authority. Second, the principal may clothe the agent with the indicia of authority as to lead a reasonably prudent person to believe that the agent actually has such authority.[48] In an agency by estoppel, there is no agency at all, but the one assuming to act as agent has apparent or ostensible, although not real, authority to represent another.[49]

The law makes no presumption of agency and proving its existence, nature and extent is incumbent upon the person alleging it.[50] Whether or not an agency has been created is a question to be determined by the fact that one represents and is acting for another. [51]

Acts and conduct of PAGCOR negates the existence of an implied agency or an agency by estoppel

Petitioner alleges that there is an implied agency. Alternatively, petitioner claims that even assuming that no actual agency existed between PAGCOR and ABS Corporation, there is still an agency by estoppel based on the acts and conduct of PAGCOR showing apparent authority in favor of ABS Corporation. Petitioner states that one factor which distinguishes agency from other legal precepts is control and the following undisputed facts show a relationship of implied agency:

- Three floors of the Grand Boulevard Hotel[52] were leased to PAGCOR for conducting gambling operations;[53]
- Of the three floors, PAGCOR allowed ABS Corporation to use one whole floor for foreign exchange gambling, conducted by PAGCOR dealers using PAGCOR facilities, operated by PAGCOR employees and using PAGCOR

chips bearing the PAGCOR logo;[54]

- PAGCOR controlled the release, withdrawal and return of all the gambling chips given to ABS Corporation in that part of the casino and at the end of the day, PAGCOR conducted an inventory of the gambling chips;[55]

- ABS Corporation accounted for all gambling chips with the Commission on Audit (COA), the official auditor of PAGCOR;[56]

- PAGCOR enforced, through its own manager, all the rules and regulations on the operation of the gambling pit used by ABS Corporation.[57]

Petitioner's argument is clearly misplaced. The basis for agency is representation,[58] that is, the agent acts for and on behalf of the principal on matters within the scope of his authority and said acts have the same legal effect as if they were personally executed by the principal.[59] On the part of the principal, there must be an actual intention to appoint or an intention naturally inferable from his words or actions, while on the part of the agent, there must be an intention to accept the appointment and act on it.[60] Absent such mutual intent, there is generally no agency.[61]

There is no implied agency in this case because PAGCOR did not hold out to the public as the principal of ABS Corporation. PAGCOR's actions did not mislead the public into believing that an agency can be implied from the arrangement with the junket operators, nor did it hold out ABS Corporation with any apparent authority to represent it in any capacity. The Junket Agreement was merely a contract of lease of facilities and services.

The players brought in by ABS Corporation were covered by a different set of rules in acquiring and encashing chips. The players used a different kind of chip than what was used in the regular gaming areas of PAGCOR, and that such junket players played specifically only in the third floor area and did not mingle with the regular patrons of PAGCOR. Furthermore, PAGCOR, in posting notices stating that the players are playing under special rules, exercised the necessary precaution to warn the gaming public that no agency relationship exists.

For the second assigned error, petitioner claims that the intention of the parties cannot apply to him as he is not a party to the contract.

We disagree. The Court of Appeals correctly used the intent of the contracting parties in determining whether an agency by estoppel existed in this case. An agency by estoppel, which is similar to the doctrine of apparent authority requires proof of reliance upon the representations, and that, in turn, needs proof that the representations predated the action taken in reliance.[62]

There can be no apparent authority of an agent without acts or conduct on the part of the principal and such acts or conduct of the principal must have been known and relied upon in good faith and as a result of the exercise of reasonable prudence by a third person as claimant, and such must have produced a change of position to its detriment.[63] Such proof is lacking in this case.

In the entire duration that petitioner played in Casino Filipino, he was dealing only with ABS Corporation, and availing of the privileges extended only to players brought in by ABS Corporation. The facts that he enjoyed special treatment upon his arrival in Manila and special accommodations in Grand Boulevard Hotel, and that he was playing in special gaming rooms are all indications that petitioner cannot claim good faith that he believed he was dealing with PAGCOR. Petitioner cannot be considered as an innocent third party and he cannot claim entitlement to equitable relief as well.

