

**ROGELIO R. MACAPALAN, PETITIONER, VS. THE HONORABLE
BETHEL KATALBAS-MOSCARDON, PRESIDING JUDGE-DESIGNATE,
RTC OF NEGROS OCCIDENTAL, BRANCH 52, AND RPB VENTURE
CAPITAL CORPORATIO...**

G.R. No. 101711. October 01, 1993

Ponente: NOCON, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-101711/>

NOCON, J.:

At the core of this petition for review on certiorari assailing the orders of the Regional Trial Court of Bacolod City dated July 18, 1991 and August 12, 1991, and around which revolves the arguments of the parties, is the applicability of Section 5, subsections (a) and (b) of Presidential Decree No. 902-A.[1] Petitioner submits that the action which he brought against private respondent is cognizable solely by the trial court. On the other hand, private respondent espouses the original and exclusive jurisdiction of the SEC.

The pertinent antecedent facts, culled from the pleadings are, as follows:

On June 30, 1987, Mandalagan Development Corporation (MDC), represented by Bacolod Shrimpmate, Inc. (BSI) as attorney-in-fact, mortgaged its Lot No. 1435-A including the improvements thereon, covered by Transfer Certificate of Title No. T-71254, to private respondent RPB Venture Capital Corporation to secure the payment of a loan in the amount of P1,050,000.00. The loan was obtained by BSI.

For failure of BSI to pay the loan, private respondent foreclosed the mortgage and subsequently caused the public auction sale of the land on November 15, 1989. The land was sold to private respondent, being the only bidder. On January 15, 1990, it registered the certificate of sale.

On January 23, 1991, petitioner Rogelio R. Macapalan, member of the Board of Directors of MDC, filed a complaint against private respondent for annulment of the real estate mortgage and foreclosure sale with preliminary injunction before the Regional Trial Court, docketed as Civil Case No. 6341. He alleged therein that although the real estate mortgage was supported by a resolution, it is null and void for being an ultra vires act of MDC. The amended article of incorporation of MDC do not authorize encumbrance of its property to secure the loans of other persons, whether natural or juridical.

On June 26, 1991, private respondent filed a motion to dismiss on the ground that the trial court has no jurisdiction over the subject or nature of the action.

On July 18, 1991, the trial court issued an order dismissing petitioner's complaint. It was convinced that it did not have jurisdiction over the case because:

“x x x the issue at bar involves, in line with plaintiff's contention, devises or schemes by or any acts of the Board of Directors of Mandalagan Development Corporation of which plaintiff is a stockholder, amounting to fraud and misrepresentation detrimental to the interest of x x x the stockholders x x x. Furthermore, this involves a controversy arising out of intra-corporate relationship between plaintiff-stockholder and the

corporation of (sic) which he belongs. Undoubtedly, the case in point comes within the purview of the regulatory and adjudicative function of SEC over corporations specifically defined under Sec. 5 (a & b) of PD 902-A.”[2]

The motion for reconsideration was denied in the order dated August 12, 1991.[3] Hence, the present petition.

The sole issue raised herein is whether or not the trial court correctly applied Section 5, subsections (a) and (b) of Presidential Decree No. 902-A in dismissing Civil Case No. 6341.

Petitioner asserts that Civil Case No. 6341 falls squarely within the jurisdiction of the trial court as shown by the allegations of the complaint. It does not involve issues arising from intra-corporate relationship. The subject transaction is not a device or scheme designed to defraud private respondent or the public.

Private respondent maintains that the Securities and Exchange Commission should exercise jurisdiction over the case. It is a suit commenced by a stockholder/director arising from schemes and devices employed by the Board of Directors of MDC to the prejudice of the public and its own stockholders. The issue arose out of intra-corporate relationship among the stockholders of MDC and BSI.

We do not agree with private respondent and we find for petitioner. The trial court erred in dismissing Civil Case No. 6341.

Section 5, subsections (a) and (b) of P.D. No. 902-A, which served as basis for the trial court's dismissal of the case, provides:

“SEC. 5. In addition to the regulatory and adjudicative functions of the Securities and Exchange Commission over corporations, partnerships and other forms of associations registered with it as expressly granted under existing laws and decrees, it shall have original and exclusive jurisdiction to hear and decide cases involving:

(a) Devices or schemes employed by, or any acts of, the Board of Directors, business associations, its officers or partners, amounting to fraud and misrepresentation which may be detrimental to the interest of the public and/or of the stockholders, partners, members of associations or organizations registered with the Commission.

