Supreme Court E-Library

Isabela, Branch 22, in Civil Case No. 22-1035 insofar as it directs the Government Service Insurance System to include Apolinario C. Pauig's casual and temporary service in the government from February 12, 1964 to July 18, 1977 as creditable service for purposes of computing his retirement benefits.

SO ORDERED.

Carpio (Chairperson), *Mendoza, Leonen,* and *Jardeleza,*[*] *JJ.,* concur.

FIRST DIVISION

[G.R. No. 214303. January 30, 2017]

DELFIN C. GONZALEZ, JR., *petitioner, vs.* **MAGDALENO M. PEÑA, ALABANG COUNTRY CLUB, INC., and MS. ARSENIA VERA,** *respondents.*

SYLLABUS

1. REMEDIAL LAW; CIVIL PROCEDURE; JUDGMENT, EXECUTION OF; AN EXECUTION SALE THAT HAD BEEN DECLARED VOID PRODUCES NO LEGAL AND BINDING EFFECT; A PERSON WHO ACQUIRED PROPERTY THROUGH A VOID EXECUTION SALE CANNOT BE A VALID TRANSFEREE THEREOF.— There is no factual dispute that Peña acquired the ACCI shares of petitioner by virtue of a winning bid in an execution sale that had already been declared by this Court, with finality, as null and void. **In no uncertain terms, we declared that the "concomitant execution pending appeal is likewise without**

---

[*] Designated Additional Member per Special Order No. 2416, dated January 4, 2017.

Supreme Court E-Library

any effect. x x x. Consequently, all levies, garnishment and sales executed pending appeal are declared null and void, with the concomitant duty of restitution x x x." Void transactions do not produce any legal or binding effect, and any contract directly resulting from that illegality is likewise void and inexistent. Therefore, Peña could not have been a valid transferee of the property. As a consequence, his successor-in-interest, Vera, could not have validly acquired those shares. The RTC thus erred in refusing to restore the actual ACCI shares to petitioner on the basis of their void transfer to Vera.

2. **CIVIL LAW; OBLIGATIONS; IMPOSSIBLE OBLIGATION, NOT A CASE OF; ACTUAL RESTITUTION OF CLUB SHARES IS NOT LEGALLY IMPOSSIBLE NOTWITHSTANDING ITS PERFECTED SALE TO ANOTHER PERSON; A BUYER WHO ACQUIRED THE PROPERTIES BY VIRTUE OF A VOID EXECUTION SALE ACQUIRED NO BETTER TITLE TO THE GOODS THAN THE SELLER.—** Neither was the RTC correct in its characterization of the actual restitution of the ACCI shares to petitioner as "impossible." For the obligation to be considered impossible under Article 1266 of the Civil Code, its physical or legal impossibility must first be proven. Here, the RTC did not make any finding on whether or not it was physically impossible to effect the actual restitution of the property. On the other hand, petitioner correctly points out that since the shares are movable by nature, the same can be transferred back to Gonzalez, Jr. by recording the transaction in the stock and transfer book of the club. As regards legal impossibility, the RTC appears to have jumped to the conclusion that because of the perfected sale of the shares to Vera, petitioner can no longer claim actual restitution of the property. However, Article 1505 of the Civil Code instructs that "x x x where goods are sold by a person who is not the owner thereof, and who does not sell them under authority or with the consent of the owner, the buyer acquires no better title to the goods than the seller had, unless the owner of the goods is by his conduct precluded from denying the seller's authority to sell. x x x." The Court itself settled that Peña acquired the properties by virtue of a null and void execution sale. In effect, his buyers acquired no better title to the goods than he had. Therefore, the RTC erred in appreciating the existence of legal impossibility in this case on the mere

Supreme Court E-Library

pretext that the properties had already been transferred to third parties. By virtue of Article 1505, the true owners of the goods are definitely not legally precluded from claiming the ownership of their actual properties.

3. ID.; ID.; ID.; ID.; PETITIONER MUST BE RESTORED AS OWNER OF THE CLUB SHARES.— [G]iven the encompassing and overarching declaration of this Court nullifying the acquisition by Peña of the properties of Urban Bank and its directors, and considering that actual restitution of the movable properties is neither physically nor legally impossible, this Court finds that the refusal of the RTC to restore the actual shares on the mere pretext that these had been transferred by Peña to third persons as utterly devoid of basis. Consequently, pursuant to our final ruling in *Urban Bank*, petitioner must be restored as owner of the actual ACCI shares, and not just be paid the full value of the property.

