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AFFIRMED, with the **MODIFICATION** that he is ordered to pay the victim the amounts of ₱50,000.00 as civil indemnity; ₱50,000.00 as moral damages; and ₱30,000.00 as exemplary damages, plus interest on all damages awarded at the legal rate of 6% per annum from the date of finality of this decision.

SO ORDERED.

Carpio (Chairperson), Peralta,[*] *del Castillo,* and *Perlas-Bernabe, JJ.,* concur.

SECOND DIVISION

[G.R. No. 193078. August 28, 2013]

B. STA. RITA & CO., INC. and ARLENE STA. RITA KANAPI, *petitioners, vs.* **ANGELINE M. GUECO,** *respondent.*

SYLLABUS

1. REMEDIAL LAW; CIVIL PROCEDURE; INTERVENTION; A COMPLAINT-IN-INTERVENTION ESSENTIALLY LATCHES ON THE COMPLAINT FOR ITS LEGAL EFFICACY SO MUCH SO THAT THE DISMISSAL OF THE COMPLAINT LEADS TO ITS CONCOMITANT DISMISSAL.— This course of action is impelled by the fact that Arlene and the Heirs of Edgardo do not have any legal personality to appeal the CA Decision before the Court since: ***first***, they were only intervenors in the reformation case which had already been dismissed by the Court with finality; and ***second***, they were not parties in the surrender of titles case. With respect to the first incident, it bears to stress that Arlene's and the Heirs of Edgardo's complaint-in-intervention in the

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[*] Per Special Order No. 1525 dated 22 August 2013.

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dismissed reformation case had been effectively discharged since the principal complaint therein had already been terminated with finality. Clearly, their complaint-in-intervention cannot be treated as an independent action as it is merely an ancillary to and a supplement of the principal action. In other words, the complaint-in-intervention essentially latches on the complaint for its legal efficacy so much so that the dismissal of the complaint leads to its concomitant dismissal. Applying these principles to this case therefore lead to the conclusion that the dismissal of the main complaint in the reformation case necessarily resulted in the dismissal of Arlene's and the Heirs of Edgardo's complaint-in-intervention lodged in the same case.

2. **ID.; ID.; PARTIES-IN-INTEREST; NO PERSON SHALL BE ADVERSELY AFFECTED BY THE OUTCOME OF A CIVIL ACTION OR PROCEEDING IN WHICH HE IS NOT A PARTY.—** Anent the second incident, records disclose that Arlene or the Heirs of Edgardo were not parties – either as defendants or intervenors – in the surrender of titles case nor did they, in any manner, participate in the proceedings of the same. It is a standing rule that no person shall be adversely affected by the outcome of a civil action or proceeding in which he is not a party. In this light, it cannot be gainsaid that Arlene and the Heirs of Edgardo cannot be adversely affected by the outcome of the surrender of titles case and, as such, cannot therefore interpose an appeal therefrom. Thus, due to the above-stated incidents, the Court denies the instant petition for Arlene's and the Heirs of Edgardo's lack of legal personality to appeal the CA Decision.

3. **ID.; ID.; ID.; NO EVIDENCE ON RECORD TO SHOW THAT PETITIONER WAS PROPERLY AUTHORIZED BY THE CORPORATION THROUGH ITS BOARD OF DIRECTORS TO FILE THE APPEAL.—** To note, neither can Arlene file the instant appeal on behalf of B. Sta. Rita since there lies no evidence on record to show that she had been properly authorized by the said corporation to file the same. It is fundamental that the power of a corporation to sue and be sued in any court is lodged with the board of directors and/or its duly authorized officers and agents, which Arlene clearly is not. Consequently, for her lack of authority, the appeal of Arlene on behalf of B. Sta. Rita must necessarily fail. As

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a final point, while it has been alleged that B. Sta. Rita had already ceased business operations, there is equally no evidence on record to substantiate this fact. Hence, for all legal intents and purposes, it is presumed that the corporation still exists and, in this accord, the proper authority to institute a case for and in its behalf remains a requirement.

APPEARANCES OF COUNSEL

San Buenaventura Law Office for petitioners.
Edgardo Arandia for respondent.

