

**ARTURO P. VALENZUELA AND HOSPITALITA N. VALENZUELA,
PETITIONERS, VS. THE HONORABLE COURT OF APPEALS,
BIENVENIDO M. ARAGON, ROBERT E. PARNELL, CARLOS K.
CATOLICO AND THE PHILIPPI...**

G.R. No. 83122. October 19, 1990

Ponente: GUTIERREZ, JR., J.

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GUTIERREZ, JR., J.:

This is a petition for review of the January 29, 1988 decision of the Court of Appeals and the April 27, 1988 resolution denying the petitioners' motion for reconsideration, which decision and resolution reversed the decision dated June 23, 1986 of the Court of First Instance of Manila, Branch 34 in Civil Case No. 121126 upholding the petitioners causes of action and granting all the reliefs prayed for in their complaint against private respondents.

The antecedent facts of the case are as follows:

Petitioner Arturo P. Valenzuela (Valenzuela for short) is a General Agent of private respondent Philippine American General Insurance Company, Inc. (Philamgen for short) since 1965. As such, he was authorized to solicit and sell in behalf of Philamgen all kinds of non-life insurance, and in consideration services rendered was entitled to receive the full agent's commission of 32.5% from Philamgen under the scheduled commission rates (Exhibits "A" and "J"). From 1973 to 1975, Valenzuela solicited marine insurance from one of his clients, the Delta Motors, Inc. (Division of Electronics Airconditioning and Refrigeration) in the amount of P4.4 Million from which he was entitled to a commission of 32% (Exhibit "B"). However, Valenzuela did not receive his full commission which amounted to P1.6 Million from the P4.4 Million insurance coverage of the Delta Motors. During the period 1976 to 1978, premium payments amounting to P1,946,886.00 were paid directly to Philamgen and Valenzuela's commission to which he is entitled amounted to P632,737.00.

In 1977, Philamgen started to become interested in and expressed its intent to share in the commission due Valenzuela (Exhibits "III" and "III-1") on a fifty-fifty basis (Exhibit "C"). Valenzuela refused (Exhibit "D").

On February 8, 1978 Philamgen and its President, Bienvenido M. Aragon insisted on the sharing of the commission with Valenzuela (Exhibit E). This was followed by another sharing proposal dated June 1, 1978. On June 16, 1978, Valenzuela firmly reiterated his objection to the proposals of respondents stating that: "It is with great reluctance that I have to decline upon request to signify my conformity to your alternative proposal regarding the payment of the commission due me. However, I have no choice for to do otherwise would be violative of Agency Agreement executed between our goodselves." (Exhibit B-1)

Because of the refusal of Valenzuela, Philamgen and its officers, namely: Bienvenido Aragon, Carlos Catolico and Robert E. Parnell took drastic action against Valenzuela. They: (a) reversed the commission due him by not crediting in his account the commission earned from the Delta Motors, Inc. insurance (Exhibit "J" and "2"); (b)

placed agency transactions on a cash-and-carry basis; (c) threatened the cancellation of policies issued by his agency (Exhibits “H” to “H-2”); and (d) started to leak out news that Valenzuela has a substantial account with Philamgen. All of these acts resulted in the decline of his business as insurance agent (Exhibits “N”, “O”, “K” and “K-8”). Then on December 27, 1978, Philamgen terminated the General Agency Agreement of Valenzuela (Exhibit “J”, pp. 1-3, Decision Trial Court dated June 23, 1986, Civil Case No. 121126, Annex I, Petition).

The petitioners sought relief by filing complaint against the private respondents in the court a quo. (Complaint of January 24, 1979, Annex “F” Petition). After due proceedings, the trial court found:

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“Defendants tried to justify the termination of plaintiff Arturo P. Valenzuela as one of defendant PHILAMGEN’s General Agent by making it appear that plaintiff Arturo P. Valenzuela has a substantial account with defendant PHILAMGEN, particularly Delta Motors, Inc.’s Account, thereby prejudicing defendant PHILAMGEN’s interest (Exhibits 6, ‘11’, ‘11-’, ‘12-A’ and ‘13-A’).

“Defendants also invoked the provisions of the Civil Code of the Philippines (Article 1868) and the provisions of the General Agency Agreement as their basis for terminating plaintiff Arturo P. Valenzuela as one of their General Agents.

“That defendants’ position could have been justified had the termination of plaintiff Arturo P. Valenzuela was (sic) based solely on the provisions of the Civil Code and the conditions of the General Agency Agreement. But the record will show that the principal cause of the termination of the plaintiff as General Agent of defendant PHILAMGEN was his refusal to share his Delta commission.

“That it should be noted that there were several attempts made by defendant Bienvenido M. Aragon to share with the Delta commission of plaintiff Arturo P. Valenzuela. He had persistently pursued the sharing scheme to the point of terminating plaintiff Arturo P. Valenzuela, and to make matters worse, defendants made it appear that plaintiff Arturo P. Valenzuela had substantial accounts with defendant PHILAMGEN.

“Not only that, defendants have also started (a) to treat separately the Delta Commission of plaintiff Arturo P. Valenzuela, (b) to reverse the Delta commission due plaintiff Arturo P. Valenzuela by not crediting or applying said commission earned to the account of plaintiff Arturo P. Valenzuela, (c) placed plaintiff Arturo P. Valenzuela’s agency transactions on a ‘cash-and-carry’ basis, (d) sending threats to cancel existing policies issued by plaintiff Arturo Valenzuela’s agency, (e) to divert plaintiff Arturo P. Valenzuela’s insurance business to other agencies, and (f) to spread wild and malicious rumors that plaintiff Arturo P. Valenzuela has substantial account with defendant PHILAMGEN to force plaintiff Arturo P. Valenzuela into agreeing with the sharing of his Delta commission.” (pp. 9-10, Decision, Annex 1, Petition).

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“These acts of harassment done by defendants on plaintiff Arturo P. Valenzuela to force him to agree to the sharing of his Delta commission, which culminated in the termination of plaintiff Arturo P. Valenzuela as one of defendant PHILAMGEN’s General Agent, do not justify said termination of the General Agency Agreement entered into by defendant PHILAMGEN and plaintiff Arturo P. Valenzuela.

“That since defendants are not justified in the termination of plaintiff Arturo P. Valenzuela as one of their General Agents, defendants shall be liable for the resulting damage and loss of business of plaintiff Arturo P. Valenzuela. (Arts. 2199/2200, Civil Code of the Philippines). (Ibid, p. 11)

The court accordingly rendered judgment, the dispositive portion of which reads:

“WHEREFORE, judgment is hereby rendered in favor of the plaintiffs and against defendants ordering the latter to reinstate plaintiff Arturo P. Valenzuela as its General Agent, and to pay plaintiffs, jointly and

severally, the following:

“1. The amount of five hundred twenty-one thousand nine hundred sixty four and 16/100 pesos (P521,964.16) representing plaintiff Arturo P. Valenzuela’s Delta Commission with interest at the legal rate from the time of the filing of the complaint, which amount shall be adjusted in accordance with Article 1250 of the Civil Code of the Philippines;

“2. The amount of seventy-five thousand pesos (P75,000.00) per month as compensatory damages from 1980 until such time that defendant Philamgen shall reinstate plaintiff Arturo P. Valenzuela as one of its general agents;

3. The amount of three hundred fifty thousand pesos (P350,000.00) for each plaintiff as moral damages;

4. The amount of seventy-five thousand pesos (P75,000.00) as and for attorney’s fees; and

5. Costs of the suit.” (Ibid., p. 12)

From the aforesaid decision of the trial court, Bienvenido Aragon, Robert E. Parnell, Carlos K. Catolico and PHILAMGEN respondents herein, and defendants-appellants below, interposed an appeal on the following:

ASSIGNMENT OF ERRORS

I

THE LOWER COURT ERRED IN HOLDING THAT PLAINTIFF ARTURO P. VALENZUELA HAD NO OUTSTANDING ACCOUNT WITH DEFENDANT PHILAMGEN AT THE TIME OF THE TERMINATION OF THE AGENCY.

II

THE LOWER COURT ERRED IN HOLDING THAT PLAINTIFF ARTURO P. VALENZUELA IS ENTITLED TO THE FULL COMMISSION OF 32.5% ON THE DELTA ACCOUNT.

III

THE LOWER COURT ERRED IN HOLDING THAT THE TERMINATION OF PLAINTIFF ARTURO P. VALENZUELA WAS NOT JUSTIFIED AND THAT CONSEQUENTLY DEFENDANTS ARE LIABLE FOR ACTUAL AND MORAL DAMAGES, ATTORNEY’S FEES AND COSTS.

