



Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

**FLORENTINA BAUTISTA-
SPILLE** represented by her
**Attorney-in-fact, Manuel B.
Flores, Jr.,**

G.R. No. 214057

Present:

Petitioner, **LEONARDO-DE CASTRO,* J.,
BRION, Acting Chairperson,**
PERALTA,***
MENDOZA, and
LEONEN, JJ.**

- versus -

**NICORP MANAGEMENT
AND DEVELOPMENT
CORPORATION, BENJAMIN
G. BAUTISTA and
INTERNATIONAL EXCHANGE
BANK,**

Promulgated:

OCT 19 2015

Respondents.

x -----x

DECISION

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 Decision¹ and the August 18, 2014 Resolution² of the Court of Appeals (CA) in CA-G.R. CV No. 97682, which reversed and set aside the May 24, 2010 Decision³ of the Regional Trial Court, Branch 90, Dasmariñas, Cavite (RTC), in Civil Case No. 0321-04, declaring a contract to sell null and void.

* Per Special Order No. 2250, dated October 14, 2015.

** Per Special Order No. 2222, dated September 29, 2015.

*** Per Special Order No. 2223, dated September 29, 2015.

¹ *Rollo*, pp. 41-50. Penned by Associate Justice Elihu A. Ybañez with Associate Justices Japar B. Dimaampao and Melchor Q.C. Sadang, concurring.

² *Id.* at 52-53. Penned by Associate Justice Elihu A. Ybañez with Associate Justices Japar B. Dimaampao and Melchor Q.C. Sadang, concurring.

³ *Id.* at 297-308. Penned by Judge Perla V. Cabrera-Faller.

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 Attorney⁴ 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 sell⁵ which pertained to the parcel of land covered by TCT No. T-197 for the agreed amount of ₱15,000,000.00. 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 ₱150,000.00 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 ₱2,250,000.00, representing the down payment of the subject property.⁷ Thereafter, the TCT was deposited with IE Bank and placed in escrow.

⁴ Id. at 80-81.

⁵ Id. at 82-85.

⁶ Id. at 124-128.

⁷ Annex of the Complaint, records, p. 25.

When petitioner discovered the sale, her lawyer immediately sent demand letters⁸ 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, Manuel 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 complaint⁹ 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 ₱3,000,000.00; 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-

⁸ *Rollo*, pp. 86-91.

⁹ *Id.* at 99-110.

¹⁰ *Records*, pp. 158-162.

¹¹ *Id.* at 136-145.

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 ₱150,000.00 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

¹² Id. at 130-135.

¹³ Id. at 210.

¹⁴ Id. at 641-652.

¹⁵ Id. at 652.

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

GROUNDS

- 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

¹⁶ *Rollo*, p. 17.

¹⁷ As quoted in the petition, *id.* at 26.

passed upon by this Court. It is not a function of this Court to analyze and weigh the evidence presented by the parties all over again.¹⁸ This rule, however, has several well-recognized exceptions, such as when the factual findings of the CA and the trial court are conflicting or contradictory.¹⁹

The well-established rule is when a sale of a parcel of land or any interest therein is through an agent, the authority of the latter shall be in writing, otherwise the sale shall be void. Articles 1874 and 1878 of the Civil Code explicitly provide:

Art. 1874. When a sale of a piece of land or any interest therein is through an agent, the authority of the latter shall be in writing; otherwise, the sale shall be void.

Art. 1878. Special powers of attorney are necessary in the following cases:

(1) x x x

(5) To enter into any contract by which the ownership of an immovable is transmitted or acquired either gratuitously or for a valuable consideration;

x x x . [Emphasis Supplied]

From the foregoing, it is clear that an SPA in the conveyance of real rights over immovable property is necessary.²⁰ In *Cosmic Lumber Corporation v. Court of Appeals*,²¹ the Court enunciated,

When the sale of a piece of land or any interest thereon is through an agent, the authority of the latter shall be in writing; otherwise, the sale shall be void. Thus, the authority of an agent to execute a contract for the sale of real estate must be conferred in writing and must give him specific authority, either to conduct the general business of the principal or to execute a binding contract containing terms and conditions which are in the contract he did execute. **A special power of attorney is necessary to enter into any contract by which the ownership of an immovable is transmitted or acquired either gratuitously or for a valuable consideration.** The express mandate required by law to enable an appointee of an agency (couched) in general terms to sell must be one that expressly mentions a sale or that includes a sale as a necessary ingredient of the act mentioned. For the principal to confer the right upon an

¹⁸ *Dehesa-Inamarga v. Alano*, 595 Phil. 294, 300 (2008).

¹⁹ *Chua v. Soriano*, 549 Phil. 578, 588-589 (2007).

²⁰ *Woodchild Holdings, Inc. v. Roxas Electric and Construction Company, Inc.*, 479 Phil. 896, 912 (2004).

²¹ 332 Phil. 948 (1996).

agent to sell real estate, a power of attorney must so express the powers of the agent in clear and unmistakable language. **When there is any reasonable doubt that the language so used conveys such power, no such construction shall be given the document.**"²²

[Emphases Supplied]

To reiterate, such authority must be conferred in writing and must express the powers of the agent in clear and unmistakable language in order for the principal to confer the right upon an agent to sell the real property.²³ It is a general rule that a power of attorney must be strictly construed, and courts will not infer or presume broad powers from deeds which do not sufficiently include property or subject under which the agent is to deal.²⁴ Thus, when the authority is couched in general terms, without mentioning any specific power to sell or mortgage or to do other specific acts of strict dominion, then only acts of administration are deemed conferred.²⁵

In the case at bench, the only evidence adduced by NICORP to prove Benjamin's authority to sell petitioner's property was the document denominated as General Power of Attorney, dated June 20, 1996. The pertinent portions of the said document reads:

KNOW ALL MEN BY THESE PRESENTS:

THAT I/WE FLORENTINA B. SPILLE, of legal age, single/married to HAROLD E. SPILLE and residents of x x x do hereby appoint, name and constitute BENJAMIN G. BAUTISTA resident(s) of x x x to be my/our true and lawful attorney(s), to administer and conduct all my/our affairs and for that purpose in my/our name(s) and on my/our behalf, to do and execute any or all of the following acts, deeds and things to wit:

1. To exercise administration, general control and supervision over my/our business and property in the Philippines, and to act as my/our general representative(s) and agent(s) with full authority to buy, sell, negotiate and contract for me/us and my/our behalf;

²² Id. at 957-958.