D E C I S I O N

PERLAS-BERNABE, *J.*:

Assailed in this petition for review on *certiorari*[1] are the Decision[2] dated January 21, 2010 and Resolution[3] dated July 26, 2010 of the Court of Appeals (CA) in CA-G.R. CV No. 87000 which reversed and set aside the Joint Decision[4] dated December 8, 2005 of the Regional Trial Court of Tarlac City, Branch 63 (RTC Branch 63) in Civil Case Nos. 9245 and 9532, effectively upholding the Deed of Absolute Sale[5] dated April 11, 2000 (subject deed) between petitioner B. Sta. Rita & Co., Inc. (B. Sta. Rita) and respondent Angeline M. Gueco[6] (Gueco).

The Facts

On April 11, 2000, Gueco purchased four parcels of land from B. Sta. Rita through its then President, Ben Sta. Rita,

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[1] *Rollo*, pp. 12-37.

[2] *Id.* at 44-57. Penned by Associate Justice Amelita G. Tolentino, with Associate Justices Arturo G. Tayag and Elihu A. Ybañez, concurring.

[3] *Id.* at 41-42.

[4] *Id.* at 87-89. Penned by Presiding Judge Arsenio P. Adriano.

[5] Records (Civil Case No. 9245) pp. 15-16; records (Civil Case No. 9532), pp. 49-50.

[6] Also referred to in the records as "Angeline Mercado Gueco Dabu."

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situated at Barangay San Juan de Mata, Tarlac City (subject properties) and covered by Transfer Certificate of Title (TCT) Nos. T-137998,[7] T-191599,[8] T-191600,[9] and T-191601[10] (subject titles) issued by the Registry of Deeds of Tarlac (Tarlac RD), for the total consideration of ₱1,000,000.00 (sale transaction). The sale transaction was evidenced by the subject deed.[11]

In October 2001, Gueco filed a petition[12] for the surrender of the subject titles against B. Sta. Rita, its corporate secretary Edgardo Kanapi (Edgardo), and the Tarlac RD. The case was docketed as Civil Case No. 9245[13] (surrender of titles case) and was raffled to the Regional Trial Court of Tarlac City, Branch 64 (RTC Branch 64).

In their Answer,[14] B. Sta. Rita and Edgardo claimed that: (*a*) the sale transaction was a conditional sale of the subject properties for the total consideration of ₱25,000,000.00;[15] (*b*) Gueco was the one who demanded that the subject deed evidencing the sale transaction be captioned as a deed of absolute sale for the purpose of obtaining funds to pay the required downpayment;[16] (*c*) Gueco was only able to pay ₱1,565,000.00;[17] and (*d*) B. Sta. Rita continued in possession of the subject properties until Ben Sta. Rita's death in 2001,

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[7] Records (Civil Case No. 9245) p. 22. Including the dorsal portion.

[8] *Id.* at 23. Including the dorsal portion.

[9] *Id.* at 24. Including the dorsal portion.

[10] *Id.* at 30-31.

[11] See *id.* at 45-46.

[12] *Id.* at 1-4.

[13] Initially and erroneously docketed as LRC Case No. 9245.

[14] Records (Civil Case No. 9245), pp. 48-55.

[15] *Id.* at 50.

[16] *Id.* at 50-51.

[17] *Id.* at 51.

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when Gueco took possession thereof and appropriated the harvest.[18] Hence, B. Sta. Rita and Edgardo prayed that: (*a*) the sale transaction be construed as a conditional sale, and that it be rescinded; (*b*) B. Sta. Rita be restored in the possession of the subject properties; and (*c*) Gueco be adjudged liable to pay ₱500,000.00 as moral damages, ₱300,000.00 as exemplary damages, and ₱50,000.00 per agricultural year by way of damages for the misappropriated crops, among others.[19]

On July 30, 2003, while the surrender of titles case was pending, Alfred Ramos Sta. Rita, Ariel Ramos Sta. Rita, and Arnold Ramos Sta. Rita, (Sta. Ritas), as alleged heirs of the late Ben Sta. Rita and as shareholders[20] of B. Sta. Rita, for themselves, their co-heirs[21] and on behalf of B. Sta. Rita, and by way of a derivative suit,[22] filed a complaint[23] for reformation and rescission of contract and quieting of title against Gueco. The case was docketed as Civil Case No. 9532 (reformation case) and was raffled to RTC Branch 63.

The Sta. Ritas alleged that the sale transaction was a conditional and not an absolute sale, for a consideration of ₱25,000,000.00, of which Gueco paid only ₱1,000,000.00.[24] Further, they maintained that the subject deed was executed only for the purpose of helping Gueco secure a loan with the bank to pay the balance of the purchase price.[25] Unfortunately, Gueco failed to obtain a loan and consequently failed to settle the outstanding balance despite demands;[26] hence, the possession

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[18] *Id.*

[19] *Id.* at 53-54.

