

## FIRST DIVISION

**[ G.R. No. 159624, July 17, 2009 ]**

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

**CARPIO, J.:**

**The Case**

This is a petition for review<sup>[1]</sup> of the Court of Appeals' Decision<sup>[2]</sup> dated 29 July 2003 in CA-G.R. CV No. 68321. The Court of Appeals affirmed the Decision<sup>[3]</sup> 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:<sup>[4]</sup>

<i>Check No.</i>	<i>Date</i>	<i>Amount</i>
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.

<sup>[5]</sup> 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 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."<sup>[6]</sup>

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.<sup>[7]</sup>

### **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.<sup>[8]</sup>

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.<sup>[9]</sup> 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.<sup>[10]</sup> 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