

****Title**:** *Angeles v. The Hon. Secretary of Justice and Mercado*

****Facts**:**

The case originated from a complaint for estafa under Article 315 of the Revised Penal Code filed by the Angeles spouses against Felino Mercado on November 19, 1996, in the Provincial Prosecution Office of Santa Cruz, Laguna. Mercado, the brother-in-law of the petitioners, was accused of deceiving the Angeles spouses in November 1992 into entering a contract of antichresis over eight parcels of land in Nagcarlan, Laguna. The agreement purported that Mercado would administer the lands and handle documentation while paying the petitioners five “kaing” of lanzones annually for five years.

After three years, the Angeles spouses sought an accounting from Mercado, who provided insufficient details and later was found to have registered the contract under his and his spouse’s names, supposedly misappropriating P210,000. Mercado, in his defense, claimed the existence of an industrial partnership since 1991, asserting the role of the Angeles spouses as financiers.

Upon review of Mercado’s counter-affidavit filed after an initial resolution by the Provincial Prosecution Office recommending estafa charges, the office reversed its decision, deeming the case civil in nature over partnership disputes. Appeals to the Secretary of Justice by the Angeles spouses were dismissed, reinforcing the findings of no criminal deceit warranting an estafa case, but rather a civil dispute over partnership and profit sharing.

****Issues**:**

1. Whether the Secretary of Justice committed grave abuse of discretion in dismissing the Angeles spouses’ appeal.
2. The existence of a partnership between the Angeles spouses and Mercado without documentary evidence.
3. The alleged misappropriation by Mercado of the partnership’s proceeds.
4. The appropriateness of filing an information for estafa against Mercado.

****Court’s Decision**:**

The Supreme Court dismissed the petition, upholding the Secretary of Justice’s decision. It ruled that no grave abuse of discretion was committed with the finding that the disagreement over the contract and earnings pointed more to a civil partnership disagreement rather than criminal deceit required for estafa. The Court recognized a de facto partnership’s existence rooted in common fund contributions and profit sharing

despite the lack of formal documentation or SEC registration. It concluded that the Angeles spouses knew the arrangement and ambiguously contested only Mercado's management of the partnership.

****Doctrine**:**

The case reiterated the principle that failure to comply with formal requirements (like registration of a partnership contract with the SEC or the lack of a public instrument) does not necessarily invalidate a partnership, particularly when contributions are made in money and not immovable property. It also emphasized the distinction between civil disputes within partnerships and criminal acts of deceit as in estafa.

****Class Notes**:**

- A partnership can be recognized without formal documentation or SEC registration if there is a contribution to a common fund and an agreement on profit sharing.
- Estafa requires criminal deceit, which differs from disputes over the management and accounting within a partnership.
- Misapplication or conversion of funds within a partnership context may not automatically constitute estafa if the partnership dynamic explains the financial arrangements.

****Historical Background**:**

The case exhibits the broader legal and societal contexts wherein business arrangements, particularly among family members in the Philippines, often operate based on trust and verbal agreements. This situation is reflective of the Filipino values of pakikisama (smooth interpersonal relationships) and palabra de honor (word of honor), highlighting the intersect between traditional Filipino values and legal obligations. The decision underscores the importance of formalizing agreements even among close relations to prevent disputes and clarify legal obligations in business partnerships.