

THIRD DIVISION

[G.R. No. 119310, February 03, 1997]

**JULIETA V. ESGUERRA, PETITIONER, VS. COURT OF APPEALS
AND SURESTE PROPERTIES, INC., RESPONDENTS.
D E C I S I O N**

PANGANIBAN, J.:

May a co-owner contest as unenforceable a sale of a real property listed in and sold pursuant to the terms of a judicially-approved compromise agreement but without the knowledge of such co-owner? Is the corporate secretary's certification of the shareholders' and directors' resolution authorizing such sale sufficient, or does the buyer need to go behind such certification and investigate further the truth and veracity thereof?

These questions are answered by this Court as it resolves the instant petition challenging the Decision^[1] in CA-G.R. SP No. 33307 promulgated May 31, 1994 by the respondent Court,^[2] reversing the judgment of the trial court.

The Antecedent Facts

The facts as found by the respondent Court of Appeals are as follows:

"On 29 June 1984, (now herein Petitioner) Julieta Esguerra filed a complaint for administration of conjugal partnership or separation of property against her husband Vicente Esguerra, Jr. before (the trial) court. The said complaint was later amended on 31 October 1985 impleading V. Esguerra Construction Co., Inc. (VECCI for brevity) and other family corporations as defendants (Annex 'C', p. 23, Rollo).

The parties entered into a compromise agreement which was submitted to the court. On the basis of the said agreement, the court on 11 January 1990 rendered two partial judgments: one between Vicente and (herein petitioner) and the other as between the latter and VECCI (Annex 'F' and 'G', pp. 26-27, Rollo). The compromise agreement between (herein petitioner) and VECCI provides in part:

'Plaintiff Julieta V. Esguerra and defendant V. Esguerra Construction Co., Inc., as assisted by their respective counsels, submitted to this Court on January 11, 1990 a 'Joint Motion for Partial Judgment Based on Compromise Agreement", pertinent provisions of which reads as follows:

'1. Defendant V. Esguerra Construction Co., Inc., (VECCI) shall sell/alienate/transfer or dispose of in any lawful and convenient manner, and under the terms and conditions recited in the enabling resolutions of its Board of Directors

and stockholders, all the following properties:

- * real estate and building located at 140 Amorsolo Street, Legaspi Village, Makati, Metro Manila;
- * real estate and building located at 104 Amorsolo Street, Legaspi Village, Makati, Metro Manila;
- * real estate and improvements located at Barangay San Jose, Antipolo, Rizal;
- * real estate and improvements located at Barangay San Jose, Antipolo, Rizal;
- * real estate and improvements located at Kamagong Street, St. Anthony Subdivision, Cainta, Rizal; and
- * real estate and improvements located at Barangay Malaatis, San Mateo, Rizal.

2. After the above-mentioned properties shall have been sold/alienated/transferred or disposed of and funds are realized therefrom, and after all the financial obligations of defendant VECCI (those specified in the enabling resolutions and such other obligations determined to be due and will become due) are completely paid and/or settled, defendant VECCI shall cause to be paid and/or remitted to the plaintiff such amount/sum equivalent to fifty percent (50%) of the (net) resulting balance of such funds.'

By virtue of said agreement, Esguerra Bldg. I located at 140 Amorsolo St., Legaspi Village was sold and the net proceeds distributed according to the agreement. The controversy arose with respect to Esguerra Building II located at 104 Amorsolo St., Legaspi Village, Makati. (Herein petitioner) started claiming one-half of the rentals of the said building which VECCI refused. Thus, on 7 August 1990, (herein petitioner) filed a motion with respondent court praying that VECCI be ordered to remit one-half of the rentals to her effective January 1990 until the same be sold (p. 28, id.). VECCI opposed said motion (p. 31, Rollo).

