REPUBLIC OF THE PHILIPPINES, REPRESENTED BY THE PRESIDENTIAL COMMISSION ON GOOD GOVERNMENT, PETITIONER, VS. SANDIGANBAYAN (4TH DIVISION) AND POTENCIANO T. ILUSORIO, SUBSTITUTED ...

G.R. NO. 141796. June 15, 2005

Ponente: SANDOVAL-GUTIERREZ, J.

Read online (full-text search, related cases, audio case brief): https://batas.org/library/g-r-no-141796/

SANDOVAL-GUTIERREZ, J.:

Before us for resolution are two (2) consolidated petitions for certiorari[1] assailing the Resolution[2] dated December 20, 1999 of the Sandiganbayan in Civil Case No. 0009, entitled "Republic of the Philippines, plaintiff, versus Jose L. Africa, Manuel H. Nieto, Jr., Ferdinand E. Marcos, Imelda R. Marcos, Ferdinand R. Marcos, Jr., Roberto S. Benedicto, Juan Ponce Enrile, and Potenciano Ilusorio." The Resolution denied the above-named petitioners' separate motions to vacate the Sandiganbayan's Order dated June 8, 1998 approving the Compromise Agreement entered into between the Presidential Commission on Good Government (PCGG) and Potenciano Ilusorio.

The antecedent facts are as follows:

Immediately after the people power revolution on February 25, 1986 at EDSA, then President Corazon C. Aquino issued Executive Order No. 1 dated February 28, 1986 creating the Presidential Commission on Good Government (PCGG). The task of the PCGG is to "assist the President in ... the recovery of all ill-gotten wealth accumulated by former President Ferdinand E. Marcos, his immediate family, relatives, subordinates and close associates, whether located in the Philippines or abroad, including the takeover or sequestration of all business enterprises and entities owned or controlled by them during his administration, directly or through nominees, by taking undue advantage of their public office and/or using their powers, authority, influence, connections or relationships."[3]

Subsequently, Jose Y. Campos, "a confessed crony of former President Ferdinand E. Marcos," voluntarily surrendered or turned over to the PCGG the properties, assets and corporations he held in trust for the deposed President. Among the corporations he surrendered were the Independent Realty Corporation and the Mid-Pasig Land Development Corporation, now petitioners in G.R. No. 141804.

On July 22, 1987, the Republic of the Philippines (now petitioner in G.R. No. 141796), represented by the PCGG and assisted by the Solicitor General, filed with the Sandiganbayan a complaint[4] for "reconveyance, reversion, accounting, restitution and damages," docketed as SB Civil Case No. 0009. Impleaded as defendants were Jose L. Africa, Manuel H. Nieto, Jr., former President Ferdinand E. Marcos, former First Lady Imelda R. Marcos, Ferdinand R. Marcos, Jr., Roberto S. Benedicto, Juan Ponce Enrile and the late Potenciano Ilusorio (now respondent).

The complaint alleged inter alia that the defendants "acted in collaboration with each other as dummies, nominees

and/or agents of defendants Ferdinand E. Marcos, Imelda R. Marcos and Ferdinand R. Marcos, Jr. in several corporations, such as the Mid-Pasig Land Development Corporation (MLDC) and Independent Realty Corporation (IRC) which, through manipulations by said defendants, appropriated a substantial portion of the shareholdings in Philippine Overseas Telecommunications Corporation (POTC)–Philippine Communications Satellite Corporation (PHILCOMSAT) held by the late Honorio Poblador, Jr., Jose Valdez and Francisco Reyes, thereby further advancing defendants' scheme to monopolize the telecommunications industry."[5] Through their illegal acts, the defendants acquired ill-gotten wealth. Their acts constitute "breach of public trust and the law, abuse of rights and power, and unjust enrichment." Their ill-gotten wealth, real and personal, "are deemed to have been acquired (by them) for the benefit of the plaintiff (Republic) and are, therefore, impressed with constructive trust in favor of (the latter) and the Filipino people."[6] The complaint thus prayed for (a) the reconveyance/reversion to the Republic of all the funds, properties and assets illegally acquired by the defendants, or their equivalent value; (b) accounting; and (c) damages.

Traversing the complaint, respondent Potenciano Ilusorio, in his Amended Answer with Cross-Claim (against the Marcoses) and Third-Party Complaint (against MLDC and IRC), denied that he acquired ill-gotten wealth and unjustly enriched himself by conspiring with any of the defendants in committing a breach of public trust or abuse of right or power, since "he has never held any public office nor has he been a government employee." He further denied being a dummy or agent of the Marcoses. He interposed the affirmative defense that he owned 5,400 POTC shares of stock, having acquired them through his honest toil. However, "he incurred the ire of Imelda Marcos," hence, the Marcos spouses took from him the said shares through threats and intimidation, without any valuable consideration, and placed them in the names of their alter egos, namely: the IRC – 3,644 shares; the MLDC – 1,755 shares; and Ferdinand Marcos, Jr. – 1 share. He thus became "the hapless victim of injustice." He prayed that the said shares be returned to him, together with their corresponding dividends.

For failure to answer respondent Ilusorio's third-party complaint, despite notice, the Sandiganbayan declared petitioner MLDC in default.[7] Its motion to lift the order of default was denied.

For its part, petitioner IRC filed its answer[8] to the third-party complaint, admitting inter alia that it is "now owned by the Government" after it was turned over to the latter by Jose Y. Campos; and that "the 3,644 POTC shares of stock under the name of Independent Realty Corporation is part and parcel of the ill-gotten wealth of the deposed President Marcos and his family, which were acquired during his incumbency under the circumstances alleged in the plaintiff's complaint." Being no longer the owner of said shares, petitioner IRC prayed for the dismissal of the third-party complaint for lack of cause of action.[9]

On June 28, 1996, the PCGG, acting in behalf of petitioners Republic, IRC and MLDC, entered into a Compromise Agreement with respondent Ilusorio.[10] The agreement was later approved by then President Fidel V. Ramos. In a marginal note dated October 5, 1996, he directed its submission to the Sandiganbayan for approval.[11] The pertinent portions of the Compromise Agreement read:

> "WHEREAS, this Compromise Agreement covers the full, comprehensive and final settlement of the claims of the GOVERNMENT against ILUSORIO in Civil Case No. SB-009, pending before the Third Division of the Sandiganbayan; the Cross-Claim involving several properties located in Parañaque, Metro Manila; and, the Third-Party Complaint filed by ILUSORIO, in the same case, involving the Five Thousand Four Hundred (5,400) shares of stocks registered in the names of Mid-Pasig Land Development Corporation (MLDC) and Independent Realty Corporation (IRC), respectively, in the Philippine Overseas Telecommunications Corporation (POTC);
>
> WHEREAS, the GOVERNMENT and ILUSORIO desiring to avoid a costly and protracted litigation, motivated by their desire to effect the proper restitution of properties, assets and other interests to their rightful

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

owners, benefit the Filipino people through an efficient and economical telecommunications system, and in order that they be able to freely use their respective properties, assets and other interests in the peaceful and normal pursuit of their legitimate endeavors, have decided to withdraw their mutual claims and counterclaims in the aforementioned case;

NOW, THEREFORE, for and in consideration of the foregoing premises and the covenants hereafter contained, the GOVERNMENT and ILUSORIO have mutually agreed on a settlement, as they hereby agree, on the following:

1.0 Cession and Concessions

1.1 ILUSORIO recognizes the right and ownership of the GOVERNMENT over Four Thousand Seven Hundred Twenty Seven (4,727) shares of stocks in POTC under the names of IRC and MLDC, respectively, and the GOVERNMENT recognizes the right and ownership of ILUSORIO over Six Hundred Seventy Three (673) shares.

1.2 ILUSORIO waives in favor of the GOVERNMENT all his claims, rights and interests to the cash dividends appertaining as of the signing of this Agreement to all the shares of stocks mentioned in par. 1.1, including those appertaining to the Six Hundred Seventy Three (673) shares.

1.3 The GOVERNMENT and ILUSORIO shall have a right of first refusal over the transfer of their respective shares covered by this Compromise Agreement in POTC and in the Philippine Communications Satellite Corporation (PHILCOMSAT).

1.4 With respect to the houses and lots and all improvements thereon covered by Transfer Certificates of Title Nos. S-54804, S-54857 and S-54806, respectively, all of the Register of Deeds for Metro Manila, District IV, located in Parañaque, Metro Manila, which were turned over by Mr. Jose Y. Campos to the GOVERNMENT, ILUSORIO hereby waives any and all claims, rights and interests he has over such properties.

1.5 The GOVERNMENT and ILUSORIO hereby waive any and all claims each one may have against the other with respect to other properties, assets and interests involved in Civil Case No. SB-009 and such other properties, assets and interests as may hereafter be identified.

1.6 The GOVERNMENT and ILUSORIO recognize this Compromise Agreement as full, comprehensive and final settlement of their claims and counterclaims against each other, and hereby renounce any interest in all past, present and future cases and investigations.

1.7 ILUSORIO shall defend the right of the GOVERNMENT over the assets abovementioned.

1.8 ILUSORIO undertakes to fully cooperate with the GOVERNMENT/Presidential Commission on Good Government in all investigations, criminal prosecutions, and civil actions, whether in the Philippines or abroad, in connection with the recovery of ill-gotten wealth of Ferdinand E. Marcos and Imelda R. Marcos, members of their families and all the Marcos cronies against whom the GOVERNMENT/Presidential Commission on Good Government is currently suing or may sue to recover ill-gotten wealth, including giving evidence for the GOVERNMENT/Presidential Commission on Good Government in the aforesaid cases.

