Supreme Court E-Library

THIRD DIVISION

[G.R. No. 117079. February 22, 2000]

PILIPINAS BANK, *petitioner, vs.* **COURT OF APPEALS and RICARDO C. SILVERIO, SR.,** *respondents.*

SYNOPSIS

The Court of Appeals affirmed the Decision of the Regional Trial Court of Makati to dismiss the complaint for sum of money filed by petitioner Pilipinas Bank against private respondent Ricardo C. Silverio. The basis of the dismissal was that it involved an intra-corporate controversy between a corporation and its stockholder based on admissions made by the petitioner in the Answer to Request for Admission filed by Silverio wherein petitioner admitted that Silverio was a stockholder of petitioner who instituted a case before the Securities and Exchange Commission to compel them to allow Silverio and his group to repurchase his preferred stock in Pilipinas Bank, and that Silverio's capital infusion of ₱25,000,000.00 credited to paid-in surplus in its books, but was written off against losses of the petitioner. Petitioner then insisted that the action was just simple money claims and that without any averment of fraud or misrepresentation committed by the corporations involved, are cognizable by the ordinary courts. Silverio, on the other hand, contended that the SEC should exercise jurisdiction over the case, pointing out that although the case was a simple collection case, it involves other issues arising from intra-corporate controversies, taking into account the pending cases he had filed against petitioner before the SEC to cancel the write-off of ₱25,000,000.00 against old accounts including the loans subject of this petition.

This Court ruled that the case under consideration involves intra-corporate matters. The answer of petitioner to the "Request for Admission" of respondent Silverio, Sr. unequivocally admitted the existence of other cases between the parties before the SEC, concerning the write off by petitioner of the equity interests of respondent Silverio, Sr. who is seeking to regain control of Pilipinas Bank.

Supreme Court E-Library

SYLLABUS

1. **COMMERCIAL LAW; SECURITIES AND EXCHANGE COMMISSION; JURISDICTION; LIMITED TO MATTERS INTRINSICALLY CONNECTED WITH THE REGULATION OF CORPORATIONS, PARTNERSHIPS AND ASSOCIATIONS AND THOSE DEALING WITH THE INTERNAL AFFAIRS THEREOF.** — The persistent confusion concerning the original and exclusive jurisdiction of the SEC has been clarified as early as November 28, 1983, in the case of *Union Glass and Container Corporation, et al. vs. SEC, et al.*, where the Court said: "This grant of jurisdiction must be viewed in the light of the nature and function of the SEC under the law. Section 3 of PD No. 902-A confers upon the latter 'absolute jurisdiction, supervision and control over all corporations, partnerships or associations, who are grantees of primary franchise and/or license or permit issued by the government to operate in the Philippines x x x.' The principal function of the SEC is the supervision and control over corporations, partnerships and associations with the end in view that investment in these entities may be encouraged and protected, and their activities pursued for the promotion of economic development. It is in aid of this office that the adjudicative power of the SEC must be exercised. Thus the law explicitly specified and delimited its jurisdiction to matters intrinsically connected with the regulation of corporations, partnerships and associations and those dealing with the internal affairs of such corporations, partnerships or associations. Otherwise stated, in order that the SEC can take cognizance of a case, the controversy must pertain to any of the following relationships: [a] between the corporation, partnership or association and the public; [b] between the corporation, partnership or association and its stockholders, partners, members or officers; [c] between the corporation, partnership or association and the state in so far as its franchise, permit or license to operate is concerned; and [d] among the stockholders, partners or associates themselves." (cited in *Macapalan vs. Katalbas-Moscardon, supra*, p. 53)

2. **ID.; ID.; ID.; INCLUDES ACTION INSTITUTED BY CORPORATION FOR COLLECTION OF LOAN FROM A STOCKHOLDER WHO SEEKS TO RECOVER A PAID-IN**

