



Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

SAN MIGUEL FOODS, INC., G.R. No. 260071
Petitioner,

Present:

- versus -

CAGUIOA, *Chairperson*,
INTING,
GAERLAN,
DIMAAMPAO, and
SINGH,* *JJ*.

FELICIDAD D. ALOVA and
DECELYN ALOVA PUTION,
Respondents.

Promulgated:

MAY 07 2025

X-----X

DECISION

INTING, *J.*:

This Petition for Review¹ under Rule 45 of the Rules of Court seeks the reversal of the Decision² dated December 20, 2019, and Resolution³ dated July 22, 2021, of the Court of Appeals (CA) in CA-G.R. CV No. 06636 which modified the Decision⁴ dated August 25, 2017, of Branch 49, Regional Trial Court (RTC), Bacolod City in Civil Case No. 05-12639.

* On leave.

¹ *Rollo*, pp. 3–37. Denominated as “Petition for *Certiorari* under Rule 45 with Prayer for the Issuance of a Writ of Preliminary Injunction.”

² *Id.* at 38–52. Penned by Associate Justice Alfredo D. Ampuan and concurred in by Associate Justices Gabriel T. Ingles and Marilyn B. Lagura-Yap of the Special Twentieth Division, Court of Appeals, Cebu City.

³ *Id.* at 58–61. Penned by Associate Marilyn B. Lagura-Yap and concurred in by Associate Justices Gabriel T. Ingles and Lorenza R. Bordios of the Special Former Special Twentieth Division, Court of Appeals, Cebu City.

⁴ *Id.* at 62–67. Penned by Judge Manuel O. Cardinal, Jr.

The Facts

On March 12, 1998, Meliton Alova (Meliton) executed a Special Power of Attorney⁵ (SPA) in favor of his daughter, Jessica Alova Uberas (Jessica), over a parcel of land registered in his name under Transfer Certificate of Title No. (TCT) T-60482⁶ (subject property). The subject property is conjugal property of Meliton and his wife, Felicidad Alova (Felicidad) (collectively, Spouses Alova). Meliton died on October 31, 1998.⁷

After his father's death, Jessica applied for and was granted a Credit Line Agreement⁸ by petitioner San Miguel Foods, Inc. (SMFI). On September 2, 2003, using her late father's SPA, Jessica secured the loan by a Real Estate Mortgage⁹ constituted over the subject property.¹⁰

Using the credit line, Jessica purchased poultry products from SMFI amounting to PHP 495,194.80 which she failed to pay. Hence, SMFI sent a Demand Letter¹¹ dated August 23, 2004, to Jessica and her husband, Jubert Uberas (Jubert). SMFI also sent a Letter¹² addressed to Meliton and herein respondent Felicidad, informing them of the unpaid credit purchases of Spouses Jessica and Jubert. In the letter, SMFI stated that the credit account of Spouses Jessica and Jubert with it is secured by a real estate mortgage over the subject property that is registered in the name of Spouses Alova, and that if the obligation remained unpaid, it would institute foreclosure proceedings.¹³

In July 2005, Felicidad and her other daughter, Decelyn Alova Pution (collectively, respondents), received a Notice of Extrajudicial Sale informing them of the extrajudicial foreclosure of the subject property. Respondents, through counsel, then sent a letter to the Office of the Provincial Sheriff of Negros Occidental requesting for the cancellation of the extrajudicial foreclosure for being illegal. However, for failure of Spouses Jessica and Jubert to settle their account with SMFI, the foreclosure of the mortgage pushed through where SMFI emerged as the

⁵ *Id.* at 77.

⁶ *Id.* at 83.

⁷ *Id.* at 39, *see* CA Decision.

⁸ *Id.* at 110–113.

⁹ *Id.* at 79–82.

¹⁰ *Id.* at 40.

¹¹ *Id.* at 114.

¹² *Id.* at 115.

¹³ *Id.* at 41, 115.

winning bidder at the public auction.¹⁴

Subsequently, respondents filed a Complaint¹⁵ for Declaration of Nullity/Annulment of Real Estate Mortgage and Extrajudicial Foreclosure Sale with Damages before the RTC, on the ground that the real estate mortgage was executed by Jessica (using the revoked SPA) despite the latter's actual knowledge of her father's death.

For its part, SMFI averred, among others: that the SPA was executed by Meliton with the conformity of his wife, Felicidad; that it has no knowledge of Meliton's death when the real estate mortgage was executed; that Meliton's heirs did not notify it of his death; and that even if the death of Meliton extinguished the efficacy of the SPA, his death would not affect the real estate mortgage insofar as the shares of Jessica and respondent Felicidad over the subject property is concerned.¹⁶

Ruling of the RTC

In the Decision¹⁷ dated August 25, 2017, the RTC ruled as follows:

WHEREFORE, IN VIEW OF ALL THE FOREGOING, judgment is hereby rendered:

1. Declaring the Real Estate Mortgage (Exhibit "F") null and void insofar as the one-half pro-indiviso share of Meliton Alovera over Lot 24 with TCT No. T-60482 is concerned;
2. Ordering the Register of Deeds of Bacolod City, to annotate on TCT No. T-60482 the 1/3 share in the name of [Decelyn] Alovera Pution and the remaining portion in the name [of] San Miguel Foods, Inc.;
3. Claim for damages, attorney's fees by the parties and counterclaim of the defendant are ordered dismissed.

SO ORDERED.¹⁸

The RTC discussed that the death of either the principal or agent extinguishes the agency except as provided in Articles 1930 and 1931 of the Civil Code. Hence, any act of the agent after the death of the principal

¹⁴ *Id.* at 40.

¹⁵ *Id.* at 87-94.

¹⁶ *Id.* at 41-42.

¹⁷ *Id.* at 62-67.

¹⁸ *Id.* at 67.

is generally void.¹⁹

Here, Jessica executed the real estate mortgage using the SPA knowing fully well that at that time, her father, Meliton, was already deceased. Considering that the act does not fall under either Article 1930 or 1931 of the Civil Code, the mortgage is void *ab initio*.

The RTC, however, held that because the SPA bore the conformity of Meliton's wife, Felicidad, the real estate mortgage is valid in so far as Felicidad's one-half (1/2) share in the conjugal property is concerned. The RTC discussed that under the law on succession, Felicidad, Decelyn, and Jessica, are each entitled to inherit one-third (1/3) from the one-half (1/2) conjugal share of Meliton in the subject property.²⁰

Dissatisfied with the ruling, respondents appealed to the CA.

Ruling of the CA

In the Decision²¹ dated December 20, 2019, the CA granted respondents' appeal as follows:

WHEREFORE, the appeal is GRANTED. The Decision dated 25 August 2017 of the Regional Trial Court (RTC), Branch 49, Bacolod City, in Civil Case No. 05-12639 is hereby AFFIRMED with MODIFICATION. The questioned deed of real estate mortgage and the foreclosure proceedings conducted pursuant thereto are hereby declared VOID. The Register of Deeds of Bacolod City is hereby ORDERED to cancel the annotations made on TCT No. T-60482 based on the RTC decision. Defendant-appellee San Miguel Foods, Inc. is hereby ORDERED to pay plaintiffs-appellants [PHP] 50,000.00 as moral damages, [PHP] 25,000.00 as exemplary damages, and [PHP] 20,000.00 as attorney's fees.

IT IS SO ORDERED.²²

The CA ruled that the real estate mortgage is void *ab initio*. It discussed that one of the modes of extinguishing a contract of agency is through the death of either the principal or the agent, with the exceptions

¹⁹ *Id.*

²⁰ *Id.*

²¹ *Id.* at 38–52.

²² *Id.* at 51.



provided under Articles 1930²³ and 1931²⁴ of the Civil Code, meaning the agency subsists despite the death of either party.²⁵

When Jessica executed the real estate mortgage in September 2003 on the strength of the SPA, Meliton was already deceased. His death effectively extinguished the contract of agency. Hence, the SPA cannot be the basis of a valid mortgage contract, foreclosure, and issuance of a Certificate of Sale in favor of SMFI.²⁶