APPEARANCES OF COUNSEL

Angara Abello Concepcion Regala & Cruz for petitioner.
Roem J. Arbolado for respondent M. Peña.
Medialdea Ata Bello & Suarez for respondent Alabang Country Club, Inc.

R E S O L U T I O N

SERENO, *C.J.*:

Before this Court is a Petition for Review on Certiorari assailing the Omnibus Resolution and Resolution of the Regional Trial Court (RTC) of Makati City, Branch 65,[1] which denied the prayer of petitioner Delfin C. Gonzalez, Jr. to be restored as owner of the shares issued by respondent Alabang Country Club, Inc. (ACCI).

The facts in this case are not disputed.

---

[1] *Rollo*, pp. 162-208, 209-214. The Omnibus Resolution dated 30 April 2014 and Resolution dated 17 September 2014 in Civil Case No. 12-758 was penned by Presiding Judge Edgardo M. Caldona.

Supreme Court E-Library

In its Decision dated 28 May 1999, the RTC of Bago City adjudged petitioner liable to respondent Magdaleno M. Peña for the payment of the agency's fees and damages amounting to ₱28.5 million. Petitioner, together with his co-petitioners in that case,[2] appealed the Decision, while Peña moved for execution pending appeal of this ruling. The grant of that motion resulted in the sale to Peña of petitioner's ACCI shares on 16 October 2000.[3] Through a private sale on 2 May 2001, he was able to sell and transfer the subject shares to respondent Arsenia Vera.[4]

On 19 October 2011, this Court issued a Decision in G.R. Nos. 145817, 145822, 162562, entitled *Urban Bank, Inc. v. Peña*, which vacated with finality the Decision of the RTC of Bago City dated 28 May 1999.[5]

Considering that the Decision of the RTC of Bago City had been completely vacated and declared null and void, this Court held that the concomitant execution pending appeal was likewise null and without effect. Thus, we held that Urban Bank and its officers and directors, including petitioner herein, were entitled to the full restoration of their ownership and possession of all properties that were executed pending appeal, such as the subject shares. In the dispositive portion of the Decision, we categorically issued the fo1lowing directives:[6]

a. Urban Bank, Teodoro Borlongan, Delfin C. Gonzalez, Jr., Benjamin L. de Leon, P. Siervo H. Dizon, Eric L. Lee, Ben Y. Lim, Jr., Corazon Bejasa, and Arturo Manuel, Jr. (respondent bank officers) shall be restored to full ownership and possession of all properties executed pending appeal;

---

[2] His co-petitioners are Urban Bank, Inc., Benjamin L. de Leon, and Eric L. Lee.

[3] *Rollo*, pp. 216-217; Order of the RTC of Bago City, Branch 62, dated 18 October 2000.

[4] *Id.* at 220; letter dated 15 June 2004 issued by Alabang Country Club, Inc.

[5] *Id.* at 134-137; Entry of Judgment made on 9 May 2012.

[6] *Urban Bank, Inc. v. Peña*, 675 Phil. 474, 584-585 (2011).

Supreme Court E-Library

b. If the property levied or garnished has been sold on execution pending appeal and Atty. Magdaleno Peña is the winning bidder or purchaser, he must fully restore the property to Urban Bank or respondent bank officers, and if actual restitution of the property is impossible, then he shall pay the full value of the property at the time of its seizure, with interest;

c. If the property levied or garnished has been sold to a third party purchaser at the public auction, and **title to the property has not been validly and timely transferred to the name of the third party**, the ownership and possession of the property shall be returned to Urban Bank or respondent bank officers, subject to the third party's right to claim restitution for the purchase price paid at the execution sale against the judgment creditor;

d. If the purchaser at the public auction is a third party, and **title to the property has already been validly and timely transferred to the name of that party**, Atty. Peña must pay Urban Bank or respondent bank officers the amount realized from the sheriff's sale of that property, with interest from the time the property was seized. (Emphasis and underscoring in the original)

We then ordered that the proceedings with respect to any due restitution under the circumstances shall be transferred to a regional trial court in the National Capital Region, Makati City.

