

THIRD DIVISION

[G.R. No. 202364, August 30, 2017]

**ARTURO C. CALUBAD, PETITIONER, VS. RICARCEN
DEVELOPMENT CORPORATION, RESPONDENT.**

DECISION

LEONEN, J.:

When a corporation intentionally or negligently clothes its agent with apparent authority to act in its behalf, it is estopped from denying its agent's apparent authority as to innocent third parties who dealt with this agent in good faith.^[1]

This resolves the Petition for Review on Certiorari^[2] filed by petitioner Arturo C. Calubad (Calubad), assailing the January 25, 2012 Decision^[3] and June 20, 2012 Resolution^[4] of the Court of Appeals in CA-GR. CV No. 93185, which upheld the January 6, 2009 Decision^[5] of Branch 218, Regional Trial Court, Quezon City in Civil Case No. Q-03-50584.

Respondent Ricarcen Development Corporation (Ricarcen) was a domestic corporation engaged in renting out real estate. It was the registered owner of a parcel of land located at 53 Linaw St., Sta. Mesa Heights, Quezon City.^[6] This parcel of land was covered by Transfer Certificate of Title (TCT) No. RT-84937 (166018)^[7] and was subdivided into two (2) lots.^[8]

Ricarcen was a family corporation. Marilyn R. Soliman (Marilyn) was its president from 2001 to August 2003. The other members of the board of directors during that time were Marilyn's mother, Erlinda Villanueva (Erlinda), her brother, Josefelix R. Villanueva (Josefelix), her aunt, Maura Rico, and her sisters, Ma. Elizabeth V. Chamorro (Elizabeth), Ma. Theresa R. Villanueva, and Annabelle R. Villanueva.^[9]

On October 15, 2001, Marilyn, acting on Ricarcen's behalf as its president, took out a P4,000,000.00 loan from Calubad. This loan was secured by a real estate mortgage over Ricarcen's Quezon City property covered by TCT No. RT-84937 (166018), as evidenced by a Deed of Real Estate Mortgage.^[10]

The terms of the loan provided that Ricarcen would pay the P4,000,000.00 loan within a period of six (6) months with "a compounded interest at the rate of FIVE (5%) percent for the first month and THREE (3%) percent for [the] succeeding months and a penalty of ONE (1%) percent per month on the principal sum in case of delay in payment."^[11] The terms of the loan also provided that the first monthly interest payment of P200,000.00 would be deducted from the loan proceeds.^[12]

On December 6, 2001, Ricarcen, through Marilyn, and Calubad amended and

increased the loan to P5,000,000.00 in the Amendment of Deed of Mortgage (Additional Loan of P1,000,000.00),^[13] with the same property used as security and under the same terms and conditions as those of the original Deed of Real Estate Mortgage.

On May 8, 2002, Ricarcen, again acting through Marilyn, took out an additional loan of 2,000,000.00 from Calubad, as evidenced by the executed Second Amendment of Deed of Mortgage (Additional Loan of P2,000,000.00).^[14]

To prove her authority to execute the three (3) mortgage contracts in Ricarcen's behalf, Marilyn presented Calubad with a Board Resolution dated October 15, 2001.^[15] This Resolution empowered her to borrow money and use the Quezon City property covered by TCT No. RT-84937 (166018) as collateral for the loans. Marilyn also presented two (2) Secretary's Certificates dated December 6, 2001^[16] and May 8, 2002,^[17] executed by Marilyn's sister and Ricarcen's corporate secretary, Elizabeth.