IV

ASSUMING ARGUENDO THAT THE AWARD OF DAMAGES AGAINST DEFENDANT PHILAMGEN WAS PROPER, THE LOWER COURT ERRED IN AWARDING DAMAGES EVEN AGAINST THE INDIVIDUAL DEFENDANTS WHO ARE MERE CORPORATE AGENTS ACTING WITHIN THE SCOPE OF THEIR AUTHORITY.

V

ASSUMING ARGUENDO THAT THE AWARD OF DAMAGES IN FAVOR OF PLAINTIFF ARTURO P. VALENZUELA WAS PROPER, THE LOWER COURT ERRED IN AWARDING DAMAGES IN FAVOR OF HOSPITALITA VALENZUELA, WHO, NOT BEING THE REAL PARTY IN INTEREST IS NOT TO OBTAIN RELIEF.

On January 29, 1988, respondent Court of Appeals promulgated its decision in the appealed case. The dispositive

portion of the decision reads:

“WHEREFORE, the decision appealed from is hereby modified accordingly and judgment is hereby rendered ordering:

1. Plaintiff-appellee Valenzuela to pay defendant-appellant Philamgen the sum of one million nine hundred thirty two thousand five hundred thirty-two pesos and seventeen centavos (P1,932,532.17) with legal interest thereon from the date of the finality of this judgment until fully paid.
2. Both plaintiff-appellees to pay jointly and severally defendants-appellants the sum of fifty thousand pesos (P50,000.00) as and by way of attorney’s fees.

No pronouncement is made as to costs.” (p. 44, Rollo)

There is in this instance irreconcilable divergence in the findings and conclusions of the Court of Appeals, vis-a-vis those of the trial court particularly on the pivotal issue whether or not Philamgen and/or its officers can be held liable for damages due to the termination of the General Agency Agreement it entered into with the petitioners. In its questioned decision the Court of Appeals observed that:

“In any event the principal’s power to revoke an agency at will is so pervasive, that the Supreme Court has consistently held that termination may be effected even if the principal acts in bad faith, subject only to the principal’s liability for damages (Danon v. Antonio A. Brimo & Co., 42 Phil. 133; Reyes v. Mosqueda, 53 O.G. 2158 and Infante V. Cunanan, 93 Phil. 691, cited in Paras, Vol. V. Civil Code of the Philippines Annotated [1986] 696).

“The lower court, however, thought the termination of Valenzuela as General Agent improper because the record will show the principal cause of the termination of the plaintiff as General Agent of defendant Philamgen was his refusal to share his Delta commission” (Decision, p. 9; p. 13, Rollo, 41)

Because of the conflicting conclusions, this Court deemed it necessary in the interest of substantial justice to scrutinize the evidence and records of the cases. While it is an established principle that the factual findings of the Court of Appeals are final and may not be reviewed on appeal to this Court, there are however certain exceptions to the rule which this Court has recognized and accepted, among which, are when the judgment is based on a misapprehension of facts and when the findings of the appellate court, are contrary to those of the trial court (Manlapaz v. Court of Appeals, 147 SCRA 236 [1987]); Guita v. Court of Appeals, 139 SCRA 576 [1986]). Where the findings of the Court of Appeals and the trial court are contrary to each other, this Court may scrutinize the evidence on record (Cruz v. Court of Appeals, 129 SCRA 222 [1984]; Mendoza v. Court of Appeals, 156 SCRA 597 [1987]; Maclan v. Santos, 156 SCRA 542 [1987]). When the conclusion of the Court of Appeals is grounded entirely and speculation, surmises or conjectures, or when the inference made is manifestly mistaken, absurd or impossible, or when there is grave abuse of discretion, or when the judgment is based on a misapprehension of facts, and when the findings of facts are conflicting the exception also applies (Malaysian Airline System Bernad v. Court of Appeals, 156 SCRA 321 [1987]).

After a painstaking review of the entire records of the case and the findings of facts of both the court a quo and respondent appellate court, we are constrained to affirm the trial court’s findings and rule for the petitioners.

