Title: First Philippine Holdings Corporation vs. Trans Middle East (Phils.) Equities, Inc., G.R. No. 179505 (2009)

Facts:

– **June 30, 1961:** The First Philippine Holdings Corporation (FPHC), formerly known as Meralco Securities Corporation, was incorporated by Filipino entrepreneurs led by Eugenio Lopez, Sr.

– **May 24, 1984:** FPHC allegedly sold its 6,299,179 shares of common stock in Philippine Commercial International Bank (PCIB) to Trans Middle East (Phils.) Equities, Inc. (TMEE), a corporation allegedly owned by Benjamin (Kokoy) Romualdez.

– **Post-1984:** The 6,299,179 shares of common stock in PCIB were among the sequestered properties by the Presidential Commission on Good Government (PCGG) as part of the alleged ill-gotten wealth amassed by Benjamin Romualdez during President Ferdinand E. Marcos's regime.

– **December 28, 1988:** FPHC filed a "Motion for Leave to Intervene and to Admit Complaint in Intervention" in Civil Case No. 0035 with the Sandiganbayan, asserting that the shares were obtained through fraud.

– **February 1, 1996:** The Supreme Court in First Philippine Holdings Corporation v. Sandiganbayan allowed the intervention of FPHC and directed the Sandiganbayan to admit FPHC's Complaint-in-Intervention.

– **June 27, 2006:** TMEE filed a Motion to Dismiss FPHC's Complaint-in-Intervention on the ground that the action had prescribed, stating that under Article 1391 of the Civil Code, FPHC only had four years from the date of the sale (May 24, 1984) to annul it.

– **February 22, 2007:** The Sandiganbayan granted TMEE's motion to dismiss, asserting that martial law had been lifted in 1984 and protests against Marcos were already mounting, nullifying claims of fear and intimidation.

– **September 6, 2007:** The Sandiganbayan denied FPHC's motion for reconsideration, emphasizing that the contract was voidable, not void ab initio.

– **Petition:** FPHC then filed the instant Petition for Review under Rule 45 of the Rules of Court before the Supreme Court.

Issues:

1. **Whether the sale of PCIB shares was void or voidable.**
2. **Whether the four-year prescriptive period in Article 1391 of the Civil Code applied from the date of sale (1984) or from the date when intimidation ceased (1986).**
3. **Whether FPHC's action for annulment was filed within the prescriptive period.**

Court's Decision:

1. **Validity and Voidability:** The Supreme Court affirmed the Sandiganbayan's ruling that the contract was voidable, not void ab initio. This was due to the allegation that consent via fraud was given by representatives (dummy board) who had been lawfully constituted until declared otherwise by a competent authority.

2. **Commencement of Prescriptive Period:** The Supreme Court ruled that the prescriptive period began from the date of the sale (1984), not from the cessation of intimidation (1986), as FPHC had actual knowledge of the sale at its inception.

3. **Timeliness of FPHC's Action:** The Court determined that FPHC's complaint was filed beyond the four-year prescriptive period from the date of discovery of fraud. The sale in 1984 was well known to FPHC, hence when they filed the intervention in 1988, it was already beyond the prescriptive limit set by Article 1391 of the Civil Code.

Doctrine:

– **Voidable Contracts:** As per Article 1390 of the New Civil Code, contracts where consent is vitiated by fraud, such as the sale of shares, are voidable but not void ab initio. Thus, they remain valid until annulled.
– **Prescriptive Period:** Article 1391 indicates that the period for filing annulment based on fraud shall be within four years from the discovery of fraud.

Class Notes:

– **Void vs. Voidable Contracts:** A void contract is non-existent from the start due to lack of an essential requisite, whereas a voidable contract remains valid until annulled judicially.
– **Article 1391, Civil Code – Prescription:** Commences from the discovery of fraud.
– **Actionable Fraud:** Can be claimed within four years under the Civil Code. Beyond this period, the claim is prescribed.
– **Corporate Authority:** Actions by corporate boards are presumed legitimate until

proven otherwise. Consent given by an authorized board is effective unless declared null by competent authority.

Historical Background:

– **Martial Law and the Marcos Regime:** The context of the case involves the alleged coercive circumstances during the Marcos regime, in which properties were sequestered and transferred under the guise of legality.
– **People Power Revolution:** The reference to 1986 is significant, marking the end of Marcos's regime and thus potentially the cessation of alleged intimidation surrounding coerced asset transfers under martial law.

This case thus highlights the nature of contractual consent, the distinctions between void and voidable contracts, and the importance of adhering to statutory limitations for legal remedies.