Sometime in 2003, after Ricarcen failed to pay its loan, Calubad initiated extrajudicial foreclosure proceedings on the real estate mortgage. The auction sale was set on March 19, 2003.^[18]

Calubad was the highest bidder during the scheduled auction sale; thus, on March 27, 2003, he was issued a Certificate of Sale.^[19]

On April 10, 2003, the Certificate of Sale was annotated on TCT No. RT-84937 (166018).^[20]

Ricarcen claimed that it only learned of Marilyn's transactions with Calubad sometime in July 2003.^[21]

Upon confirming that the Quezon City property had indeed been mortgaged, foreclosed, and sold to Calubad as a result of Marilyn's actions, Ricarcen's board of directors removed her as president and appointed Josefelix as its new president. Josefelix was also authorized to initiate the necessary court actions to protect Ricarcen's interests over the Quezon City property.^[22]

On September 9, 2003, Ricarcen filed its Complaint for Annulment of Real Estate Mortgage and Extrajudicial Foreclosure of Mortgage and Sale with Damages against Marilyn, Calubad, and employees of the Registry of Deeds of Quezon City and of the Regional Trial Court of Quezon City.^[23]

On October 9, 2003, the Clerk of Court and Ex-Officio Sheriff of the Regional Trial Court of Quezon City. Atty. Mercedes S. Gatmaytan, was discharged as party-defendant.^[24]

In its Complaint, Ricarcen claimed that it never authorized its former president Marilyn to obtain loans from Calubad or use the Quezon City property as collateral for the loans.^[25]

On the other hand, Calubad insisted that the incidents which led to the foreclosure and sale of the Quezon City property were all above board and were not marked with irregularity. Furthermore, he asserted that he exercised the necessary diligence required under the circumstances by requiring Marilyn to submit the necessary documents to prove her authority from Ricarcen. Calubad likewise argued that even if Ricarcen did not authorize Marilyn, it was already estopped from denying her authority since the loan proceeds had been released and Ricarcen had benefited from them.^[26]

For their part, spouses Marilyn and Napoleon Soliman denied any knowledge of or participation in the allegedly falsified documents and claimed that the falsification was perpetrated by their broker, Nena leo, and Calubad's broker, a certain Malou, without their permission.^[27]

On January 6, 2009, the Regional Trial Court^[28] granted Ricarcen's complaint and annulled the mortgage contracts, extrajudicial foreclosure, and sale by public auction.

The Regional Trial Court held that Marilyn failed to present a special power of attorney as evidence of her authority from Ricarcen. The lack of a special power of attorney should have been enough for Calubad to be put on guard and to require further evidence of Marilyn's authority from Ricarcen.^[29]

The Regional Trial Court also ruled that the Board Resolution and Secretary's Certificates, which were supposedly executed by Ricarcen's Board of Directors, had been unmasked to be merely fabricated. Furthermore, Atty. William S. Merginio, who purportedly notarized the Board Resolution and Secretary's Certificates, denied that he notarized those documents since they did not appear in his notarial register.^[30]

The Regional Trial Court then dismissed the complaint against the Registry of Deeds employees for Ricarcen's failure to show any irregularity in the performance of their duties.^[31] The dispositive portion of the Regional Trial Court Decision read:

WHEREFORE, premises considered, judgment is hereby rendered in favor of plaintiff Ricarcen Development Corporation and further:

1. Declaring as null and void the following:

- Deed of Real Estate Mortgage dated 15 October 2001;
- Amendment of Real Estate Mortgage dated 06 December 2001;
- Second Amendment of Deed of Mortgage dated 08 May 2002; and
- Extrajudicial Foreclosure of Mortgage and Sale by public auction in favor of Arturo Calubad[;]

2. Canceling TCT No. 261881 in the name of Arturo Calubad and reinstating TCT No. RT-84937 (166018), both by the Regist[ry] of Deeds of Quezon City; and

3. Ordering defendants spouses Solimans and Calubad to pay jointly and severally damages in the amount of Two Hundred Fifty Thousand Pesos (Php250,000.00) as attorney's fees and costs of litigation.

SO ORDERED.^[32]

Only Calubad appealed the Regional Trial Court Decision to the Court of Appeals.

On January 25, 2012, the Court of Appeals dismissed Calubad's appeal and affirmed the Regional Trial Court Decision. The Court of Appeals emphasized that the rule on the presumption of validity of a notarized board resolution and of a secretary's certificate is not absolute and may be validly overcome by contrary evidence,^[33] thus:

In order to defeat the presumption, it is incumbent upon RICARCEN to prove "with clear, convincing, strong and irrefutable proof" that the board resolution and secretary's certificates purportedly authorizing Marilyn Soliman to secure a loan and mortgage the subject property in behalf of the corporation are, in fact, invalid.

