

METRO MANILA TRANSIT CORPORATION, PETITIONER, VS. HON. CONCHITA C. MORALES, PRESIDING JUDGE, REGIONAL TRIAL COURT, BRANCH 110, PASAY CITY, PEDRO M. SAN JUAN, JR., PARALUMAN D. B...

G.R. No. 79902. May 30, 1989

Ponente: FERNAN, C.J.

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FERNAN, C.J.:

In the questioned resolution of March 16, 1988, the Court held that the controversy between petitioner Metro Manila Transit Corporation (MMTC) and private respondents, sole stockholders of CBL Transit Incorporated (CBLT), is intracorporate and therefore cognizable by the Securities and Exchange Commission to the exclusion of the regular courts.

Such conclusion did not sit well with private respondents who forthwith moved for a reconsideration on the following grounds:

[a] The Court's finding that petitioner's takeover of the management and operations of CBLT was with the consent of private respondents is without factual basis;

[b] Without that consent, petitioner's takeover was patently illegal and therefore petitioner was an intruder. Any dispute between the CBLT stockholders and an intruder could never be considered as intracorporate to bring the case within the competence of the SEC;

[c] The proceedings before respondent trial court had progressed past the midway point and to transfer the case to the SEC at that stage could only mean that the parties would have to start all over again.

At the instance of private respondents, both parties were heard by the Court in oral argument on May 4, 1988 "to elucidate further on important facts and legal issues in person", after which they were directed to submit their respective memoranda.

Acting thereon, the Court "Resolved to DENY the motion for reconsideration and the denial is FINAL."

In seeking reconsideration, private respondents advanced the basic premise that petitioner was an intruder in the newly-organized CBLT and hence there is no intracorporate dispute exclusively cognizable by the SEC. We are not so persuaded.

It will be recalled that upon the execution of the Lease-Purchase Agreement on March 11, 1981, petitioner MMTC was already a stockholder of CBLT, with five (5) shares in its name and assured one (1) seat in the board of directors.[1] This privilege was enjoyed by then Metro Manila Commission Vice Governor Ismael Mathay, Jr. Thus, it is not accurate to state that petitioner was an outsider.

Then there was the Voting Trust Agreement dated November 25, 1982 whereby petitioner became private respondents' trustee of their 7,475 shares in CBLT.[2] By virtue of that agreement, title to the 7,475 shares passed

to petitioner which then possessed all the voting and other rights pertaining to those shares. While the agreement was effective for only five (5) years, it was still very much in force on August 14, 1987 when private respondents commenced the present "derivative" suit against petitioner. Clearly then, the civil action between private respondents, as stockholders of CBLT, and petitioner, as their trustee, was within the nature of corporate relations falling under the jurisdiction of the SEC.

Private respondents also contended that contrary to the finding of this Court, they did not give their consent to the takeover on November 10, 1982 and, therefore, said undertaking on the part of petitioner was completely illegal.

The absence of consent would have been a strong argument in favor of private respondents but their subsequent actuations have militated against such an assertion. We shall explain.

There is no question of concealment or want of knowledge in the case. As two of the private respondents allowed themselves to be named vice-chairman and vice president/general chairman of the board (Llamas, Jr. and Cutiongco, respectively), they are charged from the start with knowledge of the precise terms and stipulations contained in the Lease-Purchase Agreement. They were aware that, at the very least, the takeover was irregular since it was not provided for in the agreement. But for all their justified misgivings, it was only on August 14, 1987, or five years subsequent to the takeover in question, that the complaining stockholders filed the aforementioned suit demanding, among others, the return to them of the management and control of the erstwhile privately-owned bus firm. It was only when petitioner notified them that their past due account representing unpaid rentals, interests and others had reached the astronomical amount of P21,496,637 as of June 30, 1987 that they woke up from their deep slumber.

So far as the evidence disclosed, private respondents raised no overt protest against the takeover. (They were more vocal about the alleged deplorable condition of the leased buses.) While it is debatable whether or not they did agree to the takeover, the cold fact remains that they took no direct action to promptly disavow or disaffirm the takeover and the election of the MMTC nominees into the board of directors of CBLT which followed as a natural consequence. For while private respondents might have been "muted" by reason of the repressive martial law regime, they are estopped at this late stage to deny the existence of a corporate relationship with petitioner. By their continued silence, they have permitted this particular group of individuals, the MMTC-appointees and two of their own included, to hold sway over their corporation as its bona fide officers. Private respondents cannot now be heard, after a prolonged period of time, to denounce such corporate officers as "interlopers" when the latter should have been ousted from the very beginning, given the proper proceedings initiated for that purpose.

The rule of acquiescence by silence has made the instant case the same as though the "interlopers" had been duly elected to the board. "To hold otherwise would be contrary to the plainest principles of reason and of good faith, and involve a mockery of justice. Parties must take consequences of the position they assume. They are estopped to deny the reality of the state of things which they have made appear to exist, and upon which others have been led to rely. Sound ethics require that the apparent in its effects and consequences should be as if it were real, and the law properly so regards.[3]

Thus, from the allegations in the complaint in Civil Case No. 5141-P and as amply demonstrated by private respondents themselves, the Court is convinced that there is an intracorporate relationship between the parties, thus bringing their dispute under the preclusive ambit of the SEC. Both petitioner and private respondents are stockholders of CBLT; the action, admittedly derivative, primarily sought to regain from the MMTC-dominated board of directors the control and management of CBLT; and while the takeover of November 10, 1982 might have been without the conformity of private respondents, the same has become insignificant in the light of the latter's acquiescence and silence which call for the application of the doctrine of estoppel, with the end result that

the "interlopers" are regarded as bona fide directors.

The Court cannot understand private respondents' marked reluctance to bringing their case before the SEC. For them to state that the current dispute is beyond the agency's expertise is grossly unfair to that body and completely unfounded. Precisely, the present trend is towards increased reliance on the specialized training of an agency like the SEC which is better equipped to deal with particular types of conflict. "In this era of clogged court dockets, the need for specialized administrative boards or commissions with the special knowledge, experience and capability to hear and determine promptly disputes on technical matters or essentially factual matters, subject to judicial review in case of grave abuse of discretion, has become well high indispensable. x x x Between the power lodged in an administrative body and a court, the unmistakable trend has been to refer it to the former." [4]

The Court is not unaware of the fact that the trial before the lower court had already passed the halfway mark. That is regrettable. But be that as it may, the question of proper forum is not a mere technicality to be peremptorily discarded for the sake of expediency and practicality. PD 902-A has categorically decreed that the SEC has the original and sole legal authority to hear and decide cases involving intracorporate disputes. So should it be for the instant case.

SO ORDERED.

Gutierrez, Jr., Feliciano, Bidin, and Cortes, JJ., concur.

[1] Rollo, p. 27.

[2] Rollo, p. 85.

[3] *Casey v. Galli*, 94 US 673, 680, 24 L. Ed. 168; 28 Am Jur 2d 641, note 5.

[4] *Abejo v. De la Cruz*, G.R. Nos. 63558, 68450-51, May 19, 1987, 149 SCRA 654, 670.

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