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branch or instrumentality of the Government.[10] Thus, the motions should have been dismissed outright. At any rate, we fail to discern any taint of grave abuse of discretion on the part of respondent court when it issued the challenged Resolution. If at all, it only committed an error of judgment.

One last word. It has been confirmed that Atty. Narciso is now dead. Verily, the issues raised by petitioner and the PCGG and the questioned Resolution of respondent court have become moot.

WHEREFORE, the petition is *DISMISSED*.

SO ORDERED.

Puno (Chairperson), Corona, and *Garcia, JJ.,* concur.

Azcuna, J., on official leave.

SECOND DIVISION

[G.R. No. 146535. August 18, 2006]

NATIVIDAD G. REYES, *petitioner, vs.* **RCPI EMPLOYEES CREDIT UNION, INC.,** *respondent.*

SYLLABUS

1. COMMERCIAL LAW; CORPORATION LAW; BOARD OF DIRECTORS; POWER TO ENTER INTO CONTRACTS; REQUIRES SPECIFIC AUTHORITY. —Indisputably, the respondent is a credit cooperative duly organized and existing under Philippine laws. As such corporate entity, it has its own

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[10] Section 1, Article VIII of the Constitution.

acts and liabilities and exercises corporate powers, including the power to enter into all contracts, through its board of directors pursuant to Section 23 of the Corporation Code. Hornbook is the rule that a corporation, like the respondent, may act only through its board of directors or, when authorized either by its by-laws or by board resolution, through its officers or agents in the normal course of business. It is important, however, that for such corporate officers or agents to be deemed fully clothed by the corporation to exercise a power of the board, the latter must specially authorize them to do so.

2. **ID.; ID.; ID.; ID.; NOT ESTABLISHED IN CASE AT BAR; CONSEQUENCE THEREOF.** — Respondent denies that it ever authorized its officers, in particular, its president, David Halican, to contract a loan with the petitioner and execute a promissory note in connection therewith. With that denial, it behooves upon the petitioner to establish by the requisite quantum of proof that Halican was in fact authorized by the respondent to represent and bind it in the questioned transaction. Unfortunately for the petitioner, she failed to discharge her burden. As it is, the evidence adduced by her is bereft of any proof of authority on the part of Halican and Estremera, either by way of a provision in the respondent's by-laws or a board resolution, to contract the alleged loan and to execute relative thereto the promissory note in dispute. This being so, Halican's act of executing and signing the subject promissory note cannot bind the respondent credit union. So it is that in *People's Aircargo and Warehousing Co., Inc. v. CA,* the Court made it clear that in the absence of authority from the board of directors, no person, not even its officers, can validly bind a corporation.

3. **ID.; ID.; ID.; WHERE OFFICERS EXCEEDED THEIR AUTHORITY, RATIFICATION IS REQUIRED; NOT PRESENT IN CASE AT BAR.** — As a general rule, the acts of corporate officers within the scope of their authority are binding on the corporation, but when these officers exceeded their authority, their actions cannot bind the corporation, unless it has ratified such acts or is estopped from disclaiming them. Petitioner has not shown that the respondent credit union ratified, expressly or impliedly, the act of Halican in executing and signing in its behalf the promissory note in dispute. The fact that the respondent admitted Halican to be its president at the

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time the promissory note was executed; that Halican signed the postdated PCIB checks as payment for the note; that the said checks were dishonored by the drawee bank upon presentment for payment; and that Halican failed to raise as a defense his lack of authority to sign the note in the B.P. Blg. 22 case filed against him, does not necessarily mean that the respondent credit union has thereby already ratified Halican's act of contracting the obligation under the same promissory note.

