

**[ G.R. No. 138542, August 25, 2000 ]**

**ALFREDO P. PASCUAL AND LORETA S. PASCUAL, PETITIONERS,  
VS. COURT OF APPEALS (FORMER SEVENTH DIVISION),  
ERNESTO P. PASCUAL AND HON. ADORACION ANGELES, IN HER  
CAPACITY AS PRESIDING JUDGE, RTC, KALOOKAN CITY,  
BRANCH 121, RESPONDENTS.**

**D E C I S I O N**

**MENDOZA, J.:**

The question for decision in this case is whether an action for reconveyance of a piece of land and for accounting and damages which private respondent Ernesto P. Pascual brought against his brother, petitioner Alfredo P. Pascual, and the latter's wife involves an intra-corporate dispute beyond the jurisdiction of the Regional Trial Court, Branch 121, Kalookan City in which it was filed. The trial court held that the action did not constitute an intra-corporate dispute and, therefore, denied petitioners' motion to dismiss. The Court of Appeals sustained the order of the trial court. Hence, this petition for review of the decision<sup>[1]</sup> of the appellate court. We affirm.

The facts are as follows:

On February 7, 1996, private respondent Ernesto P. Pascual filed a complaint in the Regional Trial Court for "accounting, reconveyance of real property based on implied trust resulting from fraud, declaration of nullity of TCT, recovery of sums of money, and damages" against his brother, petitioner Alfredo, and the latter's wife Loreta Pascual. The pertinent parts of his complaint read:

3. Plaintiff Ernesto and defendant Alfredo Pascual are full blood brothers. They, along with Araceli P. Castro, Ester P. Abad, Edgardo P. Pascual, Sr. (now deceased), Corazon P. Montenegro, Leonor P. Rivera, Luciano Pascual, Jr., and Teresita P. Manuel, are legitimate children of Luciano Pascual, Sr. and Consolacion Pascual. Defendant Loreta Pascual is the wife of defendant Alfredo.

4. Between 1963 to 1975, Luciano R. Pascual, Sr. acquired substantial shares in Phillens Manufacturing Corp. Luciano, Sr. parceled out and assigned a good number of these shares in the names of his children.

5. With Luciano's substantial shareholdings, his eldest son, defendant Alfredo became President, General Manager, and Vice-Chairman of the Board of Phillens. Plaintiff was only 20 years old then.

6. Defendant Alfredo was also president of L.R. Pascual & Sons, Inc. which held substantial shares in Phillens. (Plaintiff is a stockholder of L. R. Pascual & Sons, Inc.)

7. Although during and after the lifetime of the parties' parents, defendant Alfredo held family property in trust for Luciano Sr. and Consolacion, and for his brothers and sisters, defendant Alfredo gave the latter no accounting at any point in time contrary to what their father intended.

8. Because from 1969 to 1990, defendant Alfredo turned over zero profit to plaintiff Ernesto as far as his share was concerned, plaintiff tried to arrange a meeting between them about the matter of accounting -- without any success during a 5-year period (1990-1995). Defendant Alfredo would each time be sensitive, evasive, and drunk, so nothing became of those efforts.

. . . .

10. Since defendant Alfredo was President of L.R. Pascual & Sons, Inc. which held family properties in Quezon City, Manila, and Baguio, plaintiff wanted this matter taken up in a meeting he requested with defendant Alfredo. In addition, plaintiff asked defendant Alfredo for an accounting in L.R. Pascual & Co., a registered partnership distinct from L.R. Pascual & Sons, Inc. which would be discussed in that requested meeting.

. . . .

12. Because of defendant Alfredo's icy silence and unmistakable attempts to claim the lid on plaintiff Ernesto Pascual, plaintiff conducted an inquiry. As a result, he discovered that when defendant Alfredo caused the dissolution of Phillens Manufacturing Corporation by asking for a shortening of its term, defendant Alfredo represented in an affidavit of undertaking that

(a) he is the *owner* of the majority of the outstanding capital stock of the corporation;

(b) that the corporation has *no obligation*, whether existing or contingent, direct or indirect, due or payable to any person whomsoever, natural or juridical;

(c) *he is assuming and will pay any and all valid claims* or demands by creditors, stockholders, or any third person or persons, presented after the dissolution of the corporation.

13. By taking a position adverse to the trust and to his family's, defendant Alfredo, greatly profiting from Phillens, now held he owned majority and will undertake to pay any claimant or creditor. Yet, defendant Alfredo had not paid plaintiff what was properly owing to him.

14. Plaintiff also discovered, to his dismay, that defendant Alfredo had written an October 8, 1990 letter to the Securities & Exchange Commission falsely representing as follows:

October  
8,  
1990

Examiner & Appraiser Dept. [sic]  
Securities & Exchange Commission  
E. de los Santos Avenue  
Mandaluyong, Metro Manila

Gentlemen:

This will certify that the P3.3-million notes payable as shown in the balance sheet of Phillens Manufacturing Corporation as of June 30, 1990, is [sic] my personal advances.

Since I am assuming the assets and liabilities of the company, to which all the stockholders have consented, I am likewise giving my consent to the dissolution of the corporation.

Very truly yours,

ALFREDO P. PASCUAL

16. Further, on inquiry, plaintiff discovered that last April 3, 1989, defendant Alfredo caused an appraisal of the fair market value of the land and buildings of Phillens in Kalookan, excluding equipment, remaining stock and inventory. Aware that Cuervo had appraised such properties at *P10,977,000* as of *March 10, 1989*, defendant Alfredo hatched a ploy to buy for himself such properties at only *P4.5 million*. (A copy of the April 3, 1989 Cuervo report addressed to defendant Alfredo is here attached as Annex A.)

18. To consummate his fraudulent design, defendant Alfredo caused in bad faith the cancellation of TCT C-28572 and the issuance of TCT 215804 in his and defendant Loreta's name (copy of which is here attached as Annex D). That TCT is of course void, proceeding as it does from a void transfer, which constitutes fraud and a breach of trust.

On March 21, 1996, petitioners filed a motion to dismiss on the ground that the complaint raises an intra-corporate controversy between the parties over which original and exclusive jurisdiction is vested in the Securities and Exchange Commission (SEC). At first, the trial court granted petitioners' motion and dismissed the complaint on the ground that the complaint stemmed from alleged fraudulent acts and misrepresentations of petitioner Alfredo P. Pascual as a corporate officer of Phillens Manufacturing Corp. (Phillens) and thus the SEC had jurisdiction over the case. However, on respondent's motion, the trial court reconsidered its order and reinstated respondent's action. In an order, dated September 29, 1997, the trial court held that, since the corporation had been dissolved in 1990 and its corporate affairs terminated in 1993, there were no more corporate affairs to speak of at the time of the filing of the complaint. The court also allowed the amendment of the complaint. It appears that, pending resolution of the motion for reconsideration, respondent amended his complaint by alleging the following matters which are underlined:

4. Luciano R. Pascual, Sr. together with L.R. Pascual & Sons. Inc. acquired approximately 38% of shares in Phillens Manufacturing Corp., a close corporation. Luciano Sr. died in 1984 while Consolacion died in