



Republic of the Philippines
 Supreme Court
 Manila

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 WILFREDO V. LAPITAN
 Division Clerk of Court
 Third Division
 JAN 08 2016

THIRD DIVISION

PHILIPPINE RACE HORSE G.R. No. 192659
TRAINER'S ASSOCIATION, INC.,
 Petitioner,

Present:

- versus -

VELASCO, JR., J., *Chairperson,*
 PERALTA,
 BERSAMIN,*
 VILLARAMA, JR., and
 PERLAS-BERNABE,** JJ.

PIEDRAS NEGRAS
CONSTRUCTION AND
DEVELOPMENT CORPORATION,
 Respondent.

Promulgated:

December 2, 2015

X-----

DECISION

PERALTA, J.:

The instant petition seeks the review of the Court of Appeals (CA) Decision¹ dated March 18, 2010 and its June 22, 2010 Resolution² in CA-G.R. SP No. 110337. The CA set aside the July 30, 2009 Construction Industry Arbitration Commission (CIAC) Arbitral Tribunal Decision³ ruling in favor of petitioner Philippine Race Horse Trainer's Association, Inc. (PRHTAI). The CIAC held that the third and final contract between PRHTAI and respondent Piedras Negras Construction & Development

* Designated Acting Member in lieu of Associate Justice Francis H. Jardeleza, per Special Order No. 2289 dated November 16, 2015.

** Designated Additional Member in lieu of Associate Justice Bienvenido L. Reyes, per Raffle dated November 11, 2015.

¹ Penned by Associate Justice Stephen C. Cruz, with Associate Justices Bienvenido L. Reyes (now a member of this Court), and Celia C. Librea-Leagogo, concurring; *rollo*, pp. 38-53.

² *Id.* at 55-57.

³ Penned by Joven B. Joaquin, Alfredo F. Tadiar, and Eliseo I. Evangelista; *id.* at 227-264.

Corporation (*PNCDC*) is unenforceable and that there was overpayment in the amount of ₱14,351,484.41 on the part of PRHTAI.

The factual antecedents of the case are as follows:

The instant controversy stems from a series of contracts which PRHTAI entered into pursuant to its housing project. On October 3, 2000, PRHTAI, through its president, Rogelio J. Catajan, entered into a contract (*first contract*) with Fil-Estate Properties, Inc. (*Fil-Estate*) for the development of the Royal Homes Subdivision Project. It involved the construction of 170 housing units in Fil-Estate's property located in Bulacnin, Lipa City, Batangas, for ₱67,453,000.00. Fil-Estate then later assigned its rights and obligations under the project to PNCDC, its subcontractor. On October 13, 2004, a contract (*second contract*) was forged between PRHTAI and PNCDC for ₱80,324,788.00. On August 23, 2005, PRHTAI and PNCDC signed another contract (*third contract*) for the construction of the same 170 housing units, but this time for the revised amount of ₱101,150,000.00. Deducting the advances in the amount of ₱42,868,048.21, the remaining balance due to PNCDC became ₱58,281,951.80.

On April 25, 2007, PNCDC issued a Certificate of Completion and Acceptance in favor of PRHTAI. Come January 18, 2008, PNCDC demanded for the payment of the remaining balance. PRHTAI acknowledged its obligation but explained that it was experiencing financial difficulties.

Meanwhile, on April 28, 2008, a new set of directors and officers was elected at PRHTAI. Said new officers requested for copies of the documents relative to the project. Subsequently, they initiated inquiries on the subject housing project with the former officers and employees as well as the lending institutions involved in said project.

Unable to collect the remaining balance, PNCDC filed on March 4, 2009 a request for arbitration/complaint with the CIAC against PRHTAI for the payment of ₱14,571,618.24.

