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Appellants are solidarily ORDERED to pay the heirs of Aileen Bocateja the amounts of: (a) Fifty Thousand Pesos (₱50,000.00) as civil indemnity; (b) One Hundred Thousand Pesos (₱100,000.00) as actual damages; (c) Fifty Thousand Pesos (₱50,000.00) as moral damages; and (d) Twenty Five Thousand Pesos (₱25,000.00) as exemplary damages.

Upon the finality of this Decision, and pursuant to Art. 83 of the Revised Penal Code, as amended by Sec. 25 of R.A. No. 7659, let the records of the cases be immediately forwarded to the President of the Philippines for the exercise, at her discretion, of her power to pardon appellants Felix Ventura and Arante Flores.

SO ORDERED.

Davide, Jr., C.J., Puno, Vitug, Panganiban, Quisumbing, Ynares-Santiago, Sandoval-Gutierrez, Carpio, Austria-Martinez, Corona, Carpio Morales, Callejo, Sr., Azcuna, and *Tinga, JJ.*, concur.

FIRST DIVISION

[G.R. No. 111544. July 6, 2004]

VICENTE T. UY, *petitioner, vs.* **SANDIGANBAYAN, PRESIDENTIAL COMMISSION ON GOOD GOVERNMENT (PCGG), PIEDRAS PETROLEUM COMPANY, INC. (PIEDRAS), RIZAL COMMERCIAL BANKING CORPORATION (RCBC), TRADERS ROYAL BANK (TRB), ORIENTAL PETROLEUM & MINERALS CORP. (OPMC) and ATTY. JOSE C. LAURETA**, *respondents*.

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SYNOPSIS

PIEDRAS is a sequestered corporation voluntarily surrendered to the PCGG. It negotiated with the RCBC and the TRB to advance the amount needed by PIEDRAS to subscribe shares from the OPMC. This was opposed by Petitioner stockholder of the OPMC in a Petition filed with the Sandiganbayan. The Sandiganbayan, however, ruled that it was a purely intra-corporate matter which is outside of its jurisdiction.

The Court ruled in favor of the Sandiganbayan. The question raised was not on the propriety of sequestration of the PIEDRAS by the PCGG or any matter incidental thereto. Rather, petitioner essentially challenges the propriety of PIEDRAS' exercise of its pre-emptive rights as a corporate stockholder of the OPMC and the means it availed of in order to exercise this right. Petitioner's case was directed not really at the PCGG but rather at PIEDRAS, a private corporation. As to petitioner's legal standing, the Court ruled that the issues raised were not of paramount national interest and the transactions entered into by PIEDRAS did not violate petitioner's right as a citizen.

SYLLABUS

1. POLITICAL LAW; SANDIGANBAYAN, JURISDICTION; CASES INVOLVING RECOVERY OF ILL-GOTTEN WEALTH; EXTENT THEREOF.— The extent of the jurisdiction of the Sandiganbayan over cases involving the recovery of ill-gotten wealth has been passed upon in a number of cases decided by this Court. In *PCGG v. Hon. Emmanuel G. Peña, et al.*, this Court held: Under Section 2 of the President's Executive Order No. 14 issued on May 7, 1986, all cases of the Commission regarding "the Funds, Moneys, Assets, and Properties Illegally Acquired or Misappropriated by Former President Ferdinand Marcos, Mrs. Imelda Romualdez Marcos, their Close Relatives, Subordinates, Business Associates, Dummies, Agents, or Nominees" whether civil or criminal, are lodged within the "exclusive and original jurisdiction of the Sandiganbayan" and all incidents arising from, incidental to, or related to, such cases necessarily fall likewise under the Sandiganbayan's exclusive and original jurisdiction, subject to review on *certiorari* exclusively by the Supreme Court. In subsequent cases jointly decided on August 10, 1988,

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the Court pointed out that: "(the) exclusive jurisdiction conferred on the Sandiganbayan would evidently extend not only to the principal causes of action, *i.e.*, the recovery of alleged ill-gotten wealth, but also to 'all incidents arising from, incidental to, or related to, such cases,' such as the dispute over the sale of shares, the property of the issuance of ancillary writs or provisional remedies relative thereto, the sequestration thereof, which may not be made the subject of separate actions or proceedings in another forum." Likewise, in the case of *Republic v. Sandiganbayan*, we ruled that while the PCGG is ordinarily allowed a free hand in the exercise of its administrative or executive function, the Sandiganbayan is empowered to determine in an appropriate case, if in the exercise of such functions, the PCGG has gravely abused its discretion or has overstepped the boundaries of the power conferred upon it by law. In the recent case of *PCGG v. Sandiganbayan*, we stated that there is a need to vigorously guard sequestered assets and preserve them pending resolution of the sequestration case before the Sandiganbayan, considering the paramount public policy for the recovery of ill-gotten wealth. We ruled that sequestered assets and corporations are legally and technically in *custodia legis*, under the administration of the PCGG. Executive Order No. 2 specifically prohibits the transfer, conveyance, encumbrance, or otherwise depletion or concealment of such assets and properties, under pain of penalties prescribed by law. Thus, an action which can result in the deterioration and disappearance of the sequestered assets cannot be allowed, unless there is a final adjudication and disposition of the issue as to whether these assets are ill-gotten or not, since it may result in damage or prejudice to the Republic of the Philippines.