4. REMEDIAL LAW; CIVIL PROCEDURE; PLEADINGS; PARTY SHOULD NOT BE REQUIRED TO MAKE A SECOND DENIAL OF THOSE ALREADY DENIED IN HIS ANSWER TO THE COMPLAINT. — Petitioner argues that the respondent is deemed to have impliedly admitted Halican's authority when it did not deny under oath the matters sought to be admitted in her ***Request for Admission***. The argument does not persuade. A perusal of the pertinent paragraph of the petitioner's aforementioned pleading reveals that the same is a mere reiteration of that alleged in paragraph B of her complaint which the respondent credit union has already traversed and denied in its Answer. Thus, the rule laid down in *Po v. Court of Appeals* is apropos, *viz:* "A party should not be compelled to admit matters of fact already admitted by his pleading and concerning which there is no issue, *nor should he be required to make a second denial of those already denied in his answer to the complaint.* A request for admission is not intended to merely reproduce or reiterate the allegations of the requesting party's pleading but should set forth relevant evidentiary matters of fact, or documents described in and exhibited with the request, whose purpose is to establish said party's cause of action or defense. Unless it serves that purpose, it is, as correctly observed by the Court of Appeals, "pointless, useless," and "a mere redundancy."

APPEARANCES OF COUNSEL

Lamberto C. Nanquil for petitioner.
Antonio P. Pacheo for respondent.

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DECISION

GARCIA, *J.*:

Assailed and sought to be set aside in this petition for review on *certiorari* is the Decision[1] dated December 27, 2000 of the Court of Appeals (CA) in *CA-G.R. CV No. 49720*, reversing an earlier decision of the Regional Trial Court (RTC) of Caloocan City, Branch 125, in an action for a sum of money with damages thereat commenced by petitioner Natividad Reyes against the respondent, RCPI Employees Credit Union, Inc., a duly registered credit union of RCPI employees organized and existing under Philippine laws.

The facts:

On December 8, 1986, David F. Halican, President and Chairman of the Board of Directors of the respondent credit union, together with Nestor Estremera, respondent's Accounting Officer, executed in favor of petitioner Natividad Reyes a promissory note[2] purportedly for and in behalf of the respondent. In full, the note reads:

PROMISSORY NOTE

₱ 162, 338.52

For value received, we promise to pay Mrs. Natividad G. Reyes the sum of ONE HUNDRED SIXTY-TWO THOUSAND THREE HUNDRED THIRTY-EIGHT & 52/100 (₱162,338.52) only payable on or before March 8, 1987.

In case of default, interest at the rate of 2% a month will be charged and liquidated damages in the amount of ₱15,000.00 will be paid by the maker/s plus 10% of the entire amount as and for attorney's fees, should the matter be referred to a lawyer.

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[1] Penned by Justice Martin S. Villarama, Jr. and concurred in by then CA Associate Justice (now a member of this Court) Romeo S. Callejo, Jr., and Justice Juan Q. Enriquez, Jr.; *Rollo*, pp. 18-23.

[2] *Id.* at 45.

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RCPI Building, Cubao, Quezon City.

December 8, 1986.

RCPI EMPLOYEES CREDIT UNION, INC.

By:

(SIGNED)
DAVID F. HALICAN
President & Chairman of the Board

ROLANDO O. BABAR
Vice Chairman

(SIGNED)
NESTOR E. ESTREMERA
Accounting Officer

Unable to collect the amount of the note on its due date despite repeated demands therefor, the petitioner filed with the RTC of Caloocan City a complaint[3] for a sum of money with damages against the respondent credit union.

In its Answer,[4] the respondent, as defendant, denied any obligation to the petitioner asserting that it "*did not authorize*" the signatories to the promissory note sued upon "*to act for and in behalf of the association,*" hence the plaintiff has no cause of action against it. In the same Answer, the respondent interposed a counterclaim in the sum of ₱1,049,515.70,[5] representing the amount allegedly misappropriated by the latter while serving as respondent's treasurer from 1981 to 1987, as allegedly shown in the Financial Audit Report prepared and submitted by the Philippine Federation of Credit Cooperatives, Inc., which conducted an audit of respondent's financial condition.

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[3] Complaint; *Id.* at 24-26.

[4] *Id.* at 28-29.

[5] ₱1,089,515.70 in p. 2 of Answer; *Id.* at 29.

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Following a pre-trial conference which failed to bring the parties to an amicable settlement, a ***Request for Admission***[6] of material and relevant facts therein stated was served by the petitioner on the respondent. In its Reply[7] thereto, the respondent denied the alleged facts sought to be admitted, claiming that the same are irrelevant and immaterial to the suit filed against it.

In the ensuing trial on the merits, the parties adduced their respective testimonial and documentary evidence.

To buttress her allegation that the respondent as defendant in the case is liable to her under the subject promissory note, petitioner, as plaintiff, proffered in evidence the promissory note itself and her oral testimonies that when the respondent credit union defaulted in the payment of its obligation under said promissory note, David F. Halican, respondent's President and Chairman of its Board, issued four (4) postdated PCIB checks in her favor, which checks were all dishonored by the drawee bank when presented for payment; that when requested to make good the dishonored checks, the respondent instead filed a complaint for estafa against her before the City Prosecutor's Office of Quezon City (I.S. No. 88-2693), thereunder alleging her misappropriation of corporate funds while still treasurer of the respondent, which complaint was recommended for dismissal by the investigating fiscal for insufficiency of evidence, a recommendation duly approved by the City Prosecutor and against which a petition for review was dismissed by the Department of Justice; that thereafter, the respondent filed another estafa case against her (I.S. No. 90-108555) which was likewise dismissed by the City Prosecutor; that she filed with the same office a criminal complaint for violation of Batas Pambansa Blg. 22 (I.S. No. 91-7502) against David Halican in connection with the same dishonored postdated PCIB checks, but her complaint was dismissed because she, as the payee in those checks, is also a signatory thereto; and that the respondent's

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[6] *Id.* at 30-33.

[7] *Id.* at 34.

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board of directors was informed of the loan covered by the promissory note in question.

Anent the respondent's counterclaim, which is for the same amount allegedly misappropriated by her, the petitioner testified that it is the respondent which has an account payable to her since 1987 as shown by the very same Financial Audit Report[8] referred to by the respondent in its Answer.

For its part, the respondent credit union, maintaining its main defense that David F. Halican had no authority to sign the subject promissory note for and in its behalf, adduced in evidence the testimonies of two (2) of the members of its board of directors, namely Rolando Babar and Hector Bolano, to disprove petitioner's claim that its board knew of the loan contracted by Halican and of the latter's execution of the subject promissory note. In support of its counterclaim, the respondent presented the four (4) postdated PCIB checks drawn and signed by Halican and payable to the petitioner, as well as the Financial Audit Report earlier adverted to, showing that the petitioner incurred an accountability in the amount of ₱1,049,515.70 while still the respondent's treasurer in custody of its funds and checks and herself a signatory to its checks together with Halican as the respondent's former president.

On November 2, 1994, the trial court came out with its decision[9] rendering judgment for the petitioner, thus:

WHEREFORE, premises considered, judgment is hereby rendered as follows:

1. Ordering defendant [respondent] to pay plaintiff [petitioner] the sum of ₱162,338.52 representing the principal obligation;
2. Ordering defendant to pay plaintiff the sum of ₱184,680.00 representing stipulated interest from April 1987 to December 1991, plus the sum equivalent to 2% monthly interest from January, 1992 until the entire amount is fully paid;

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[8] *Id.* at 83-115.

[9] *Id.* at 35-44.

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3. Ordering the defendant to pay plaintiff the sum of ₱15,000.00 as liquidated damages;

4. Ordering the defendant to pay plaintiff the sum of ₱36,210.00 as attorney's fees; and

5. Costs of suit.

SO ORDERED. (Words in brackets added).

In its decision, the trial court ruled that Halican's authority to execute the same promissory note for and in behalf of the respondent was impliedly admitted by the latter when it failed to deny under oath the matters alleged in the petitioner's ***Request for Admission***, *supra,* particularly paragraph B thereof, reading as follows:

x x x x x x x x x

B. On December 8, 1986, the RCPI Employees Credit Union, Inc. through Mr. David F. Halican and Nestor Estremera, executed a Promissory Note wherein they promised to pay Mrs. Natividad G. Reyes the sum of ₱162,338.00 on or before March 8, 1987. (The copy of this document is attached to the complaint as Annex "A").

In the same decision, the trial court virtually dismissed the respondent's counterclaim for lack of factual and legal bases.

From the adverse decision of the trial court, the respondent credit union went on appeal to the CA in *CA-G.R. CV No. 49720.*

As stated at the threshold hereof, the CA, in its Decision[10] dated December 27, 2000, reversed that of the trial court and ordered the dismissal of the petitioner's complaint, and likewise adjudged the petitioner liable to the respondent on the latter's counterclaim. To the CA, the petitioner failed (1) to prove that David F. Halican was authorized by the board of directors of the respondent credit union to borrow money, much less execute the disputed promissory note in its behalf; and (2) to refute by convincing evidence the existence of her liability to the respondent

[10] *Supra* note 1.

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by way of counterclaim which the latter has proven by preponderance of evidence. Specifically, the CA decision dispositively reads:

> WHEREFORE, premises considered, the appealed decision of the Regional Trial Court of Calookan City, Branch 125 in Civil Case No. 15427 is hereby REVERSED AND SET ASIDE and a new one entered DISMISSING the Complaint against the defendant-appellant and finding the plaintiff-appellee LIABLE to pay to the former the amount of ₱1,041,595.70 plus legal interest at the rate of 6% per annum to be computed from judicial demand, *i.e.*, September 11, 1992 until the same shall have been fully paid.
>
> Costs against the plaintiff-appellee.
>
> SO ORDERED.

Hence, petitioner's present recourse on her main submission that the challenged CA decision is contrary to law and the evidence on record.

The petition is partly meritorious.

To the mind of the Court, two (2) issues commend themselves for its resolution, to wit: (1) whether or not the respondent credit union is liable to the petitioner on the subject promissory note executed and signed by its officers, namely, its president, David F. Halican and its accounting officer, Nestor F. Estremera; and (2) whether or not the petitioner is liable to the respondent on the latter's counterclaim.

The Court resolves both issues in the **negative**.

Indisputably, the respondent is a credit cooperative duly organized and existing under Philippine laws. As such corporate entity, it has its own acts and liabilities and exercises corporate powers, including the power to enter into all contracts, through its board of directors pursuant to Section 23 of the Corporation Code.[11]

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[11] Said Section reads: "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."

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Hornbook is the rule that a corporation, like the respondent, may act only through its board of directors or, when authorized either by its by-laws or by board resolution, through its officers or agents in the normal course of business.[12] It is important, however, that for such corporate officers or agents to be deemed fully clothed by the corporation to exercise a power of the board, the latter must specially authorize them to do so.[13]

Here, the respondent denies that it ever authorized its officers, in particular, its president, David Halican, to contract a loan with the petitioner and execute a promissory note in connection therewith. With that denial, it behooves upon the petitioner to establish by the requisite quantum of proof that Halican was in fact authorized by the respondent to represent and bind it in the questioned transaction. Unfortunately for the petitioner, she failed to discharge her burden. As it is, the evidence adduced by her is bereft of any proof of authority on the part of Halican and Estremera, either by way a provision on the respondent's by-laws or a board resolution, to contract the alleged loan and to execute relative thereto the promissory note in dispute. This being so, Halican's act of executing and signing the subject promissory note cannot bind the respondent credit union. So it is that in *People's Aircargo and Warehousing Co., Inc. v. CA,*[14] the Court made it clear that in the absence of authority from the board of directors, no person, not even its officers, can validly bind a corporation. We thus lend concurrence to the CA's apt observations in the decision under review, thus:

> Indeed, the evidence submitted by the [petitioner] to prove her claim is insufficient to establish the fact that [respondent] is indebted to it for x x x it has been held that the power to borrow money is one of those cases where even a special power of attorney is required. Such being the case, there is invariably a need of an enabling act of the corporation to be approved by its Board of Directors. This fact

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[12] *San Juan Structural and Steel Fabricators, Inc. v. Court of Appeals*, G.R. No. 129459, September 29, 1998, 296 SCRA 631, 645.

[13] *ABS-CBN Broadcasting Corp. v. CA*, G.R. No. 128690, January 21, 1999, 301 SCRA 572, 594.

[14] G.R. No. 117847, October 7, 1998, 297 SCRA 170, 182.

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is what the trial court omitted to consider. It failed to recognize the fact that while [petitioner] sufficiently established the fact that the President and Chairman of the Board of Directors of the [respondent] as well as its Accounting Officer, had signed the promissory note, she however dismally failed to prove that Halican was, in the first place, authorized to borrow money by the Board of Directors of the defendant corporation. Much less, execute a promissory note in behalf of the said corporation promising to pay the loaned amount at a stipulated date. We note that [petitioner] was also a member of the Board of Directors which allegedly resolved to allow the corporation to borrow money from outside sources and such being the case, she could have just presented said board resolution to prove that Halican was authorized to borrow money as it can be fairly presumed that she had access to copies of the defendant corporation's board resolution. Failing in this respect, [petitioner's] action was left without any leg to stand on insofar as the claimed liability of the [respondent] is concerned. (Words in brackets added).

Petitioner insists, however, that the respondent credit union is in estoppel to disclaim Halican's authority to secure the loan and execute the promissory note evidencing it. In this respect, petitioner would want us to take into account the following: (1) the respondent's admission that at the time of the execution of the note, David Halican was its president and chairman of its board of directors; (2) the undisputed fact that Halican signed the four (4) dishonored postdated PCIB checks as payment for the promissory note; and (3) that in the case for violation of B.P. Blg. 22 filed by her against Halican, the latter did not state by way of defense that he was not authorized to sign the dishonored checks therein involved but merely relied on the fact that petitioner cannot sue him under B.P. Blg. 22 because she herself is also a signatory to those checks.[15]

As a general rule, the acts of corporate officers within the scope of their authority are binding on the corporation, but when these officers exceeded their authority, their actions cannot bind the corporation, unless it has ratified such acts or is estopped from disclaiming them.[16]

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[15] See Petitioner's Memorandum, *Rollo*, p. 137.

[16] Art. 1910, Civil Code; Jose C. Campos, Jr. and Maria Clara Lopez-Campos, *THE CORPORATION CODE*, Vol. I, 1990 ed., p. 385.

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Again, petitioner has not shown that the respondent credit union ratified, expressly or impliedly, the act of Halican in executing and signing in its behalf the promissory note in dispute. Indeed, such ratification cannot be inferred from the aforementioned circumstances proffered by the petitioner. The fact that the respondent admitted Halican to be its president at the time the promissory note was executed; that Halican signed the postdated PCIB checks as payment for the note; that the said checks were dishonored by the drawee bank upon presentment for payment; and that Halican failed to raise as a defense his lack of authority to sign the note in the B.P. Blg. 22 case filed against him, does not necessarily mean that the respondent credit union has thereby already ratified Halican's act of contracting the obligation under the same promissory note.

Stressing her posture of implied ratification, petitioner argues that the respondent is deemed to have impliedly admitted Halican's authority when it did not deny under oath the matters sought to be admitted in her *Request for Admission, supra.*

The argument does not persuade.

