

**THE REPUBLIC OF THE PHILIPPINES REPRESENTED BY THE
SECRETARY OF AGRICULTURE AND/OR CESAR M. DRILON, JR., IN
HIS CAPACITY AS UNDERSECRETARY, DEPARTMENT OF
AGRICULTURE, BUREAU OF ...**

G.R. NO. 154475. September 30, 2005

Ponente: GARCIA, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-154475/>

GARCIA, J.:

Under consideration is this petition for review on certiorari under Rule 45 of the Rules of Court to nullify and set aside the July 16, 2002 decision[1] of the Court of Appeals (CA) in CA-G.R. SP No. 60406, which decision dispositively reads:

WHEREFORE, premises considered, the Court SETS ASIDE the Order dated October 1, 1999 which denied the application of Eno Fishpond Corporation and the Order dated June 27, 2000 which granted Paterno Belarmino's Motion to intervene and denied Eno Fishpond Corporation's Motion for Reconsideration.

The records of the case are remanded to the Undersecretary of Agriculture and this Court commands him to grant Editha Cabral's withdrawal of her protest in D.A. 99-439-F and renders judgment on the basis of the uncontested applications of Eno Fishpond Corporation and the records in his Office.

SO ORDERED.

The factual backdrop:

On March 13, 1979, the Bureau of Fisheries and Aquatic Resources (BFAR), an agency under the Department of Agriculture (DA), pursuant to Fishpond Lease Agreement FLA No. 2132, leased unto respondent Cabral Fishpond Industry Corporation (Cabral Corporation) a 50-hectare fishpond located at Sitio Pinamuc-an, New Washington, Province of Aklan.

On June 25, 1979, in yet another Fishpond Lease Agreement (FLA NO. 2126), BFAR leased to the same corporation another 50-hectare fishpond also located in the same sitio.

At the time the two (2) aforementioned lease agreements were executed, seventy-five (75%) percent of the capital stock of the lessee corporation was owned by the late Marcelino Cabral, husband of respondent Editha Cabral.

In an intestate proceedings brought before the Regional Trial Court at Iloilo City to settle the intestate estate of Marcelino Cabral, the intestate court awarded to Editha her husband's shareholdings in Cabral Corporation.

On April 29, 1998, Editha, by way of a deed of assignment, assigned to Paterno Belarmino her 75% shareholdings in Cabral Corporation. Editha also executed a deed of confirmation authenticating the deed of assignment she had earlier executed in favor of Belarmino.

On June 10, 1998, Cabral Corporation whose President at that time was Editha's daughter Marjorie Galsim,

assigned the corporation's leasehold rights over FLAs No. 2126 and 2132 to respondent Eno Corporation, a corporate entity controlled by Maceja Ong Oh, another daughter of Editha and a sister of Marjorie. The conveyance was embodied in a Deed of Assignment^[2] executed on June 10, 1998 by Cabral Corporation thru its President Marjorie Galsim.

The present controversy took shape on November 5, 1998 when the assignee (Eno Corporation) of the two (2) fishpond lease agreements filed with the BFAR its own application for the transfer in its name of FLAs No. 2126 and 2132.

On February 24, 1999, Editha Cabral filed with the BFAR a letter-protest^[3] against Eno's aforementioned application. In her protest, docketed as DA Case No. 99-439-F, Editha claimed that the assignment by Cabral Corporation of its leasehold rights over FLAs No. 2126 and 2132 in favor of Eno Corporation was done without her knowledge and consent. Interestingly, in the same letter-protest, Editha never mentioned the deed of assignment she earlier executed in favor of Paterno Belarmino over her shareholdings in Cabral Corporation.

In their reply to Editha's letter-protest, both Eno and Cabral corporations asserted that they have complied with all the requirements for a valid transfer of leasehold rights over the two (2) fishponds under FLAs No. 2126 and 2132.

On October 27, 1999, then DA Undersecretary Cesar Drilon, acting on Editha's letter-protest in DA Case No. 99-439-F, issued an Order^[4] denying Eno's application for the transfer to it of FLAs No. 2126 and 2132. The Undersecretary predicated his adverse ruling basically on two (2) grounds, to wit: (1) Cabral Corporation's primary asset is its leasehold rights over FLAs No. 2126 and 2132 and that the assignment thereof by the said corporation in favor of Eno Corporation was without the consent of Editha Cabral who did not receive any consideration therefor; and (2) the assignment would effectively render valueless Editha's shareholdings in Cabral Corporation. The Undersecretary viewed the deed of assignment earlier executed by Cabral Corporation in favor of Eno as a mere ploy hatched by the Editha's scheming daughters, namely, Marjorie Galsim, president of Cabral Corporation, and Maceja Ong Oh, controlling stockholder of Eno Corporation, to deprive their mother of the latter's share as majority stockholder in the assignor corporation. In the precise words of the Undersecretary in his Order of October 27, 1999:

The "Deed of Assignment" executed on June 10, 1998 by Cabral Fishpond Industry Corporation, represented by its President, Marjorie C. Galsim in favor of the ENO Fishpond Corporation, represented by its President Jose Reynaldo T. Ong Oh (husband of Maceja Ong Oh) appears to be valid on its face.

However, going deeper, this office found out the following facts to wit:

a)

This case concerns the quarrel between a mother (Editha Cabral) and her two daughters (Marjorie and Maceja) over inheritance;

b)

The leasehold right over the fishpond areas covered by FLA Nos. 2126, 2132 and 2515 is the only asset of the Cabral Fishpond Industry Corporation;

c)

The Cabral Fishpond Industry Corp. is practically owned by Marcelino Cabral and his wife who owned 40,000 shares;

d)

Upon the demise of Marcelino Cabral, his wife Editha inherited 75% of the assets of the corporation while her two daughters (Maceja & Marjorie) inherited 12 ½ % each;

e)

This sharing was approved by the court after a prolonged court battle between the mother and her two daughters who vigorously opposed the percentage of the sharing;

f)

Marjorie Cabral-Galsim as President of the Cabral Fishpond Industry Corp. transferred in favor of ENO Corporation owned by his brother-in-law Jose Reynaldo Ong Oh (husband of Maceja Cabral) the assets of the Cabral Fishpond Industry Corp. covered by FLA Nos. 2126 and 2132 without the knowledge and consent of her mother;

g)

Editha offered to sell her 75% share to her daughters but the latter refused the offer;

h)

Apparently, the transfer is simulated for lack of consideration because the daughters (Marjorie and Maceja) and their husbands (Jose Reynaldo Ong Oh and Nicolas C. Galsim) cannot pay the 75% share of Editha;

It is therefore, the finding of this Office that the transfer was obviously a ploy to deprive Editha of her shares of stock as majority stockholder. The absence of the consent and approval of Editha Cabral being the majority stockholder of the Cabral Fishpond Industry Corporation to the "Deed of Assignment" in favor of ENO Fishpond Corporation and the apparent lack of consideration is ground for the rejection by this Office of the Deed of Assignment.

xxx xxx xxx

WHEREFORE, premises considered, the letter dated February 24, 1999, of Editha Cabral protecting the transfer of FLA No. 2126 and 2132 in favor of Eno Fishpond Corporation is hereby GRANTED. The proposed transfer is therefore hereby DENIED.

SO ORDERED.

In time, both Cabral and Eno corporations filed a joint letter-reconsideration[5] refuting Editha's allegations in her letter-protest and in effect arguing that the matters therein treated relate to intra-corporate dispute over which the Department of Agriculture has no jurisdiction.

The case took an interesting turn when Editha had a change of heart. For, in her letter[6] dated November 25, 1999 to Paterno Belarmino, she told the latter that she was thereby revoking her April 29, 1998 deed of assignment of her shares of stock in Cabral Corporation, allegedly because Belarmino breached their agreement in the matter of payment. Later, in her letter to Undersecretary Drilon dated December 2, 1999,[7] Editha made clear that she was no longer interested in pursuing her letter-protest of February 24, 1999 in DA Case No. 99-439-F against Eno Corporation's application for the transfer in its name of the leaseholds rights over FLAs No. 2126 and 2132, explaining that she had settled her differences with her daughters and that she is now convinced that Eno's application is in order, and accordingly prayed for the approval thereof.

Obviously aggrieved by this development, Paterno Belarmino filed in DA Case No. 99-439-F a Motion to Intervene[8] and an opposition[9] to Editha's revocation of the deed of assignment of her shareholdings in Cabral

Corporation.

In an Order dated June 27, 2000,[10] Undersecretary Drilon denied the two (2) corporations' joint letter-reconsideration but admitted Belarmino's motion for intervention. The Undersecretary brushed aside Cabral and Eno corporations' argument that DA Case No. 99-439-F involves an intra-corporate dispute, adding that since the Department of Agriculture is the sole approving authority in the matter of transfer of leasehold rights over fishponds, his office has jurisdiction to resolve the issues relating to the application of Eno Corporation for the transfer to it of the leasehold right over FLAs No. 2126 and 2132. He further stated that intervenor Belarmino has the personality to challenge Eno's application since it would thereby impair the former's shares of stock in Cabral Corporation. Again, we quote the Undersecretary in his Order of June 27, 2000:

On the allegation that this Office has no authority to pass intra-corporate controversy is bereft of merit because we are not dealing on corporate affairs of the Corp. but dealt only on the transfer of rights which became the basis for the approval or disapproval of the transfer of rights executed by Cabral Fishpond Industry Corp. in favor of ENO Fishpond Corp. without the approval of the majority stockholder, considering that the party of the controversy involved is the transfer of rights of the Cabral Fishpond Industry Corp. who is the lessee of FLA No. 2126 and 2132 in a contract of Fishpond Lease Agreement with this Office which under the law has exclusive jurisdiction over the disposition of the same.

xxx xxx xxx

On the allegations of the ENO Fishpond Corp. and Cabral Fishpond Industry Corp. that Belarmino is a total stranger to the present case; that the contract entered into by Editha Cabral without the knowledge and consent of the Corp. are not binding to Cabral Fishpond Industry Corp.; that the personality of Editha Cabral as shareholders of Cabral Fishpond Industry Corp. is distinct and separate from the Corp.; that Editha Cabral revoked and cancelled that memorandum of agreement she has signed with Belarmino in a letter dated 25 November 1999; That Belarmino did not satisfy the legal requirements of the rule to qualify himself as intervenor under Rule 19 of the new rules of Civil Procedure for he has no legal interest in the matter in litigation, or in the success of either of the parties; that Editha Cabral filed her notice/letter withdrawing her protest and prayed for its dismissal due to supervening transactions entered into by her with her two (2) daughters are devoid of merits for the following reasons:

- Being the assignee, transferee and purchaser in good faith of the shares of stocks of Editha Cabral, Belarmino cannot be considered a stranger to Cabral Fishpond Industry Corp. He is now considered the majority stockholder of the Cabral Fishpond Industry Corp. by subrogation.

- It is well settled that shares of stock in a corporation are personal property, and as such, the owner thereof has an inherent right, as an incident of his ownership, to sell and transfer the same at will, except insofar as the right may be restricted by the charter of the corporation or the general law, or by a valid by-law or by a valid agreement between him and the Corp. In the absence of such restrictions, a bona fide transfer does not require the consent of the corporation, and cannot be prevented by it or by its officers (SEC Opinion dated June 8, 1995, citing previous SEC opinions). Likewise, transfer of shares from existing stockholders to other parties need not be reported to or approved by the Commission because the question of whether or not such transfer should be recorded in the corporate books is a matter that only the Corporation itself can resolve. (SEC Opinion dated October 9, 1995 citing previous SEC opinions).

