

Title: Joseph Omar O. Andaya v. Rural Bank of Cabadbaran, Inc., et al.

Facts:

Joseph Omar O. Andaya (petitioner) acquired 2,200 shares of stock from Conception O. Chute in Rural Bank of Cabadbaran, Inc. (respondent bank) through a notarized Sale of Shares of Stocks document. Chute then endorsed and delivered the stock certificates to Andaya and requested the respondent bank to register the transfer and issue new stock certificates in Andaya's name. Andaya similarly communicated his request to the corporate secretary of the respondent bank. However, the bank's corporate secretary informed Chute that a previous stockholders' resolution gave existing shareholders a right of first refusal before the shares could be sold to outsiders. Further communications occurred without resolution, leading the bank to ultimately deny Andaya's request on the grounds that he was a competing bank's president and the acquisition was not in good faith.

Thereafter, Andaya initiated an action for mandamus and damages against the Rural Bank of Cabadbaran and its officers to compel the registration of the share transfer and issuance of new stock certificates in his favor. The Regional Trial Court (RTC) dismissed the complaint based on *Ponce v. Alsons Cement Corporation*, stating that Andaya failed to have the transfer recorded in the corporation's stock and transfer book or receive authority from Chute to make the transfer.

Subsequently, Andaya filed a Rule 45 petition before the Philippine Supreme Court on the grounds that the RTC erred in dismissing his mandamus action.

Issues:

1. Whether Andaya, as a transferee of shares, can initiate an action for mandamus to compel the registration of shares in the stock and transfer book of the Rural Bank of Cabadbaran and have new stock certificates issued in his name.
2. Whether a writ of mandamus should be issued in favor of the petitioner.

Court's Decision:

The Supreme Court ruled that the registration of a transfer of shares is a ministerial duty of the corporation and a bona fide transferee, like Andaya, possesses the legal right to have the transfer registered. Thus, he can initiate an action for mandamus. The Court held that the RTC erred in relying on *Ponce*, which pertained to the issuance of stock certificates and not to the registration of share transfers. The Court also indicated that the requirement for a special power of attorney from the transferor, as per *Ponce*, was not applicable because

Andaya presented a letter from the corporate secretary to Chute that clearly indicated Chute's request for the registration of the transfer.

The Supreme Court determined that the issues raised by respondents concerning the bank stockholders' right of first refusal and Andaya's alleged bad faith need thorough examination by the RTC. Furthermore, the validity of the transfer using Section 98 of the Corporation Code was not properly established since it was not clear if the respondent bank was a close corporation.

Hence, the petition was partly meritorious. The Supreme Court granted Andaya's petition, set aside the RTC decisions, reinstated the mandamus action, and remanded the case to the RTC for further proceedings and resolution of factual matters.

Doctrine:

The registration of a transfer of shares is a ministerial duty of the corporation, and aggrieved parties may resort to mandamus to compel corporations that unjustifiably refuse the registration.

Class Notes:

Key Elements:

1. Legal right to compel registration of share transfer
2. Ministerial duty of the corporation
3. Bona fide transferee's standing
4. Unlawful neglect of duty
5. Absence of other remedies

Relevant Statutes:

- Corporation Code, Section 63
- Corporation Code, Section 98
- Rules of Court, Rule 65, Section 3

Application:

A bona fide transferee with a clear legal right to share transfer and whose request has been unlawfully neglected by the corporation has standing to compel registration through mandamus.

Historical Background:

At the time, the jurisprudence was evolving in defining the scope of the rights of transferees

of shares of stock within the context of the Corporation Code and the procedural posture of cases in mandamus actions. The resolution highlighted the need for precise application of legal precedents related to share transfers and the issuance of stock certificates, as well as the accurate interpretation of the Corporation Code in relation to the right of first refusal and its applicability to close corporations. This case served to clarify the duties of corporations and the rights of transferees in the course of stock transactions.