

THIRD DIVISION

[G.R. No. 125778, June 10, 2003]

**INTER-ASIA INVESTMENTS INDUSTRIES, INC., PETITIONER, VS.
COURT OF APPEALS AND ASIA INDUSTRIES, INC.,
RESPONDENTS.**

D E C I S I O N

CARPIO MORALES, J.:

The present petition for review on certiorari assails the Court of Appeals Decision^[1] of January 25, 1996 and Resolution^[2] of July 11, 1996.

The material facts of the case are as follows:

On September 1, 1978, Inter-Asia Industries, Inc. (petitioner), by a Stock Purchase Agreement^[3] (the Agreement), sold to Asia Industries, Inc. (private respondent) for and in consideration of the sum of P19,500,000.00 all its right, title and interest in and to all the outstanding shares of stock of FARMACOR, INC. (FARMACOR).^[4] The Agreement was signed by Leonides P. Gonzales and Jesus J. Vergara, presidents of petitioner and private respondent, respectively.^[5]

Under paragraph 7 of the Agreement, petitioner as seller made warranties and representations among which were "(iv.) [t]he audited financial statements of FARMACOR at and for the year ended December 31, 1977... and the audited financial statements of FARMACOR as of September 30, 1978 being prepared by S[ycip,] G[orres,] V[elayo and Co.]... fairly present or will present the financial position of FARMACOR and the results of its operations as of said respective dates; said financial statements show or will show all liabilities and commitments of FARMACOR, direct or contingent, as of said respective dates . . ."; and "(v.) [t]he Minimum Guaranteed Net Worth of FARMACOR as of September 30, 1978 shall be Twelve Million Pesos (P12,000,000.00)."^[6]

The Agreement was later amended with respect to the "Closing Date," originally set up at 10:00 a.m. of September 30, 1978, which was moved to October 31, 1978, and to the mode of payment of the purchase price.^[7]

The Agreement, as amended, provided that pending submission by SGV of FARMACOR's audited financial statements as of October 31, 1978, private respondent may retain the sum of P7,500,000.00 out of the stipulated purchase price of P19,500,000.00; that from this retained amount of P7,500,000.00, private respondent may deduct any shortfall on the Minimum Guaranteed Net Worth of P12,000,000.00;^[8] and that if the amount retained is not sufficient to make up for the deficiency in the Minimum Guaranteed Net Worth, petitioner shall pay the difference within 5 days from date of receipt of the audited financial statements.^[9]

Respondent paid petitioner a total amount of P 12,000,000.00: P5,000,000.00 upon the signing of the Agreement, and P7,000,000.00 on November 2, 1978.^[10]

From the STATEMENT OF INCOME AND DEFICIT attached to the financial report^[11] dated November 28, 1978 submitted by SGV, it appears that FARMACOR had, for the ten months ended October 31, 1978, a deficit of P11,244,225.00.^[12] Since the stockholder's equity amounted to P10,000,000.00, FARMACOR had a net worth deficiency of P1,244,225.00. The guaranteed net worth shortfall thus amounted to P13,244,225.00 after adding the net worth deficiency of P1,244,225.00 to the Minimum Guaranteed Net Worth of P12,000,000.00.

The adjusted contract price, therefore, amounted to P6,225,775.00 which is the difference between the contract price of P19,500,000.00 and the shortfall in the guaranteed net worth of P13,224,225.00. Private respondent having already paid petitioner P12,000,000.00, it was entitled to a refund of P5,744,225.00.

Petitioner thereafter proposed, by letter^[13] of January 24, 1980, signed by its president, that private respondent's claim for refund be reduced to P4,093,993.00, it promising to pay the cost of the Northern Cotabato Industries, Inc. (NOCOSII) superstructures in the amount of P759,570.00. To the proposal respondent agreed. Petitioner, however, weicheed on its promise. Petitioner's total liability thus stood at P4,853,503.00 (P4,093,993.00 plus P759,570.00)^[14] exclusive of interest.^[15]

On April 5, 1983, private respondent filed a complaint^[16] against petitioner with the Regional Trial Court of Makati, one of two causes of action of which was for the recovery of above-said amount of P4,853,503.00^[17] plus interest.

Denying private respondent's claim, petitioner countered that private respondent failed to pay the balance of the purchase price and accordingly set up a counterclaim.

Finding for private respondent, the trial court rendered on November 27, 1991 a Decision,^[18] the dispositive portion of which reads:

WHEREFORE, judgment is rendered in favor of plaintiff and against defendant (a) ordering the latter to pay to the former the sum of P4,853,503.00^[19] plus interest thereon at the legal rate from the filing of the complaint until fully paid, the sum of P30,000.00 as attorney's fees and the costs of suit; and (b) dismissing the counterclaim.

SO ORDERED.

On appeal to the Court of Appeals, petitioner raised the following errors:

THE TRIAL COURT ERRED IN HOLDING THE DEFENDANT LIABLE UNDER THE FIRST CAUSE OF ACTION PLEADED BY THE PLAINTIFF.

THE TRIAL COURT ERRED IN AWARDING ATTORNEY'S FEES AND IN DISMISSING THE COUNTERCLAIM.

THE TRIAL COURT ERRED IN RENDERING JUDGMENT IN FAVOR OF THE PLAINTIFF, THE ALLEGED BREACH OF WARRANTIES AND REPRESENTATION NOT HAVING BEEN SHOWN, MUCH LESS ESTABLISHED BY THE PLAINTIFF.^[20]

By Decision of January 25, 1996, the Court of Appeals affirmed the trial court's decision. Petitioner's motion for reconsideration of the decision having been denied by the Court of Appeals by Resolution of July 11, 1996, the present petition for review on certiorari was filed, assigning the following errors:

I

THE RESPONDENT COURT ERRED IN NOT HOLDING THAT THE LETTER OF THE PRESIDENT OF THE PETITIONER IS NOT BINDING ON THE PETITIONER BEING ULTRA VIRES.

II

THE LETTER CAN NOT BE AN ADMISSION AND WAIVER OF THE PETITIONER AS A CORPORATION.

III

THE RESPONDENT COURT ERRED IN NOT DECLARING THAT THERE IS NO BREACH OF WARRANTIES AND REPRESENTATION AS ALLEGED BY THE PRIVATE RESPONDENT.

IV

THE RESPONDENT COURT ERRED IN ORDERING THE PETITIONER TO PAY ATTORNEY'S FEES AND IN SUSTAINING THE DISMISSAL OF THE COUNTERCLAIM.^[18] (Underscoring in the original)

Petitioner argues that the January 24, 1980 letter-proposal (for the reduction of private respondent's claim for refund upon petitioner's promise to pay the cost of NOCOSII superstructures in the amount of P759,570.00) which was signed by its president has no legal force and effect against it as it was not authorized by its board of directors, it citing the COrporation Law which provides that unless the act of the president is authorized by the board of directors, the same is not binding on it.

This Court is not persuaded.

The January 24, 1980 letter signed by petitioner's president is valid and binding. The case of *People's Aircargo and Warehousing Co., Inc. v. Court of Appeals* ^[19] instructs:

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. A corporation is a juridical person, separate and