UNION BANK OF THE PHILIPPINES, PETITIONER, VS. SECURITIES AND EXCHANGE COMMISSION, MABASA AND COMPANY, INC., AND SHERIFF NORBERTO MAGSAJO, JR. OF THE OFFICE OF THE EX-OFFICIO SH...

G.R. NO. 165382. August 17, 2006

Ponente: PUNO, J.

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PUNO, J.:

Before us is a petition for review on certiorari under Rule 45 of the Rules of Court, seeking to set aside and reverse the August 13, 2004 Decision[1] and September 27, 2004 Resolution[2] of the Court of Appeals (CA) which upheld the Order[3] and Writ of Execution,[4] both dated July 8, 2003, issued by public respondent Securities and Exchange Commission (SEC) in SEC-AC No. 685.

First, we unfurl the facts.

In 1970, private respondent Mabasa & Company, Inc. (Mabasa) owned and held certificates of stock representing 4,532 shares in International Corporate Bank (ICB). Private respondent Mabasa also acquired from Vicente Tan certificates of stock representing 3,098 ICB shares. Private respondent repeatedly requested ICB to allow it to inspect ICB's corporate books and to record the transfer of the 3,098 shares it acquired from Tan. ICB, however, failed to act on private respondent's requests.

On March 31, 1993, private respondent filed with the Prosecution and Enforcement Department (PED) of public respondent SEC an action to compel ICB to allow it to inspect ICB's corporate books and to record the transfer of the 3,098 shares it acquired from Tan. The case was docketed as PED Case No. 93-1360. On December 15, 1993, the PED dismissed the case without prejudice to the filing of another complaint with the Securities Investigation and Clearing Department (SICD) of public respondent SEC where jurisdiction properly pertained.

Meanwhile, ICB merged with petitioner Union Bank of the Philippines (UBP), with the latter as the surviving corporation. Under the terms of the merger, petitioner assumed all the liabilities and obligations of ICB so that any accrued claims or pending actions or proceedings against ICB may be prosecuted against petitioner.

Accordingly, private respondent Mabasa filed a Petition[5] with the SICD against petitioner UBP, praying: (a) that it be allowed to inspect petitioner's corporate books; (b) for petitioner to record the transfer to private respondent of the 3,098 shares it acquired from Tan; (c) to replace or reissue private respondent's shares and the dividends due thereon; and (d) if replacement or reissuance is not possible, to pay the fair market value thereof plus damages. The case was docketed as SEC Case No. 05-96-5336.

In its Decision[6] dated June 28, 1999, the SICD ruled in favor of private respondent Mabasa, viz:

> WHEREFORE, in view of the foregoing premises, JUDGMENT is hereby rendered in favor of petitioner and against respondent directing respondent:

(1) To allow petitioner to inspect its corporate books;

(2) To record the transfer of the 3,098 shares petitioner acquired from Vicente Tan;

(3) To replace or to reissue petitioner's 4,532 ICB shares and 3,098 shares, or a total of 7,630 ICB shares, with the corresponding UBP shares at the ratio of 25 UBP shares to 1 ICB share, in accordance with paragraph 22 of the Plan of Merger between UBP and ICB, or a total of 190,750 UBP shares, plus all dividends thereon, if any;

(4) In the event that the replacement or reissuance of 7,630 ICB shares or 190,750 UBP shares and all dividends arising therefrom is no longer possible, to pay petitioner their fair market value reckoned from the date of the filing of this petition;

(5) To deter those with similar propensity, to pay petitioner the amount of FIFTY THOUSAND PESOS (P50,000.00) as exemplary damages; and,

(6) To pay petitioner the amount of five hundred thousand pesos (P500,000.00) as attorney's fees, plus a further sum of TWO THOUSAND PESOS (P2,000.00) for every court appearance.[7]

Petitioner UBP filed a Motion for Reconsideration[8] of the SICD's decision, to no avail.[9] On September 6, 1999, petitioner filed an appeal with the SEC en banc,[10] docketed as SEC-AC No. 685.