On August 19, 2009, a Notice of Award was issued, informing the parties that the CIAC Arbitral Tribunal has rendered its Decision dated July 30, 2009. It held that the third contract between PRHTAI and PNCDC is unenforceable and that there was even overpayment on the part of PRHTAI in the amount of ₱14,351,484.61. The decretal portion of the Award provides:

WHEREFORE, judgment is hereby rendered and **AWARD** is made on the monetary claims of **THE RESPONDENT, PHILIPPINE RACE HORSE TRAINER'S ASSOCIATION, INC.** directing the Claimant, **PIEDRAS NEGRAS CONSTRUCTION AND DEVELOPMENT CORPORATION**, to pay the Respondent the amount of **₱14,951,484.61** representing the following;

Overpayment in the amount	₱14,351,484.61
Attorney's fees other legal expenses	<u>128,059.93</u>
TOTAL	₱14,479,544.54

In addition, Claimant is also directed to reimburse to the Respondent **₱371,940.07** the amount PRHTAI had already paid to CIAC.

Interest on the foregoing amount of **₱14,351,484.61** at the **legal rate of 6% per annum** computed from the date this Award is promulgated. After finality thereof, interest at the rate of **12% per annum** shall be paid thereon until full payment of the awarded amount shall have been made, "*this interim period being deemed to be at that time already a forbearance of credit.*" (*Eastern Shipping Lines, Inc. v Court of Appeals, et al.* (243 SCRA 78 [1994]))

SO ORDERED.⁴

On March 18, 2010, however, the CA overturned the CIAC ruling, thus:

WHEREFORE, premises considered, the instant petition is hereby **GRANTED**, the decision of [the] CIAC is hereby **SET ASIDE** and a new one is entered as follows:

1) Philippine Race Horse Trainer's Association, Inc. is directed to pay Piedras Negras Construction and Development Corporation the balance of the final contract in the amount of **₱6,473,727.59** with legal interest of 6% per annum from finality of this decision.

2) PRHTAI is liable for the payment of arbitration expenses.

SO ORDERED.⁵

Aggrieved, PRHTAI filed a motion for reconsideration, but the same was denied. Hence, this petition.

The issues to be decided on by the Court are the following:

⁴ *Rollo*, pp. 261-262. (Emphasis in the original)

⁵ *Id.* at 52.

I.

WHETHER OR NOT THE CIAC HAS JURISDICTION TO PASS UPON THE ENFORCEABILITY OF THE CONTRACT BETWEEN PRHTAI AND PNCDC.

II.

WHETHER OR NOT THE THIRD AND FINAL CONTRACT BETWEEN PRHTAI AND PNCDC IS UNENFORCEABLE.

III.

WHETHER OR NOT THERE IS OVERPAYMENT ON PRHTAI'S PART.

The petition is meritorious.

The jurisdiction of the CIAC is derived from law. It is broad enough to cover any dispute arising from, or connected with construction contracts, whether these involve mere contractual money claims or execution of the works.⁶ As Section 4 of Executive Order (E.O.) No. 1008, otherwise known as the *Construction Industry Arbitration Law*, provides:

SEC. 4. *Jurisdiction.* - The CIAC shall have original and exclusive jurisdiction over disputes arising from, or connected with, contracts entered into by parties involved in construction in the Philippines, whether the dispute arises before or after the completion of the contract, or after the abandonment or breach thereof. These disputes may involve government or private contracts. For the Board to acquire jurisdiction, the parties to a dispute must agree to submit the same to voluntary arbitration.

The jurisdiction of the CIAC may include but is not limited to violation of specifications for materials and workmanship, violation of the terms of agreement, interpretation and/or application of contractual time and delays, maintenance and defects, payment, default of employer or contractor, and changes in contract cost.

Excluded from the coverage of this law are disputes arising from employer-employee relationships which shall continue to be covered by the Labor Code of the Philippines.

The CA sustained the CIAC's computation and determination with respect to the issue of overpayment. The appellate court agreed that there was an extensive discussion of all the claims and counterclaims presented by both PRHTAI and PNCDC. The CIAC's findings were adequately supported by evidence that the CA found no cogent reason to disturb the same. After all, the CIAC possesses the required expertise in the field of construction arbitration. It is settled that findings of fact of quasi-judicial

⁶ *Shinryo (Phils.) Company, Inc. v. RRN Incorporated*, 648 Phil. 342 (2010).

