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SECOND DIVISION

[G.R. No. 96674. June 26, 1992]

RURAL BANK OF SALINAS, INC., MANUEL SALUD, LUZVIMINDA TRIAS and FRANCISCO TRIAS, *petitioners, vs.* **COURT OF APPEALS,[*] SECURITIES AND EXCHANGE COMMISSION, MELANIA A. GUERRERO, LUZ ANDICO, WILHELMINA G. ROSALES, FRANCISCO M. GUERRERO, JR., and FRANCISCO GUERRERO, SR.,** *respondents.*

SYLLABUS

1. COMMERCIAL LAW; SECURITIES AND EXCHANGE COMMISSION; ORIGINAL AND EXCLUSIVE JURISDICTION INVOLVING INTRACORPORATE CONTROVERSIES; CONSTRUED.— Section 5 (b) of P.D. No. 902-A grants to the SEC the original and exclusive jurisdiction to hear and decide cases involving intracorporate controversies. An intracorporate controversy has been defined as one which arises between a stockholder and the corporation. There is no distinction, qualification, nor any exception whatsoever. The case at bar involves shares of stock, their registration, cancellation and issuances thereof by petitioner Rural Bank of Salinas. It is therefore within the power of respondent SEC to adjudicate.

2. ID.; CORPORATIONS; SHARES OF STOCK; RIGHT OF THE HOLDER TO TRANSFER SHARES OF STOCK; LIMITATION.— Respondent SEC correctly ruled in favor of the registering of the shares of stock in question in private respondent's names. Such ruling finds support under Section 63 of the Corporation Code, to wit: "SEC. 63 . . . 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 . . ."

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[*] Penned by Associate Justice Segundino G. Chua and concurred in by Associate Justices Serafin E. Camilon and Justo P. Torres, Jr.

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3. ID.; ID.; ID.; ID.; NO RESTRICTION CAN BE IMPOSED THERETO.— In the case of *Fleischer vs. Botica Nolasco*, 47 Phil. 583, the Court interpreted Sec. 63 in this wise: "Said Section (Sec. 35 of Act 1459, [now Sec. 63 of the Corporation Code]) contemplates no restriction as to whom the stocks may be transferred. It does not suggest that any discrimination may be created by the corporation in favor of, or against a certain purchaser. The owner of shares, as owner of personal property, is at liberty, under said section to dispose them in favor of whomever he pleases, without limitation in this respect, than the general provisions of law . . . The only limitation imposed by Section 63 of the Corporation Code is when the corporation holds any unpaid claim against the shares intended to be transferred, which is absent here. A corporation, either by its board, its by-laws, or the act of its officers, cannot create restrictions in stock transfers, because: "x x x Restrictions in the traffic of stock must have their source in legislative enactment, as the corporation itself cannot create such impediment. By-laws are intended merely for the protection of the corporation, and prescribe regulation, not restriction; they are always subject to the corporation, in the absence of such power, cannot ordinarily inquire into or pass upon the legality of the transactions by which its stock passes from one person to another, nor can it question the consideration upon which a sale is based x x x."

4. ID.; ID.; ID.; DUTY OF THE CORPORATION TO REGISTER THE TRANSFER THEREOF IS PURELY MINISTERIAL; *MANDAMUS* WILL LIE IN CASE OF REFUSAL THEREOF.— The right of a transferee/assignee to have stocks transferred to his name is an inherent right flowing from his ownership of the stocks. Thus: "Whenever a corporation refuses to transfer and register stock in cases like the present, *mandamus* will be to compel the officers of the corporation to transfer said stock in the books of the corporation". The corporation's obligation to register is ministerial. "In transferring stock, the secretary of a corporation acts in purely ministerial capacity, and does not try to decide the question of ownership." "The duty of the corporation to transfer is a ministerial one and if it refuses to make such transaction without good cause, it may be compelled to do so by *mandamus*."

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APPEARANCES OF COUNSEL

Balgos & Perez for petitioners.

Bayani L. Bernardo Law Office for private respondents.

D E C I S I O N

PARAS, *J.*:

The basic controversy in this case is whether or not the respondent court erred in sustaining the Securities and Exchange Commission when it compelled by *Mandamus* the Rural Bank of Salinas to register in its stock and transfer book the transfer of 473 shares of stock to private respondents. Petitioners maintain that the Petition for Mandamus should have been denied upon the following grounds:

(1) *Mandamus* cannot be a remedy cognizable by the Securities and Exchange Commission when the purpose is to register certificates of stock in the names of claimants who are not yet stockholders of a corporation:

(2) There exist valid reasons for refusing to register the transfer of the subject of stock, namely:

(a) a pending controversy over the ownership of the certificates of stock with the Regional Trial Court:

(b) claims that the Deeds of Assignment covering the subject certificates of stock were fictitious and antedated, and

(c) claims on a resultant possible deprivation of inheritance share in relation with a conflicting claim over the subject certificates of stock.

The facts are not disputed.

On June 10, 1979, Clemente G. Guerrero, President of the Rural Bank of Salinas, Inc., executed a *Special Power of Attorney* in favor of his wife, private respondent Melania Guerrero, giving and granting the latter full power and authority to sell or otherwise dispose of and/or mortgage 473 shares of stock of the Bank

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registered in his name (represented by the Bank's stock certificates nos. 26, 49 and 65), to execute the proper documents therefor, and to receive and sign receipts for the dispositions.

On February 27, 1980, and pursuant to said Special Power of Attorney, private respondent Melania Guerrero, as Attorney-in-Fact, executed a *Deed of Assignment* for 472 shares out of the 473 shares, in favor of private respondents Luz Andico (457 shares), Wilhelmina Rosales (10 shares) and Francisco Guerrero, Jr. (5 shares).

Almost four months later, or two (2) days before the death of Clemente Guerrero on June 24, 1980, private respondent Melania Guerrero, pursuant to the same Special Power of Attorney, executed a *Deed of Assignment* for the remaining one (1) share of stock in favor of private respondent Francisco Guerrero, Sr.

Subsequently, private respondent Melania Guerrero presented to petitioner Rural Bank of Salinas the two (2) Deeds of Assignment for registration with a request for the transfer in the Bank's stock and transfer book of the 473 shares of stock so assigned, the cancellation of stock certificates in the name of Clemente G. Guerrero, and the issuance of new stock certificates covering the transferred shares of stocks in the name of the new owners thereof. However, petitioner Bank denied the request of respondent Melania Guerrero.

On December 5, 1980, private respondent Melania Guerrero filed with the Securities and Exchange Commission (SEC) an action for *mandamus* against petitioners Rural Bank of Salinas, its President and Corporate Secretary. The case was docketed as SEC Case No. 1979.

Petitioners filed their Answer with counterclaim on December 19, 1980 alleging that upon the death of Clemente G. Guerrero, his 473 shares of stock became the property of his estate, and his property and that of his widow should first be settled and liquidated in accordance with law before any distribution can be effected so that petitioners may not be a party to any scheme to evade payment of estate or inheritance tax and in order to

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avoid liability to any third persons or creditors of the late Clemente G. Guerrero.

On January 29, 1981, a motion for intervention was filed by Maripol Guerrero, a legally adopted daughter of the late Clemente G. Guerrero and private respondent Melania Guerrero, who stated therein that on November 26, 1980 (almost two weeks before the filing of the Petition for *Mandamus*) a Petition for the administrator of the estate of the late Clemente G. Guerrero had been filed with the Regional Trial Court, Pasig, Branch XI, docketed as Special Proceedings No. 9400. Maripol Guerrero further claimed that the Deeds of Assignment for the subject shares of stock are fictitious and antedated; that said conveyances are donations since the considerations therefor are below the book value of the shares, the assignees/private respondents being close relatives of private respondent Melania Guerrero; and that the transfer of the shares in question to assignees/private respondents, other than private respondent Melania Guerrero, would deprive her (Maripol Guerrero) of her rightful share in the inheritance. The SEC hearing officer denied the Motion for Intervention for lack of merit. On appeal, the SEC *En Banc* affirmed the decision of the hearing officer.

Intervenor Guerrero filed a complaint before the then Court of First Instance of Rizal, Quezon City Branch, against private respondents for the annulment of the Deeds of Assignment, docketed as Civil Case No. Q-32050. Petitioners, on the other hand, filed a Motion to Dismiss and/or to Suspend Hearing of SEC Case No. 1979 until after the question of whether the subject Deeds of Assignment are fictitious, void or simulated is resolved in Civil Case No. Q-32050. The SEC Hearing Officer denied said motion.

