THIRD DIVISION

[G.R. No. 221771, September 18, 2019]

TERP CONSTRUCTION CORPORATION, PETITIONER, V. BANCO FILIPINO SAVINGS AND MORTGAGE BANK, RESPONDENT.

D E C I S I O N

LEONEN, J.:

A corporation's repeated payment of an allegedly unauthorized obligation contracted by one (1) of its officers effectively ratifies that corporate officer's allegedly unauthorized act.

This Court resolves a Petition for Review on Certiorari[1] assailing the Decision[2] and Resolution[3] of the Court of Appeals, which reversed and set aside the Regional Trial Court Decision and ordered Terp Construction Corporation (Terp Construction) to pay Banco Filipino Savings and Mortgage Bank (Banco Filipino) interest differentials of P18,104,431.33.

Sometime in 1995, Terp Construction planned to develop a housing project called the Margarita Eastville and a condominium called Margarita Plaza. To finance the projects, Terp Construction, Home Insurance Guaranty Corporation, and Planters Development Bank (Planters Bank) agreed to raise funds through the issuance of bonds worth P400 million called the Margarita Project Participation Certificates (Margarita Bonds).[4]

The three (3) companies entered into a Contract of Guaranty in which they agreed that Terp Construction would sell the Margarita Bonds and convey the funds generated into an asset pool named the Margarita Asset Pool Formation and Trust Agreement. Planters Bank, as trustee, would be the custodian of the assets in the asset pool with the corresponding obligation to pay the interests and redeem the bonds at maturity. Home Insurance Guaranty Corporation, as guarantor, would pay investors the value of the bond at maturity plus 8.5% interest per year.[5]

Banco Filipino purchased Margarita Bonds for P100 million. It asked for additional interest other than the guaranteed 8.5% per annum, based on the letters dated February 3, 1997 and April 8, 1997 written by Terp Construction Senior Vice President Alberto Escalona (Escalona).[6]

Terp Construction began constructing Margarita Eastville and Margarita Plaza. After the economic crisis in 1997, however, it suffered unrealized income and could not proceed with the construction.[7]

When the Margarita Bonds matured, the funds in the asset pool were insufficient to pay the bond holders. Pursuant to the Contract of Guaranty, Planters Bank conveyed the asset pool funds to Home Insurance Guaranty Corporation, which then paid Banco Filipino interest earnings of 8.5% per year. Banco Filipino, however, sent Terp

Construction a demand letter dated January 31, 2001, alleging that it was entitled to a 15.5% interest on its investment and that as of July 1, 2001, it was entitled to a seven percent (7%) remaining unpaid interest of P 18,104,431.33.[8] Terp Construction refused to pay the demanded interest.[9]

Terp Construction filed a Complaint for declaration of nullity of interest, damages, and attorney's fees against Banco Filipino. It alleged that it only agreed to pay the seven percent (7%) additional interest on the condition that all the asset pool funds would be released to Terp Construction for it to pay the additional interest. However, it could not have paid the additional interest since the funds of the asset pool were never released to it.[10]

Banco Filipino, on the other hand, alleged that it was induced into buying the Margarita Bonds after Terp Construction, through its senior vice president's letters, committed to pay 15.5% interest on a P50 million bond that Banco Filipino held for a client and 16.5% interest on a P50 million bond it held for another client. It alleged that Terp Construction paid the additional interest twice during the Margarita Bonds' holding period.[11]

Banco Filipino claimed that in September 1998, after no payment of interest on the bonds had been made, Planters Bank called on the guaranty of Home Insurance Guaranty Corporation, which only paid 8.5% interest instead of the 15.5% and 16.5% interests that Terp Construction had committed to pay. Thus, it demanded the interest differentials, but to no avail.[12]

Banco Filipino further alleged that it investigated the cause of default and found that it was because Terp Construction was unable to finish the Margarita projects. It also found that despite raising P400 million from the bonds, only P39 million was actually used for the projects. It alleged that as of November 30, 2001, the unpaid interest differentials already amounted to P29,932,827.71.[13]

On May 29, 2010, the Regional Trial Court issued a Decision in favor of Terp Construction. It found that there was no evidence to show that Terp Construction was obligated to pay the interest differentials, and that the act of Escalona, the senior vice president, were not binding on the corporation since they were not ratified.[14]

Banco Filipino appealed before the Court of Appeals, arguing, among others, that the two (2) letters sent by Escalona were sufficient evidence to prove that Terp Construction committed to pay the interest differentials.[15]

On October 16, 2014, the Court of Appeals rendered a Decision[16] setting aside the Regional Trial Court Decision and ordering Terp Construction to pay Banco Filipino interest differentials of P18,104,431.33.[17]

According to the Court of Appeals, both parties agreed that Terp Construction would pay Banco Filipino additional interest other than the guaranteed 8.5%. The only issue was Terp Construction's allegation that the payment of this additional interest was subject to a condition that the asset pool funds would be released to Terp Construction.[18]

The Court of Appeals, however, found that from the February 3, 1997 and April 8, 1997 letters of Terp Construction to Banco Filipino, the obligation to pay 16.5% and 15.5% interest was a pure obligation since the condition alleged was never mentioned.[19]

The Court of Appeals also found unmeritorious Terp Construction's defense that the letters were unauthorized acts of Escalona, its then senior vice president, since his acts were ratified when Terp Construction paid interest differentials twice to Banco Filipino during the Margarita Bonds' holding period.[20]

Terp Construction filed a Motion for Reconsideration, but this was denied in a December 9, 2015 Resolution.[21] Hence, this Petition[22] was filed.

