

****Title:**** Ang-Abaya vs. Ang, G.R. No. 178586

****Facts:****

1. ****Corporate Context and Allegations:**** The conflict arose among family members involved in Vibelle Manufacturing Corporation (VMC) and Genato Investments Inc. (Genato). The petitioners—Ma. Belen Flordeliza C. Ang-Abaya, Francis Jason A. Ang, Vicente G. Genato, and Hanna Zorayda A. Ang—contended with Eduardo G. Ang over alleged financial improprieties and disruptive actions by Eduardo, including borrowing large sums with no intention to repay and repeatedly demanding increases in allowances contrary to corporate policy.
2. ****Initial Civil Case:**** VMC, Genato, and Oriana Manufacturing Company filed Civil Case No. 4257-MC against Eduardo for damages and sought a temporary restraining order based on allegations of harassment and interference in corporate operations. While this case was pending, Eduardo requested to inspect the corporate books of VMC and Genato, which the petitioners denied due to alleged improper motives.
3. ****Affidavit-Complaint Filed:**** Eduardo responded to the denial by filing an Affidavit-Complaint accusing the petitioners of violating Section 74 of the Corporation Code, which mandates the right of stockholders to inspect corporate records.
4. ****Prosecutor’s Findings and DOJ Review:**** The City Prosecutor of Malabon recommended charging the petitioners for the violations, except for Belinda Sandejas. The Department of Justice (DOJ) later reversed the prosecutor’s findings, directing the withdrawal of complaints against the petitioners.
5. ****Court of Appeals Decision:**** Eduardo appealed, and the Court of Appeals partially granted the appeal by nullifying the DOJ’s resolutions but suspended the criminal case due to the prejudicial question relative to Civil Case No. 4257-MC.
6. ****Elevated to the Supreme Court:**** Petitioners challenged the Court of Appeals’ decision in the Supreme Court under Rule 45, asking to review the finding of probable cause and allegations of grave abuse of discretion by the DOJ’s ruling.

****Issues:****

1. Whether the Court of Appeals erred in finding grave abuse of discretion by the Secretary of Justice in reversing the decision of the City Prosecutor of Malabon City.

2. Whether there was a valid finding of probable cause against the petitioners for violation of Section 74 of the Corporation Code.
3. Whether Eduardo Ang acted in good faith and for legitimate purposes in demanding the inspection of corporate books.

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

****1. Grave Abuse of Discretion:****

The Supreme Court held that the Secretary of Justice did not commit grave abuse of discretion in his decision to reverse the City Prosecutor's findings. The determination of probable cause lies within the discretion of the Secretary of Justice, and the Secretary acted within his jurisdiction when he considered the motives of Eduardo Ang in his demand to inspect the corporate books.

****2. Probable Cause Evaluation:****

The Court emphasized that probable cause requires the presence of all elements constituting the alleged offense. Given the defense presented by the petitioners, which included evidence of Eduardo's improper motives and prior misuse of corporate information, there was a lack of probable cause that the petitioners violated Section 74 of the Corporation Code.

****3. Good Faith and Legitimate Purpose:****

The investigation by the Secretary of Justice rightly evaluated whether Eduardo was acting with legitimate purposes or had an ulterior motive. The substantial evidence indicated that Eduardo's request for inspection was not in good faith, considering his previous behavior and demands inconsistent with legitimate stockholder interests.

****Doctrine:****

1. ****Elements of Probable Cause:**** The elements of the crime must be present to establish probable cause for filing a criminal case. Probable cause does not imply actual guilt but a reasonable ground for the prosecution to proceed.
2. ****Right of Inspection:**** A stockholder's right to inspect corporate books is statutory but subject to limitations, which include acting in good faith and having a legitimate purpose.
3. ****Evaluating Motive in Inspection Requests:****
The corporation can deny inspection if the stockholder had a prior history of improper use

of information or is acting with illegitimate motives. The burden of proof shifts to the corporation to substantiate these defenses.

****Class Notes:****

- ****Probable Cause:**** Must establish that a crime likely occurred and that the accused is probably guilty.
- ****Corporate Right of Inspection:**** Codified in Section 74 of the Corporation Code, with limitations present in the same provision.
- ****Burden of Proof in Defenses:**** For corporate denials based on improper use or bad faith, the corporation bears the burden of proof.

****Historical Background:****

In the context of corporate governance and family-owned enterprises in the Philippines, this case underscores the legal mechanisms available for resolving intrafamily corporate disputes, emphasizing the balancing act between protective statutory rights for stockholders and safeguarding corporate integrity and operations from individuals with potentially harmful intentions. Such decisions enable the court to manage disputes that go beyond mere ownership towards ensuring the legitimacy of stakeholder intentions in corporate affairs.