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FIRST DIVISION

[G.R. No. 212034. July 2, 2018]

COLEGIO MEDICO-FARMACEUTICO DE FILIPINAS, INC., *petitioner, vs.* **LILY LIM AND ALL PERSONS CLAIMING UNDER HER,** *respondents.*

SYLLABUS

1. **REMEDIAL LAW; CIVIL PROCEDURE; NON-FORUM SHOPPING; THE PRESIDENT OF A CORPORATION MAY SIGN THE VERIFICATION AND CERTIFICATION OF NON-FORUM SHOPPING.—** A corporation exercises its powers and transacts its business through its board of directors or trustees. Accordingly, unless authorized by the board of directors or trustees, corporate officers and agents cannot exercise any corporate power pertaining to the corporation. A board resolution expressly authorizing the officers and agents is therefore required. However, in filing a suit, jurisprudence has allowed the president of a corporation to sign the verification and the certification of non-forum shopping even without a board resolution as said officer is presumed to have sufficient knowledge to swear to the truth of the allegations stated in the complaint or petition.

2. **CIVIL LAW; SPECIAL CONTRACTS; LEASE; UNLAWFUL DETAINER; REQUISITES.—** To justify an action for unlawful detainer, the following essential requisites must concur: (1) the fact of lease by virtue of an implied or expressed contract; (2) the expiration or termination of the possessor's right to hold possession; (3) withholding of the possession of the land or building after the expiration or the termination of the right to possession by the lessee; (4) written demand upon lessee to pay the rental or comply with the terms of the lease and vacate the premises; (5) the action must be filed within one (1) year from date of last demand received by the lessee.

3. **COMMERCIAL LAW; CORPORATION; THE PRESIDENT OF A CORPORATION ACTING WITHIN THE SCOPE OF HIS USUAL DUTIES MAY BIND THE CORPORATION.—** In *People's Aircargo and Warehousing*

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Co., Inc. v. Court of Appeals, the Court laid down an exception to the general rule that no person, not even its officers, can validly bind a corporation without an express authority from the board of directors. In that case, the Court sustained the authority of the president to bind the corporation for the reason that the president has the power to perform acts within the scope of his or her usual duties.

4. CIVIL LAW; DAMAGES; ACTUAL DAMAGES; MUST BE AWARDED PLUS LEGAL INTEREST THEREOF.—[A]s to the amount of reasonable compensation for the use of the subject property, the Court finds that the amount should be ₱55,000.00 per month as stipulated in the Contract of Lease, not just ₱50,000.00 as awarded by the RTC. In addition, the award of actual damages shall earn interest at the rate of 12% *per annum* from March 5, 2008, the date of extrajudicial demand, to June 30, 2013. From July 1, 2013 until full satisfaction of the monetary award, the rate of interest shall be six percent (6%).

APPEARANCES OF COUNSEL

Payumo and Associates for petitioner.
Ramil G. Gabao for respondents.

D E C I S I O N

DEL CASTILLO,[*] *J.*:

"In the absence of a charter or by[-]law provision to the contrary, the president is presumed to have the authority to act within the domain of the general objectives of its business and within the scope of his or her usual duties."[1]

Before us is a Petition for Review on *Certiorari*[2] filed under Rule 45 of the Rules of Court assailing the June 13, 2013

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[*] Acting Chairperson, Per Special Order No. 2562 dated June 20, 2018.

[1] *People's Aircargo and Warehousing Co., Inc. v. Court of Appeals*, 351 Phil. 850, 866 (1998).

[2] *Rollo*, pp. 8-40.

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Decision[3] and the April 7, 2014 Resolution[4] of the Court of Appeals (CA) in CA-G.R SP No. 114856.

Factual Antecedents

Petitioner Colegio Medico Farmaceutico de Filipinas, Inc. (petitioner) is the registered owner of a building located in Sampaloc, Manila.[5]

On June 19, 2008, petitioner filed before the Metropolitan Trial Court (MeTC) of Manila, Branch 24, a Complaint for Ejectment with Damages,[6] docketed as Civil Case No. 185161-CV, against respondent Lily Lim (respondent), the President/ Officer-in-charge of St. John Berchman School of Manila Foundation (St. John). Petitioner alleged, that in June 2005, it entered into a Contract of Lease[7] for the period June 2005 to May 2006 with respondent; that after expiration of the lease period, petitioner, represented by its then President Dr. Virgilio C. Del Castillo (Del Castillo), sent respondent another Contract of Lease for the period June 2006 to May 2007 for her approval; that despite several follow-ups, respondent failed to return the Contract of Lease; that during a board meeting in December 2007, petitioner informed respondent of the decision of the Board of Directors (Board) not to renew the Contract of Lease; that on March 5, 2008, Del Castillo wrote a letter[8] to respondent demanding the payment of her back rentals and utility bills in the total amount of ₱604,936.35, with a request to vacate the subject property on or before March 16, 2008; and that respondent refused to comply with the demand.

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[3] *Id*. at 41-49; penned by Associate Justice Eduardo B. Peralta, Jr. and concurred in by Associate Justices Vicente S.E. Veloso and Jane Aurora C. Lantion.

[4] *Id*. at 50-51.

[5] *Id.* at 60-61.

[6] *Id*. at 52-59.

[7] *Id*. at 62-68.

[8] *Id*. at 75.

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For her part, respondent alleged that in May 2003, St. John, represented by Jean Li Yao, entered into a 10-year Contract of Lease with petitioner; that on May 3, 2005, due to financial difficulties, the Board of Trustees of St. John assigned the rights and interest of the school in her favor; that the assignment of rights was with the knowledge and approval of petitioner; that to ensure advance payment of the rentals, petitioner persuaded her to execute a one-year Contract of Lease for the period of June 2005 to May 2006, with advance payment of rentals for the said period; that the said contract was executed with no intention of amending, repealing, or shortening the original 10-year lease; that she occupied the subject property even after May 2006 without any objection from petitioner because, as agreed by the parties, the term of the lease would continue until the year 2013; that she sent several letters to petitioner for the immediate repairs of the library, the toilets of the school building, and the basketball court; and that she suspended the payment of the rentals due to the refusal of petitioner to act on all her letters.

The Ruling of the Metropolitan Trial Court

On June 1, 2009, the MeTC rendered a Decision[9] dismissing the Complaint for lack of a valid demand letter. The MeTC considered the demand letter dated March 5, 2008 as legally non-existent for failure of petitioner to show that Del Castillo was duly authorized by the Board to issue the same. The MeTC stressed that a demand letter is a jurisdictional requirement the absence of which opens the case susceptible to dismissal.

Aggrieved, petitioner appealed the dismissal to the Regional Trial Court (RTC) of Manila, Branch 11.

The Ruling of the Regional Trial Court

On May 13, 2010, the RTC rendered a Decision[10] reversing the MeTC Decision. The RTC ruled that the issuance of the demand letter dated March 5, 2008 was done by Del Castillo

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[9] *Id*. at 78-82; penned by Presiding Judge Jesusa S. Prado-Maniñgas.

[10] *Id*. at 200-200-B; penned by Presiding Judge Cicero D. Jurado, Jr.

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in the usual course of business and that the issuance of the same was ratified by petitioner when it passed the Board Resolution dated May 13, 2008 authorizing Del Castillo to file a case against respondent. Thus –