Petitioner submits that while a petition under Rule 45 of the Rules of Court is generally limited to questions of law, its case falls under one (1) of the recognized exceptions since the factual findings of the trial court and the Court of Appeals are conflicting.[23]

Petitioner also argues that it was not liable for the payment of interest differentials since there was no written contract between the parties on any additional payment beyond the stipulated 8.5%.[24] It asserts that Escalona's acts as then senior vice president cannot bind the corporation since he was not authorized to make such commitments.[25] It also points out that its erroneous payment of additional interest over the agreed interest of 8.5% cannot be interpreted as a ratification of its senior vice president's acts because it was never obligated itself to pay in the first place.[26]

Respondent, on the other hand, counters that conflicting findings of fact between the trial court and the Court of Appeals do not automatically grant petitioner an exception to the general rule in Rule 45 of the Rules of Court.[27] It contends that there was overwhelming evidence that petitioner agreed to pay respondent interest differentials in view of the two (2) letters from Escalona.[28] It maintains that Escalona's acts as then senior vice president were subsequently ratified by the Board of Directors when petitioner paid respondent additional interests during the Margarita Bonds' term.[29]

In rebuttal, petitioner insists that no agreement existed from the very beginning to pay these interest differentials since the two (2) letters of its then senior vice president were merely offers made in a contract's negotiation stage that was not perfected.[30] It maintains that respondent, as bank accorded with a higher standard of diligence, cannot merely rely on the legal precept of apparent authority to prove the existence of a monetary obligation.[31]

This Court is asked to resolve the issue of whether or not the Court of Appeals erred in ruling that petitioner Terp Construction Corporation expressly agreed to be bound to respondent Banco Filipino Savings Mortgage Bank for additional interest in the bonds it purchased.

Before resolving this issue, however, this Court must first pass upon the procedural issue of whether or not factual questions are proper in this case in view of the conflicting factual findings of the Regional Trial Court and the Court of Appeals.

The Petition is denied.

As a general rule, only questions of law may be brought in a petition for review on certiorari under Rule 45 of the Rules of Court.[32] This Court will not disturb the factual findings of the lower courts if they are supported by substantial evidence.[33] There are, of course, recognized exceptions to this rule, which are provided in *Medina v. Mayor Asistio, Jr.*:[34]

> (1) When the conclusion is a finding grounded entirely on speculation, surmises or conjectures; (2) When the inference made is manifestly mistaken, absurd or impossible; (3) Where there is a grave abuse of discretion; (4) When the judgment is based on a misapprehension of facts; (5) When the findings of fact are conflicting; (6) When the Court of Appeals, in making its findings, went beyond the issues of the case and the same is contrary to the admissions of both appellant and appellee; (7) The findings of the Court of Appeals are contrary to those of the trial court; (8) When the findings of fact are conclusions without citation of specific evidence on which they are based; (9) When the facts set forth in the petition as well as in the petitioners' main and reply briefs are not disputed by the respondents; and (10) The finding of fact of the Court of Appeals is premised on the supposed absence of evidence and is contradicted by the evidence on record.[35] (Citations omitted)

However, a party cannot merely claim that its case falls under any of the exceptions to the general rule. In *Pascual v. Burgos*,[36] this Court explained that the party claiming the exception "must demonstrate and prove"[37] that a review of the factual findings is necessary.

Here, petitioner claims that its case falls under the exceptions since the factual findings of the trial court are in conflict with the factual findings of the Court of Appeals.[38] The Court of Appeals' reversal of the trial court's factual findings, however, is not sufficient reason to warrant this Court's review. In *Uniland Resources v. Development Bank of the Philippines*:[39]

> It bears emphasizing that mere disagreement between the Court of . Appeals and the trial court as to the facts of a case does not of itself warrant this Court's review of the same. It has been held that the doctrine that the findings of fact made by the Court of Appeals, being conclusive in nature, are binding on this Court, applies even if the Court of Appeals was in disagreement with the lower court as to the weight of evidence with a consequent reversal of its findings of fact, so long as the findings of the Court of Appeals are borne out by the record or based on substantial evidence. While the foregoing doctrine is not absolute, petitioner has not sufficiently proved that his case falls under the known exceptions.[40]

The Court of Appeals is a trier of facts. Its factual findings, even if contradictory to those of the trial court, may be binding on this Court when they are supported by substantial evidence. *Pascual* explains:

> The Court of Appeals, acting as an appellate court, is still a trier of facts. Parties can raise questions of fact before the Court of Appeals and it will