

****Title**:** Republic Planters Bank v. Hon. Enrique A. Agana, Sr., Robes-Francisco Realty & Development Corporation and Adalia F. Robes

****Facts**:**

Robes-Francisco Realty and Development Corporation, through its officers Adalia F. Robes and Carlos F. Robes, secured a loan from Republic Planters Bank on September 18, 1961, in the amount of P120,000.00. This loan was partially disbursed through the issuance of preferred shares of stock, amounting to P8,000.00, to Adalia F. Robes and Carlos F. Robes, who later transferred his shares to Adalia F. Robes.

The preferred shares stipulated a quarterly dividend of 1% and the right for the Corporation to redeem the shares after two years from the date of issuance. After almost 18 years, on January 31, 1979, the Robes filed a complaint against the Bank demanding the redemption of the shares and payment of accumulated dividends, despite not formally presenting their demand letter during proceedings.

The Bank motioned to dismiss the complaint on grounds including lack of jurisdiction, the unenforceability of the action under substantive law, and prescription or laches. The trial court denied the motion, resulting in the Bank's submission of an answer. Without raising factual issues, both parties were directed to submit their memoranda. The trial court ruled in favor of the Robes, ordering the Bank to redeem the shares and pay the accumulated dividends.

****Issues**:**

1. Whether the trial court committed grave abuse of discretion in ordering the Bank to pay interests from 1961 to 1979 on Adalia F. Robes' preferred shares.
2. Whether the trial Judge erred in compelling the Bank to redeem the preferred shares for P8,000.00.
3. Whether the trial court wrongfully disregarded the Central Bank order prohibiting redemption of preferred shares and payment of related dividends.
4. Whether the trial court erred in not holding that the complaint does not state a cause of action.
5. Whether the claim of Adalia F. Robes is barred by prescription or laches.

****Court's Decision**:**

The Supreme Court granted the petition by Republic Planters Bank, setting aside the trial court's decision and dismissing the complaint. The Supreme Court found that:

1. The redemption option was vested in the Bank according to the stock certificates, not the shareholders. The word “may” indicated discretion; thus, compulsory redemption was not supported by the terms or condition of the stock certificate.
2. A directive from the Central Bank preventing the Bank from redeeming preferred shares due to reserve deficiencies was a valid exercise of the state’s police power and not an impairment of contract obligations.
3. Payment of dividends on the preferred shares was dependent on the profits of the corporation, and compelling such payment was against the law, which required consensus and available profits.
4. The private respondents’ claim was barred by prescription since action on a written contract prescribes in ten years, and almost eighteen had passed.
5. The claim was also barred by laches due to inaction over an unreasonable time.

****Doctrine**:**

1. Optional redemption of shares is at the discretion of the issuing corporation and cannot be compelled by shareholders.
2. Central Bank directives can validly limit corporate actions if they are meant to protect public welfare through the police power of the state.
3. Dividend payments to shareholders, including those with preferred shares, are not a matter of right but contingent on profits and the decision of the corporation’s board of directors.
4. Claims on contract-based actions prescribe in ten years, and failure to assert a right may lead to its presumption of abandonment, known as laches.

****Class Notes**:**

- ****Optional Redemption**:** Shares with redemption options may be repurchased at the issuer’s discretion; shareholders cannot demand redemption.
- ****Common vs. Preferred Shares**:** Preferred shares may offer benefits like dividends or asset preference, but dividends require profits and board approval (Corporation Code, Sec. 43).
- ****Claims Prescription**:** The Civil Code prescribes a ten-year limitation period to take action on contracts (Civil Code, Art. 1144).
- ****Laches**:** Delay in asserting a right can lead to a presumption of abandonment or a decline to assert the claim.

****Historical Background**:**

This case reflects the historical interplay between corporate provisions on stock redemption

and the regulatory oversight of financial institutions. It also exemplifies the balance the judiciary must strike between enforcing private agreements and upholding public interest when a corporation is in financial distress, as informed by directives from financial regulators such as the Central Bank.