

**RAMON U. VILLAREAL, PETITIONER, VS. THE COURT OF APPEALS,
SECURITIES & EXCHANGE COMMISSION, UNITED COCONUT
PLANTERS BANK AND UNITED BICOL SAVINGS BANK,
RESPONDENTS.**

G.R. No. 97505. March 01, 1993

Ponente: CAMPOS, JR., J.

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CAMPOS, JR., J.:

In this Petition for Review by Certiorari under Rule 45 of the Rules of Court, petitioner seeks to nullify and set aside the following actions of the Court of Appeals:

(a) The Decision,[*] dated October 31, 1990, which affirmed the dismissal by the Securities & Exchange Commission (SEC) of the petitioner's letter-complaint dated December 23, 1988 on alleged irregularities in connection with the approval of the application for the decreases/increases in the capital stock of the respondent United Bicol Savings Bank (formerly Bicol Savings and Loans Association, Inc.) [UBSB].

(b) The Resolution dated February 11, 1991 which denied the Motion for Reconsideration of the above decision.

The Court of Appeals took cognizance of the petitioner's appeal from the decision of the SEC by referral to it by this Court. The appellate court held that there was substantial compliance with Section 38 of the Corporation Code[1] and of Section 9 of the General Banking Act, thus affirming the decision of the SEC which led to the dismissal of the petition for lack of merit.

On March 19, 1991, petitioner filed the instant petition before this Court setting forth the following issues (and not assignment of errors)[2].

"I

Which of the two conflicting certificates are valid? 1) The Central Bank Certificate of Authority (Annex C) dated March 29, 1983 increasing the capital stock of BSLA, Inc. from P2.5 M to P14.285 M. or

2) The SEC Certificate of Decrease of Capital Stock of BSLA, Inc. from P2.5 M to P1 M (Annex D) dated September 28, 1984 and the SEC Certificate of Increase from P1 M to P12.285 M (Annex E) also dated September 28, 1984.

II

Was there a violation of the due process of law, when the letter-complaint was summarily dismissed by the Commission en banc based upon the findings of a partial corporate and legal department which did not conduct any hearings?"

From a careful scrutiny of the records of this case, the antecedent facts are, as correctly stated by public respondent, as follows:

"1. In 1981, petitioner was a preferred stockholder' and a member of the Board of Directors of Bicol Savings

and Loan Association, Inc. (BSLA).

2. On September 18, 1981, a special stockholders' meeting was held at the main office of the BSLA in Naga City for the purpose of approving, among others, the decrease and increase of the capital stock of BSLA and the change of the corporate name to United Bicol Savings Bank Inc. (UBSB).

3. At said meeting, stockholders owning more than 2/3 of the outstanding capital stock as well as the majority of the directors approved, among others:

a) The decrease of the authorized capital of BSLA from P2,500,000 to P1,000,000.

b) The increase of the authorized capital stock of BSLA from P1,000,000 to P14,285,000.

c) The change of corporate name from Bicol Savings and Loans Association, Inc. to United Bicol Savings Bank.

d) The subscription of United Coconut Planters Bank to the capital stock of BSLA.

4. On March 29, 1983, the Central Bank issued a Certificate of Authority which reads.

“x x x that the amendments of Articles First and Seventh of the

Articles of Incorporation

of the

Bicol Savings and Loans Association, Inc., Naga City

to wit:

Article First - changing the corporate name to 'United Bicol Savings Bank'

Article Seventh - increasing the capital stock from P2,500,000 to P14,285,000; reducing the par value of the common shares of stock from P30 to P10 per share; and converting all the preferred shares into common which are evidenced by Certificate of Increase of Capital Stock, Director's Certificate, Treasurer's Sworn Statement and amended Articles of Incorporation, are in accordance with law."

This certificate is hereby issued to enable the association to register the said amendments with the Securities and Exchange Commission in accordance with Section 9 of Republic Act No. 337, as amended."

x x x

5. On September 28, 1984, respondent SEC issued a "Certificate Of Filing of Certificate of Decrease Of Capital Stock from P2,500,000 to P1,000,000" and another "Certificate Of Filing Of Certificate Of Increase Of Capital Stock" of BSLA from P1,000,000 to P14,285,000 (Annexes "C" and "D", Petition).

6. Under date of December 23, 1988, petitioner filed a letter-complaint with respondent SEC, alleging anomalous and fraudulent manipulations committed on the approved applications for decrease and increase of capital stock of BSLA.

7. On July 5, 1989, respondent SEC, on the basis of the findings of its Corporate and Legal Department after a verification of all documents of BSLA on file, issued an Order dismissing petitioner's letter-complaint for lack of merit (Annex "H", Petition).

8. Petitioner appealed the Order of respondent SEC by way of a petition for review on certiorari (Annex "B", Petition) but this Honorable Court referred the petition to respondent Court of Appeals and was docketed as CA G.R SP No. 18925."[3]

On October 31, 1990, the respondent Court rendered a decision dismissing the petition for lack of merit. On

February 11, 1991, it denied the Motion for Reconsideration filed by petitioner; hence, this Petition for Review filed on March 15, 1991, embodying substantially the same matters contained in his previous petition to this Court.

A cursory reading of the petition readily discloses that the issues contained therein raise substantially factual issues and not questions of law. Petitioner contends that there was no substantial compliance by the UBSB with the legal formalities prescribed by the Corporation Code for the increase or decrease in the capital stock of the corporation under Section 38 quoted hereunder:

"No corporation shall increase or decrease its capital stock or incur, create or increase any bonded indebtedness unless approved by a majority vote of the board of directors and, at a stockholders' meeting duly called for the purpose, two-thirds (2/3) of the outstanding capital stock shall favor the increase or diminution of the capital stock or of the incurring, creating, or increasing of any bonded indebtedness. Written notice of the proposed increase or diminution of the capital stock, or of the incurring, creating or increasing of any bonded indebtedness and of the time and place of the stockholders' meeting at which the proposed increase or diminution of the capital stock or the incurring or increasing of any bonded indebtedness is to be considered, must be addressed to each stockholder at his place of residence as shown on the books of the corporation and deposited to the addressee in the post office with postage prepaid, or served personally.

x x x."

Petitioner contends that the two certificates of decrease and increase in capital stock of the UBSB were not in compliance with the above provision, thus were not valid. This claim entails a factual issue or purely a question of fact. Under Rule 45 of the Rules of Court only questions of law may be raised.^[4] This explains why the original petition filed before the Supreme Court containing the same assignment of errors was referred to the Court of Appeals for action instead of being dismissed for being improper. Elevating the same issues to the Supreme Court after an adverse decision of the Court of Appeals does not cure the petition of the same procedural defect; hence, it is subject to dismissal.

In any event, We decide to resolve the above issues in order to put this case at rest and decide the questions with finality as between the parties concerned.

We find that the questioned decision of the respondent Court is supported by substantial evidence. From the following documentary exhibits submitted by the private respondents before the Court of Appeals, namely:

- (a) Notice of Special Stockholders' Meeting;
- (b) Minutes of the Special Stockholders' Meeting of the BSLA, Inc.;
- (c) Directors' Certificate of Decrease of Authorized Capital Stock;
- (d) Directors' Certificate of Increase of Authorized Capital Stock; and
- (e) Treasurer's Certificate.

the following facts are established:

1. A stockholders' meeting was held at the main office of the corporation on September 18, 1981 at 3 o'clock in the afternoon duly called for the purpose of decreasing and increasing the capital stock of the corporation known as Bicol Savings and Loan Association, Inc..
2. Written notices of the stockholders' meeting stating the time and place thereof as well as the purpose, were sent to each stockholder on record, properly addressed at his place of residence as shown in the books of the corporation and deposited in the post office with postage prepaid, or served personally.
3. The decrease and increase in capital stock were approved by the vote of a majority of the Board of Directors (7 out of 11 directors) and by the vote of 2/3 of the outstanding capital stock.

The stockholders' meeting for the action on the proposed increase and decrease in the capital stock took place on September 18, 1981 and not on September 18, 1984. The latter date appearing on the SEC Certificate of Filing of Certificate of Decrease of Capital Stock[5] was a typographical mistake and may be subject to correction.

The capital stock was decreased from P2,500,000.00 to P1,000,000.00 to eliminate deficit (or losses from operations) and later increased to P14,285,000.00 by infusion of additional capital. The two applications for decrease and increase in capital stock were approved by the SEC on the same date of September 24, 1984. The minutes of the meeting also stated that the stockholders approved the following resolution:

"RESOLVED furthermore that the Par Value of each share of capital stock of the Bank be reduced from P100.00 per share to P50.00 per share of preferred shares; and from P30.00 per share to P10.00 per share of common shares and to convert all Preferred Shares to Common Shares on the basis/ratio of five Common Shares to be issued for each share of Preferred Stock; and for this purpose to amend the Articles of Incorporation accordingly." [6]

This resolution refers to and includes the decrease in capital stock. By simple arithmetical computation, the capital stock was reduced to P1,000,000.00. Decreasing the par value of each share without changing the number of issued shares is one method of reducing the capital stock of the corporation. As reduced, the P1,000,000.00 capital stock served as the take-off base in the subsequent increase in the capital stock. The alleged erasure of the amount of P1,000,000.00 which served as a basis for the increase in capital stock was intentionally done to reflect the correct take-off point in the increase in capital stock, and not for any irregular or questionable purpose.

The administrative findings of facts of the SEC are well supported by evidence on record and in reviewing the decision of said quasi-judicial body, We find no cause to re-examine the sufficiency of the evidence submitted before said agency, concurred in and considered by all, in supporting its questioned decision. The findings of fact of the SEC must be respected as long as they are supported by substantial evidence. Well settled is the rule that factual findings of quasi-judicial agencies like the SEC, which have acquired expertise because their jurisdiction is confined to specific matters, are generally accorded not only respect but at times even finality if such findings are supported by substantial evidence.[7] Neither should the factual findings of the respondent Court of Appeals be disturbed if supported by substantial evidence.

The petitioner argues that his petition (letter complaint) was dismissed without any hearing, and therefore was denied due process. This argument betrays a lack of understanding of the due process clause. A formal trial or hearing is not always the earmark of due process, that in the absence thereof, a person can show that he was denied or deprived of due process. The requirements of due process are satisfied when the parties are afforded a fair and reasonable opportunity to explain and air their side. The essence of due process is simply the opportunity to be heard or as applied to administrative proceedings, an opportunity to explain one's side[8] or an opportunity to seek a reconsideration of the action or ruling taken.

In the case at bar, petitioner was given the chance to ventilate his cause through his letter complaint filed before the SEC with all its supporting documents, and in his appeal to the Court of Appeals thru a petition and a motion for reconsideration of the decision dismissing his petition. A formal hearing is not necessary since the issues raised in his letter complaint could be resolved by a mere verification of the BSLA records with the SEC. In the certiorari proceedings at the Court of Appeals, the appellate Court merely reviews the evidence submitted before the SEC or the records of the proceedings below.

In the light of the foregoing analysis and for reasons indicated, We find the Petition without merit and consequently DENY the same without pronouncement as to costs.

SO ORDERED.

Narvasa, C.J., (Chairman), Padilla, Regalado, and Nocon, JJ., concur.

[*] CA-G.R. SP No. 18925, penned by Associate Justice Asaali S. Isnani and concurred in by Associate Justices Luis A. Javellana and Jaime M. Lantin.

[1] Batas Pambansa Blg. 68.

[2] Rollo, pp. 4-5.

[3] Rollo, pp. 63-66.

[4] REVISED RULES OF COURT, Rule 45, Sec. 2.

[5] Petition, Annex "D"; Rollo, p. 21.

[6] Petition, Annex "H"; Rollo, p. 33.

[7] Mendiola vs. Court of Appeals, 190 SCRA 418 (1990) citing Baby Bus I Inc. vs. Minister of Labor, 158 SCRA 22 (1988); Asian Construction and Development Corp. vs. NLRC, 187 SCRA 784, 787 (1990).

[8] Jaculina vs. National Police Commission, 200 SCRA 289 (1991) citing Var. Orient Shipping Co., Inc. vs. Achacoso, 161 SCRA 732, 736 (1988).

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