

JUAN CALMA, EDMUNDO MAGLANGUE, SERGIO CAYANAN AND SILVESTRE LIWANAG, PETITIONERS, VS. COURT OF APPEALS, SECURITIES AND EXCHANGE COMMISSION, LUIS M. TARUC AND NICODEMUS G. NASAL,...

G.R. No. 122787. February 09, 1999

Ponente: BELLOSILLO, J.

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BELLOSILLO, J.:

On 30 April 1990 private respondents Luis M. Taruc and Nicodemus G. Nasal, Chairman and Secretary, respectively, of HUKBALAHAP Veterans Association Inc. or HUKVETS filed a letter-complaint with the Securities and Exchange Commission alleging that sometime in 1987 petitioners Juan Calma, Edmundo Maglangue, Sergio Cayanan and Silvestre Liwanag surreptitiously arrogated unto themselves the powers and functions of trustees and officers of HUKVETS. Taruc also alleged that on 15 May 1988 the group of Calma held a convention without proper notice and without obtaining a quorum during which nine (9) purportedly elected trustees of the HUKVETS ousted Taruc as Chairman. Taruc likewise claimed that the 12 March 1989 convention, where members of the Calma group were elected to the Board of Trustees, was invalid.

Petitioner Liwanag denied Taruc's allegations and insisted that the convention held in 1988 was valid and that all the members of HUKVETS were duly notified thereof.

When efforts to mediate and reach an amicable settlement between the parties failed, the Securities and Exchange Commission through its Prosecution and Enforcement Department issued on 21 May 1992 a Resolution directing Taruc to call within thirty (30) days a general membership meeting for the election of seven (7) new members of the board.

Petitioner Liwanag, in a letter dated 16 June 1992, objected to this Resolution. On 22 July 1992 he filed a Supplemental Petition/Motion Re: PED Resolution dated May 21, 1992. While the petition was pending, the 21 May 1992 Resolution of the Prosecution and Enforcement Department was implemented with the election of the Board of Directors of HUKVETS.

On 11 July 1994 the Securities and Exchange Commission denied the Supplemental Petition/Motion Re: PED Resolution dated May 21, 1992. Calma's Motion for Reconsideration was denied on 3 March 1995.

Petitioners went to the Court of Appeals seeking to annul the 21 May 1992 Resolution of the Prosecution and Enforcement Department. They alleged that the Securities and Exchange Commission erred in sustaining the 21 May 1992 Resolution as its Prosecution and Enforcement Department was without jurisdiction to entertain and adjudicate corporate election contests. The appellate court was unpersuaded and ruled in its assailed decision of 26 September 1995 that -

The Commission can validly delegate the authority to exercise the specific powers assigned to it by law. The final paragraph of Section 6, PD 902-A states: "In the exercise of the foregoing authority and jurisdiction of the

Commission, hearings shall be conducted by the Commission or by a Commissioner or by such other bodies, boards, committees and/or officers as may be created or designated by the Commission for the purpose."

x x x x

Moreover, the respondent Commission, in its Order correctly said and We quote:

Jurisdiction over the subject matter of the controversy having been duly established and investigated upon by the PED, the petitioners cannot now claim that the former overstepped its powers and authority by issuing the questioned Resolution since the petitioners herein have themselves waived any jurisdictional infirmity, if there were any, when they appeared before the PED and subsequently filed their answer to the letter-complaint. Thus, while jurisdiction over the subject matter of the controversy cannot be waived, jurisdiction over the parties may be acquired either by court process, by voluntary appearance in court or by submitting pleadings in court which have (sic) jurisdiction over the case x x x[1]

Their motion for reconsideration having been denied by the appellate court in its resolution of 13 November 1995, petitioners now plead before us basically raising the issue of whether the Prosecution and Enforcement Department of the Securities and Exchange Commission has jurisdiction to investigate the 30 April 1990 letter-complaint of private respondents. It is the rigorous stand of petitioners that the PED has no such authority and jurisdiction, therefore its 21 May 1992 Resolution is void and of no effect.

In *Securities and Exchange Commission v. Court of Appeals*[2] this Court had occasion to discuss the powers and functions of the SEC thus -

The Securities and Exchange Commission has both regulatory and adjudicative functions.

x x x x

Relative to its adjudicative authority, the SEC has original and exclusive jurisdiction to hear and decide controversies and cases involving -

- (a) Intra-corporate and partnership relations between or among the corporation, officers and stockholders and partners, including their elections or appointments;
- (b) State and corporate affairs in relation to the legal existence of corporations, partnerships and associations or to their franchises;
- (c) Investors and corporate affairs, particularly in respect of devices and schemes, such as fraudulent practices, employed by directors, officers, business associates, and/or other stockholders, partners, or members or registered firms; as well as
- (d) Petitions for suspension of payments filed by corporations, partnerships or associations possessing sufficient property to cover all their debts but which foresee the impossibility of meeting them when they respectively fall due, or possessing insufficient assets to cover their liabilities and said entities are upon petition or motu proprio, placed under management of a Rehabilitation Receiver or Management Committee.

On the other hand, the inherent powers and functions of the Prosecution and Enforcement Department of the Securities and Exchange Commission are enumerated in Sec. 6 of P.D. No. 1758 which amended P.D. No. 902-A otherwise known as the Securities and Exchange Commission Law. It provides -

Section 6. The Prosecution and Enforcement Department shall have, subject to the Commission's control and supervision, the exclusive authority to investigate, on complaint or motu proprio, any act or omission of the Board of Directors/Trustees of corporations, or of their stockholders, officers or partners, including any fraudulent devices, schemes or representations, in violation of any law or rules and regulations administered and enforced by the Commission, to file and prosecute in accordance with law and rules and regulations issued by the Commission; and in appropriate cases, the corresponding criminal or civil case before the Commission

or the proper court or body upon prima facie finding of violation of any laws or rules and regulations administered and enforced by the Commission; and to perform such other powers and functions as may be provided by law or duly delegated to it by the Commission.

From the foregoing, it is clear that the Securities and Exchange Commission, under its adjudicative jurisdiction, has the power to hear and decide controversies involving intra-corporate relations between and among members and officers of a corporation. The Prosecution and Enforcement Department was established as its adjudicative arm. As such, it is vested with the authority to investigate, on complaint or motu proprio, any act or omission of the Board of Directors of corporations.

The instant controversy concerns the intra-corporate relations between and among the officers of HUKVETS, particularly between the group of Taruc and that of Calma. Thusly, it falls squarely within the adjudicative powers of the Securities and Exchange Commission. When Taruc and Nasal filed their letter-complaint dated 30 April 1990 with the Securities and Exchange Commission they complained of the alleged illegal acts of Calma and his group when the latter allegedly usurped the functions of the duly elected members of the Board. This allegation definitely falls within the jurisdiction of the Prosecution and Enforcement Department as enumerated in Sec. 6 of P.D. 1758.

Clearly, the Prosecution and Enforcement Department acted within its jurisdiction when it entertained and acted on the letter-complaint. After receipt of the letter-complaint of Taruc and Nasal, Calma and his group filed their answer, and thereafter a series of exchanges took place. The letter-complaint was initially handled by the Prosecution and Enforcement Department. It was the Prosecution and Enforcement Department that investigated and tried to mediate between the parties. Both groups actively participated in the proceedings before it. By such participation, the Prosecution and Enforcement Department acquired jurisdiction over the two (2) factions. Therefore, petitioners are now estopped from alleging lack of jurisdiction on the part of the Prosecution and Enforcement Department. They cannot now question its 21 May 1992 Resolution after they have voluntarily appeared and pleaded before it. As succinctly stated by the Commission in its 11 July 1994 Order[3]-

The PED can investigate violations of law, rules and regulations enforced by this Commission on complaint or motu proprio x x x . And while the PED's powers and authority are merely investigatory, reportorial, recommendatory and prosecutory, it may likewise exercise such powers as may be delegated upon it by the Commission x x x .

The letter-complaint lodged by the appellees falls squarely within the jurisdiction of the Securities and Exchange Commission to hear and decide upon as provided for in PD No. 902-A, as amended. The same law does not prohibit the Commission from designating an officer or a division thereof to hear a case. Verily, therefore, the Commission can validly call upon any of its qualified departments to try a particular action including the PED to hear and make a preliminary ruling on the case. The questioned Resolution was cleared by the Commission en banc at a meeting held on May 26, 1992 thereby adopting it as its very own and thereby vesting unto that department power and authority to issue the same. The approval of the Commission en banc of the issuance of the Resolution was the ultimate exercise of judgment of the Commission over the case.

Lastly, petitioners argue that they were denied due process. Such allegation is totally bereft of any factual or legal support. Administrative due process requires notice and an opportunity to be heard before judgment is rendered. So long as the parties are given the opportunity to explain their side, the requirements of due process are satisfactorily complied with. In the case before us, it cannot be denied that both parties were given all the opportunity to explain their side. First, efforts were made to mediate and settle the case amicably. When this failed, the parties actively participated in the proceedings before the Prosecution and Enforcement Department. This definitely belies the claim of petitioners that they were denied due process.

WHEREFORE, the petition is DENIED. The Decision of respondent Court of Appeals dated 26 September 1995 sustaining the Resolution of the Prosecution and Enforcement Department of the Securities and Exchange Commission dated 21 May 1992 as well as the SEC En Banc Orders dated 11 July 1994 and 3 March 1995 is AFFIRMED. Costs against petitioners.

SO ORDERED.

Puno, Mendoza, Quisumbing, and Buena, JJ., concur.

[1]Rollo, pp. 106-107.

[2]G.R. Nos.106425 & 106431-32, 21 July 1995, 246 SCRA 740-741.

[3]Records, p. 120.

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