

****Title:****

GONZALEZ, JR. vs. PEÑA, ALABANG COUNTRY CLUB, INC., and VERA

****Facts:****

In 1999, the RTC of Bago City rendered a Decision ordering Delfin C. Gonzalez, Jr. and his co-petitioners to pay P28.5 million to Magdalena M. Peña for agency fees and damages. Gonzalez and his co-petitioners appealed the Decision. Despite the appeal, Peña sought and was granted execution pending appeal, leading to the sale of Gonzalez's Alabang Country Club, Inc. (ACCI) shares to Peña on October 16, 2000. Peña then privately sold these shares to Arsenia Vera on May 2, 2001.

On October 19, 2011, the Philippine Supreme Court in *Urban Bank, Inc. v. Peña* vacated the RTC's Decision and declared all executions and sales invoked as nullities. The Court ordered the restoration of properties, including the ACCI shares, to Gonzalez and his co-petitioners.

Gonzalez subsequently filed a motion for execution with the RTC Makati, Branch 65, seeking the return of his ACCI shares. However, the RTC, in its Omnibus Resolution dated April 30, 2014, ruled against restoring the shares to Gonzalez, citing their sale to an innocent third party purchaser, Vera, as valid.

Gonzalez's motion for reconsideration was denied by the RTC in its Resolution dated September 17, 2014, prompting him to petition the Supreme Court for review, challenging the RTC's refusal to restore the ACCI shares.

****Issues:****

1. Whether the RTC complied with the Supreme Court directive in *Urban Bank, Inc. v. Peña* to restore the actual ownership of ACCI shares to Gonzalez.
2. Whether the sale of ACCI shares to Vera was legally valid and precluded their restitution to Gonzalez.

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

The Supreme Court ruled in favor of Gonzalez, finding that the RTC had not complied with its earlier directive. The Court highlighted the nullity of Peña's acquisition of the ACCI shares due to the voided execution sale, rendering the subsequent sale to Vera invalid.

1. ****Compliance with Restoration Directive:****

The Supreme Court emphasized that the RTC was mandated to restore properties executed pending appeal to their original owners if possible. The directive included a clear procedure

to follow if the properties could no longer be returned, but it hinged on actual restitution being deemed impossible, a finding the RTC failed to substantiate.

2. **Validity of Sale to Vera:**

The Court refuted the RTC's position on the validity of the sale to Vera. Under Article 1505 of the Civil Code, a purchaser acquires no better title than the seller if the property is sold by someone without rightful ownership. Given the Supreme Court's categorical declaration that Peña's acquisition was void, Pena never held a valid title to pass on to Vera. Consequently, Vera could not possess a legitimate claim on the ACCI shares.

Doctrine:

- All transactions deriving their validity from void court executions do not take legal effect.
- Article 1505 of the Civil Code: A buyer cannot acquire better title than the seller when the latter holds no legitimate ownership of the sold property.
- Article 1266 of the Civil Code: Impossibility must be definitively established either physically or legally for the obligations to be considered impossible to fulfill.

Class Notes:

- **Null and Void Transactions:** Any judicial act or transaction rooted in a void court decision is similarly void, thus producing no legal effect.
- **Article 1505 of the Civil Code:** Helps elucidate the principle that no one can transfer better rights than they hold.
- **Impossibility under Article 1266:** Clear criteria for determining impossibility utilized to argue against obstructed fulfillment of restitution duties.
- **Certificate Transfer under Corporation Code, Section 63:** Reinforces the need for proper recording in corporate books for valid stock transfers.

Historical Background:

This case traces its roots back to a crucial ruling affecting banking executives and firms embroiled in execution sales and property restitution. It underscores the importance of appellate review and finality in judicial pronouncements and the protection of property rights, even amidst flawed judicial processes. The court's insistence on upholding nullified transactions' ramifications serves as a precedent to preserve justice equity within property and corporate law domains.