LAW 101
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CONTRACTS CONTRARY TO PUBLIC POLICY

F. Lirag sued M Corp. (a Japanese corporation) and several of its officers to recover on his commission based on an oral consultancy agreement with said Japanese corporation. He alleged that sometime February 1987, M Corp. engaged his consultancy group for the purpose of obtaining government contracts of various projects. And that he was promised a six (6%) percent consultancy fee based on the total costs of the project/s obtained. He further alleged that because of his efforts, a Bureau of Posts project for P100 million was successfully awarded to the tandem of M Corp. with another Japanese firm (S. Corp). Lirag asserted that M Corp. and S Corp. were actually sister corporations. Hence the suit for specific performance to recover his commission of P6 M.

Both the Regional Trial Court and subsequently on appeal, the Court of Appeals ruled in favor of F. Lirag and awarded him P6 M as commission plus 20% thereof as attorney's fees. M Corp. went on petition for review to the Supreme Court.

Firstly, the issue raised being factual (i.e. whether or not there was indeed a consultancy agreement between petitioner and the respondent), the Supreme Court ruled that it was an exception to the general rule that factual findings of the Court of Appeals are conclusive on the parties and are not reviewed by the Supreme Court – and they carry even more weight when the Court of Appeals affirms the factual findings of the trial court. Here, however, the Supreme Court observed that the Court of Appeal's conclusions were grounded on speculations, surmises or conjectures.

From there the Supreme Court concluded:

> An assiduous scrutiny of the testimonial and documentary evidence extant leads us to the conclusion that the evidence could not support a solid conclusion that a consultancy agreement, oral or written, was agreed between petitioners and respondent. Respondent attempted to fortify his own testimony by presenting several corroborative witnesses. However, what was apparent in the testimonies of these witnesses was the fact that

> they learned about the existence of the consultancy agreement only because that was what respondent told them.

The Supreme Court also observed that the Bureau of Posts project was actually awarded to S Corp. – not to M Corp. And petitioner had no agreement whatsoever with S Corp. The Supreme Court refused to apply to doctrine of piercing the veil of corporate fiction.

Yet more importantly, IT held that even if F Lirag did in fact have an oral consultancy agreement with M Corp., the same was void for being contrary to public policy.

> Any agreement entered into because of the actual or supposed influence which the party has, engaging him to influence executive officials in the discharge of their duties, which contemplates the use of personal influence and solicitation rather than an appeal to the judgment of the official on the merits of the object sought is contrary to public policy. Consequently, the agreement, assuming that the parties agreed to the consultancy, is null and void as against public policy. Therefore, it is unenforceable before a court of justice. (Marubeni Corp., et. al. vs. F. Lirag, GR No. 130998, Aug. 10, 2001)