

EN BANC

[G.R. NO. 172556, June 09, 2006]

**TRANS MIDDLE EAST (PHILS.), PETITIONER, VS.
SANDIGANBAYAN (5TH DIVISION) PRESIDENTIAL COMMISSION
ON GOOD GOVERNMENT (PCGG), THE BOARD OF DIRECTORS OF
EQUITABLE PCI BANK, REPRESENTED BY ITS CHAIRMAN,
CORAZON DELA PAZ AND SABINO ACUT, JR. (IN HIS CAPACITY
AS CORPORATE SECRETARY OF EQUITABLE PCI BANK),
RESPONDENTS.**

DECISION

TINGA, J.:

The integrity of the judicial system is founded on the soundness and rationality of the judgments emanating from it. Decisions which are blatantly erroneous or founded on oblique reasoning inevitably foment doubt within the dispirited public as to the impartiality and judiciousness of the magistrates concerned. A critical eye must especially be cast on rulings which are not only wrong, haphazardly grounded and obtusely one-sided, but fortuitously timed to engender the most advantage to the victor and damage to the loser.

This Petition for Certiorari was filed by petitioner Trans Middle East (Phil.) Equities Inc. (TMEE), the registered owners of erstwhile sequestered shares in Equitable-PCI Bank (EPCIB) assailing a Resolution^[1] promulgated by the Sandiganbayan on 22 May 2006. The Resolution declared that a Temporary Restraining Order (TRO) initially issued 14 years ago by this Court in cases that were closed and terminated ten years ago, remained in effect, thus disqualifying TMEE from voting on its shares. The annual stockholders meeting of EPCIB was scheduled on 23 May 2006, or the day after the Resolution was promulgated, leaving questions as to the timing of the promulgation. In any event, the Resolution is rooted in dubious and erroneous legal premises. The writ of certiorari lies.

A narration of the relevant antecedents ensues.

TMEE is the registered owner of 6,119,067 common shares of stock in the then PCBank, now Equitable-PCI Bank. On 15 April 1986, these shares were sequestered by the Presidential Commission on Good Government (PCGG) on the theory that as they actually belong to Benjamin Romualdez they constitute illegally acquired wealth. Thereafter, a complaint, docketed as Civil Case No. 0035, was filed against Romualdez by the PCGG before the Sandiganbayan for the recovery of these shares. Upon motion, TMEE was allowed to intervene by the Sandiganbayan, and it sought to enjoin the PCGG from voting these shares.

In 1991, the Sandiganbayan, upon motion of TMEE, issued resolutions that enjoined the PCGG from voting the shares of TMEE and authorized TMEE in exercising its

voting rights. These resolutions were challenged before the Supreme Court, through petitions docketed as G.R. Nos. 105808 and 105809. The Court then issued a TRO enjoining the implementation of the Sandiganbayan resolutions. Subsequently, G.R. Nos. 105808 and 105809 were consolidated with several other cases, which were collectively resolved the Court in a 23 January 1995 consolidated decision entitled *Republic v. Sandiganbayan*.^[2] The Court resolved to maintain the TRO it issued enjoining the implementation of the 1991 orders of the Sandiganbayan, decreeing as follows:

WHEREFORE, judgment is hereby rendered:

x x x x

B. CONFIRMING AND MAINTAINING the temporary restraining orders issued in G.R. Nos. 104883, 105170, 105206, 105808, 105809, 107233, and 107908, which shall continue in force and effect during the continuation of the proceedings in the corresponding civil actions in the Sandiganbayan, **subject to the latter's power to modify or terminate the same in the exercise of its sound discretion in light of such evidence as may subsequently be adduced.**^[3] (Emphasis supplied)

In a subsequent Resolution dated 22 July 1997, concerning pending motions for contempt against PCI Bank and TMEE, the Court found it necessary to render the following rulings:

WHEREFORE, the Court Resolved:

x x x x

- II. To DIRECT the Sandiganbayan, in reiteration of this Court's prior directives, promptly to adjudicate after due trial and proper proceedings the ultimate factual issue of whether or not the movant's are the legitimate, *bona fide* owners of the sequestered shares of stock (or the same constitute ill-gotten wealth which should revert to and be forfeited in favor of the Republic, represented by the PCGG); and pending such adjudication, resolve, with all deliberate dispatch but not later than sixty (60) days from notice of this Resolution, the preliminary questions of whether there is *prima facie* factual foundation for the sequestration of said stock, and for reasonable ground for apprehension of dissipation, loss or wastage of assets if the holders of the sequestered stock are permitted to vote them;
- III. To COMMAND TMEE and the PCGG forthwith to formally request the Sandiganbayan to set Civil Case No. 0035 for hearing so that the issues set out in the immediately preceding paragraph hereof may be determined with all deliberate dispatch; and
- IV. To PROHIBIT from this date and until completion by the Sandiganbayan of its determination of the preliminary questions set out in paragraph II hereof, the exercise of the right to vote

pertaining to the sequestered PCIB shares of stock in question by either the PCGG or TMEE at any meeting of the PCIB.^[4]