For his third and final assigned error, petitioner asserts that PAGCOR ratified the acts of ABS Corporation.

The trial court has declared, and we affirm, that the Junket Agreement is void. A void or inexistent contract is one

which has no force and effect from the very beginning. Hence, it is as if it has never been entered into and cannot be validated either by the passage of time or by ratification.[64] Article 1409 of the Civil Code provides that contracts expressly prohibited or declared void by law, such as gambling contracts, "cannot be ratified." [65]

WHEREFORE, we DENY the petition. We AFFIRM the Court of Appeals' Decision dated 27 May 2003 as well as the Resolution dated 7 May 2004 as modified by this Decision.

**SO ORDERED.**

Carpio Morales[\*], Leonardo-De Castro[\*\*], Del Castillo, and Abad, JJ., concur.

---

[\*] Designated additional member per Special Order No. 807.

[\*\*] Designated additional member per Special Order No. 776.

[1] Under Rule 45 of the Rules of Court.

[2] Rollo , pp. 30-38. Penned by Associate Justice Rosmari D. Carandang, with Associate Justices Conrado M. Vasquez, Jr. and Mercedes Gozo-Dadole, concurring.

[3]Id. at 57. Penned by Associate Justice Rosmari D. Carandang with Associate Justices Conrado M. Vasquez, Jr. and Mercedes Gozo-Dadole, concurring.

[4] Id. at 58-62. Penned by RTC Judge Mario Guariña III.

[5]Id. at 5-6.

[6] Records, pp. 23-24.

[7] Rollo, p. 8.

[8] Id. at 6-7.

[9] Id. at 8-9.

[10] Id. at 69.

[11] Id. at 70.

[12] Id. Petitioner showed a similar notice posted with regard to another junket operator GIT.

[13] Id.

[14] Id. at 121.

[15] Presidential Decree No. 1869, Consolidating and Amending Presidential Decree Nos. 1067-A, 1067-B, 1067-C, 1399 and 1632 Relative to the Franchise and Powers of the Philippine Amusement and Gaming Corporation (PAGCOR). Took effect on 11 July 1983.

[16] Rollo, pp. 60-61.

[17]Id.

[18]Id.

[19]Id. at 61-62.

[20] Id. at 33.

[21] Id.

[22] Id. at 34.

[23] Id.

[24] Id. at 34-35.

[25] Id.

[26] Art. 1883. If an agent acts in his own name, the principal has no right of action against the persons with whom the agent has contracted, neither have such persons against the principal.

In such case, the agent is the one directly bound in favor of the person with whom he has contracted, as if the transaction were his own, except when the contract involves things belonging to the principal.

The provisions of this article shall be understood to be without prejudice to the actions between the principal and agent.

[27] Rollo, p. 35.

[28] Id.

[29] Id. at 36.

[30] Art. 2152. The officious manager is personally liable for contracts which he has entered into with third persons, even though he acted in the name of the owner, and there shall be no right of action between the owner and third persons. These provisions shall not apply:

- (1) If the owner has expressly or tacitly ratified the management, or
- (2) When the contract refers to things pertaining to the owner of the business.

[31] Rollo, p. 36.

[32] Id.

[33] Id. at 36, 38.

[34] Id. at 12.

[35] *United States v. Salaveria*, 39 Phil. 102, 112 (1918).

[36] *People v. Punto*, 68 Phil. 481, 482 (1939).

[37] Prescribing Stiffer Penalties on Illegal Gambling. Took effect on 11 June 1978.

[38] Gambling and Illegal Lottery are crimes covered by Chapter One, Title VI (Crimes against Public Morals) of the Revised Penal Code.

