

THIRD DIVISION

[G.R. No. 217454, January 11, 2021]

AGRO FOOD AND PROCESSING CORP., Petitioner, v. VITARICH CORPORATION, Respondent.

DECISION

HERNANDO, J.:

This Petition for Review on *Certiorari*^[1] assails the August 28, 2014 Decision^[2] and March 9, 2015 Resolution^[3] of the Court of Appeals in CA-GR. CV. No. 90550.^[4] The assailed Decision set aside the December 29, 2005 Decision^[5] of the Regional Trial Court (RTC), Branch 83 of Malolos City, Bulacan which ordered petitioner Agro Food and Processing Corp. (Agro) to pay respondent Vitarich Corporation (Vitarich) the amount of P4,770,916.82 with interest, and Vitarich to pay Agro the amount of P25,430,292.72 with interest;^[6] and instead ordered Agro to pay Vitarich the amounts of P4,734,906.57 and P3,989,851.82 with interest.^[7] In its assailed Resolution, the appellate court denied Agro's Motion for Reconsideration.^[8]

Antecedents

This case involves a corporation officer's authority to amend an original contract without actual authority from the corporation's board of directors. Agro's position is that the amendments are not binding on the corporation since the officer had no actual authority from its board of directors. For Vitarich, the amendments are binding pursuant to the doctrine of apparent authority, among others.

The undisputed facts are as follows.

On October 5, 1995, Agro and Vitarich simultaneously executed two agreements: *first*, a Memorandum of Agreement (MOA) under which Vitarich offered to buy Agro's chicken dressing plant located in Bulacan; and *second*, a Toll Agreement under which Agro agreed to dress the chickens supplied by Vitarich for a toll fee.^[9]

Pursuant to the MOA, Vitarich paid P20 million as deposit to Agro and was given a period of forty-five (45) days within which to evaluate the dressing plant facilities.^[10] At the end of the period, Vitarich formally made its offer to purchase, but Agro did not accept the offer.^[11] Thus, Agro needed to return the P20 million deposit.^[12]

Since Vitarich was obligated to pay toll fees to Agro pursuant to the Toll Agreement, the parties agreed that the manner of returning the P20 million deposit shall be through deductions of fifteen percent (15%) of the gross receipts on the weekly billings of the toll fees.^[13] In other words, the P20 million deposit shall be

continuously offset with fifteen percent (15%) of the toll fees to be paid by Vitarich until the obligation is satisfied. During that period, Vitarich also sold on credit live broiler chickens to Agro.^[14]

More than two (2) years later, Vitarich filed a complaint for sum of money with damages against Agro before the RTC alleging that Agro was liable for the following amounts: *first*, P4,770,916.82 plus interest, representing the balance from the P20 million deposit, and *second*, P4,322,032.36 plus interest, representing the balance on the sale of live broiler chickens to Agro.^[15]

Regarding the first amount, which is the relevant amount in the Petition, Vitarich stated that it was based not only on the toll fees reflected on the original Toll Agreement, but also on the verbal amendments to the toll fees made and implemented by the parties thrice from 1996 to 1997.^[16]

Agro disputed the computation made by Vitarich.^[17] It argued that the amount of P4,770,916.82 was inaccurate as it was based on the alleged verbal amendments to the toll fees, **which amendments were not binding on Agro as they were entered into by Vitarich and Agro's Finance Manager, Chito del Castillo (del Castillo), which allegedly had no authority to amend the original Toll Agreement from Agro's board of directors.**^[18]

Ruling of the Regional Trial Court:

In its December 29, 2005 Decision, the trial court held that the amendments did not bind Agro considering the lack of any signature or *conforme* to the documentary evidence presented by Vitarich.^[19] Consequently, Vitarich was not entitled to its claim.^[20]

Further, it granted Agro's counterclaim in the amount of P25,430,292.72 plus interest, representing Vitarich's unpaid account with Agro.^[21] However, as to the sale of live broiler chickens, the trial court held that after reconciliation of the accounts, Agro had an unpaid account with Vitarich.^[22]

The dispositive portion of the trial court's Decision reads:

WHEREFORE, premises considered, judgment is hereby rendered, to wit:

1. ordering defendant Agro Foods to pay plaintiff the amount of P4,770,916.82 plus interest of P93,828.03 from January 9, 1998 to March 9, 1998 and an additional interest of 12% per annum from March 10, 1998 until the said amount is fully paid relative to the purchase of live broilers; and
2. ordering plaintiff to pay defendant Agro Foods the amount of P25,430,292.72 as deficiency payment on the billing based on the toll rates as provided by the Toll Processing Agreement dated October 4, 1995 plus the legal rate of interest from the date of filing of this complaint until the said amount is fully paid.

Further, plaintiff Vitarich Corp. and defendant Agro Food shall bear the

payment of attorney's fees to their respective counsels.

No pronouncement as to costs.