Meanwhile, in January and February of 1997, TMEE filed two motions before the Sandiganbayan, both urging the nullification or lifting of the writ of sequestration. It contended that no valid writ of sequestration was ever issued, the sequestration having been effected through a letter dated 15 April 1986 addressed to EPCIB signed by only one PCGG commissioner, in violation of the PCGG Rules and Regulations promulgated on 11 April 1986 that required writs of sequestration to be issued by at least two commissioners. While TMEE argued that it was entitled to the actual custody and control of the shares, it nonetheless manifested that it was willing to deposit these shares in escrow to allay any fear of dissipation, loss or wastage of the subject shares, as well as on all future cash and stock dividends to be declared on the said shares.

In April of 1998, PCGG filed with the Sandiganbayan a Motion for Issuance of Restraining Order, seeking to enjoin the holding of the EPCIB stockholders meeting on 30 April 1998, on the ground that since the 1997 Supreme Court Resolution enjoined both the PCGG and TMEE from voting the sequestered stocks, these shares stood to be diluted considering a proposal in the agenda to increase the authorized capital stock of EPCIB, among others.

In a Resolution dated 29 April 1998, the Sandiganbayan dismissed these fears of the PCGG as unfounded. Moreover, in the same Resolution the Sandiganbayan acknowledged that this Court had granted it the power to modify or terminate this Court's temporary restraining order in the exercise of its sound discretion in the light of subsequent evidence. Accordingly, the Sandiganbayan proceeded to recognize the right of TMEE to vote the shares of stock registered in its name, and to allow it to vote at the stockholders meeting of 30 April 1998. The Sandiganbayan justified such recognition based on the following premises: (a) that the PCGG which bore the burden of proof to show *prima facie* foundation for the sequestration of TMEE shares had failed to timely do so; (b) that no damage or dissipation of the sequestered shares would result should TMEE be allowed to vote them; and (c) that on its face, the writ of sequestration was issued only by one PCGG Commissioner, in violation of the PCGG's rules and regulations promulgated on 11 April 1986. Thus, the Sandiganbayan ruled:

UNDER THE PREMISES:

2. Philippine Commercial and Industrial Bank's (PCIB) Chairman of the meeting and the secretary thereof are directed **to acknowledge the right of intervenor Trans Middle East (Phil.) Equities, Inc. (TMEE) to vote the shares of stocks registered in its name and allow it to vote at the Stockholders' Meeting scheduled on April 30, 1998** at 9:00 o'clock in the morning or at any other time to which said stockholders' meeting may be continued or reset. TMEE shall post a bond of ONE HUNDRED FIFTY THOUSAND (P150,000.00) PESOS to answer for any undue damage that the plaintiff PCGG or the PCIB shall suffer by reason of the sequestered shares of stock having been voted by and for said intervenor.^[5]

The pending motion for nullification of the writ of sequestration was left unresolved then. On 10 January 2003, the Sandiganbayan issued a Resolution on the motions

filed by TMEE in 1997 assailing the sequestration order. The Sandiganbayan granted the motion to nullify the writ of sequestration of TMEE shares, ruling that the sequestration order null and void as it was issued only by one PCGG Commissioner. It cited the decision of this Court in *Republic v. Sandiganbayan*^[6] wherein it was ruled that a writ of sequestration signed by only one PCGG commissioner was an obvious transgression of the PCGG rules.^[7] At the same time, based on TMEE's manifestation that it was willing to deposit the subject shares in escrow to allay any fear of dissipation, loss or wastage of the subject shares, the Sandiganbayan ordered that the shares be deposited in escrow with the Land Bank of the Philippines.