2.0 Mechanics for Implementation

The GOVERNMENT and ILUSORIO shall x x x file with the Sandiganbayan the appropriate Joint Motion for the approval of this Compromise Agreement: for the GOVERNMENT to drop ILUSORIO as defendant in Civil Case No. SB-009; for ILUSORIO to drop his Cross-Complaint; for ILUSORIO to drop his Third-Party Complaint; and, for ILUSORIO to drop his Motion for Injunction and Contempt in Civil Case No. SB-009 against the GOVERNMENT, its officers and agents involved in the exercise by the GOVERNMENT of its preemptive rights over shares in Oriental Petroleum and Minerals Corporation (OPMC).

x x x

3.0 Cooperation in Preservation/Recovery Efforts

The GOVERNMENT and ILUSORIO hereby undertake to cooperate with each other in the preservation or recovery of properties and businesses, including a joint action or defense in the enforcement or resistance, as the case may be, of claims related to, involved in, or connected with, this Compromise Agreement.

4.0 Warranty and Authority

Hermilo R. Rosal, whose signature is affixed hereto in a representative capacity, and Potenciano T. Ilusorio represent and warrant that they are duly authorized to execute this Compromise Agreement for themselves and on behalf of, and to bind, the entities on whose behalf their signatures are affixed.

5.0 Further Acts or Documents

The GOVERNMENT and ILUSORIO agree to execute and perform such other and further acts and authorizations, including the execution and delivery of such other and further documents as may be reasonably necessary to carry out the, provisions of this Compromise Agreement.

6.0 Binding Effect

All provisions of this Compromise Agreement shall extend and be binding on the GOVERNMENT and ILUSORIO and on each of their respective officers, employees, directors, agents, heirs, executors, administrators, legal successors and assigns.

7.0 Effectivity

This Compromise Agreement shall be effective immediately upon its approval by the Sandiganbayan in accordance with existing law and rules.

IN WITNESS WHEREOF, the parties have hereunto affixed their signatures on the date and at the place abovementioned.

REPUBLIC OF THE PHILIPPINES
By:

(SGD) HERMILO R. ROSAL
Commissioner
Presidential Commission
On Good Government

(SGD) POTENCIANO T. ILUSORIO"[12] (underscoring ours)

On June 8, 1998, upon motion of the parties, the Sandiganbayan issued an Order[13] granting the same and approving the Compromise Agreement, thus:

"WHEREFORE, and as prayed for in the Motion dated June 3, 1998, which is hereby granted:

- The foregoing Compromise Agreement dated June 28, 1996 executed by and between the plaintiff and defendant Potenciano T. Ilusorio is hereby approved, the same not being contrary to law, good morals and public policy. The parties thereto are hereby enjoined to strictly abide by and comply with the terms and conditions of the said Compromise Agreement;

- The complaint as against defendant Potenciano T. Ilusorio only in the above-entitled case No. 0009 is hereby dismissed;

- The Motions for Injunction and Contempt, respectively, filed by defendant Potenciano T. Ilusorio against the Government/PCGG, its officers and agents, in Civil Case No. 0009 are hereby withdrawn;

- The Third-Party Complaint and the Cross Claim of defendant Potenciano T. Ilusorio are hereby dismissed; and

- The Board of Directors, President and Corporate Secretary of the Philippine Overseas Telecommunications Corporation are hereby ordered to issue the corresponding stock certificates to, and in the names of Potenciano T. Ilusorio, Mid-Pasig Land Development Corporation, and Independent Realty Corporation, respectively.

SO ORDERED."

Subsequently, petitioner MLDC filed a motion dated August 16, 1998 seeking to vacate the above Order. On October 9, 1998, petitioner IRC likewise filed a similar motion. In the main, both petitioners alleged in their motions that: (1) the Compromise Agreement does not bind them because they are not parties thereto, although they have substantial interests in the POTC shareholdings subject of the agreement; and (2) the Compromise Agreement is void since its terms are grossly and manifestly disadvantageous to the Government, hence, contrary to law, good morals and public policy.

Commenting on the above motions, the present PCGG stated that it is in full accord with the position of MLDC and IRC, and that the Compromise Agreement is fatally defective for lack of a PCGG Resolution authorizing former Commissioner Hermilo Rosal to enter into such agreement in behalf of the Government.

Respondent Ilusorio vehemently opposed petitioners' motions.

The Sandiganbayan, in its Resolution dated December 20, 1999, denied the motions for lack of merit, thus:

"WHEREFORE, premises considered, third party defendant Mid-Pasig's [now petitioner in G.R. No. 141804] Motion to Vacate Resolution Approving Compromise Agreement dated August 16, 1998, and third party defendant Independent Realty Corporation's [now petitioner in G.R. No. 141804] Manifestation and Motion dated October 2, 1998, and the redundant and inappropriate concurrence of the PCGG [now petitioner in G.R. No. 141796] and the OSG are hereby denied for lack of merit.

The court also declares all POTC shares in the name of Mid-Pasig and IRC as null and void. Accordingly, out of the 5,400 POTC shares, six hundred seventy three (673) is hereby directed to be issued in the name of Potenciano Ilusorio and four thousand seven hundred twenty seven (4,727) in the name of the Republic of the Philippines. The Board of Directors, President and Corporate Secretary of the POTC are hereby ordered to comply with this requirement within ten (10) days from receipt of this Resolution.

On the matter of the proxy or side agreement or arrangement, which is not included in the Compromise Agreement, the court resolves to receive evidence on the matter. For said purpose, the motion of the OSG and the PCGG for the court to declare the proxy agreement as null and void is hereby set for hearing on January 25, 2000 at 8:30 a.m.

Finally, lest this Resolution create a misimpression that the case is already deemed terminated with the approval by this court of the Compromise Agreement, we reiterate that the present Compromise Agreement concerns only defendant Potenciano Ilusorio and does not include the other defendants in this case.

SO ORDERED."[14]

In denying petitioners' motions, the Sandiganbayan ruled that: (1) the June 8, 1998 Order approving the Compromise Agreement is immediately executory; (2) MLDC has no legal standing to file the motion to vacate since it has been declared in default in the Resolution dated May 15, 1989, and its motion for reconsideration and subsequent motion to lift the Order of default were denied in the Order dated August 18, 1989 and Resolution of

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

May 19, 1992, respectively; (3) the PCGG has full authority to act in behalf of petitioners Republic, MLDC and IRC on the questioned POTC shares since the same were already turned over/surrendered by Jose Y. Campos to the Government, as admitted categorically by MLDC and IRC; and (4) the Compromise Agreement was properly executed by the PCGG in behalf of the Republic and was in fact approved by then President Fidel V. Ramos.

Without filing a motion for reconsideration of the Resolution approving the Compromise Agreement, petitioners separately interposed the present petitions for certiorari alleging that the Sandiganbayan, in issuing the said Resolution, acted "with grave abuse of discretion amounting to lack or excess of jurisdiction."

The instant petitions must fail.

As a rule, the special civil action of certiorari under Rule 65 of the 1997 Rules of Civil Procedure, as amended, lies only when the lower court has been given the opportunity to correct the error imputed to it through a motion for reconsideration of the assailed order or resolution.[15] The rationale of the rule rests upon the presumption that the court or administrative body which issued the assailed order or resolution may amend the same, if given the chance to correct its mistake or error. The motion for reconsideration, therefore, is a condition sine qua non before filing a petition for certiorari.[16]

Here, petitioners filed the instant petitions for certiorari without interposing a motion for reconsideration of the assailed Resolution of the Sandiganbayan. Section 1 of the same Rule 65 requires that petitioners must not only show that the trial court, in issuing the questioned Resolution, "acted without or in excess of its jurisdiction, or with grave abuse of discretion amounting to lack or excess of jurisdiction," but that "there is no appeal, nor any plain, speedy, and adequate remedy in the ordinary course of law."[17] We have held that the "plain," "speedy," and "adequate remedy" referred to in Section 1 of Rule 65 is a motion for reconsideration of the questioned Order or Resolution.[18] It bears stressing that the strict application of this rule will also prevent unnecessary and premature resort to appellate proceedings. We thus cannot countenance petitioners' disregard of this procedural norm and frustrate its purpose of attaining speedy, inexpensive, and orderly judicial proceedings.

In justifying their failure to file the required motion for reconsideration, petitioners vehemently assert that they were "deprived of due process and there is extreme urgency for relief, and that under the circumstances, a motion for reconsideration would be useless."[19]

We are not persuaded.

Petitioners may not arrogate to themselves the determination of whether a motion for reconsideration is necessary or not.[20] To dispense with the requirement of filing a motion for reconsideration, petitioners must show concrete, compelling, and valid reason for doing so.[21] They must demonstrate that the Sandiganbayan, in issuing the assailed Resolution, acted capriciously, whimsically and arbitrarily by reason of passion and personal hostility.[22] Such capricious, whimsical and arbitrary acts must be apparent on the face of the assailed Resolution. These, they failed to do.

In denying petitioners' motions to vacate the Compromise Agreement, the Sandiganbayan held:

> "We find the subject motions (to vacate the Order approving the Compromise Agreement) to be devoid of merit. No procedural basis exists for the instant motions of Mid-Pasig (referring to MLDC) and IRC. x x x. Moreover, we should point out that Mid-Pasig has been declared in default by this court in its Resolution dated May 15, 1989 and its Motion for Reconsideration of the same has been denied by the court in its Order dated August 18, 1989. Likewise, its Motion to Lift Order of Default etc. dated December 23, 1991 was denied by this court in the Resolution of May 19, 1992. Hence, being in default, Mid-Pasig has no legal standing to file the subject motion dated August 16, 1998.

x x x

x x x. Significantly, Mid-Pasig does not dispute the authority of the PCGG to sign the Compromise Agreement on its behalf. The only issue it raised in this regard is the alleged absence of a Resolution adopted by the PCGG approving the Compromise Agreement. However, in its Reply (to Opposition of Potenciano Ilusorio, etc.), it avers that PCGG Commissioner Rosal had not been authorized either by Mid-Pasig or by IRC to negotiate the 673 POTC shares; that his act of disposing shares of stocks belonging to corporations not parties to the agreement is fraudulent and tainted with bad faith and that such unauthorized disposition of shares of stocks constitutes unlawful deprivation of property without due process.

The foregoing arguments are flawed. Undoubtedly, the PCGG had full authority to act on behalf of the Republic and on behalf of Mid-Pasig and IRC, as well as to dispose of 673 of the 5,400 POTC shares registered in Mid-Pasig and IRC's names in favor of Potenciano Ilusorio, as an integral part of the Compromise Agreement. In fact, it is our view that Mid-Pasig and IRC have no right to, or interest to protect over the POTC shares. In its May 3, 1989 Answer to the Third Party Complaint, Mid-Pasig averred:
'4. It admits that defendant-third party plaintiff requested the PCGG to sequester MLDC but the same had in fact been turned over as an admitted part and parcel of the ill-gotten wealth of the defendants Marcoses and cronies.'

Earlier, IRC made similar admissions in its verified Answer dated September 29, 1988, where it alleged:

'2. That it specifically denies the allegations under paragraph 75 of the Third-Party Complaint, the truth of the matter being that answering third-party defendant has been sequestered by the Presidential Commission on Good Government (PCGG) and it is now owned by the Government after same was voluntarily turned over to it in accordance with the compromise settlement entered into by and between J.Y. Campos, Sr. and his Associates and the PCGG; consequently, Mr. Jose Y. Campos has nothing to do anymore with the Independent Realty Corporation and its subsidiaries corporations;

x x x

4. That it specifically denies the allegations under paragraph 77 of the Third-Party Complaint, the truth of the matter being the 3,644 shares of stock of POTC under the name of Independent Realty Corporation is part and parcel of the ill-gotten wealth of the deposed President Marcos and his family and the same was acquired during the incumbency of Marcos under the circumstances alleged in the plaintiff's complaint;

5. That it specifically denies the allegations under paragraph 78 of the Third-Party Complaint, although there was such request, the PCGG sequestered Independent Realty Corporation because it forms part of the illegally acquired wealth of Marcos and his family and cronies;

6. That it specifically denies the allegations under paragraph 79 of the Third-Party Complaint, the truth of the matter being those alleged in the plaintiff's complaint which we are adopting as forming an integral part of our Answer herein; moreover, IRC acquired the shares of stocks of POTC in question for and on behalf of Marcos and his family in the manner described in the complaint filed by plaintiff, and has no right whatsoever on the said shares of stock as they now belong to and owned by the Government because IRC was voluntarily surrendered by Jose Y. Campos, Sr. to the PCGG.

RE ANSWER TO ALLEGATIONS COMMON TO
THE CROSS CLAIM AND THIRD PARTY
COMPLAINT

x x x

8. That it specifically denies the allegations under paragraph 81 of the Third-Party Complaint, the truth of the matter being that insofar as the shares of stocks of POTC acquired by IRC are concerned, the Government is

> now the owner thereof and that third-party plaintiff has no rights whatsoever thereon since they formed part of the hidden wealth of Marcos, his family and cronies.
>
> BY WAY OF AFFIRMATIVE AND SPECIAL
> DEFENSES, THIRD PARTY DEFENDANT
> RESPECTFULLY STATES, THROUGH COUNSEL
>
> x x x
>
> 10. That the filing of Third-Party Complaint against IRC is improper and procedurally incorrect since it is now owned by the Government who is the plaintiff in the main case and as such no cause of action for the Third-Party Complaint may be established herein against IRC.'

Evidently, by Mid-Pasig and IRC's own admissions, they have been turned over to the Government. Hence, both corporations have no right or interest over the subject POTC shares surrendered by Jose Y. Campos to the Government. Mid-Pasig and IRC themselves were sequestered, and then voluntarily surrendered as part of the res covered by the Campos Compromise Agreement. Moreover, there is nothing inconsistent with the PCGG's role as conservator of Mid-Pasig and IRC, and its entering into a Compromise Agreement on behalf of the Republic and of Mid-Pasig and IRC, over the subject POTC shares precisely because, insofar as Mid-Pasig and IRC are concerned, they have relinquished all rights or interest over all POTC shares registered in their names in favor of the Republic represented by PCGG.

Mid-Pasig, in its Motion to Lift Order of Default and to Consider the Answer of Third-Party Defendant Independent Realty Corporation as the Answer and/or inuring to the Benefit of Third-Party Defendant Mid-Pasig Land Development Corporation dated December 23, 1991, also made the following admission:

> '2. That the third-party defendant corporations are two of the corporations turned over to the PCGG by Mr. Jose Y. Campos who along with Mr. Rolando Gapud, executed an affidavit that third-party defendant corporations were in fact organized by Mr. Jose Y. Campos for and in behalf of the late former President Ferdinand Marcos.'
>
> x x x

In light of these admissions and circumstances, we do not see what interest Mid-Pasig or IRC would still have over the POTC shares they themselves have acknowledged as no longer belonging to them. They cannot pretend that they still have separate juridical personalities to possess such shares in their own right, considering that their erstwhile veil of corporate fiction have long been discarded and shredded, revealing them as mere silhouettes purposely created to nest and shelter ill-gotten wealth. A fortiori, Mid-Pasig and IRC are in estoppel to claim otherwise, such that, with respect to the POTC shares subject of the Compromise Agreement, Mid-Pasig and IRC have no discernible interest therein, nor they possess any legal personality to question the PCGG's authority on behalf of the Republic to enter into a Compromise Agreement over such surrendered shares. There is, therefore, rhyme and reason to reject as baseless Mid-Pasig and IRC's claim of any real or material interest in the POTC shares, or of the alleged grave or irreparable injury they stand to suffer."[23] (underscoring supplied)

As regards the contention of petitioner Republic-PCGG that the Compromise Agreement is fatally defective because it lacks a Resolution from the PCGG authorizing former Commissioner Rosal to enter into such agreement with respondent Ilusorio, the Sandiganbayan ruled:

> "The subject Compromise Agreement which was signed by PCGG Commissioner Hermilo R. Rosal on June 18, 1996 was thereafter endorsed for executive approval in a Memorandum for President Fidel V. Ramos dated September 20, 1996. The said endorsement was signed by PCGG Commissioner Herminio A. Mendoza and PCGG Chairman Magtanggol Gunigundo. On the other hand, the Motion to Dismiss and for Approval of

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

> Compromise Agreement dated June 3, 1998 was signed by PCGG Commissioner Herminio A. Mendoza on behalf of the plaintiff Republic of the Philippines. These circumstances clearly show that three (3) out of the five (5) members of the Commission had participated singly or jointly in the documentation of the Compromise Agreement, in its endorsement to the President for executive affirmations, and in its eventual submission to this court for judicial approval. Thus, it is reasonable to assume that they acted in accordance with a Commission decision to enter into the subject Compromise Agreement. This conforms to the presumption of regularity in the performance by public officers of their functions (Sec. 5[m], Rule 131, Rules of Court). Furthermore, in the January 20, 1999 PCGG's letter addressed to Mr. Alejandro S. Soler of Mid-Pasig (Annex "b," PCGG's Rejoinder [to the Consolidated Reply of Potenciano Ilusorio]), the following information was relayed to the addressee:
>
> 'Per verification with available records/Minutes of the Executive Meeting held on:
>
> 1. 08 February 1996 at the PCGG Conference Room, 6th Floor, Philcomcen Building, Ortigas Avenue, Pasig City, the following was resolved:
> '1.3 POTENCIANO ILUSORIO
>
> 'With the Chairman inhibiting himself from the deliberation, the four Commissioners unanimously agreed to issue a Resolution authorizing the Chairman to sign the Compromise Agreement with Mr. Potenciano Ilusorio, as approved by the Commission en banc in its last meeting.'

2. 19 December 1996 at the PCGG Conference Room, 6th Floor, Philcomcen Building, Ortigas Avenue, Pasig City, the following was resolved:

> '2.1 JOINT MOTION TO DISMISS RE: COMPROMISE AGREEMENT BETWEEN RP AND ILUSORIO
>
> 'Comm. Mendoza presented to the Commission the Joint Motion to Dismiss to be filed with the Sandiganbayan relative to the Compromise Agreement between the Republic of the Philippines and Potenciano T. Ilusorio.
>
> 'After the discussion, the Commission required proof of the surrender of the Parañaque property before the motion could be filed in court. The Chairman inhibited himself.'

The foregoing statements clearly show that the Compromise Agreement dated June 28, 1996 was approved by the Commission en banc, and that the signing and filing before this court of the subject Motion (to Dismiss and For Approval of Compromise Agreement) by Potenciano Ilusorio, thru counsel, dated June 3, 1998 was conformed to by the PCGG as represented by Commissioner Herminio A. Mendoza.

It bears emphasis that any perceived deficiency with respect to the PCGG's approval of the Compromise Agreement has been cured by no less than President Ramos' approval of the latter and the OSG's concurrence in its validity."[24] (underscoring supplied)

Likewise, the Sandiganbayan properly rejected petitioners' assertion that the Compromise Agreement should be nullified as its terms are grossly and manifestly disadvantageous to the Government. It bears stressing that under the Compromise Agreement, the Government is given substantial shares of 4,727 out of the 5,400 POTC shares, as against Ilusorio's measly shares of 673. They cannot claim that the terms of the settlement are unconscionable considering that the Government was able to secure from Ilusorio a waiver in its favor of "all his claims, rights and interests" in: (a) the cash dividends on all the POTC shares of stocks given to the Government, including his own shares; and (b) the valuable properties (houses, 3 titled lots and all improvements thereon) located in Parañaque, Metro Manila. It is not surprising then that the PCGG and then President Ramos gave their imprimatur to the Compromise Agreement.

The Republic, through the present PCGG, further contends that the Compromise Agreement violates the letter and

spirit of Executive Order No. 1 because the Government reconveyed to respondent Ilusorio the 673 POTC shares which were part of the ill-gotten wealth previously surrendered or turned over by Jose Y. Campos to the PCGG. What petitioners are saying is that the Government cannot give to Ilusorio a portion of the ill-gotten wealth earlier surrendered by Campos.

We are not convinced. It bears stressing that this case takes its roots from the complaint filed with the Sandiganbayan by petitioner Republic-PCGG against respondent Ilusorio and other defendants for reconveyance of ill-gotten wealth. Among the properties sought to be forfeited were the 5,400 shares of stocks issued by POTC. The complaint alleged that that the defendants therein acted in collaboration with each other as dummies of defendants Marcoses in several corporations, such as the MLDC and IRC which, through their manipulations, appropriated to themselves substantial portion of the shareholdings in POTC. Ilusorio, in his Amended Answer with Cross-Claim and Third Party Complaint, denied the material allegations of the complaint, claiming that he owns the 5,400 POTC shares which the Marcoses later took from him, through threats and intimidation and without any valuable consideration, and placed them in the names of their alter egos (IRC – 3,644 shares; MLDC – 1,755; and Marcos, Jr. – 1). Ilusorio prayed for the recovery of said shares and the corresponding dividends.

By denying the material allegations of the complaint in his answer, and setting up the affirmative defense that he owns the questioned shares, respondent Ilusorio has definitely joined issues with the plaintiff Republic as to the ownership of those shares. As such, he has the right to prove his allegations during the trial on the merits. However, the Republic-PCGG and Ilusorio chose not to go to trial but to settle their respective claims amicably. Thus, they entered into a Compromise Agreement with respect to the questioned shares and their corresponding dividends, as well as his rights and interests over the houses and lots in Parañaque City. Their settlement was "motivated by their desire to avoid a costly and protracted litigation;" "to effect the proper restitution of properties, assets and other interest to their rightful owners;" to "benefit the Filipino people through an efficient and economical telecommunications system;" and "in order that they be able to freely use their respective properties, assets and other interests in the peaceful and normal pursuit of their legitimate endeavors."[25]

With the imprimatur of no less than the former President Fidel V. Ramos and the approval of the Sandiganbayan, the Compromise Agreement must be accorded utmost respect. Such amicable settlement is not only allowed but even encouraged. Thus, in Republic vs. Sandiganbayan,[26] we held:

> "It is advocated by the PCGG that respondent Benedicto retaining a portion of the assets is anathema to, and incongruous with, the zero-retention policy of the government in the pursuit for the recovery of all ill-gotten wealth pursuant to Section 2(a) of Executive Order No. 1. While full recovery is ideal, the PCGG is not precluded from entering into a Compromise Agreement which entails reciprocal concessions if only to expedite recovery so that the remaining 'funds, assets and other properties may be used to hasten national economic recovery' (3rd WHEREAS clause, Executive Order No. 14-A). To be sure, the so-called zero retention mentioned in Section 2(a) of Executive Order No. 1 had been modified to read:
> 'WHEREAS, the Presidential Commission on Good Government was created on February 28, 1986 by Executive Order No. 1 to assist the President in the recovery of ill-gotten wealth accumulated by former President Ferdinand E. Marcos, his immediate family, relatives, subordinates and close associates;'

which undoubtedly suggests a departure from the former goal of total restitution.

x x x

The authority of the PCGG to enter into Compromise Agreements in civil cases and to grant immunity, under certain circumstances, in criminal cases is now settled and established. In Republic of the Philippines and Jose O. Campos, Jr. vs. Sandiganbayan, et al. (173 SCRA 72 [1989]), this Court categorically stated that amicable settlements and compromises are not only allowed but actually encouraged in civil cases. A specific grant of

immunity from criminal prosecutions was also sustained. In Benedicto vs. Board of Administrators of Television Stations RPN, BBC, and IBC (207 SCRA 659 [1992]), the Court ruled that the authority of the PCGG to validly enter into Compromise Agreement for the purpose of avoiding litigation or putting an end to one already commenced was indisputable. x x x. (underscoring supplied)

Having been sealed with court approval, the Compromise Agreement has the force of res judicata between the parties and should be complied with in accordance with its terms.[27] Pursuant thereto, Victoria C. de los Reyes, Corporate Secretary of the POTC, transmitted to Mr. Magdangal B. Elma, then Chief Presidential Legal Counsel and Chairman of PCGG, Stock Certificate No. 131 dated January 10, 2000, issued in the name of the Republic of the Philippines, for 4,727 POTC shares.[28] Thus, the Compromise Agreement was partly implemented.

WHEREFORE, the instant petitions are hereby DISMISSED.

SO ORDERED.

Corona, Carpio-Morales, and Garcia, JJ., concur.
Panganiban, (Chairman), J., no part, former counsel of party in the case of origin.

---

[1] Filed under Rule 65, 1997 Rules of Civil Procedure, as amended.

[2] Penned by Justice Rodolfo G. Palattao and concurred in by Justice Narciso S. Nario (both retired) and Justice Godofredo L. Legaspi.

[3] Section 2 (a) of Executive Order No. 1, dated February 28, 1986.

[4] Rollo at 87-116.