The restitution proceedings were raffled to the RTC of Makati City, Branch 65. Thereafter, petitioner moved for execution, seeking restoration of his actual ACCI shares. The ACCI countered that the club shares petitioner was claiming could no longer be returned to him, because they had already been transferred by Peña to Vera.

In its Omnibus Resolution dated 30 April 2014, the RTC concluded that Peña's private sale of the shares to Vera on 2 May 2001 was valid, given that the latter was an innocent purchaser for value. As such, Vera could not be charged with knowledge of the controversy involving the ACCI shares. Considering the validity of the sale, the trial court held that the actual restitution of the property to petitioner was no longer possible. Applying paragraph (b) of the above-quoted dispositive

Supreme Court E-Library

portion of the Decision, it directed Peña to pay for the value of the property instead. The RTC ruling reads:[7]

IV. PROPERTIES SUBJECT OF RESTITUTION OR REPARATION OF DAMAGES WITH RESPECT TO DELFIN C. GONZALEZ, JR.:

x x x x x x x x x

c. The title to the share in Alabang Country Club having been validly and timely transferred to the name of Arsenia Vera, Magdaleno Peña shall pay Delfin C. Gonzalez, Jr. the full value of the property at the time of its seizure with interest counted as of said date.

x x x x x x x x x

SO ORDERED.

Aside from herein petitioner, Delfin C. Gonzalez, Jr., his co-petitioners in *Urban Bank*— Eric L. Lee and Urban Bank, were likewise not restored to their ownership of their movable properties. The RTC held that:[8]

I. PROPERTIES SUBJECT OF RESTITUTION OR REPARATION OF DAMAGES WITH RESPECT TO URBAN BANK (NOW EXPORT INDUSTRY BANK):

x x x x x x x x x

b. Regarding the three (3) shares of Urban Bank in Tagaytay Highlands International Golf Club previously covered by Certificate Nos. 3027, 3166, and 3543 which are now in the names of third parties under Certificate Nos. 3848, 3847, and 3837, respectively, Magdaleno Peña must pay Urban Bank the amount realized from the sheriff's sale of these three (3) shares, with interest from the time these properties were seized;

x x x x x x x x x

II. PROPERTIES SUBJECT OF RESTITUTION OR REPARATION OF DAMAGES WITH RESPECT TO ERIC L. LEE:

---

[7] *Rollo*, pp. 207-208.

[8] *Id.* at 204-206.

Supreme Court E-Library

x x x x x x x x x

b. Regarding the Manila Golf and Country Club previously in the name of Eric Lee which was validly and timely transferred in the name of Jose Singson, Magdaleno Peña must pay Eric Lee the amount realized from the sheriff's sale thereof, with interest from the time the said share was seized;

c. As to the share in Sta. Elena Golf Club (previously Certificate No. M099A), the title thereto having been validly and timely transferred in the name of Oscar Reyes and later to his assignee, Christian Osmond Reyes, Magdaleno Peña must pay Eric Lee the amount realized from the sheriff's sale, with interest from the time the property was seized;

x x x x x x x x x

In all these instances, the RTC refused to restore to Urban Bank, Eric L. Lee, and Delfin C. Gonzales, Jr. the actual ownership of their respective club shares on the pretext that these had already been transferred to third parties.

Subsequently, petitioner moved for reconsideration, but the RTC denied his motion in its Resolution dated 17 September 2014. Aggrieved, he came directly to this Court and asked for the reversal of the ruling of the trial court's ruling, as well as for the cancellation of the shares in the name of Vera.

Petitioner points out that Peña obtained the property at a public auction that has been declared void by this Court. He then asserts that Vera, as successor-in-interest, has no right over those shares. He further claims that the trial court erred in concluding that the actual restitution of the club shares to him was impossible, since the transfer of the property could have simply been recorded in the club's stock and transfer books.

In their Comments filed before this Court, both the ACCI[9] and Peña[10] submit that no error can be imputed to the RTC for declaring the impossibility of the actual restitution of the shares.

---

[9] *Id.* at 289-298.

[10] *Id.* at 330-335.

Supreme Court E-Library

In particular, the ACCI claims that because the subject property has been transferred to a third person, its return to petitioner is no longer possible. Respondent Vera failed to file her comment despite notice.[11]

This case presents a lone question of law: whether or not the RTC faithfully complied with our directive to restore to Urban Bank and the latter's officers their properties illegally obtained by Peña.

RULING OF THE COURT

We grant the Petition. Indeed, the RTC did not comply with our ruling in *Urban Bank* when it refused to restore to petitioner the actual ownership of his club shares on the mere pretext that these had already been sold by Peña to his successor-in-interest.

As stated in this Court's Decision dated 19 October 2011, the RTC was bound to comply with this relevant directive:[12]

> b. If the property levied or garnished has been sold on execution pending appeal and **Atty. Magdaleno Peña is the winning bidder or purchaser**, he must fully restore the property to Urban Bank or respondent bank officers, and **if actual restitution of the property is impossible**, then he shall pay the full value of the property at the time of its seizure, with interest; (Emphasis supplied)

There is no factual dispute that Peña acquired the ACCI shares of petitioner by virtue of a winning bid in an execution sale that had already been declared by this Court, with finality, as null and void. **In no uncertain terms, we declared that the "concomitant execution pending appeal is likewise without any effect. x x x. Consequently, all levies, garnishment and sales executed pending appeal are declared null and void, with the concomitant duty of restitution x x x."**[13]

---

[11] *Id.* at 337; Proof of Service of the Resolution of this Court dated 28 June 2016 reiterating compliance with the requirement to file a separate comment per Resolution dated 23 February 2015.

[12] *Urban Bank, Inc. v. Peña*, 675 Phil. 474, 584 (2011).

[13] *Urban Bank, Inc. v. Peña*, 675 Phil. 474, 555 (2011).

Supreme Court E-Library

Void transactions do not produce any legal or binding effect, and any contract directly resulting from that illegality is likewise void and inexistent.[14] Therefore, Peña could not have been a valid transferee of the property. As a consequence, his successor-in-interest, Vera, could not have validly acquired those shares.[15] The RTC thus erred in refusing to restore the actual ACCI shares to petitioner on the basis of their void transfer to Vera.

Neither was the RTC correct in its characterization of the actual restitution of the ACCI shares to petitioner as "impossible." For the obligation to be considered impossible under Article 1266 of the Civil Code, its physical or legal impossibility must first be proven.[16]

Here, the RTC did not make any finding on whether or not it was physically impossible to effect the actual restitution of the property. On the other hand, petitioner correctly points out that since the shares are movable by nature, the same can be transferred back to Gonzalez, Jr. by recording the transaction in the stock and transfer book of the club.[17]

---

[14] *Conjugal Partnership of the Spouses Cadavedo v. Lacaya*, 724 Phil. 300 (2014).

[15] *Dingal v. Intermediate Appellate Court*, 252 Phil. 395 (1989).

[16] CIVIL CODE OF THE PHILIPPINES, Article 1266:

The debtor in obligations to do shall also be released when the prestation becomes legally or physically impossible without the fault of the obligor.

[17] CORPORATION CODE OF THE PHILIPPINES, Section 63:

Certificate of Stock and Transfer of Shares. — The capital stock of stock corporations shall be divided into shares for which certificates signed by the president or vice -president, countersigned by the secretary or assistant secretary, and sealed with the seal of the corporation shall be issued in accordance with the by-laws. **Shares of stock so issued are personal property and may be transferred by delivery of the certificate or certificates** indorsed by the owner or his attorney-in-fact or other person legally authorized to make the transfer. No transfer, however, shall be valid, except as between the parties, until the **transfer is recorded in the books of the corporation so as to show the names of the parties to the transaction, the date of the transfer, the number of the certificate or certificates and the number of shares transferred**. x x x (Emphasis supplied)

Supreme Court E-Library

As regards legal impossibility, the RTC appears to have jumped to the conclusion that because of the perfected sale of the shares to Vera, petitioner can no longer claim actual restitution of the property.

However, Article 1505 of the Civil Code instructs that "x x x where goods are sold by a person who is not the owner thereof, and who does not sell them under authority or with the consent of the owner, the buyer acquires no better title to the goods than the seller had, unless the owner of the goods is by his conduct precluded from denying the seller's authority to sell. x x x."

The Court itself settled that Peña acquired the properties by virtue of a null and void execution sale. In effect, his buyers acquired no better title to the goods than he had. Therefore, the RTC erred in appreciating the existence of legal impossibility in this case on the mere pretext that the properties had already been transferred to third parties. By virtue of Article 1505, the true owners of the goods are definitely not legally precluded from claiming the ownership of their actual properties.

All told, given the encompassing and overarching declaration of this Court nullifying the acquisition by Peña of the properties of Urban Bank and its directors, and considering that actual restitution of the movable properties is neither physically nor legally impossible, this Court finds that the refusal of the RTC to restore the actual shares on the mere pretext that these had been transferred by Peña to third persons as utterly devoid of basis. Consequently, pursuant to our final ruling in *Urban Bank*, petitioner must be restored as owner of the actual ACCI shares, and not just be paid the full value of the property.

WHEREFORE, premises considered, this Court resolves to:

A. **REVERSE** the Omnibus Resolution dated 30 April 2014 and Resolution dated 17 September 2014 issued in Civil Case No. 12-758 by the Regional Trial Court of Makati City, Branch 65, insofar as these rulings refused to restore to the original owners the actual ownership of their club shares on the mere

Supreme Court E-Library

pretext that these had already been sold by Magdaleno Peña to his successor-in-interest, and thus **SET ASIDE** the following pronouncements by the Regional Trial Court in the Omnibus Resolution dated 30 April 2014 as affirmed in the Resolution dated 17 September 2014:

I. PROPERTIES SUBJECT OF RESTITUTION OR REPARATION OF DAMAGES WITH RESPECT TO URBAN BANK (NOW EXPORT INDUSTRY BANK):

x x x x x x x x x

b. Regarding the three (3) shares of Urban Bank in Tagaytay Highlands International Golf Club previously covered by Certificate Nos. 3027, 3166, and 3543 which are now in the names of third parties under Certificate Nos. 3848, 3847, and 3837, respectively, Magdaleno Peña must pay Urban Bank the amount realized from the sheriff's sale of these three (3) shares, with interest from the time these properties were seized;

x x x x x x x x x

II. PROPERTIES SUBJECT OF RESTITUTION OR REPARATION OF DAMAGES WITH RESPECT TO ERIC L. LEE:

x x x x x x x x x

b. Regarding the Manila Golf and Country Club previously in the name of Eric Lee which was validly and timely transferred in the name of Jose Singson, Magdaleno Peña must pay Eric Lee the amount realized from the sheriff's sale thereof, with interest from the time the said share was seized;

c. As to the share in Sta. Elena Golf Club (previously Certificate No. M099A), the title thereto having been validly and timely transferred in the name of Oscar Reyes and later to his assignee, Christian Osmond Reyes, Magdaleno Peña must pay Eric Lee the amount realized from the sheriff's sale, with interest from the time the property was seized;

x x x x x x x x x

IV. PROPERTIES SUBJECT OF RESTITUTION OR REPARATION OF DAMAGES WITH RESPECT TO DELFIN C. GONZALEZ, JR.:

Supreme Court E-Library

x x x x x x x x x

c. The title to the share in Alabang Country Club having been validly and timely transferred to the name of Arsenia Vera, Magdaleno Peña shall pay Delfin C. Gonzalez, Jr. the full value of the property at the time of its seizure with interest counted as of said date.

B. **ORDER** the presiding judge of the Regional Trial Court of Makati City, Branch 65 to **EXECUTE FULLY AND WITH DISPATCH, WITH RESPECT TO ALL PERSONS AND PROPERTIES COVERED**, the Decision of this Court dated 19 October 2011 in G.R. Nos. 145817, 145822, and 162562 to restore and deliver to Urban Bank and its directors the full ownership and possession of all their actual properties executed pending appeal.

SO ORDERED.

Leonardo-de Castro, del Castillo, Perlas-Bernabe, and *Caguioa, JJ.*, concur.

SECOND DIVISION

[G.R. No. 219345. January 30, 2017]

SECURITY BANK CORPORATION, *petitioner, vs.* **GREAT WALL COMMERCIAL PRESS COMPANY, INC., ALFREDO BURIEL ATIENZA, FREDINO CHENG ATIENZA and SPS. FREDERICK CHENG ATIENZA and MONICA CU ATIENZA,** *respondents.*

SYLLABUS

1. REMEDIAL LAW; PROVISIONAL REMEDIES; PRELIMINARY ATTACHMENT; CONCEPT.— A writ of preliminary