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FIRST DIVISION

[G.R. No. L-47206. September 27, 1989]

GLORIA M. DE ERQUIAGA, as administratrix of the estate of the late SANTIAGO DE ERQUIAGA & HON. FELICIANO S. GONZALES, *petitioners, vs.* **HON. COURT OF APPEALS, AFRICA VALDEZ *VDA. DE* REYNOSO, JOSE V. REYNOSO, JR., ERNESTO REYNOSO, BENEDICT REYNOSO, SYLVIA REYNOSO, LOURDES REYNOSO, CECILE REYNOSO, EDNA REYNOSO, ERLINDA REYNOSO & EMILY REYNOSO,** *respondents.*

SYLLABUS

1. REMEDIAL LAW; JUDGMENT; FINALITY, NOT A CASE OF; FACTS IN CASE AT BAR SHOW DECISION IS NOT YET FINAL. — After examining the records, we find that the Court of Appeals' decision is not yet final. The entry of judgment was improvident for the Court of Appeals, in its resolution of December 13, 1976, suspended the proceedings before it "pending the parties' settlement negotiations" as prayed for in their joint motion. Without however giving them an ultimatum or setting a deadline for the submission of their compromise agreement, the Court of Appeals, out of the blue, issued a resolution on August 24, 1977 ordering the Judgment Section of that Court to enter final judgment in the case. We hold that the directive was precipitate and premature. Erquiaga received the order on September 2, 1977 and filed on September 12, 1977 a motion for reconsideration which the Court of Appeals denied on October 4, 1977. The order of denial was received on October 14, 1977. On October 28, 1977, Erquiaga filed in this Court a timely motion for extension of time to file a petition for review, and the petition was filed within the extension granted by this Court.

2. COMMERCIAL LAW; CORPORATION LAW; VOTING RIGHTS; ACQUIRED BY STOCKHOLDER WHEN THE SHARES OF STOCK ARE REGISTERED IN HIS NAME IN THE CORPORATE BOOK. — The Court of Appeals did not err in

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annulling the trial court's order: (1) allowing Erquiaga to vote the 3,100 shares of Erquiaga Development Corporation without having effected the transfer of those shares in his name in the corporate books; and (2) authorizing Erquiaga to call a special meeting of the stockholders of the Erquiaga Development Corporation and to vote the 3,100 shares, without the pre-requisite registration of the shares in his name. It is a fundamental rule in Corporation Law that a stockholder acquires voting rights only when the shares of stock to be voted are registered in his name in the corporate books.

3. **CIVIL LAW; CONTRACTS; RESCISSION; RETURN OF THE OBJECT OF THE CONTRACT TOGETHER WITH THEIR FRUITS.** — The order of respondent Court directing Erquiaga to return the sum of ₱410,000 (or net ₱348,000 after deducting ₱62,000 due from Reynoso under the decision) as the price paid by Reynoso for the shares of stock, with legal rate of interest, and the return by Reynoso of Erquiaga's 3,100 shares with the fruits (construed to mean not only dividends but also fruits of the corporation's Hacienda San Jose) is in full accord with Art. 1385 of the Civil Code.

4. **ID.; ID.; ID.; ID.; OBLIGATION TO DELIVER THE LEGAL INTEREST TO THE OTHER PARTY SHOULD AWAIT THE LATTER'S ACCOUNTING OF THE FRUITS.** — Since Reynoso has not yet given an accounting of those fruits, it is only fair that Erquiaga's obligation to deliver to Reynoso the legal interest earned by his money, should await the rendition and approval of his accounting. To this extent, the decision of the Court of Appeals should be modified. For it would be inequitable and oppressive to require Erquiaga to pay the legal interest earned by Reynoso's ₱410,000 since 1968 or for the past 20 years (amounting to over ₱400,000 by this time) without first requiring Reynoso to account for the fruits of Erquiaga's *hacienda* which he allegedly squandered while it was in his possession from November 1968 up to March 3, 1975.

APPEARANCES OF COUNSEL

Agrava, Lucero, Gineta & Roxas for petitioners.

Bausa, Ampil, Suarez, Paredes & Bausa for private respondents.

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DECISION

GRIÑO-AQUINO, *J.*:

This is a case that began in the Court of First Instance of Sorsogon in 1970. Although the decision dated September 30, 1972 of the trial court (pp. 79-106, *Rollo*) became final and executory because none of the parties appealed, its execution has taken all of the past seventeen (17) years with the end nowhere in sight. The delay in writing *finis* to this case is attributable to several factors, not the least of which is the intransigence of the defeated party. Now, worn down by this attrital suit, both have pleaded for a decision to end this case.

Assailed in this petition for review are:

(a) the decision of the Court of Appeals dated May 31, 1976 in CA-G.R. No. SP 04811, entitled "*Africa Valdez Vda. de Reynoso, et al. vs. Hon. Feliciano S. Gonzales and Santiago de Erquiaga*" (pp. 275-290, *Rollo*);

(b) its resolution dated August 3, 1976, denying the motion for reconsideration (p. 298, *Rollo*);

(c) its resolution of August 24, 1977, ordering entry of judgment (p. 316, *Rollo*); and

(d) its resolution of October 4, 1977, denying the motion to set aside the entry of judgment.

Santiago de Erquiaga was the owner of 100% or 3,100 paid-up shares of stock of the Erquiaga Development Corporation which owns the Hacienda San Jose in Irosin, Sorsogon (p. 212, *Rollo*). On November 4, 1968, he entered into an Agreement with Jose L. Reynoso to sell to the latter his 3,100 shares (or 100%) of Erquiaga Development Corporation for ₱900,000 payable in installments on definite dates fixed in the contract but not later than November 30, 1968. Because Reynoso failed to pay the second and third installments on time, the total price of the sale was later increased to ₱971,371.70 payable on or

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before December 17, 1969. The difference of ₱71,371.70 represented brokers' commission and interest (CFI Decision, pp. 75, 81, 90, 99, *Rollo*).

As of December 17, 1968, Reynoso was able to pay the total sum of ₱410,000 to Erquiaga who thereupon transferred all his shares (3,100 paid-up shares) in Erquiaga Development Corporation to Reynoso, as well as the possession of the Hacienda San Jose, the only asset of the corporation (p. 100, *Rollo*). However, as provided in paragraph 3, subparagraph (c) of the contract to sell, Reynoso pledged 1,500 shares in favor of Erquiaga as security for the balance of his obligation (p. 100, *Rollo*). Reynoso failed to pay the balance of ₱561,321.70 on or before December 17, 1969, as provided in the promissory notes he delivered to Erquiaga. So, on March 2, 1970, Erquiaga, through counsel, formally informed Reynoso that he was rescinding the sale of his shares in the Erquiaga Development Corporation (CFI Decision, pp. 81-100, *Rollo*).

As recited by the Court of Appeals in its decision under review, the following developments occurred thereafter:

"On March 30, 1970, private respondent Santiago de Erquiaga filed a complaint for rescission with preliminary injunction against Jose L. Reynoso and Erquiaga Development Corporation, in the Court of First Instance of Sorsogon, Branch I (Civil Case No. *2446*).* After issues have been joined and after trial on the merits, the lower court rendered judgment (on September 30, 1972),** the dispositive portion of which reads as follows:

> 'In view of the foregoing, judgment is hereby rendered in favor of the plaintiff and against the defendant Jose L. Reynoso, rescinding the sale of 3,100 paid up shares of stock of the Erquiaga Development Corporation to the defendant, and ordering:
>
> '(a) The defendant to return and reconvey to the plaintiff the 3,100 paid up shares of stock of the Erquiaga Development

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* Case number supplied.

** Date supplied.

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Corporation which now stand in his name in the books of the corporation;

'(b) The defendant to render a full accounting of the fruits he received by virtue of said 3,100 paid up shares of stock of the Erquiaga Development Corporation, as well as to return said fruits received by him to plaintiff Santiago de Erquiaga;

'(c) The plaintiff to return to the defendant the amount of ₱100,000.00 plus legal interest from November 4, 1968, and the amount of ₱310,000.00 plus legal interest from December 17, 1968, until paid;

'(d) The defendant to pay the plaintiff as actual damages the amount of ₱12,000.00;

'(e) The defendant to pay the plaintiff the amount of ₱50,000.00 as attorney's fees; and

'(f) The defendant to pay the costs of this suit and expenses of litigation.' (Annex A-Petition.).

"The parties did not appeal therefrom and it became final and executory.