- The revocation of Editha Cabral of the Memorandum of Agreement executed between her and Belarmino was obviously tainted with bad faith for the following reasons:

- The agreement with Belarmino is bilateral in nature, therefore, the same can not be revoked unilaterally;

- There is no valid legal reason for the unilateral revocation;

- Belarmino is a purchaser in good faith and for value;
- The Heirs were given the first option to buy but they refused;
- Belarmino is a qualified applicant for fishpond lease agreement;
- Revocation is believed to be continuation of the unholy scheme to deprive her of her majority shares by her daughters.

Obviously, the Deed of Assignment is intended to prejudice Belarmino by depriving him of his right as majority stockholder. The consideration of P1,000.00 in the Deed of Assignment of shares of stocks of Editha Cabral is very unrealistic and under priced giving the impression that the price is simulated.

Therefrom, both Cabral and Eno corporations went to the Court of Appeals via a petition for certiorari in CA-G.R. SP No. 60406.

As stated at the outset hereof, the appellate court, in its Decision of July 16, 2002, set aside the challenged orders of Undersecretary Drilon; allowed Editha Cabral to withdraw her protest against the application of Eno Corporation; and directed the Undersecretary to act on Eno's application. Partly explains the appellate court in its decision:

- In acting upon Eno Corporation's contested Application for a Fishpond Lease Agreement, did the Secretary of Agriculture or his Undersecretary have the jurisdiction to determine the validity or nullity of the Deed of Assignment executed by the Cabral Corporation transferring its interest in FLA Nos. 2126 and 2132 to Eno Corporation?
- Assuming that the public respondent had the competence to resolve issue number one, did the Secretary of Agriculture or his Undersecretary act in excess of said jurisdiction or with grave abuse of discretion in rejecting the Notice of Editha Cabral withdrawing her protest against the Application for a Fishpond Lease Agreement of Eno Corporation?
- Did the Secretary of Agriculture or his Undersecretary have the competence to determine the validity or nullity of the Deed of Assignment executed by Editha Cabral transferring 75 percent of the assets of Cabral Corporation to Paterno Belarmino:
- Assuming that the Secretary of Agriculture or his Undersecretary had the competence to resolve issue number three, did it however act in excess of his jurisdiction or with grave abuse of discretion when he allowed Paterno Belarmino to intervene in D.A. Case No. 99-439?

One. The Court believes and so holds that the Secretary of Agriculture has the competence to initially determine the validity or nullity of the Deed of Assignment executed by the Cabral Corporation in favor of Eno Corporation. It is not at all denied that it is the Department of Agriculture through the BFAR which processes application for fishpond lease agreements of public waters and finally grants or denies the same. When an application is contested, an administrative case results. There is no question that the Department of Agriculture or through its agency hears and decides the administrative case. To arrive at a verdict, all that is needed is substantial evidence to back it up.

In the case at bench, Editha Cabral initially impugned the Deed of Assignment which was the basis of Eno Corporation's Application for a Fishpond Lease Agreement. Is there any other way to determine whether Eno Corporation was indeed qualified to apply for a fishpond lease agreement without determining the validity or nullity of the Deed of Assignment? None. An administrative determination of such an issue was merely incidental to the authority of the Department of Agriculture to process an application for a fishpond lease agreement pursuant to its statutory authority over public waters. Of course, this administrative determination is not the last word on the matter. It may, eventually, be subjected to a judicial review and in that proceeding, the

reviewing court may make a more definitive ruling on the same issue.

Is the issue of the validity or nullity of the Deed of Assignment an intra-corporate dispute and, therefore, within the exclusive jurisdiction of the Securities and Exchange Commission?

Before July 19, 2000, the Securities and Exchange Commission had original and exclusive jurisdiction over intra-corporate disputes. (Sec. 5, PD No. 902-A as amended by P.D. No. 1758). On July 19, 2000 however, the Securities Regulation Code (RA No. 8799) became a law. In Sec. 5.2 thereof, jurisdiction over intra-corporate disputes was transferred to the appropriate Regional Trial Court except pending cases.

