

**NPM No. 140-2017**

29 December 2017

**COL. NELSON B. MORALES**  
*GSC (PAF) ACoFAS for Logistics, A-4*  
**HEADQUARTERS PHILIPPINE AIR FORCE**  
Colonel Jesus Villamor Air Base, Pasay City

**Re: Blacklisting of an Foreign Suppliers' Local Agents -**

Dear Col. Morales:

This refers to your letter requesting that the Uniform Guidelines for Blacklisting of Manufacturers, Suppliers, Distributors, Contractors and Consultants (Guidelines) be amended to the effect that local agents be equally penalized together with its foreign supplier by also including the local agents in the blacklist.

As represented, you observed that foreign suppliers participate in the bidding for procurement process through its local agents by virtue of a Special Power of Attorney. Under the Guidelines, in case a contract is awarded to the foreign supplier, and the latter failed to make good its obligations, the penalty of blacklisting only applies to the principal, which is the foreign entity.

Thus, you request this office that the penalty of blacklisting will also apply to local agents of the foreign supplier.

We wish to reiterate our earlier opinion<sup>1</sup> that in cases where a bidder is represented by an agent, the principal-agent relationship is governed by the law on agency under the New Civil Code. The Honorable Supreme Court in the case of *Eurotech Industrial Technologies, Inc. vs. Edwin Cuizon and Erwin Cuizon*,<sup>2</sup> had the occasion to rule in this wise, thus:

In a contract of agency, a person binds himself to render some service or to do something in representation or on behalf of another with the latter's consent. **The underlying principle of the contract of agency is to accomplish results by using the services of others – to do a great variety of things like selling, buying, manufacturing, and transporting. Its purpose is to extend the personality of the principal or the party for whom another acts and from whom he or she derives the authority to act.** It is said that the

<sup>1</sup> NPM 016-2016

<sup>2</sup> G.R. No. 167552, April 23, 2007.

basis of agency is representation, that is, the agent acts for and on behalf of the principal on matters within the scope of his authority and said acts have the same legal effect as if they were personally executed by the principal. By this legal fiction, the actual or real absence of the principal is converted into his legal or juridical presence – *qui facit per alium facit per se*. (Emphasis supplied)

The elements of the contract of agency are: (1) 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; (4) the agent acts within the scope of his authority.

As regards the personal liability of the agent under the contract of agency, *Art. 1897 of the NCC* provides that:

[T]he agent who acts as such is not personally liable to the party with whom he contracts, unless he expressly binds himself or exceeds the limits of his authority without giving such party sufficient notice of his powers.

Article 1897 reinforces the familiar doctrine that an agent, who acts as such, is not personally liable to the party with whom he contracts. The provision, however, presents two instances when an agent becomes personally liable to a third person. First, when he expressly binds himself to the obligation; and second, when he exceeds his authority. In the last instance, the agent can be held liable if he does not give the third party sufficient notice of his powers.<sup>3</sup>

There is no personal liability for agents. The reason for the law is that the agent who acts as agent does not represent himself but the principal. If an agent obligates himself personally, aside from acting in behalf of his principal, both are bound.<sup>4</sup> In fact, the Honorable Supreme Court in a couple of cases held that: “[a]n action against a person who merely acted in behalf of another should be dismissed. The suit should be against the principal, not against the agent, except where the agent acts in his own name or exceeds the limit of his agency.”<sup>5</sup> Hence, as long as the agent acts within the scope of his authority, he does not assume personal liability for contract entered into by him in behalf of his principal. It was also held that in such case only the principal was bound.<sup>6</sup>

Accordingly, applying this principle of law, a bidder who was blacklisted as a “principal” in a previous procurement activity, may still represent a current bidder as an “agent” in government procurement opportunities, such as in the case of competitive bidding, since such blacklisted bidder is merely representing the current bidder as an “agent”. In the same manner, if the “principal” bidder is blacklisted by a procuring entity, its “agent” or representative is not blacklisted, unless the “agent” expressly binds himself through the Contract of Agency, or when he exceeds his authority as agent.

We hope that this opinion issued by the GPPB-TSO provided sufficient guidance on the matter. Note that this is issued on the basis of particular facts and situations presented, and

---

<sup>3</sup> *Id.*

<sup>4</sup> *Tuazon v. Orozco*, 5 Phil. 596.

<sup>5</sup> *Lorca v. Dineros*, L-10919, Feb. 28, 1958 and *Singh v. Dulce*, 49 Phil. 653

<sup>6</sup> *Salonga v. Warner, Barnes and Co., Ltd.* L-2246, Jan. 31, 1951 citing *Morris and Co. v. Warner, Barnes and Co.*, 43 Phil. 155.

may not be applicable given a different set of facts and circumstances. Should there be other concerns, please do not hesitate to contact us.

Very truly yours,

(sgd.)



**DENNIS S. SANTIAGO**  
*Executive Director V*

//sd2 JPA