We agree with the court a quo that the principal cause of the termination of Valenzuela as General Agent of Philamgen arose from his refusal to share his Delta commission. The records sustain the conclusions of the trial court on the apparent bad faith of the private respondents terminating the General Agency Agreement of petitioners. It is axiomatic that the findings of fact of a trial judge are entitled to great weight (People v. Atanacio, 128 SCRA 22 [1984]) and should not be disturbed on appeal unless for strong and cogent reasons because the trial

court is in a better position to examine the evidence as well as to observe the demeanor of the witnesses while testifying (*Chase v. Buencamino, Sr.*, 136 SCRA 365 [1985]; *People v. Pimentel*, 147 SCRA 25 [1987]; and *Baliwag Trans., Inc. v. Court of Appeals*, 147 SCRA 82 [1987]). In the case at bar, the records show that the findings and conclusions of the trial court are supported by substantial evidence and there appears to be no cogent reason to disturb them (*Mendoza v. Court of Appeals*, 156 SCRA 597 [1987]).

As early as September 30, 1977, Philamgen told the petitioners of its desire to share the Delta Commission with them. It stated that should Delta back out from the agreement, the petitioners would be charged interests through a reduced commission after full payment by Delta.

On January 23, 1978 Philamgen proposed reducing the petitioners' commissions by 50% thus giving them an agent's commission of 16.25%. On February 8, 1978, Philamgen insisted on the reduction scheme followed on June 1, 1978 by still another insistence on reducing commissions and proposing two alternative schemes for reduction. There were other pressures. Demands to settle accounts, to confer and thresh out differences regarding the petitioners' income and the threat to terminate the agency followed. The petitioners were told that the Delta commissions would not be credited to their account (Exhibit "J"). They were informed that the Valenzuela agency would be placed on a cash and carry basis thus removing the 60-day credit for premiums due. (TSN., March 26, 1979, pp. 54-57). Existing policies were threatened to be cancelled (Exhibits 'H' and "14"; TSN., March 26, 1979, pp. 29-30). The Valenzuela business was threatened with diversion to other agencies. (Exhibit "NNN"). Rumors were also spread about alleged accounts of the Valenzuela agency (TSN., January 25, 1980, p. 41). The petitioners consistently opposed the pressures to hand over the agency or half of their commissions and for a treatment of the Delta account distinct from other accounts. The pressures and demands, however, continued until the agency agreement itself was finally terminated.

It is also evident from the records that the agency involving petitioner and private respondent is one "coupled with an interest," and, therefore, should not be freely revocable at the unilateral will of the latter.

In the insurance business in the Philippines, the most difficult and frustrating period is the solicitation and persuasion of the prospective clients to buy insurance policies. Normally, agents would encounter much embarrassment, difficulties, and oftentimes frustrations in the solicitation and procurement of the insurance policies. To sell policies, an agent exerts great effort, patience, perseverance, ingenuity, tact, imagination, time and money. In the case of Valenzuela, he was able to build up an agency from scratch in 1965 to a highly productive enterprise with gross billings of about Two Million Five Hundred Thousand Pesos (P2,500,000.00) premiums per annum. The records sustain the finding that the private respondent started to covet a share of the insurance business that Valenzuela had built up, developed and nurtured to profitability through over thirteen (13) years of patient work and perseverance. When Valenzuela refused to share his commission in the Delta account, the boom suddenly fell on him.

The private respondents by the simple expedient of terminating the General Agency Agreement appropriated the entire insurance business of Valenzuela. With the termination of the General Agency Agreement, Valenzuela would no longer be entitled to commission on the renewal of insurance policies of clients sourced from his agency. Worse, despite the termination of the agency, Philamgen continued to hold Valenzuela jointly and severally liable with the insured for unpaid premiums. Under these circumstances, it is clear that Valenzuela had an interest in the continuation of the agency when it was unceremoniously terminated not only because of the commissions he should continue to receive from the insurance business he has solicited and procured but also for the fact that by the very acts of the respondents, he was made liable to Philamgen in the event the insured fail to pay the premiums due. They are estopped by their own positive averments and claims for damages. Therefore, the respondents cannot state that the agency relationship between Valenzuela and Philamgen is not coupled with

interest. “There may be cases in which an agent has been induced to assume a responsibility or incur a liability, in reliance upon the continuance of the authority under such circumstances that, if the authority be withdrawn, the agent will be exposed to personal loss or liability” (See MEC 569 p. 406).