"On March 21, 1973, the CFI of Sorsogon issued an Order, pertinent portions of which reads:

'It will be noted that both parties having decided not to appeal, the decision has become final and executory. Nevertheless, *the Court finds merit in the contention of the plaintiff that the payment to the defendant of the total sum of ₱410,000.00 plus the interest, should be held in abeyance pending rendition of the accounting by the defendant of the fruits received by him on account of the 3,100 shares of the capital stock of Erquiaga Development Corporation.* The same may be said with respect to the sums due the plaintiff from the defendant for damages and attorney's fees. Indeed it is reasonable to suppose, as contended by the plaintiff, that when such accounting is made and the accounting, as urged by plaintiff, should refer not only to the dividends due from the shares of stock but to the products of the *hacienda* which is the only asset of the Erquiaga Development Corporation, certain sums may be found due to the plaintiff from the defendant which may partially or entirely off set (sic) the amount adjudged against him in the decision.

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'It is the sense of the court that the *fruits referred to in the decision include not only the dividends received, if any, on the 3,100 shares of stocks but more particularly the products received by the defendant from the hacienda.* The *hacienda* and the products thereon produced constitute the physical assets of the Erquiaga Development Corporation represented by the shares of stock and it would be absurd to suppose that any accounting could be made by the defendant without necessarily taking into account the products received which could be the only basis for determining whether dividends are due or not on account of the investment. The *hacienda* and its natural fruits as represented by the shares of stock which the defendant received as manager and controlling stockholder of the Erquiaga Development Corporation can not be divorced from the certificates of stock in order to determine whether the defendant has correctly reported the income of the corporation or concealed part of it for his personal advantage. It is hardly necessary for the Court to restate an obvious fact that on both legal and equitable grounds, the Erquiaga Development Corporation and defendant Jose Reynoso are one and the same persons as far as the obligation to account for the products of the *hacienda* is concerned,' (pp. 4-6, Annex 1, Answer.)

"In the same Order, the CFI of Sorsogon appointed a receiver upon the filing of a bond in the amount of ₱100,000.00. The reasons of the lower court for appointing a receiver were that the matter of accounting of the fruits received by defendant Reynoso as directed in the decision will take time; that plaintiff Erquiaga has shown sufficient and justifiable ground for the appointment of a receiver 'in order to preserve the *Hacienda* which has obviously been mismanaged by the defendant to a point where the amortization of the loan with the Development Bank of the Philippines has been neglected and the arrears in payments have risen to the amount of ₱503,510.70 as of October 19, 1972, and there is danger that the Development Bank of the Philippines may institute foreclosure proceedings to the damage and prejudice of the plaintiff.' (p. 7, *Id.*)

"On April 26, 1973, defendant Jose L. Reynoso died and he was substituted by his surviving spouse Africa Valdez *Vda. de* Reynoso and children, as party defendants.

"Defendants filed a petition for *certiorari* with a prayer for a writ of preliminary injunction seeking the annulment of the aforementioned

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Order of March 21, 1973. On June 28, 1973, *the Court of Appeals rendered judgment dismissing the petition* with costs against the petitioners, ruling that said Order is valid and the respondent court did not commit any grave abuse of discretion in issuing the same (Annex 2, *Id.*). *Petitioners brought the case up to the Supreme Court on a petition for review on certiorari which was denied by said tribunal* in a Resolution dated February 5, 1974 (Annex 3, *Id.*). Petitioners' motion for reconsideration thereof was likewise denied by the Supreme Court on March 29, 1974.

"Upon motion of Erquiaga, the CFI of Sorsogon issued an order, dated February 12, 1975, dissolving the receivership and ordering the delivery of the possession of the Hacienda San Jose to Erquiaga, the filing of bond by said Erquiaga in the amount of ₱410,000.00 conditioned to the payment of whatever may be due to the substituted heirs of deceased defendant Reynoso (petitioners herein) after the approval of the accounting report submitted by Reynoso. Said order further directed herein petitioners to allow counsel for Erquiaga to inspect, copy and photograph certain documents related to the accounting report (Annex B, Petition).

"On March 3, 1975, the CFI of Sorsogon approved the ₱410,000.00 bond submitted by Erquiaga and the possession, management and control of the *hacienda* were turned over to Erquiaga (Annex C, Petition). Petitioners (Reynosos) filed their motion for reconsideration which the CFI of Sorsogon denied in an Order, dated June 23, 1975 (Annex D, *Id.*).

"In an Omnibus Motion, dated July 25, 1975, filed by Erquiaga, and over the objections interposed thereto by herein petitioners (Reynosos), the CFI of Sorsogon issued an Order, dated October 9, 1975, the dispositive portion of which reads:

> 'WHEREFORE, in view of the foregoing, on the first count, the defendants are directed (to deliver) to the plaintiff or his counsel within five (5) days from receipt of this order the 1,600 shares of stock of the Erquiaga Development Corporation which are in their possession. Should the defendants refuse or delay in delivering such shares of stock, as prayed for, the plaintiff is authorized:
>
> '(a) To call and hold a special meeting of the stockholders of the Erquiaga Development Corporation to elect the members of the Board of Directors;

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'(b) In the said meeting the plaintiff is authorized to vote not only the 1,500 shares of stock in his name but also the 1,600 shares in the name and possession of the defendants;

'(c) The question as to who shall be elected members of the Board of Directors and officers of the board is left to the discretion of the plaintiff;

'(d) The members of the board and the officers who are elected are authorized to execute any and all contracts or agreements under such conditions as may be required by the Development Bank for the purpose of restructuring the loan of the Erquiaga Development Corporation with the said bank.

'On the second count, the prayer to strike out all expenses alleged[ly] incurred by the defendants in the production of the fruits of Hacienda San Jose and declaring the obligation of the plaintiff under paragraph (c) of the judgment to pay the defendant the sum of ₱410,000.00 with interest as fully compensated by the fruits earned by the defendants from the property, as well as the issuance of a writ of execution against the defendants to pay the plaintiffs ₱62,000.00 under paragraphs (e) and (d) and costs of litigation under paragraph (f) of the judgment of September 30, 1972, is denied.

'The defendants are once more directed to comply with the order of February 12, 1975, by answering the interrogatories propounded by counsel for the plaintiff and allowing said counsel or his representative to inspect, copy and photograph the documents mentioned by the plaintiff during reasonable hours of any working day within twenty (20) days from receipt of this order, should the defendants persist in their refusal or failure to comply with the order, the plaintiff may inform the court seasonably so that the proper action may be taken.' (Annex J, *Id.*).

"Hence, the present petition for *certiorari*, prohibition and *mandamus* instituted by the substituted defendants, heirs of the deceased defendant Jose L. Reynoso against the CFI of Sorsogon and (plaintiff) Santiago de Erquiaga." (pp. 276-281, *Rollo.*)

On May 31, 1976, the Court of Appeals rendered judgment holding that:

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"IN VIEW OF ALL THE FOREGOING, this court finds that the respondent court had acted with grave abuse of discretion or in excess of jurisdiction in issuing the assailed order of October 9, 1975 (Annex A, Petition) insofar only as that part of the Order (1) giving private respondent voting rights on the 3,100 shares of stock of the Erquiaga Development Corporation without first divesting petitioners of their title thereto and ordering the registration of the same in the corporation books in the name of private respondent, pursuant to Section 10, Rule 39 of the Revised Rules of Court; (2) authorizing corporate meetings and election of members of the Board of Directors of said corporation; and (3) refusing to order the reimbursement of the purchase price of the 3,100 shares of stock in the amount of ₱410,000.00 plus interests awarded in said final decision of September 30, 1972 and the set-off therewith of the amount of ₱62,000.00 as damages and attorney's fees in favor of herein private respondent are concerned. Let writs of *certiorari* and prohibition issue against the aforesaid acts, and the writ of preliminary injunction heretofore issued is hereby made permanent only insofar as (1), (2) and (3) above are concerned. As to all other matters involved in said Order of October 9, 1975, the issuance of writs prayed for in the petition are not warranted and therefore denied.

"FINALLY, to give effect to all the foregoing, with a view of putting an end to a much protracted litigation and for the best interests of the parties, let a writ of *mandamus* issue, commanding the respondent Judge to order (1) the Clerk of Court of the CFI of Sorsogon to execute the necessary deed of conveyance to effect the transfer of ownership of the entire 3,100 shares of stock of the Erquiaga Development Corporation to private respondent Santiago Erquiaga in case of failure of petitioners to comply with the Order of October 9, 1975 insofar as the delivery of the 1,600 shares of stock to private respondent is concerned, within five (5) days from receipt hereof; and (2) upon delivery by petitioners or transfer by the Clerk of Court of said shares of stock to private respondent, as the case may be, to issue a writ of execution ordering private respondent to pay petitioners the amount of ₱410,000.00 plus interests in accordance with the final decision of September 30, 1972 in Civil Case No. 2448, setting-off therewith the amount of ₱62,000.00 adjudged in favor of private respondent, and against petitioners' predecessor-in-interest, Jose L. Reynoso, in the same decision, as damages and attorney's fees." (pp. 289-290, *Rollo*.)

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It may be seen from the foregoing narration of facts that as of the time the Court of Appeals rendered its decision on May 31, 1976 (now under review) only the following have been done by the parties in compliance with the final judgment in the main case (Civil Case No. 2446):

1. The Hacienda San Jose was returned to Erquiaga on March 3, 1975 upon approval of Erquiaga's surety bond of ₱410,000 in favor of Reynoso;

2. Reynoso has returned to Erquiaga only the pledged 1,500 shares of stock of the Erquiaga Development Corporation, instead of 3,100 shares, as ordered in paragraph (a) of the final judgment.

What the parties have not done yet are:

1. Reynoso has not returned 1,600 shares of stock to Erquiaga as ordered in paragraph (a) of the decision;

2. Reynoso has not rendered a full accounting of the fruits he has received from Hacienda San Jose by virtue of the 3,100 shares of stock of the Erquiaga Development Corporation delivered to him under the sale, as ordered in paragraph (b) of the decision;

3. Erquiaga has not returned the sum of ₱100,000 paid by Reynoso on the sale, with legal interest from November 4, 1968 and ₱310,000 plus legal interest from December 17, 1968, until paid (total: ₱410,000) as ordered in paragraph (c) of the decision;

4. Reynoso has not paid the judgment of ₱12,000 as actual damages in favor of Erquiaga, under paragraph (d) of the judgment;

5. Reynoso has not paid the sum of ₱50,000 as attorney's fees to Erquiaga under paragraph (e) of the judgment; and

6. Reynoso has not paid the costs of suit and expenses of litigation as ordered in paragraph (f) of the final judgment.

The petitioner alleges, in her petition for review, that:

I. The decision of the Court of Appeals requiring the petitioner to pay the private respondents the sum of ₱410,000 *plus interest*, without first awaiting Reynoso's accounting of

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the fruits of the Hacienda San Jose, violates the law of the case and Article 1385 of the Civil Code, alters the final order dated February 12, 1975 of the trial court, and is inequitous.

II. The Court of Appeals erroneously applied the Corporation Law.

III. The Court of Appeals erred in ordering entry of its judgment.

We address first the third assignment of error for it will be futile to discuss the first and second if, after all, the decision complained of is already final, and the entry of judgment which the Court of Appeals directed to be made in its resolution of August 24, 1977 (p. 316, *Rollo*) was proper. After examining the records, we find that the Court of Appeals' decision is not yet final. The entry of judgment was improvident for the Court of Appeals, in its resolution of December 13, 1976, suspended the proceedings before it "pending the parties' settlement negotiations" as prayed for in their joint motion (p. 313, *Rollo*). Without however giving them an ultimatum or setting a deadline for the submission of their compromise agreement, the Court of Appeals, out of the blue, issued a resolution on August 24, 1977 ordering the Judgment Section of that Court to enter final judgment in the case (p. 316, *Rollo*).

We hold that the directive was precipitate and premature. Erquiaga received the order on September 2, 1977 and filed on September 12, 1977 (p. 317, *Rollo*) a motion for reconsideration which the Court of Appeals denied on October 4, 1977 (p. 322, *Rollo*). The order of denial was received on October 14, 1977 (p. 7, *Rollo*). On October 28, 1977, Erquiaga filed in this Court a timely motion for extension of time to file a petition for review, and the petition was filed within the extension granted by this Court.

We now address the petitioners' first and second assignments of error.

After deliberating on the petition for review, we find no reversible error in the Court of Appeals' decision directing the clerk of court of the trial court to execute a deed of conveyance

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to Erquiaga of the 1,600 shares of stock of the Erquiaga Development Corporation still in Reynoso's name and/or possession, in accordance with the procedure in Section 10, Rule 39 of the Rules of Court. Neither did it err in annulling the trial court's order: (1) allowing Erquiaga to vote the 3,100 shares of Erquiaga Development Corporation without having effected the transfer of those shares in his name in the corporate books; and (2) authorizing Erquiaga to call a special meeting of the stockholders of the Erquiaga Development Corporation and to vote the 3, 100 shares, without the pre-requisite registration of the shares in his name. It is a fundamental rule in Corporation Law (Section 35) that a stockholder acquires voting rights only when the shares of stock to be voted are registered in his name in the corporate books.

"Until registration is accomplished, the transfer, though valid between the parties, cannot be effective as against the corporation. Thus, the unrecorded transferee cannot enjoy the status of a stockholder; he cannot vote nor be voted for, and he will not be entitled to dividends. The Corporation will be protected when it pays dividend to the registered owner despite a previous transfer of which it had no knowledge. The purpose of registration therefore is two-fold; to enable the transferee to exercise all the rights of a stockholder, and to inform the corporation of any change in share ownership so that it can ascertain the persons entitled to the rights and subject to the liabilities of a stockholder." (Corporation Code, Comments, Notes and Selected cases by Campos & Lopez-Campos, p. 838, 1981 Edition.).

The order of respondent Court directing Erquiaga to return the sum of ₱410, 000 (or net ₱348,000 after deducting ₱62,000 due from Reynoso under the decision) as the price paid by Reynoso for the shares of stock, with legal rate of interest, and the return by Reynoso of Erquiaga's 3,100 shares with the fruits(construed to mean not only dividends but also fruits of the corporation's Hacienda San Jose) is in full accord with Art. 1385 of the Civil Code which provides:

"ART. 1385. Rescission creates the obligation to return the things which were the object of the contract, together with their fruits, and the price with its interest; consequently, it can be carried out only

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when he who demands rescission can return whatever he may be obliged to restore.

"Neither shall rescission take place when the things which are the object of the contract are legally in the possession of third persons who did not act in bad faith.

"In this case, indemnity for damages may be demanded from the person causing the loss."

The Hacienda San Jose and 1,500 shares of stock have already been returned to Erquiaga. Therefore, upon the conveyance to him of the remaining 1,600 shares, Erquiaga (or his heirs) should return to Reynoso the price of ₱410,000 which the latter paid for those shares. Pursuant to the rescission decreed in the final judgment, there should be simultaneous mutual restitution of the principal object of the contract to sell (3,100 shares) and of the consideration paid (₱410,000). This should not await the mutual restitution of the *fruits*, namely: the legal interest earned by Reynoso's ₱410,000 while in the possession of Erquiaga, and its counterpart: the fruits of Hacienda San Jose which Reynoso received from the time the *hacienda* was delivered to him on November 4, 1968 until it was placed under receivership by the court on March 3, 1975. However, since Reynoso has not yet given an accounting of those fruits, it is only fair that Erquiaga's obligation to deliver to Reynoso the legal interest earned by his money, should await the rendition and approval of his accounting. To this extent, the decision of the Court of Appeals should be modified. For it would be inequitable and oppressive to require Erquiaga to pay the legal interest earned by Reynoso's ₱410,000 since 1968 or for the past 20 years (amounting to over ₱400,000 by this time) without first requiring Reynoso to account for the fruits of Erquiaga's *hacienda* which he allegedly squandered while it was in his possession from November 1968 up to March 3, 1975.

WHEREFORE, the petition for review is granted. The payment of legal interest by Erquiaga to Reynoso on the price of ₱410,000 paid by Reynoso for Erquiaga's 3,100 shares of stock of the Erquiaga Development Corporation should be computed as provided in the final judgment in Civil Case No. 2446

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up to September 30, 1972, the date of said judgment. Since Reynoso's judgment liability to Erquiaga for attorney's fees and damages in the total sum of ₱62,000 should be set off against the price of ₱410,000 that Erquiaga is obligated to return to Reynoso, the balance of the judgment in favor of Reynoso would be only ₱348,000 which should earn legal rate of interest after September 30, 1972, the date of the judgment. However, the payment of said interest by Erquiaga should await Reynoso's accounting of the fruits received by him from the Hacienda San Jose. Upon payment of ₱348,000 by Erquiaga to Reynoso, Erquiaga's ₱410,000 surety bond shall be deemed cancelled. In all other respects, the decision of the Court of Appeals in CA-G.R. No. 04811-SP is affirmed. No pronouncement as to costs.

SO ORDERED.

Narvasa (Chairman), Cruz, Gancayco, and *Medialdea, JJ.*, concur.

SECOND DIVISION

[G.R. No. L-39507. September 28, 1989]

IN THE MATTER OF THE PETITION OF FRANCISCO SIM TO BE ADMITTED A CITIZEN OF THE PHILIPPINES, FRANCISCO SIM, *petitioner-appellee, vs.* **REPUBLIC OF THE PHILIPPINES,** *oppositor-appellant.*

SYLLABUS

1. CONSTITUTIONAL LAW; NATURALIZATION; HEARING; SOLICITOR GENERAL GIVEN SUFFICIENT TIME TO STUDY AND OPPOSE PETITION IN CASE AT BAR. — As can be