

## SECOND DIVISION

[ G.R. No. 179047, March 11, 2015 ]

**SECURITIES AND EXCHANGE COMMISSION, PETITIONER, VS.  
SUBIC BAY GOLF AND COUNTRY CLUB, INC. AND UNIVERSAL  
INTERNATIONAL GROUP DEVELOPMENT CORPORATION,  
RESPONDENTS.**

### DECISION

**LEONEN, J.:**

Intra-corporate controversies, previously under the Securities and Exchange Commission's jurisdiction, are now under the jurisdiction of Regional Trial Courts designated as commercial courts. However, the transfer of jurisdiction to the trial courts does not oust the Securities and Exchange Commission of its jurisdiction to determine if administrative rules and regulations were violated.

In this Petition for Review<sup>[1]</sup> on Certiorari under Rule 45 of the Rules of Court, petitioner Securities and Exchange Commission prays for the reversal of the Court of Appeals' July 31, 2007 Decision.<sup>[2]</sup> The Court of Appeals declared void the Securities and Exchange Commission's February 10, 2004 Decision affirming its Corporation Finance Department's Order<sup>[3]</sup> to refund payments for Subic Bay Golf and Country Club, Inc.'s shares of stock.<sup>[4]</sup>

Subic Bay Golf Course, also known as Binictican Valley Golf Course, was operated by Subic Bay Metropolitan Authority (SBMA) under the Bases Conversion Development Authority (BCDA).<sup>[5]</sup> Universal International Group of Taiwan (UIG), a Taiwanese corporation, was chosen to implement the plan to privatize the golf course.<sup>[6]</sup>

On May 25, 1995, SBMA and UIG entered into a Lease and Development Agreement. Under the agreement, SBMA agreed to lease the golf course to UIG for 50 years, renewable for another 25 years.<sup>[7]</sup> UIG agreed to "develop, manage and maintain the golf course and other related facilities within the complex[.]"<sup>[8]</sup> Later, Universal International Group Development Corporation (UIGDC) succeeded to the interests of UIG on the golf course development.<sup>[9]</sup>

On April 1, 1996, UIGDC executed a Deed of Assignment in favor of Subic Bay Golf and Country Club, Inc. (SBGCCCI). Under the Deed of Assignment, UIGDC assigned all its rights and interests in the golf course's development, operations, and marketing to SBGCCCI.<sup>[10]</sup>

On April 25, 1996, SBGCCCI and UIGDC entered into a Development Agreement.<sup>[11]</sup> UIGDC agreed to "finance, construct and develop the [golf course], for and in consideration of the payment by [SBGCCCI] of its 1,530 (SBGCCCI) shares of stock."

[12]

Upon SBGCCCI's application, the Securities and Exchange Commission issued an Order for the Registration of 3,000 no par value shares of SBGCCCI on July 8, 1996. SBGCCCI was issued a Certificate of Permit to Offer Securities for Sale to the Public of its 1,530 no par value proprietary shares on August 9, 1996. The shares were sold at P425,000.00 per share. SBGCCCI would use the proceeds of the sale of securities to pay UIGDC for the development of the golf course.<sup>[13]</sup>

In the letter<sup>[14]</sup> dated November 4, 2002 addressed to Atty. Justina Callangan, Director of Securities and Exchange Commission's Corporation Finance Department, complainants Regina Filart (Filart) and Margarita Villareal (Villareal) informed the Securities and Exchange Commission that they had been asking UIGDC for the refund of their payment for their SBGCCCI shares. UIGDC did not act on their requests.<sup>[15]</sup> They alleged that they purchased the shares in 1996 based on the promise of SBGCCCI and UIGDC to deliver the following:

- a. an 18 hole golf course that would meet the highest USGA and PGA standards.
- b. A 9 hole executive course which would be completely illuminated to allow members to play after dark
- c. A swimming pool and tennis courts
- d. Golf Villas and Residential Condominium-Hotel
- e. Driving range of 30 berths provided with a roof and illuminated to afford nighttime driving.
- f. Club facilities with a restaurant which will offer French, Filipino and Chinese cuisine and 7 well-furnished VIP rooms which are equipped with the latest toilet and bath facilities and are available for private meetings and conferences.<sup>[16]</sup>

However, these promises were not delivered.<sup>[17]</sup>

Villareal and Filart also claimed that despite SBGCCCI's and UIGDC's failure to deliver the promised amenities, they started to charge them monthly dues. They also never received any billing statement from them until they were sent a demand notice to pay the alleged back dues of P39,000.00 within five (5) days. They were threatened that their shares amounting to P740,000.00 and paid off in December 1996 would be auctioned off if their alleged back dues would not be paid.<sup>[18]</sup> Villareal and Filart prayed for relief from the "terrible situation [they found themselves] in."<sup>[19]</sup> They also prayed that their letter be accepted "as a formal complaint against Universal International Group Development Corporation for breach of promise/contract with its investors who put in hard-earned money believing that they would deliver what their brochures promised to deliver."<sup>[20]</sup>

In their Comment,<sup>[21]</sup> SBGCCCI and UIGDC averred that they had already substantially complied with their commitment to provide the members a world-class



<p>Clubhouse with the following facilities:</p> <ol style="list-style-type: none"> <li>1. dining areas</li> <li>2. function rooms</li> <li>3. indoor and outdoor tennis courts</li> <li>4. 25-meter swimming pool</li> <li>5. gyms</li> <li>6. saunas and massage room</li> <li>7. sport shops</li> </ol> <p>Condominiums, Residential Villas, 250-bedroom hotel and a conference center</p>	<p>1996 P192,400,000</p>	<p>a dining area, function room, 6 VIP rooms, sport shop, one (1) restaurant and men &amp; ladies locker rooms. It has no sauna and massage rooms.</p> <p>Beside the clubhouse is a swimming pool with no water and one (1) tennis court, [sic] that are both poorly maintained.</p> <p>There is [sic] none. [28]</p>
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In the July 1, 2003 Order, the Securities and Exchange Commission's Corporation Finance Department gave due course to Villareal and Filart's letter-complaint: [29]

WHEREFORE, upon consideration of the foregoing, the complaint of REGINA S. FILART and MARGARITA G. VILLAREAL is hereby given DUE COURSE.

Respondents SUBIC BAY GOLF AND COUNTRY CLUB, INC. and UNIVERSAL INTERNATIONAL GROUP DEVELOPMENT CORPORATION, are hereby ordered to *refund* to REGINA S. FILART and MARGARITA G. VILLAREAL, within ten (10) days from receipt of this Order, the total purchase price of their shares of stock issued by Subic Bay Golf and Country Club, Inc., in the amount of P740,000.00 each, or a total of P1,480,000.00.

SUBIC BAY GOLF and COUNTRY CLUB, INC. is likewise hereby ordered to amend its Prospectus, reflecting therein the actual status of the facilities of the club, and to comply with the requirements of SRC Rule 14.

Furthermore, due to its failure to comply with its undertakings in its Registration Statement and Prospectus, tantamount to misrepresentation, and in violation of the provisions of the Securities Regulation Code, and its implementing rules and regulation, the Certificate of Registration and Permit to Sell Securities to the Public issued to respondent Subic Bay Golf and Country Club, Inc., are hereby SUSPENDED until the aforementioned misrepresentations are rectified and the requirements of this Order are complied with. The Commission shall make a determination, within thirty (30) days, whether or not such registration should be revoked.

And, pursuant to Section 54 of the Code, respondent corporations, SUBIC

BAY GOLF AND COUNTRY CLUB, INC. and UNIVERSAL INTERNATIONAL GROUP DEVELOPMENT CORPORATION, are hereby fined the amount of P100,000.00.

SO ORDERED.<sup>[30]</sup> (Emphasis in the original)

The Corporation Finance Department found that Filart and Villareal invested in the golf course because of SBGCCI and UIGDC's representation that a 27-hole, world-class golf course would be developed.<sup>[31]</sup> It also found that SBGCCI and UIGDC failed to comply with their commitments and representations as stated in their prospectus.<sup>[32]</sup>

The Corporation Finance Department ordered the return of the purchase price of shares pursuant to Rule 14<sup>[33]</sup> of the Implementing Rules and Regulations of Republic Act No. 8799 or the Securities Regulation Code. It explained that the non-completion of the golf course constituted a material amendment in the prospectus. The prospectus had become misleading, tending to work a fraud. This gave the purchasers the right to a refund of their contributions.<sup>[34]</sup>

SBGCCI and UIGDC filed a Petition for Review<sup>[35]</sup> of the Corporation Finance Department's Order before the Securities and Exchange Commission. SBGCCI and UIGDC assailed the Corporation Finance Department's and the Securities and Exchange Commission's authority to order a refund of investments. They also assailed its jurisdiction over the case, which according to SBGCCI and UIGDC involved an intra-corporate dispute. They argued that the Corporation Finance Department's Order was issued without due process.<sup>[36]</sup>

On February 10, 2004, the Securities and Exchange Commission rendered the Decision<sup>[37]</sup> affirming the July 1, 2003 Order of the Corporation Finance Department:

**WHEREFORE**, in view of the foregoing, the PETITION is hereby **DENIED**. The July 1, 2003 ORDER of the Corporate Finance Department is hereby **AFFIRMED**.

**SO ORDERED.**<sup>[38]</sup>

The Securities and Exchange Commission ruled that the Corporation Finance Department's proceedings were administrative in nature. It was only conducted to determine if SBGCCI and UIGDC violated the Securities and Exchange Commission's rules and regulations. While Villareal and Filart's letter-complaint alleged intra-corporate matters, it also alleged matters pertaining to SBGCCI and UIGDC's compliance with the prospectus and registration statements. The Securities and Exchange Commission has the authority to investigate possible acts of abuse of franchise and violations of its rules and regulations. It also has the power to impose appropriate administrative sanctions. The Corporation Finance Department only exercised these powers.<sup>[39]</sup>

The Corporation Finance Department, tasked to oversee securities registration, has the implied power to suspend or revoke registration upon showing of violations of the Securities and Exchange Commission's rules and regulations. Based on Section