

# FIRST DIVISION

[ G.R. No. 210043, September 26, 2018 ]

**AYALA LAND, INC., PETITIONER, VS. ASB REALTY CORPORATION  
AND E.M. RAMOS & SONS, INC., RESPONDENTS.**

## DECISION

**DEL CASTILLO, J.:**

[U]nder the doctrine of apparent authority, the question in every case is whether the principal has by his [/her] voluntary act placed the agent in such a situation that a person of ordinary prudence, conversant with business usages and the nature of the particular business, is justified in presuming that such agent has authority to perform the particular act in question.<sup>[1]</sup>

Petitioner Ayala Land, Inc. (ALI) comes to this Court *via* this Petition<sup>[2]</sup> for review on *certiorari* to assail the April 30, 2013 Decision<sup>[3]</sup> and the November 7, 2013 Resolution<sup>[4]</sup> of the Court of Appeals (CA) in CA-G.R. CV No. 97198. The assailed CA Decision and Resolution affirmed the June 29, 2010 Decision<sup>[5]</sup> of the Regional Trial Court (RTC) of Imus, Cavite, Branch 20, which (a) declared null and void and unenforceable the May 18, 1994 Contract to Sell entered into between ALI, on the one hand, and Emerita B. Ramos, Jr. (Ramos, Jr.), Januario B. Ramos (Januario), Josefa R. de la Rama, Victoria R. Tanjuatco, Horacia de la Rama and Teofilo Tanjuatco III (collectively, Ramos children); and, (b) declared valid, binding and enforceable the May 21, 1994 Letter-Agreement entered into between respondent E.M. Ramos & Sons, Inc. (EMRASON) and ASB Realty Corporation (ASBRC).<sup>[6]</sup>

### ***Factual Antecedents***

ALI and ASBRC are domestic corporations engaged in real estate development. On the other hand, EMRASON is a domestic corporation principally organized to manage a 372- hectare property located in Dasmariñas, Cavite (Dasmariñas Property ).<sup>[7]</sup>

The parties' respective versions of the factual antecedents are, as follows:

### ***Version of the Petitioner***

ALI claimed that, sometime in August 1992, EMRASON's brokers sent a proposal for a joint venture agreement (JVA) between ALI and EMRASON for the development of EMRASON's Dasmariñas Property.<sup>[8]</sup> ALI initially declined but eventually negotiated with Ramos, Jr., Antonio B. Ramos (Antonio), and Januario to discuss the terms of the JVA.<sup>[9]</sup> According to ALI, EMRASON made it appear that Ramos, Jr., Antonio, and Januario had full authority to act on EMRASON's behalf in relation to the JVA.<sup>[10]</sup> ALI

alleged that Emerita Ramos, Sr. (Ramos, Sr.), then EMRASON's President and Chairman, wrote to ALI and therein acknowledged that Ramos, Jr. and Antonio were fully authorized to represent EMRASON in the JVA, as shown in Ramos, Sr.'s letter<sup>[11]</sup> dated August 3, 1993.

ALI and the Ramos children subsequently entered into a Contract to Sell dated May 18, 1994, under which ALI agreed to purchase the Dasmariñas Property.

ALI alleged that it came to know that a Letter-Agreement<sup>[12]</sup> dated May 21, 1994 (Letter-Agreement) and a Real Estate Mortgage<sup>[13]</sup> respecting the Dasmariñas Property<sup>[14]</sup> had been executed by Ramos, Sr. and Antonio for and in behalf of EMRASON, on one hand, and ASBRC on the other. It also alleged that the Ramos children<sup>[15]</sup> wrote to Luke C. Roxas, ASBRC's President, informing the latter of the Contract to Sell between ALI and EMRASON.<sup>[16]</sup>

### ***Version of the Respondents***

For their part, respondents averred that ALI submitted to EMRASON and Ramos, Sr. its proposal to purchase the Dasmariñas Property which proposal was however rejected.<sup>[17]</sup> On May 17, 1994, EMRASON, through Ramos, Sr., informed ALI that it had decided to accept the proposal of ASBRC because the latter's terms were more beneficial and advantageous to EMRASON.<sup>[18]</sup> As a result, ASBRC and EMRASON entered into a Letter-Agreement on May 21, 1994.<sup>[19]</sup> The following day, or on May 22, 1994, EMRASON executed a Real Estate Mortgage in compliance with its obligations under the said Letter-Agreement.<sup>[20]</sup>