The Resolution decreed:

WHEREFORE, in view of the foregoing:

1. The "URGENT MOTION TO NULLIFY WRIT OF SEQUESTRATION" dated January 28, 1997 filed by movant Trans Middle East (Phils.) Equities, Inc., is hereby GRANTED. **Accordingly, Sequestration Order No. 86-0056 dated April 15, 1986 is hereby declared null and void for having been issued by one PCGG Commissioner only in direct contravention of Section 3 of the PCGG's own Rules and Regulations.** Conformably, however, with the manifestation of the movant trans Middle East (Phils.) Equities, Inc. itself, the Court will not order the return of its shares of stocks sequestered per Sequestration Order No. 86-0056 dated April 15, 1986, but orders that the same, including the interests earned thereon, to be **deposited with the Land Bank of the Philippines in escrow for the persons, natural or judicial, who shall eventually be adjudged lawfully entitled thereto.**^[8] (emphasis supplied)

PCGG filed motions for the reconsideration of both the 1998 and 2003 resolutions of the Sandiganbayan. These motions have not yet been resolved to date. In the meantime, TMEE alleged that it has voted the subject shares from 1998 up to 2005.^[9]

On 2 May 2006, the PCGG filed a Motion for Execution of this Court's Decision in G.R. Nos. 105808 and 105809, which was promulgated on 23 January 1995, or more than ten (10) years earlier. It was argued therein that the 1995 Decision became final and executory by virtue of an entry of judgment dated 2 April 1996 which was allegedly received by the PCGG only on 2 March 2006.^[10] The purported receipt then only of the entry of judgment came one (1) day after the EPCIB's proxy validation deadline with closure of the Record Book of EPCIB. Desiring to "exercise its voting rights as upheld by the Supreme Court", the PCGG prayed of the Sandiganbayan to issue the appropriate order permitting it to vote the sequestered shares or, in the alternative, to order "re-enforced and/or reissued" the TRO affirmed by the Supreme Court in the 1995 Decision, which enjoined TMEE from voting the sequestered shares.

The Motion for Execution was heard on 5 May 2006, with TMEE making no appearance therein. The Sandiganbayan ordered TMEE to comment on the said motion within ten (10) days.

Then on May 9, 2006, the PCGG filed an Urgent Ex-Parte Motion to Reinforce/Re-issue TRO, praying that the Sandiganbayan issue an order re-enforcing and/or re-issuing the TRO issued by this Court in G.R. Nos. 105808 and 105809 and to execute the TRO under the Decision of the Supreme Court dated January 13, 1995. The PCGG argued that due to the fact that the stockholders meeting of EPCIB was scheduled on 23 May 2006, there was an urgent need for the re-enforcement or reissuance of the TRO affirmed by the Supreme Court in its 1995 Decision. The PCGG also alleged that they had received reports that "the Romualdezes are bent on disposing of their shares in EPCIB," and that should they "gain control of the bank of (*sic*) electing themselves and/or their dummies/nominees to the helm of the bank, there is a danger that the sequestered Equitable-PCI Bank shares might dissipate or be disposed of."^[11]

On 22 May 2006, the Sandiganbayan issued the Resolution now assailed before the Court. The Sandiganbayan acknowledged that the 1998 and 2003 Resolutions it earlier issued had indeed modified the TRO issued by this Court, and that it had the authority, as granted by the Court, to modify or terminate such TRO. Nevertheless, the Sandiganbayan ruled that both resolutions had not yet attained finality since it itself still had to resolve the motions for reconsideration respectively related thereto filed by the PCGG in 1998 and 2003. The Sandiganbayan opined that it could not re-issue the TRO since it was this Court which issued the same. Still, the Sandiganbayan ruled that it could state that the two resolutions modifying this Court's TRO "have not attained finality as the motions for reconsiderations thereto have not been resolved by [the Sandiganbayan]." The dispositive portion of the Resolution read:

WHEREFORE, pertinent to the instant motion, this Court hereby declares that considering that two resolutions modifying the Supreme Court's TRO have not attained finality as the motions for reconsiderations filed thereto have not been resolved by this Court, the TRO, which was issued by the Supreme Court disqualifying both the PCGG nominees, TMEE, PAH and PAR, from voting the sequestered shares in the Equitable PCI Bank and Benguet Corporation, respectively is still existing and in full force and effect.^[12]

On the following day, 23 May 2003, TMEE filed the instant petition with this Court, with a prayer for the issuance of a Temporary Restraining Order or a Writ of Preliminary Injunction "to preserve and maintain the status quo wherein TMEE [was] allowed to vote the shares registered in its name and restraining the respondents from enforcing the [22 May 2003 Sandiganbayan] Resolution granting the motion to re-enforce/re-issue TRO, until the final resolution" of this Court.

In the absence of an injunctive order restraining the holding of the stockholders' meeting on 23 May 2006, the meeting was held. Over the objections of TMEE, the election of a new Board of Directors of EPCIB was held. Since TMEE was not allowed to vote its shares, it was unable to elect any representative to the Board of Directors despite the fact that it maintained enough shares to be entitled to at least one board seat. Thus, in its Supplemental Petition attached to a Motion for Leave of Court to File Supplemental Petition, TMEE prayed for the issuance of a resolution directing the maintenance of the status quo prior to the disputed election of directors; restraining the new Board and the officers elected by them from further performing