bodies, like the CIAC, which have acquired expertise because their jurisdiction is confined to specific matters, are generally accorded, not only respect, but also finality. In particular, factual findings of construction arbitrators are final and conclusive and not reviewable by the Court on appeal. Factual findings of construction arbitrators, however, may be reviewed by the Court when the petitioner proves that: (1) the award was procured by corruption, fraud or other undue means; (2) there was evident partiality or corruption of the arbitrators or any of them; (3) the arbitrators were guilty of misconduct in refusing to hear evidence pertinent and material to the controversy; (4) one or more of the arbitrators were disqualified to act as such under Section 9 of Republic Act No. 876 and willfully refrained from disclosing such disqualifications or of any other misbehavior by which the rights of any party have been materially prejudiced; or (5) the arbitrators exceeded their powers, or so imperfectly executed them, that a mutual, final and definite award upon the subject matter submitted to them was not made. Also considered as an exception is when there is a very clear showing of grave abuse of discretion, when an award is obtained through fraud or the corruption of arbitrators, when a party is deprived of administrative due process, or when the findings of the CA are contrary to those of the CIAC.⁷

Unfortunately, the CA did not entirely assent to the CIAC's findings. Because while it upheld the CIAC's ruling on the computation of payments, it disregarded the rest of the tribunal's award. Hence, the Court, although not a trier of facts, is now constrained to examine and analyze anew the evidence which the parties presented before the arbitration body.

In *Metro Construction, Inc. v. Chatham Properties, Inc.*,⁸ the Court likewise reviewed the findings of fact of the CA because the latter's ruling on the issue of whether petitioner therein was in delay was contrary to the findings of the CIAC. In *Megaworld Globus Asia, Inc. v. DSM Construction and Development Corporation*,⁹ the Court sustained the findings of the Arbitral Tribunal considering that the issues involved, which were unquestionably factual in nature, have been thoroughly discussed by the Arbitral Tribunal and subsequently affirmed by the CA.¹⁰

In the present case, upon careful examination, the Court finds that the matters sought to be resolved essentially require a factual determination, one that must rightly be left to the CIAC's sound expertise.

⁷ *Id.* at 350.

⁸ 418 Phil. 176 (2001).

⁹ 468 Phil. 305 (2004).

¹⁰ *Uniwide Sales Realty and Resources Corp. v. Titan-Ikeda Construction & Dev't Corp.*, 540 Phil. 350 (2006).

The CA found that PRHTAI gave its consent to the third contract, anchoring on the following documents:

- a) September 26, 2000 Board Resolution allegedly authorizing Catajan to sign the Memorandum of Agreement;
- b) Secretary's Certificate dated March 1, 2005 on the September 26, 2000 meeting;
- c) April 24, 2006 Board Resolution supposedly authorizing Catajan to avail and apply for a loan with the Development Bank of the Philippines amounting to ₱30 Million to finance the construction of the remaining housing units and other expenses related to the housing project; and
- d) Minutes of the Meeting of PRHTAI's new board of directors held on May 5, 2008.

However, the appellate court failed to sufficiently establish as to exactly how said aforementioned documents prove PRHTAI's supposed consent to the third contract. Catajan was never authorized by any PRHTAI Board Resolution to enter into and execute the Construction Contract dated August 23, 2005. The operative clause of the Board Resolution dated September 26, 2000 reads:

Therefore, the Board[,] on its meeting held on September 26, 2000[,] after a series of meetings with the Fil-Estate Properties Corp. and the PAG-IBIG representatives regarding the Housing Benefit of its members, hereby [authorize] Mr. Rogelio J. Catajan, President of the Association, to enter, to act and sign the Memorandum of Agreement in behalf of the Association.¹¹

Said Board Resolution is indeed an express authorization for Catajan to enter into a contract but only with Fil-Estate, not with PNCDC. Thus, after a week or on October 3, 2000, Catajan indeed signed a Memorandum of Agreement with Fil-Estate. The Resolution cannot possibly be construed as to likewise authorize Catajan to sign a contract with PNCDC. Although it may be argued that the third contract, which was forged more than four (4) years from the date of the Board Resolution supposedly authorizing the same, merely incorporated the first and second contracts involving the same housing project, Catajan still exceeded his authority when it agreed to pay PNCDC an increased contract price in the amount of ₱101,150,000.00. It must be noted that the first contract dated October 3, 2000 was for ₱67,453,000.00. Four (4) years later, on October 13, 2004, the second contract was entered into for ₱80,324,788.00. No justification, however, was shown why on August 23, 2005, or after a span of only less than a year, the costs suddenly ballooned to ₱101,150,000.00.