[39] Section 1. Penalties. The following penalties are hereby imposed:

- (a) The penalty of prision correccional in its medium period or a fine ranging from one thousand to six thousand pesos, and in case of recidivism, the penalty of prision mayor in its medium period or a fine ranging from five thousand to ten thousand pesos shall be imposed upon:

1. Any person other than those referred to in the succeeding sub-sections who in any manner, shall directly or

indirectly take part in any illegal or unauthorized activities or games of cockfighting, jueteng, jai alai or horse racing to include bookie operations and game fixing, numbers, bingo and other forms of lotteries; cara y cruz, pompiang and the like; 7-11 and any game using dice; black jack, lucky nine, poker and its derivatives, monte, baccarat, cuajo, panguingue and other card games; piak que, high and low, mahjong, domino and other games using plastic tiles and the likes; slot machines, roulette, pinball and other mechanical contraptions and devices; dog racing, boat racing, car racing and other forms of races, basketball, boxing, volleyball, bowling, pingpong and other forms of individual or team contests to include game fixing, point shaving and other machinations; banking or percentage game, or any other game scheme, whether upon chance or skill, wherein wagers consisting of money, articles of value or representative of value are at stake or made;

[40] 464 Phil. 375, 385-386 (2004).

[41] Id.

[42] Art. 2014. No action can be maintained by the winner for the collection of what he has won in a game of chance. But any loser in a game of chance may recover his loss from the winner, with legal interest from the time he paid the amount lost, and subsidiarily from the operator or manager of the gambling house.

[43] An Act Further Amending Presidential Decree No. 1869, Otherwise Known as PAGCOR Charter. Took effect on 20 June 2007.

Prior to the amendment, Section 3(h) of the PAGCOR Charter (PD 1869) reads as follows:

SEC. 3. Corporate Powers. - The Corporation shall have the following powers and functions, among others:

x x x

h) to enter into, make, perform, and carry out contracts of every kind and for any lawful purpose pertaining to the business of the Corporation, or in any manner incident thereto, as principal, agent or otherwise, with any person, firm, association or corporation.

[44] Erectors, Inc. v. National Labor Relations Commission, 326 Phil. 640, 646 (1996).

[45] Agpalo, Ruben, Statutory Construction (5th ed., 2003), p. 355.

[46] Cebu Portland Cement Co. v. Collector of Internal Revenue, 134 Phil. 735, 740 (1968).

[47] De Leon, Hector S., Comments and Cases on Partnership, Agency and Trusts, 5[th] edition, 1999, p. 411.

[48] Woodchild Holdings, Inc. v. Roxas Electric and Construction Company, Inc., 479 Phil. 896, 914 (2004).

[49] Supra note 47 at 410.

[50] Tuazon v. Heirs of Bartolome Ramos, G.R. No. 156262, 14 July 2005, 463 SCRA 408, 415.

[51] Angeles v. Philippine National Railways, G.R. No. 150128, 31 August 2006, 500 SCRA 444, 452.

[52] Formerly known as Silahis Hotel.

[53] Rollo, p. 124.

[54] Id.

[55] Id. at 125.

[56] Id.

[57]Id.

[58]Bordador v. Luz, 347 Phil. 654, 662 (1997).

[59] Eurotech Industrial Technologies, Inc. v. Cuizon, G.R. No. 167552, 23 April 2007, 521 SCRA 584, 593.

[60]Victorias Milling Co., Inc. v. Court of Appeals, 389 Phil. 184, 196 (2000).

[61] Supra note 50 at 415.

[62] Litonjua, Jr. v. Eternit Corporation, G.R. No. 144805, 8 June 2006, 490 SCRA 204, 225.

[63] Supra note 48 at 914.

[64] Francisco v. Herrera, 440 Phil. 841, 849 (2002).

[65]Art. 1409. The following contracts are inexistent and void from the beginning:

x x x

(7) Those expressly prohibited or declared void by law.

These contracts cannot be ratified. Neither can the right to set up the defense of illegality be waived.

**ABOUT BATAS.ORG**

# Study smarter at BATAS.org

*The Philippine bar review and law-school companion built around how your brain actually remembers.*

**The complete Philippine law library - free for everyone.**

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

**Audio case-brief lectures.**

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

**Bar review built on the science of memory.**

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

**The full law-school curriculum.**

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

**Mock exams that tell you where you stand.**

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

**A study planner that keeps you on pace.**

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

**Start free at <https://batas.org>**

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.