



Republic of the Philippines
Supreme Court
Manila

SUPREME COURT OF THE PHILIPPINES
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SECOND DIVISION

LAND BANK OF THE PHILIPPINES, Petitioner, G.R. No. 217428 Present:

- versus -

CARPIO, J., Chairperson,
PERLAS-BERNABE,
CAGUIOA,
REYES, J. JR., and
LAZARO-JAVIER, JJ.

OSCAR S. REYES, in his capacity as President and Chief Executive Officer of the MANILA ELECTRIC COMPANY (MERALCO), SIMEON KEN R. FERRER, in his capacity as Corporate Secretary of MERALCO, or their successors-in-interest, and MANILA ELECTRIC COMPANY,

Respondents.

Promulgated:

25 MAR 2019

[Handwritten Signature]

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DECISION

REYES, J. JR., J.:

Petitioner Land Bank of the Philippines (petitioner) filed this petition to charge Oscar S. Reyes, Simeon Ken R. Ferrer and Manila Electric Company [MERALCO] (respondents) with indirect contempt of court for allegedly failing to comply with the Court's Decision dated December 14, 2011 issued in G.R. No. 188376 entitled *Land Bank of the Philippines v.*

Y

*Federico Suntay, as represented by his Assignee, Josefina Lubrica (LBP v. Suntay).*¹

The Antecedents

Petitioner owns 42,002,750 shares of stock in respondent MERALCO acquired through the exercise of its proprietary functions as a regular banking or financial institution, separate and distinct from its mandate as the administrator of the Agrarian Reform Fund (ARF). Under Executive Order (E.O.) No. 267, petitioner is mandated to segregate its corporate funds as a financial banking institution from those of the ARF which are earmarked for payment of just compensation.²

For purposes of paying the value of the expropriated land owned by Federico Suntay (Suntay), situated in Sta. Lucia, Sablayan, Occidental Mindoro with a total area of 3,682.0285 hectares, petitioner's MERALCO shares of stock were levied and sold at a public auction by virtue of the September 14, 2005 Alias Writ of Execution and October 30, 2008 Order of the former Department of Agrarian Reform (DAR) Regional Agrarian Reform Adjudicator Conchita Miñas (RARAD Miñas) in the Department of Agrarian Reform Adjudication Board (DARAB) Case No. V-0405-0001-00. Josefina S. Lubrica (Lubrica) was the winning bidder in the auction sale. Consequently, MERALCO cancelled petitioner's shares of stock and issued new certificates in favor of Lubrica.³

Thereafter, petitioner filed a Petition for Review on *Certiorari* before the Court to assail the levy and sale of petitioner's shares of stock in MERALCO. Thus, the Court, in its December 14, 2011 Decision in *LBP v. Suntay*,⁴ declared that the immediate and indiscriminate levy by the DARAB Sheriffs of Land Bank's MERALCO shares, without first determining whether or not such assets formed part of the ARF, disregarded petitioner's proprietary rights in its own funds and properties.

The Court further stated that Section 21 of Republic Act No. 9700 expressly provided that "all just compensation payments to landowners, including execution of judgments therefor, shall only be sourced from the Agrarian Reform Fund;" and that "just compensation payments that cannot be covered within the approved annual budget of the program shall be chargeable against the debt service program of the national government, or any unprogrammed item in the General Appropriations Act."⁵

¹ 678 Phil. 879 (2011).

² Petition; *rollo*, pp. 4-5.

³ *Id.* at 5.

⁴ *Supra* note 1.

⁵ *Id.* at 918-919.

Thus, the Court ruled that the enactments of the Legislature decreed that the money to be paid to the landowner as just compensation for the taking of his land is to be taken only from the ARF. Consequently, Land Bank is liable only as the administrator of the ARF. In fact, Section 10, Rule 19 of the 2003 DARAB Rules of Procedure, reiterates that the satisfaction of a judgment for just compensation by writ of execution should be from the ARF in the custody of Land Bank.⁶ The dispositive portion reads:

WHEREFORE, we *GRANT* the petition for review on *certiorari*, and *REVERSE* the Decision promulgated [on] June 5, 2009 in CA-G.R. SP No. 106104.

ACCORDINGLY, the Court:

(a) *DIRECTS* the Regional Trial Court, Branch 46, in San Jose, Occidental Mindoro to continue the proceedings for the determination of the just compensation of Federico Suntay's expropriated property in Agrarian Case No. R-1241;

(b) *QUASHES* and *NULLIFIES* the orders issued in DARAB Case No. V-0405-0001-00 on September 14, 2005 (granting Suntay's *ex parte* motion for the issuance of an *alias* writ of execution) and October 30, 2008 by RARAD Conchita C. Miñas (directing the DARAB sheriffs "to resume the interrupted execution of the *Alias* Writ in this case on September 14, 2005"), and all acts performed pursuant thereto;

(c) *AFFIRMS* and *REITERATES* the order issued on October 25, 2005 by RARAD Miñas (deeming to be quashed and of no force and effect "all actions done in compliance or in connection with" the writ of execution issued by her), and the order issued on December 17, 2008 by RARAD Marivic Casabar (directing MERALCO to cancel the stock certificates issued to Josefina Lubrica and to any of her transferees or assignees, and to restore the ownership of the shares to Land Bank and to record the restoration in MERALCO's stock and transfer book; and the Philippine Stock Exchange, Philippine Depository and Trust Corporation, Securities Transfer Services, Inc., and the Philippine Dealing System Holdings Corporation and Subsidiaries (PDS Group), and any stockbroker, dealer, or agent of MERALCO shares to stop trading or dealing on the shares);

(d) *DECLARES* Land Bank fully entitled to all the dividends accruing to its levied MERALCO shares of stocks as if no levy on execution and auction were made involving such shares of stocks;

⁶ Id. at 919.

(e) *COMMANDS* the Integrated Bar of the Philippines to investigate the actuations of Atty. Conchita C. Miñas in DARAB Case No. V-0405-0001-00, and to determine if she was administratively liable as a member of the Philippine Bar; and

(f) *ORDERS* the Department of Agrarian Reform Adjudication Board to conduct a thorough investigation of the sheriffs who participated in the irregularities noted in this Decision, and to proceed against them if warranted.

Costs against the respondent.

SO ORDERED.⁷

The Decision became final and executory on September 11, 2012. Then, on April 1, 2013, the Office of the Regional Adjudicator Region IV-B (MIMAROPA) issued an Order directing the issuance of a Writ of Execution. Thereafter, the Sheriff of the Regional Adjudicator Region IV-B (MIMAROPA) issued to MERALCO the April 12, 2013 Demand to Comply.⁸

Consequently, MERALCO, in partial compliance to such Writ of Execution and Demand to Comply, delivered to petitioner 38,635,950 shares of stock, including cash dividends in the total amount of ₱1,206,955,617.77 and property dividends consisting of 108,884,212 shares of stock in Rockwell Land Corporation.⁹

On January 24, 2014, the Sheriff of the Regional Adjudicator Region IV-B (MIMAROPA) issued a report on MERALCO's partial compliance of the Supreme Court Decision.¹⁰

MERALCO, however, failed to deliver to petitioner the remaining 3,366,800 shares of stock out of the 42,002,750 shares illegally transferred to Lubrica. In addition, MERALCO has not yet paid petitioner the following dividends:

- a. Cash dividends amounting to [₱]161,303,388.00 due on the undelivered 3,366,800 MERALCO shares of stock as of September 30, 2014, and all subsequent dividends declared thereon until the full delivery of the 3,366,800 MERALCO shares of stock;

⁷ Id. at 928-929.

⁸ Petition; supra note 2, at 6-7.

⁹ Id. at 7.

¹⁰ Id.

- b. Cash dividends [as of September 30, 2014] amounting to [P]8,145,009.73 due on the 38,635,950 MERALCO shares of stock earlier delivered to petitioner; and
- c. Property dividends in the form of 9,488,349 shares of stock in Rockwell Land Corporation due on the undelivered 3,366,800 MERALCO shares of stock.¹¹

For their part, respondents aver that the 3,366,800 shares have already been traded in the Philippine Stock Exchange (PSE) and settled through the Securities Clearing Corporation of the Philippines (SCCP). The 3,366,800 shares are now in the hands of the investing public and are no longer owned by Lubrica. Thus, MERALCO and its officers cannot be accused of deliberately refusing to return the 3,366,800 shares to petitioner. MERALCO and its officers have complied to the extent permitted by the facts and the law, as petitioner itself admits that MERALCO has caused the return to petitioner of 38,635,950 shares or 91.98% of all the shares previously transferred to Lubrica.¹²

Respondents narrated that on October 30, 2008, RARAD Miñas ordered the resumption of execution in DARAB Case No. V-0405-0001-00 which allowed the DARAB Sheriffs to conduct an auction sale over petitioner's MERALCO shares. On November 4, 2008, Emmanuel R. Sison (Sison), then Corporate Secretary of MERALCO, received a Demand to Comply from the DARAB Sheriffs directing the immediate transfer of ownership or registration over 42,002,750 shares to Lubrica. On the same date, Sison also received two Certificates of Sale covering petitioner's MERALCO Stock Certificates Nos. 87265, 664638, 707447, and 707448.¹³

Respondents emphasized that there was no injunction against the DARAB personnel and that there was also no suit impleading MERALCO and its officers to enjoin their compliance with the writs and orders of the DARAB affecting petitioner's MERALCO shares. Thus, in compliance with the Demand to Comply, Sison sent a letter dated November 10, 2008 to the Securities Transfer Services, Inc. (STSI), the custodian of MERALCO's stock and transfer book, instructing the latter to cancel petitioner's stock certificates, to issue new ones in the name of Lubrica and to record this transfer of ownership in the stock and transfer book.¹⁴

¹¹ Id. at 7-8.

¹² Comment; id. at 130.

¹³ Id. at 130-131.

¹⁴ Id. at 131.

On November 20, 2008, the Bureau of Internal Revenue (BIR) issued a Certificate Authorizing Registration (CAR) No. CAR 2008-00096023 permitting the transfer of shares from petitioner to Lubrica.¹⁵

On November 28, 2008, in view of the BIR's issuance of the CAR, and still in the absence of any judicial restraint or any suit impleading MERALCO to enjoin enforcement, Sison directed STSI to cancel the 42,002,750 shares of stock in petitioner's name and transfer them to Lubrica.¹⁶

Thereafter, on December 15, 2008, RARAD Marivic Casabar (RARAD Casabar) issued an Order nullifying the October 30, 2008 Order of RARAD Miñas. As a response to this, SCCP issued a Memorandum dated December 16, 2008 where it suspended the clearing and settlement of MERALCO shares until further notice. Likewise, the PSE suspended trading of MERALCO shares effective December 17, 2008 until further notice. Thus, clearing and trading of MERALCO shares was not halted until 18 days after MERALCO, in compliance with the DARAB Sheriffs' Demand to Comply, had already cancelled the petitioner's shares and issued them in Lubrica's name.¹⁷

Of the total 42,002,750 shares issued to Lubrica, 40,600,000 shares were lodged by Lubrica in the Philippine Depository & Trust Corp. (PDTC) while 1,402,750 shares were not lodged. Of the lodged shares, 3,366,800 shares were traded in the PSE and settled through the SCCP, and were no longer in the lodging brokers' accounts maintained with PDTC. The remaining 37,233,200 shares remained in depository accounts of lodging brokers. Thus, of the total 42,002,750 shares transferred to Lubrica's name, 38,635,950 shares were restored to petitioner. Only 3,366,800 shares were not transferred back to petitioner. Once the contested shares were traded and settled, and in the hands of new owners, MERALCO was no longer empowered to simply cancel such shares unilaterally and return them to petitioner.¹⁸

Under the 1999 PSE Trading and Settlement Rules (1999 PSE Rules), which were in force in November through December 2008 when the trading of the contested shares took place, cancellation of a matched order could not be done except in cases of computer errors or evident mistakes. Even after the suspension of trading by the PSE, MERALCO was not empowered to cancel the matched orders on its own shares, since there was neither computer error nor evident mistake that warranted such action. Under the

¹⁵ Id.

¹⁶ Id.

¹⁷ Id. at 133.

¹⁸ Id. at 134.

1999 PSE Rules, an evident mistake refers only to a trader's error which must be reported to the proper PSE officials the same day as its occurrence.¹⁹

The Issue

The sole issue for resolution is whether respondents are guilty of indirect contempt.

The Court's Ruling

The Court rules in the negative.

Contempt of court is broadly defined as disregard of, or disobedience to the rules or orders of a judicial body; whereas, restrictively, it means despising the authority, justice, or dignity of the court.²⁰ It signifies not only a willful disregard or disobedience of the court's orders, but such conduct which tends to bring the authority of the court and the administration of law into disrepute or in some manner to impede the due administration of justice.²¹ Contempt of court is a defiance of the authority, justice or dignity of the court; such conduct as tends to bring the authority and administration of the law into disrespect or to interfere with or prejudice party litigants or their witnesses during litigation.²²

Contempt of court can be classified as either direct or indirect contempt. Direct contempt is committed "in the presence of or so near a court as to obstruct or interrupt the proceedings before the same, including disrespect toward the court, offensive personalities toward others, or refusal to be sworn in or to answer as a witness, or to subscribe an affidavit or deposition when lawfully required to do so."²³ On the other hand, there is indirect contempt when any of the following acts enumerated in Section 3, Rule 71 of the Rules of Court has been committed:

- (a) Misbehavior of an officer of a court in the performance of his official duties or in his official transactions;
- (b) Disobedience of or resistance to a lawful writ, process, order, or judgment of a court, including the act of a person who, after being dispossessed or ejected from any real property by the judgment or process of any court of competent jurisdiction, enters or attempts or induces

¹⁹ Id. at 134-135.

²⁰ *Rizal Commercial Banking Corporation v. Serra*, G.R. No. 216124, July 19, 2017; 831 SCRA 422, 434.

²¹ *Lee v. Regional Trial Court of Quezon City, Br. 85*, 496 Phil. 421, 433 (2005).

²² *Tokio Marine Malayan Insurance Company Inc. v. Valdez*, 566 Phil. 443, 455 (2008).

²³ RULES OF COURT, Rule 71, Section 1.

another to enter into or upon such real property, for the purpose of executing acts of ownership or possession, or in any manner disturbs the possession given to the person adjudged to be entitled thereto;

- (c) Any abuse of or any unlawful interference with the processes or proceedings of a court not constituting direct contempt under Section 1[, Rule 71 of the Rules of Court];
- (d) Any improper conduct tending, directly or indirectly, to impede, obstruct, or degrade the administration of justice;
- (e) Assuming to be an attorney or an officer of a court, and acting as such without authority;
- (f) Failure to obey a subpoena duly served; [and]
- (g) The rescue, or attempted rescue, of a person or property in the custody of an officer by virtue of an order or process of a court held by him.

In *Bank of the Philippine Islands v. Calanza*,²⁴ the Court declared:

The power to punish for contempt is inherent in all courts and is essential to the preservation of order in judicial proceedings and to the enforcement of judgments, orders, and mandates of the court, and consequently, to the due administration of justice. However, such power should be exercised on the preservative, not on the vindictive, principle. Only occasionally should the court invoke its inherent power in order to retain that respect, without which the administration of justice will falter or fail. Only in cases of clear and contumacious refusal to obey should the power be exercised. Such power, being drastic and extraordinary in its nature, should not be resorted to unless necessary in the interest of justice.

Petitioner charges the respondents with indirect contempt for their failure to fully comply with the Court's Decision in *LBP v. Suntay*. To reiterate, the dispositive portion of *LBP v. Suntay* reads:

WHEREFORE, we *GRANT* the petition for review on *certiorari*, and *REVERSE* the Decision promulgated June 5, 2009 in CA-G.R. SP No. 106104.

ACCORDINGLY, the Court:

²⁴ 647 Phil. 507, 514 (2010).

(a) *DIRECTS* the Regional Trial Court, Branch 46, in San Jose, Occidental Mindoro to continue the proceedings for the determination of the just compensation of Federico Suntay's expropriated property in Agrarian Case No. R-1241;

(b) *QUASHES* and *NULLIFIES* the orders issued in DARAB Case No. V-0405-0001-00 on September 14, 2005 (granting Suntay's *ex parte* motion for the issuance of an *alias* writ of execution) and October 30, 2008 by RARAD Conchita C. Miñas (directing the DARAB sheriffs "to resume the interrupted execution of the Alias Writ in this case on September 14, 2005"), and all acts performed pursuant thereto;

(c) *AFFIRMS* and *REITERATES* the order issued on October 25, 2005 by RARAD Miñas (deeming to be quashed and of no force and effect "all actions done in compliance or in connection with" the writ of execution issued by her), and the order issued on December 17, 2008 by RARAD Marivic Casabar (directing MERALCO to cancel the stock certificates issued to Josefina Lubrica and to any of her transferees or assignees, and to restore the ownership of the shares to Land Bank and to record the restoration in MERALCO's stock and transfer book; and the Philippine Stock Exchange, Philippine Depository and Trust Corporation, Securities Transfer Services, Inc., and the Philippine Dealing System Holdings Corporation and Subsidiaries (PDS Group), and any stockbroker, dealer, or agent of MERALCO shares to stop trading or dealing on the shares);

(d) *DECLARES* Land Bank fully entitled to all the dividends accruing to its levied MERALCO shares of stocks as if no levy on execution and auction were made involving such shares of stocks;

(e) *COMMANDS* the Integrated Bar of the Philippines to investigate the actuations of Atty. Conchita C. Miñas in DARAB Case No. V-0405-0001-00, and to determine if she was administratively liable as a member of the Philippine Bar; and

(f) *ORDERS* the Department of Agrarian Reform Adjudication Board to conduct a thorough investigation of the sheriffs who participated in the irregularities noted in this Decision, and to proceed against them if warranted.

Costs against the respondent.

SO ORDERED.²⁵ (Emphasis supplied)

While it is true that the necessary consequence of the Court's Decision in *LBP v. Suntay* is the return to petitioner of the MERALCO shares of stock transferred to Lubrica, nowhere in the aforesaid dispositive portion did the Court order MERALCO to cancel the certificates of stock issued to Lubrica. It was RARAD Casabar who directed MERALCO to

²⁵ Supra note 1, at 928-929.

cancel the stock certificates issued to Lubrica and to any of her transferees or assignees, and to restore the ownership of the shares to petitioner and to record the restoration in MERALCO's stock and transfer book. The Court merely affirmed such order. As the decision did not command the respondents to do anything, they could not be held guilty of disobedience of, or resistance to a lawful writ, process, order, judgment or command of a court.²⁶

Nevertheless, petitioner admitted that of the total 42,002,750 shares transferred to Lubrica's name, 38,635,950 shares were restored to petitioner. Only 3,366,800 shares were not transferred back to petitioner's account. This fact alone belies the imputation of disobedience, much less contemptuous acts, against the respondents. Moreover, MERALCO was unable to return to petitioner the 3,366,800 shares not because of plain stubborn refusal, but because these shares had been lodged with the PDTC, validly traded through the PSE, and settled by the SCCP even prior to the suspension of trading, with title over those shares passing to third persons.²⁷ Hence, unlike the 37,233,200 lodged shares which remained in the brokers' account, as well as the 1,402,750 shares not lodged with the PDTC,²⁸ MERALCO could not have easily cancelled the certificates of stock pertaining to the 3,366,800 traded shares which could have already been passed on to several persons. In fact, petitioner itself recognized that the 3,366,800 shares were traded and settled.²⁹ Under Section 46 of the Securities Regulation Code, "[T]he registration of a transfer of a security into the name of and by a registered clearing agency or its nominee shall be final and conclusive unless the clearing agency had notice of an adverse claim before the registration was made x x x."

At any rate, whether or not respondents' action in complying with the Court's Decision was proper is not an issue in this contempt case. Contempt of court has been defined as a **willful** disregard or disobedience of a public authority. There is no question that in contempt the intent goes to the gravamen of the offense. Thus, the good faith, or lack of it, of the alleged contemnor should be considered. To constitute contempt, the act must be done willfully and for an illegitimate or improper purpose.³⁰ Here, petitioner failed to show any circumstance which would lead the Court to believe that MERALCO willfully refused to turn over the remaining 3,366,800 shares.

²⁶ *Barrete v. Amila*, 300 Phil. 217, 221-222 (1994).

²⁷ Letter dated January 15, 2009 of MERALCO to the PDTC; *rollo*, pp. 157-160.

²⁸ *Id.* at 284.

²⁹ Letter dated January 5, 2009 of LBP to the Securities and Exchange Commission; *id.* at 221.

³⁰ *Lorenzo Shipping Corp. v. Distribution Management Association of the Philippines*, 672 Phil. 1, 16 (2011).


Considering that condemnation for contempt should not be made lightly, and that the power to punish contempt should be exercised on the preservative and not on the vindictive principle, the Court finds that there was no willful disregard or defiance of its Decision in *LBP v. Suntay*.

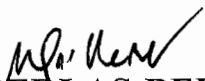
WHEREFORE, the petition for indirect contempt is **DISMISSED**.

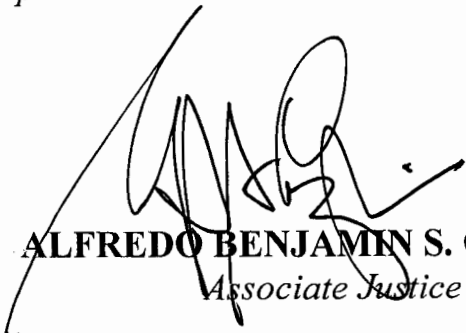
SO ORDERED.


JOSE C. REYES, JR.
Associate Justice

WE CONCUR:


ANTONIO T. CAPIO
Senior Associate Justice
Chairperson


ESTELA M. PERLAS-BERNABE
Associate Justice


ALFREDO BENJAMIN S. CAGUIOA
Associate Justice


AMY C. LAZARO-JAVIER
Associate Justice

ATTESTATION

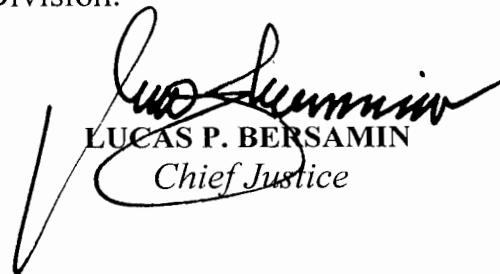
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



ANTONIO T. CARPIO
Senior Associate *Justice*
Chairperson, Second Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



LUCAS P. BERSAMIN
Chief Justice