¹¹ *Rollo*, p. 237.

PNCDC acted with gross negligence when it relied on the Secretary's Certificate dated March 1, 2005 which, on its face, invites suspicion, instead of requiring a copy of the Board Resolution itself. As the CIAC aptly ruled, given the nature of its business and the fact that PNCDC had successfully completed over eighty (80) contracts in the past, ordinary prudence should have prompted it to look into the terms of the Board Resolution and evaluate if Catajan indeed possessed the necessary authority to negotiate for and sign the third contract.¹² Worse, the CIAC found that said Secretary's Certificate is falsified and referred to statements that are not found in the Board Resolution dated September 26, 2000. On cross-examination, the Board Secretary, Felipe Falcon, admitted that he did not actually inspect said Board Resolution. In fact, when confronted, he could not explain why parts of the Resolution, as cited in his Certification, differ from that contained in the actual Board Resolution.¹³ As to the Board Resolution dated April 24, 2006, its existence and due execution were never proved as a fact before the CIAC. It was likewise never identified nor authenticated by any competent witness. And with regard to the Minutes of PRHTAI's new board of directors meeting on May 5, 2008, the excerpts read:

It was also approved by the board, to reconstruct the contract of loan with Pag-ibig and Development Bank of the Philippines. Dir. Rogelio J. Catajan reported that the 170 houses turned-over were made by the contractor Piedras Negras Construction, owned by Mr. Francis Maristela.¹⁴

It must be noted that the May 5, 2008 meeting was the very first organizational meeting of PRHTAI's new board of directors after its election on April 28, 2008, or barely seven (7) days later. At the time of said meeting, the new board still had no knowledge of Catajan's unauthorized execution of the third contract.

The CA likewise ruled that, in any case, PRHTAI's new board of directors already ratified the questioned indebtedness to PNCDC through a letter dated May 27, 2008 acknowledging the existence of said debt. The letter¹⁵ reads:

May 27, 2008

Mr. Francisco Maristela
Piedras Negras Construction & Development Corporation
55 Malumanay St., Teachers Village, [West] Diliman,
Quezon City

¹² *Id.* at 243.

¹³ *Id.* at 238.

¹⁴ *Id.* at 22.

¹⁵ *Id.* at 24.

Sir:

The Philippine Race Horse Trainers' Association Incorporated elected a new set of [officers] and [directors]. In its promise to the general membership to institute transparency in operating the association activities, as we go along, we encountered [problems] and found out that some vital information pertain to the records of housing project of member had been lost, in which case, the undersigned respectfully request a copy of the following:

- Loan and contract agreement, deed of absolute sale of purchased land.
- All check encashment and cash receipt made for payment.
- Transfer Certificate of Titles, (original)
- Development Bank of the Philippines contract and agreement.
- Any other documents that could help and to understand our undertakings and obligations.

The body will take up important (sic) that would pertain to the Financial Status of the association and need those documents to begin with.

Thank you very much.

Respectfully yours,

Pablito L. Guce
President

However, as can be clearly gleaned from the text of said letter, it contains nothing that would tend to imply that PRHTAI's new board of directors actually acknowledged its indebtedness to PNCDC. At the most, it is a mere request for copies of certain documents and it cannot reasonably be interpreted as a recognition or ratification of said debt. They were merely constrained to make such request because they still had no copies of their own, and said documents were missing from the office files. Moreover, although PRHTAI seemed to have acknowledged its obligation, it was Catajan, the very same person whose authority to represent PRHTAI is being assailed, who accepted the Certificate of Completion and Acceptance which PNCDC issued. To consider Catajan's acceptance of what PNCDC turned over as a valid ratification of his own wrongdoing would certainly be the height of absurdity.