Meantime, Republic Act No. 8799, otherwise known as the Securities Regulation Code, was approved by then President Joseph E. Estrada on July 19, 2000. The law transferred the SEC's original and exclusive jurisdiction over intra-corporate cases to the courts of general jurisdiction or the appropriate Regional Trial Court (RTC) except for "pending cases involving intra-corporate disputes submitted for final resolution which should be resolved within one (1) year from the enactment of [the] Code."[11]

On June 15, 2001, the SEC en banc affirmed the decision of the SICD with respect to the 4,532 shares but reversed it with respect to the 3,098 shares acquired from Tan, viz:

Insofar as these 4,532 shares are concerned, we rule in favor of the petitioner-appellee. Respondent-appellant had no right to sell petitioner-appellee's shares on the afore-cited grounds. Accordingly, we affirm the decision of the hearing officer insofar as these shares are concerned.

x x x

Accordingly, as regards the 3,098 shares acquired from Vicente Tan, we rule in favor of the respondent-appellant and against the petitioner-appellee. Thus, the transfer of shares being not registered in the corporate books is valid only as regards the parties to the transfer and therefore, petitioner-appellee's right of action is against Vicente Tan, from whom the shares were acquired and who subsequently assigned the same to innocent parties who were unaware of the earlier conveyance and whose ownership of the shares were duly reflected in the corporate books.

WHEREFORE, the petition is hereby DISMISSED for lack of merit.

SO ORDERED.[12] (emphases supplied)

Thereafter, two separate appeals were brought to the CA. Petitioner UBP's Petition for Review[13] under Rule 43 of the Rules of Court was docketed as CA-G.R. No. 70896. It questioned the decision of the SEC en banc with respect to the 4,532 shares and the awards of exemplary damages and attorney's fees. Private respondent Mabasa's appeal, on the other hand, was docketed as CA-G.R. No. 70866 and pertained to the 3,098 shares it acquired from Tan.[14]

On September 13, 2002, the CA rendered its decision[15] in CA-G.R. No. 70896, the dispositive portion of which

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states:

> WHEREFORE, premises considered, the present appeal is hereby DISMISSED and the decision appealed from in SEC AC No. 685 is hereby AFFIRMED with MODIFICATION in that the award of attorney's fees is hereby reduced from P500,000.00 to P250,000.00.
>
> With costs against the petitioner.
>
> SO ORDERED.[16]

Petitioner's motion for reconsideration was denied.[17] The decision became final and executory and was recorded in the book of entries of judgment.[18]

On May 6, 2003, private respondent Mabasa filed a Motion for Partial Execution with public respondent SEC,[19] viz:

> WHEREFORE, in view of the foregoing, it is respectfully prayed that the decision in this case be partially executed and that a writ of execution be issued by this Honorable Commission ordering respondent:
>
> - To allow petitioner to inspect respondent's corporate books;
>
> - To replace or re-issue petitioner's 4,532 ICB or International Corporate Bank shares with the corresponding UBP or Union Bank of the Philippines shares at the ratio of 25 shares to 1 ICB share, in accordance with paragraph 22 of the Plan of Merger between UBP and ICB or a total of 113,300 UBP shares, plus dividends thereon, if any;
>
> - In the event that the replacement or reissuance of 4,532 ICB shares or 113,300 UBP shares and all dividends arising therefrom is no longer possible, to pay petitioner their fair market value reckoned from the date of the filing of this petition or P34.50 per UBP share;
>
> - To pay petitioner the amount of FIFTY THOUSAND PESOS (P50,000.00) as exemplary damages.
>
> Other reliefs just and equitable under the premises are likewise prayed for.[20]

Petitioner UBP filed an Opposition (To Petitioner's Motion for Partial Execution)[21] and a Supplemental Opposition (to Motion for Partial Execution).[22] It contended, among others, that under Section 5.2 of the Securities Regulation Code and Sections 1, 3 and 6 of its implementing guidelines, the SEC has lost its jurisdiction to further act on the instant case.

On July 8, 2003, the SEC en banc issued its assailed order[23] in favor of private respondent, viz:

> WHEREFORE, premises considered, the MOTION FOR WRIT OF PARTIAL EXECUTION filed by petitioner Mabasa and Company, Inc. is hereby GRANTED. Accordingly, let a WRIT OF EXECUTION be ISSUED for the enforcement and complete satisfaction of the SEC AC No. 685 decision dated June 15, 2001.
>
> SO ORDERED.[24]

The writ of execution directed the sheriff of the RTC of Makati City to implement the decision of the SEC en banc dated June 15, 2001 in SEC-AC No. 685.[25] Pursuant to Section 5.1(h) of R.A. No. 8799, the SEC requested the RTC of Makati City, through Executive Judge Hon. Sixto Marella, Jr., for the designation of a sheriff to enforce the writ.[26]

Petitioner filed a Manifestation and Urgent Motion to Defer Implementation of Writ of Execution[27] with public respondent SEC. It likewise filed a Petition for Certiorari with Very Urgent Prayer for Issuance of Temporary Restraining Order and/or Preliminary Injunction[28] with the CA, assailing the SEC's Order and Writ of

Execution dated July 8, 2003 for having been issued without jurisdiction.