2. ID.; ID.; ID.; ID.; PROPRIETY OF BUSINESS JUDGMENT OF SEQUESTERED COMPANY, NOT INCLUDED. – In the case at bar, petitioner does not really seek to question the propriety of the sequestration of PIEDRAS by the PCGG or any matter incidental to or arising out of such sequestration. Rather, petitioner essentially challenges the propriety of PIEDRAS's exercise of its pre-emptive rights as a corporate stockholder of OPMC and the means it availed of in order to exercise this right. We agree with the respondents that petitioner's case is directed not really at the PCGG but rather at PIEDRAS, a private corporation. His point of contention deals mainly with the propriety of what is in essence a business

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judgment. What is more, there is no longer any pending sequestration in the case at bar. A year prior to the transactions assailed in this case, six out of the seven original PIEDRAS stockholders (all nominees of Mr. Benedicto) have assigned their respective shareholdings to the Philippine Government, in exchange for immunity. Petitioner himself affirmed this fact and even stated that the compromise agreement was approved by the Sandiganbayan and later affirmed by this Court. As correctly pointed out by respondent PCGG, by the voluntary surrender of the corporation to the Philippine Government and the confirmation of the compromise agreement, the issue of ownership was no longer in question.

3. REMEDIAL LAW; CIVIL PROCEDURE; PARTIES; RIGHT OF CONCERNED CITIZENS TO FILE SUITS ONLY IF THERE IS A CONSTITUTIONAL QUESTION RAISED THAT IS OF TRANSCENDENTAL IMPORTANCE WHICH MUST BE SETTLED EARLY. – We regret that motivations, however commendable, do not automatically bestow one with the personality to initiate a legal action. We have indeed validated the right of concerned citizens to file actions on certain issues in the case of *Kilosbayan v. Morato*. However, it must be noted that such suits are allowable if the constitutional question they raise is of transcendental importance which must be settled early. Thus: Standing is a special concern in constitutional law because in some cases suits are brought not by parties who have been personally injured by the operation of law or by official action taken, but by concerned citizens, taxpayers or voters who actually sue in the public interest. Hence the question in standing is whether such parties have "alleged such a personal stake in the outcome of the controversy as to assure that concrete adverseness which sharpens the presentation of issues upon which the court so largely depends for illumination of difficult constitutional questions." (Citing *Baker v. Carr*, 369 U.S. 186, 7 L. Ed. 2d 633 [1962]). We fail to see how a private corporation's exercise of its pre-emptive rights to subscribe to additional shares could be of paramount national interest and how the transactions entered into by PIEDRAS could violate petitioner's rights as a citizen. Standing is a concept in constitutional law and here no constitutional question is actually involved. In the same light, while we admire petitioner's zeal for upholding the law and legal processes, there is no transgression upon which petitioner can build a solid case.

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4. ID.; ID.; ID.; LEGAL STANDING IN THE CAPACITY OF LANDOWNER AND TAXPAYER. — Petitioner cannot likewise invoke legal standing in his capacity as a landowner and taxpayer. Not every action filed by a taxpayer can qualify to challenge the legality of acts done by the government. It bears stressing that a taxpayer's suit refers to a case where the act complained of directly involves the illegal disbursement of public funds from taxation. Undeniably, as a taxpayer, petitioner would somehow be adversely affected by an illegal use of public money. When, however, no such unlawful spending has been shown, as in the case at bar, petitioner, even as a taxpayer, cannot question the transaction validly executed by and between the PIEDRAS (even if the same be government-owned) and respondent banks for the simple reason that it is not privy to said contract. In fact, not a single centavo from the public coffers was spent in the agreements involved. Petitioner has absolutely no cause of action, and consequently no *locus standi* in the instant case. As correctly pointed out by respondent RCBC, it has not been shown that the present case involves the disbursement of public funds. We have held time and again that it is only when an act complained of involves the illegal expenditure of public money that the so-called taxpayer suit may be allowed.

5. CIVIL LAW; OBLIGATIONS AND CONTRACTS; EXTINGUISHMENT OF OBLIGATIONS; *DACION EN PAGO*; ELUCIDATED. – *Dacion en pago* is the delivery and transmission of ownership of a thing by the debtor to the creditor as an accepted equivalent of the performance of the obligation. It is a special mode of payment where the debtor offers another thing to the creditor who accepts it as equivalent of payment of an outstanding debt. In its modern concept, what actually takes place in *dacion en pago* is an objective novation of the obligation where the thing offered as an accepted equivalent of the performance of an obligation is considered as the object of the contract of sale, while the debt is considered as the purchase price.

6. REMEDIAL LAW; SPECIAL CIVIL ACTIONS; *CERTIORARI*; GRAVE ABUSE OF DISCRETION. – A special civil action for *certiorari* is limited to the determination of whether or not public respondent acted without or in excess of jurisdiction or with grave abuse of discretion in rendering the assailed decisions. Grave abuse of discretion means such capricious

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and whimsical exercise of judgment as is equivalent to lack of jurisdiction, or, in other words where the power is exercised in an arbitrary or despotic manner by reason of passion or personal hostility, and it must be so patent and gross as to amount to an evasion of positive duty or to a virtual refusal to perform the duty enjoined or to act at all in contemplation of law. We do not find any grave abuse of discretion on the part of the Sandiganbayan in this case.

