

THIRD DIVISION

[G.R. NO. 158907, February 12, 2007]

EDUARDO B. OLAGUER, PETITIONER, VS. EMILIO PURUGGANAN, JR. AND RAUL LOCSIN, RESPONDENTS.

DECISION

CHICO-NAZARIO, J.:

This is a Petition for Review on *Certiorari*, under Rule 45 of the Rules of Court, assailing the Decision,^[1] dated 30 June 2003, promulgated by the Court of Appeals, affirming the Decision of the Regional Trial Court, dated 26 July 1995, dismissing the petitioner's suit.

The parties presented conflicting accounts of the facts.

EDUARDO B. OLAGUER'S VERSION

Petitioner Eduardo B. Olaguer alleges that he was the owner of 60,000 shares of stock of Businessday Corporation (Businessday) with a total par value of P600,000.00, with Certificates of Stock No. 005, No. 028, No. 034, No. 070, and No. 100.^[2] At the time he was employed with the corporation as Executive Vice-President of Businessday, and President of Businessday Information Systems and Services and of Businessday Marketing Corporation, petitioner, together with respondent Raul Locsin (Locsin) and Enrique Joaquin (Joaquin), was active in the political opposition against the Marcos dictatorship.^[3] Anticipating the possibility that petitioner would be arrested and detained by the Marcos military, Locsin, Joaquin, and Hector Holifeña had an unwritten agreement that, in the event that petitioner was arrested, they would support the petitioner's family by the continued payment of his salary.^[4] Petitioner also executed a Special Power of Attorney (SPA), on 26 May 1979, appointing as his attorneys-in-fact Locsin, Joaquin and Hofileña for the purpose of selling or transferring petitioner's shares of stock with Businessday. During the trial, petitioner testified that he agreed to execute the SPA in order to cancel his shares of stock, even before they are sold, for the purpose of concealing that he was a stockholder of Businessday, in the event of a military crackdown against the opposition.^[5] The parties acknowledged the SPA before respondent Emilio Purugganan, Jr., who was then the Corporate Secretary of Businessday, and at the same time, a notary public for Quezon City.^[6]

On 24 December 1979, petitioner was arrested by the Marcos military by virtue of an Arrest, Search and Seizure Order and detained for allegedly committing arson. During the petitioner's detention, respondent Locsin ordered fellow respondent Purugganan to cancel the petitioner's shares in the books of the corporation and to transfer them to respondent Locsin's name.^[7]

As part of his scheme to defraud the petitioner, respondent Locsin sent Rebecca Fernando, an employee of Businessday, to Camp Crame where the petitioner was detained, to pretend to borrow Certificate of Stock No. 100 for the purpose of using it as additional collateral for Businessday's then outstanding loan with the National Investment and Development Corporation. When Fernando returned the borrowed stock certificate, the word "cancelled" was already written therein. When the petitioner became upset, Fernando explained that this was merely a mistake committed by respondent Locsin's secretary.^[8]

During the trial, petitioner also agreed to stipulate that from 1980 to 1982, Businessday made regular deposits, each amounting to P10,000.00, to the Metropolitan Bank and Trust Company accounts of Manuel and Genaro Pantig, petitioner's in-laws. The deposits were made on every 15th and 30th of the month.^[9] Petitioner alleged that these funds consisted of his monthly salary, which Businessday agreed to continue paying after his arrest for the financial support of his family.^[10] After receiving a total of P600,000.00, the payments stopped. Thereafter, respondent Locsin and Fernando went to ask petitioner to endorse and deliver the rest of his stock certificates to respondent Locsin, but petitioner refused.^[11]

On 16 January 1986, petitioner was finally released from detention. He then discovered that he was no longer registered as stockholder of Businessday in its corporate books. He also learned that Purugganan, as the Corporate Secretary of Businessday, had already recorded the transfer of shares in favor of respondent Locsin, while petitioner was detained. When petitioner demanded that respondents restore to him full ownership of his shares of stock, they refused to do so. On 29 July 1986, petitioner filed a Complaint before the trial court against respondents Purugganan and Locsin to declare as illegal the sale of the shares of stock, to restore to the petitioner full ownership of the shares, and payment of damages.^[12]

