

RUBEN SAW, DIONISIO SAW, LINA S. CHUA, LUCILA S. RUSTE AND EVELYN SAW, PETITIONERS, VS. HON. COURT OF APPEALS, HON. BERNARDO P. PARDO, PRESIDING JUDGE OF BRANCH 43, (REGIONAL TR...

G.R. No. 90580. April 08, 1991

Ponente: CRUZ, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-90580/>

CRUZ, J.:

A collection suit with preliminary attachment was filed by Equitable Banking Corporation against Freeman, Inc. and Saw Chiao Lian, its President and General Manager. The petitioners moved to intervene, alleging that (1) the loan transactions between Saw Chiao Lian and Equitable Banking Corp. were not approved by the stockholders representing at least 2/3 of corporate capital; (2) Saw Chiao Lian had no authority to contract such loans; and (3) there was collusion between the officials of Freeman, Inc. and Equitable Banking Corp. in securing the loans. The motion to intervene was denied, and the petitioners appealed to the Court of Appeals.

Meanwhile, Equitable and Saw Chiao Lian entered into a compromise agreement which they submitted to and was approved by the lower court. But because it was not complied with, Equitable secured a writ of execution, and two lots owned by Freeman, Inc. were levied upon and sold at public auction to Freeman Management and Development Corp.

The Court of Appeals[1] sustained the denial of the petitioners' motion for intervention, holding that "the compromise agreement between Freeman, Inc., through its President, and Equitable Banking Corp. will not necessarily prejudice petitioners whose rights to corporate assets are at most inchoate, prior to the dissolution of Freeman, Inc. x x x. And intervention under Sec. 2, Rule 12 of the Revised Rules of Court is proper only when one's right is actual, material, direct and immediate and not simply contingent or expectant."

It also ruled against the petitioners' argument that because they had already filed a notice of appeal, the trial judge had lost jurisdiction over the case and could no longer issue the writ of execution.

The petitioners are now before this Court, contending that:

- The Honorable Court of Appeals erred in holding that the petitioners cannot intervene in Civil Case No. 88-44404 because their rights as stockholders of Freeman are merely inchoate and not actual, material, direct and immediate prior to the dissolution of the corporation;
- The Honorable Court of Appeals erred in holding that the appeal of the petitioners in said Civil Case No. 88-44404 was confined only to the order denying their motion to intervene and did not divest the trial court of its jurisdiction over the whole case.

The petitioners base their right to intervene for the protection of their interests as stockholders on *Everett v. Asia Banking Corp.*,[2] where it was held:

The well-known rule that shareholders cannot ordinarily sue in equity to redress wrongs done to the corporation, but that the action must be brought by the Board of Directors, x x x has its exceptions. [If] the corporation [were] under the complete control of the principal defendants, x x x it is obvious that a demand upon the Board of Directors to institute action and prosecute the same effectively would have been useless, and the law does not require litigants to perform useless acts.

Equitable demurs, contending that the collection suit against Freeman, Inc. and Saw Chiao Lian is essentially in personam and, as an action against defendants in their personal capacities, will not prejudice the petitioners as stockholders of the corporation. The Everett case is not applicable because it involved an action filed by the minority stockholders where the board of directors refused to bring an action in behalf of the corporation. In the case at bar, it was Freeman, Inc. that was being sued by the creditor bank.

Equitable also argues that the subject matter of the intervention falls properly within the original and exclusive jurisdiction of the Securities and Exchange Commission under P.D. No. 902-A. In fact, at the time the motion for intervention was filed, there was pending between Freeman, Inc. and the petitioners SEC Case No. 03577 entitled "Dissolution, Accounting, Cancellation of Certificate of Registration with Restraining Order or Preliminary Injunction and Appointment of Receiver." It also avers in its Comment that the intervention of the petitioners could have only caused delay and prejudice to the principal parties.

On the second assignment of error, Equitable maintains that the petitioners' appeal could only apply to the denial of their motion for intervention and not to the main case because their personality as party litigants had not been recognized by the trial court.

After examining the issues and arguments of the parties, the Court finds that the respondent court committed no reversible error in sustaining the denial by the trial court of the petitioners' motion for intervention.

In the case of *Magsaysay-Labrador v. Court of Appeals*,^[3] we ruled as follows:

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*, 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.

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.

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.

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.

On the second assignment of error, the respondent court correctly noted that the notice of appeal was filed by the petitioners on October 24, 1988, upon the denial of their motion to intervene, and the writ of execution was issued by the lower court on January 30, 1989. The petitioners' appeal could not have concerned the "whole" case (referring to the decision) because the petitioners "did not appeal the decision as indeed they cannot because they are not parties to the case despite their being stockholders of respondent Freeman, Inc." They could only appeal the denial of their motion for intervention as they were never recognized by the trial court as party litigants in the main case.

Intervention is "an act or proceeding by which a third person is permitted to become a party to an action or proceeding between other persons, and which results merely in the addition of a new party or parties to an original action, for the purpose of hearing and determining at the same time all conflicting claims which may be made to the subject matter in litigation."^[4] It is not an independent proceeding, but an ancillary and supplemental one which, in the nature of things, unless otherwise provided for by statute or Rules of Court, must be in subordination to the main proceeding.^[5] It may be laid down as a general rule that an intervenor is limited to the field of litigation open to the original parties.^[6]

In the case at bar, there is no more principal action to be resolved as a writ of execution had already been issued by the lower court and the claim of Equitable had already been satisfied. The decision of the lower court had already become final and in fact had already been enforced. There is therefore no more principal proceeding in which the petitioners may intervene.

As we held in the case of *Barangay Matictic v. Elbinias*:^[7]

An intervention has been regarded as merely "collateral or accessory or ancillary to the principal action and not an independent proceedings; an interlocutory proceeding dependent on and subsidiary to, the case between the original parties." (Francisco, Rules of Court, Vol. I, p. 721). With the final dismissal of the original action, the complaint in intervention can no longer be acted upon. In the case of *Clareza v. Rosales*, 2 SCRA 455, 457-458, it was stated that:

"That right of the intervenor should merely be in aid of the right of the original party, like the plaintiffs in this case. As this right of the plaintiffs had ceased to exist, there is nothing to aid or fight for. So the right of intervention has ceased to exist."

Consequently, it will be illogical and of no useful purpose to grant or even consider further herein petitioner's prayer for the issuance of a writ of mandamus to compel the lower court to allow and admit the petitioner's complaint in intervention. The dismissal of the expropriation case has no less the inherent effect of also dismissing the motion for intervention which is but the unavoidable consequence.

The Court observes that even with the denial of the petitioners' motion to intervene, nothing is really lost to them. The denial did not necessarily prejudice them as their rights are being litigated in the case now before the Securities and Exchange Commission and may be fully asserted and protected in that separate proceeding.

WHEREFORE, the petition is DENIED, with costs against the petitioners. It is so ordered.

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

[1] J.A.R. Melo, J., ponente with Benipayo and Dayrit, JJ., concurring.

[2] 49 Phil. 512.

[3] 180 SCRA 266.

[4] Francisco, Rules of Court, Vol. 1, 1973 ed., p. 719; Republic v. Sandiganbayan, 184 SCRA 382; Government Service Insurance System (GSIS) v. Court of Appeals, 169 SCRA 244.

[5] Republic v. Sandiganbayan, 182 SCRA 911; Garcia v. David, 67 Phil. 279.

[6] Francisco, supra., note 4, p. 721, citing 39 Am. Jur. 950.

[7] 148 SCRA 83.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.