APPEARANCES OF COUNSEL

Felipe Antonio B. Remollo for petitioner.
The Solicitor General for public respondents
Siguion Reyna Montecillo & Ongsiako for RCBC.
Rilloraza Africa De Ocampo & Africa for TRB.

D E C I S I O N

YNARES-SANTIAGO, *J.*:

This is a petition for *certiorari* under Rule 65 of the Rules of Court assailing the Resolution[1] of the Sandiganbayan promulgated on August 23, 1993 which dismissed petitioner Vicente Uy's original Petition for Prohibition and Injunction filed against respondents Presidential Commission on Good Government (PCGG), Piedras Petroleum Company, Inc. (PIEDRAS), Rizal Commercial Banking Corporation (RCBC), Traders Royal Bank (TRB), Oriental Petroleum & Minerals Corporation (OPMC) and Atty. Jose C. Laureta. Petitioner Uy filed this petition in his capacity as a practicing lawyer, landowner, taxpayer and stockholder of OPMC.

Respondent PIEDRAS is a sequestered corporation voluntarily surrendered by Mr. Roberto S. Benedicto to the PCGG under a Compromise Agreement entered into on November 3, 1990. PIEDRAS was the registered owner of 7,499,812,500 class "A" shares and 4,999,875,000 class "B" shares of OPMC. On

[1] Penned by Presiding Justice Francis Garchitorena; concurred in by Justices Jose Balajadia and Sabino de Leon, Jr.

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September 18, 1991, OPMC put out a notice of the issuance of additional OPMC shares for which its existing stockholders may exercise their non-assignable pre-emptive rights. Additional shares can be subscribed to by the stockholders at a subscription ratio of one (1) OPMC share of stock for every two (2) OPMC shares owned as of July 26, 1991 valued at ₱0.02 per share. Thus, PIEDRAS was entitled to subscribe to 3,749,906,250 class "A" and 2,499,937,500 class "B" OPMC shares.

As a condition for the additional subscription, fifty percent of the purchase price for the entire subscription must be paid not later than 5:00 p.m. of October 31, 1991, and the other fifty percent to be remitted upon call by the OPMC Board of Directors. In order to avail of the total shares it is entitled to subscribe to, PIEDRAS needed One Hundred Twenty Four Million Nine Hundred Six Thousand and Eight Hundred Seventy Five Pesos (₱124,906,875.00). As PIEDRAS did not have sufficient funds, it negotiated for RCBC and TRB to advance the needed amount. The agreements with the respective banks were confirmed and authorized by the PCGG in an *En Banc* Resolution dated October 30, 1991.

The agreements between PIEDRAS and the respondent banks were embodied in the Memorandum of Agreement (MOA) between PIEDRAS and RCBC, executed on October 31, 1991, and the Stock Sharing Agreement (SSA) between PIEDRAS and TRB dated March 26, 1992. Under the MOA, RCBC agreed to advance to PIEDRAS half of the total subscription payment in the amount of Fifty Million Nine Hundred Fifty Seven Thousand Five Hundred Sixty Two Pesos and Fifty Centavos (₱50,957,562.50) on October 31, 1991. RCBC also committed itself to pay the remaining half of the subscription price upon call by the OPMC Board for full payment. It was agreed upon that the advances were non-interest bearing. However, payment of these advances shall be made by way of *dacion en pago* whereby RCBC shall receive 2,054,947,696 class "A" and 789,450,000 class "B" OPMC shares which account for 57.14% and 52.63%, respectively, of the total additional OPMC shares which PIEDRAS shall subscribe to. Stock Certificates representing the specified number of shares shall be issued directly in the

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name of RCBC. In order to secure RCBC's advances, PIEDRAS shall execute a Deed of Pledge over its existing shareholdings in OPMC in favor of RCBC. PIEDRAS likewise agreed to pay the capital gains tax due on the transfer of the OPMC shares from it to RCBC.[2]

On the other hand, the SSA between PIEDRAS and TRB provided that TRB would advance the amount of Five Million Pesos (₱5,000,000.00) in order to pay for the additional subscription by PIEDRAS of 477,717,745 class "B" OPMC shares. In turn, TRB shall automatically own and participate in 262,744,760 class "B" OPMC shares or 55% of the total shares subscribed by PIEDRAS. The remaining unpaid amount for the subscription shall be paid by TRB upon call of the OPMC Board of Directors. The SSA, however, provided that TRB may opt to limit its exposure to the payment it has advanced, in which case, TRB's share of the subscribed shares shall be limited to the number of shares equivalent to its initial payment, *i.e.*, 137,500,000 class "B" OPMC shares. Likewise, PIEDRAS has the option to limit TRB's participation to the amount of the Five Million Pesos (₱5,000,000.00) advanced by the bank in which case PIEDRAS shall assume responsibility of paying the remaining balance of another Five Million Pesos (₱5,000,000.00).[3]

On October 31, 1991, the deadline set by OPMC for the exercise of its stockholders' pre-emptive rights, RCBC and TRB advanced the total amount of Fifty Five Million Nine Hundred Fifty Seven Thousand Five Hundred Sixty Two Pesos and Fifty Centavos (₱55,957,562.50) to PIEDRAS as initial payment for PIEDRAS's additional subscription. On June 20, 1993, petitioner filed with public respondent Sandiganbayan a Petition for Prohibition and Injunction with a Prayer for a Temporary Restraining Order[4] assailing the actions of the PCGG in negotiating with respondent banks for the advance of the funds needed by PIEDRAS to pay for its additional subscription. Petitioner likewise

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[2] Annex C, *Rollo*, pp. 62-67.

[3] Annex D, *Rollo*, pp. 69-70.

[4] Annex G, *Rollo*, pp. 74-89; docketed as Civil Case No. 0151.

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sought to enjoin OPMC and Atty. Jose C. Laureta, OPMC's Corporate Secretary, from recognizing and giving effect to the MOA and SSA.

On June 25, 1993, the Sandiganbayan ordered petitioner to file a memorandum in support of his capacity to sue. Petitioner filed an Amended/Supplemental Petition, where he alleged that his capacity to sue is based on his being a landowner, taxpayer and stockholder of OPMC. On August 23, 1993, the First Division of the Sandiganbayan dismissed the petition on the ground of lack of jurisdiction over the subject matter which involved the alleged disturbance of petitioner's rights as a stockholder and the violation by PIEDRAS of the exclusivity of the pre-emptive offering by OPMC. This, the Sandiganbayan said, was a purely intra-corporate matter which is outside of its jurisdiction. The Sandiganbayan added that assuming it did have jurisdiction over the case, the petition failed to show abuse of discretion on the part of PIEDRAS or the PCGG. Moreover, petitioner, while a landowner and a taxpayer, does not have the capacity to sue as his case does not meet the requisites for a taxpayer's suit.[5]

Hence, this petition raising the following assignment of errors:

I.

THE HONORABLE SANDIGANBAYAN GRAVELY ERRED IN DISMISSING, *MOTU PROPRIO*, PETITIONER'S ORIGINAL PETITION THEREWITH FOR LACK OF JURISDICTION OVER THE SUBJECT MATTER THEREOF, NOTWITHSTANDING THE FACT THAT IN HIS (DISMISSED) PETITION, PETITIONER PRINCIPALLY ASSAILED THE ACTS OF RESPONDENT PCGG IN INSTIGATING, AUTHORIZING AND CONFIRMING THE SALES AND/OR DISPOSITIONS OF THE OPMC SHARES OWNED BY RESPONDENT PIEDRAS (CEDED TO THE GOVERNMENT) TO PRIVATE RESPONDENT BANKS WITHOUT PUBLIC BIDDING.

II.

THE COURT *A QUO* GRAVELY ERRED IN DISMISSING, *MOTU PROPRIO*, THE ADVERTED CASE ON THE GROUND THAT

[5] Annex A, *Rollo*, pp. 49-54.

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HEREIN PETITIONER HAS NO *LOCUS STANDI* TO QUESTION THE PCGG/PIEDRAS-RCBC AND PCGG/PIEDRAS-TRB DEALS, DESPITE THE FACT THAT THE MATTER INVOLVED BEING PUBLIC INTEREST, PETITIONER AS A CITIZEN, A LAWYER, TAXPAYER-LANDOWNER AND STOCKHOLDER OF OPMC HAS THE RIGHT TO CHALLENGE.

III.

THE COURT *A QUO* PREJUDGED THE CASE BY DELVING INTO THE MERITS OF THE CASE WITHOUT GIVING THE PETITIONER THE OPPORTUNITY TO ADDUCE EVIDENCE IN SUPPORT OF HIS ALLEGATIONS IN THE PETITION.

The petition must fail.

Anent the first issue, petitioner argues that respondent Sandiganbayan has jurisdiction over his case since his principal action is the nullification of PCGG's actions in negotiating the assailed agreements with respondent banks. He insists that these agreements are violative of Commission on Audit Circular No. 89-296 which requires public bidding in the divestment or disposal of government property. Likewise, according to petitioner, the agreements are contrary to the mandate of the Comprehensive Agrarian Reform Law (CARL), Section 63(b) of which lists as a source of funding the proceeds of the sale of any ill-gotten wealth. Lastly, petitioner posits that the transactions violate the requirement on full public disclosure directed by the Constitution. The PCGG, in authorizing and confirming the agreements, abused its discretion and it is the Sandiganbayan which has jurisdiction over a case which seeks to rectify the wrong done.

In its decision dismissing petitioner's case, the Sandiganbayan stated that its jurisdiction pertains only to the determination of the propriety of the sequestration made by the PCGG. It cannot assume jurisdiction over petitioner's case which essentially raises the issue of whether it was proper for PIEDRAS to exercise its pre-emptive rights. The PCGG, in its Comment, argued that PIEDRAS's OPMC shares of stock had been previously subject of a compromise agreement between itself and Mr. Roberto Benedicto. By virtue of the compromise agreement, the shares

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were given back to the Philippine Government. Necessarily, the issue of ownership of the subject shares had already been determined. The Sandiganbayan no longer has jurisdiction over any action arising out of any controversy regarding the exercise of ownership rights over said shares of stock. Furthermore, the agreements were beyond the ambit of the COA Circular which requires public bidding since *dacion en pago* transactions are expressly excepted therefrom. Finally, there was no violation of the CARL since there was no disposition yet of ill-gotten wealth from which receipts may be applied and used for the agrarian reform program.