Supreme Court E-Library

SURPLUS WHICH WAS WRITTEN OFF BY THE CORPORATION; CASE AT BAR. — There is no question that the present case instituted by petitioner to collect loans amounting to about Four Million (₱4,000,000.00) Pesos obtained by Silverio, who seeks to recover his Twenty Five Million Peso-deposit in paid-in surplus which was written off by petitioner, is an intra-corporate controversy or dispute arising from intra-corporate relations. Considering the relationship of the parties and subject matter of their controversy, jurisdiction of SEC over the case is beyond cavil. Questions which arise, such as: whether the loans obtained by Silverio were in his personal capacity or as accommodation, he having been the majority stockholder of the bank, and whether the write-off was applied for Silverio's loan accounts or for a proportionate reduction of his equity, call for an investigation of specific matters within the exclusive competence and authority of the SEC to pass upon. x x x Here, it is decisively clear that the case under consideration involves intra-corporate matters. The Answer of petitioner to the "Request for Admission" of respondent Silverio, Sr. unequivocally admitted the existence of other cases between the parties before the SEC, concerning the write off by petitioner of the equity interests of respondent Silverio, Sr. who is seeking to regain control of Pilipinas Bank. All things studiedly viewed in proper perspective the Court is of the irresistible conclusion that jurisdiction over the case is with the SEC, which has the expertise and technical know-how to pass upon the same.

3. **REMEDIAL LAW; JURISDICTION; FACTORS FOR DETERMINATION THEREOF.** — It bears reiterating that the better policy in determining which body has jurisdiction over a case is to consider not only the status or relationship of the parties but also the nature of the question that is the subject of their controversy. What determine the nature of an action, and which court has jurisdiction thereover, are the averments of the complaint or petition, and the essence of the relief prayed for.

4. **ID.; ID.; ID.; CANNOT BE MADE TO DEPEND ON THE EXCLUSIVE CHARACTERIZATION OF THE CASE BY ONE OF THE PARTIES.** — In *Andaya vs. Abadia,* this Court had occasion to rule that jurisdiction cannot be made to depend on the exclusive characterization of the case by one of the parties.

Supreme Court E-Library

In sustaining the court *a quo's* dismissal of the case for lack of jurisdiction, this Court observed that what petitioner filed with the trial court against the respondents therein was an intra-corporate case under the guise of an action for injunction and damages. The causes of action alleged in the complaint for damages clearly arose from corporate wrongs. Thus, the Court said: "The allegations against herein respondents in the amended complaint unquestionably reveal intra-corporate controversies cleverly concealed, although unsuccessfully, by use of civil law terms and phrases. The amended complaint impleads herein respondents who, in their capacity as directors of AFPSLAI, allegedly convened an illegal meeting and voted for the reorganization of management resulting in petitioner's ouster as corporate officer. While it may be said that the same corporate acts also give rise to civil liability for damages, it does not follow that the case is necessarily taken out of the jurisdiction of the SEC as it may award damages which can be considered consequential in the exercise of its adjudicative powers. Besides, incidental issues that properly fall within the authority of a tribunal may also be considered by it to avoid multiplicity of actions."

5. COMMERCIAL LAW; SECURITIES AND EXCHANGE COMMISSION; JURISDICTION; *BOMAN ENVIRONMENTAL DEV'T. CORP. VS. COURT OF APPEALS*; APPLICABLE IN CASE AT BAR. — The Court agrees with the observation by the Court of Appeals that the case of *Boman Environmental Dev't. Corporation vs. Court of Appeals* is analogous to petitioner's cause of action and therefore, applicable here. The said case, which this Court pronounced as falling within the original and exclusive jurisdiction of the SEC, involved an action brought by a corporate director against the corporation, to complete payment of consideration for the purchase of the former's shares of stock and interests in the corporation. In that case, this Court said: "This case involves an intra-corporate controversy because the parties are a stockholder and the corporation. As correctly observed by the trial court, the perfection of the agreement to sell Fajilan's participation and interests in BEDECO and the execution of the promissory note for payment of the price of the sale did not remove the dispute from the coverage of Section 5 (b) of P.D. No. 902, as amended,

