

Title:

Alejandro V. Tankeh v. Development Bank of the Philippines, et al.

Facts:

Dr. Alejandro V. Tankeh was approached by his younger brother and president of Sterling Shipping Lines, Inc., Ruperto V. Tankeh, in 1980 regarding a shipping line business. Ruperto promised Alejandro 1,000 shares worth P1,000,000.00 and positions within the administration for him and his son. To facilitate a \$3.5 million loan from the Development Bank of the Philippines (DBP) for acquiring a vessel named M/V Golden Lilac (later renamed M/V Sterling Ace), Alejandro signed an Assignment of Shares of Stock with Voting Rights in 1981 and a promissory note in December 1981. However, Alejandro later sought to sever all ties and obligations with Sterling Shipping Lines, Inc., based on allegations of deceit and exclusion from company affairs.

This led to various complaints, amendments, and legal defenses raised by the parties, proceeding through the Regional Trial Court (RTC) of Manila, which decided in favor of Alejandro, to the Court of Appeals (CA), which reversed the RTC decision, and finally to the Supreme Court for a final ruling.

Issues:

1. Whether the CA erred in finding no fraud committed by respondent Ruperto V. Tankeh against Alejandro.
2. Whether Alejandro was rightfully excluded from the ship sale proceeds and management participation.
3. The liability of respondents, including the Development Bank of the Philippines and Asset Privatization Trust, in the commitment of fraud or incidental fraud.
4. The rightful compensation due to Alejandro for the damages sustained from fraudulent actions.

Court's Decision:

The Supreme Court partly granted the petition, affirming the CA's decision regarding the lack of causal fraud but recognizing the presence of incidental fraud (*dolo incidente*) by respondent Ruperto V. Tankeh, which excluded Alejandro from company management and benefits. The court ordered Ruperto V. Tankeh to pay Alejandro P500,000.00 in moral damages and P200,000.00 in exemplary damages. The allegations against the Development Bank of the Philippines, Sterling Shipping Lines, Inc., and other respondents regarding direct involvement in fraud were not sufficiently proven.

Doctrine:

The case illustrates the distinction between *dolo causante* (causal fraud) and *dolo incidente* (incidental fraud) in contractual obligations, stressing that the latter obliges the person employing it to pay damages. Also underscored are the standards for proving fraud, which require clear and convincing evidence, and the application of moral and exemplary damages under the Civil Code for acts of bad faith and abuse of rights.

Class Notes:

- **Fraud (Dolo Causante vs. Dolo Incidente):** Understand the difference between causal fraud, which affects consent and can void contracts, and incidental fraud, which leads to liability for damages but does not affect the contract's validity.
- **Evidence Standard:** Clear and convincing evidence is required to prove fraud in civil cases.
- **Damages:** Moral damages require proving bad faith or fraudulent actions leading to physical, mental, or emotional suffering. Exemplary damages can be imposed as a deterrent to wrongful acts.

Historical Background:

This legal battle highlights the complexities of intra-family business disputes and their progression through different judicial levels in the Philippines. It also reflects the intertwining of corporate obligations with personal relationships and the legal standards for establishing fraud and awarding damages in such contexts.