> WHEREFORE, premises considered, the Decision of the Metropolitan Trial Court Branch 24, Manila in Civil Case No. 185161-CV dated June 1, 2009 is REVERSED and SET ASIDE and judgment is hereby rendered in favor of [petitioner] and against [respondent], as follows:
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> 1. Ordering [respondent] and all persons claiming rights under her, to vacate the leased unit located at Building C, Colegio Compound, R. Papa and S.H. Loyola Street, Sampaloc, Manila;
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> 2. Ordering [respondent] to pay [petitioner] the amount of Six Hundred Four Thousand Nine Hundred Thirty-Six Pesos and Thirty-Five Centavos (Php604,936.35) representing unpaid utility bills as of February 2008;
>
> 3. Ordering [respondent] to pay [petitioner] the amount of Fifty Thousand Pesos (Php50,000,00) per month for and as the reasonable value for the use of the subject property, to be reckoned from March 28 up to the time the possession of the subject property is restored to [petitioner].
>
> 4. Ordering [respondent] to pay [petitioner] the amount of One Hundred Fifty Thousand Pesos (Php150,000.00) for and as attorney's fees, plus Four Thousand Pesos (Php4,000.00) for every appearance in court as well as the costs of suit.
>
> SO ORDERED.[11]

Petitioner moved for the issuance of a writ of execution while respondent moved for reconsideration.

On June 23, 2010, the RTC issued an Order granting the writ of execution. The RTC denied respondent's motion for reconsideration.

Respondent moved to quash the writ of execution but the same was unavailing.

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[11] *Id*. at 200-A to 200-B.

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This prompted respondent to elevate the matter to the Court of Appeals *via* a Petition for Review under Rule 42 of the Rules of Court.

The Ruling of the Court of Appeals

On June 13, 2013, the CA rendered the assailed Decision reversing the RTC Decision, and consequently, dismissing the Complaint. The CA opined that petitioner's failure to attach a copy of the Board Resolution dated May 13, 2008 to the Complaint was a fatal defect.[12]

Petitioner moved for reconsideration but the CA denied the same in its April 7, 2014 Resolution for lack of merit.[13]

Hence, petitioner filed the instant Petition for Review on *Certiorari* questioning the dismissal of its Complaint.

Petitioner's Arguments

Petitioner seeks the reversal of the CA Decision and the reinstatement of the RTC Decision ordering respondent to vacate the subject property and to pay actual damages and attorney's fees plus costs of suit. Petitioner maintains that its failure to attach a copy of the Board Resolution dated May 13, 2008 to the Complaint was not a fatal defect considering that, under prevailing jurisprudence, the president of a corporation is duly authorized to sign the verification and certification without need of a board resolution.[14] As to the demand letter dated March 5, 2008 by Del Castillo, petitioner argues that it was validly issued as it was an authorized act done in the usual course of business.[15] Thus, no board resolution was required.[16] And even if it were unauthorized, the demand letter dated March 5, 2008 was not repudiated by the corporation but was even ratified when it

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[12] *Id*. at 46-49.

[13] *Id*. at 50-51.

[14] *Id*. at 416-421.

[15] *Id*. at 427-432.

[16] *Id*.

issued the Board Resolution dated May 13, 2008 authorizing Del Castillo to file the instant case.[17] In any case, petitioner contends that demand to vacate was not necessary as the case for unlawful detainer was based on the expiration of the lease contract.[18] Lastly, petitioner prays that the monthly rental of ₱50,000.00 awarded by the RTC be increased to ₱55,000.00 as stipulated in the Contract of Lease and that it be awarded exemplary and moral damages.[19]

Respondent's Arguments

Respondent, on the other hand, argues that the certification of non-forum shopping is a jurisdictional requirement and that the failure of petitioner to attach to the Complaint a copy of the Board Resolution dated May 13, 2008 authorizing Del Castillo to sign on behalf of petitioner was a fatal defect.[20] Petitioner further argues that the demand letter dated March 5, 2008 was premature and without legal basis considering that it was issued by Del Castillo without an express authority from the Board in the form of a board resolution.[21] As to the period of lease, respondent insists that the Contract of Lease entered into by petitioner and St. John was for a period of 10 years or from June 1, 2003 to May 31, 2013.[22] Respondent also puts in issue the fact that the instant case was filed against respondent, not against St. John, despite the fact that demand letter dated March 5, 2008 was addressed to St. John, through respondent.[23]

Our Ruling

The Petition is meritorious.