A perusal of the pertinent paragraph of the petitioner's aforementioned pleading reveals that the same is a mere reiteration of that alleged in paragraph B of her complaint[17] which the respondent credit union has already traversed and denied in its Answer. Thus, the rule laid down in *Po v. Court of Appeals*[18] is apropos, *viz*:

"A party should not be compelled to admit matters of fact already admitted by his pleading and concerning which there is no issue (*Sherr vs. East*, 71 A2d, 752, Terry 260, cited in 27 C.J.S. 91), **nor should he be required to make a second denial of those already denied in his answer to the complaint.** A request for admission is not intended to merely reproduce or reiterate the allegations of the requesting party's

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[17] *Rollo*, p. 24.

[18] G.R. No. 34341, August 22, 1988, 164 SCRA 668, 670.

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pleading but should set forth relevant evidentiary matters of fact, or documents described in and exhibited with the request, whose purpose is to establish said party's cause of action or defense. Unless it serves that purpose, it is, as correctly observed by the Court of Appeals, "pointless, useless," and "a mere redundancy." (Emphasis supplied.)

We are, however, with the petitioner insofar as the CA adjudged her liable to the respondent on the latter's counterclaim. In this respect, the Court finds the trial court's evaluation of the evidence more in accord with those extant on record. Says the trial court in its decision:

A review of the evidence submitted by the [respondent] revealed that the conclusion of the Auditors who examined the documents were based mainly on conjectures and inferences and stripped of factual and legal basis as correctly established by the investigating fiscal in his resolution Exhibit "F", taking into account the procedures adopted and followed by the credit cooperative in the conduct of its business and the relevant evidence submitted in this case notably those reports of the supervisory committee, the internal auditor who conducted regular monthly audit. The conclusion of the Auditors that the [petitioner] has incurred deficiencies because from their audit there are no records which supports some of the disbursements are not worthy of credence because if the records were not sufficient it should not have passed unnoticed by the credit committee, the supervisory committee, the accounting officer and the Chairman, unless a conspiracy existed between them. Indeed, it will not be unnoticed by the internal auditor of the [respondent] who has conducted regular monthly and at times on the spot audit.

Finally, assuming without conceding that the records of the transaction of the business of the [respondent] was not sufficient to support some disbursements at the time the External Auditor conducted its audit, but were found sufficient at the time the Internal Auditor (Supervisory Committee) has conducted its own audit no blame much less liability maybe imputed to the [petitioner] inasmuch as she is not the record custodian of the [respondent].[19] (Words in brackets supplied.)

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[19] *Rollo*, pp. 42-43.

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WHEREFORE, with the *MODIFICATION* that the petitioner is *ABSOLVED* of any liability to the respondent as regards the latter's counterclaim, the challenged CA decision is hereby *AFFIRMED.*

No pronouncement as to costs.

SO ORDERED.

Puno (Chairperson), Sandoval-Gutierrez, and *Corona, JJ.,* concur.

Azcuna, J., on official leave.

SECOND DIVISION

[G.R. No. 152471. August 18, 2006]

FIESTA WORLD MALL CORPORATION, *petitioner, vs.* **LINBERG PHILIPPINES, INC.,** *respondent.*

SYLLABUS

REMEDIAL LAW; CIVIL PROCEDURE; ACTIONS; FILING OF CASE PREMATURE WHERE CONTRACT IN ISSUE PROVIDING FOR PRIOR MANDATORY RECOURSE TO ARBITRATION IS DISREGARDED; CASE AT BAR. — The sole issue for our resolution is whether the filing with the trial court of respondent's complaint is premature. Paragraph 7.4 of the Contract in issue mandates that should petitioner dispute any amount of energy fees in the invoice and billings made by respondent, the same **"shall be resolved by arbitration of three (3) persons, one (1) by mutual choice, while the other two (2) to be each chosen by the parties themselves."** The parties, in incorporating such agreement in their Contract, expressly intended that the said matter in dispute **must first**