

**A & A CONTINENTAL COMMODITIES PHILIPPINES, INC.,
PETITIONER, VS. SECURITIES AND EXCHANGE COMMISSION AND
ROLANDO G. AGUILA, RESPONDENTS.**

G.R. No. 55343. August 16, 1993

Ponente: MELO, J.

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MELO, J.:

In the instant petition for certiorari and prohibition, petitioner A & A Continental Commodities Philippines, Inc., seeks to annul and set aside the order dated September 24, 1980, issued by respondent Securities and Exchange Commission (SEC for brevity) in SEC Case No. 1886 and to dismiss said case. The impugned order was promulgated prior to the issuance on February 27, 1991, of Circular No. 1-91 which mandates elevation of an appeal from a final order or decision of the Securities and Exchange Commission to the Court of Appeals.

The relevant facts of the case, culled from the record, are as follows:

Petitioner is a domestic corporation duly organized and existing under Philippine laws, engaged in the commodities brokerage business. On August 3, 1979, petitioner and private respondent entered into a contract for the purchase or sale of commodities (Annex A of Petitioner's Reply, p. 287, Rollo). On January 21, 1980, private respondent bought, through petitioner, seven contracts of copper at the following prices: (a) five contracts for US\$1.387 per pound and (b) two contracts for US\$1.3840. The margin requirement for the seven contracts was P18,750 per contract or a total amount of P131,250.00, which amount was earmarked from private respondent's cash deposit with petitioner of P306,326.46. On January 23, 1980, petitioner, allegedly "without valid and justifiable cause, maliciously, arbitrarily, wantonly, fraudulently, and recklessly" (p. 37, Rollo), ordered private respondent to increase his margin requirements per contract from P18,750 to P75,000 and gave private respondent up to 5 P.M. of the same day within which to deposit with petitioner the amount of P344,771.05. Private respondent requested additional time within which to raise the amount, but petitioner informed him that it would immediately sell his seven copper contracts should he fail to deposit the additional amount by 5 P.M. that same day. Private respondent then requested that should petitioner proceed with the sale, the same be not effected immediately upon the opening of trading if prices were low but at a later time. However, petitioner did not accede to the request and sold five contracts for \$1.2150 a pound immediately upon the opening of trading on January 24, 1980 and the other two at \$1.25 a pound at a latter time.

Claiming that he had incurred a loss of P199,646.68 due to the premature sale of the copper contracts and that he would have made a profit of P100,000 had the sale been made at a later date, private respondent filed with the SEC on March 19, 1980 a complaint later docketed as SEC Case No. 1886, praying that judgment be rendered:

1. Revoking the certificate of registration of respondent A & A with this Honorable Commission.
2. Ordering respondent to pay petitioner [now private respondent Aguila] the sum of P299,646.68, plus such interests and other charges as petitioner Aguila may prove in the course of trial.

3. Ordering respondent A & A [now herein petitioner] to pay the amount of P1,000,000.00 as moral and exemplary damages.
4. Ordering respondent A & A to pay attorney's fees in the amount of P100,000.00, expenses of litigation, and costs of suit. (p. 42, Rollo)

On April 28, 1980, petitioner filed a motion to dismiss SEC Case No. 1886 principally on the ground of lack of jurisdiction of the SEC. The motion was, however, denied in an Order dated September 24, 1980.

Hence, the instant petition where the only issue necessarily is whether or not the SEC has jurisdiction over SEC Case No. 1886.

Before proceeding to resolve said issue, we have to resolve initially private respondent's motion to disqualify petitioner's counsel. Private respondent asserts that before the filing of SEC Case No. 1886 the law firm of Santiago, Fornier, Tinga & Associates handled this case as shown by the demand letter dated January 26, 1980 (Annex A of private respondent's Comment, pp. 182-183, Rollo) sent to petitioner wherein Atty. Andresito X. Fornier of the law firm Santiago, Fornier, Tinga & Associates on behalf of private respondent, informed petitioner that private respondent was not confirming the sale of the seven copper contracts and wherein it was further demanded that petitioner should credit to private respondent the amount of P111,628.55 or his margin deposit. Petitioner, in its opposition to said motion, states that Atty. Andresito X. Fornier withdrew from the law firm of Santiago, Fornier, Tinga and Associates effective January 12, 1980, as evidenced by the minutes of the meeting of January 12, 1980 (Annex D of Petitioner's Reply, p. 296, Rollo). Considering that Atty. Andresito Fornier was no longer a member of the law firm Santiago, Fornier, Tinga & Associates even before the incidents of the case at bar transpired, as in fact said law firm was already inexistent at the time the letter of January 26, 1980 was written, private respondent's motion to disqualify petitioner's counsel should be denied.

We come now to the main issue: the jurisdiction of the SEC over the case.

Poring over the complaint filed by private respondent, we find that the complaint is praying for two reliefs based on the same set of facts. One is for the revocation of the certificate of registration of petitioner; the other is for a sum of money.

On the action to revoke the certificate of registration of petitioner, there is no doubt that the SEC has jurisdiction over the same. Section 6(L) of Presidential Decree No. 902-A clearly provides that the SEC shall possess the power to suspend or revoke, after proper notice and hearing, the franchise or certificate of registration of corporations, partnerships or associations.

On the other aspect of the SEC's jurisdiction over the action for a sum of money, we likewise rule that the Commission has the legal competence to decide said issue.

It is axiomatic that jurisdiction over the subject matter of a case is conferred by law (*Tijam vs. Sibonghanoy*, 23 SCRA 29 [1968]) and is determined by the allegations of the complaint, irrespective of whether or not the plaintiff is entitled to recover upon all or some of the claims asserted therein (*Serrano vs. Munoz (Hi) Motors, Inc.*, 21 SCRA 1085 [1967]).

The basic legal provision conferring jurisdiction upon the SEC is Section 5 of Presidential Decree No. 902-A which this Court applied in *Orosa, Jr. vs. Court of Appeals* (193 SCRA 391 [1991]), thusly:

Section 3 of Pres. Decree No. 902-A should also be read in conjunction with Section 5 of the same law, providing:

"Sec. 5. In addition to the regulatory and adjudicative functions of the Securities and Exchange Commission over

corporations, partnerships and other forms of associations registered with it as expressly granted under existing laws and decrees, it shall have original and exclusive jurisdiction to hear and decide cases involving:

'a) Devices or schemes employed by or any acts of the board of directors, business associates, its officers or partners, amounting to fraud and misrepresentation which may be detrimental to the public and/or the stockholders, partners, members of associations or organizations registered with the Commission.'" (Emphasis ours).

Considering that Petitioners' Complaints sufficiently allege acts amounting to fraud and misrepresentation committed by Respondent Corporation, the SEC must be held to retain its original and exclusive jurisdiction over these five (5) cases notwithstanding the revocation by the Central Bank of Respondent Corporation's license or permit to operate as a financing company and despite the fact that the suits involve collections of sums of money paid to said corporation, the recovery of which would ordinarily fall within the jurisdiction of regular Courts. The fraud committed is detrimental to the interest of the public and, therefore, encompasses a category of relationship within the SEC jurisdiction.

"Otherwise stated, in order that the SEC can take cognizance of a case, the controversy must pertain to any of the following relationships: (a) between the corporation, partnership or association and the public; (b) between the corporation, partnership or association and its stockholders, partners, members or officers; (c) between the corporation, partnership or association and the state in so far as its franchise, permit or license to operate is concerned; and (d) among the stockholders, partners or associates themselves." (Union Glass & Container Corp. v. SEC, No. 64013, 28 November 1983, 126 SCRA 31, 38; Abejo v. De la Cruz, No. 63558, 19 May 1987, 149 SCRA 654).

(at pp. 396-397.)

The above-quoted ruling was reiterated in the case of Magalad vs. Premiere Financing Corporation (209 SCRA 260 [1992]), to wit:

Considering that Magalad's complaint sufficiently alleges acts amounting to fraud and misrepresentation committed by Premiere, the SEC must be held to retain its original and exclusive jurisdiction over the case, despite the fact that the suit involves collection of sums of money paid to said corporation, the recovery of which would ordinarily fall within the jurisdiction of regular courts. The fraud committed is detrimental to the interest of the public and, therefore, encompasses a category of relationship within the SEC jurisdiction. (at p. 264.)

As earlier alluded to, the complaint filed before the SEC, insofar as herein pertinent, alleged:

5. On January 23, 1980 respondent A & A, without valid and justifiable cause, arbitrarily, maliciously, wantonly, fraudulently, and recklessly ordered petitioner to increase its margin requirement per contract.

Withal, the complaint alleged fraud on the part of petitioner which supposedly resulted in monetary losses to private respondent, for which reason the conclusion, on the basis of the Orosa and Magalad cases, is that the SEC has original and exclusive jurisdiction over SEC Case No. 1886.

WHEREFORE, the petition is hereby DENIED. The temporary restraining order issued on October 29, 1980, is hereby DISSOLVED.

SO ORDERED.

Feliciano, (Chairman), Bidin, Romero, and Vitug, JJ., concur.

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