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[17] *Id*. at 432.

[18] *Id*. at 422-427.

[19] *Id*. at 432-434.

[20] *Id*. at 454-456.

[21] *Id*. at 446-454.

[22] *Id*. at 456-458.

[23] *Id*. at 458.

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The president of a corporation may sign the verification and certification of non-forum shopping.

A corporation exercises its powers and transacts its business through its board of directors or trustees.[24] Accordingly, unless authorized by the board of directors or trustees, corporate officers and agents cannot exercise any corporate power pertaining to the corporation.[25] A board resolution expressly authorizing the officers and agents is therefore required.[26] However, in filing a suit, jurisprudence has allowed the president of a corporation to sign the verification and the certification of non-forum shopping even without a board resolution as said officer is presumed to have sufficient knowledge to swear to the truth of the allegations stated in the complaint or petition.[27]

In view of the foregoing jurisprudential exception, the CA gravely erred in dismissing the Complaint on the mere failure of petitioner to present a copy of the Board Resolution dated May 13, 2008. With or without the said Board Resolution, Del Castillo, as the President of petitioner, was authorized to sign the verification and the certification of non-forum shopping.

All the essential requisites of an unlawful detainer are present.

Now, as to whether respondent may be validly ejected from the subject property, the Court rules in the affirmative.

To justify an action for unlawful detainer, the following essential requisites must concur:

(1) the fact of lease by virtue of an implied or expressed contract;

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[24] CORPORATION CODE, Section 23.

[25] *Manila Metal Container Corporation v. Philippine National Bank*, 540 Phil. 451, 474 (2006).

[26] *Id*.

[27] *Hutama-RSEA/Supermax Phils., J.V. v. KCD Builders Corporation*, 628 Phil. 52, 61 (2010).

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(2) the expiration or termination of the possessor's right to hold possession;

(3) withholding of the possession of the land or building after the expiration or the termination of the right to possession by the lessee;

(4) written demand upon lessee to pay the rental or comply with the terms of the lease and vacate the premises;

(5) the action must be filed within one (1) year from date of last demand received by the lessee.[28]

In this case, requisites 1, 2, 3, and 5 have been duly established. It is undisputed that a Contract of Lease was entered into by petitioner with St. John, which contract was later assigned to respondent; that respondent failed to pay the monthly rentals; that non-payment of the monthly rentals is a ground for the termination of the Contract of Lease;[29] that respondent continued to possess the subject property despite the termination of the Contract of Lease; and that the Complaint was filed within one (1) year from March 5, 2008 or the date of the last demand received by respondent.[30] Thus, the only question to be resolved is whether there was a valid written demand upon respondent to pay the unpaid rentals and vacate the subject property.

On March 5, 2008, Del Castillo wrote a demand letter to respondent requiring the latter to pay the unpaid rentals in the amount of ₱604,936.35 and to vacate the subject property. Respondent, however, contends that said demand letter had no legal effect because it was issued without an express authority from the Board in the form of a board resolution. Respondent harps on the fact that Del Castillo was authorized by the Board to institute the instant case only on May 13, 2008 or two months after the demand letter dated March 5, 2008 was issued.

The Court does not agree with the reasoning of respondent.

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[28] *Dela Cruz v. Court of Appeals*, 539 Phil. 158, 170-171 (2006).

[29] *Rollo*, p. 62.

[30] *Id.* at 52.