The CA further held that the exceptions under Articles 1930 and 1931 are not present in the case. The contract of agency was not constituted in the common interest of Meliton and Jessica. The SPA did not say or imply that the authority granted to Jessica was for her and Meliton's mutual benefit. Jessica was merely authorized to act for and on behalf of Meliton. Moreover, there is no dispute that Jessica was aware of the death of Meliton at the time when she executed the real estate mortgage.²⁷

The CA disagreed with the RTC's ruling that the real estate mortgage was valid insofar as the shares of Felicidad and Jessica over the subject property are concerned. It did not concur with the RTC's pronouncement that because the SPA bore the conformity of Felicidad, the encumbrance on the subject property is valid to the extent received by her and Jessica under the law on succession.²⁸

The CA discussed that another circumstance rendering the real estate mortgage void aside from Meliton's death is the fact that the mortgage was not executed for and on behalf of Spouses Alova. Citing the cases of *Philippine Sugar Estates Development Co., Ltd., Inc. v. Poizat*,²⁹ *Rural Bank of Bombon (Camarines Sur), Inc. v. Court of Appeals*,³⁰ and *Far East Bank and Trust Co. v. Spouses Cayetano*,³¹ the CA concluded

²³ ARTICLE 1930. The agency shall remain in full force and effect even after the death of the principal, if it has been constituted in the common interest of the latter and of the agent, or in the interest of a third person who has accepted the stipulation in his favor.

²⁴ ARTICLE 1931. Anything done by the agent, without knowledge of the death of the principal or of any other cause which extinguishes the agency, is valid and shall be fully effective with respect to third persons who may have contracted with him in good faith.

²⁵ *Rollo*, p. 47.

²⁶ *Id.*

²⁷ *Id.* at 48.

²⁸ *Id.*

²⁹ 48 Phil. 536 (1925).

³⁰ 287 Phil. 26 (1992).

³¹ 624 Phil. 762 (2010).

that the entire mortgage contract is null and void inasmuch as Jessica and her husband signed the real estate mortgage contract in their individual capacities to secure a personal obligation with SMFI.³²

Lastly, the CA held that SMFI is liable to pay moral and exemplary damages, as well as attorney's fees.

SMFI sought reconsideration³³ but this was denied.³⁴ Consequently, SMFI filed the present Petition.³⁵

The Issue

The issue in the case is whether the CA erred in nullifying the real estate mortgage and the proceedings conducted pursuant to it.

The Ruling of the Court

The Petition is partly meritorious.

Nature of Agency

By the contract of agency, a person binds himself to render some service or to do something in representation or on behalf of another, with the consent or authority of the latter.³⁶ The relationship of agency is one where a party, called the "principal", authorizes another, called the "agent", to act for and in his [or her] behalf in transactions with third persons.³⁷ The essential elements of agency are: (1) there is consent, express or implied, of the parties to establish the relationship; (2) the object is the execution of a juridical act in relation to a third person; (3) the agent acts as a representative and not for himself [or herself]; and (4) the agent acts within the scope of his [or her] authority."³⁸

³² *Rollo*, pp. 48–49.

³³ *Id.* at 53–57. *See* Motion for Reconsideration dated February 8, 2020.

³⁴ *Id.* at 58–61.

³⁵ *Id.* at 3–57.

³⁶ CIVIL CODE, art. 1868.

³⁷ *Spouses. Yulo v. Bank of the Philippine Islands*, 845 Phil. 801, 811 (2019).

³⁸ *Id.*, citing *Rallos v. Felix Go Chan & Sons Realty Corporation*, 171 Phil. 222, 226–227 (1978).

Agency is basically personal, representative, and derivative in nature. The authority of the agent to act emanates from the powers granted to him by his or her principal. The agent's act is the act of the principal if done within the scope of the authority.³⁹

Owing to its nature, agency is extinguished by the death of either the principal or the agent.⁴⁰ Thus, any act by the agent subsequent to the principal's death is void *ab initio*, unless the act fell under the exceptions established under Articles 1930⁴¹ and 1931⁴² of the Civil Code.

Here, at the time when Jessica executed the real estate mortgage over the subject property, she was well aware of her father's death. Moreover, there is no showing that Articles 1930 and 1931 are applicable. Hence, Meliton's death effectively extinguished the agency between Meliton and Jessica.