On October 30, 1990 respondent (trial) court ruled in favor of (herein petitioner) (p. 34, Rollo) which was affirmed by this court in a decision dated 17 May 1991 in CA-G.R. SP. No. 2380. VECCI resorted to the Supreme Court which on 4 May 1992 in G.R. No. 100441 affirmed this court's decision the fallo of which reads:

'The petition is without merit. As correctly found by the respondent Court of Appeals, it can be deduced from the terms of the Compromise Agreement and from the nature of the action in the court a quo that the basis of the equal division of the proceeds of any sale or disposition of any of the subject properties is the acknowledged ownership of private respondent over one-half of the said assets. Considering that the other building has yet to be sold, it is but logical that pending its disposition and conformably with her one-half interest therein, private respondent should be entitled to half of its rentals which forms part of her share in the fruits of the assets. To accord a different interpretation of the Compromise Agreement would be prejudicial to the established rights of private respondent.' (p. 36, Rollo).

Meanwhile, Esguerra Bldg. II was sold to (herein private respondent Sureste Properties, Inc.) for P150,000,000.00 (sic). On 17 June 1993, (Julieta V. Esguerra) filed a motion seeking the nullification of the sale before respondent (trial) court on the ground that VECCI is not the lawful and absolute owner thereof and that she has not been notified nor consulted as to the terms and conditions of the sale (p.37, Rollo).

Not being a party to the civil case, (private respondent Sureste) on 23 June 1993 filed a Manifestation concerning (herein petitioner's) motion to declare the sale void ab initio. In its Manifestation (Sureste) points out that in the compromise agreement executed by VECCI and (Julieta V. Esguerra), she gave her express consent to the sale of the said building (p.38, Rollo).

On 05 August 1993, respondent judge (who took over the case from Judge Buenaventura Guerrero, now Associate Justice of this court) issued an Omnibus Order denying among others, (Sureste's) motion, to which a motion for reconsideration was filed.^[3]

After trial on the merits, the Regional Trial Court of Makati, Branch 133,^[4] rendered its order, the dispositive portion of which reads:

"WHEREFORE, the Court resolves as it is resolved that:

1. The Omnibus Order of the Court issued on August 5, 1993 is hereby reconsidered and modified to the effect that:

a. The Notice of Lis Pendens is annotated at the back of the Certificate of Title of Esguerra Bldg. II located at Amorsolo St., Legaspi Village, Makati, Metro Manila is delivered to be valid and subsisting, the cancellation of the same is hereby set aside; and,

b. The sale of Esguerra Bldg. II to Sureste Properties, Inc. is declared valid with respect to one-half of the value thereof but ineffectual and unenforceable with respect to the other half as the acknowledged owner of said portion was not consulted as to the terms and conditions of the sale.

The other provisions of said Omnibus Order remain undisturbed and are now deemed final and executory.

2. Sureste Properties, Inc. is hereby enjoined from pursuing further whatever Court action it has filed against plaintiff as well as plaintiff's tenants at Esguerra Bldg. II;

3. Plaintiff's Urgent Ex-parte Motion dated December 14, 1993 is hereby DENIED for being moot and academic.

4. Plaintiff is hereby directed to bring to Court, personally or through counsel, the subject shares of stocks on February 15, 1994 at 10:30 in the morning for the physical examination of defendant or counsel.

SO ORDERED."^[5]

From the foregoing order, herein private respondent Sureste Properties, Inc. interposed an appeal with the Court of Appeals which ruled in its favor, viz.:

"From the foregoing, it is clear that respondent judge abused his discretion when he rendered the sale of the property unenforceable with respect to one-half.

WHEREFORE, the petition is hereby GRANTED. The assailed order dated 1 February 1994 is hereby SET ASIDE. No pronouncement as to cost.

SO ORDERED."^[6]

Julieta Esguerra's Motion for Reconsideration^[7] dated June 15, 1994 was denied by the respondent Court in the second assailed Resolution^[8] promulgated on February 23, 1995.

Hence this petition.

