

Title:

Development Bank of the Philippines vs. Commission on Audit: A Case of Board Compensation and Legislative Limitations

Facts:

The Development Bank of the Philippines (DBP) faced a legal battle over the compensation and other benefits received by its Board of Directors based on resolutions passed in 2006. These resolutions authorized benefits beyond the per diem allowed under their charter, including representation and entertainment expenses, rice subsidy, and anniversary bonuses, leading to payments totaling P16,656,200.09. The Commission on Audit (COA) issued a Notice of Disallowance (ND) in May 2007, citing violations of the DBP Charter and asserting that only per diems were permissible, reflecting a misunderstanding of the law's boundaries on board compensation. The DBP's appeals within the COA were unsuccessful, resulting in a petition to the Supreme Court to contest the COA's rulings.

Issues:

1. Whether the DBP Board's authority under its charter extends to granting additional benefits beyond per diems with presidential approval.
2. Whether the notation of "No objection" by then-President Gloria Macapagal Arroyo on the DBP Memorandum equals formal approval warranting respect and credence.
3. Whether the Notice of Disallowance violated DBP's right to due process by including a ground for disallowance not previously cited.
4. The relevance of COA General Counsel's favorable opinion on similar issues to the case at hand.
5. The liability of Board members and officers for refunding the disallowed compensation, assuming legal basis for disallowance exists.

Court's Decision:

The Supreme Court ruled partially in favor of DBP, upholding COA's disallowance of additional benefits based on strict interpretation of the DBP Charter that specifies only per diems as allowable compensation. However, the Court modified the ruling, stating that individuals identified in the ND as personally liable need not refund the disallowed amounts, citing good faith in their actions.

Doctrine:

The Supreme Court reaffirmed the legal principle that per diems are the only compensation board members are entitled to under specific charters unless additional benefits are

expressly provided by law. Further, it established that good faith in executing duties may absolve individuals from refund liabilities when statutory interpretations are unclear.

Class Notes:

- ****Legal Principle****: The specific mention of compensation types in a statute implies the exclusion of all unmentioned forms of compensation.
- ****Statutory Interpretation Rule****: Expressio unius est exclusio alterius—mentioning one thing excludes all others.
- ****Good Faith Defense****: Officials may be absolved from refunding disallowed amounts if actions were taken in good faith, without knowledge that such actions were contrary to law.

Historical Background:

This case represents a pivotal moment in clarifying the limitations on executive discretion over governmental corporation compensation schemes within the Philippine legal system. It underscores the judiciary's role in interpreting legislative intent and ensuring executive actions remain within legal bounds.