Lastly, the CA held that contracts entered into by a corporate officer or obligations assumed by such officer for and in behalf of the corporation are binding on said corporation, if such officer has acted within the scope of his authority, or even if such officer has exceeded the limits of his authority, the corporation still ratifies such contracts or obligations. The doctrine of apparent authority provides that a corporation will be estopped from denying the agent's authority if it knowingly permits one of its officers or any other agent to act within the scope of an apparent authority, and it holds him out to

the public as possessing the power to do those acts.¹⁶ Apparent authority is derived not merely from practice. Its existence may be ascertained through (1) the general manner in which the corporation holds out an officer or agent as having the power to act or, in other words, the apparent authority to act in general, with which it clothes him; or (2) the acquiescence in his acts of a particular nature, with actual or constructive knowledge thereof, whether within or beyond the scope of his ordinary powers. It requires presentation of evidence of similar acts executed either in its favor or in favor of other parties. It is not the quantity of similar acts which establishes apparent authority, but the vesting of a corporate officer with the power to bind the corporation.¹⁷ The doctrine does not apply, however, if the principal did not commit any act or conduct which a third party knew and relied upon in good faith as a result of the exercise of reasonable prudence.¹⁸ In the present case, the aforementioned circumstances are lacking and, indubitably, neither did PNCDC act in good faith. Also, it must be stressed that the board of directors, not the president, exercises corporate power.¹⁹ While in the absence of a charter or bylaw provision to the contrary the president is presumed to have authority, the questioned act should still be within the domain of the general objectives of the company's business and within the scope of his or her usual duties.²⁰ Here, PRHTAI is an association of professional horse trainers in the Philippine horse racing industry organized as a non-stock corporation and it is committed to the uplifting of the economic condition of the working sector of the racing industry. It is not in its ordinary course of business to enter into housing projects, especially not in such scale and magnitude so massive as to amount to ₱101,150,000.00.

The rate of interest on the amount due, however, should be changed from twelve percent (12%) to six percent (6%) *per annum*, pursuant to the Bangko Sentral ng Pilipinas Circular No. 799, Series of 2013.²¹

WHEREFORE, PREMISES CONSIDERED, the petition is **GRANTED.** The Court of Appeals Decision dated March 18, 2010 and its June 22, 2010 Resolution in CA-G.R. SP No. 110337 are hereby **REVERSED** and **SET ASIDE.** The Construction Industry Arbitration Commission Arbitral Tribunal Award dated July 30, 2009 is hereby **AFFIRMED, with MODIFICATION** as to the legal rate due, which must be six percent (6%) *per annum* of the amount awarded from the time of the finality of this Decision until its full satisfaction.

¹⁶ *Advance Paper Corporation v. Arma Traders Corporation*, G.R. No.176897, December 11, 2013, 712 SCRA 313, 330.

¹⁷ *People's Aircargo and Warehousing Co., Inc. v. Court of Appeals*, 357 Phil. 850, 864 (1998).


¹⁸ *Advance Paper Corporation v. Arma Traders Corporation*, *supra* note 16.

¹⁹ *Safic Alcan & Cie v. Imperial Vegetable Oil Co., Inc.*, 407 Phil. 884, 899 (2001).


²⁰ *Advance Paper Corporation v. Arma Traders Corporation*, *supra* note 16, at 332.

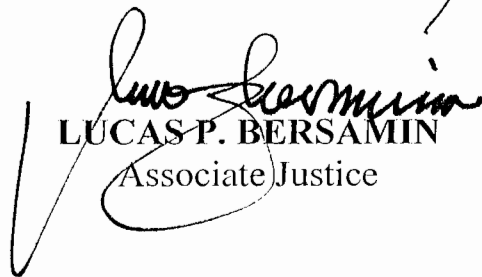
²¹ *Nacar v. Gallery Frames*, G.R. No. 189871, August 13, 2013, 703 SCRA 439, 459.

SO ORDERED.



DIOSDADO M. PERALTA
Associate Justice

WE CONCUR:


PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson



LUCAS P. BERSAMIN
Associate Justice


MARTIN S. VILLARAMA, JR.
Associate Justice


ESTELA M. PERLAS-BERNABE
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson, Third Division

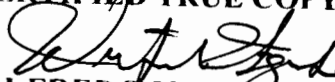
CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



MARIA LOURDES P. A. SERENO
Chief Justice

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WILFREDO V. LAPITAN
Division Clerk of Court
Third Division

JAN 08 2016