As for Felicidad, she likewise cannot be bound under the SPA. Notably, she was not the one who executed the SPA in favor of Jessica; she merely gave her marital conformity.⁴³ Under the principles of agency, Felicidad cannot be considered as a principal.

Jessica entered into the real estate mortgage in her own personal capacity

As early as in the case of *Poizat*,⁴⁴ the Court has already ruled that in order to bind the principal by a deed executed by an agent, *the deed must upon its face purport to be made, signed and sealed in the name of the principal*.⁴⁵

³⁹ *Spouses Vilorias v. Continental Airlines, Inc.*, 679 Phil. 61, 80 (2012).

⁴⁰ CIVIL CODE, art. 1919 states:
Agency is extinguished:

...

(3) By the death, civil interdiction, insanity or insolvency of the principal or of the agent[.]

⁴¹ ARTICLE 1930. The agency shall remain in full force and effect even after the death of the principal, if it has been constituted in the common interest of the latter and of the agent, or in the interest of a third person who has accepted the stipulation in his favor.

⁴² ARTICLE 1931. Anything done by the agent, without knowledge of the death of the principal or of any other cause which extinguishes the agency, is valid and shall be fully effective with respect to third persons who may have contracted with him in good faith.

⁴³ *Rollo*, p. 77.

⁴⁴ *Philippine Sugar Estates Development Co., Ltd., Inc. v. Poizat*, *supra* note 29.

⁴⁵ *Id.* at 549. See also *Bucton v. Rural Bank of El Salvador, Inc.*, 728 Phil. 43, 55 (2014).

In *Poizat*, the wife authorized her husband to obtain a loan and secure it with her property. Although the real estate mortgage stated that it was entered into by the husband in his capacity as attorney-in-fact of his wife, the husband signed the contract in his own name without indicating that he also signed it as the attorney-in-fact of his wife. The Court held:

It is a general rule in the law of agency that, in order to bind the principal by a mortgage on real property executed by an agent, *it must upon its face purport to be made, signed and sealed in the name of the principal*, otherwise, it will bind the agent only. It is not enough merely that the agent was in fact authorized to make the mortgage, if he has not acted in the name of the principal. *Neither is it ordinarily sufficient that in the mortgage the agent describes himself as acting by virtue of a power of attorney, if in fact the agent has acted in his own name and has set his own hand and seal to the mortgage. This is especially true where the agent himself is a party to the instrument.* However clearly the body of the mortgage may show and intend that it shall be the act of the principal, yet, unless in fact it is executed by the agent for and on behalf of his principal and as the act and deed of the principal, it is not valid as to the principal.⁴⁶ (Emphasis supplied)

The mere fact that the agent was authorized to mortgage the property is not enough to bind the principal; the deed must also be executed and signed by the agent for and on behalf of his or her principal.⁴⁷

The ruling in *Poizat* was reiterated in the cases of *Bombon*, *Gozun v. Mercado*,⁴⁸ *Far East Bank and Trust Company v. Cayetano* and *Bucton v. Rural Bank of El Salvador, Inc.*

In *Bombon*, respondent Ederlinda M. Gallardo (Gallardo) authorized Rufino S. Aquino (Aquino) to contract a loan from any bank and secure it with mortgage on her property. Gallardo also delivered her owner's copy of Transfer Certificate of Title to Aquino. Aquino obtained a loan from petitioner bank and executed a deed of real estate mortgage without indicating that he was acting in behalf of Gallardo. At the beginning of the mortgage deed, it was mentioned that the mortgage was executed by Aquino, attorney-in-fact of Gallardo, together with a description of his legal capacity to contract. Gallardo and her husband filed a complaint for annulment of mortgage against the petitioner and Aquino and one (1) of the grounds raised was that the mortgagor in the deed was Aquino instead of Gallardo. The trial

⁴⁶ *Id.* at 549. See also *Rural Bank of Bombon (Camarines Sur), Inc. v. Court of Appeals*, *supra* note 30, at 32; *Far East Bank and Trust Company v. Spouses Cayetano*, *supra* note 31, at 768-769.

⁴⁷ *Bucton v. Rural Bank of El Salvador, Inc.*, *supra* note 45, at 55.

