

C. N. HODGES AND RICARDO GURREA, PETITIONER, VS. JOSE MANUEL LEZAMA, BENJAMIN LUIS BORJA AND THE COURTS OF APPEALS, RESPONDENTS.

G.R. No. L-20630. August 31, 1965

Ponente: CONCEPCION, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/6aa45a0e72b6/>

CONCEPCION, J.:

Appeal by certiorari from a decision of the Court of Appeals, reversing that of the Court of First Instance of Iloilo.

There is no dispute about the main facts, which are, as set forth in the decision of the latter court:

"On July 12, 1954 petitioner Hodge's acquired at public auction the 2,230 shares of stock in question (Exh. G). The stock certificates covering said shares of stock (Exhs. 9 to 14) were duly endorsed to him and thereafter surrendered and cancelled, and stock certificate No. 17 dated November 1, 1954 (Exhs. A, A-1 and 17) was issued in lieu thereof in his favor. It would seem that pending actual delivery of said certificate of stock No. 17 to petitioner Hodges, he sold the said shares to respondent Borja (no document of sale was offered in evidence) and to secure payment thereof respondent Borja, on November 1, 1954, executed a chattel mortgage thereon in favor of petitioner Hodges (Exhs. F and 1). Without the said stock certificate No. 17 being duly endorsed by petitioner Hodges to respondent Borja (Exhs. A & A-1) and duly surrendered to the corporation for cancellation, respondent Borja caused stock certificate No. 18 to be issued in his name (Exh. 8) by respondent Jose Manuel Lezama (Exh. 8-B), his brother-in-law and president of the corporation, and Paquita B. Lezama (Exh. 8-C), his sister and secretary of the corporation, with a note made by his aforesaid sister on the back of the certificate to the effect that the shares of stock were mortgaged to petitioner Hodges (Exh. 8-D), causing thereafter said stock certificate No. 18 to be entered in his name in the books of the corporation in the possession and under the control of his aforesaid brother-in-law and sister, president and secretary, respectively, of the corporation. Despite demands, petitioner Hodges refused to surrender his aforesaid stock certificate No. 17 for cancellation as he believed it was his until fully paid for. Upon failure of respondent Borja to pay certain installments due, petitioner Hodges foreclosed the chattel mortgage executed by respondent Borja in his favor (Exh. Q) and on September 17, 1958, petitioner Hodges reacquired the aforesaid 2,280 shares of stock at public auction (Exh. P). This acquisition, petitioner Hodges did not cause to be entered in the books of the corporation as he had his stock certificate No. 17 which, therefore, had not been endorsed by him to anybody or cancelled and which he considered still subsisting. On September 18, 1958, petitioner Hodges again sold his aforesaid 2,230 shares of stock covered by his stock certificate No. 17 on installment basis to his co-petitioners Ricardo Gurrea, but continued keeping the stock certificate in his possession without endorsing it to Gurrea or causing the sale to be entered in the books of the corporation, believing that said shares of stock were his until fully paid for. Up to the present, petitioner Hodges has in his possession and under his control his aforesaid stock certificate No. 17, unendowed and uncanceled (Exhs. A & A-1), a fact known to the respondents."

Before the stockholders meeting of the La Paz Ice Plant & Cold Storage Co., Inc.,—hereinafter referred to as the Corporation—which was scheduled to be held on August 6, 1959, petitioners C. N. Hodges and Ricardo Gurrea filed with the Court of First Instance of Iloilo, a petition—docketed as Civil Case No. 5261 of said court—for a writ

of prohibition with preliminary injunction, to restrain respondents Jose Manuel Lezama, and his wife, Paquita B. Lezama, as president and secretary, respectively, of said Corporation, from allowing their brother-in-law and brother, respectively, respondent Benjamin L. Borja, to vote in said meeting on the aforementioned 2,230 shares of stock. Upon the filing of said petition and of a bond of the sum of P1,000, the writ of preliminary injunction prayed for was issued. After due trial, or on March 28, 1960, the court of origin rendered a decision holding that, in view of the provision in stock certificate No. 17, in the name of Hodges, to the effect that he

"* * * is the owner of Two Thousand Two Hundred Thirty Shares of the Capital Stock of La Paz Ice Plant & Cold Storage Co., Inc., transferable only on the books of the Corporation by the holder hereof in person or by Attorney upon surrender of thin certificate properly endorsed."

stock certificate No. 18, issued in favor of Borja and the entry thereof at his instance in the books of the Corporation without stock certificate No. 17 being first properly endorsed, surrendered and cancelled, is null and void, and that it would be unconscionable and unjust for Borja to vote on said shares of stock, knowing that he had ceased to have actual interest therein since September 17, 1958, when Hodges bought such interest at the public auction held in the proceedings for the foreclosure of his chattel mortgage on said shares of stock. Accordingly, judgment was rendered making said preliminary injunction permanent and declaring Hodges as the one entitled to vote on the shares of stock in question.

On appeal, taken by respondents, said decision of the lower court was, however, reversed by the Court of Appeals, which dismissed the petition, with costs against petitioners, upon the ground that Borja had become the owner of the shares of stock on November 1, 1954, upon the sale thereof to him by Hodges and the execution by Borja of the deed constituting, in favor of Hodges, a chattel mortgage on said shares of stock, despite the aforementioned provision in stock certificate No. 17 making it "transferable only on the books of the Corporation by the holder hereof * * * upon surrender of this certificate properly endorsed", said provision being "merely an internal corporate procedure for the protection of the Corporation which the latter could validly waive", and that the proper remedy for Hodges, after once again purchasing said shares of stock in the foreclosure proceedings against Borja, was "to demand that his reacquisition of the shares be entered in the books of the Corporation, that Borja's stock certificate No. 18 be surrendered and cancelled, * * * that in lieu thereof a new stock certificate be issued in his favor", and that, in the event of refusal of the Corporation to comply with this demand, "he could sue for a writ of mandamus". Hence, this appeal by certiorari of the petitioners.

We find ourselves unable to share the view taken by the appellate court. It should be noted that Borja had never assailed the right of Hodges to withhold said stock certificate No. 17. It is, moreover, obvious that Hodges retained it with Borja's consent, It was evidently part of their agreement, or implied therein, that Hodges would keep the stock certificate and thus remain in the records of the Corporation as owner of the shares, despite the aforementioned sale thereof and the chattel mortgage thereon. In other words, the parties thereto intended Hodges to continue, for all intents and purposes, as owner of said shares, until Borja shall have fully paid its stipulated price.

Again, if upon the sale by Hodges to Borja on November 1, 1954, and the execution of the deed of chattel mortgage in favor of Hodges, the title to the shares had passed to Borja, as held by the appellate court, then, by the same token, such title reverted to Hodges when he bought the shares at public auction, in the proceedings for the foreclosure of the aforementioned chattel mortgage, on September 17, 1958, specially considering that Hodges had then, as well as prior and subsequently thereto, the instrument evidencing said shares of stock, namely stock certificate No. 17. It is worthy of notice, also, that neither Borja, nor the president and the secretary of the Corporation, namely, Mr. and Mrs. Lezama, question the validity of said auction sale in favor of Hodges. Inasmuch as all persons concerned are parties in this case and the requisite allegations and essential facts are

before us, it would be sacrificing the substance of justice to its form were we to dismiss the case at bar and require petitioners to bring another action to compel the surrender and cancellation of stock certificate No. 18 in the name of Borja and the subsequent issuance of another stock certificate in favor of Hodges, instead of ordering in this case such surrender and cancellation of said stock certificate No. 18 and the issuance, in lieu thereof, of a new one, in the name of Hodges.

Wherefore, the decision of the Court of Appeals is reversed and respondent Benjamin L. Borja hereby sentenced to surrender said stock certificate No. 18, within thirty (30) days from entry of judgment in this case, to respondents Mr. and Mrs. Lezama as officers of the Corporation, for immediate cancellation by the latter of said stock certificate, and the issuance of a new one in favor of petitioner C. N. Hodges. In all other respects, the decision of the Court of First Instance of Iloilo is, accordingly, affirmed, with costs against the respondents. It is so ordered.

Bengzon, C. J., Bautista Angelo, Reyes, J. B. L., Dizon, Regala, Makalintal, Bengzon, J. P., and Zaldivar, JJ., concur.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.