Prior to the execution of the Letter-Agreement, a special stockholders' meeting was held on May 17, 1994 during which EMRASON's stockholders "authorized, approved, confirmed and ratified"<sup>[21]</sup> the Resolution of EMRASON's Board of Directors (Board Resolution). The Board Resolution, which approved the Letter-Agreement and authorized Ramos, Sr. and Antonio to sign the same, was in turn likewise approved by EMRASON 's stockholders on the same date, May 17, 1994.<sup>[22]</sup>

After ASBRC learned about the Contract to Sell executed between ALI and the Ramos children and the annotation of the Contract to Sell on the transfer certificates of title (TCTs) covering the Dasmariñas Property,<sup>[23]</sup> ASBRC and EMRASON filed a Complaint<sup>[24]</sup> for the nullification of Contract to sell and the cancellation of the annotations on the TCTs over the Dasmariñas Property.

### ***Ruling of the Regional Trial Court***

In a Decision<sup>[25]</sup> dated June 29, 2010, the RTC declared the Contract to Sell between ALI and the Ramos children void because of the latter's lack of authority to sign the Contract to Sell on behalf of EMRASON. The trial court explained in this wise:

In the case at bar, defendant Ramos children failed to adduce a single evidence to show that they have been validly authorized by the Board of

Directors of EMRASON to enter into a Contract to Sell with ALI thereby rendering the aforesaid contract void and unenforceable. Defendant Ramos children failed to present even a single witness to identify board resolutions, secretary's certificates or any written document for the purpose of proving that EMRASON validly conferred authority upon them to sell the subject property. Notably, not a single signatory to the Contract to Sell was presented by defendant Ramos children to identify the same and to testify as to the execution thereof.

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Upon the other hand, defendant ALI claims that it transacted with the Ramos children in good faith. On the contrary, evidence show that ALI knew and has in fact acknowledged the authority of Emerito Ramos, Sr to enter into contracts for and in behalf of EMRASON before ALI entered into the contract with defendant Ramos children. In almost all of defendant ALI's correspondence with EMRASON, defendant ALI specifically addressed the same to Emerilo Ramos, Sr., referring to him either as Chairman or President. In acknowledging the position of Emerito Ramos, Sr. in EMRASON, defendant ALI even requested Emerito Ramos, Sr. to meet its Chairman Jaime Zobel de Ayala, President Francisco H. Licuanan, Vice-President Fernando Zobel and Assistant Vice-President Victor H. Manarang for a luncheon meeting. More importantly, defendant ALI, though its representatives/realtors namely Mr. Geronimo J. Manzano and Oscar P. Garcia, wrote Emerito Ramos Sr. a letter dated 22 April 1994 regarding the draft formal offer of ALI to develop the subject property. In addition, ALI's letter dated 11 May 1994 clearly shows that it acted in bad faith. A perusal of the said letter which was described to be its "best and final offer", would readily show that the same [was] solely addressed to Emerito Ramos, Sr., seeking his acceptance and approval. If defendant ALI honestly believe[d] that Emerito Ramos, Jr. and Antonio Ramos [were] fully authorized by EMRASON to execute the Contract to Sell surely defendant ALI would not have bothered to seek the acceptance and approval of Emerito. Ramos. Sr. Notably the alleged authorized agents of EMRASON, Emerito Ramos. Jr. and Antonio Ramos, were merely furnished a copy of the said letter proposal and were not even included as signatories for the approval of the same. x x x

x x x x

It is an established rule that persons dealing with an assumed agent, whether the assumed agency be a general or special one, are bound at their peril, if they would hold the principal liable, to ascertain not only the fact of agency but also the nature and extent of authority, and in case either is controverted, the burden of proof is upon them to establish it.