⁴⁸ 540 Phil. 323 (2006).

court ordered the suspension of the foreclosure of the real estate mortgage until after the decision in the annulment case shall have become final and executory. The dismissal of the complaint for annulment of mortgage was appealed to the Court of Appeals which reversed the trial court and declared the mortgage contract void and unenforceable against Gallardo. Upon elevation to this Court, we held that “Aquino’s act of signing the Deed of Real Estate Mortgage in his name alone as mortgagor, without any indication that he was signing for and in behalf of the property owner, Ederlinda M. Gallardo, bound himself alone in his personal capacity as a debtor of the petitioner Bank and not as the agent or attorney-in-fact of Gallardo.”

In the fairly recent case of *Gozun v. Mercado*, respondent Mercado denied having authorized his sister-in-law (Lilian) to borrow money from petitioner who gave her “cash advance” of [PHP] 253,000.00 allegedly for allowances of poll watchers. Petitioner sued respondent to collect on various sums due from the latter including the “cash advance” obtained by Lilian. The trial court found for the petitioner and ordered the respondent to pay all amounts being claimed by the petitioner. The Court of Appeals reversed the trial court’s decision and dismissed the complaint for lack of cause of action. When the case reached this Court, petitioner argued that respondent had informed him that he had authorized Lilian to obtain the loan and hence, following *Macke v. Camps* which held that one who clothes another with apparent authority as his agent, and holds him out to the public as such, respondent cannot be permitted to deny the authority. We sustained the Court of Appeals’ ruling on the matter and held that respondent was not liable for the “cash advance” given by petitioner to Lilian who signed the receipt in her name alone, without indicating therein that she was acting for and in behalf of respondent. She thus bound herself in her personal capacity and not as an agent of respondent or anyone for that matter.⁴⁹

In Far East Bank and Trust Company and Bucton:

In *Far East Bank and Trust Company*, the mother executed an SPA authorizing her daughter to contract a loan from the bank and to mortgage her properties. The mortgage, however, was signed by the daughter and her husband as mortgagors in their individual capacities, without stating that the daughter was executing the mortgage for and on behalf of her mother.

Similarly, in [*Bucton*], the authorized agent failed to indicate in the mortgage that she was acting for and on behalf of her principal. The Real Estate Mortgage, explicitly shows on its face, that it was signed by Concepcion in her own name and in her own personal capacity. In

⁴⁹ *Far East Bank and Trust Company v. Spouses Cayetano*, *supra* note 31, at 769–770. (Citations omitted)

fact, there is nothing in the document to show that she was acting or signing as an agent of petitioner. Thus, consistent with the law on agency and established jurisprudence, petitioner cannot be bound by the acts of Concepcion.⁵⁰

Here, it is evident that Jessica signed the mortgage in her personal capacity. There is nothing in the real estate mortgage to show that she signed on behalf of Meliton. Although in the beginning of the document, Jessica is described as Meliton's attorney-in-fact, it was neither executed nor sealed in his name. Jessica signed the contract solely in her own name, without any indication that she was acting as attorney-in-fact. Applying the principles discussed above, the inescapable conclusion is that Jessica bound herself personally as the debtor of SMFI.

It is worth noting that Jessica executed the real estate mortgage to secure a credit line that was her personal liability to SMFI.

*Validity of the real estate mortgage
and foreclosure sale as to Jessica's
undivided share in the property*

The Court finds that the real estate mortgage and foreclosure sale are not entirely void; they remain valid with respect to Jessica's undivided share in the subject property as a legal heir of Meliton.

Under Article 2085 of the Civil Code, the essential requisites of a contract of mortgage are: (a) that it be constituted to secure the fulfillment of a principal obligation; (b) that the mortgagor be the absolute owner of the thing mortgaged; and (c) that the persons constituting the mortgage have the free disposal of their property, and in its absence, that they be legally authorized for the purpose.

In this regard, it bears emphasis that at the time Jessica executed the real estate mortgage, Meliton was already deceased. By reason of his death, Jessica had automatically become a co-owner of the property she mortgaged.

⁵⁰ *Bucton v. Rural Bank of El Salvador, Inc.*, *supra* note 45, at 55-56.

