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THIRD DIVISION

[G.R. No. 153413. March 2, 2007]

NECTARINA S. RANIEL and MA. VICTORIA R. PAG-ONG, *petitioners, vs.* **PAUL JOCHICO, JOHN STEFFENS and SURYA VIRIYA,** *respondents.*

SYLLABUS

1. REMEDIAL LAW; APPEALS; FINDINGS OF FACT OF ADMINISTRATIVE BODIES, SUCH AS THE SECURITIES AND EXCHANGE COMMISSION, WILL NOT BE INTERFERED WITH BY THE COURTS IN THE ABSENCE OF GRAVE ABUSE OF DISCRETION ON THE PART OF SUCH AGENCIES OR UNLESS THE FINDINGS ARE NOT SUPPORTED BY SUBSTANTIAL EVIDENCE.— It is well to stress the settled rule that the findings of fact of administrative bodies, such as the SEC, will not be interfered with by the courts in the absence of grave abuse of discretion on the part of said agencies, or unless the aforementioned findings are not supported by substantial evidence. They carry even more weight when affirmed by the CA. Such findings are accorded not only great respect but even finality, and are binding upon this Court, unless it is shown that it had arbitrarily disregarded or misapprehended evidence before it to such an extent as to compel a contrary conclusion had such evidence been properly appreciated. This rule is rooted in the doctrine that this Court is not a trier of facts, as well as in the respect to be accorded the determinations made by administrative bodies in general on matters falling within their respective fields of specialization or expertise.

2. ID.; ID.; ID.; THE SECURITIES AND EXCHANGE COMMISSION AND THE COURT OF APPEALS DID NOT COMMIT MISAPPRECIATION OF THE FACTS AND THE APPLICABLE LAWS TO JUSTIFY REVERSAL OF THEIR DECISIONS; PETITIONERS' REMOVAL AS MEMBERS OF THE BOARD OF DIRECTORS WERE VALID AND IN ACCORDANCE WITH LAW AND THE ESTABLISHED PROCEDURES.— A corporation exercises its powers through its board of directors and/or its duly authorized officers and

agents, except in instances where the Corporation Code requires stockholders' approval for certain specific acts. xxx A corporation's board of directors is understood to be that body which (1) exercises all powers provided for under the Corporation Code; (2) conducts all business of the corporation; and (3) controls and holds all property of the corporation. Its members have been characterized as trustees or directors clothed with a fiduciary character. Moreover, the directors may appoint officers and agents and *as incident to this power of appointment, they may discharge those appointed.* In this case, petitioner Raniel was removed as a corporate officer through the resolution of Nephro's Board of Directors adopted in a special meeting on February 2, 1998. As correctly ruled by the SEC, petitioners' removal was a valid exercise of the powers of Nephro's Board of Directors. xxx The SEC also correctly concluded that petitioner Raniel was removed as an officer of Nephro in compliance with established procedure. xxx Petitioners Raniel and Pag-ong's removal as members of Nephro's Board of Directors was likewise valid. Only stockholders or members have the power to remove the directors or trustees elected by them, as laid down in *Section 28 of the Corporation Code.* xxx Petitioners do not dispute that the stockholders' meeting was held in accordance with Nephro's By-Laws. The ownership of Nephro's outstanding capital stock is distributed as follows: Jochico - 200 shares; Steffens - 100 shares; Viriya - 100 shares; Raniel - 75 shares; and Pag-ong - 25 shares, or a total of 500 shares. A two-thirds vote of Nephro's outstanding capital stock would be 333.33 shares, and during the Stockholders' Special Meeting held on February 16, 1998, 400 shares voted for petitioners' removal. Said number of votes is more than enough to oust petitioners from their respective positions as members of the board, with or without cause.

APPEARANCES OF COUNSEL

Joaquin G. Chung, Jr. for petitioners.

Reyes Francisco & Associates Law Offices for respondents.

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D E C I S I O N

AUSTRIA-MARTINEZ, *J.*:

Assailed in the present Petition for Review on *Certiorari* is the Decision[1] of the Court of Appeals (CA) dated April 30, 2002, affirming with modification the Decision dated October 27, 2000 rendered by the Securities and Exchange Commission (SEC) which held as valid the removal of petitioners Ma. Victoria R. Pag-ong (Pag-ong) as director and Nectarina S. Raniel (Raniel) as director and corporate officer of Nephro Systems Dialysis Center (Nephro).