Furthermore, there is an exception to the principle that an agency is revocable at will and that is when the agency has been given not only for the interest of the principal but for the interest of third persons or for the mutual interest of the principal and the agent. In these cases, it is evident that the agency ceases to be freely revocable by the sole will of the principal (See Padilla, Civil Code Annotated, 56 ed., Vol. IV p. 350). The following citations are apropos:

“The principal may not defeat the agent’s right to indemnification by a termination of the contract of agency. (Erskind v. Chevrolet Motors Co. 185 NC 479, 117 SE 706, 32 ALR 196).

“Where the principal terminates or repudiates the agent’s employment in violation of the contract of employment and without cause x x x the agent is entitled to receive either the amount of net losses caused and gains prevented by the breach, or the reasonable value of the services rendered. Thus, the agent is entitled to prospective profits which he would have made except for wrongful termination provided that such profits are not conjectural, or speculative but are capable of determination upon some fairly reliable basis. And a principal’s revocation of the agency agreement made to avoid payment of compensation for a result which he has actually accomplished (Hildendorf v. Hague, 293 NW 2d 272; Newhall v. Journal Printing Co., 105 Minn 44, 117 NW 228; Gaylen Machinery Corp. v. Pitman-Moore Co. [CA 2 NY] 273 F 2d 340)

“If a principal violates a contractual or quasi-contractual duty which he owes his agent, the agent may as a rule bring an appropriate action for the breach of that duty. The agent may in a proper case maintain an action at law for compensation or damages x x x. A wrongfully discharged agent has a right of action for damages and in such action the measure and element of damages are controlled generally by the rules governing any other action for the employer’s breach of an employment contract. (Riggs v. Lindsay, 11 US 500, 3L Ed 419; Tiffin Glass Co. v. Stoeck, 54 Ohio 157, 43 NE 2798)

At any rate, the question of whether or not the agency agreement is coupled with interest is helpful to the petitioners’ cause but is not the primary and compelling reason. For the pivotal factor rendering Philamgen and the other private respondents liable in damages is that the termination by them of the General Agency Agreement was tainted with bad faith. Hence, if a principal acts in bad faith and with abuse of right in terminating the agency, then he is liable in damages. This is in accordance with the precepts in Human Relations enshrined in our Civil Code that “every person must in the exercise of his rights and in the performance of his duties act with justice, give every one his due, and observe honesty and good faith” (Art. 19, Civil Code), and every person who, contrary to law, wilfully or negligently causes damages to another, shall indemnify the latter for the same (Art. 20, id). “Any person who wilfully causes loss or injury to another in a manner contrary to morals, good customs and public policy shall compensate the latter for the damages” (Art. 21, id.).

As to the issue of whether or not the petitioners are liable to Philamgen for the unpaid and uncollected premiums which the respondent court ordered Valenzuela to pay Philamgen the amount of One Million Nine Hundred Thirty-Two Thousand Five Hundred Thirty-Two and 17/100 Pesos (P1,932,532.17) with legal interest thereon until fully paid (Decision - January 20, 1988, p. 16; Petition, Annex “A”), we rule that the respondent court erred in holding Valenzuela liable. We find no factual and legal basis for the award. Under Section 77 of the Insurance Code, the remedy for the non-payment of premiums is to put an end to and render the insurance policy not binding --

“Sec. 77 x x x [N]otwithstanding any agreement to the contrary, no policy or contract of insurance is valid and binding unless and until the premiums thereof have been paid except in the case of a life or industrial life

policy whenever the grace period provision applies (P.D. 612, as amended otherwise known as the Insurance Code of 1974)

In *Philippine Phoenix Surety and Insurance, Inc. v. Woodworks, Inc.* (92 SCRA 419 [1979]) we held that the non-payment of premium does not merely suspend but puts an end to an insurance contract since the time of the payment is peculiarly of the essence of the contract. And in *Arce v. The Capital Insurance and Surety Co., Inc.* (117 SCRA 63 [1982]), we reiterated the rule that unless premium is paid, an insurance contract does not take effect. Thus:

“It is to be noted that *Delgado (Capital Insurance & Surety Co., Inc., v. Delgado*, 9 SCRA 177 [1963]) was decided in the light of the Insurance Act before Sec. 72 was amended by the underscored portion. *Supra*. Prior to the Amendment, an insurance contract was effective even if the premium had not been paid so that an insurer was obligated to pay indemnity in case of loss and correlatively he had also the right to sue for payment of the premium. But the amendment to Sec. 72 has radically changed the legal regime in that unless the premium is paid there is no insurance.” (*Arce v. Capitol Insurance and Surety Co., Inc.*, 117 SCRA 66; Underscoring supplied)