As a co-owner, Jessica had full ownership of her share or interest in the property, including the authority to mortgage it, as affirmed by Article 493 of the Civil Code, which states:

ARTICLE 493. Each co-owner shall have the full ownership of his part and of the fruits and benefits pertaining thereto, and he may therefore alienate, assign or mortgage it and even substitute another person in its enjoyment, except when personal rights are involved. But the effect of the alienation or mortgage, with respect to the co-owners, shall be limited to the portion which may be allotted to him in the division upon the termination of the co-ownership.

Hence, when Jessica executed the real estate mortgage over the property in her personal capacity, she effectively encumbered her undivided share to secure her obligation to SMFI. Consequently, the mortgage and the foreclosure sale in favor of SMFI are valid, but only to the extent of Jessica's share in the property.

In connection with this, the Court notes that the RTC held that Felicidad, Decelyn, and Jessica are each entitled to inherit one-third (1/3) of Meliton's one-half (1/2) share in the property. The RTC appears to have assumed that Felicidad, Decelyn, and Jessica are the only heirs of Meliton and that the latter died intestate. Hence, the case should be remanded to the RTC to determine Jessica's share in the property and to annotate Meliton's TCT with the respective shares of his heirs, as well as the share of SMFI which acquired Jessica's interest.

As to damages, the Court finds that the award of moral and exemplary damages is not proper in the case. It has not been satisfactorily shown that SMFI acted in bad faith or with malice, or that its acts were the proximate cause of respondents' wounded feelings.

The award of attorney's fees must likewise be deleted. Jurisprudence requires that such an award be justified by factual, legal, and equitable considerations.⁵¹ Moreover, the basis for granting attorney's fees must be clearly and distinctly stated in the decision.⁵² It is not sufficient to award them solely on the ground that the plaintiff was compelled to litigate to protect or enforce their rights. In this case, the CA justified the award merely by stating that respondents were forced to

⁵¹ *ABS-CBN Broadcasting Corp. v. Court of Appeals*, 361 Phil. 499, 529 (1999); *Scott Consultants & Resource Development Corporation, Inc. v. Court of Appeals*, 312 Phil. 466, 481 (1995).

⁵² *PNCC v. APAC Marketing Corp.*, 710 Phil. 389, 394 (2013).



litigate to protect their rights. Absent any other compelling factual or legal justification, the award of attorney's fees cannot be sustained.

ACCORDINGLY, the Petition for Review is **PARTLY GRANTED**. The Decision dated December 20, 2019, and the Resolution dated July 22, 2021 of the Court of Appeals in CA-G.R. CV No. 06636 are **REVERSED and SET ASIDE**. The Real Estate Mortgage and Foreclosure Sale in favor of San Miguel Foods, Inc. are declared valid only insofar as Jessica Alova Uberas' share in the subject property covered by Transfer Certificate of Title No. T-60482 is concerned.

The case is **REMANDED** to the Regional Trial Court for the determination of Jessica Alova Uberas' share in the said property, and for the annotation on Meliton Alova's Transfer Certificate of Title No. T-60482 of the respective shares of his heirs, as well as the share of San Miguel Foods, Inc., which acquired Jessica's interest.

The awards of moral damages, exemplary damages, and attorney's fees are **DELETED** for lack of basis.

SO ORDERED.




HENRI JEAN PAUL B. INTING
Associate Justice

WE CONCUR:



ALFREDO BENJAMIN S. CAGUIOA
Associate Justice



SAMUEL H. GAERLAN
Associate Justice

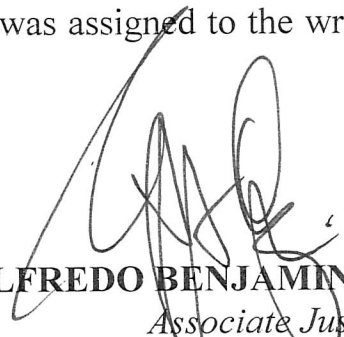


JAPAR B. DIMAAMPAO
Associate Justice

On leave
MARIA FILOMENA D. SINGH
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.



ALFREDO BENJAMIN S. CAGUIOA
Associate Justice
Chairperson, Third Division

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution and the Division 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.



ALEXANDER G. GESMUNDO
Chief Justice