SO ORDERED.^[23]

Ruling of the Court of Appeals:

The appellate court, in its assailed Decision, set aside the December 29, 2005 Decision of the RTC and held that the verbal amendments to the toll fees were valid and obligatory on Agro, pursuant to the principle that contracts are obligatory in whatever form they may have been entered into.^[24]

It found that Vitarich was able to establish the existence of the amendments based on the eighty nine (89) weekly billings reflecting such amendments, which billings were notably prepared by Agro, as well as from the testimony of Agro's President who admitted that his firm prepared such billings and del Castillo's own testimony that he was authorized to implement the amendments.^[25]

Further, the appellate court applied the doctrine of apparent authority in arriving at the conclusion that del Castillo was clothed with authority by Agro's board of directors in concurring and implementing the amendments.^[26] As for the trial court's award of P25,430,292.72 to Agro, the appellate court set aside the same for lack of basis.^[27]

The dispositive portion of the assailed Decision reads:

We **SET ASIDE** the Decision dated 29 December 2005, issued by the Regional Trial Court, Branch 83, Malolos City, Bulacan, and instead, we **ORDER** defendant-appellee Agro Food and Processing Corporation to pay plaintiff-appellant Vitarich Corporation Php 4,734,906.57 (representing the deficiency of plaintiff-appellant Vitarich Corporation's Php 20,000,000.00 deposit) and Php 3,989,851.82 (representing defendant-appellee Agro Food and Processing Corporation's obligation on the sale of live broilers), subject to 24% interest computed from November 1997 until fully paid.

IT IS SO ORDERED.^[28]

Agro moved for reconsideration which was, however, denied by the CA in its assailed Resolution.^[29] Hence, this Petition.

The Petition:

In its Petition, Agro argues that the appellate court erroneously applied the doctrine of apparent authority, which is determined based on **the acts of the principal and not by the acts of the agent.**^[30] Since the CA relied on the weekly billings prepared by del Castillo and his testimony that he was authorized to implement the amendments, and not on Agro's conduct *per se*, it erred in applying the doctrine of apparent authority.^[31] Further, Vitarich was barred from proving the existence of

the verbal amendments pursuant to the parol evidence rule.^[32]

In its Comment,^[33] Vitarich counters that the CA correctly applied the doctrine of apparent authority as shown by Agro's conduct of preparing over eighty-nine (89) billings reflecting the amendments, never contesting the payment of such billings, and never questioning the authority of del Castillo to agree to the amendments in their two (2) years of doing business together.^[34]

According to Vitarich, the totality of Agro's acts and conduct belie Agro's claim of lack of authority on the part of del Castillo.^[35] Further, Vitarich maintains that the issue of the verbal amendments was raised in the Amended Complaint, thus not covered by the parol evidence rule.^[36]

Issues

The Petition raises two issues:

I

THE COURT OF APPEALS COMMITTED A REVERSIBLE ERROR OF LAW WHEN IT APPLIED THE DOCTRINE OF APPARENT AUTHORITY AND HELD THAT THE REDUCED TOLL DRESSING RATES PREPARED BY MR. DEL CASTILLO ARE BINDING ON AGRO, DESPITE THE FACT THAT THE REDUCTION OF THE TOLL DRESSING RATES WERE NEVER AUTHORIZED OR RATIFIED BY AGRO'S BOARD OF DIRECTORS.

II

THE COURT OF APPEALS COMMITTED A REVERSIBLE ERROR OF LAW WHEN IT HELD THAT THE REDUCTION OF THE TOLL DRESSING RATES IS NOT BARRED BY THE PAROL EVIDENCE RULE.^[37]

Our Ruling

The Petition is devoid of merit.

Agro is correct that "apparent authority is determined by the acts of the principal and not by the acts of the agent."^[38] As applied to corporations, the doctrine of apparent authority provides that "a corporation [is] estopped from denying the [officer's] authority if it knowingly permits [such officer] 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."^[39]

Thus, it is the corporation's acts which determine the existence of apparent authority, *i.e.*, whether the corporation knowingly permits its officer to act on its behalf and holds such officer out to the public as having the authority to do those acts.

Here, a reading of the assailed Decision gives the impression that in applying the doctrine of apparent authority, the appellate court only considered del Castillo's testimony that he was authorized by Agro's President to implement the

amendments, and not the acts of Agro itself as required under the doctrine of apparent authority:

Under the doctrine of apparent authority, if a corporation knowingly permits one of its officers or any other agent to act within the scope of an apparent authority, it holds the agent out to the public as possessing the power to do those acts; thus the corporation will, as against anyone who has in good faith dealt with it through such agent, be estopped from denying the agent's authority.

Del Castillo had apparent authority to implement the verbal amendments to the parties' agreement. Del Castillo testified:

"Q: When you implemented the reduction did you seek or did you try to seek an advice from your higher up or the President of Agro Food?

A: Yes sir.

Q: Before you sent?

A. Yes sir.

Court: Before you decided, because according to you when Vitarich Corporation refused to release the payment to you, correct me if I am wrong, you decided to reduce the billings?

A: Yes sir.

Q: But before you tried to reduce the billings you sought the advice of your higher up, meaning the Presiding? (sic)

A: Yes sir.

Q: When you sought the advice or the assistance of the President, could you more or less tell us what was the tenor of the assistance you sought with the President?

A: I was told that there was a negotiation but it is discretionary on my part to decide so that I can make the adjustment because if the negotiation bug down, all negotiation will not materialize.

Q: With that advice you continued to send billings at a reduced amount?

A: Yes sir."

Since the parties agreed on the reduced dressing rates, we find defendant-appellee Agro Food liable to plaintiff-appellant Vitarich for Php4,734,906.57, representing the balance of plaintiff-appellant Vitarich's Php20,000,000.00 deposit, and Php3,989,851.82 as deficiency on the sale of live broilers.^[40] (Citations omitted.)

However, after carefully examining the evidence presented by Vitarich and passed upon by the appellate court in arriving at its ruling, as reflected in the assailed Decision,^[41] We find the appellate court's application of the doctrine of apparent authority well-supported by the law and the evidence, thus:

The Brief for the Appellant thrusts: plaintiff-appellant Vitarich was able to prove by preponderance of evidence that the parties agreed to the