

Title:

****Jerome R. Canlas vs. Home Guaranty Corporation Officers (G.R. No. 201156)****

Facts:

A detailed series of events led to the Supreme Court case between Jerome R. Canlas and Home Guaranty Corporation (HGC) Officers. The case centers around a dispute over the sale of two lots in the Manila Harbour Centre. Here is a step-by-step breakdown of key facts and procedural stages:

1. ****Initial Agreements****:

- ****March 19, 1993****: The National Housing Authority (NHA) and R-II Builders, Inc. (R-II) entered a Joint Venture Agreement for the Smokey Mountain Development and Reclamation Project (the Project), aimed at converting the former Smokey Mountain Dumpsite into housing.
- ****September 26, 1994****: Parties entered into the Smokey Mountain Asset Pool Formation Trust Agreement (Trust Agreement), which was amended several times until June 9, 2000.

2. ****Funding via Securitization****:

- Philippine National Bank issued Participation Certificates backed by HGC as the guarantor.

3. ****Maturation and Default****:

- ****October 24, 2002****: The Participation Certificates matured but couldn't be paid.
- ****February 6, 2003****: HGC Board approved the call, acquiring the asset pool properties through Deed of Assignment on ****July 30, 2004****.

4. ****Sale of Properties****:

- ****July 21, 2006****: HGC publishes a Notice of Sale.
- Alfred Wong offers to buy two lots for PHP 14,000 per sqm, eventually reduced to PHP 13,300 per sqm with a cash discount.
- ****July 21, 2008****: HGC sold the lots to Wong for PHP 384,715,800.

5. ****Complaint by Canlas****:

- ****October 16, 2009****: Jerome R. Canlas filed a Complaint-Affidavit before the Ombudsman alleging grave misconduct and violations of Republic Act No. 3019, citing grossly undervalued sale of lots.

6. ****Defense by HGC Officers****:

- Officers argued compliance with guidelines, favorable opinion by Government Corporate Counsel, and necessity for financial stability of HGC among other points.

7. **Dismissal by Ombudsman**:

- **October 12, 2010**: Ombudsman dismissed the complaint. Canlas' motions for reconsideration failed.

8. **Appeal to Court of Appeals**:

- **August 11, 2011**: CA upheld the Ombudsman's dismissal. Canlas' motion reconsideration denied on **November 29, 2011**.

9. **Petition to Supreme Court**:

- **February 8, 2012**: Canlas filed the present Petition for Review under Rule 45.

Issues:

1. **Legal Standing of Canlas**:

- Whether Canlas had the standing to file the administrative complaint.

2. **Appealability**:

- Whether the Ombudsman's decision dismissing the complaint was appealable.

3. **Reasonableness of Purchase Price**:

- Whether the purchase price of PHP 13,300 per sqm was unreasonable and disadvantageous to the government.

4. **Liability of HGC Officers**:

- The proper parties to be charged with the offense.

5. **Administrative Liability for Grave Misconduct**:

- If HGC Officers can be held administratively liable for grave misconduct.

6. **Gross Disadvantage to Government**:

- Whether the contract of sale was grossly disadvantageous to the government.

Court's Decision:

The Supreme Court addressed each issue methodically:

1. **Legal Standing**:

- **Denied**: Canlas was deemed not to have sufficient personal interest. Canlas did not

demonstrate that he would be benefited or injured by the judgment. He filed the case in his personal capacity without authorization from affected parties.

2. **Appealability**:

- **Unappealable**: Decisions by the Ombudsman absolving respondents are final and unappealable per Section 27 of RA 6770 and Section 7, Rule III of Administrative Order No. 07.

3. **Reasonableness of Purchase Price**:

- **Affirmed**: The court ruled that the PHP 13,300 per sqm price was reasonable relative to the zonal value of PHP 9,750 per sqm. Additional methods (Net Effective Return and Severity of Loss) supported the sale price.

4. **Liability of HGC Officers**:

- **Dismissed**: The officers acted under the direction of HGC's Board, who had the authority. Corporate acts do not typically extend liability to individual officers without clear malfeasance.

5. **Administrative Liability**:

- **Dismissed**: No substantial evidence of misconduct, bad faith, or malice was presented against the officers. The transaction was conducted with due diligence and no bad faith.

6. **Gross Disadvantage**:

- **Not Grossly Disadvantageous**: The court determined that there was no manifest disadvantage to the government. Procedures showed due diligence and reasonableness in sale value.

Doctrine:

The Supreme Court reiterated that the exoneration of public officers by the Ombudsman is generally unappealable, particularly when the petitioner lacks sufficient personal interest. This highlights the importance of standing and the discretionary authority of the Ombudsman in administrative issues.

Class Notes:

- **Legal Standing** (Locus Standi): Required for the complainant to demonstrate personal beneficial or injurious effect by court's decision.

- **Finality of Ombudsman's Decisions**: As per RA 6770, decisions absolving respondents are final and unappealable.

- **Reasonable Diligence in Disposal**: The need for due diligence and compliance with administrative processes to avoid claims of misconduct or unfair transactions.
- **Burden of Proof for Misconduct**: Requires substantial evidence demonstrating bad faith, corruption, or flagrant disregard for the law.

Historical Background:

The Smokey Mountain Development project, initiated in the early 1990s, sought to rehabilitate a notorious dumpsite into a habitable area, reflecting broader urban regeneration and housing policies in the Philippines. The controversy involving HGC reflects ongoing challenges in balancing effective asset disposal, integrity in governance, and public perception of accountability in state projects.