²³ *Yoshizaki v. Joy Training Center of Aurora, Inc.*, G.R. No. 174978, July 31, 2013, 702 SCRA, 631, 642.

²⁴ *Woodchild Holdings, Inc. v. Roxas Electric and Construction Company, Inc.*, supra note 20, at 913.

²⁵ *Veloso v. Court of Appeals*, 329 Phil. 398, 405 (1996).

2. To ask, demand, sue for, recover and receive all sums of money, debts, dues, goods, wares, merchandise, chattels, effects and thing of whatsoever nature or description, which now or hereafter shall be or become due, owing, payable or belonging to me/us in or by any right, title, ways or means howsoever, and upon receipt thereof or any part thereof, to make, sign, execute and deliver such receipts, releases or other discharges ;

x x x²⁶

Doubtless, there was no perfected contract to sell between petitioner and NICORP. Nowhere in the General Power of Attorney was Benjamin granted, expressly or impliedly, any power to sell the subject property or a portion thereof. The authority expressed in the General Power of Attorney was couched in very broad terms covering petitioner's businesses and properties. Time and again, this Court has stressed that the power of administration does not include acts of disposition, which are acts of strict ownership. As such, an authority to dispose cannot proceed from an authority to administer, and vice versa, for the two powers may only be exercised by an agent by following the provisions on agency of the Civil Code.²⁷

In the same vein, NICORP cannot be considered a purchaser in good faith. The well-settled rule is that a person dealing with an assumed agent is bound to ascertain not only the fact of agency but also the nature and extent of the agent's authority.²⁸ The law requires a higher degree of prudence from one who buys from a person who is not the registered owner. He is expected to examine all factual circumstances necessary for him to determine if there are any flaws in the title of the transferor, or in his capacity to transfer the land.²⁹ In ascertaining good faith, or the lack of it, which is a question of intention, courts are necessarily controlled by the evidence as to the conduct and outward acts by which alone the inward motive may, with safety, be determined. Good faith, or want of it, is not a visible, tangible fact that can be seen or touched, but rather a state or condition of mind which can only be judged by actual or fancied token or signs.³⁰

²⁶ *Rollo*, p. 80.

²⁷ *Aggabao v. Parulan*, 644 Phil. 26, 37 (2010).

²⁸ *Lintonjua v. Fernandez*, 471 Phil. 440, 458 (2004).

²⁹ *Abad v. Guimba*, 503 Phil. 321, 331-332 (2005).

³⁰ *Philippine National Bank v. Militar*, 526 Phil. 788, 798 (2006).

Here, the Court agrees with the RTC that NICORP was fully aware that Benjamin was not properly authorized to enter into any transaction regarding the sale of petitioner's property. In fact, in the contract to sell, NICORP required Benjamin to secure the SPA from petitioner within ninety (90) days from the execution of the contract and even imposed a substantial amount of penalty in the amount of ₱150,000.00 a month in case of non-compliance plus suspension of payment of the balance of the contract price.

Petitioner's explanation that it obliged Benjamin to secure the SPA in order to comply with the requirements of the Register of Deeds and the Bureau of Internal Revenue is bereft of merit. NICORP is a real estate company which is familiar with the intricacies of the realty business. Moreover, there was no evidence that petitioner ratified Benjamin's act of selling the subject property. On the contrary, immediately after the execution of the contract to sell, petitioner wrote NICORP, IE Bank and Benjamin to inform them of her opposition to the sale of the subject property and of his lack of authority to sell it and demand the return of the certificate of title. Clearly, NICORP was negligent in its dealings with Bautista.

In sum, the Court agrees with the findings and conclusion of the RTC. The consent of petitioner in the contract to sell was not obtained, hence, not enforceable. Furthermore, because NICORP is considered a builder in bad faith, it has no right to be refunded the value of whatever improvements it introduced on the subject property.³¹

WHEREFORE, the petition is **GRANTED**. The March 19, 2014 Decision and the August 18, 2014 Resolution of the Court of Appeals in CA-G.R. CV No. 97682 are **REVERSED** and **SET ASIDE**. The May 24, 2010 Decision of the Regional Trial Court, Branch 90, Dasmariñas, Cavite, is **REINSTATED**.

SO ORDERED.


JOSE CATRAL MENDOZA
Associate Justice

³¹ Arts. 449 and 546, Civil Code.

WE CONCUR:

Teresita Leonardo de Castro
TERESITA J. LEONARDO-DE CASTRO
Associate Justice

Arturo D. Brion
ARTURO D. BRION
Associate Justice
Acting Chairperson

Diosdado M. Peralta
DIOSDADO M. PERALTA
Associate Justice

Marvic M.V.F. Leonen
MARVIC M.V.F. LEONEN
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

Arturo D. Brion
ARTURO D. BRION
Associate Justice
Acting Chairperson, Second Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Acting Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



MARIA LOURDES P. A. SERENO
Chief Justice