In the case at bench, RICARCEN was able to discharge this burden. The truth of the contents of the board resolution and secretary's certificates relied upon by Calubad had been overthrown by the records of this case which clearly show that such documents were not in fact executed by the board of directors of RICARCEN, and are, therefore, fabricated.^[34]

The Court of Appeals also disregarded Calubad's argument that Ricarcen was guilty of laches, ruling that Ricarcen's board of directors only found out about the mortgage contracts in July 2003, when they received a copy of the notice of foreclosure of mortgage. Upon verifying with the Registry of Deeds of Quezon City, Ricarcen took immediate action by removing Marilyn as president and instituting a case for annulment and cancellation of mortgage against Calubad and Marilyn.^[35]

The Court of Appeals likewise set aside Calubad's argument that Ricarcen was estopped from denying the contracts. The Court of Appeals held that since Ricarcen did not know about the existence of the contracts of mortgage between Calubad and Marilyn, it could not have ratified them or knowingly accepted any benefits from the loan proceeds.^[36]

The dispositive portion of the Court of Appeals Decision read:

WHEREFORE, in view of the foregoing premises, the instant appeal is hereby ordered **DISMISSED**, and the appealed decision is **AFFIRMED in toto**.

SO ORDERED.^[37] (Emphasis in the original)

On August 10, 2012, Calubad filed his Petition^[38] before this Court.

Petitioner claims that Ricarcen is barred by estoppel from denying Marilyn's authority to enter into a contract of loan and mortgage with Calubad for several reasons. He argues that Ricarcen clothed Marilyn in apparent authority to act in its

behalf.^[39] that it benefited from the loans proceeds,^[40] and that it impliedly agreed to the mortgage loans by paying the monthly interest payments.^[41]

Petitioner avers that Elizabeth executed four (4) separate document which gave Marilyn the authority to secure loans, use the Quezon City property as collateral, and execute all documents needed for those purposes.^[42]

The four (4) documents which petitioner claimed to have proved Marilyn's authority to act in behalf of Ricarcen were:

a) Board Resolution dated October 15, 2001, which read:

RESOLVED, AS IT IS HEREBY RESOLVED, that the President MARILYN R. SOLIMAN, is the authorized signatory of the corporation to transact any and all documents necessary for the purpose of securing monetary loan using a parcel of land owned by the corporation located at No. 53 Linaw St., Quezon City covered by TCT No. RT 84937 (166018) of the Registry of Deeds of [Quezon City] with a total area of 840 square meters more or less, as collateral/security.

RESOLVED FURTHER, AS IT IS HEREBY RESOLVED, that she is authorized to sign all documents required for the monetary loan for and in behalf of the corporation.^[43]

b) Secretary's Certificate dated October 15, 2001, which read:

BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that the corporation will borrow from ARTURO CALUBAD, Filipino, of legal age, and residing at 89 East Maya Philam Homes Village, Quezon City.

FURTHERMORE, BE IT RESOLVED, that the corporation is authorizing MARILYN R. SOLIMAN, President, to sign for and in behalf of the corporation.^[44]

c) Secretary's Certificate dated December 6, 2001, which read:

RESOLVED, as it is hereby resolved that the President, MARILYN R. SOLIMAN, is hereby authorized to secure ADDITIONAL LOAN OF [P]1,000,000.00 from MR. ARTURO CALUBAD, using as collateral two (2) parcels of land with the improvements existing thereon, situated in Quezon City, Metro Manila, covered and embraced by Transfer Certificate of Title No. RT-84937 (166018) of the Registry of Deeds of Quezon City, Metro Manila, and in such amount that she deems it most proper and beneficial to the corporation.

RESOLVED FINALLY, that the President is hereby authorized to sign Amendment of Deed of Real Estate Mortgage, Acknowledgment Receipt and other pertinent documents and get and receive the loan either in cash or check/s with any bank lawfully doing business in the Philippines for and in behalf of the corporation.^[45]

d) Secretary's Certificate dated May 8, 2002, which read: