

**LA UNION ELECTRIC COOPERATIVE INC. (LUELCO), REPRESENTED
BY ITS PRESIDENT AND CHAIRMAN OF THE BOARD MANUEL L.
MANGASER, PETITIONER, VS. HONORABLE BRAULIO D. YARANON,
PRESIDING J...**

G.R. No. 87001. December 04, 1989

Ponente: GANCAYCO, J.

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GANCAYCO, J.:

In the herein petition for certiorari, prohibition and mandamus, petitioner seeks to annul the decision dated January 13, 1989 and the order dated February 10, 1989 of the Regional Trial Court (RTC) of San Fernando, La Union in Civil Case No. 4182 and to declare Presidential Decree No. 269 as amended by Presidential Decree No. 1645 unconstitutional.

Civil Case No. 4182 is an action for interpleader filed by the Far East Bank & Trust Company (FEBTC), La Union branch, against the La Union Electric Cooperative Inc. (LUELCO) and the National Electrification Administration (NEA), to determine the proper signatories to checks relating to withdrawals and disbursements of LUELCO deposits with the said bank. It appears that in LUELCO Board Resolution No. 33-02-88 dated February 20, 1988, the authorized signatories are as follows:

"RESOLVED TO APPROVE, as it hereby APPROVES, to revert to the amended Board Policy No. 1 allowing the General Manager to sign checks and/or disbursements to a maximum of P5,000 and that any amount beyond this shall be countersigned by both the President and the Secretary-Treasurer of the Board and all transactions should be paid in a single check payment whether it is more or less than P5,000."[1]

The said Resolution was amended by the LUELCO Board under Board Resolution No. 53-03-88 dated March 20, 1988, which reads:

"That all checks and disbursements made in any amount shall bear both the signatures of the Acting General Manager and the President of the Board of Directors of LUELCO effective immediately."[2]

However, the NEA in its letter of April 8, 1988 to the LUELCO Board of Directors amended Board Resolution No. 33-02-88 in this manner ?

"This refers to your Board Resolution No. 33-02-88 authorizing the General Manager to sign checks of withdrawals or disbursements to a maximum of P5,000.00.

"Please be informed that such authorization is approved for the amount of P3,000.00 only for single disbursement or withdrawal and that any amount beyond this shall be counter-signed by either the Coop President or Treasurer."[3]

It is alleged in the interpleader that LUELCO through its President and Chairman of the Board insists that the bank should follow Board Resolution No. 53-03-88, LUELCO being the owner of the funds deposited, while on

the other hand the NEA through its project supervisor and acting general manager in the LUELCO alleges that Board Resolution No. 33-02-88 as amended by the NEA should be observed as the NEA has taken over LUELCO and that Board Resolution No. 53-03-88 was disapproved by said general manager pursuant to Presidential Decree No. 269, as amended by Presidential Decree No. 1645, which empowers the NEA to exercise control and supervision over electric cooperatives and borrowers. The bank through the interpleader thus sought the resolution of these conflicting claims.

LUELCO in its amended answer contended that the power granted to the NEA pursuant to Presidential Decree No. 1645 is unconstitutional as it violates the Bill of Rights, that it is an arbitrary exercise of power, is confiscatory in character and violates due process; and that it destroys or infringes the autonomous character of the cooperative. LUELCO also asked for damages because it was compelled to litigate.

On the other hand the NEA alleged:

- a) that the management of LUELCO as an electric cooperative, is "vested in its Board subject to the supervision and control of NEA which shall have the right to be represented and to participate in all Board Meetings and deliberations and to approve all policies and resolutions of the Board;" by virtue of the provisions of Section 24 of Presidential Decree No. 269 as amended;
- b) that NEA, pursuant to Section 10 of the same law, is "empowered to issue orders, rules and regulations x x x in all matters affecting said electric cooperatives and borrowers, or supervised or controlled entities;
- c) that NEA is authorized under Section 5(a) of the said decree, to designate an acting general manager and/or project supervisor for a cooperative, under certain circumstances, such as when the interest of the cooperative and the program so requires, and for such purpose, "to prescribe the functions of said Acting General Manager and/or Project Supervisor, which powers shall not be nullified, altered or diminished by any policy or resolution of the Board of Directors of the cooperative concerned;"
- d) that pursuant to its power aforesaid, NEA has taken over the direct control and supervision of LUELCO, and for such purpose designated Eufemio C. Genovia, one of its own personnel, on February 5, 1988, as Acting General Manager and Project Supervisor of the LUELCO, with powers and duties among which was to "exercise full control and supervision over the management and operations of LUELCO, including functions to review and approve/disapprove all board resolutions and policies and to sign/countersign all checks, withdrawal slips and other banking transactions;"
- e) that NEA having taken over the direct control and supervision of LUELCO, through its Acting General Manager/Project Supervisor, it is the latter, in representation of NEA, who should be considered to properly represent the cooperative and the representation in the Petition of the President and Chairman of the board of the LUELCO as representing LUELCO, is 'misplaced, false and improper';
- f) that the said President and Chairman of the Board of the LUELCO does not have any lawful and material interest in the subject matter of the action;
- g) that the LUELCO board, upon insistence of the President and Chairman of the Board, adopted Board Resolution No. 53-03-88 for no other purpose than to render ineffective the powers of the Acting General Manager/Project Supervisor and prevent him from carrying out his program to rehabilitate the electric cooperative;
- h) that Board Resolution No. 53-03-88 has not been approved by the Acting General Manager/Project Supervisor of NEA, hence is invalid and of no force and effect; and
- i) that Resolution No. 33-02-88 was approved with amendment by NEA, and is the valid and controlling resolution which should govern the transactions between LUELCO and the petitioner bank, instead of

Resolution no. 53-03-88."

A counterclaim for damages arising from the refusal of petitioner to honor Board Resolution No. 33-02-88 was filed with the Answer.[4]

The following facts are undisputed as found by the court a quo -

"There is no dispute that the funds deposited with the petitioner, pertain to the La Union Electric Cooperative, Inc., (LUELCO), an electric cooperative organized and subsisting pursuant to the provisions of Presidential Decree No. 269, as amended.

It cannot also be disputed that the National Electrification Administration exercises supervision and control over electric cooperatives organized pursuant to Presidential Decree No. 269, as amended. NEA is further granted express authority to designate an acting general manager and/or project supervisor for any electric cooperative, and for the purpose, "to prescribe the functions of said officer, which powers shall not be nullified, altered or diminished by any policy or resolution of the Board of Directors of the cooperative concerned" (Section 5(a) Presidential Decree 269 as amended by Presidential Decree No. 1645).

The record indicates that under Board Resolution No. 33-02-88 dated February 20, 1988, the general manager was authorized to sign checks and/or disbursements to a maximum of P5,000 and that any amount beyond the same shall be countersigned by both the President and the Secretary-Treasurer of the Board and all transactions should be paid in a single check payment whether it is more or less than P5,000.00 (Annex "B", Petition).

The record further indicates that on March 20, 1988, Board Resolution No. 53-03-88, was adopted by the LUELCO Board, pursuant to which "all checks and disbursements made in any amount should bear both the signatures of the Acting General Manager and the President of the Board of Directors, LUELCO effective immediately" (Annex "A", petition).

It is further established by the record that on April 8, 1988, the NEA, through Luis O. Cerrafon, NEA Director for Cooperatives Development modified Board Resolution No. 33-02-88, by limiting the authorization to the amount of P3,000.00 only for single disbursement or withdrawal and that any amount beyond the same shall be counter-signed by either the Coop President or Treasurer (Annex "C", Petition).

The Petition itself indicates that Board Resolution No. 53-03-88 was disapproved by the NEA through its Acting General Manager/Project Supervisor in the LUELCO (petition, par. 6)."[5]

In due course on January 13, 1989 a decision was rendered by the RTC the dispositive portion of which provides -

"WHEREFORE, in view of all the foregoing, judgment is hereby rendered, finding the petitioner bank to be bound by the communication dated April 8, 1988, of the NEA Director for Cooperatives Development, to the effect that the General Manager (Acting General Manager/Project Supervisor) designated by the National Electrification Administration is authorized to sign checks of withdrawals or disbursements only in the amount of P3,000.00 and beyond which amount the same shall be countersigned by either the President or Treasurer of the LUELCO.

The counterclaim and crossclaim are dismissed.

No pronouncement will be made as to costs."[6]

Not satisfied therewith, LUELCO filed a motion for reconsideration of the decision which, however, was denied by the trial court for lack of merit in an order dated February 10, 1989.[7]

Hence the herein petition wherein petitioner raises the following issues:

"I. Is P.D. 269, as amended by P.D. 1645 violative of the 1987 Philippine Constitution when it authorized NEA

to potentially cripple the management of LUELCO by its duly elected Board of Directors and President Manuel Mañgaser by insisting in a letter dated April 8, 1988 of Luis O. Cerafon, Director for Cooperative Development, that every withdrawal of LUELCO deposits with Far East Bank (La Union Branch) in the amount of P3,000.00 by respondent Eufemio Genovia alone is authorized to the exclusion of LUELCO's President and not jointly with the LUELCO's President as stated in LUELCO's Board Resolution No. 53-03-88 dated March 20, 1988, amending the questioned Board Resolution dated February 20, 1988?

II. Does LUELCO through its Board of Directors, Chairman and President Manuel L. Mañgaser have the legal personality to resist the takeover of LUELCO and its bank deposits by respondent Eufemio Genovia as an indispensable step in a concerted plan of said Genovia upon orders of NEA Administration to destroy the very existence of a viable electric cooperative as LUELCO under the pretext of the assertion of powers not granted by the Philippine Constitution?

III. Is the respondent court (RTC-San Fernando, La Union, Branch XXX) unjustified in conveniently rejecting the constitutional objection to the continued existence of an oppressive and utterly void law as P.D. 269, as amended by P.D. 1645, on its mere pronouncement that LUELCO through its Chairman and President Manuel L. Mañgaser has no legal standing to raise constitutional issues involving the said law in question?

IV. In tearing away LUELCO's resistance to respondent Eufemio Genovia's dictatorial take-over by means of LUELCO's own bank deposits and trust funds, does P.D. 269, as amended by P.D. 1645, have constitutional imprimatur to obliterate the autonomous character of cooperatives declared to be free of any imposition of any condition that might affect or infringe their autonomy in all government loan assistance extended to them either through original loans or relending program?"[8]

The petition is devoid of merit. The Court reproduces with approval the disquisition of the trial court on the constitutionality of Presidential Decree No. 269, as amended by Presidential Decree No. 1645, to wit -?

"The rule is well-settled that the party raising a constitutional question "x x x must be able to show direct injury to or invasion of his constitutional rights arising from the operation or enforcement of the questioned act. x x x" (People vs. Vera, 65 Phil. 56. Massachusetts v. Mellon, 262 U.S. 477; cited in Jose P. Laurel on the Constitution, by J. Enrique M. Fernando, p. 11).

LUELCO itself admits that what has been taken over by the NEA, is the management of the cooperative. Indeed there is nothing in the record to establish a conclusion that the designation by the NEA of a project supervisor and acting general manager for the LUELCO, for purposes of management of the electric cooperative, has resulted in the takeover by the NEA, of the business, properties, and assets of the cooperative itself.

Takeover of management by the NEA is in effect a change of management. It cannot however be equated with a takeover of the business, property, and assets of the electric cooperative, by the NEA. The ruling made by the NEA Director for Cooperatives Development, dated April 8, 1988, which authorizes the General Manager to sign checks or withdrawals or disbursements only in the amount of P3,000.00, and beyond which amount the same shall be countersigned by either the President or Treasurer of the LUELCO (Annex "C", Petition), indicates that the LUELCO funds deposited with the petitioner bank, remain as funds of the LUELCO and have not been converted into funds of the NEA.

The foregoing considerations lead to no other conclusion than that the LUELCO has not established by competent and sufficient proof that the questioned decree as amended, has caused direct injury to or invasion of its constitutional rights arising from the operation thereof. Consequently the attempt to question the validity of PD 269 as amended, must fail.

It should be noted further that under the 1986 (sic) Constitution, cooperatives and similar collective organizations shall have the right to own, establish, and operate economic enterprises, subject to the duty of the

State x x x to intervene when the common good so demands. (Sec. 6, Article XII, 1986 [sic] Constitution). LUELCO admits, and the Court will take judicial notice, of the fact that the State has issued huge amounts of public funds to support electric cooperatives in line with the national policy objective of total electrification of the Philippines on an area coverage basis. It is evident, considering the requirements of public interest in safeguarding public funds, that the law-making authority deemed it wise that "when the interest of the cooperative and the program so requires", the National Electrification Administration (NEA), is empowered to designate an acting general manager and/or project supervisor for an electric cooperative, with powers and duties which include control and supervision over the management and operations of LUELCO, including functions to review and approve/disapprove all board resolutions and policies and to sign/countersign all checks, withdrawal slips and other banking transactions x x x (Secs. 5(a), 24, etc., P.D. 269, as amended).

There is thus reasonable basis for the exercise of control and supervision by the NEA over all electric cooperatives including the defendant LUELCO. At any rate, courts 'x x x do not pass upon questions of wisdom, justice or expediency of legislation x x x' (Angara v. Electoral Commission, 63 Phil. 139, 158-159)."[9]

Moreover, the reason courts will as much as possible avoid the decision of a constitutional question can be traced to the doctrine of separation of powers which enjoins on each department a proper respect for the acts of the other departments. In line with this policy, courts indulge the presumption of constitutionality and go by the maxim that "to doubt is to sustain." The theory is that, as the joint act of the legislative and executive authorities, a law is supposed to have been carefully studied and determined to be constitutional before it was finally enacted. Hence, as long as there is some other basis that can be used by the courts for its decision, the constitutionality of the challenged law will not be touched upon and the case will be decided on other available grounds.[10]

As found by the court a quo it is not seriously disputed that the NEA had taken over the control and supervision of the LUELCO by installing one of its personnel as acting general manager/project supervisor of the LUELCO. It is within the power of control and supervision of the NEA over the LUELCO as an electric cooperative organized and existing pursuant to Presidential Decree 269 as amended by Presidential Decree 1645 particularly Section 5(a) thereof. In view of the circumstances which, in the interest of the cooperative and the program of electrification whereby said Acting General Manager effectively took over the actual supervision and control of the management and operation of the LUELCO on February 8, 1988, it was deemed necessary that the matter of disposal of funds deposited with the FEBTC should be guided by the NEA ruling of April 8, 1988 authorizing the general manager to sign checks of withdrawals and disbursement only in the amount of P3,000.00 and beyond which amount the same shall be countersigned by either the President or Treasurer of the LUELCO.

The trial court correctly found that the parties appear to have acted in utmost good faith in filing their respective pleadings in the case and consequently the matter of damages was not passed upon.

The Court finds no need to dispose of the other issues in this petition in the light of the foregoing discussion.

WHEREFORE, the petition is DISMISSED for lack of merit, with costs against petitioner.

SO ORDERED.

Narvasa, (Chairman), Cruz, Griño-Aquino, and Medialdea, JJ., concur.

[1] Annex F to Petition; Page 120, Rollo.

[2] Ibid at page 121.

[3] Supra, Page 121, Rollo.

- [4] Ibid, pages 122-124, Rollo.
- [5] Pages 124-125, Rollo.
- [6] Page 126, Rollo.
- [7] Annex I to Petition; page 136, Rollo.
- [8] Pages 31 to 33, Rollo.
- [9] Annex I to Petition, pages 136-138, Rollo.
- [10] Isagani A. Cruz, Philippine Political Law, 1989 ed., page 232.

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