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In *People's Aircargo and Warehousing Co., Inc. v. Court of Appeals*,[31] the Court laid down an exception to the general rule that no person, not even its officers, can validly bind a corporation without an express authority from the board of directors. In that case, the Court sustained the authority of the president to bind the corporation for the reason that the president has the power to perform acts within the scope of his or her usual duties. The Court explained that:

> Being a juridical entity, a corporation may act through its board of directors, which exercises almost all corporate powers, lays down all corporate business policies and is responsible for the efficiency of management, as provided in Section 23 of the Corporation Code of the Philippines:
>
> > SEC. 23. *The Board of Directors or Trustees*. — Unless otherwise provided in this Code, the corporate powers of all corporations formed under this Code shall be exercised, all business conducted and all property of such corporations controlled and held by the board of directors or trustees x x x.
>
> Under this provision, the power and the responsibility to decide whether the corporation should enter into a contract that will bind the corporation is lodged in the board, subject to the articles of incorporation, by-laws, or relevant provisions of law. However, just as a natural person may authorize another to do certain acts for and on his behalf, the board of directors may validly delegate some of its functions and powers to officers, committees or agents. The authority of such individuals to bind the corporation is generally derived from law, corporate by laws or authorization from the board, either expressly or impliedly by habit, custom or acquiescence in the general course of business, *viz*.:
>
> > A corporate officer or agent may represent and bind the corporation in transactions with third persons to the extent that [the] authority to do so has been conferred upon him, and this includes powers which have been intentionally conferred, and also such powers as, in the usual course of the particular business, are incidental to, or may be implied from, the powers intentionally conferred, powers added by custom and usage, as usually pertaining to the particular officer or agent, and such apparent

[31] *Supra* note 1.

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> powers as the corporation has caused persons dealing with the officer or agent to believe that it has conferred.

Accordingly, the appellate court ruled in this case that the authority to act for and to bind a corporation may be presumed from acts of recognition in other instances, wherein the power was in fact exercised without any objection from its board or shareholders. Petitioner had previously allowed its president to enter into the First Contract with private respondent without a board resolution expressly authorizing him; thus, it had clothed its president with apparent authority to execute the subject contract.

Petitioner rebuts, arguing that a single isolated agreement prior to the subject contract does not constitute corporate practice, which Webster defines as 'frequent or customary action.' It cites *Board of Liquidators v. Kalaw*, in which the practice of NACOCO allowing its general manager to negotiate and execute contract in its copra trading activities for and on its behalf, without prior board approval, was inferred from sixty contracts — not one, as in the present case — previously entered into by the corporation without such board resolution.

Petitioner's argument is not persuasive. Apparent authority is derived not merely from practice. Its existence may be ascertained through (1) the general manner in which the corporation holds out an officer or agent as having the power to act or, in other words, the apparent authority to act in general, with which it clothes him; or (2) the acquiescence in his acts of a particular nature, with actual or constructive knowledge thereof, whether within or beyond the scope of his ordinary powers. It requires presentation of evidence of similar act(s) executed either in its favor or in favor of other parties. It is not the quantity of similar acts which establishes apparent authority, but the vesting of a corporate officer with the power to bind the corporation.

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Inasmuch as a corporate president is often given general supervision and control over corporate operations, the strict rule that said officer has no inherent power to act for the corporation is slowly giving way to the realization that such officer has certain limited powers in the transaction of the usual and ordinary business of the corporation. In the absence of a charter or by[-]law provision to the contrary, the president is presumed to have the authority to act within the domain

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of the general objectives of its business and within the scope of his or her usual duties.

Hence, it has been held in other jurisdictions that the president of a corporation possesses the power to enter into a contract for the corporation, when the 'conduct on the part of both the president and the corporation [shows] that he had been in the habit of acting in similar matters on behalf of the company and that the company had authorized him so to act and had recognized, approved and ratified his former and similar actions.'

Furthermore, a party dealing with the president of a corporation is entitled to assume that he has the authority to enter, on behalf of the corporation, into contracts that are within the scope of the powers of said corporation and that do not violate any statute or rule on public policy.[32]

In this case, the issuance of the demand letter dated March 5, 2008 to collect the payment of unpaid rentals from respondent and to demand the latter to vacate the subject property was done in the ordinary course of business, and thus, within the scope of the powers of Del Castillo. In fact, it was his duty as President to manage the affairs of petitioner, which included the collection of receivables. Article IV, Section 2 of the By-laws of petitioner expressly states that the President has the power to:

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b. Exercise general [supervision], control and direction of the business and affairs of the Colegio;

x x x x x x x x x

e. Execute in behalf of the Colegio, bonds, mortgages, and all other contracts and agreements which the Colegio may enter into;

x x x x x x x x x

j. Exercise or perform such other duties as are incident to his office or such powers and duties as the Board may from time to time [prescribe].[33]

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[32] *Id.* at 863-867.

