

Title: Eduardo M. Cojuangco, Jr. v. Republic of the Philippines: Clarification of Ownership and Disposal of Coconut Levy Funds

Facts:

- **Procedural Posture:** The case stemmed from Civil Case No. 0033 initiated by the Presidential Commission on Good Government (PCGG) for the recovery of ill-gotten wealth. Civil Case No. 0033 was subdivided into eight amended complaints. The specific portion challenged herein is from Civil Case No. 0033-A, which dealt with the coconut levy funds and their utilization.

- **Petitioner's Action:** Eduardo M. Cojuangco, Jr. (Cojuangco) filed a petition under Rule 45 challenging the Partial Summary Judgment (PSJ-A) declaring certain coconut levy funds and the properties acquired through them as public property. He contested the declaration of shares and "compensation" as null and void for not having consideration, among other issues.

- **Coconut Levy Funds:** Involved the collection of funds from coconut farmers under various decrees purportedly for the benefit of the coconut industry. Significant portions of these funds were used to purchase a controlling stake in First United Bank (FUB, later UCPB). Under an agreement, Cojuangco received shares as "compensation" for exercising an option to acquire FUB/UCBP shares, which the Republic contended was improperly acquired using public funds.

Issues:

1. Whether the coconut levy funds and the properties acquired through them, including the shares of San Miguel Corporation (SMC), are public funds and property.
2. The validity of the agreement between the Philippine Coconut Authority (PCA) and Eduardo M. Cojuangco, Jr., specifically if it was supported by valuable consideration.
3. The ownership of the shares given to Cojuangco through the use of coconut levy funds.

Court's Decision:

The Supreme Court upheld the Sandiganbayan's ruling with modifications:

1. **On Public Nature of Funds and Shares:** Affirmed that the coconut levy funds are public funds collected for a special purpose - to support and develop the coconut industry. Consequently, properties acquired through such funds are considered public property. Thus, any transfers benefiting private individuals are void.
2. **On the Validity of the PCA-Cojuangco Agreement:** The Court acknowledged the agreement as supported by valuable consideration. However, stipulations that allowed private benefits at the expense of public funds were declared unconstitutional and void.

3. **On the Ownership of Shares:** The Court declared that the UCPB shares transferred to Cojuangco, which were acquired through public funds, are owned by the Republic of the Philippines. They shall be used solely for the benefit of all coconut farmers and the development of the coconut industry.

Doctrine:

Public funds collected for a specific purpose, such as the coconut levy funds, cannot be used to benefit private individuals or entities. Agreements or provisions that attempt such an allocation are unconstitutional and void.

Class Notes:

- **Key Concept:** Coconut levy funds are public funds. Any property acquired with such funds is public property.
- **Legal Statutes:**
- Article 1318 of the Civil Code on contracts requiring consideration
- Article 1409 of the Civil Code on void and inexistent contracts
- **Application:** The Court distinguishes between valid contracts supported by consideration and the use of public funds for private benefit, deeming the latter unconstitutional. The coconut levy case revolves around the principle that public funds must serve a public purpose.

Historical Background:

This case is situated within the broader historical context of efforts to recover ill-gotten wealth accumulated during the Marcos regime. It specifically deals with the misuse of the coconut levy funds, which were originally collected from coconut farmers with the promise of developing the coconut industry and improving their welfare.