

THIRD DIVISION

[G.R. No. 104720, April 04, 2001]

PILIPINAS LOAN COMPANY, INC., PETITIONER, VS. HON. SECURITIES AND EXCHANGE COMMISSION AND FILIPINAS PAWNSHOP, INC.,^[1] RESPONDENTS.

DECISION

GONZAGA-REYES, J.:

Before us is a petition for review on certiorari under Rule 45 of the Rules of Court of the Decision^[2] of the Court of Appeals in CA-G.R. SP No. 25782 entitled "Pilipinas Loan Company, Inc. vs. Honorable Securities and Exchange Commission and Filipinas Pawnshop, Inc." dated October 31, 1991 and Resolution dated March 19, 1992 which denied the motion for reconsideration of herein petitioner Pilipinas Loan Company, Inc. (petitioner).

Private respondent Filipinas Pawnshop, Inc. (private respondent) is a duly organized corporation registered with the Securities and Exchange Commission (SEC) on February 9, 1959 with its principal place of business located along Pedro Gil St Paco, Metro Manila. The articles of incorporation of private respondent states that its primary purpose is to extend loans at legal interest on the security of either personal properties or on the security of real properties, and to finance installment sales of motor vehicles, home appliances and other chattels.

Petitioner is a lending corporation duly registered with the SEC on July 27, 1989 with some of its places of business located along Pedro Gil, Sta. Ana, Manila and Onyx St., cor. Augusto Francisco St., San Andres, Paco, Manila. Based on its articles of incorporation, the primary purpose of petitioner is:

"To act as a lending investor or, otherwise, to engage in the practice of lending money or extending loans on the security of real or personal, tangible or intangible properties whether as pledge, real or chattel mortgage or otherwise, xxx without however, engaging in pawnbroking as defined under PD 114."

On September 11, 1990, private respondent filed a complaint against petitioner with the Prosecution and Enforcement Department (PED) of the SEC docketed as PED CASE No. 90-0737. The complaint alleged that: (1) petitioner, contrary to the restriction set by the Commission, has been operating and doing business as a pawnbroker, pawnshop or "sanglaan" in the same neighborhood where private respondent has had its own pawnshop for 30 years in violation of its primary purpose and without the imprimatur of the Central Bank to engage in the pawnshop business thereby causing unjust and unfair competition with private respondent; and (2) the business name of petitioner, "PILIPINAS" Loan, bears similarity in spelling and phonetics with the corporate name of private respondent, "FILIPINAS"

Pawnshop, creating constant confusion in the minds of the public and the customers of private respondent. In the same complaint, private respondent urged the SEC to: (1) order petitioner to change its business name, Pilipinas Loan, and cease from using it in the near future; (2) order Pilipinas Loan to cease and desist from engaging in the business of pawnbroking as defined under PD No. 114; and (3) impose upon the director, officers, employees or persons responsible such penalties as may be proper under the law.

On October 18, 1990, petitioner filed its Comment/Answer questioning the power of the SEC to take cognizance of the complaint involving (1) a supposed violation of the Pawnshop Regulations Act which is more properly within the jurisdiction of the Central Bank; and (2) the determination of whether a corporate name is confusingly similar to another which is within the jurisdiction of the regular courts. Petitioner denied that it is engaged in the pawnshop business, alleging that it is a lending investor duly registered with the Central Bank.

On October 18, 1991, private respondent filed its reply to the Comment/Answer.

On April 8, 1991, the PED of the SEC issued an Order directing petitioner to amend its articles of incorporation by changing the word "Pilipinas" in its corporate name, and to cease and desist from further engaging in the business of pawnshop or "sanglaan".

On August 13, 1991, the SEC *en banc* rendered a Decision affirming with modification the aforementioned Order. The Decision ordered petitioner to (1) amend its articles of incorporation by deleting the word "pledge" in its primary purpose and the word "Pilipinas" as part of its corporate name and substituting another word in lieu thereof within fifteen (15) days from receipt of the decision; and (2) to cease and desist from further engaging in business as a "pawnshop" or "pawnbroker" or "sanglaan" as defined in Presidential Decree No. 114, otherwise known as the Pawnshop Regulation Act, until the proper license shall have been secured from the Central Bank of the Philippines.

Aggrieved, petitioner filed a petition for review before the Court of Appeals docketed as CA G.R. SP No. 25782.

On October 31, 1991 the Court of Appeals rendered a Decision affirming with modification the decision of the SEC. The dispositive portion of the now assailed decision reads:

"WHEREFORE, premises considered, the decision appealed from is hereby modified, setting aside that portion ordering petitioner to amend its articles of incorporation by deleting the word "pledge" in its primary purposes and the word "Pilipinas" as part of its corporate name. However, petitioner Pilipinas Loan Co., Inc., its directors, officers agents or other persons acting in its behalf are forthwith ordered to CEASE AND DESIST from further engaging in business as a pawnshop or "pawnbroker" or "sanglaan" as defined in Presidential Decree No. 114, otherwise known as the Pawnshop Regulation Act until the proper license shall have been secured from the Central Bank of the Philippines. In all other respects, the decision is affirmed."^[3]

On March 19, 1992, the Court of Appeals issued a Resolution denying the motion for reconsideration filed by petitioner.

Hence, this petition for review anchored on these grounds:

- "1. Respondent Court of Appeals gravely erred in not holding that the determination by the Central Bank of alleged violation of PD No. 114 is a condition precedent to the exercise by respondent Securities and Exchange Commission of its regulatory power over petitioner.
2. Respondent Court of Appeals gravely erred in not ruling that the finding by respondent SEC is not supported by substantial evidence and that petitioner was denied of its right to due process.
3. Respondent Court of Appeals erred in holding that the activities of petitioner constitute pawnbroking."^[4]

While petitioner concedes that the SEC has jurisdiction to determine whether the condition or restriction in the articles of incorporation of a corporation has been violated, petitioner disputes the authority of the SEC to determine whether a registered entity is violating PD 114. Petitioner maintains that PD 114 vests this authority solely in the Central Bank.

In upholding the jurisdiction of the SEC, the Court of Appeals ruled that there is nothing in PD 114 that grants exclusively to the Central Bank the authority to determine if there has been a violation of said decree. Petitioner insists that this interpretation is erroneous on the ground that it runs counter to the time-honored maxim of *expressio unius est exclusio alterius*. The express and specific mention of the Central Bank in PD 114 allegedly implies the exclusion of other governmental agencies from making a determination of violations of the provisions of said decree. In support of its argument, petitioner cites Section 17 of PD 114 that provides:

"Section 17. Grant of authority to the Central Bank. The Central Bank is hereby authorized (a) to issue rules and regulations to implement the provisions contained therein; (b) to require from pawnshops reports of condition and such other reports necessary to determine compliance with the provisions of this Decree; (c) to exercise visitorial powers whenever deemed necessary; (d) to impose such administrative sanctions including the imposition of fines for violations of this Decree and regulations issued by the Central Bank in pursuance thereto."

Petitioner points out that in the enforcement of PD 114, the Central Bank is possessed with investigatory or inquisitorial powers which include the power to inspect, or to secure, or to require the disclosure of information by means of accounts, records, reports, statements, testimony of witnesses, production of documents, etc. Allegedly, it is only after the Central Bank has made a determination of whether petitioner is engaged in pawnbroking that the SEC can exercise its regulatory powers over petitioner. Petitioner thus insists that the jurisdiction of the SEC is limited to matters intrinsically connected with the regulation of corporations, partnerships and associations and those dealing with the internal affairs of such entities. The SEC allegedly cannot arrogate unto itself the power to look into violations of PD 114 when such power rests solely with the Central Bank.

The petition is without merit.

Petitioner conjures a supposed conflict of jurisdiction between the Central Bank and the SEC by insisting that it is only the Central Bank that has jurisdiction over violations of PD 114. The argument is misplaced. Basic is the rule that it is the allegations in the complaint that vests jurisdiction.^[5] A case in point is *Philippine Woman's Christian Temperance Union, Inc. vs. Abiertas House of Friendship, Inc.*^[6] wherein we held that when the thrust of a complaint is on the *ultra vires* act of a corporation, that is the complained act of a corporation is contrary to its declared corporate purposes, the SEC has jurisdiction to entertain the complaint before it.

It must be recalled that the complaint of private respondent alleged that the articles of incorporation of petitioner contained this prohibition: "without, however, engaging in pawnbroking as defined in PD 114" and despite this restriction, petitioner allegedly continued to actually operate and do business as a pawnshop. The complaint thus treats of a violation of petitioner's primary franchise. Section 5 of PD 114, the same law invoked by petitioner, mandates that a corporation desiring to engage in the pawnshop business must first register with the SEC. Without question, the complaint filed by private respondent against petitioner called upon the SEC to exercise its adjudicatory and supervisory powers. By law, the SEC has absolute jurisdiction, supervision and control over all corporations that are enfranchised to act as corporate entities.^[7] A violation by a corporation of its franchise is properly within the jurisdiction of the SEC.

A corporation, under the Corporation Code, has only such powers as are expressly granted to it by law and by its articles of incorporation,^[8] those which may be incidental to such conferred powers, those reasonably necessary to accomplish its purposes and those which may be incident to its existence.^[9] In the case at bar, the limit of the powers of petitioner as a corporation is very clear, it is categorically prohibited from "engaging in pawnbroking as defined under PD 114". Hence, in determining what constitutes pawnbrokerage, the relevant law to consider is PD 114. This reference to PD 114 is also in line with Article 2123 of the Civil Code that states that:

"Art. 2123. With regard to pawnshops and other establishments, which are engaged in making loans secured by pledges, the special laws and regulations concerning them shall be observed, and subsidiarily, the provisions of this Title."

Indispensable therefore to the determination of whether or not petitioner had violated its articles of incorporation, was an inquiry by the SEC if petitioner was holding out itself to the public as a pawnshop. It must be stressed that the determination of whether petitioner violated PD 114 was merely incidental to the regulatory powers of the SEC, to see to it that a corporation does not go beyond the powers granted to it by its articles of incorporation.

Jurisprudence has laid down the principle that it is the certificate of incorporation that gives juridical personality to a corporation and places it within SEC jurisdiction.^[10] The case of *Orosa, Jr. vs. Court of Appeals*^[11] teaches that this jurisdiction of the SEC is not affected even if the authority to operate a certain specialized activity