[5] Paragraph 15 (e), Republic's Complaint in Civil Case No. 0009; Rollo at 99, 101-102. The complaint also alleged:

"4. Defendants JOSE L. AFRICA, MANUEL H. NIETO, Jr., former Ambassador to Spain, ROBERTO S. BENEDICTO, former Ambassador to Japan, JUAN PONCE ENRILE, former Minister of National Defense, and POTENCIANO ILUSORIO were close associates and confidants of defendants Ferdinand E. Marcos and Imelda R. Marcos. Among the corporations in which defendants had substantial shares were: (a) Philippine Overseas Telecommunications Corporation (POTC); (b) Eastern Telecommunications Phils., Inc. (ETPI); (c) Philippine Satellite Communication Corporation (PHILCOMSAT); (d) Domestic Satellite Communication Corporation (DOMSAT); and (e) Oceanic Wireless Network, Inc. x x x.

x x x

15. Defendants Jose L. Africa, Manuel H. Nieto, Jr., Roberto S. Benedicto, Potenciano Ilusorio, Juan Ponce Enrile and Ferdinand E. Marcos, Jr. by themselves and/or in unlawful concert with defendants Ferdinand E. Marcos and Imelda R. Marcos, and taking undue advantage of their relationship, influence and association, desired schemes and stratagems to acquire and conceal their ill-gotten wealth in various ways, such as:

> (a) knowingly and willingly acting as dummies, nominees and/or agents of defendants Ferdinand E. Marcos and Imelda R. Marcos in several corporations, such as the Philippine Overseas Telecommunications Corporation (POTC) which, through manipulations and dubious arrangements with officers and members of the Board of the National Development Corporation (NDC), a corporation owned and controlled by the government, purchased NDC's shareholdings in the Philippine Communications Satellite Corporation (PHILCOMSAT), also a government owned and controlled corporation, under highly unconscionable terms

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

and conditions manifestly disadvantageous to Plaintiff and the Filipino people;

x x x;

(c) illegally manipulated, under the guise of expanding the operations of PHILCOMSAT, the purchase of major shareholdings of Cable and Wireless Limited, a London-based telecommunication company, in Eastern Telecommunications Philippines, Inc. (ETPI); x x x

x x x." (Rollo at 90, 98-102)

[6] Id. at 103.

[7] Resolution dated May 15, 1989, cited in Resolution dated December 20, 1999, Rollo at 67.

[8] Dated September 29, 1988.

[9] Petitioner IRC's Answer to Third-Party Complaint of respondent Ilusorio, pars. 2, 4-6, 8, 10, cited in Resolution dated December 20, 1999, Rollo at 70-71.

[10] Order dated June 8, 1998, Rollo at 152-156.

[11] Resolution dated December 20, 1999, Rollo at 55-56.

[12] Rollo at 152-156.

[13] Penned by Justice Sabino R. de Leon, Jr. (retired member of the Supreme Court, now deceased), and concurred in by Justice Narciso S. Nario (retired) and Justice Teresita Loenardo-De Castro (now Presiding Justice of the Sandiganbayan); Rollo at 156.

[14] Rollo at 85-86.

[15] Yau vs. Manila Banking Corporation, G.R. No. 126731, July 11, 2002, 384 SCRA 340.

[16] Mayor Edgardo G. Flores vs. Sangguniang Panlalawigan of Pampanga, et al., G.R. No. 159022, February 21, 2005, citing Yau vs. Manila Banking Corporation, id.; Republic vs. Express Telecommunication Co., Inc., G.R. No. 147096, January 15, 2002, 373 SCRA 316; Lee vs. People, G.R. No. 137914, December 4, 2002, 393 SCRA 397.

[17] Union of Nestle Workers Cagayan de Oro Factory vs. Nestle Philippines, Inc., G.R. No. 148303, October 17, 2002, 391 SCRA 204, cited in Mayor Edgardo G. Flores vs. Sangguniang Panlalawigan of Pampanga, et al., id.

[18] Metro Transit Organization, Inc. vs. Court of Appeals, G.R. No. 142133, November 19, 2002, 392 SCRA 229, cited in Mayor Edgardo G. Flores vs. Sangguniang Panlalawigan of Pampanga, et al., id.

[19] Petition, Rollo at 16.

[20] Mayor Edgardo G. Flores vs. Sangguniang Panlalawigan of Pampanga, et al., supra; Metro Transit Organization, Inc. vs. Court of Appeals, supra.

[21] Id.

[22] Duero vs. Court of Appeals, G.R. No. 131282, January 4, 2002, 373 SCRA 11; Vda. de Draffon vs. Court of Appeals, G.R. No. 129017, August 20, 2002, 387 SCRA 427.

[23] Assailed Sandiganbayan Resolution dated December 20, 1999, Rollo at 67-74.

[24] Id., Rollo at 74-76.

[25] 2nd WHEREAS of the Compromise Agreement.

[26] G.R. No. 108292, September 10, 1993, 226 SCRA 314.

[27] Republic vs. Sandiganbayan, id., citing Araneta vs. Perez, 7 SCRA 923 (1963).

[28] Annexes “A” and “C” of Respondents’ Comment, Rollo at 299-300, 349.

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.