[20] Records (Civil Case No. 9532), pp. 13-20.

[21] *Id.* at 10-12.

[22] *Id.* at 3.

[23] *Id.* at 1-9.

[24] *Id.* at 5-6.

[25] *Id.* at 4.

[26] *Id.* at 5.

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of the subject properties as well as the subject titles properly remained with B. Sta. Rita.

Meanwhile, the Sta. Ritas moved[27] to intervene in the surrender of titles case, claiming similarity of the subject matter and parties, which RTC Branch 64 granted.[28]

On the other hand, Gueco, as defendant in the reformation case, moved[29] to dismiss the complaint on the following grounds, among others: (*a*) that the Sta. Ritas failed to comply with a condition precedent before resorting to a derivative suit, *i.e.*, to show and allege in the complaint that the officers of B. Sta. Rita refused to sue, are the ones being sued, or were the ones who held control of the corporation;[30] and (*b*) that the Sta. Ritas are not parties to the subject deed and therefore, had no legal personality to seek its reformation or rescission.[31]

Gueco's motion to dismiss was, however, denied by RTC Branch 63 in an Order[32] dated August 26, 2003. Later, her motion for reconsideration[33] therefrom was also denied,[34] prompting her to elevate the matter to the CA *via* a petition for *certiorari*, docketed as CA-G.R. SP No. 79932 (*certiorari* case).[35]

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[27] Records (Civil Case No. 9245), pp. 130-134. See Motion for Leave to Intervene dated August 5, 2003.

[28] *Id.* at 189. Order dated August 19, 2003. Penned by Judge Martonino R. Marcos.

[29] Records (Civil Case No. 9532), pp. 54-60. Motion to Dismiss filed on August 14, 2003.

[30] *Id.* at 56-57.

[31] *Id.* at 57-59.

[32] *Id.* at 72-73. Penned by Judge Arsenio P. Adriano.

[33] *Id.* at 74-76.

[34] *Id.* at 82. Order dated September 19, 2003.

[35] Entitled "*Angeline Mercado Gueco-Dabu v. Hon. Arsenio P. Adriano, in his capacity as the Presiding Judge of the Regional Trial Court of Tarlac, Branch 63, Alfred Ramos Sta. Rita, Ariel Ramos Sta. Rita and Arnold Ramos Sta. Rita.*"

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Subsequently, or on November 5, 2003, the surrender of titles and the reformation cases were ordered[36] consolidated before RTC Branch 63.

On March 5, 2004, herein petitioner Arlene Sta. Rita Kanapi (Arlene), wife of Edgardo, together with the latter's heirs[37] (Heirs of Edgardo), moved[38] for leave to file their complaint-in-intervention[39] in the reformation case, alleging that she is also a stockholder and director of B. Sta. Rita. The complaint-in-intervention reiterated the Sta. Ritas' allegations in the main complaint. In an Order[40] dated March 15, 2004, RTC Branch 63 admitted the complaint-in-intervention and proceeded to hear the cases jointly.

On July 30, 2004, the CA rendered its Decision[41] in the *certiorari* case, dismissing the reformation case due to the Sta. Ritas' lack of legal personality to bring a derivative suit. Citing Section 5,[42] Rule III of the Rules of Procedure of the Securities and Exchange Commission, the CA found that while the Sta. Ritas may be shareholders of B. Sta. Rita at the time of the institution of their complaint against Gueco, their rights did not antedate nor coincide with the date of the questioned sale. Moreover, records are bereft of any showing that they had made any prior demand upon the Board of Directors of B. Sta. Rita

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[36] Records (Civil Case No. 9245), pp. 219-221. See Order dated November 5, 2003.

[37] See records (Civil Case No. 9245), p. 122. Edgardo Kanapi died on December 12, 2002 per Certificate of Death of even date.

[38] Records (Civil Case No. 9532), pp. 121-123. Motion for Leave (To File Complaint-in-Intervention) dated February 20, 2004.

[39] *Id.* at 124-130. Complaint-in-Intervention dated February 20, 2004.

[40] *Id.* at 137.

[41] CA *rollo*, pp. 144-149.

[42] SEC. 5. Derivative suit. No action shall be brought by a stockholder unless the complainant was a stockholder at the time the questioned transaction occurred as well as the time the action was filed and remains a stockholder during the pendency of the action.

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to institute a case to preserve any corporate property which is a requirement for a derivative suit.

Aggrieved, the Sta. Ritas filed a motion for reconsideration which was, however, denied by the CA on October 28, 2004.[43] As such, they filed a petition for review on *certiorari* before the Court, docketed as G.R. No. 165858.[44]

In the meantime, RTC Branch 63 proceeded to hear the surrender of titles case independently of the reformation case.

The RTC Ruling

On December 8, 2005, RTC Branch 63 rendered a Joint Decision[45] (Joint Decision), rescinding the sale transaction and directing the return of the amount of ₱1,000,000.00 to the former, with 6% interest from receipt of the said decision until finality and 12% interest from finality until fully paid.

It concluded that the parties had not intended to enter into a contract of sale but a mere contract to sell for the following reasons: (*a*) there was no immediate transfer of ownership from the seller to the buyer as Gueco only demanded for the delivery of the subject titles on May 21, 2001; (*b*) Gueco did not immediately take possession of the subject properties; and (*c*) B. Sta. Rita continued paying the real estate taxes due. However, it held that since Gueco paid the amount of ₱1,000,000.00, the said sum should be returned to her.[46]

Dissatisfied, Gueco appealed the Joint Decision to the CA, ascribing error[47] on the part of RTC Branch 63 in: (*a*) rendering a joint decision despite a pending incident in the reformation case; (*b*) allowing the intervention of the Sta. Ritas in the surrender of titles case; and (*c*) rescinding the absolute sale.

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[43] *Rollo,* pp. 49-50.

[44] Entitled "*Alfred Ramos Sta. Rita, et al. v. Angeline Mercado Gueco-Dabu.*"

[45] *Rollo,* pp. 87-89.

[46] *Id.* at 88.

[47] CA *rollo,* pp. 117-118. See Appellant's Brief dated April 4, 2007.

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In the interim, the Court issued a Resolution[48] dated January 25, 2006 in G.R. No. 165858, denying the Sta. Ritas' petition for failure to prosecute, which denial became final and executory on June 16, 2006.[49] In fine, the reformation case had been dismissed with finality.

The CA Ruling

In a Decision[50] dated January 21, 2010 (CA Decision), the CA reversed and set aside the Joint Decision. It held that the final dismissal of the reformation case left only the surrender of titles case for RTC Branch 63 to resolve. As rescission was one of the main issues raised in the dismissed reformation case, it was reversible error on the part of the RTC Branch 63 to have rescinded the sale transaction in favor of the Sta. Ritas. Consequently, the CA struck down the Joint Decision under the principles of the law of the case and *res judicata*.[51]

Due to the CA's adverse ruling, Arlene, for herself and purportedly on behalf of B. Sta. Rita, moved for reconsideration,[52] maintaining that *res judicata* cannot apply, there being no identity of parties as she was not one of the original plaintiffs in the dismissed reformation case. Gueco opposed[53] Arlene's motion, pointing out that the latter filed a complaint-in-intervention in the reformation case and, as a result of its dismissal, the aforementioned complaint was necessarily discharged. Eventually, Arlene's motion for reconsideration was denied by the CA in a Resolution[54] dated July 26, 2010.

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[48] *Id.* at 153.

[49] *Id.* at 154.

[50] *Rollo,* pp. 44-57.

[51] *Id.* at 53-56.

[52] CA *rollo,* pp. 236-244.

[53] *Id.* at 249-250.

[54] *Rollo,* pp. 41-42.

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The Issues Before the Court

Undaunted, Arlene, for herself and in representation of the Heirs of Edgardo and B. Sta. Rita, is now before the Court, insisting that the dismissal of the reformation case on the ground of lack of legal personality on the part of the Sta. Ritas should not have affected her complaint-in-intervention. She maintains that the CA erred in applying the doctrine of *res judicata* in reversing the Joint Decision. Finally, she asserts that the sale transaction between Gueco and B. Sta. Rita should have been considered as an equitable mortgage, considering the paltry amount of ₱1,000,000.00 by way of consideration for the subject properties.[55]

The Court's Ruling

The petition must be denied.

This course of action is impelled by the fact that Arlene and the Heirs of Edgardo do not have any legal personality to appeal the CA Decision before the Court since: ***first***, they were only intervenors in the reformation case which had already been dismissed by the Court with finality; and ***second***, they were not parties in the surrender of titles case.

With respect to the first incident, it bears to stress that Arlene's and the Heirs of Edgardo's complaint-in-intervention in the dismissed reformation case had been effectively discharged since the principal complaint therein had already been terminated with finality. Clearly, their complaint-in-intervention cannot be treated as an independent action as it is merely an ancillary to and a supplement of the principal action.[56] In other words, the complaint-

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[55] *Id.* at 20-21.

[56] "Intervention is a proceeding in a suit or action by which a third person is permitted by the court to make himself a party, either joining plaintiff in claiming what is sought by the complaint, or uniting with defendant in resisting the claims of plaintiff, or demanding something adversely to both of them; the act or proceeding by which a third person becomes a party in a suit pending between others; the admission, by leave of court, of a person not an original party pending legal proceedings, by which such person becomes a party thereto for the protection of some right or interest alleged by him to be affected by such proceedings.

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in-intervention essentially latches on the complaint for its legal efficacy so much so that the dismissal of the complaint leads to its concomitant dismissal. Applying these principles to this case therefore lead to the conclusion that the dismissal of the main complaint in the reformation case necessarily resulted in the dismissal of Arlene's and the Heirs of Edgardo's complaint-in-intervention lodged in the same case.

Anent the second incident, records disclose that Arlene or the Heirs of Edgardo were not parties – either as defendants or intervenors – in the surrender of titles case nor did they, in any manner, participate in the proceedings of the same. It is a standing rule that no person shall be adversely affected by the outcome of a civil action or proceeding in which he is not a party.[57] In this light, it cannot be gainsaid that Arlene and the Heirs of Edgardo cannot be adversely affected by the outcome of the surrender of titles case and, as such, cannot therefore interpose an appeal therefrom.

Thus, due to the above-stated incidents, the Court denies the instant petition for Arlene's and the Heirs of Edgardo's lack of legal personality to appeal the CA Decision.

To note, neither can Arlene file the instant appeal on behalf of B. Sta. Rita since there lies no evidence on record to show that she had been properly authorized by the said corporation to file the same. It is fundamental that the power of a corporation

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Fundamentally, therefore, intervention is never an independent action, but is ancillary and supplemental to the existing litigation. Its purpose is not to obstruct nor x x x unnecessarily delay the placid operation of the machinery of trial, but merely to afford one not an original party, yet having a certain right or interest in the pending case, the opportunity to appear and be joined so he could assert or protect such right or interests.

Otherwise stated, **the right of an intervenor should only be in aid of the right of the original party**. **Where the right of the latter has ceased to exist, there is nothing to aid or fight for; hence, the right of intervention ceases**." (*Cariño v. Ofilada*, G.R. No. 102836, January 18, 1993, 271 SCRA 206, 215; emphases supplied; citations omitted.)

[57] See *Dare Adventure Farm Corporation v. CA*, G.R. No. 161122, September 24, 2012, 681 SCRA 580, 588-589.

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to sue and be sued in any court is lodged with the board of directors and/or its duly authorized officers and agents,[58] which Arlene clearly is not. Consequently, for her lack of authority, the appeal of Arlene on behalf of B. Sta. Rita must necessarily fail.

As a final point, while it has been alleged[59] that B. Sta. Rita had already ceased business operations, there is equally no evidence on record to substantiate this fact. Hence, for all legal intents and purposes, it is presumed that the corporation still exists and, in this accord, the proper authority to institute a case for and in its behalf remain a requirement.

In view of the foregoing pronouncements, the Court finds it unnecessary to delve into the other ancillary issues raised in this case.

WHEREFORE, the petition is **DENIED.** Accordingly, the Decision dated January 21, 2010 and the Resolution dated July 26, 2010 of the Court of Appeals in CA-G.R. CV No. 87000 are hereby **AFFIRMED.**

SO ORDERED.

Carpio (Chairperson), Peralta,[*] *del Castillo*, and *Perez, JJ.*, concur.

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[58] "A corporation has no power, except those expressly conferred on it by the Corporation Code and those that are implied or incidental to its existence. In turn, a corporation exercises said powers through its board of directors and/or its duly authorized officers and agents. **Thus, it has been observed that the power of a corporation to sue and be sued in any court is lodged with the board of directors that exercises its corporate powers**. In turn, physical acts of the corporation, like the signing of documents, can be performed only by natural persons duly authorized for the purpose by corporate by-laws or by a specific act of the board of directors." (*Republic v. Coalbrine International Phils., Inc.*, G.R. No. 161838, April 7, 2010, 617 SCRA 491, 498; emphasis supplied; citations omitted.)

[59] *Rollo*, p. 13.

[*] Designated Acting Member per Special Order No. 1525 dated August 22, 2013.