Supreme Court E-Library

for both the said agreement (Annex C) and the promissory note (Annex D) arose from intra-corporate relations. Indeed, all the signatories of both documents were stockholders of the corporation at the time of signing the same. It was an intra-corporate transaction, hence, this suit is an intra-corporate controversy. x x x x x x x x x Fajilan's suit against the corporation to enforce the latter's promissory note or compel the corporation to pay for his shareholdings is cognizable by the SEC alone which shall determine whether such payment will not constitute a distribution of corporate assets to a stockholder in preference over creditors of the corporation. The SEC has exclusive supervision, control and regulatory jurisdiction to investigate whether the corporation has unrestricted retained earnings to cover the payment for the shares, and whether the purchase is for a legitimate corporate purpose as provided in Sections 41 and 122 of the Corporation Code x x x."

APPEARANCES OF COUNSEL

Gella, Danguilan, Ferrer, Samson & Associates for petitioner.

Marcelo P. Villanueva for private respondent.

D E C I S I O N

PURISIMA, *J.*:

This is a petition for review under Rule 45 of the decision of the Court of Appeals in CA-G.R. SP No. 33704 which affirmed the decision of Branch 65 of the Regional Trial Court of Makati dismissing the collection case instituted by Pilipinas Bank (petitioner) against one of its stockholders on the ground of lack of jurisdiction.

From the records on hand, the antecedent facts can be gleaned as follows:

On June 19, 1991, Pilipinas Bank (petitioner) filed a Complaint For Sum of Money against private respondent Ricardo C. Silverio, Sr. (Silverio), docketed as Civil Case No. 91-1718 entitled

Supreme Court E-Library

"Pilipinas Bank vs. Ricardo C. Silverio, Sr.," and docketed as Civil Case No. 91-1718, to secure payment of two loans he obtained from petitioner in 1981, in the total amount of Four Million Six Hundred Eighty-Eight Thousand Two Hundred Thirty-Three and 71/100 (₱4,688,233.71) Pesos, when he was its majority stockholder.

As special and affirmative defenses, Silverio theorized, among others, that the Securities and Exchange Commission (SEC) and not the regular courts, has jurisdiction over the suit which involves an intra-corporate controversy between a corporation and its stockholder; that there is another case pending between the same parties for the same cause, entitled *"Ricardo C. Silverio, Sr. vs. Philippine National Bank, Asset Privatization Trust, Committee on Privatization, Prudential Bank, Pilipinas Bank and Domingo Santiago, etc."* and docketed as SEC Case No. 03303, wherein the claim of petitioner may be pleaded or set forth and that the obligation sued upon had been extinguished and/or waived.

The parties having failed to hammer out an amicable settlement during the pre-trial, the petitioner presented its evidence. On November 26, 1992, after petitioner rested its case, Silverio served a Request for Admission, which was answered by petitioner.

In Answer to Silverio's Request for Admission, petitioner admitted that Silverio was a stockholder of petitioner who instituted a case for Specific Performance, Breach of Contract, Annulment of Sale, Injunction and/or Prohibition and Damages before the SEC (SEC Case No. 03383, entitled *"Ricardo C. Silverio, Sr. vs. Philippine National Bank, Asset Privatization Trust, Committee on Privatization, Prudential Bank, Pilipinas Bank and Domingo Santiago, etc."*) to compel the above-named respondents to comply with the Agreement of March 21, 1980 to allow Silverio and his group to repurchase his (Silverio's) preferred stock in Pilipinas Bank now held by the Philippine National Bank (PNB). Petitioner likewise admitted Silverio's capital infusion of Twenty Five Million (₱25,000,000.00)

Supreme Court E-Library

Pesos credited to paid-in surplus in its books, but the same was written off against losses of the petitioner, in the same way equities of other old stockholders were proportionately written off, pursuant to Monetary Board Resolution 595 of the Central Bank of the Philippines, now Banko Sentral ng Pilipinas.[1]

On the basis of such admissions, Silverio presented a Motion to Dismiss and/or Suspend Proceedings.

