

## **FIRST DIVISION**

**[ A.C. No. 4943, January 26, 2001 ]**

**DIANA D. DE GUZMAN, COMPLAINANT, VS. ATTY. LOURDES I. DE DIOS, RESPONDENT.**

### **R E S O L U T I O N**

**PARDO, J.:**

The case before the Court is a complaint<sup>[1]</sup> for disbarment against Atty. Lourdes I. De Dios on the ground of violation of Canon 15, Rule 15.03 of the code of Professional Responsibility, for representing conflicting interests, and of Article 1491 Civil Code, for acquiring property in litigation.

In 1995, complainant engaged the services of respondent as counsel in order to form a corporation, which would engage in hotel and restaurant business in Olongapo City.

On January 10, 1996, with the assistance of Atty. De Dios, complainant registered Suzuki Beach Hotel, Inc. (SBHI) with the Securities and Exchange Commission.<sup>[2]</sup> Complainant paid on respondent a monthly retainer fee of P5,000.00.

On December 15, 1997, the corporation required complainant to pay her unpaid subscribed shares of stock amounting to two million two hundred and thirty five thousand pesos (P2,235,000.00) or 22,350 shares, on or before December 30, 1997.

On January 29, 1998,<sup>[3]</sup> complainant received notice of the public auction sale of her delinquent shares and a copy of a board resolution dated January 6, 1998 authorizing such sale.<sup>[4]</sup> Complainant soon learned that her shares had been acquired by Ramon del Rosario, one of the incorporators of SBHI. The sale ousted complainant from the corporation completely. While respondent rose to be president of the corporation, complainant lost all her life's savings invested therein.

Complainant alleged that she relied on the advice of Atty. De Dios and believed that as the majority stockholder, Atty. de Dios would help her with the management of the corporation.

Complainant pointed out that respondent appeared as her counsel and signed pleadings in a case where complainant was one of the parties.<sup>[5]</sup> Respondent, however, explained that she only appeared because the property involved belonged to SBHI. Respondent alleged that complainant misunderstood the role of respondent as legal counsel of Suzuki Beach Hotel, Inc. Respondent manifested that her appearance as counsel for complainant Diana de Guzman was to protect the rights and interest of SBHI since the latter was real owner of the land in controversy.

Respondent further said that the land on which the resort was established belonged to the Japanese incorporators, not to complainant. The relationship of the complainant and the Japanese investors turned sour because complainant misappropriated the funds and property of the corporation. To save the corporation from bankruptcy, respondent advised all concerned stockholders that it was proper to call for the payment of unpaid subscriptions and subsequent sale of the delinquent shares. These lead to the auction of the unpaid shares of complainant and hence, the ouster of complainant from the corporation.

Meantime, Mr. Del Rosario transferred one hundred (100) shares to respondent in payment of legal services as evidenced by a Deed of Waiver and Transfer of corporate Shares of Stock.

On October 22, 1999, the Integrated Bar of the Philippines issued a resolution<sup>[6]</sup> finding that the acts of respondent were not motivated by ill will as she acts in the best interest of her client, SBHI. The IBP found that complainant failed to present convincing proof of her attorney-client relationship with respondent other than the pleadings respondent filed in the trial court where complainant was one of the parties.

We disagree.

We find merit in the complaint. There are certain facts presented before us that created doubt on the propriety of the declaration of delinquent shares and subsequent sale of complainant's entire subscription. Complainant subscribed to 29,800 shares equivalent to two million nine hundred and eighty thousand pesos (P2,980,000.00). She was the majority stockholder. Out of the subscribed shares, she paid up seven hundred forty-five thousand pesos (P745,000.00) during the stage of incorporation.

How complainant got ousted from the corporation considering the amount she had invested in it is beyond us. Granting that the sale of her delinquent shares was valid, what happened to her original shares? This, at least, should have been explained.

Respondent claims that there was no attorney-client relationship between her and complainant. The claim has no merit. It was complainant who retained respondent to form a corporation. She appeared as counsel in behalf of complainant.

There was evidence of collusion between the board of directors and respondent. Indeed, the board of directors now included respondent as the president, Ramon del Rosario as secretary, Hikoi Suzuki as chairman, Agnes Rodriguez as treasurer and Takayuki Sato as director.<sup>[7]</sup> The present situation shows a clear case of conflict of interest of the respondent.

Lawyers must conduct themselves, especially in their dealings with their clients and the public at large, with honesty and integrity in a manner beyond reproach.<sup>[8]</sup>

We said: