

**CONCEPCION MAGSAYSAY-LABRADOR, SOLEDAD
MAGSAYSAY-CABRERA, LUISA MAGSAYSAY-CORPUZ, ASSISTED BY
HER HUSBAND, DR. JOSE CORPUZ, FELICIDAD P. MAGSAYSAY, AND
MERCEDES MAGSAYSAY-DIAZ, ...**

G.R. No. 58168. December 19, 1989

Ponente: FERNAN, C.J.

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FERNAN, C.J.:

In this petition for review on certiorari, petitioners seek to reverse and set aside [1] the decision of the Court of Appeals dated July 13, 1981,[1] affirming that of the Court of First Instance of Zambales and Olongapo City which denied petitioners' motion to intervene in an annulment suit filed by herein private respondent, and [2] its resolution dated September 7, 1981, denying their motion for reconsideration.

Petitioners are raising a purely legal question: whether or not respondent Court of Appeals correctly denied their motion for intervention.

The facts are not controverted.

On February 9, 1979, Adelaida Rodriguez-Magsaysay, widow and special administratrix of the estate of the late Senator Genaro Magsaysay, brought before the then Court of First Instance of Olongapo an action against Artemio Panganiban, Subic Land Corporation (SUBIC), Filipinas Manufacturer's Bank (FILMANBANK) and the Register of Deeds of Zambales. In her complaint, she alleged that in 1958, she and her husband acquired, thru conjugal funds, a parcel of land with improvements, known as "Pequeña Island", covered by TCT No. 3258; that after the death of her husband, she discovered [a] an annotation at the back of TCT No. 3258 that "the land was acquired by her husband from his separate capital;" [b] the registration of a Deed of Assignment dated June 25, 1976 purportedly executed by the late Senator in favor of SUBIC, as a result of which TCT No. 3258 was cancelled and TCT No. 22431 issued in the name of SUBIC; and [c] the registration of a Deed of Mortgage dated April 28, 1977 in the amount of P2,700,000.00 executed by SUBIC in favor of FILMANBANK; that the foregoing acts were void and done in an attempt to defraud the conjugal partnership considering that the land is conjugal, her marital consent to the annotation on TCT No. 3258 was not obtained, the change made by the Register of Deeds of the titleholders was effected without the approval of the Commissioner of Land Registration and that the late Senator did not execute the purported Deed of Assignment or his consent thereto, if obtained, was secured by mistake, violence and intimidation. She further alleged that the assignment in favor of SUBIC was without consideration and consequently null and void. She prayed that the Deed of Assignment and the Deed of Mortgage be annulled and that the Register of Deeds be ordered to cancel TCT No. 22431 and to issue a new title in her favor.

On March 7, 1979, herein petitioners, sisters of the late senator, filed a motion for intervention on the ground that on June 20, 1978, their brother conveyed to them one-half (1/2) of his shareholdings in SUBIC or a total of 416,566.6 shares and as assignees of around 41% of the total outstanding shares of stock of SUBIC, they have a

substantial and legal interest in the subject matter of litigation and that they have legal interest in the success of the suit with respect to SUBIC.

On July 26, 1979, the court denied the motion for intervention, and ruled that petitioners have no legal interest whatsoever in the matter in litigation and their being alleged assignees or transferees of certain shares in SUBIC cannot legally entitle them to intervene because SUBIC has a personality separate and distinct from its stockholders.

On appeal, respondent Court of Appeals found no factual or legal justification to disturb the findings of the lower court. The appellate court further stated that whatever claims the petitioners have against the late Senator or against SUBIC for that matter can be ventilated in a separate proceeding, such that with the denial of the motion for intervention, they are not left without any remedy or judicial relief under existing law.

Petitioners' motion for reconsideration was denied. Hence, the instant recourse.

Petitioners anchor their right to intervene on the purported assignment made by the late Senator of a certain portion of his shareholdings to them as evidenced by a Deed of Sale dated June 20, 1978.[2] Such transfer, petitioners posit, clothes them with an interest, protected by law, in the matter in litigation.

Invoking the principle enunciated in the case of *PNB v. Phil. Veg. Oil Co.*, 49 Phil. 857, 862 & 863 (1927),[3] petitioners strongly argue that their ownership of 41.66% of the entire outstanding capital stock of SUBIC entitles them to a significant vote in the corporate affairs; that they are affected by the action of the widow of their late brother for it concerns the only tangible asset of the corporation and that it appears that they are more vitally interested in the outcome of the case than SUBIC.

Viewed in the light of Section 2, Rule 12 of the Revised Rules of Court, this Court affirms the respondent court's holding that petitioners herein have no legal interest in the subject matter in litigation so as to entitle them to intervene in the proceedings below. In the case of *Batama Farmers' Cooperative Marketing Association, Inc. v. Rosal*,[4] we held: "As clearly stated in Section 2 of Rule 12 of the Rules of Court, to be permitted to intervene in a pending action, the party must have a legal interest in the matter in litigation, or in the success of either of the parties or an interest against both, or he must be so situated as to be adversely affected by a distribution or other disposition of the property in the custody of the court or an officer thereof."

To allow intervention, [a] it must be shown that the movant has legal interest in the matter in litigation, or otherwise qualified; and [b] consideration must be given as to whether the adjudication of the rights of the original parties may be delayed or prejudiced, or whether the intervenor's rights may be protected in a separate proceeding or not. Both requirements must concur as the first is not more important than the second.[5]

The interest which entitles a person to intervene in a suit between other parties must be in the matter in litigation and of such direct and immediate character that the intervenor will either gain or lose by the direct legal operation and effect of the judgment. Otherwise, if persons not parties of the action could be allowed to intervene, proceedings will become unnecessarily complicated, expensive and interminable. And this is not the policy of the law.[6]

The words "an interest in the subject" mean a direct interest in the cause of action as pleaded, and which would put the intervenor in a legal position to litigate a fact alleged in the complaint, without the establishment of which plaintiff could not recover.[7]

Here, the interest, if it exists at all, of petitioners-movants is indirect, contingent, remote, conjectural, consequential and collateral. At the very least, their interest is purely inchoate, or in sheer expectancy of a right in

the management of the corporation and to share in the profits thereof and in the properties and assets thereof on dissolution, after payment of the corporate debts and obligations.

While a share of stock represents a proportionate or aliquot interest in the property of the corporation, it does not vest the owner thereof with any legal right or title to any of the property, his interest in the corporate property being equitable or beneficial in nature. Shareholders are in no legal sense the owners of corporate property, which is owned by the corporation as a distinct legal person.[8]

Petitioners further contend that the availability of other remedies, as declared by the Court of Appeals, is totally immaterial to the availability of the remedy of intervention.

We cannot give credit to such averment. As earlier stated, that the movant's interest may be protected in a separate proceeding is a factor to be considered in allowing or disallowing a motion for intervention. It is significant to note at this juncture that as per records, there are four pending cases involving the parties herein, enumerated as follows: [1] Special Proceedings No. 122122 before the CFI of Manila, Branch XXII, entitled "Concepcion Magsaysay--Labrador, et al. v. Subic Land Corp., et al.", involving the validity of the transfer by the late Genaro Magsaysay of one-half of his shareholdings in Subic Land Corporation; [2] Civil Case No. 2577-0 before the CFI of Zambales, Branch III, "Adelaida Rodriguez-Magsaysay v. Panganiban, etc.; Concepcion Labrador, et al. Intervenor", seeking to annul the purported Deed of Assignment in favor of SUBIC and its annotation at the back of TCT No. 3258 in the name of respondent's deceased husband; [3] SEC Case No. 001770, filed by respondent praying, among other things, that she be declared in her capacity as the surviving spouse and administratrix of the estate of Genaro Magsaysay as the sole subscriber and stockholder of SUBIC. There, petitioners, by motion, sought to intervene. Their motion to reconsider the denial of their motion to intervene was granted; [4] SP No. Q-26739 before the CFI of Rizal, Branch IV, petitioners herein filing a contingent claim pursuant to Section 5, Rule 86, Revised Rules of Court.[9] Petitioners' interests are no doubt amply protected in these cases.

Neither do we lend credence to petitioners' argument that they are more interested in the outcome of the case than the corporation-assignee, owing to the fact that the latter is willing to compromise with widow-respondent and since a compromise involves the giving of reciprocal concessions, the only conceivable concession the corporation may give is a total or partial relinquishment of the corporate asset.[10]

Such claim all the more bolsters the contingent nature of petitioners' interest in the subject of litigation.

The factual findings of the trial court are clear on this point. The petitioners cannot claim the right to intervene on the strength of the transfer of shares allegedly executed by the late Senator. The corporation did not keep books and records.[11] Perforce, no transfer was ever recorded, much less effected as to prejudice third parties. The transfer must be registered in the books of the corporation to affect third persons. The law on corporations is explicit. Section 63 of the Corporation Code provides, thus: "No transfer, however, shall be valid, except as between the parties, until the transfer is recorded in the books of the corporation showing the names of the parties to the transaction, the date of the transfer, the number of the certificate or certificates and the number of shares transferred."

And even assuming *arguendo* that there was a valid transfer, petitioners are nonetheless barred from intervening inasmuch as their rights can be ventilated and amply protected in another proceeding.

WHEREFORE, the instant petition is hereby DENIED. Costs against petitioners.

SO ORDERED.

Gutierrez, Jr., Bidin, and Cortes, JJ., concur.
Feliciano, J., on leave.

[1] Penned by Associate Justice Porfirio V. Sison and concurred in by Associate Justices Elias B. Asuncion and Juan A. Sison.

[2] Rollo, p. 14.

[3] In this case, the appellee challenged the right of Phil. C. Whitaker as intervenor to ask that the mortgage contract executed by the Vegetable Oil Company be declared null and void. The Court held: Appellee is right as to the premises. The Veg. Oil Co. is the defendant. The corporation has not appealed. At the same time, it is evident that Phil. C. Whitaker was one of the largest individual stockholders of the Veg. Oil Co., and was until the inauguration of the receivership, exercising control over and dictating the policy of the company. Out of twenty-eight thousand shares of the Veg. Oil Co., Mr. Whitaker was the owner of 5,893 fully paid shares of the par value of P100 each. It was he who asked for the appointment of the receiver. It was he who was the leading figure in the negotiations between the Veg. Oil Co., the Philippine National Bank, and the other creditors. It was he who pledged his own property to the extent of over P4,000,000 in an endeavor to assist in the rehabilitation of the Veg. Oil Co. He is injuriously affected by the mortgage. In truth, Mr. Whitaker is more vitally interested in the outcome of this case than is the Veg. Oil Company. Conceivably if the mortgage had been the free act of the Veg. Oil Co., it could not be heard to allege its own fraud, and only a creditor could take advantage of the fraud to intervene to avoid the conveyance.

[4] 42 SCRA 408.

[5] Gibson v. Hon. Revilla, G.R. No. L-41432, 30 July 1979, 92 SCRA 219.

[6] Garcia v. David, 67 Phil. 279; Hacienda Sapang Tayal Tenant's League v. Yatco, G.R. No. L-14651, Feb. 29, 1960.

[7] Bulova v. E.L. Barrett, Inc., 194 App. Div. 418, 185 NYS 424.

[8] Ballantine, 288-289, Pascual v. Del Sanz Orozco, 19 Phil. 82, 86.

[9] Rollo, pp. 112-120.

[10] Rollo, pp. 119-120.

[11] Rollo, p. 39.

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