

SECOND DIVISION

[G.R. No. 214057, October 19, 2015]

FLORENTINA BAUTISTA-SPILLE REPRESENTED BY HER ATTORNEY-IN-FACT, MANUEL B. FLORES, JR., PETITIONER VS. NICORP MANAGEMENT AND DEVELOPMENT CORPORATION, BENJAMIN G. BAUTISTA AND INTERNATIONAL EXCHAN BANK, RESPONDENTS.

D E C I S I O N

MENDOZA, J.:

Before the Court is a petition for review on *certiorari* under Rule 45 of the Rules of Court assailing the March 19, 2014 Decision^[1] and the August 18, 2014 Resolution^[2] of the Court of Appeals (CA) in CA-G.R. CV No. 97682, which reversed and set Regional Trial Court, Branch aside the May 24, 2010 Decision^[3] of the Regional Trial Court, Branch 90, Dasmariñas, Cavite (RTC), in Civil Case No. 0321-04, declaring a contract to sell null and void.

The Facts:

Petitioner Florentina Bautista-Spille (*petitioner*) is the registered owner of a parcel of land covered by Transfer Certificate of Title (TCT) No. T-197, located in Imus City, Cavite, with an area of more or less 33,052 square meters (*subject property*).

On June 20, 1996, petitioner and her spouse, Harold E. Spille, executed a document denominated as General Power of Attorney^[4] in favor of her brother, respondent Benjamin Bautista (*Benjamin*), authorizing the latter to administer all her businesses and properties in the Philippines. The said document was notarized before the Consulate General of the Philippines, New York, United States of America.

On August 13, 2004, Benjamin and NICORP Management and Development Corporation (NICORP) entered into a contract to sell^[5] which pertained to the parcel of land covered by TCT No. T-197 for the agreed amount of P15,000,000.00. In the said contract, NICORP agreed to give a down payment equivalent to 20% of the purchase price and pay the remaining balance in eight (8) months. It was also agreed that upon receipt of the down payment, the TCT of the subject property would be deposited with the International Exchange Bank (*IE Bank*) and placed in escrow. It would only be released upon full payment of the agreed amount. Furthermore, Benjamin was required to submit a special power of attorney (*SPA*) covering the sale transaction, otherwise, the payment of the balance would be suspended and a penalty of P150,000.00 every month would be imposed.

Pursuant thereto, an Escrow Agreement,^[6] dated October 13, 2004, was executed designating IE Bank as the Escrow Agent, obliging the latter to hold and take

custody of TCT No. T-197, and to release the said title to NICORP upon full payment of the subject property.

On October 14, 2004, NICORP issued a check in the amount of *P2,250,000.00*, representing the down payment of the subject property.^[7] Thereafter, the TCT was deposited with IE Bank and placed in escrow.

When petitioner discovered the sale, her lawyer immediately sent demand letters^[8] to NICORP and Benjamin, both dated October 27, 2004, and to IE Bank, dated October 28, 2004, informing them that she was opposing the sale of the subject property and that Benjamin was not clothed with authority to enter into a contract to sell and demanding the return of the owner's copy of the certificate of title to her true and lawful attorney-in-fact, Manujel B. Flores, Jr. (*Flores*). NICORP, Benjamin and IE Bank, however, failed and refused to return the title of the subject property.

Consequently, petitioner filed a complaint^[9] before the RTC against Benjamin, NICORP and IE Bank for declaration of nullity of the contract to sell, injunction, recovery of possession and damages with prayer for the issuance of a temporary restraining order and/or preliminary injunction because NICORP was starting the development of the subject property into a residential subdivision and was planning to sell the lots to prospective buyers. Petitioner denied receiving the down payment for the subject property.

The RTC granted the writ of preliminary injunction in its Order,^[10] dated January 24, 2005, enjoining NICORP and all persons acting on its behalf from making or introducing improvements, subdividing and selling any subdivided lot of the subject property.

In its Answer,^[11] NICORP asked for the dismissal of the case for lack of a cause of action and averred that Benjamin was empowered to enter into a contract to sell by virtue of the general power of attorney; that the said authority was valid and subsisting as there was no specific instrument that specifically revoked his authority; that assuming Bautista exceeded his authority when he executed the contract to sell, the agreement was still valid and enforceable as the agency was already "coupled with interest" because of the partial payment in the amount of P3,000,000.00; and that the contract could not just be revoked without NICORP being reimbursed of its down payment and the costs for the initial development it had incurred in developing the subject property into a residential subdivision.

For its part, IE Bank denied any liability and alleged that petitioner had no cause of action against it. IE Bank asserted that, at the time of its constitution as an escrow agent, Benjamin possessed the necessary authority from petitioner; that because the contract to sell remained valid, it was duty-bound to observe its duties and obligations under the Escrow Agreement; and that in the absence of any order from the court, it was proper for the bank not to comply with petitioner's demand for the surrender of the certificate of title.^[12]

Benjamin, on the other hand, did not file any responsive pleading. Hence, he was declared in default in the RTC Order,^[13] dated August 25, 2005.

