

SECOND DIVISION

[G.R. No. 129039, September 17, 2002]

SIREDY ENTERPRISES, INC. PETITIONER, VS. HON. COURT OF APPEALS AND CONRADO DE GUZMAN, RESPONDENTS.

DECISION

QUISUMBING, J.:

Before us is a petition for review seeking to annul the decision^[1] dated April 26, 1996 of the Court of Appeals in CA-G.R. CV No. 30374, reversing the decision of the Regional Trial Court of Malolos, Bulacan, and the resolution^[2] dated April 22, 1997, denying petitioner's motion for reconsideration.

The following are the facts as found by the Court of Appeals,^[3] undisputed by the parties and adopted by petitioner:^[4]

Private respondent Conrado De Guzman is an architect-contractor doing business under the name and style of Jigscon Construction. Herein petitioner Siredy Enterprises, Inc. (hereafter Siredy) is the owner and developer of Ysmael Village, a subdivision in Sta. Cruz, Marilao, Bulacan.^[5] The president of Siredy is Ismael E. Yanga.^[6]

As stated in its Articles of Incorporation,^[7] the primary corporate purpose of Siredy is to acquire lands, subdivide and develop them, erect buildings and houses thereon, and sell, lease or otherwise dispose of said properties to interested buyers.^[8]

Sometime before October 1978, Yanga executed an undated Letter of Authority,^[9] hereunder reproduced verbatim:

KNOW ALL MEN BY THESE PRESENTS:

That I, DR. ISMAEL E. YANGA, SR., of legal age, Filipino, married, resident of and with Postal address at Poblacion, Bocaue, Bulacan and duly authorized to execute this LETTER OF AUTHORITY, do hereby authorize MR. HERMOGENES B. SANTOS of legal age, Filipino, married, resident of and with Postal Address at 955 Banawe St., Quezon City to do and execute all or any of the following acts:

1. To negotiate and enter into contract or contracts to build Housing Units on our subdivision lots in Ysmael Village, Sta. Rosa, Marilao, Bulacan. However, all proceeds from said contract or contracts shall be deposited in my name, payments of all obligation in connection with the said contract or contracts should be made and the remainder will be paid to MR. HERMOGENES B. SANTOS.

2. To sell lots on our subdivisions and;

3. To represent us, intercede and agree for or make agreements for all payments in our favor, provided that actual receipts thereof shall be made by the undersigned.

(SGD) DR. ISMAEL E. YANGA, SR.

For myself and in my capacity as President

of SIREDY ENTERPRISE, INCORPORATED

PRINCIPAL

On October 15, 1978, Santos entered into a Deed of Agreement^[10] with De Guzman. The deed expressly stated that Santos was "representing Siredy Enterprises, Inc." Private respondent was referred to as "contractor" while petitioner Siredy was cited as "principal".

In said Deed of Agreement we find the following stipulations:

- 1.) That, the PRINCIPAL has contracts with different SSS members employed with different domestic entities to build for them 2-bedroom single housing units and 4-bedroom duplex housing units;
- 2.) That, the site of the said housing project is at YSMAEL VILLAGE, Bo. Sta. Rosa, Marilao, Bulacan owned and developed by SIREDY ENTERPRISES and Mr. Ismael E. Yanga, Sr.;
- 3.) That, the PRINCIPAL has contracted to build the said units at the amount of FORTY FIVE THOUSAND (P45,000.00) PESOS for the 2-bedroom single and SIXTY NINE THOUSAND (P69,000.00) PESOS, Philippine Currency for the duplex residences;
- 4.) That, the CONTRACTOR intends to build for the PRINCIPAL eighty (80) units singles and eighteen (18) units duplex residences at the cost above mentioned or a lump sum total of FOUR MILLION, EIGHT HUNDRED FORTY TWO THOUSAND (P4,842,000.00) PESOS, Philippine Currency;
- 5.) That, the CONTRACTOR agrees to supply all Construction Materials, labor, tools and equipments necessary for the completion of the said housing units;
- 6.) That, the PRINCIPAL agrees to pay all necessary permits and papers in accordance with Government rules and regulations;
- 7.) That, the PRINCIPAL agrees to supply water and electrical facilities needed during the time of construction;
- 8.) That, the manner of payment shall be in accordance with SSS releases. Should the SSS fail to pay the PRINCIPAL, the PRINCIPAL is still in obligation to pay the CONTRACTOR for whatever accomplishments the CONTRACTOR have finished provided, that the failure of the SSS to pay is not due to defective work of the CONTRACTOR;
- 9.) That, the CONTRACTOR promises to finish the project at the rate of TEN (10) units in THIRTY (30) days or a total of THREE HUNDRED (300)

working days;

10.) That, the integral part of this CONTRACT are:

- a. Plans and Specifications
- b. Subdivision Plan indicating the Lot location of each unit
- c. Authority of the National Housing Authority;

11.) That, the CONTRACTOR agree[s] to start work on the housing units thirty (30) days after signing of this CONTRACT.

NOW THEREFORE, for and in consideration of the amount of FOUR MILLION, EIGHT HUNDRED FORTY TWO THOUSAND (P4,842,000.00) PESOS, Philippine Currency, the PARTIES agree and herein set their hands on the date and place above-mentioned.

x x x

From October 1978 to April 1990, De Guzman constructed 26 residential units at Ysmael Village. Thirteen (13) of these were fully paid but the other 13 remained unpaid. The total contractual price of these 13 unpaid houses is P412,154.93 which was verified and confirmed to be correct by Santos, per an Accomplishment Billing^[11] that the latter signed.

De Guzman tried but failed to collect the unpaid account from petitioner. Thus, he instituted the action below for specific performance against Siredy, Yanga, and Santos who all denied liability.

During the trial, Santos disappeared and his whereabouts remain unknown.

In its defense, petitioner presented testimonial evidence to the effect that Siredy had no contract with De Guzman and had not authorized Santos to enter into a contract with anyone for the construction of housing units at Ysmael Village.

The trial court agreed with petitioner based on the doctrine of privity of contract and gave the following rationale:^[12]

The Deed of Agreement (Exh. A and A-1) clearly reflects that the said contract was entered into by and between plaintiff De Guzman, on one hand, and defendant Hermogenes B. Santos as purported authorized representative of defendant Siredy Enterprises, on the other. Plainly and clearly enough, defendants Siredy Enterprises and Ismael Yanga, Sr. were neither parties nor signatories to the same. It does not bear any legal significance that Dr. Yanga appears to have signed the Letter of Authority (Exh. B) designating defendant Santos as the authorized representative "for myself and as president of the Siredy Enterprises, Inc." For the evidentiary fact remains that Siredy Enterprises and Dr. Yanga had absolutely had nothing to do with the fulfillment of the terms and conditions stipulated in the Deed of Agreement, much less had they benefited in any perceptible degree therefrom.

In the light of the foregoing circumstances, Siredy Enterprises and Dr. Yanga cannot be held liable in favor of the plaintiff in any manner

whatsoever respecting the unpaid residential units constructed by the plaintiff. This is as it should be, because "contracts take effect only between the parties, their assigns and heirs," except only in the cases provided for by law. (Art. 1311, Civil Code of the Philippines). Not one of the exceptions obtains in this case.^[13]

Thus, the trial court disposed of the case as follows:

WHEREFORE, premises considered, judgment is hereby rendered:

- a) directing defendant Hermogenes B. Santos to pay unto plaintiff Conrado de Guzman the amount of P412,154.93 as actual damages with legal interest thereon from the filing of the complaint on July 29, 1982 until the same shall have been fully paid, and P25,000.00 as attorney's fees, plus costs;
- b) dismissing the above-entitled case as against defendants Siredy Enterprises, Inc. and Dr. Ismael Yanga, Sr.

SO ORDERED.^[14]

On appeal, De Guzman obtained a favorable judgment from the Court of Appeals. The appellate court held that the Letter of Authority duly signed by Yanga clearly constituted Santos as Siredy's agent,^[15] whose authority included entering into a contract for the building of housing units at Ysmael Village. Consequently, Siredy cannot deny liability for the Deed of Agreement with private respondent De Guzman, since the same contract was entered into by Siredy's duly designated agent, Santos. There was no need for Yanga himself to be a signatory to the contract, for him and Siredy to be bound by the terms thereof.

Hence, the Court of Appeals held:

WHEREFORE, We find merit in the appeal and We hereby REVERSE the appealed Decision. In its stead, we render the following verdict: Appellee Siredy Enterprises, Inc. is ordered to pay appellant Conrado de Guzman cost (sic) and P412,154.93 as actual damage plus legal interest thereon from the filing of the Complaint on July 29, 1982 until full payment thereof. All other claims and counterclaims are dismissed.

SO ORDERED.^[16]

Petitioner Siredy Enterprises, Inc. now comes to us via a petition for review on certiorari^[17] under Rule 45 of the Rules of Court, on the following grounds:

- I. RESPONDENT COURT ERRED IN HOLDING THAT A VALID AGENCY WAS CONSTITUTED DESPITE THE FACT THAT PETITIONER WAS NOT INVOLVED IN THE CONSTRUCTION BUSINESS;
- II. RESPONDENT COURT ERRED IN FAILING TO CONSIDER A VITAL PROVISION IN THE DEED OF AGREEMENT (PAR. 8), WHEN IT RENDERED ITS DECISION; and
- III. RESPONDENT COURT ERRED IN FAILING TO CONSIDER THAT PRIVATE RESPONDENT WAS NOT ENTITLED TO HIS CLAIM AS HE WAS