[33] *Rollo*, p. 27.

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Accordingly, even without a board resolution, Del Castillo had the power and authority to issue the demand letter dated March 5, 2008.

In any case, even if, for the sake of argument, Del Castillo acted beyond the scope of his authority in issuing the demand letter dated March 5, 2008, the subsequent issuance of the Board Resolution dated May 13, 2008 cured any defect possibly arising therefrom as it was a clear indication that the Board agreed to, consented to, acquiesced in, or ratified the issuance of the said demand letter.

All told, the Court agrees with the findings of the RTC that all the requisites of an unlawful detainer were present in the instant case, and thus, petitioner was entitled to the possession of the subject property.

However, as to the amount of reasonable compensation for the use of the subject property, the Court finds that the amount should be ₱55,000.00 per month as stipulated in the Contract of Lease,[34] not just ₱50,000.00 as awarded by the RTC.

In addition, the award of actual damages shall earn interest at the rate of 12% *per annum* from March 5, 2008, the date of extrajudicial demand, to June 30, 2013. From July 1, 2013 until full satisfaction of the monetary award, the rate of interest shall be six percent (6%).[35]

WHEREFORE, the Petition is hereby **GRANTED**. The assailed June 13, 2013 Decision and the April 7, 2014 Resolution of the Court of Appeals in CA-G.R. SP No. 114856 are hereby **REVERSED** and **SET ASIDE**. The Decision of the Regional Trial Court of Manila, Branch 11, dated May 13, 2010 is hereby **REINSTATED and AFFIRMED with MODIFICATION** that the amount of reasonable compensation for the use of the subject property be increased to ₱55,000.00 as stipulated in the Contract of Lease. In addition, the award of actual damages shall earn interest at the rate of 12% *per annum* from March 5, 2008, the

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[34] *Id*. at 62.

[35] *Nacar v. Gallery Frames*, 716 Phil. 267, 279-281 (2013).

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date of extrajudicial demand, to June 30, 2013. From July 1, 2013 until full satisfaction of the monetary award, the rate of interest shall be six percent (6%) *per annum*.

SO ORDERED.

Jardeleza, Tijam, and *Gesmundo,*[**] *JJ.*, concur.

Leonardo-de Castro, J., on official leave.

SECOND DIVISION

[G.R. No. 225803. July 2, 2018]

SHERYLL R. CABAÑAS, *petitioner, vs.* **ABELARDO G. LUZANO LAW OFFICE/ABELARDO G. LUZANO**, *respondents.*

SYLLABUS

1. REMEDIAL LAW; EVIDENCE; APPEAL UNDER RULE 45; ONLY QUESTIONS OF LAW ARE ALLOWED; EXCEPTIONS; WHERE THE FINDINGS OF THE COURT OF APPEALS AND THE LABOR TRIBUNAL ARE CONTRADICTORY.— As a rule, the Court does not review questions of fact, but only questions of law in an appeal by *certiorari* under Rule 45 of the Rules of Court. The rule, however, is not absolute as the Court may review the facts in labor cases where the findings of the Court of Appeals and of the labor tribunals are contradictory.

2. LABOR AND SOCIAL LEGISLATION; TERMINATION OF EMPLOYMENT; ILLEGAL DISMISSAL; BURDEN OF PROOF.— In illegal dismissal cases, the general rule is that the employer has the burden of proving that the dismissal was

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[**] Per Special Order No. 2560 dated May 11, 2018.