On May 24, 2010, the RTC rendered its judgment, declaring the contract to sell null and void.^[14] It explained that the general power of authority only pertained to acts of administration over petitioner's businesses and properties in the Philippines and did not include authority to sell the subject property. It pointed out that NICORP was well aware of Benjamin's lack of authority to sell the subject property as gleaned from the contract to sell which required the latter to procure the SPA from petitioner and even imposed a penalty of P150,000.00 per month if he would be delayed in securing the SPA. The dispositive portion of the RTC decision reads:

WHEREFORE, premises considered, judgment is hereby rendered in favor of the plaintiff and against the defendants, declaring the Contract to Sell, dated October 13, 2004 between the defendant Bautista and NICORP to be null and void, and the writ of preliminary injunction is now made permanent, and further ordering the defendants NICORP and International Exchange Bank as follows -

- (a) To return to the plaintiff the peaceful possession of the subject property covered by Transfer Certificate of Title No. T-197 of the Register of Deeds of the Province of Cavite;
- (b) To return to the plaintiff the Original Owner's Duplicate of Title No. T-197 of the Register of Deeds of the Province of Cavite;
- (c) To pay to the plaintiff the amount of Php250,000.00 by way of attorney's fees; and
- (d) The Costs of suit.

SO ORDERED.^[15]

Aggrieved, NICORP appealed before the CA.

In the assailed decision, the CA *reversed* the RTC decision, explaining that the general power of attorney executed by petitioner in favor of Benjamin authorized the latter not only to perform acts of administration over her properties but also to perform acts of dominion which included, among others, the power to dispose the subject property.

Petitioner filed a motion for reconsideration, but it was denied in the assailed CA Resolution, dated August 18, 2014.

Hence, this petition anchored on the following

GROUND

- A. THE HONORABLE COURT OF APPEALS COMMITTED GRAVE ERROR IN HOLDING THAT THE GENERAL POWER OF ATTORNEY EXECUTED BY PETITIONER AUTHORIZED BENJAMIN BAUTISTA TO ENTER INTO THE CONTRACT TO SELL WITH RESPONDENT IN CONTRAVENTION OF THE ESTABLISHED PRONOUNCEMENT OF THE SUPREME COURT IN THE CASE OF LILLIAN N. MERCADO ET AL. VS. ALLIED BANKING CORPORATION (G.R. NO. 171460, 24 JULY 2007).**
- B. THE HONORABLE COURT OF APPEALS COMMITTED GRAVE ERROR IN APPLYING THE CASE OF ESTATE OF LINO**

OLAGUER VS. ONGJOCO (G.R. NO. 173312, 26 AUGUST 2008)
TO THE INSTANT CASE CONSIDERING THAT THE ESTABLISHED FACTS HEREIN ARE NOT IN ALL FOURS WITH THE FACTS SURROUNDING THE DECISION IN THE OLAGUER VS. ONGJOCO CASE.

- C. THE HONORABLE COURT OF APPEALS ERRED IN DISREGARDING (I) RESPONDENT'S JUDICIAL ADMISSION AS TO BENJAMIN BAUTISTA'S LACK OF AUTHORITY TO ENTER INTO A CONTRACT TO SELL THE SUBJECT PROPERTY, AND (II) RESPONDENT'S KNOWLEDGE OF THE INSUFFICIENCY OF THE GENERAL POWER OF ATTORNEY, INDICATING BAD FAITH OF THE RESPONDENT.**
- D. THE HONORABLE COURT OF APPEALS ERRED IN HOLDING THAT THE TRIAL COURT ERRED IN DECLARING THE CONTRACT TO SELL NULL AND VOID.^[16]**

Petitioner argues that the general power of attorney did not clothe Benjamin with the authority to enter into a contract to sell the subject property. She contends that the general power of attorney pertained to the power to buy, sell, negotiate and contract over the business and personal property but did not specifically authorize the sale of the subject property.

Petitioner asserts that the CA erred when it disregarded the stipulation made by NICORP during the pre-trial proceedings as stated in the pre-trial order that Benjamin "acted beyond the scope of his authority when he failed to inform plaintiff personally as to his dealing or negotiation with NICORP and when he signed the Contract to Sell xxx."^[17] According to petitioner, such an admission was an indication that NICORP did not consider the general power of authority as an SPA which would have authorized Benjamin to enter into the contract to sell.

NICORP counters that the general power of attorney sufficiently conferred authority on Benjamin to enter into the contract to sell. It asserts that the written authority, while denominated as a general power of attorney, expressly authorized him to sell the subject property. NICORP insists that it was a buyer in good faith and was never negligent in ascertaining the extent of his authority to sell the property. It explains that though the general power of attorney sufficiently clothed Bautista with authority to sell the subject property, it nonetheless required him to submit the SPA in order to comply with the requirements of the Register of Deeds and the Bureau of Internal Revenue.

The issue for resolution is whether or not Benjamin was authorized to sell the subject property.

The Court's Ruling

The Court finds the petition meritorious.

In petitions for review on *certiorari* under Rule 45 of the Rules of Civil Procedure, only questions of law may be raised by the parties and passed upon by this Court. It is not a function of this Court to analyze and weigh the evidence presented by the