

THIRD DIVISION

[G.R. No. 146006, February 23, 2004]

JOSE C. LEE AND ALMA AGGABAO, IN THEIR CAPACITIES AS PRESIDENT AND CORPORATE SECRETARY, RESPECTIVELY, OF PHILIPPINES INTERNATIONAL LIFE INSURANCE COMPANY, AND FILIPINO LOAN ASSISTANCE GROUP, PETITIONERS, VS. REGIONAL TRIAL COURT OF QUEZON CITY BRANCH 85 PRESIDED BY JUDGE PEDRO M. AREOLA, BRANCH CLERK OF COURT JANICE Y. ANTERO, DEPUTY SHERIFFS ADENAUER G. RIVERA AND PEDRO L. BORJA, ALL OF THE REGIONAL TRIAL COURT OF QUEZON CITY BRANCH 85, MA. DIVINA ENDERES CLAIMING TO BE SPECIAL ADMINISTRATRIX, AND OTHER PERSONS/ PUBLIC OFFICERS ACTING FOR AND IN THEIR BEHALF, RESPONDENTS.

DECISION

CARPIO, J.:

This is a petition for review under Rule 45 of the Rules of Court seeking to reverse and set aside the decision^[1] of the Court of Appeals, First Division, dated July 26, 2000, in CA G.R. 59736, which dismissed the petition for certiorari filed by petitioners Jose C. Lee and Alma Aggabao (in their capacities as president and secretary, respectively, of Philippine International Life Insurance Company) and Filipino Loan Assistance Group.

The antecedent facts follow.

Dr. Juvencio P. Ortañez incorporated the Philippine International Life Insurance Company, Inc. on July 6, 1956. At the time of the company's incorporation, Dr. Ortañez owned ninety percent (90%) of the subscribed capital stock.

On July 21, 1980, Dr. Ortañez died. He left behind a wife (Juliana Salgado Ortañez), three legitimate children (Rafael, Jose and Antonio Ortañez) and five illegitimate children by Ligaya Novicio (herein private respondent Ma. Divina Ortañez-Enderes and her siblings Jose, Romeo, Enrico Manuel and Cesar, all surnamed Ortañez).^[2]

On September 24, 1980, Rafael Ortañez filed before the Court of First Instance of Rizal, Quezon City Branch (now Regional Trial Court of Quezon City) a petition for letters of administration of the intestate estate of Dr. Ortañez, docketed as SP Proc. Q-30884 (which petition to date remains pending at Branch 85 thereof).

Private respondent Ma. Divina Ortañez-Enderes and her siblings filed an opposition to the petition for letters of administration and, in a subsequent urgent motion, prayed that the intestate court appoint a special administrator.

On March 10, 1982, Judge Ernani Cruz Paño, then presiding judge of Branch 85, appointed Rafael and Jose Ortañez joint special administrators of their father's estate. Hearings continued for the appointment of a regular administrator (up to now no regular administrator has been appointed).

As ordered by the intestate court, special administrators Rafael and Jose Ortañez submitted an inventory of the estate of their father which included, among other properties, 2,029^[3] shares of stock in Philippine International Life Insurance Company (hereafter Philinterlife), representing 50.725% of the company's outstanding capital stock.

On April 15, 1989, the decedent's wife, Juliana S. Ortañez, claiming that she owned 1,014^[4] Philinterlife shares of stock as her conjugal share in the estate, sold said shares with right to repurchase in favor of herein petitioner Filipino Loan Assistance Group (FLAG), represented by its president, herein petitioner Jose C. Lee. Juliana Ortañez failed to repurchase the shares of stock within the stipulated period, thus ownership thereof was consolidated by petitioner FLAG in its name.

On October 30, 1991, Special Administrator Jose Ortañez, acting in his personal capacity and claiming that he owned the remaining 1,011^[5] Philinterlife shares of stocks as his inheritance share in the estate, sold said shares with right to repurchase also in favor of herein petitioner FLAG, represented by its president, herein petitioner Jose C. Lee. After one year, petitioner FLAG consolidated in its name the ownership of the Philinterlife shares of stock when Jose Ortañez failed to repurchase the same.