In *Philippine Phoenix Surety* case, we held:

“Moreover, an insurer cannot treat a contract as valid for the purpose of collecting premiums and invalid for the purpose of indemnity. (Citing *Insurance Law and Practice* by John Alan Appleman, Vol. 15. p. 331; Underscoring supplied)

“The foregoing findings are buttressed by Section 776 of the Insurance Code (Presidential Decree No. 612, promulgated on December 18, 1974), which now provides that no contract of Insurance by an insurance company is valid and binding unless and until the premium thereof has been paid, notwithstanding any agreement to the contrary” (*Ibid.*, 92 SCRA 425)

Perforce, since admittedly the premiums have not been paid, the policies issued have lapsed. The insurance coverage did not go into effect or did not continue and the obligation of Philamgen as insurer ceased. Hence, for Philamgen which had no more liability under the lapsed and inexistent policies to demand, much less sue Valenzuela for the unpaid premiums would be the height of injustice and unfair dealing. In this instance, with the lapsing of the policies through the non-payment of premiums by the insured there were no more insurance contracts to speak of. As this Court held in the *Philippine Phoenix Surety* case, (*supra*) - “the non--payment of premiums does not merely suspend but puts an end to an insurance contract since the time of the payment is peculiarly of the essence of the contract.”

The respondent appellate court also seriously erred in according undue reliance to the report of Banaria and Banaria and Company, auditors, that as of December 31, 1978, Valenzuela owed Philamgen P1,528,698.40. This audit report of Banaria was commissioned by Philamgen after Valenzuela was almost through with presentation of his evidence. In essence, the Banaria report started with an unconfirmed and unaudited beginning balance of account of P1,758,185.43 as of August 20, 1976. But even with that unaudited and unconfirmed beginning balance of P1,758,185.43, Banaria still came up with the amount of P3,865.49 as Valenzuela’s balance as of December 1978 with Philamgen (Exh. “38-A-3”). In fact, as of December 31, 1976, and December 31, 1977, Valenzuela had no unpaid account with Philamgen (Ref: Annexes “D”, “D-1” “E”, Petitioner’s Memorandum). But even disregarding these annexes which are records of Philamgen and addressed to Valenzuela in due course of business, the facts show that as of July 1977, the beginning balance of Valenzuela’s account with Philamgen amounted to P744,159.80. This was confirmed by Philamgen itself not only once but four (4) times on different occasions, as shown by the records.

On April 3, 1978, Philamgen sent Valenzuela a statement of account with a beginning balance of P744,159.80 as

of July, 1977.

On May 23, 1978, another statement of account with exactly the same beginning balance was sent to Valenzuela.

On November 17, 1978, Philamgen sent still another statement of account with P744,159.80 as the beginning balance.

And on December 20, 1978, a statement of account with exactly the same figure was sent to Valenzuela.

It was only after the filing of the complaint that a radically different statement of accounts surfaced in court. Certainly, Philamgen's own statements made by its own accountants over a long period of time and covering examinations made on four different occasions must prevail over unconfirmed and unaudited statements made to support a position made in the course of defending against a lawsuit.

It is not correct to say that Valenzuela should have presented its own records to refute the unconfirmed and unaudited finding of the Banaria auditor. The records of Philamgen itself are the best refutation against figures made as an afterthought in the course of litigation. Moreover, Valenzuela asked for a meeting where the figures would be reconciled. Philamgen refused to meet with him and, instead, terminated the agency agreement.

After off-setting the amount of P744,159.80, beginning balance as of July 1977, by way of credits representing the commission due from Delta and other accounts, Valenzuela had overpaid Philamgen the amount of P530,040.37 as of November 30, 1978. Philamgen cannot later be heard to complain that it committed a mistake in its computation. The alleged error may be given credence if committed only once. But as earlier stated, the reconciliation of accounts was arrived at four (4) times on different occasions where Philamgen was duly represented by its account executives. On the basis of these admissions and representations, Philamgen cannot later on assume a different posture and claim that it was mistaken in its representation with respect to the correct beginning balance as of July 1977 amounting to P744,159.80. The Banaria audit report commissioned by Philamgen is unreliable since its results are admittedly based on an unconfirmed and unaudited beginning balance of P1,758,185.43 as of August 20, 1976.