The extent of the jurisdiction of the Sandiganbayan over cases involving the recovery of ill-gotten wealth has been passed upon in a number of cases decided by this Court. In *PCGG v. Hon. Emmanuel G. Peña, et al.*,[6] this Court held:

> Under Section 2 of the President's Executive Order No. 14 issued on May 7, 1986, all cases of the Commission regarding "the Funds, Moneys, Assets, and Properties Illegally Acquired or Misappropriated by Former President Ferdinand Marcos, Mrs. Imelda Romualdez Marcos, their Close Relatives, Subordinates, Business Associates, Dummies, Agents, or Nominees" whether civil or criminal, are lodged within the "exclusive and original jurisdiction of the Sandiganbayan" and all incidents arising from, incidental to, or related to, such cases necessarily fall likewise under the Sandiganbayan's exclusive and original jurisdiction, subject to review on *certiorari* exclusively by the Supreme Court.

In subsequent cases jointly decided on August 10, 1988, the Court pointed out that: "(the) exclusive jurisdiction conferred on the Sandiganbayan would evidently extend not only to the principal causes of action, *i.e.*, the recovery of alleged ill-gotten wealth, but also to 'all incidents arising from, incidental to, or related to, such cases,' such as the dispute over the sale of shares, the propriety of the issuance of ancillary writs or provisional remedies relative thereto, the sequestration thereof, which may

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[6] G.R. No. L-77663, 12 April 1988, 159 SCRA 556.

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not be made the subject of separate actions or proceedings in another forum."[7]

Likewise, in the case of *Republic v. Sandiganbayan*,[8] we ruled that while the PCGG is ordinarily allowed a free hand in the exercise of its administrative or executive function, the Sandiganbayan is empowered to determine in an appropriate case, if in the exercise of such functions, the PCGG has gravely abused its discretion or has overstepped the boundaries of the power conferred upon it by law. We stated:

> Any act or order transgressing the parameter of the objectives for which the PCGG was created, if tainted with abuse of discretion, is subject to a remedial action by the Sandiganbayan, the court vested with exclusive and original jurisdiction over cases involving the PCGG (*PCGG v. Peña*, 159 SCRA 556 [1988]; *PCGG v. Securities and Exchange Commission*, G.R. No. 82188, June 30, 1988) including cases filed by those who challenge PCGG's acts or orders (*Holiday Inn [Phil.] v. Sandiganbayan*, 186 SCRA 447 [1990]). Settled is the rule that when a law confers jurisdiction upon a court, it is deemed to have all the incidental powers necessary to render the exercise of such jurisdiction effective (*Zuñiga v. Court of Appeals*, 95 SCRA 740 [1980]).

In the recent case of *PCGG v. Sandiganbayan*,[9] we stated that there is a need to vigorously guard sequestered assets and preserve them pending resolution of the sequestration case before the Sandiganbayan, considering the paramount public policy for the recovery of ill-gotten wealth. We ruled that sequestered assets and corporations are legally and technically in *custodia legis*, under the administration of the PCGG. Executive Order No. 2 specifically prohibits the transfer, conveyance, encumbrance, or otherwise depletion or concealment of such assets and properties, under pain of penalties prescribed by law. Thus, an action which can result in the deterioration and

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[7] *Soriano III v. Yuzon*, G.R. Nos. L-74910, L-75075, L-75094, L-76397, L-79459, and L-79520, 10 August 1988, 164 SCRA 226.

[8] G.R. No. 89553, 7 April 1993, 221 SCRA 189.

[9] G.R. No. 132738, 23 February 2000, 326 SCRA 346.

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disappearance of the sequestered assets cannot be allowed, unless there is a final adjudication and disposition of the issue as to whether these assets are ill-gotten or not, since it may result in damage or prejudice to the Republic of the Philippines.

What must be resolved therefore in this petition is whether or not the issue raised by petitioner is one which the Sandiganbayan is empowered to resolve.

In the case at bar, petitioner does not really seek to question the propriety of the sequestration of PIEDRAS by the PCGG or any matter incidental to or arising out of such sequestration. Rather, petitioner essentially challenges the propriety of PIEDRAS's exercise of its pre-emptive rights as a corporate stockholder of OPMC and the means it availed of in order to exercise this right. We agree with the respondents that petitioner's case is directed not really at the PCGG but rather at PIEDRAS, a private corporation. His point of contention deals mainly with the propriety of what is in essence a business judgment.

That the assailed transactions were valid and legal corporate acts of PIEDRAS is proven by the Minutes of the Special Meeting of the Board of Directors of PIEDRAS dated October 31, 1991. The minutes contain the Resolutions of the Board of Directors authorizing PIEDRAS to enter into the financing agreements with the respondent banks "in order not to lose the opportunity to subscribe and to enable PIEDRAS to profitably benefit" from the offer for additional subscription.[10]

It is interesting to note, at this point, the case of *Holiday Inn (Phils.), Inc. v. Sandiganbayan,*[11] where the issue related to a management agreement terminated by the Board of Directors of a sequestered corporation, 2/3 of the members of such board being composed by PCGG nominees. The action for intervention was lodged with the Sandiganbayan in the main sequestration case. The petitioners in that case averred that the Sandiganbayan has jurisdiction over the action since the action to terminate the

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[10] Annex B-1 to B-6, *Rollo*, pp. 55-61.

[11] G.R. No. 85576, 8 June 1990, 186 SCRA 447.

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management agreement bears the imprimatur of the PCGG nominees sitting at the Board, making PCGG the real party-in-interest. The Resolution of the Sandiganbayan, which was upheld by the Supreme Court, ruled on the contrary, thus:

> This Court is of the view that its jurisdiction refers to acts of the PCGG acting *as such* whether alone or with other persons, natural or juridical, and not generally where PCGG representatives act as part of another juridical person or entity. A rule of thumb might be thus: if the PCGG can be properly impleaded on a cause of action asserted before this Court as a distinct entity, then this Court would generally exercise jurisdiction; otherwise, it would not, because, then the 'PCGG character' of the act or omission in question may, at best, be only incidental.
>
> After all, the presence of PCGG representatives in sequestered companies does not automatically tear down the corporate veil that distinguishes the corporation from its officers, directors or stockholders. Corporate officers whether nominated by the PCGG or not act, insofar as third parties are concerned, are (*sic*) corporate officers. Contracts entered into by the San Miguel Corporation, for example, in connection with its poultry operations and the cancellations thereof, are not PCGG activities which would justify the invocation of this Court's jurisdiction, even if the contract or suit were unanimously approved by its board of directors where PCGG representatives sit.

This Court added:

> The subject matter of petitioner's proposed complaint-in-intervention involves basically, an interpretation of contract, *i.e.*, whether or not the right of first refusal could and/or should have been observed . . . The question of whether or not the sequestered property was lawfully acquired by Roberto S. Benedicto has no bearing on the legality of the termination of the management contract by NRHDC's Board of Directors. The two are independent and unrelated issues and resolution of which may proceed independently of each other.
>
> . . . (T)he Sandiganbayan correctly denied jurisdiction over the proposed complaint-in-intervention. The original and exclusive jurisdiction given to the Sandiganbayan over PCGG cases pertains to (a) *cases filed by the PCGG*, pursuant to the exercise of its power

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under Executive Order Nos. 1, 2 and 14, as amended by the Office of the President, and Article XVIII, Section 26 of the Constitution, i.e., where the principal cause of action is the recovery of ill-gotten wealth, as well as all incidents arising from, incidental to or *related to such cases* and (b) *cases filed by those who wish to question or challenge the commission's acts or orders in such cases*.

What is more, unlike the cases cited above and invoked by petitioner, there is no longer any pending sequestration in the case at bar. A year prior to the transactions assailed in this case, six out of the seven original PIEDRAS stockholders (all nominees of Mr. Benedicto) have assigned their respective shareholdings to the Philippine Government, in exchange for immunity.[12] Petitioner himself affirmed this fact and even stated that the compromise agreement was approved by the Sandiganbayan and later affirmed by this Court.[13] As correctly pointed out by respondent PCGG, by the voluntary surrender of the corporation to the Philippine Government and the confirmation of the compromise agreement, the issue of ownership was no longer in question.

The participation of PCGG in this case, as we see it, is not so much as the constituted body tasked with the recovery of ill-gotten wealth as the representative or agent of the Philippine Government who is the conceded owner of PIEDRAS. This opinion is bolstered by the fact that the PCGG, through its then Chairman David M. Castro and Commissioner Mario C.V. Jalandoni, wrote then President Corazon C. Aquino on October 30, 1991.[14] In this letter, the PCGG related the situation of PIEDRAS and several other surrendered corporations, all shareholders of OPMC, intending to subscribe to some Eight Billion OPMC stock rights offered for additional subscription. The PCGG related that it had approached the Land Bank, GSIS, SSS, and other financial institutions for the necessary funds

[12] Annex 2, *Rollo*, p. 188.

[13] *Republic v. Sandiganbayan*, G.R. Nos. 108292, 108368, 108548-49, and 108550, 10 September 1993, 226 SCRA 314.

[14] *Supra*, at note 12.

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but these institutions could not immediately fund the additional subscription due to various legal and technical difficulties. As far as PIEDRAS is concerned, the PCGG related that PIEDRAS stood to benefit from the transaction with respondents RCBC and TRB and if PIEDRAS will not enter into these arrangements, it will automatically forfeit its pre-emptive rights and get nothing. Thus, the PCGG requested the President's immediate consideration and prior clearance for the transactions. These facts were confirmed by then President Aquino's own letter to the Chairman of the Commission on Audit Eufemio C. Domingo dated July 28, 1992.[15]

We sustain the argument of respondent PCGG that the *dacion en pago* transactions are beyond the ambit of the COA Circular invoked by petitioner. We deem the agreements to be valid *dacion en pago* agreements for reasons which shall be discussed later. Neither do the agreements entered into by PIEDRAS violate the CARL. The language of the CARL provision[16] invoked by petitioner is clear:

> Section 63. Sources of funding or appropriation shall include the following:
>
> xxx xxx xxx
>
> b) All receipts from assets recovered and from sales of ill-gotten wealth recovered through the Presidential Commission on Good Government.

Simply, we find petitioner's action to be premature considering that based upon the transactions alone, there are as yet no receipts from assets recovered or from the sale of ill-gotten wealth since the shares have not yet been disposed by PIEDRAS. It is only when the shares are sold by PIEDRAS that receipts owing to the CARL funding shall accrue.

The second issue in this case pertains to petitioner's legal standing to file the present action. Petitioner argues that as a

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[15] Annex B and Annex 3, *Rollo*, pp. 190-191.

