

FIRST DIVISION

[G.R. No. 117847, October 07, 1998]

**PEOPLE'S AIRCARGO AND WAREHOUSING CO. INC.,
PETITIONER, VS. COURT OF APPEALS AND STEFANI SAÑO,
RESPONDENTS.**

D E C I S I O N

PANGANIBAN, J.:

Contracts entered into by a corporate president without express prior board approval bind the corporation, when such officer's apparent authority is established and when these contracts are ratified by the corporation.

The Case

This principle is stressed by the Court in rejecting the Petition for Review of the February 28, 1994 Decision and the October 28, 1994 Resolution of the Court of Appeals in CA-GR CV No. 30670.

In a collection case^[1] filed by Stefani Saño against People's Aircargo and Warehousing Co., Inc., the Regional Trial Court (RTC) of Pasay City, Branch 110, rendered a Decision^[2] dated October 26, 1990, the dispositive portion of which reads:^[3]

"WHEREFORE, in light of all the foregoing, judgment is hereby rendered, ordering [petitioner] to pay [private respondent] the amount of sixty thousand (P60,000.00) pesos representing payment of [private respondent's] services in preparing the manual of operations and in the conduct of a seminar for [petitioner]. The Counterclaim is hereby dismissed."

Aggrieved by what he considered a minuscule award of P60,000, private respondent appealed to the Court of Appeals^[4] (CA) which, in its Decision promulgated February 28, 1994, granted his prayer for P400,000, as follows:^[5]

"WHEREFORE, PREMISES CONSIDERED, the appealed judgment is hereby MODIFIED in that [petitioner] is ordered to pay [private respondent] the amount of four hundred thousand pesos (P400,000.00) representing payment of [private respondent's] services in preparing the manual of operations and in the conduct of a seminar for [petitioner]."

As no new ground was raised by petitioner, reconsideration of the above-mentioned Decision was denied in the Resolution promulgated on October 28, 1994.

The Facts

Petitioner is a domestic corporation, which was organized in the middle of 1986 to operate a customs bonded warehouse at the old Manila International Airport in Pasay City.^[6]

To obtain a license for the corporation from the Bureau of Customs, Antonio Punsalan Jr., the corporation president, solicited a proposal from private respondent for the preparation of a feasibility study.^[7] Private respondent submitted a letter-proposal dated October 17, 1986 ("First Contract" hereafter) to Punsalan, which is reproduced hereunder:^[8]

"Dear Mr. Punsalan:

With reference to your request for professional engineering consultancy services for your proposed MIA Warehousing Project may we offer the following outputs and the corresponding rate and terms of agreement:

= = = = =
= = =

Project Feasibility Study consisting of

- Market Study
- Technical Study
- Financial Feasibility Study

Preparation of pertinent documentation requirements for the application

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The above services will be provided for a fee of [p]esos 350,000.00 payable according to the following schedule:

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Fifty percent (50%)upon confirmation of the agreement

Twenty-five percent (25%)...15 days after the confirmation of the agreement

Twenty-five percent (25%)...upon submission of the specified outputs

The outputs will be completed and submitted within 30 days upon confirmation of the agreement and receipt by us of the first fifty percent payment.

Thank you.
Yours truly,

CONFORME:

(S)STEFANI C. SAÑO
(T)STEFANI C. SAÑO
Consultant for
Industrial Engineering"

(S)ANTONIO C. PUNSALAN, JR.
(T)ANTONIO C. PUNSALAN, JR.
President, PAIRCARGO

Initially, Cheng Yong, the majority stockholder of petitioner, objected to private respondent's offer, as another company priced a similar proposal at only P15,000.^[9] However, Punsalan preferred private respondent's services because of the latter's membership in the task force, which was supervising the transition of the Bureau of Customs from the Marcos government to the Aquino administration.^[10]

On October 17, 1986, petitioner, through Punsalan, sent private respondent a letter, confirming their agreement as follows:

"Dear Mr. Saño:

With regard to the services offered by your company in your letter dated 13 October 1986, for the preparation of the necessary study and documentations to support our Application for Authority to Operate a public Customs Bonded Warehouse located at the old MIA Compound in Pasay City, please be informed that our company is willing to hire your services and will pay the amount of THREE HUNDRED FIFTY THOUSAND PESOS (P350,000.00) as follows:

P100,000.00 - upon signing of the agreement;

150,000.00 - on or before October 31, 1986, with the favorable Recommendation of the CBW on our application.

100,000.00 - upon receipt of the study in final form.

Very truly yours,
(S)ANTONIO C. PUNSALAN
(T)ANTONIO C. PUNSALAN

President

CONFORME & RECEIVED from PAIRCARGO, the amount of ONE HUNDRED THOUSAND PESOS (P100,000.00), this 17th day of October, 1986 as 1st installment payment of the service agreement dated October 13, 1986.

(S)STEFANI C. SAÑO
(T)STEFANI C. SAÑO"

Accordingly, private respondent prepared a feasibility study for petitioner which eventually paid him the balance of the contract price, although not according to the schedule agreed upon.^[11]

On December 4, 1986, upon Punsalan's request, private respondent sent petitioner another letter-proposal ("Second Contract" hereafter), which reads:

"People's Air Cargo & Warehousing Co., Inc.
Old MIA Compound, Metro Manila

Attention: Mr. ANTONIO PUN[S]ALAN, JR.
President

Dear Mr. Pun[s]alan:

This is to formalize our proposal for consultancy services to your company the scope of which is defined in the attached service description.

The total service you have decided to avail xxx would be available upon signing of the conforme below and would come [in] the amount of FOUR HUNDRED THOUSAND PESOS (P400,000.00) payable at the schedule defined as follows (with the balance covered by post-dated cheques):

Downpayment upon signing conforme . . .	P80,000.00
15 January 1987	53,333.00
30 January 1987	53,333.00
15 February 1987	53,333.00
28 February 1987	53,333.00
15 March 1987	53,333.00
30 March 1987	53,333.00

With this package, you are assured of the highest service quality as our performance record shows we always deliver no less.

Thank you very much.

Yours truly,

(S)STEFANI C. SAÑO
(T)STEFANI C. SAÑO
Industrial Engineering Consultant

CONFORME:

(S)ANTONIO C. PUNSALAN JR.
(T)PAIRCARGO CO. INC."

During the trial, the lower court observed that the Second Contract bore, at the lower right portion of the letter, the following notations in pencil:

- "1. Operations Manual
2. Seminar/workshop for your employees

P400,000 - package deal
50% upon completion of seminar/workshop
50% upon approval by the Commissioner

The Manual has already been approved by the Commissioner but payment has not yet been made."

The lower left corner of the letter also contained the following notations:

"1st letter - 4 Dec. 1986
2nd letter - 15 June 1987 with
Hinanakit'."

On January 10, 1987, Andy Villaceren, vice president of petitioner, received the operations manual prepared by private respondent.^[12] Petitioner submitted said operations manual to the Bureau of Customs in connection with the former's application to operate a bonded warehouse; thereafter, in May 1987, the Bureau issued to it a license to operate, enabling it to become one of the three public customs bonded warehouses at the international airport.^[13] Private respondent also conducted, in the third week of January 1987 in the warehouse of petitioner, a three-day training seminar for the latter's employees.^[14]

On March 25, 1987, private respondent joined the Bureau of Customs as special assistant to then Commissioner Alex Padilla, a position he held until he became technical assistant to then Commissioner Miriam Defensor-Santiago on March 7, 1988.^[15] Meanwhile, Punsalan sold his shares in petitioner-corporation and resigned as its president in 1987.^[16]

On February 9, 1988, private respondent filed a collection suit against petitioner. He alleged that he had prepared an operations manual for petitioner, conducted a seminar-workshop for its employees and delivered to it a computer program; but that, despite demand, petitioner refused to pay him for his services.

Petitioner, in its answer, denied that private respondent had prepared an operations manual and a computer program or conducted a seminar-workshop for its employees. It further alleged that the letter-agreement was signed by Punsalan without authority, "in collusion with [private respondent] in order to unlawfully get some money from [petitioner]," and despite his knowledge that a group of employees of the company had been commissioned by the board of directors to prepare an operations manual.^[17]

The trial court declared the Second Contract unenforceable or simulated. However, since private respondent had actually prepared the operations manual and conducted a training seminar for petitioner and its employees, the trial court awarded P60,000 to the former, on the ground that no one should be unjustly enriched at the expense of another (Article 2142, Civil Code). The trial court determined the amount "in light of the evidence presented by defendant on the usual charges made by a leading consultancy firm on similar services."^[18]

The Ruling of the Court of Appeals

To Respondent Court, the pivotal issue of private respondent's appeal was the enforceability of the Second Contract. It noted that petitioner did not appeal the Decision of the trial court, implying that it had agreed to pay the P60,000 award. If the contract was valid and enforceable, then petitioner should be held liable for the