In its Resolution, dated October 26, 1993, the lower court granted the Motion to Dismiss and/or Suspend Proceedings and on February 28, 1994, denied petitioner's motion for reconsideration.

Dissatisfied with the aforesaid Orders, the petitioner filed a petition for *certiorari* with the Court of Appeals. Docketed as CA-G.R. No. 33704, on July 26, 1994 the Court of Appeals came out with a decision dismissing the petition on a finding that the collection case was an intra-corporate controversy between a corporation and a stockholder.

The Court of Appeals anchored the said disposition on Section 5, subsection (b) of P.D. No. 902-A, which provides:

"Sec. 5. — In addition to the regulatory and adjudicative functions of the Securities and Exchange Commission over corporations, partnerships and other forms of associations registered with it as expressly granted under existing laws and decrees, it shall have original and exclusive jurisdiction to hear and decide cases involving:

x x x x x x x x x

b) Controversies arising out of intra-corporate or partnership relations, between and among stockholders, members, or associates; between any and/or all of them and the corporation, partnership or association of which they are stockholders, members or associates, respectively; and between such corporation, partnership or association and the state insofar as it concerns their individual franchise or right to exist as such entity";

---

[1] *Rollo*, p. 90.

Supreme Court E-Library

Petitioner's motion for reconsideration met the same fate. It was denied.

Undaunted, petitioner has come before this Court via the present petition, posing as pivotal issue — whether it is the regular court or the SEC that has jurisdiction over the controversy at bar.

Petitioner invokes the ruling in the case of *Viray vs. Court of Appeals*,[2] where this Court held that the establishment of the relationship between a stockholder and corporation in a dispute does not necessarily vest jurisdiction thereover in the SEC. The Court thus ruled:

"The establishment of any of the relationships mentioned in Union will not necessarily always confer jurisdiction over the dispute on the SEC to the exclusion of the regular courts. The statement made in one case that the rule admits of no exceptions or distinctions is not that absolute. The better policy in determining which body has jurisdiction over a case would be to consider not only the status or relationship of the parties but also the nature of the question that is the subject of their controversy."

Petitioner also placed reliance on the more recent case of *Macapalan vs. Katalbas-Moscardon*,[3] where it was held that simple money claims, without any averment of fraud or misrepresentation committed by the corporations involved, are cognizable by the ordinary courts:

"In order to ascertain the nature of the question that is the subject of the controversy, we have to rely on the allegations of the complaint, the truth of which is to be theoretically admitted in considering the motion to dismiss.

In the present case, we do not find it necessary to resort to the expertise of the SEC. Petitioner's complaint for annulment of the real estate mortgage and foreclosure sale with preliminary injunction is an ordinary civil litigation, beyond the jurisdiction of the SEC. It is

---

[2] 191 SCRA 308, p. 322 [1990].

[3] 227 SCRA 49, p. 54 [1993].

Supreme Court E-Library

true that the trend is towards vesting administrative bodies like the SEC with the power to adjudicate matters coming under their particular specialization, to insure a more knowledgeable solution of the problems submitted to them. This would also relieve the regular courts of a substantial number of cases that would otherwise swell their already clogged dockets. But as expedient as this policy may be, it should not deprive the courts of justice of their power to decide ordinary cases in accordance with the general laws that do not require any particular expertise or training to interpret and apply. Otherwise, the creeping take-over by the administrative agencies of the judicial power vested in the courts would render the judiciary virtually impotent in the discharge of the duties assigned to it by the Constitution."

Silverio, on the other hand, contended that SEC should exercise jurisdiction over the case, pointing out that although dubbed a simple collection case, the case involves other issues arising from intra-corporate controversies, taking into account the pending cases he had filed against petitioner before the SEC to cancel the write-off of Twenty Five Million (₱25,000,000.00) Pesos against old accounts, including the loans subject of this petition, and to restore the same in the books of petitioner as paid-in surplus (docketed as SEC Case No. 04262); and to allow him (Silverio) to exercise his option to buy back his shares and obtain control of Pilipinas Bank (docketed as SEC Case No. 03383).