In this connection, the Court observes numerous formal defects in the Contract to Sell[,] which would further support the fact that defendant ALI knew the absence of authority of defendant Ramos children to execute the same. Oddly, the first page of the contract failed to include the names of the duly authorized representative/s of EMRASON as the space specifically provided therefor was left in blank. In contrast, the

duly appointed [a]ttorneys-in-fact of ALI are clearly named therein and designated as such. Similarly, page eighteen (18) of the said contract merely provided blank spaces to be filled up by the signatories of EMRASON vis-a-vis that of defendant ALI where the names of the [a]ttorneys-in-[f]act of defendant ALI are typewritten. Even in the acknowledgment page, only the names of the representatives of ALI were included. Interestingly, the acknowledgment failed to mention the names of signatories of EMRASON and their respective Community Tax Certificate Numbers. Considering that the subject contract involves a multi-million [peso] transaction, the Court finds it absolutely incredible that the parties thereto would fail to include the names of the signatories, their respective positions and/or authorities to enter into the said contract.<sup>[26]</sup> (Citations omitted )

In consequence of the nullification of the Contract to Sell, the RTC ruled that the annotations on the TCTs covered by the said Contract to Sell must likewise be cancelled.<sup>[27]</sup>

In addition, the RTC declared valid the Letter-Agreement deeding the Dasmariñas Property to ASBRC. Following this Court's ruling in *People's Aircargo and Warehousing Company, Inc. v. Court of Appeals*,<sup>[28]</sup> the RTC held that Ramos, Sr., as President of EMRASON, had the authority to enter into the Letter-Agreement because "the president is presumed to have the authority to act within the domain of the general objectives of [a company's] business and within the scope of [the president's] usual duties."<sup>[29]</sup>

The RTC further explained that, assuming *arguendo* that the signing of the Letter-Agreement "was outside the usual powers of Emerito Ramos, Sr., as president," EMRASON's ratification of the Letter-Agreement *via* a stockholders' meeting on March 6, 1995, cured the defect caused by Ramos, Sr.'s apparent lack of authority.<sup>[30]</sup>

The dispositive portion of the RTC Decision reads:

WHEREFORE, premises considered judgment is hereby rendered in favor of plaintiffs ASB Realty Corporation (ASB) and E.M. Ramos & Sons, Inc. (EMRASON) and against defendant Ayala Land and [sic] Inc. (ALI), and defendants Emerito B. Ramos, Jr., Januario [sic] B. Ramos, Josefa R. de la Rama, Victoria R. Tanjuatco, Horacio de la Rama, Teofilo Tanjuatco III, (Ramos children) as follows, viz[.]:

1. DECLARING the Contract to Sell dated 18 May 1994 involving the "Dasmariñas Properties" entered into by defendant Ayala Land Inc. and defendant[s] Ramos children as null [and] void and unenforceable;
2. DIRECTING the Register of Deeds for the Province of Cavite to CANCEL the annotation of the aforesaid "

Contract to Sell" on the following Transfer Certificates[s]  
of Title Nos.–

2.1 T-1985	2.7 T-1991	2.13 T-1997
2.2 T- 1986	2.8 T-1992	2.14 T-1998
2.3 T-1987	2.9 T-1993	2.15 T-1999
2.4 T-1988	2.10 T- 1994	2.16 T-20806
2.5 T-1989	2.11 T- 1995	2.17 T-45584
2.6 T-1990	2.12 T- 1996	2.18 T-16444

3. DECLARING the "Letter-Agreement" dated 21 May 1994 entered into by ASB and EMRASON as valid, binding and enforceable;
4. DENYING the claim of plaintiffs ASB and EMRASON for moral damages for lack of merit;
5. ORDERING defendant Ayala Land Inc. and defendant[s] Ramos children to jointly and severally pay ASB and EMRASON the sum of Two [Hundred Fifty] Thousand Pesos (Php250,000.00) as and by way of exemplary damages;
6. ORDERING defendant Ayala Land Inc. and defendant[s] Ramos children to jointly and severally pay ASB and EMRASON the sum of Two [Hundred Fifty] Thousand Pesos (Php250.000.00) as and by way of temperate damages;
7. ORDERING defendant Ayala Land Inc. and defendant[s] Ramos children to jointly and severally pay ASB and EMRASON the sum of One Hundred Fifty Thousand Pesos (Php150,000.00) as and by way of nominal damages;
8. ORDERING defendant Ayala Land Inc. and defendant[s] Ramos children to jointly and severally pay ASB and EMRASON the sum of Two Hundred Thousand Pesos (Php200,000.00) as and by way of attorney's fees;
9. ORDERING defendant Ayala Land Inc. and defendant[s] Ramos children to jointly and severally pay ASB and EMRASON the costs of suit;
10. DENYING the respective Counter-claims of defendant Ayala Land Inc. and defendant[s] Ramos children against plaintiff[s] ASB and EMRASON for lack of factual and