(b) Controversies arising out of intra-corporate or partnership relations, between and among stockholders, members, or associates; between any and/or all of them and the corporation, partnership or association of which they are stockholders, members or associates, respectively; and between such corporation, partnership or association and the state insofar as it concerns their individual franchise or right to exist as such entity.”

The persistent confusion concerning said original and exclusive jurisdiction of the SEC has been clarified as early as November 28, 1983, in the case of *Union Glass and Container Corporation, et al. v. SEC, et al.*, [4] where we said:

"This grant of jurisdiction must be viewed in the light of the nature and function of the SEC under the law. Section 3 of PD No. 902-A confers upon the latter 'absolute jurisdiction, supervision, and control over all corporations, partnerships or associations, who are grantees of primary franchise and/or license or permit issued by the government to operate in the Philippines x x x.' The principal function of the SEC is the supervision and control over corporations, partnerships and associations with the end in view that investment in these entities may be encouraged and protected, and their activities pursued for the promotion of economic development.

It is in aid of this office that the adjudicative power of the SEC must be exercised. Thus the law explicitly specified and delimited its jurisdiction to matters intrinsically connected with the regulation of corporations, partnerships and associations and those dealing with the internal affairs of such corporations, partnerships or associations.

Otherwise stated, in order that the SEC can take cognizance of a case, the controversy must pertain to any of the following relationships: [a] between the corporation, partnership or association and the public; [b] between the corporation, partnership or association and its stockholders, partners, members, or officers; [c] between the corporation, partnership or association and the state in so far as its franchise, permit or license to operate is concerned; and [d] among the stockholders, partners or associates themselves.

Obviously, the present case, which was filed by petitioner as member of the Board of Directors of MDC against private respondent, another corporation, does not fall under any of the aforequoted enumeration. Moreover, petitioner's complaint does not contain any allegation of fraud or misrepresentation.[5] Therefore, neither subsection (a) nor subsection (b), Section 5 of P.D. No. 902-A applies.

Mention must likewise be made of the case of *Viray, et al v. Court of Appeals, et al.*, [6] where we clarified further the disquisition in the *Union* case, to wit:

“The establishment of any of the relationships mentioned in *Union* will not necessarily always confer jurisdiction over the dispute on the SEC to the exclusion of the regular courts. The statement made in one case that the rule admits of no exceptions or distinctions is not that absolute. The better policy in determining which body has jurisdiction over a case would be to consider not only the status or relationship of the parties but also the nature of the question that is the subject of their controversy.” (emphasis supplied)

In order to ascertain the nature of the question that is the subject of the controversy, we have to rely on the allegations of the complaint, the truth of which is to be theoretically admitted in considering the motion to dismiss.[7]

In the present case, we do not find it necessary to resort to the expertise of the SEC. Petitioner's complaint for annulment of the real estate mortgage and foreclosure sale with preliminary injunction is an ordinary civil litigation, beyond the jurisdiction of the SEC. It is true that the trend is towards vesting administrative bodies like the SEC with the power to adjudicate matters coming under their particular specialization, to insure a more knowledgeable solution of the problems submitted to them. This would also relieve the regular courts of a substantial number of cases that would otherwise swell their already clogged dockets. But as expedient as this policy may be, it should not deprive the courts of justice of their power to decide ordinary cases in accordance with the general laws that do not require any particular expertise or training to interpret and apply. Otherwise, the creeping take-over by the administrative agencies of the judicial power vested in the courts would render the judiciary virtually impotent in the discharge of the duties assigned to it by the Constitution.[8]

WHEREFORE, the petition is hereby GRANTED. The orders of the Regional Trial Court of Bacolod City dated July 18, 1991 and August 12, 1991 are SET ASIDE. The trial court is directed to proceed with the trial of Civil Case No. 6341 and to decide it with deliberate dispatch.

SO ORDERED.

Narvasa, C.J., (Chairman), Padilla, Regalado, and Puno, JJ., concur.

[1] Reorganization of the Securities and Exchange Commission with Additional Powers and Placing the said Agency under the Administrative Supervision of the Office of the President.

[2] Rollo, p. 6.

[3] Rollo, p. 7.

[4] G.R. No. 64013, 126 SCRA 31.

[5] See *Abad, et al., v. Court of First Instance of Pangasinan, etc., et al.*, G.R. Nos. 58507-08, 206 SCRA 567 (1992).

[6] G.R. No. 92481, 191 SCRA 308 (1990).

[7] *Republic v. Sebastian, etc., et al.*, G.R. No. L-35621, 72 SCRA 222 (1976).

[8] *Viray, et al., v. Court of Appeals, et al.*, *supra*.

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.