Jurisprudence on point is the following:

In order that the Securities and Exchange Commission 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 insofar as its franchise permit or license to operate is concerned; and (d) among the stockholders, partners or associates themselves. (*Espino v. National Labor Relations Commission*, citing *Bernardo, Sr. v. Court of Appeals*, 263 SCRA 660).

The parties in D.A. Case No. 99-439-F were Eno Corporation which is a stranger to Cabral Corporation and Editha Cabral who was a stockholder of said corporation. A dispute between these two parties cannot be categorized as intra-corporate dispute because the parties did not fall under any of the relationships mentioned above.

Another point. It is procedurally absurd that Editha Cabral as a petitioner herein should assail the jurisdiction of the Department of Agriculture considering that she invoked that jurisdiction by filing her letter-protest against Eno Corporation's application which resulted in the administrative case.

Two. The Undersecretary of Agriculture however gravely abuse his discretion in denying the Notice of Editha Cabral withdrawing her protest against the Application for Lease Agreement of Eno Corporation. That case was neither a criminal nor an administrative disciplinary case. It was just an administrative case involving the exercise of administration discretion to grant or deny an application for a fishpond agreement. There is neither law nor jurisprudence which prescribes the withdrawal of a protest. The withdrawal of the protest however does not ipso jure result in the granting of the application. The Undersecretary of Justice would still determine on the basis of the uncontested application of Eno Corporation and the records in his Office whether the application is in accordance with law and the pertinent regulations.

Three. Regarding the issue of whether the Secretary of Agriculture had the jurisdiction to declare the Deed of Assignment executed by Editha Cabral in favor of Paterno Belarmino as valid, this Court holds that the Secretary has exceeded its jurisdiction. The determination of the validity or nullity of the said Deed of Assignment was not necessary to resolve the contested application of Eno Corporation for a fishpond lease agreement. That issue is fundamentally within the jurisdiction of the regular courts. Obviously, the Secretary had to make that determination to allow Paterno Belarmino to intervene in D.A. Case No. 94-439-F. It should be pointed out that the motion for intervention was addressed to the sound discretion of the Secretary. He could have denied it (without prejudice to Paterno Belarmino seeking relief in the regular courts) and stayed well within the precinct of his administrative adjudicatory jurisdiction.[11]

The Republic, thru the Solicitor General, in representation of Undersecretary Drilon, the DA and BFAR is now with us via the instant petition on its sole submission that -

THE COURT OF APPEALS COMMITTED REVERSIBLE ERROR IN NOT CONSIDERING THAT THE NULLIFICATION OF THE TRANSFER OF FISHPOND LEASE AGREEMENTS NOS. 2126 AND 2132

FROM CABRAL CORPORATION TO ENO CORPORATION AND DENIAL OF NOTICE TO WITHDRAW LETTER PROTEST OF EDITHA CABRAL OF THE 29 APRIL 1998 DEED OF ASSIGNMENT OF FISHPOND LEASE AGREEMENT WITH PATERNO BELARMINO ARE MERE INCIDENTS TO PETITIONERS' POWER TO DENY ENO CORPORATION'S APPLICATION FOR FISHPOND LEASE AGREEMENT.[12]

We do not agree.

The office of petitioner Republic charged with the power to oversee the use of public fishponds is the Department of Agriculture under the Administrative Code of 1987,[13] which pertinently reads:

Sec.3. Powers and Functions. – The Department [of Agriculture] shall:

xxx xxx xxx

(3)

Promulgate and enforce all laws, rules and regulations governing the conservation and proper utilization of agricultural and fishery resources.

Unquestionably, the BFAR as an agency under the DA which directly regulates transfers of leasehold rights over fishponds, like any other regulatory bodies of the Government, is given sufficient discretion to approve or disapprove applications/petitions pertaining to matters falling within its sphere of authority. However, that discretion must be confined within the parameters set forth by law. Applications for transfer of leasehold rights should be treated by BFAR in the light of the applicant's compliance with its Fisheries Administrative Order (FAO) No. 60, particularly Section 33 thereof which subjects such applications to the following conditions:

- (a) The areas of twenty-five (25) hectares or less, covered by permits or leases, shall be approved by the Commissioner of Fisheries, and areas more than twenty-five (25) hectares shall be approved by the Secretary of Agriculture and Natural Resources;
- (b) That the area covered by permit or lease has, upon verification, improvements equivalent to 50% of the required improvements for the entire area, at P1,000.00 per hectare;
- (c) That the transferee or sublessee shall assume not only the rights but also the obligations of the transferor or sublessor relative to the said permit or lease.
- (d) That said transfer or sublease shall be subject to the laws, rules and regulations now existing and to those that may hereafter be promulgated governing fisheries; and
- (e) That any transfer or sublease without the previous approval of the Commissioner or by the Secretary, as the case may be, shall be considered null and void and deemed sufficient cause for the cancellation of the permit or lease, and the forfeiture of the improvements and bond, in connection therewith, in favor of the government.

Good governance requires that actions of regulatory bodies on applications before them must be reasonably predictable. The standards set forth in FAO No. 60 provide predictability in the action of BFAR on a pending application for transfer of leasehold rights. Compliance with the requirements of FAO No. 60 entitles the applicant to reasonably expect the approval of his application unless some other provision of law says otherwise. Conversely, the failure of the applicant to meet the standards set forth in FAO No. 60 does not entitle him the confidence to expect the approval of his application.

Here, Undersecretary Drilon indulged in whimsical exercise of discretion when he denied the application of Eno

Corporation for the transfer to it of the leasehold right over FLAs No. 2132 and 2126. As it were, the Undersecretary premised his disapproval action on a ground not contemplated under Section 33, supra, of FAO No. 60. Instead of public interest, the Undersecretary's main concern was the dilution of the value of shareholdings of Paterno Belarmino in Cabral Corporation should the transfer be approved. For sure, there was not even an attempt to rationalize the denial of Eno's application as a necessary measure to protect the interest of the government on the FLAs in question. DA Case No. 99-439-F could have been decided and resolved strictly on the basis of FAO No. 60, but the proceedings therein got entangled and were saddled by corporate quarrels between and among the stockholders of the assignor corporation, Cabral Fishpond Industry Corporation, matters which could have been ventilated in another forum. In the apt words of the appellate court:

xxx The determination of the validity or nullity of [the] Deed of Assignment [executed] by Editha Cabral in favor of Paterno Belarmino was not necessary to resolve the contested application of Eno Corporation for a fishpond lease agreement. The issue is fundamentally within the jurisdiction of the regular courts. [The Undersecretary could have denied Paterno Belarmino's] motion for intervention (without prejudice to Paterno Belarmino seeking relief in the regular courts) and stayed well within the precinct of his administrative adjudicatory jurisdiction. (Words in brackets is ours).

Doubtless, the Undersecretary's challenged issuances in CA-G.R. SP No. 60406 were tainted with grave abuse of discretion appropriately corrected by the appellate court in the decision under review.

WHEREFORE, the petition is DENIED and the assailed decision of the Court of Appeals AFFIRMED.

No costs.

SO ORDERED.

Panganiban, (Chairman), Sandoval-Gutierrez, Corona, and Carpio Morales, JJ., concur.

[1] Penned by Associate Justice Hilarion L. Aquino (ret.) with Associate Justices Edgardo Cruz and Regalado Maambong concurring; Rollo pp. 9-19

[2] Rollo, pp. 78-80.

[3] Rollo, pp. 82-84.

[4] Rollo, pp. 92-93.

[5] Rollo, pp. 95-99.

[6] Rollo, pp. 104-105.

[7] Rollo, pp. 108-109.

[8] Rollo, pp. 117-120.

[9] Rollo, pp. 111-116.

[10] Rollo, pp. 127-145.

[11] Rollo, pp. 16-19.

[12] Rollo, p. 34.

[13] Book IV, Title IV, Chapter I, Section 3 (3) of Executive Order No. 292.

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.