It appears that several years before (but already during the pendency of the intestate proceedings at the Regional Trial Court of Quezon City, Branch 85), Juliana Ortañez and her two children, Special Administrators Rafael and Jose Ortañez, entered into a memorandum of agreement dated March 4, 1982 for the extrajudicial settlement of the estate of Dr. Juvencio Ortañez, partitioning the estate (including the Philinterlife shares of stock) among themselves. This was the basis of the number of shares separately sold by Juliana Ortañez on April 15, 1989 (1,014 shares) and by Jose Ortañez on October 30, 1991 (1,011 shares) in favor of herein petitioner FLAG.

On July 12, 1995, herein private respondent Ma. Divina Ortañez-Enderes and her siblings (hereafter referred to as private respondents Enderes *et al.*) filed a motion for appointment of special administrator of Philinterlife shares of stock. This move was opposed by Special Administrator Jose Ortañez.

On November 8, 1995, the intestate court granted the motion of private respondents Enderes *et al.* and appointed private respondent Enderes special administratrix of the Philinterlife shares of stock.

On December 20, 1995, Special Administratrix Enderes filed an urgent motion to declare void *ab initio* the memorandum of agreement dated March 4, 1982. On January 9, 1996, she filed a motion to declare the partial nullity of the extrajudicial settlement of the decedent's estate. These motions were opposed by Special Administrator Jose Ortañez.

On March 22, 1996, Special Administratrix Enderes filed an urgent motion to declare void *ab initio* the deeds of sale of Philinterlife shares of stock, which move was again opposed by Special Administrator Jose Ortañez.

On February 4, 1997, Jose Ortañez filed an omnibus motion for (1) the approval of the deeds of sale of the Philinterlife shares of stock and (2) the release of Ma. Divina Ortañez-Enderes as special administratrix of the Philinterlife shares of stock on the ground that there were no longer any shares of stock for her to administer.

On August 11, 1997, the intestate court denied the omnibus motion of Special Administrator Jose Ortañez for the approval of the deeds of sale for the reason that:

Under the Godoy case, *supra*, it was held in substance that a sale of a property of the estate without an Order of the probate court is void and passes no title to the purchaser. Since the sales in question were entered into by Juliana S. Ortañez and Jose S. Ortañez in their personal capacity without prior approval of the Court, the same is not binding upon the Estate.

WHEREFORE, the OMNIBUS MOTION for the approval of the sale of Philinterlife shares of stock and release of Ma. Divina Ortañez-Enderes as Special Administratrix is hereby denied.^[6]

On August 29, 1997, the intestate court issued another order granting the motion of Special Administratrix Enderes for the annulment of the March 4, 1982 memorandum of agreement or extrajudicial partition of estate. The court reasoned that:

In consonance with the Order of this Court dated August 11, 1997 DENYING the approval of the sale of Philinterlife shares of stocks and release of Ma. Divina Ortañez-Enderes as Special Administratrix, the "Urgent Motion to Declare Void *Ab Initio* Memorandum of Agreement" dated December 19, 1995. . . is hereby impliedly partially resolved insofar as the transfer/waiver/renunciation of the Philinterlife shares of stock are concerned, in particular, No. 5, 9(c), 10(b) and 11(d)(ii) of the Memorandum of Agreement.

WHEREFORE, this Court hereby declares the Memorandum of Agreement dated March 4, 1982 executed by Juliana S. Ortañez, Rafael S. Ortañez and Jose S. Ortañez as partially void *ab initio* insofar as the transfer/waiver/renunciation of the Philinterlife shares of stocks are concerned.^[7]

Aggrieved by the above-stated orders of the intestate court, Jose Ortañez filed, on December 22, 1997, a petition for certiorari in the Court of Appeals. The appellate court denied his petition, however, ruling that there was no legal justification whatsoever for the extrajudicial partition of the estate by Jose Ortañez, his brother Rafael Ortañez and mother Juliana Ortañez during the pendency of the settlement of the estate of Dr. Ortañez, without the requisite approval of the intestate court, when it was clear that there were other heirs to the estate who stood to be prejudiced thereby. Consequently, the sale made by Jose Ortañez and his mother Juliana Ortañez to FLAG of the shares of stock they invalidly appropriated for themselves,

without approval of the intestate court, was void.^[8]

Special Administrator Jose Ortañez filed a motion for reconsideration of the Court of Appeals decision but it was denied. He elevated the case to the Supreme Court via petition for review under Rule 45 which the Supreme Court dismissed on October 5, 1998, on a technicality. His motion for reconsideration was denied with finality on January 13, 1999. On February 23, 1999, the resolution of the Supreme Court dismissing the petition of Special Administrator Jose Ortañez became final and was subsequently recorded in the book of entries of judgments.

Meanwhile, herein petitioners Jose Lee and Alma Aggabao, with the rest of the FLAG-controlled board of directors, increased the authorized capital stock of Philinterlife, diluting in the process the 50.725% controlling interest of the decedent, Dr. Juvencio Ortañez, in the insurance company.^[9] This became the subject of a separate action at the Securities and Exchange Commission filed by private respondent-Special Administratrix Enderes against petitioner Jose Lee and other members of the FLAG-controlled board of Philinterlife on November 7, 1994. Thereafter, various cases were filed by Jose Lee as president of Philinterlife and Juliana Ortañez and her sons against private respondent-Special Administratrix Enderes in the SEC and civil courts.^[10] Somehow, all these cases were connected to the core dispute on the legality of the sale of decedent Dr. Ortañez's Philinterlife shares of stock to petitioner FLAG, represented by its president, herein petitioner Jose Lee who later became the president of Philinterlife after the controversial sale.

On May 2, 2000, private respondent-Special Administratrix Enderes and her siblings filed a motion for execution of the Orders of the intestate court dated August 11 and August 29, 1997 because the orders of the intestate court nullifying the sale (upheld by the Court of Appeals and the Supreme Court) had long become final. Respondent-Special Administratrix Enderes served a copy of the motion to petitioners Jose Lee and Alma Aggabao as president and secretary, respectively, of Philinterlife,^[11] but petitioners ignored the same.

On July 6, 2000, the intestate court granted the motion for execution, the dispositive portion of which read:

WHEREFORE, premises considered, let a writ of execution issue as follows:

1. Confirming the nullity of the sale of the 2,029 Philinterlife shares in the name of the Estate of Dr. Juvencio Ortañez to Filipino Loan Assistance Group (FLAG);
2. Commanding the President and the Corporate Secretary of Philinterlife to reinstate in the stock and transfer book of Philinterlife the 2,029 Philinterlife shares of stock in the name of the Estate of Dr. Juvencio P. Ortañez as the owner thereof without prejudice to other claims for violation of pre-emptive rights pertaining to the said 2,029 Philinterlife shares;
3. Directing the President and the Corporate Secretary of Philinterlife to issue stock certificates of Philinterlife for 2,029 shares in the name of the Estate of Dr. Juvencio P. Ortañez as the

owner thereof without prejudice to other claims for violations of pre-emptive rights pertaining to the said 2,029 Philinterlife shares and,

4. Confirming that only the Special Administratrix, Ma. Divina Ortañez-Enderes, has the power to exercise all the rights appurtenant to the said shares, including the right to vote and to receive dividends.

5. Directing Philinterlife and/or any other person or persons claiming to represent it or otherwise, to acknowledge and allow the said Special Administratrix to exercise all the aforesaid rights on the said shares and to refrain from resorting to any action which may tend directly or indirectly to impede, obstruct or bar the free exercise thereof under pain of contempt.

6. The President, Corporate Secretary, any responsible officer/s of Philinterlife, or any other person or persons claiming to represent it or otherwise, are hereby directed to comply with this order within three (3) days from receipt hereof under pain of contempt.

7. The Deputy Sheriffs Adenauer Rivera and Pedro Borja are hereby directed to implement the writ of execution with dispatch to forestall any and/or further damage to the Estate.

SO ORDERED.^[12]

In the several occasions that the sheriff went to the office of petitioners to execute the writ of execution, he was barred by the security guard upon petitioners' instructions. Thus, private respondent-Special Administratrix Enderes filed a motion to cite herein petitioners Jose Lee and Alma Aggabao (president and secretary, respectively, of Philinterlife) in contempt.^[13]

Petitioners Lee and Aggabao subsequently filed before the Court of Appeals a petition for certiorari, docketed as CA G.R. SP No. 59736. Petitioners alleged that the intestate court gravely abused its discretion in (1) declaring that the ownership of FLAG over the Philinterlife shares of stock was null and void; (2) ordering the execution of its order declaring such nullity and (3) depriving the petitioners of their right to due process.

On July 26, 2000, the Court of Appeals dismissed the petition outright:

We are constrained to DISMISS OUTRIGHT the present petition for certiorari and prohibition with prayer for a temporary restraining order and/or writ of preliminary injunction in the light of the following considerations:

1. The assailed Order dated August 11, 1997 of the respondent judge had long become final and executory;
2. The certification on non-forum shopping is signed by only