The Issues

Petitioner submits the following assignment of errors:

" x x x (I)n issuing the Decision (Annex 'A' of the petition) and the Resolution (Annex 'B' of the petition), the Court of Appeals decided questions of substance contrary to law and applicable jurisprudence and acted without jurisdiction and/or with grave abuse of discretion when:

It validated the sale by VECCI to Sureste of the subject property without the knowledge and consent of the acknowledged co-owner thereof and in contravention of the terms of the compromise agreement as well as the Resolution of this Honorable Court in G.R. No. 100441 wherein this Honorable Court recognized herein petitioner's 'acknowledged ownership of - - - one-half of' the subject property; and,

It held that the trial court acted without jurisdiction and/or abused its discretion when it held that the questioned sale of the property is ineffectual and unenforceable as to herein petitioner's one-half (1/2) ownership/interest in the property since the sale was made without her knowledge and consent.

B E C A U S E :

A. No proper corporate action of VECCI was made to effect such sale as required under the compromise agreement;

B. The sale of the subject property was made in violation of the terms of the compromise agreement in that it was not made with the approval/consent of the acknowledged owner of 1/2 of the said asset;

C. The prior sale of another property (the Esguerra Building I as distinguished from the subject property which is the Esguerra Building II) included in the said compromise agreement was made only after the prior approval/consent of petitioner and this procedure established a precedent that applied in the subsequent sale of the Esguerra Building II; and

D. Respondent Sureste as purchaser pendente lite of the subject property covered by a notice of lis pendens was in law deemed to have been duly notified of the aforesaid conditions required for a valid sale of the subject property as well as of petitioner's 'acknowledged ownership - - - over one-half' of the Esguerra Building II."^[9]

Simply put, petitioner (1) assails VECCI's sale of Esguerra Building II to private respondent as unenforceable to the extent of her one-half share, and (2) accuses the appellate court of "acting without jurisdiction or with grave abuse of discretion" in reversing the trial court's finding to that effect.

The Court's Ruling

The petition has no merit.

First Issue: Is the Contract of Sale Unenforceable?

The Civil Code provides that a contract is unenforceable when it is "x x x entered into in the name of another person by one who has been given no authority or legal representation, or who has acted beyond his powers."^[10] And that "(a) contract entered into in the name of another by one who has no authority or legal representation, or who has acted beyond his powers, shall be unenforceable, x x x ."

^[11] After a thorough review of the case at bench, the Court finds the sale of Esguerra Building II by VECCI to private respondent Sureste Properties, Inc. valid. The sale was expressly and clearly authorized under the judicially-approved compromise agreement freely consented to and voluntarily signed by petitioner Julieta Esguerra. Thus, petitioner's contention that the sale is unenforceable as to her share for being unauthorized is plainly incongruous with the express authority granted by the compromise agreement to VECCI, which specified no condition that the latter shall first consult with the former prior to selling any of the properties listed there. As astutely and correctly found by the appellate Court:

"The compromise agreement entered between private respondent (Julieta Esguerra) and VECCI , which was approved by the court, expressly provides, among others, that the latter shall sell or otherwise dispose of certain properties, among them, Esguerra Bldgs. I and II, and fifty (50%) percent of the net proceeds thereof to be given to the former. Pursuant to said agreement, VECCI sold the buildings.x x x

x x x x x x x x x

x x x The compromise agreement expressly authorizes VECCI to sell the subject properties, with the only condition that the sale be in a lawful and convenient manner and under the terms and conditions recited in the enabling resolutions of its Board of Directors and stockholders. There is nothing in the said agreement requiring VECCI to consult the private respondent (Julieta Esguerra) before any sale (can be concluded). Thus, when VECCI sold the property to (Sureste Properties, Inc.) as agreed upon, it need not consult the private respondent."^[12]

Moreover, petitioner's contention runs counter to Article 1900 of the Civil Code which provides that: