

### Title: Ramon A. Gonzales v. Philippine National Bank, 207 Phil. 425

### Facts:

\* \*\*Initial Actions by Petitioner:\*\*

Ramon A. Gonzales, petitioner, filed multiple civil cases against the Philippine National Bank (PNB) questioning its transactions. In one case, on August 30, 1967, Gonzales acquired a share of PNB stock to gain standing in his lawsuits.

\* \*\*Series of Lawsuits:\*\*

Following his acquisition:

- \*\*Civil Case No. 71044\*\* (filed Oct 18, 1967)
- \*\*Civil Case No. 72936\*\* (filed May 11, 1968)
- \*\*Civil Case No. 76427\*\* (filed May 8, 1969)

\* \*\*Request for Inspection:\*\*

On January 11, 1969, Gonzales requested that PNB allow him to inspect records related to certain transactions, including:

- Purchase of a sugar mill by Southern Negros Development Corporation
- Financing of Cebu-Mactan Bridge construction by V.C. Ponce, Inc.
- Construction of Passi Sugar Mills in Iloilo

\* \*\*Response from PNB:\*\*

On January 23, 1969, PNB's Asst. Vice-President and Legal Counsel denied the request, questioning Gonzales' motivations and deeming it irrelevant to his interest as a one-share stockholder.

\* \*\*Mandamus Petition:\*\*

Subsequently, Gonzales filed a petition for mandamus in the Court of First Instance of Manila to compel PNB to allow inspection.

\* \*\*Lower Court's Ruling:\*\*

The court dismissed the petition, finding Gonzales' motives questionable and citing corporate confidentiality provisions and lack of exhausted administrative remedies.

### Issues:

1. \*\*Validity of Section 51 of Act No. 1459:\*\*

- Does this provision unconditionally grant stockholders the right to inspect corporate

records, or can it be qualified by considerations of good faith and legitimate purpose?

2. **Confidentiality Provisions in PNB's Charter:**

- Do the confidentiality protections in PNB's charter restrict the ability of stockholders to inspect records?

**### Court's Decision:**

**1. Right to Inspect under Section 51 of Act No. 1459:**

- The Supreme Court held that Section 51 is qualified by the need for stockholders' actions to be in good faith and for a legitimate purpose, emphasizing that the new Corporation Code (Batas Pambansa Blg. 68) reflects this with explicit conditions.

**2. Improper Motive and Good Faith:**

- Gonzales did not demonstrate a legitimate purpose or good faith. His primary motive appeared to be discovering information for litigation purposes unrelated to his interest as a stockholder.

**3. Confidentiality Violations:**

- The Court agreed that the inspection Gonzales sought could breach PNB's confidentiality obligations under its charter (Republic Act No. 1300), which takes precedence over the Corporation Code where conflicts arise.

**### Doctrine:**

**1. Qualified Right to Inspect Corporate Records:**

- Stockholder rights to inspect records are qualified by considerations of good faith, legitimate purpose, and the non-misuse of obtained information (Section 74, Batas Pambansa Blg. 68).

**2. Governing Charter Provisions:**

- For corporations with special charters, such as PNB, provisions within the charter take precedence over the Corporation Code when conflicts exist (Section 4, Corporation Code).

**### Class Notes:**

- **Key Concepts and Legal Principles:**

1. **Good Faith and Legitimate Purpose:** Essential for lawful inspection of corporate records (Sec. 74, Corporation Code).

2. **Special Charter Provisions:** Entities with specific charters are primarily governed by

those charters (Sec. 4, Corporation Code).

3. **Confidentiality in Banking:** Restrictions on information disclosures unless court ordered (Sec. 16, Republic Act No. 1300).

- **Statutory Provisions:**

- **Section 74, Batas Pambansa Blg. 68:** Detailed stipulations on the stockholder inspection rights and limitations.

- **Section 16, Republic Act No. 1300:** Confidentiality obligations for financial institutions under special charters.

**Historical Background:**

Given the backdrop of increasing activism in corporate governance in the late 1960s, this case demonstrates early clashes between shareholder rights and corporate confidentiality. Gonzales' actions highlighted the tension between public interest in corporate activities and protections against misuse of corporate information. The subsequent amendments to the Corporation Code underscore policy shifts towards balancing transparency with protections against potential abuses.