On December 10, 1984, the SEC Hearing Officer rendered a Decision granting the writ of *Mandamus* prayed for by the private respondents and directing petitioners to cancel stock certificates nos. 26, 49 and 65 of the Bank, all in the name of Clemente G. Guerrero, and to issue new certificates in the names of private respondents, except Melania Guerrero. The dispositive portion of the decision reads:

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"WHEREFORE, judgment is hereby rendered in favor of the petitioner and against the respondents, directing the latter, particularly the corporate secretary of respondent Rural Bank of Salinas, Inc. to register in the latter's Stock and Transfer Book the transfer of 473 shares of stock of respondent Bank and to cancel Stock Certificate Nos. 26, 49 and 65 and issue new Stock Certificates covering the transferred shares in favor of petitioners, as follows:

1. Luz Andico ..... 457 shares
2. Wilhelmina Rosales ..... 10 shares
3. Francisco Guerrero, Jr. ..... 5 shares
4. Francisco Guerrero, Sr. ..... 1 share

and to pay to the above-named petitioners, the dividends for said shares corresponding to the years 1981, 1982, 1983 and 1984 without interest.

No pronouncement as to costs.

SO ORDERED." (p. 88, *Rollo*)

On appeal, the SEC *En Banc* affirmed the decision of the Hearing Officer. Petitioner filed a petition for review with the Court of Appeals but said Court likewise affirmed the decision of the SEC.

We rule in favor of the respondents.

Section 5 (b) of P.D. No. 902-A grants to the SEC the original and exclusive jurisdiction to hear and decide cases involving intracorporate controversies. An intracorporate controversy has been defined as one which arises between a stockholder and the corporation. There is no distinction, qualification, nor any exception whatsoever (*Rivera vs. Florendo*, 144 SCRA 643 [1986]). The case at bar involves shares of stock, their registration, cancellation and issuances thereof by petitioner Rural Bank of Salinas. It is therefore within the power of respondent SEC to adjudicate.

Respondent SEC correctly ruled in favor of the registering of the shares of stock in question in private respondent's names.

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Such ruling finds support under Section 63 of the Corporation Code, to wit:

"SEC. 63 x x x 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 x x x."

In the case of *Fleisher vs. Botica Nolasco*, 47 Phil. 583, the Court interpreted Sec. 63 in this wise:

"Said Section (Sec. 35 of Act 1459, [now Sec. 63 of the Corporation Code]) contemplates no restriction as to whom the stocks may be transferred. It does not suggest that any discrimination may be created by the corporation in favor of, or against a certain purchaser. The owner of shares, as owner of personal property, is at liberty, under said section to dispose them in favor of whomever he pleases, without limitation in this respect, than the general provisions of law. x x x

The only limitation imposed by Section 63 of the Corporation Code is when the corporation holds any unpaid claim against the shares intended to be transferred, which is absent here.

A corporation, either by its board, its by-laws, or the act of its officers, cannot create restrictions in stock transfers, because:

"x x x Restrictions in the traffic of stock must have their source in legislative enactment, as the corporation itself cannot create such impediment. By-laws are intended merely for the protection of the corporation, and prescribe regulation, not restriction; they are always subject to the charter of the corporation. The corporation, in the absence of such power, cannot ordinarily inquire into or pass upon the legality of the transactions by which its stock passes from one person to another, nor can it question the consideration upon which a sale is based. x x x" (Tomson on Corporation Sec. 4137, cited in *Fleisher vs. Nolasco, Supra*).

The right of a transferee/assignee to have stocks transferred to his name is an inherent right flowing from his ownership of the stocks. Thus:

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"Whenever a corporation refuses to transfer and register stock in cases like the present, *mandamus* will lie to compel the officers of the corporation to transfer said stock in the books of the corporation" (26, Cyc. 347, *Hyer vs. Bryan*, 19 Phil. 138; *Fleischer vs. Botica Nolasco*, 47 Phil. 583, 594).

The corporation's obligation to register is ministerial.

"In transferring stock, the secretary of a corporation acts in purely ministerial capacity, and does not try to decide the question of ownership." (Fletcher, Sec. 5528, page 434).

"The duty of the corporation to transfer is a ministerial one and if it refuses to make such transaction without good cause, it may be compelled to do so by *mandamus*." (Sec. 5518, 12 Fletcher 394)

For the petitioner Rural Bank of Salinas to refuse registration of the transferred shares in its stock and transfer book, which duty is ministerial on its part, is to render nugatory and ineffectual the spirit and intent of Section 63 of the Corporation Code. Thus, respondent Court of Appeals did not err in upholding the Decision of respondent SEC affirming the Decision of its Hearing Officer directing the registration of the 473 shares in the stock and transfer book in the names of private respondents. At all events, the registration is without prejudice to the proceedings in court to determine the validity of the Deeds of Assignment of the shares of stock in question.

WHEREFORE, the petition is DISMISSED for lack of merit.

SO ORDERED.

Narvasa, C.J., Padilla, and *Regalado, JJ.,* concur.

Nocon, J., on leave.