RESPONDENT RAUL LOCSIN'S VERSION

In his version of the facts, respondent Locsin contended that petitioner approached him and requested him to sell, and, if necessary, buy petitioner's shares of stock in Businessday, to assure support for petitioner's family in the event that something should happen to him, particularly if he was jailed, exiled or forced to go underground.^[13] At the time petitioner was employed with Businessday, respondent Locsin was unaware that petitioner was part of a group, Light-a-Fire Movement, which actively sought the overthrow of the Marcos government through an armed struggle.^[14] He denied that he made any arrangements to continue paying the petitioner's salary in the event of the latter's imprisonment.^[15]

When petitioner was detained, respondent Locsin tried to sell petitioner's shares, but nobody wanted to buy them. Petitioner's reputation as an oppositionist resulted in the poor financial condition of Businessday and discouraged any buyers for the shares of stock.^[16] In view of petitioner's previous instructions, respondent Locsin decided to buy the shares himself. Although the capital deficiency suffered by Businessday caused the book value of the shares to plummet below par value, respondent Locsin, nevertheless, bought the shares at par value.^[17] However, he had to borrow from Businessday the funds he used in purchasing the shares from

petitioner, and had to pay the petitioner in installments of P10,000.00 every 15th and 30th of each month.^[18]

The trial court in its Decision, dated 26 July 1995, dismissed the Complaint filed by the petitioner. It ruled that the sale of shares between petitioner and respondent Locsin was valid. The trial court concluded that petitioner had intended to sell the shares of stock to anyone, including respondent Locsin, in order to provide for the needs of his family should he be jailed or forced to go underground; and that the SPA drafted by the petitioner empowered respondent Locsin, and two other agents, to sell the shares for such price and under such terms and conditions that the agents may deem proper. It further found that petitioner consented to have respondent Locsin buy the shares himself. It also ruled that petitioner, through his wife, received from respondent Locsin the amount of P600,000.00 as payment for the shares of stock.^[19] The dispositive part of the trial court's Decision reads:

WHEREFORE, for failure of the [herein petitioner] to prove by preponderance of evidence, his causes of action and of the facts alleged in his complaint, the instant suit is hereby ordered DISMISSED, without pronouncement as to costs.

[Herein respondents'] counterclaims, however, are hereby DISMISSED, likewise, for dearth of substantial evidentiary support.^[20]

On appeal, the Court of Appeals affirmed the Decision of the trial court that there was a perfected contract of sale.^[21] It further ruled that granting that there was no perfected contract of sale, petitioner, nevertheless, ratified the sale to respondent Locsin by his receipt of the purchase price, and his failure to raise any protest over the said sale.^[22] The Court of Appeals refused to credit the petitioner's allegation that the money his wife received constituted his salary from Businessday since the amount he received as his salary, P24,000.00 per month, did not correspond to the amount he received during his detention, P20,000.00 per month (deposits of P10,000.00 on every 15th and 30th of each month in the accounts of the petitioner's in-laws). On the other hand, the total amount received, P600,000.00, corresponds to the aggregate par value of petitioner's shares in Businessday. Moreover, the financial condition of Businessday prevented it from granting any form of financial assistance in favor of the petitioner, who was placed in an indefinite leave of absence, and, therefore, not entitled to any salary. ^[23]

The Court of Appeals also ruled that although the manner of the cancellation of the petitioner's certificates of stock and the subsequent issuance of the new certificate of stock in favor of respondent Locsin was irregular, this irregularity will not relieve petitioner of the consequences of a consummated sale.^[24]

Finally, the Court of Appeals affirmed the Decision of the trial court disallowing respondent Locsin's claims for moral and exemplary damages due to lack of supporting evidence.^[25]

Hence, the present petition, where the following issues were raised:

I.

THE APPELLATE COURT ERRED IN RULING THAT THERE WAS A PERFECTED CONTRACT OF SALE BETWEEN PETITIONER AND MR. LOCSIN OVER THE SHARES;

II.

THE APPELLATE COURT ERRED IN RULING THAT PETITIONER CONSENTED TO THE ALLEGED SALE OF THE SHARES TO MR. LOCSIN;

III.

THE APPELLATE COURT ERRED IN RULING THAT THE AMOUNTS RECEIVED BY PETITIONER'S IN LAWS WERE NOT PETITIONER'S SALARY FROM THE CORPORATION BUT INSTALLMENT PAYMENTS FOR THE SHARES;

IV.

THE APPELLATE COURT ERRED IN RULING THAT MR. LOCSIN WAS THE PARTY TO THE ALLEGED SALE OF THE SHARES AND NOT THE CORPORATION; AND

V.

THE APPELLATE COURT ERRED IN RULING THAT THE ALLEGED SALE OF THE SHARES WAS VALID ALTHOUGH THE CANCELLATION OF THE SHARES WAS IRREGULAR.^[26]

The petition is without merit.

The first issue that the petitioner raised is that there was no valid sale since respondent Locsin exceeded his authority under the SPA^[27] issued in his, Joaquin and Holifena's favor. He alleged that the authority of the afore-named agents to sell the shares of stock was limited to the following conditions: (1) in the event of the petitioner's absence and incapacity; and (2) for the limited purpose of applying the proceeds of the sale to the satisfaction of petitioner's subsisting obligations with the companies adverted to in the SPA.^[28]

Petitioner sought to impose a strict construction of the SPA by limiting the definition of the word "absence" to a condition wherein "a person disappears from his domicile, his whereabouts being unknown, without leaving an agent to administer his property," ^[29] citing Article 381 of the Civil Code, the entire provision hereunder quoted:

ART 381. When a person disappears from his domicile, his whereabouts being unknown, and without leaving an agent to administer his property, the judge, at the instance of an interested party, a relative, or a friend, may appoint a person to represent him in all that may be necessary.

This same rule shall be observed when under similar circumstances the power conferred by the absentee has expired.

Petitioner also puts forward that the word "incapacity" would be limited to mean "minority, insanity, imbecility, the state of being deaf-mute, prodigality and civil interdiction." [30] He cites Article 38 of the Civil Code, in support of this definition, which is hereunder quoted:

ART. 38 Minority, insanity or imbecility, the state of being a deaf-mute, prodigality and civil interdiction are mere restrictions on capacity to act, and do not exempt the incapacitated person, from certain obligations, as when the latter arise from his acts or from property relations, such as easements.

Petitioner, thus, claims that his arrest and subsequent detention are not among the instances covered by the terms "absence or incapacity," as provided under the SPA he executed in favor of respondent Locsin.

Petitioner's arguments are unpersuasive. It is a general rule that a power of attorney must be strictly construed; the instrument will be held to grant only those powers that are specified, and the agent may neither go beyond nor deviate from the power of attorney. However, the rule is not absolute and should not be applied to the extent of destroying the very purpose of the power. If the language will permit, the construction that should be adopted is that which will carry out instead of defeat the purpose of the appointment. Clauses in a power of attorney that are repugnant to each other should be reconciled so as to give effect to the instrument in accordance with its general intent or predominant purpose. Furthermore, the instrument should always be deemed to give such powers as essential or usual in effectuating the express powers.[31]

In the present case, limiting the definitions of "absence" to that provided under Article 381 of the Civil Code and of "incapacity" under Article 38 of the same Code negates the effect of the power of attorney by creating absurd, if not impossible, legal situations. Article 381 provides the necessarily stringent standards that would justify the appointment of a representative by a judge. Among the standards the said article enumerates is that no agent has been appointed to administer the property. In the present case, petitioner himself had already authorized agents to do specific acts of administration and thus, no longer necessitated the appointment of one by the court. Likewise, limiting the construction of "incapacity" to "minority, insanity, imbecility, the state of being a deaf-mute, prodigality and civil interdiction," as provided under Article 38, would render the SPA ineffective. Article 1919(3) of the Civil Code provides that the death, civil interdiction, insanity or insolvency of the principal or of the agent extinguishes the agency. It would be equally incongruous, if not outright impossible, for the petitioner to require himself to qualify as a minor, an imbecile, a deaf-mute, or a prodigal before the SPA becomes operative. In such cases, not only would he be prevented from appointing an agent, he himself would be unable to administer his property.

On the other hand, defining the terms "absence" and "incapacity" by their everyday usage makes for a reasonable construction, that is, "the state of not being present" and the "inability to act," given the context that the SPA authorizes the agents to attend stockholders' meetings and vote in behalf of petitioner, to sell the shares of stock, and other related acts. This construction covers the situation wherein petitioner was arrested and detained. This much is admitted by petitioner in his testimony.[32]