As so aptly stated by the trial court in its decision:

"Defendants also conducted an audit of accounts of plaintiff Arturo P. Valenzuela after the controversy has started. In fact, after hearing plaintiffs have already rested their case.

"The results of said audit were presented in Court to show plaintiff Arturo P. Valenzuela's accountability to defendant PHILAMGEN. However, the auditor, when presented as witness in this case testified that the beginning balance of their audit report was based on an unaudited amount of P1,758,185.43 (Exhibit 46-A) as of August 20, 1976, which was unverified and merely supplied by the officers of defendant PHILAMGEN.

"Even defendants very own Exhibit 38-A-3, showed that plaintiff Arturo P. Valenzuela's balance as of 1978 amounted to only P3,865.59, not P826,128.46 as stated in defendant Bienvenido M. Aragon's letter dated December 20, 1978 (Exhibit 14) or P1,528,698.40 as reflected in defendant's Exhibit 46 (Audit Report of Banaria dated December 24, 1980).

"These glaring discrepancy (sic) in the accountability of plaintiff Arturo P. Valenzuela to defendant PHILAMGEN only lends credence to the claim of plaintiff Arturo P. Valenzuela that he has no outstanding account with defendant PHILAMGEN when the latter, thru defendant Bienvenido M. Aragon, terminated the General Agency Agreement entered into by plaintiff (Exhibit A) effective January 31, 1979 (see Exhibits "2" and "2-A"). Plaintiff Arturo P. Valenzuela has shown that as of October 31, 1978, he has overpaid defendant PHILAMGEN in the amount of P53,040.37 (Exhibit "EEE", which computation was based on defendant PHILAMGEN's balance of P744,159.80 furnished on several occasions to plaintiff Arturo P. Valenzuela by

defendant PHILAMGEN- (Exhibits H-1, VV, VV-1, WW, WW-1, YY, YY-2, ZZ and ZZ-2).

Prescinding from the foregoing, and considering that the private respondents terminated Valenzuela with evident mala fide, it necessarily follows that the former are liable in damages. Respondent Philamgen has been appropriating for itself all these years the gross billings and income that it unceremoniously took away from the petitioners. The preponderance of the authorities sustain the preposition that a principal can be held liable for damages in cases of unjust termination of agency. In *Danon v. Brimo*, 42 Phil. 133 [1921]), this Court ruled that where no time for the continuance of the contract is fixed by its terms, either party is at liberty to terminate it at will, subject only to the ordinary requirements of good faith. The right of the principal to terminate his authority is absolute and unrestricted, except only that he may not do so in bad faith.

The trial court in its decision awarded to Valenzuela the amount of Seventy Five Thousand Pesos (P75,000.00) per month as compensatory damages from June 1980 until its decision becomes final and executory. This award is justified in the light of the evidence extant on record (Exhibits “N”, “N-10”, “O”, “O-1”, “P” and “P-1”) showing that the average gross premium collection monthly of Valenzuela over a period of four (4) months from December 1978 to February 1979, amounted to over P300,000.00 from which he is entitled to a commission of P100,000.00 more or less per month. Moreover, his annual sales production amounted to P2,500,000.00 from where he was given 32.5% commissions. Under Article 2200 of the new Civil Code, “indemnification for damages shall comprehend not only the value of the loss suffered, but also that of the profits which the obligee failed to obtain.”

The circumstances of the case, however, require that the contractual relationship between the parties shall be terminated upon the satisfaction of the judgment. No more claims arising from or as a result of the agency shall be entertained by the courts after that date.

ACCORDINGLY, the petition is GRANTED. The impugned decision of January 29, 1988 and resolution of April 27, 1988 of respondent court are hereby SET ASIDE. The decision of the trial court dated January 23, 1986 in Civil Case No. 121126 is hereby REINSTATED with the MODIFICATIONS that the amount of FIVE HUNDRED TWENTY-ONE THOUSAND NINE HUNDRED SIXTY-FOUR AND 16/100 PESOS (P521,964.16) representing the petitioners’ Delta commission shall earn only legal Interests without any adjustments under Article 1250 of the Civil Code and that the contractual relationship between Arturo P. Valenzuela and Philippine American General Insurance Company shall be deemed terminated upon the satisfaction of the judgment as modified.

SO ORDERED.

Bidin and Cortes, JJ., concur.

Fernan, C.J., (Chairman), no part.

Feliciano, J., on leave.

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