Petitioners first questioned their removal in SEC Case No. 02-98-5902 for Declaration of Nullity of the Illegal Acts of Respondents, Damages and Injunction. Petitioners, together with respondents Paul Jochico (Jochico), John Steffens and Surya Viriya, were incorporators and directors of Nephro, with Raniel acting as Corporate Secretary and Administrator. The conflict started when petitioners questioned respondents' plan to enter into a joint venture with the Butuan Doctors' Hospital and College, Inc. sometime in December 1997. Because of this, petitioners claim that respondents tried to compel them to waive and assign their shares with Nephro but they refused. Thereafter, Raniel sought an indefinite leave of absence due to stress, but this was denied by Jochico, as Nephro President. Raniel, nevertheless, did not report for work, causing Jochico to demand an explanation from her why she should not be removed as Administrator and Corporate Secretary. Raniel replied, expressing her sentiments over the disapproval of her request for leave and respondents' decision with regard to the Butuan venture.

On January 30, 1998, Jochico issued a Notice of Special Board Meeting on February 2, 1998. Despite receipt of the notice, petitioners did not attend the board meeting. In said meeting, the Board passed several resolutions ratifying the

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[1] Penned by Associate Justice Conchita Carpio Morales (now a member of this Court), with Associate Justices Martin S. Villarama, Jr. and Mariano C. Del Castillo, concurring; CA *rollo*, pp. 188-196.

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disapproval of Raniel's request for leave, dismissing her as Administrator of Nephro, declaring the position of Corporate Secretary vacant, appointing Otelio Jochico as the new Corporate Secretary and authorizing the call of a Special Stockholders' Meeting on February 16, 1998 for the purpose of the removal of petitioners as directors of Nephro.

Otelio Jochico issued the corresponding notices for the Special Stockholders' Meeting to be held on February 16, 1998 which were received by petitioners on February 2, 1998. Again, they did not attend the meeting. The stockholders who were present removed the petitioners as directors of Nephro. Thus, petitioners filed SEC Case No. 02-98-5902.

On October 27, 2000, the SEC rendered its Decision, the dispositive portion of which reads:

> WHEREFORE, the Commission so holds that complainants cannot be awarded the reliefs prayed for in reinstating Nectarina S. Raniel as secretary and administrator.
>
> The corporation acting thru its Board of Directors can validly remove its corporate officers, particularly complainant Nectarina S. Raniel as corporate secretary, treasurer and administrator of the Dialysis Clinic.
>
> Also, the Commission cannot grant the relief prayed for by complainants in restraining the respondents from interfering in the administration of the Dialysis Clinic owned by the corporation and the use of corporate funds.
>
> The administration of the Dialysis Clinic of the corporation and the use of corporate funds, rightfully belong to the officers of the corporation, which in this case are the respondents.
>
> The counterclaim of respondents to return or assign back the complainants' shares in favor of respondent Paul Jochico or his nominee is hereby denied for lack of merit.
>
> The respondents failed to show any clear and convincing evidence to rebut the presumption of the validity and truthfulness of documents submitted to the Commission in the grant of corporate license.
>
> The claim for attorney's fees and damages of both parties are likewise denied for lack of merit, as neither party should be punished

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for vindicating a right, which he/she believes should be protected or enforced.

SO ORDERED.[2]

Dissatisfied, petitioners filed a petition for review with the CA.

On April 30, 2002, the CA rendered the assailed Decision, with the following dispositive portion:

WHEREFORE, in light of the foregoing discussions, the appealed decision of the Securities and Exchange Commission is hereby AFFIRMED with the MODIFICATION that the renewal of petitioners as directors of Nephro is declared valid.

SO ORDERED.[3]

Respondents filed a Manifestation and Motion to Correct Typographical Error, stating that the term "renewal" as provided in the CA Decision should be "removal."[4] Petitioners, on the other hand, filed the present petition for review on *certiorari*.

On November 20, 2002, the CA issued a Resolution resolving to refrain from acting on all pending incidents before it in view of the filing of the petition with the Court.[5]

In the present petition, petitioners raised basically the same argument they had before the SEC and the CA, *i.e.*, their removal from Nephro was not valid.

Both the SEC and the CA held that Pag-ong's removal as director and Raniel's removal as director and officer of Nephro were valid. For its part, the SEC ruled that the Board of Directors had sufficient ground to remove Raniel as officer due to loss of trust and confidence, as her abrupt and unauthorized leave of absence exhibited her disregard of her responsibilities as an officer of the corporation and disrupted the operations of Nephro.

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[2] *Id*. at 58-59.

[3] *Id*. at 195.

[4] *Id*. at 197-198.

[5] *Id*. at 242.

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The SEC also held that the Special Board Meeting held on February 2, 1998 was valid and the resolutions adopted therein are binding on petitioners.[6]

The CA upheld the SEC's conclusions, adding further that the special stockholders' meeting on February 16, 1998 was likewise validly held. The CA also ruled that Pag-ong's removal as director of Nephro was justified as it was due to her "undenied delay in the release of Nephro's medical supplies from the warehouse of the Fly-High Brokerage where she was an officer, on top of her and her co-petitioner Raniel's absence from the aforementioned directors' and stockholders' meetings of Nephro despite due notice."[7]

It is well to stress the settled rule that the findings of fact of administrative bodies, such as the SEC, will not be interfered with by the courts in the absence of grave abuse of discretion on the part of said agencies, or unless the aforementioned findings are not supported by substantial evidence. They carry even more weight when affirmed by the CA.[8] Such findings are accorded not only great respect but even finality, and are binding upon this Court, unless it is shown that it had arbitrarily disregarded or misapprehended evidence before it to such an extent as to compel a contrary conclusion had such evidence been properly appreciated.[9] This rule is rooted in the doctrine that this Court is not a trier of facts, as well as in the respect to be accorded the determinations made by administrative bodies in general on matters falling within their respective fields of specialization or expertise.[10]

A review of the petition failed to demonstrate any reversible error committed by the two tribunals, hence, the petition must

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[6] *Rollo*, pp. 54-57.

[7] CA *rollo*, pp. 193-194.

[8] *Gala v. Ellice Agro-Industrial Corporation*, 463 Phil. 846, 859 (2003).

[9] *Industrial Refractories Corporation of the Philippines v. Court of Appeals*, 439 Phil. 36, 48 (2002).

[10] *Batangas Laguna Tayabas Bus Company, Inc. v. Bitanga*, 415 Phil. 43, 59 (2001).

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be denied. It does not present any argument which convinces the Court that the SEC and the CA made any misappreciation of the facts and the applicable laws such that their decisions should be overturned.

A corporation exercises its powers through its board of directors and/or its duly authorized officers and agents, except in instances where the Corporation Code requires stockholders' approval for certain specific acts.[11]

Based on Section 23 of the Corporation Code which provides:

SEC. 23. *The Board of Directors or Trustees*. Unless otherwise provided in this Code, the corporate powers of all corporations formed under this Code shall be exercised, all business conducted and all property of such corporations controlled and held by the board of directors or trustees x x x.

A corporation's board of directors is understood to be that body which (1) exercises all powers provided for under the Corporation Code; (2) conducts all business of the corporation; and (3) controls and holds all property of the corporation. Its members have been characterized as trustees or directors clothed with a fiduciary character.[12] Moreover, the directors may appoint officers and agents and **as incident to this power of appointment, they may discharge those appointed**.[13]

In this case, petitioner Raniel was removed as a corporate officer through the resolution of Nephro's Board of Directors adopted in a special meeting on February 2, 1998. As correctly ruled by the SEC, petitioners' removal was a valid exercise of the powers of Nephro's Board of Directors, *viz*.:

In the instant complaint, do respondents have sufficient grounds to cause the removal of Raniel from her positions as Corporate Secretary, Treasurer and Administrator of the Dialysis Clinic? Based

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[11] *Monfort Hermanos Agricultural Development Corporation v. Monfort III*, G.R. No. 152542, July 8, 2004, 434 SCRA 27, 31-32.

[12] *Hornilla v. Salunat*, 453 Phil. 108, 112 (2003).

[13] *Union Motors Corporation v. National Labor Relations Commission*, 373 Phil. 310, 320 (1999).

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on the facts proven during the hearing of this case, the answer is in the affirmative.

Raniel's letter of January 26, 1998 speaks for itself. Her request for an indefinite leave, immediately effective yet without prior notice, reveals a disregard of the critical responsibilities pertaining to the sensitive positions she held in the corporation. Prior to her hasty departure, Raniel did not make a proper turn-over of her duties and had to be expressly requested to hand over documents and records, including keys to the office and the cabinets (Exh. 15).

xxx xxx xxx

Since Raniel occupied all three positions in Nephro, it is not difficult to foresee the disruption that her immediate and indefinite absence can inflict on the operations of the company. By leaving abruptly, Raniel abandoned the positions she is now trying to reclaim. Raniel's actuation has been sufficiently proven to warrant loss of the Board's confidence.[14]

The SEC also correctly concluded that petitioner Raniel was removed as an officer of Nephro in compliance with established procedure, thus:

The resolutions of the Board dismissing complainant Raniel from her various positions in Nephro are valid. Notwithstanding the absence of complainants from the meeting, a quorum was validly constituted. x x x.

xxx xxx xxx

Based on its articles of incorporation, Nephro has five directors – two of the positions were occupied by complainants and the remaining three are held by respondents. This being the case, the presence of all three respondents in the Special Meeting of the Board on February 2, 1998 established a quorum for the conduct of business. The unanimous resolutions carried by the Board during such meeting are therefore valid and binding against complainants.

It bears emphasis that Raniel was given sufficient opportunity to be heard. Jochico's letters of January 26, 1998 and January 27, 1998, albeit adversarial, recognized her right to explain herself and gave her the chance to do so. In fact, Raniel did respond to Jochico's

[14] CA *rollo*, p. 54.

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letter on January 28, 1998 and took the occasion to voice her opinions about Jochico's alleged "practice of using others for your own benefit, without cost." (Exh. 14). Moreover, the Special Meeting of the Board could have been the appropriate venue for Raniel to air her side. Had Raniel decided to grace the meeting with her presence, she could have explained herself before the board and tried to convince them to allow her to keep her posts.[15]

Petitioners Raniel and Pag-ong's removal as members of Nephro's Board of Directors was likewise valid.

Only stockholders or members have the power to remove the directors or trustees elected by them, as laid down in *Section 28 of the Corporation Code*,[16] which provides in part:

SEC. 28. *Removal of directors or trustees*. — **Any director or trustee of a corporation may be removed from office by a vote of the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock**, or if the corporation be a non-stock corporation, by a vote of at least two-thirds (2/3) of the members entitled to vote: *Provided*, that such removal shall take place either at a regular meeting of the corporation or at a special meeting called for the purpose, and in either case, after previous notice to stockholders or members of the corporation of the intention to propose such removal at the meeting. A special meeting of the stockholders or members of a corporation for the purpose of removal of directors or trustees or any of them, must be called by the secretary on order of the president or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock, or if it be a non-stock corporation, on the written demand of a majority of the members entitled to vote. x x x Notice of the time and place of such meeting, as well as of the intention to propose such removal, must be given by publication or by written notice as prescribed in this Code. x x x **Removal may be with or without cause:** *Provided*, That removal without cause may not be used to deprive minority stockholders or members of the right of representation to which they may be entitled under Section 24 of this Code. (Emphasis supplied)

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[15] *Id*. at 57.

[16] CAMPOS AND CAMPOS, *THE CORPORATION CODE, COMMENTS, NOTES AND SELECTED CASES*, 1991 ed., p. 465.

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Petitioners do not dispute that the stockholders' meeting was held in accordance with Nephro's By-Laws. The ownership ofNephro's outstanding capital stock is distributed as follows: Jochico - 200 shares; Steffens - 100 shares; Viriya - 100 shares; Raniel - 75 shares; and Pag-ong - 25 shares,[17] or a total of 500 shares. A two-thirds vote of Nephro's outstanding capital stock would be 333.33 shares, and during the Stockholders' Special Meeting held on February 16, 1998, 400 shares voted for petitioners' removal. Said number of votes is more than enough to oust petitioners from their respective positions as members of the board, with or without cause.

Verily therefore, there is no cogent reason to grant the present petition.

WHEREFORE, the petition is *DENIED* for lack of merit.

SO ORDERED.

Ynares-Santiago (Chairperson), Chico-Nazario, and *Nachura, JJ.,* concur.

Callejo, Sr., J., on leave.

THIRD DIVISION

[G.R. No. 153456. March 2, 2007]

ROBERTO PADUA, *petitioner, vs.* **THE HON. COURT OF APPEALS, ATTY. DELFIN B. SAMSON, DEPARTMENT OF AGRARIAN REFORM, and MR. TEOFILO INOCENCIO,**[*] *respondents.*

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[17] CA *rollo,* Annex "A", p. 30.

[*] Provincial Agrarian Reform Officer. The private respondents, as mentioned in the test of the Petition for Review on *Certiorari* are Pepito dela Cruz,