

****Title:**** Valley Golf & Country Club, Inc. v. Rosa O. Vda. De Caram

****Facts:****

The case involved Rosa O. Vda. De Caram, widow of the late Congressman Fermin Z. Caram, Jr., who contested the validity of the sale of a fully-paid golf share in Valley Golf & Country Club (Valley Golf), a non-stock, non-profit corporation, due to unpaid monthly dues. Congressman Caram had completely paid for his golf share in 1961 but ceased monthly dues payments starting January 25, 1980, until June 31, 1987. Following Congressman Caram's death on October 6, 1986, Valley Golf, asserting reliance on its corporate by-laws, sold the share at a public auction on June 11, 1987, to cover the unpaid dues. Rosa O. Vda. De Caram discovered the sale and pursued reconveyance and damages through an initial suit filed with the SEC. After a series of decisions, the case ascended to the Supreme Court, challenging the intersection of corporate by-laws, Articles of Incorporation, and shareholders' rights under Philippine law.

****Issues:****

1. Whether the by-laws of a non-stock corporation can authorize the seizure and sale of a fully-paid membership share due to unpaid debts, in absence of enabling language in the Articles of Incorporation.
2. Whether such seizure and sale constitute a deprivation of property without due process of law.
3. The validity of corporate by-laws authorizing such actions without explicit provisions in the Articles of Incorporation.

****Court's Decision:****

The Supreme Court upheld the decisions of the Securities and Exchange Commission (SEC) and Court of Appeals, denying Valley Golf's petition. The Court delineated that while by-laws can regulate internal operations, actions as drastic as seizing and disposing of membership shares for debt recovery must be grounded explicitly in the Articles of Incorporation. The Court also identified Valley Golf's failure to provide adequate notice to the Caram estate as a significant due process issue, considering the consequential loss of property. Moreover, Valley Golf's conduct was scrutinized for bad faith, particularly in sending notices to Caram postmortem as if he were alive, to facilitate the sale of the disputed share.

****Doctrine:****

The Court reiterated the principle that termination of membership and related actions

affecting the property rights of members in a non-stock corporation must be expressly provided for in the Articles of Incorporation and not merely in the by-laws, to be valid and enforceable. Additionally, it emphasized the necessity of procedural due process, explicitly fair notice, before terminating membership and seizing property for debts to the corporation. Furthermore, it underscored the applicability of general norms of acting with justice, honesty, and good faith from the Civil Code, even in the context of corporate governance.

****Class Notes:****

- Shareholder Rights: Fully paid shares cannot be sold for unpaid dues without explicit authorization in the Articles of Incorporation.
- Due Process in Corporate Actions: Adequate notice and opportunity to cure must be provided before terminating membership and seizing shares for debt repayment in non-stock corporations.
- Articles of Incorporation vs. By-Laws: Provisions affecting property rights and membership termination must be explicitly stated in the Articles of Incorporation.
- Bad Faith Corporate Acts: Corporate actions taken in bad faith, especially those infringing on members' rights and property, invite legal censure and damages.

****Historical Background:****

This case provides insight into the evolving jurisprudence on corporate governance, shareholders' rights, and the balance between corporate autonomy in managing its affairs and protecting individual rights within the corporate context in the Philippines. The Supreme Court's decision reinforces the principle that non-stock corporations must adhere to strict statutory and constitutional requirements in modifying or terminating membership rights, especially when these involve substantial property interests.