The CA dismissed the petition for lack of merit.[29] Petitioner filed a Motion for Reconsideration[30] but was denied.[31]

Hence, this Petition for Review on Certiorari which raises the following issues, viz:

> - Whether or not the Hon. Court of Appeals interpreted the law correctly in ruling that the term "resolve" includes "execution" under Sec. 5.3 (sic) of the Securities Regulation Code;
>
> - Whether or not the Hon. Court of Appeals interpreted the law correctly in ruling that the SEC still has jurisdiction to order execution of its decisions within or after the lapse of one (1) year from the enactment of the Securities Regulation Code; [and]
>
> - Whether or not the Hon. Court of Appeals interpreted the law correctly in ruling that the SEC can enlist the aid of a Sheriff from the Regional Trial Court of Makati City to execute its decision.[32]

The instant case falls under the category of intra-corporate cases over which public respondent SEC retained jurisdiction pursuant to the penultimate sentence of Section 5.2 of R.A. No. 8799, viz:

> 5.2. The Commission's jurisdiction over all cases enumerated under Section 5 of Presidential Decree No. 902-A is hereby transferred to the Courts of general jurisdiction or the appropriate Regional Trial Court: Provided, That the Supreme Court in the exercise of its authority may designate the Regional Trial Court branches that shall exercise jurisdiction over these cases. The Commission shall retain jurisdiction over pending cases involving intra-corporate disputes submitted for final resolution which should be resolved within one (1) year from the enactment of this Code. The Commission shall retain jurisdiction over pending suspension of payments/rehabilitation cases filed as of 30 June 2000 until finally disposed. (emphasis supplied)

The issue to be resolved is whether the SEC, after its decision in a case belonging to the above category of intra-corporate cases has become final and executory, retains the power to execute its subject decision.

Petitioner UBP posits the theory that the SEC retained jurisdiction over pending intra-corporate cases submitted for final resolution when R.A. No. 8799 took effect but, once decided, the SEC loses jurisdiction over said cases and the same are transferred to the RTC which shall execute the decision. Citing the rule in statutory construction that when the words of the law are clear, there is no room for interpretation, the SEC allegedly retained jurisdiction only over "pending" intra-corporate cases that have been submitted for resolution and not those that it had already "decided" for purposes of execution. It contends that the term "to resolve" is not the same as "to execute" and there is nothing to suggest that the former should include the latter. Further, the excerpt of congressional deliberations[33] cited in the assailed CA decision allegedly does not support the ruling that the SEC has jurisdiction to order the execution of its decisions within or after the lapse of one (1) year from the effectivity of R.A. No. 8799. Petitioner avers that the rationale for the retention of the SEC's jurisdiction over pending cases submitted for final resolution for purposes of deciding them on the merits is the SEC's familiarity with said cases. With respect to decided cases, however, there is no need for familiarity as execution is simply the ministerial function of implementing the dispositive portion of the decision. If the RTC encounters doubts in executing the decision of the SEC, it may refer to the body of the decision for guidance. Finally, since the SEC has no power to execute its decisions, its enlistment of the aid of the sheriff under Section 5.1(h) of R.A. No. 8799 to execute its decision is null and void.

We find no merit in the petition.

Jurisdiction is the authority to hear and determine a cause or the right to act in a case. The general rule is that where there is jurisdiction of the person and subject matter, the resolution of all questions arising in the case is but

an exercise of that jurisdiction.[34] The grant to a tribunal or agency of adjudicatory power, or the authority to hear and adjudge cases, should normally and logically be deemed to include the grant of authority to enforce or execute the judgments it renders, unless the law otherwise provides.[35] This is so because the authority to decide cases is inutile unless accompanied by the authority to see to it that what has been decided is carried out.[36]

We do not find any good reason to depart from the foregoing general principles. Section 5.2 of R.A. No. 8799 does not qualify the SEC's jurisdiction when it mandates that the SEC "shall retain jurisdiction over pending cases involving intra-corporate disputes submitted for final resolution which should be resolved within one (1) year from the enactment of this Code." It is worthy to note that prior to the effectivity of R.A. No. 8799, the SEC had been exercising the power to execute its decisions over all intra-corporate cases in the exercise of its jurisdiction under Section 5[37]of Presidential Decree No. 902-A.[38]

Petitioner's contention that the SEC does not have jurisdiction to execute because once decided, the case ceases to be a "pending" case and becomes a "decided" case deserves scant attention. In the first place, we have repeatedly held that a case in which an execution has been issued is considered as still "pending" so that all proceedings on the execution are proceedings in the suit.[39] Even assuming that a "decided" case pending execution can no longer be considered as "pending," it is settled that the particular words, clauses and phrases in a law should not be studied as detached and isolated expressions, but the whole and every part thereof must be considered in fixing the meaning of any of its parts and in order to produce a harmonious whole.[40] In this case, the word "pending" defines the phrase "cases submitted for final resolution" at the time the law took effect. Simply put, the reckoning point to determine whether a case is retained with the SEC for being a "pending case submitted for final resolution" is R.A. No. 8799's date of effectivity. Otherwise, it would be revolting to the common sense to direct the SEC to resolve said cases within one year from the enactment of the Code. Having retained its jurisdiction over the instant case pursuant to Section 5.2 of R.A. No. 8799, the SEC must be deemed to have the power to execute its subject decision. A long standing doctrine is that the tribunal which rendered the decision or award has a general supervisory control over the process of its execution, and this includes the power to determine every question of fact and law which may be involved in the execution.[41]

Petitioner's contention that the word "resolve" does not include "execute" is likewise futile. A fair reading of the law will show that the SEC was merely directed to render its decisions in the retained intra-corporate cases within 1 year from the enactment of the Code. The word "should" is "[t]he past tense of shall, ordinarily implying duty or obligation, although usually no more than an obligation of propriety or expediency, or a moral obligation, thereby distinguishing it from 'ought.'"[42] Said directive cannot be stretched to mean that public respondent SEC's jurisdiction over the retained intra-corporate cases has been limited to decision-making. We quote with approval the decision of the CA in this regard, viz:

> [S]ince jurisdiction over said category of cases has been retained by the SEC, the 1-year period from the enactment of the law within which the cases should be resolved was more of a directive to the SEC to hasten the resolution of the cases. A contrary holding results in absurdity, for, assuming that the cases were not resolved after the 1-year period and the effect was that the SEC would lose jurisdiction over the cases, there would then be no court or body that could resolve the cases since jurisdiction over them was not transferred to the RTC.[43]

This construction is consistent with the legislative intent in the enactment of R.A. No. 8799. The excerpt of congressional deliberations cited in the assailed CA decision reveals the unmistakable intent for said category of intra-corporate cases to remain with the SEC.[44] Another excerpt of the deliberations of the Bicameral Conference Committee on the Securities Act of 2000 confirms the intent for the SEC to finish the pending cases involving intra-corporate disputes already submitted for final resolution.[45] This must be deemed as including

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the power to execute as "execution is the fruit and end of the suit, and is very aptly called the life of the law."[46]

We further take light from the presumption that undesirable consequences were never intended by a legislative measure and courts are not to give words a meaning which would lead to absurd or unreasonable consequences.[47] As correctly argued by private respondent Mabasa and public respondent SEC, through the Office of the Solicitor General, petitioner's interpretation that the SEC retains jurisdiction over the category of intra-corporate cases under Section 5.2 of R.A. No. 8799 for the purpose of deciding the same on the merits but, once decided, transfers said jurisdiction to the RTC for execution would only result in needless delays. Indeed, we have emphasized that splitting of jurisdiction is obnoxious to the orderly administration of justice.[48]

Since the power of the SEC to execute its decisions in intra-corporate cases over which it retained jurisdiction pursuant to Section 5.2 of R.A. No. 8799 is clear, petitioner's objection against public respondent SEC's enlistment of the aid of a sheriff to execute its final and executory decision in the instant case has no leg to stand on.

IN VIEW WHEREOF, the petition is DENIED. The August 13, 2004 Decision and September 27, 2004 Resolution of the Court of Appeals upholding the Order and Writ of execution dated July 8, 2003 issued by the Securities and Exchange Commission in SEC-AC No. 685 are AFFIRMED.

Cost against petitioner.

SO ORDERED.

Sandoval-Gutierrez, Corona and Garcia, JJ., concur.Azcuna, J., on official business.

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[1] Penned by CA Associate Justice Lucas P. Bersamin and concurred in by CA Associate Justices Marina L. Buzon and Renato C. Dacudao; Rollo, pp. 34-42.

[2] Id. at 58.

[3] CA rollo, pp. 35-44.

[4] Id. at 45-46.

[5] Dated April 19, 1996; Original Records of SEC Case No. 05-96-5336, pp. 84-93.

[6] Id. at 416-430.

[7] Id. at 416.

[8] Id. at 435-439.

[9] Order dated August 26, 1999; Id. at 455.

[10] Original Records of SEC-AC No. 685, pp. 49-64.

[11] Section 5.2, R.A. No. 8799.