[16] Republic Act No. 6657.

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citizen, he has the constitutional right to be duly informed on matters of public concern, particularly about government transactions that involve public interest. Petitioner contends that the agreements negotiated by PCGG, PIEDRAS, RCBC and TRB were deceitfully intended and actually conducted to be outright sales and/or disposition of OPMC shares held by PIEDRAS. As a lawyer, petitioner invokes his duty to uphold the Constitution and promote respect for the laws and legal processes. Petitioner likewise argues that as a landowner and taxpayer, he stands to lose in the diminution of the funds that ought to fund the agrarian reform program. Finally, petitioner contends that as a stockholder of OPMC, he has personality to file this action considering that the anomalous transactions have been made public and may affect the viability of the OPMC shares he holds.

In their respective comments, respondents argue that petitioner has no legal standing to question the subject agreements. The Sandiganbayan, in its decision, stated that petitioner has not made a case which shows that the PCGG abused its discretion. No disbursement of public funds collected primarily through taxation can be invoked by petitioner as basis for a taxpayer's suit. Likewise, respondents PCGG, RCBC and TRB argue that petitioner has not shown that he stands to be directly injured as a landowner by the acts complained of since petitioner's landholdings does not even reach the 5-hectare requirement under the CARL. Respondent PCGG added that assuming that petitioner has the legal standing to file this action as a stockholder of OPMC, the jurisdiction over such intra-corporate case belongs to the Securities and Exchange Commission.

We regret that motivations, however commendable, do not automatically bestow one with the personality to initiate a legal action. We have indeed validated the right of concerned citizens to file actions on certain issues in the case of *Kilosbayan v. Morato*.[17] However, it must be noted that such suits are allowable

[17] G.R. No. 118910, 17 July 1995, 246 SCRA 540.

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if the constitutional question they raise is of transcendental importance which must be settled early.[18] Thus:

> Standing is a special concern in constitutional law because in some cases suits are brought not by parties who have been personally injured by the operation of law or by official action taken, but by concerned citizens, taxpayers or voters who actually sue in the public interest. Hence the question in standing is whether such parties have "alleged such a personal stake in the outcome of the controversy as to assure that concrete adverseness which sharpens the presentation of issues upon which the court so largely depends for illumination of difficult constitutional questions." (Citing *Baker v. Carr*, 369 U.S. 186, 7 L. Ed. 2d 633 [1962]).[19]

We fail to see how a private corporation's exercise of its pre-emptive rights to subscribe to additional shares could be of paramount national interest and how the transactions entered into by PIEDRAS could violate petitioner's rights as a citizen. Standing is a concept in constitutional law and here no constitutional question is actually involved.[20] In the same light, while we admire petitioner's zeal for upholding the law and legal processes, there is no transgression upon which petitioner can build a solid case.

Petitioner cannot likewise invoke legal standing in his capacity as a landowner and taxpayer. Not every action filed by a taxpayer can qualify to challenge the legality of acts done by the government. It bears stressing that a taxpayer's suit refers to a case where the act complained of directly involves the illegal disbursement of public funds from taxation.[21] Undeniably, as a taxpayer, petitioner would somehow be adversely affected by an illegal use of public money. When, however, no such unlawful spending has been shown, as in the case at bar, petitioner, even as a

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[18] *Lim v. Executive Secretary*, G.R. No. 151445, 11 April 2002, 380 SCRA 739.

[19] *Kilosbayan v. Morato, supra.*

[20] *The Anti-Graft League of the Philippines, Inc. v. San Juan*, G.R. No. 97787, 1 August 1996, 260 SCRA 250.

[21] *Miranda v. Carreon*, G.R. No. 14350, 11 April 2003.

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taxpayer, cannot question the transaction validly executed by and between the PIEDRAS (even if the same be government-owned) and respondent banks for the simple reason that it is not privy to said contract. In fact, not a single centavo from the public coffers was spent in the agreements involved. Petitioner has absolutely no cause of action, and consequently no *locus standi* in the instant case. As correctly pointed out by respondent RCBC, it has not been shown that the present case involves the disbursement of public funds. We have held time and again that it is only when an act complained of involves the illegal expenditure of public money that the so-called taxpayer suit may be allowed.[22]

As a stockholder, petitioner claims that the "anomalous" transactions have affected the viability of the OPMC shares which he holds. He claims that the feuds spurred by the transactions have caused the prices of OPMC shares to plunge, thus affecting his financial interests. We are not persuaded. The matters which petitioner complains of cannot be directly attributed to any invalid or illegal action by PIEDRAS. PIEDRAS acted well within its right to exercise its pre-emptive rights as a corporate stockholder of OPMC. We cannot grant the relief sought by petitioner when to do so would be tantamount to unjustly sanctioning PIEDRAS in its exercise of a legal right. Moreover, if there was any question as to PIEDRAS's resolution to subscribe to additional OPMC shares, only its own stockholders have legal capacity to lodge an action in court to enjoin the transactions assailed. Unfortunately, petitioner is not a stockholder of PIEDRAS.

As to the third assignment of error, petitioner calls attention to the fact that the tribunal, while dismissing his case for lack of jurisdiction, nonetheless commented on the merits of the case even before the petition was given due course. Moreover, petitioner contends that the Sandiganbayan was "overly technical"

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[22] *Lozada v. Comelec*, G.R. No. L-59068, 27 January 1983, 120 SCRA 337.

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in disposing of petitioner's case and should have instead taken judicial notice of the fact that the issues raised by petitioner are undeniably of immense public significance. Petitioner argues that the agreements involved in the case at bar were not genuine *dacion en pago* transactions but actual contracts of sale of future shares. The agreements made it possible for respondents RCBC and TRB to exercise the stock rights of PIEDRAS which were non-assignable.

Respondents counter that the transactions were in accordance with the law and were a valid act of the PCGG in the exercise of its conservation powers. The PCGG argued that PIEDRAS was left without any other source of funding since the Land Bank, GSIS, SSS and other financing institutions were not able to outrightly lend the necessary funds to it. Without the *dacion en pago* transactions, the PCGG argued, the proportionate interest of PIEDRAS in OPMC would have been diluted much to the detriment of the Philippine Government which owns its.

The issue pertaining to the *dacion en pago* transactions is now moot and academic as far as respondent RCBC is concerned. A letter by respondent RCBC to PIEDRAS management dated May 10, 1994 contains an agreement forged between the PIEDRAS and respondent RCBC that the payment of the amount advanced by respondent bank shall be paid by PIEDRAS in cash instead of OPMC shares.[23] Considering that petitioner seeks to enjoin the transfer of the OPMC shares to respondent RCBC, this cause of action has been rendered moot when the *dacion en pago* transaction was not pursued by PIEDRAS and respondent RCBC. However, there is still a need to examine the nature of the *dacion en pago* transactions since the Stock Sharing Agreement between respondent TRB and PIEDRAS appears to be still effective.

Dacion en pago is the delivery and transmission of ownership of a thing by the debtor to the creditor as an accepted equivalent of the performance of the obligation. It is a special mode of payment where the debtor offers another thing to the creditor

[23] Annex 1 to RCBC's Rejoinder, *Rollo*, p. 292.

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who accepts it as equivalent of payment of an outstanding debt.[24] In its modern concept, what actually takes place in *dacion en pago* is an objective novation of the obligation where the thing offered as an accepted equivalent of the performance of an obligation is considered as the object of the contract of sale, while the debt is considered as the purchase price.[25]

We do not see any infirmity in either the MOA or the SSA executed between PIEDRAS and respondent banks. By virtue of its shareholdings in OPMC, PIEDRAS was entitled to subscribe to 3,749,906,250 class "A" and 2,499,937,500 class "B" OPMC shares. Admittedly, it was financially sound for PIEDRAS to exercise its pre-emptive rights as an existing shareholder of OPMC lest its proportionate shareholdings be diluted to its detriment. However, PIEDRAS lacked the necessary funds to pay for the additional subscription. Thus, it resorted to contract loans from respondent banks to finance the payment of its additional subscription. The mode of payment agreed upon by the parties was that the payment would be made in the form of part of the shares subscribed to by PIEDRAS. The OPMC shares therefore were agreed upon by the parties to be equivalent payment for the amount advanced by respondent banks. We see the wisdom in the conditions of the loan transaction. In order to save PIEDRAS and/or the government from the trouble of selling the shares in order to raise funds to pay off the loans, an easier and more direct way was devised in the form of the *dacion en pago* agreements.

Moreover, we agree with the Sandiganbayan that neither PIEDRAS nor the government sustained any loss in these transactions. In fact, after deducting the shares to be given to respondent banks as payment for the shares, PIEDRAS stood to gain about 1,540,781,554 class "A" and 710,550,000 class "B" OPMC shares virtually for free. Indeed, the question that

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[24] *Mamerta vda. De Jayme, et al. v. Court of Appeals*, G.R. No. 128669, 4 October 2002, 390 SCRA 380.

[25] *Philippine Lawin Bus, Co. v. Court of Appeals*, G.R. No. 130972, 23 January 2002, 374 SCRA 332.

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must be asked is whether or not PIEDRAS, in the exercise of its pre-emptive rights, would have been able to acquire any of these shares at all if it did not enter into the financing agreements with the respondent banks.

Lastly, a special civil action for *certiorari* is limited to the determination of whether or not public respondent acted without or in excess of jurisdiction or with grave abuse of discretion in rendering the assailed decisions.[26] Grave abuse of discretion means such capricious and whimsical exercise of judgment as is equivalent to lack of jurisdiction, or, in other words where the power is exercised in an arbitrary or despotic manner by reason of passion or personal hostility, and it must be so patent and gross as to amount to an evasion of positive duty or to a virtual refusal to perform the duty enjoined or to act at all in contemplation of law.[27] We do not find any grave abuse of discretion on the part of the Sandiganbayan in this case.

WHEREFORE, in view of the foregoing, the instant petition is *DISMISSED* and the Resolution of the Sandiganbayan dated August 23, 1993, which dismissed Civil Case No. 0151, is *AFFIRMED* ***in toto***.

Costs against petitioner.

SO ORDERED.

Davide, Jr., C.J. (Chairman), Panganiban, Carpio, and *Azcuna, JJ.,* concur.

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[26] *Philippine Airlines, Inc. v. National Labor Relations Commission*, G.R. No. 115785, 4 August 2000, 337 SCRA 286.

[27] *Benito v. Commission on Elections*, G.R. No. 134913, 19 January 2001, 349 SCRA 705.