The persistent confusion concerning the original and exclusive jurisdiction of the SEC has been clarified as early as November 28, 1983, in the case of *Union Glass and Container Corporation, et al. vs. SEC, et al.*, where the Court said:

"This grant of jurisdiction must be viewed in the light of the nature and function of the SEC under the law. Section 3 of PD No. 902-A confers upon the latter 'absolute jurisdiction, supervision and control over all corporations, partnerships or associations, who are grantees of primary franchise and/or license or permit issued by the government to operate in the Philippines x x x.' The principal function of the SEC is the supervision and control over corporations, partnerships and associations with the end in view that investment in these entities may be encouraged and protected, and their activities pursued for the promotion of economic development.

Supreme Court E-Library

It is in aid of this office that the adjudicative power of the SEC must be exercised. Thus the law explicitly specified and delimited its jurisdiction to matters intrinsically connected with the regulation of corporations, partnerships and associations and those dealing with the internal affairs of such corporations, partnerships or associations.

Otherwise stated, in order that the SEC can take cognizance of a case, the controversy must pertain to any of the following relationships:

[a] between the corporation, partnership or association and the public; [b] between the corporation, partnership or association and its stockholders, partners, members or officers; [c] between the corporation, partnership or association and the state in so far as its franchise, permit or license to operate is concerned; and [d] among the stockholders, partners or associates themselves." (cited in *Macapalan vs. Katalbas-Moscardon, supra*, p. 53)

There is no question that the present case instituted by petitioner to collect loans amounting to about Four Million (₱4,000,000.00) Pesos obtained by Silverio, who seeks to recover his Twenty Five Million Peso-deposit in paid-in surplus which was written off by petitioner, is an intra-corporate controversy or dispute arising from intra-corporate relations.

Considering the relationship of the parties and subject matter of their controversy, jurisdiction of SEC over the case is beyond cavil. Questions which arise, such as: whether the loans obtained by Silverio were in his personal capacity or as accommodation, he having been the majority stockholder of the bank, and whether the write-off was applied for Silverio's loan accounts or for a proportionate reduction of his equity, call for an investigation of specific matters within the exclusive competence and authority of the SEC to pass upon.

It bears reiterating that the better policy in determining which body has jurisdiction over a case is to consider not only the status or relationship of the parties but also the nature of the question that is the subject of their controversy.[4]

---

[4] *Bernardo, Sr. vs. Court of Appeals*, 263 SCRA 660, p. 675 [1996].

Supreme Court E-Library

What determine the nature of an action, and which court has jurisdiction thereover, are the averments of the complaint or petition, and the essence of the relief prayed for.[5]

Here, it is decisively clear that the case under consideration involves intra-corporate matters. The Answer of petitioner to the "Request for Admission" of respondent Silverio, Sr. unequivocally admitted the existence of other cases between the parties before the SEC, concerning the write off by petitioner of the equity interests of respondent Silverio, Sr., who is seeking to regain control of Pilipinas Bank. All things studiedly viewed in proper perspective, the Court is of the irresistible conclusion that jurisdiction over the case is with the SEC, which has the expertise and technical know-how to pass upon the same.[6]

In *Andaya vs. Abadia*,[7] this Court had occasion to rule that jurisdiction cannot be made to depend on the exclusive characterization of the case by one of the parties. In sustaining the court *a quo's* dismissal of the case for lack of jurisdiction, this Court observed that what petitioner filed with the trial court against the respondents therein was an intra-corporate case under the guise of an action for injunction and damages. The causes of action alleged in the complaint for damages clearly arose from corporate wrongs. Thus, the Court said:

"The allegations against herein respondents in the amended complaint unquestionably reveal intra-corporate controversies cleverly concealed, although unsuccessfully, by use of civil law terms and phrases. The amended complaint impleads herein respondents who, in their capacity as directors of AFPSLAI, allegedly convened an illegal meeting and voted for the reorganization of management resulting in petitioner's ouster as corporate officer. While it may be said that the same corporate acts also give rise to civil liability for damages, it does not follow that the case is necessarily taken out of the jurisdiction of the SEC as it may award damages which can be considered consequential in the exercise of its adjudicative powers.

---

[5] *Union Bank of the Philippines vs. Court of Appeals*, 290 SCRA 198 [1998].

[6] *Viray vs. Court of Appeals, supra*, p. 318.

[7] 228 SCRA 709 [1993].

Supreme Court E-Library

Besides, incidental issues that properly fall within the authority of a tribunal may also be considered by it to avoid multiplicity of actions."[8]

The Court agrees with the observation by the Court of Appeals that the case of *Boman Environmental Dev't. Corporation vs. Court of Appeals*[9] is analogous to petitioner's cause of action and therefore, applicable here. The said case, which this Court pronounced as falling within the original and exclusive jurisdiction of the SEC, involved an action brought by a corporate director against the corporation, to complete payment of consideration for the purchase of the former's shares of stock and interests in the corporation. In that case, this Court said:

"This case involves an intra-corporate controversy because the parties are a stockholder and the corporation. As correctly observed by the trial court, the perfection of the agreement to sell Fajilan's participation and interests in BEDECO and the execution of the promissory note for payment of the price of the sale did not remove the dispute from the coverage of Section 5 (b) of P.D. No. 902, as amended, for both the said agreement (Annex C) and the promissory note (Annex D) arose from intra-corporate relations. Indeed, all the signatories of both documents were stockholders of the corporation at the time of signing the same. It was an intra-corporate transaction, hence, this suit is an intra-corporate controversy.

x x x x x x x x x

Fajilan's suit against the corporation to enforce the latter's promissory note or compel the corporation to pay for his shareholdings is cognizable by the SEC alone which shall determine whether such payment will not constitute a distribution of corporate assets to a stockholder in preference over creditors of the corporation. The SEC has exclusive supervision, control and regulatory jurisdiction to investigate whether the corporation has unrestricted retained earnings to cover the payment for the shares, and whether the purchase is for a legitimate corporate purpose as provided in Sections 41 and 122 of the Corporation Code x x ."[10]

---

[8] *Ibid*, p. 711.

[9] 167 SCRA 540, [1988].

[10] *Ibid*, pp. 546-547.

Supreme Court E-Library

WHEREFORE, the petition is *DENIED* and the assailed decision of the Court of Appeals in CA-G.R. SP No. 33704 *AFFIRMED*. No pronouncement as to costs.

SO ORDERED.

Melo (Chairman), Vitug, Panganiban, and *Gonzaga-Reyes, JJ.*, concur.

THIRD DIVISION

[G.R. No. 124706. February 22, 2000]

PEOPLE OF THE PHILIPPINES, *plaintiff-appellee, vs.* **CARLITO EREÑO *y* AYSON,** *accused-appellant.*

SYNOPSIS

On June 21, 1995, at 9:30 in the evening, Rosanna Honrubia was at N. Domingo Street, Tangos, Navotas, Metro Manila, supervising and helping in a work being done on the busted electric line. While Rosanna was holding the flashlight, accused Carlito Ereño took from her the flashlight and brought it to the interior of the place. Rosanna followed him and retook the flashlight. A heated argument between them ensued which made Rosanna to move to a place known as "Bato." Ereño followed her and their argument continued. All of a sudden, Ereño stood up and drew a bladed weapon and stabbed Rosanna at the back. Rosanna ran away, but she stumbled and Ereño was able to catch up with her. Then, he held Rosanna by her hair and stabbed her twice at the chest which caused her untimely death. Shortly after Ereño fled from the scene, SPO1 Benjamin Bacunata arrested him and he was detained at the police jail. He was charged with murder. During the trial, he denied killing Rosanna and he claimed instead that she was stabbed to death by another person. The court *a quo* convicted him of the crime charged