[12] Original Records of SEC-AC No. 685, pp. 113-114.

[13] CA rollo, pp. 417-429.

[14] Id. at 524-551.

[15] Penned by CA Associate Justice Martin S. Villarama, Jr. and concurred in by CA Associate Justices

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Remedios Salazar-Fernando and Amelita G. Tolentino; Original Records of SEC-AC No. 685, pp. 125-131.

[16] Id. at 125.

[17] Resolution dated November 20, 2002; Id. at 123.

[18] Id. at 122.

[19] Dated April 25, 2003; Id. at 154-158.

[20] Id. at 154-155.

[21] Dated May 27, 2003; Id. at 164-171.

[22] Id. at 213-215.

[23] Id. at 218-227.

[24] Id. at 218.

[25] Id. at 216-217.

[26] Id. at 231-232.

[27] Id. at 238-240.

[28] CA rollo, pp. 2-30.

[29] Decision dated August 13, 2004; Supra Note 1.

[30] Rollo, pp. 43-55.

[31] Supra Note 2.

[32] Rollo, p. 22.

[33] Infra Note 44.

[34] Barco v. CA, G.R. No. 120587, January 20, 2004, 420 SCRA 162, 179 and Arranza v. B.F. Homes, G.R. No. 131683, June 19, 2000, 333 SCRA 799, citing Herrera v. Barretto, 25 Phil. 245, 251 (1913).

[35] Government Service Insurance System v. Heirs of Eusebio Manuel, G.R. No. 96938, October 15, 1991, 202 SCRA 799, 805.

[36] Ibid.

[37] 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 and schemes employed by or any acts, of the board of directors, business associates, its officers or partnership, amounting to fraud and misrepresentation which may be detrimental to the interest of the public and/or of the stockholder, 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 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;

c) Controversies in the election or appointments of directors, trustees, officers or managers of such corporations, partnerships or associations.

[38] See Capitol College of Iligan, Inc. v. CA, G.R. No. 128941, January 28, 1999, 302 SCRA 349.

[39] Mondejar v. Javellana, G.R. No. 116883, September 22, 1998, 295 SCRA 699, 712, citing Balais v. Velasco, G.R. No. 118491, January 31, 1996, 252 SCRA 707, 721 (citations omitted).

[40] Yamaoka v. Pescarich Manufacturing Corporation, G.R. No. 146079, July 20, 2001, 361 SCRA 672, 680, citing National Tobacco Administration v. Commission on Audit, G.R. No. 119385, August 5, 1999, 311 SCRA 755, 769.

[41] Mondejar v. Javellana, supra note 39, citing Vda. de Paman v. Señeris, L-37632, July 30, 1982, 115 SCRA 709.

[42] Black's Law Dictionary (6th edition).

[43] Rollo, pp. 40-41.

[44] x x x The first major departure is as regards the Securities and Exchange Commission. The Securities and Exchange Commission has been authorized under this proposal to reorganize itself. As an administrative agency, we strengthened it and at the same time we take away the quasi-judicial functions. The quasi-judicial functions are now given back to the courts of general jurisdiction - the Regional Trial Court, except for two categories of cases.

In the case of corporate disputes, only those that are now submitted for final determination of the SEC will remain with the SEC. So, all those cases, both memos of the plaintiff and the defendant, that have been submitted for resolution will continue. At the same time, cases involving rehabilitation, bankruptcy, suspension of payments and receiverships that were filed before June 30, 2000 will continue with the SEC. In other words, we are avoiding the possibility, upon approval of this bill, of people filing cases with the SEC, in a manner of speaking, to select their court.

[45] CHAIRMAN ROCO. x x x [T]he caucus of the Senate specifically authorized the Justice Committee and the Banks Committee to agree to this version of the House. "Jurisdiction over all cases transferred to Regional Trial Courts." The Supreme Court can designate, of course, the trial court or branches, di ba? Then the Commission shall retain jurisdiction over pending cases involving intra-corporate disputes. Submitted for final resolution... final resolution. Yung mga pending. Yung mga may mga isa-submit pang ebidensya, ita-transfer na yun, hindi ba? Pero kung naka-memo na, submitted for final resolution, pasok na, tatapusin na yan ng SEC...

[46] Garcia v. Echiverri, No. L-44455, October 23, 1984, 132 SCRA 631, 639, citing Carreon v. Buissan, No. L-41875, March 12, 1976, 70 SCRA 57.

[47] Millares v. NLRC, G.R. No. 110524, July 29, 2002, 385 SCRA 306, 316 (citation omitted).

[48] Mondejar v. Javellana, supra Note 39.

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