



Republic of the Philippines  
Supreme Court  
Manila

THIRD DIVISION

ALVIN CLARK Y. TENG,  
*Petitioner,*

G.R. No. 277015

Present:

CAGUIOA, J., *Chairperson,*  
INTING,  
GAERLAN,  
DIMAAMPAO, and  
SINGH,\* *JJ.*

- versus -

PEARLY Y. TENG, ALBERT Y.  
TENG, PAUL T. TENG, and  
CHERYL ANN T. HAO, as  
members of the Board of Directors  
of MABUHAY EDUCATIONAL  
CENTER, INC.,

*Respondents.*

Promulgated:

FEB 17 2025

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D E C I S I O N

INTING, J.:

This resolves the Petition for Review (Under Rule 45, Rules of Court)<sup>1</sup> filed by Alvin Clark Y. Teng (Alvin) assailing the Decision<sup>2</sup> dated February 26, 2024, and the Resolution<sup>3</sup> dated October 21, 2024, of the

\* On leave.

<sup>1</sup> *Rollo*, pp. 11–26.

<sup>2</sup> *Id.* at 32–57. Penned by Associate Justice Alfredo D. Ampuan and concurred in by Associate Justices Zenaida T. Galapate-Laguilles and Eleuterio L. Bathán of the Thirteenth Division, Court of Appeals, Manila.

<sup>3</sup> *Id.* at 29–30. Penned by Associate Justice Eleuterio L. Bathán and concurred in by Associate Justices Zenaida T. Galapate-Laguilles and Marie Christine Azcarraga Jacob of the Special Former Thirteenth Division, Court of Appeals, Manila.

Court of Appeals (CA) in CA-G.R. SP No. 175036, with prayer for issuance of Permanent Injunction (PI). The CA dismissed Alvin's petition for review under Rule 42 of the Rules of Court and affirmed *in toto* the Decision<sup>4</sup> dated August 15, 2022, of Branch 93, Regional Trial Court (RTC), Quezon City in Civil Case No. R-QZN-18-04068-CV.

### *The Antecedents*

The case stemmed from an action involving an intra-corporate dispute with claims for damages and prayer for the issuance of a Temporary Restraining Order (TRO) and preliminary injunction (PI) filed by Alvin on April 13, 2018, seeking to enjoin Pearly Y. Teng (Pearly), Albert Y. Teng (Albert), Paul T. Teng (Paul), Cheryl Ann T. Hao (Cheryl) (collectively, respondents) from (i) terminating the business operations of Mabuhay Educational Center, Inc. (MECI); (ii) further conducting any board meeting; and (iii) from selling MECI's property located at No. 3 Agno Street, Barangay Doña Josefa, Quezon City (subject property).<sup>5</sup> The subject property consisted of a 1,400-square-meter (sq.m.) lot with an eight-story building.<sup>6</sup>

Alvin alleged as follows: (1) from 2002 to 2017, he was part of MECI's Board of Directors (BOD), served as its corporate secretary, and managed its daily operations; (2) on December 20, 2017, respondents held a stockholders' meeting and elected themselves as officers/members of MECI's BOD; (3) respondents only elected *four* directors despite his act of nominating his mother Elena Y. Teng (Elena) to be one of the directors and contrary to Article 1 of MECI's By-Laws which states that MECI's BOD should be comprised of *five* directors; (4) in the same stockholders' meeting, Paul, Cheryl, and Pearly, were respectively elected as the president, corporate secretary, and treasurer of MECI's BOD; (5) subsequently, respondents held another meeting to remove Alvin as the signatory to MECI's bank account; (6) on April 11, 2018, Alvin received a notice dated April 2, 2018, from Cheryl regarding the stockholders' meeting scheduled on April 16, 2018, or less than the 10-day notice required by MECI's By-laws; (7) one of the items indicated in the notice was MECI's closure and the sale of the subject property, which came as a surprise to Alvin, taking into consideration the substantial income from

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<sup>4</sup> *Id.* at 58–76. Penned by Acting Presiding Judge Evangeline C. Cabochan-Santos.

<sup>5</sup> *Id.* at 33.

<sup>6</sup> *Id.* at 35.



MECI's business operations and the absence of imminent reason for its closure.<sup>7</sup>

Alvin's allegations of fraudulent schemes on the part of respondents were anchored on the following grounds: (1) respondents surreptitiously removed him as corporate secretary; (2) respondents gradually terminated MECI's business operations in preparation for its closure and sale of its assets; and (3) respondents negotiated in bad faith with him relative to the distribution of MECI's income and assets.<sup>8</sup> In support of his prayer for TRO and PI, he alleged that the material and substantial invasion of his rights would result in grave and irreparable damage on his part.<sup>9</sup>

Respondents refuted Alvin's allegations that he was unjustly removed as corporate secretary and as the authorized signatory of MECI's bank account. They further countered that all the involved parties were engaged in discussions and exchanges of proposals relative to their lack of interest in continuing MECI's business operations and their plan to liquidate its assets for pro-rata distribution in accordance with their respective shareholdings.<sup>10</sup>

For their counterstatement of facts, respondents posited, among other things, that (1) MECI was a family corporation founded by Custodios J. Teng (Custodios), Sofronio J. Teng (Sofronio), and Patricio J. Teng (Patricio); (2) Custodios, Sofronio and Patricio, each owned 30% of MECI's shares, while they and Alvin each owned 2%; (3) on August 17, 2017, when Custodios was 83 years old and sickly, Alvin invited Paul, Pearly, and Cheryl, to an informal meeting where he unilaterally declared himself as the president and chief executive officer of MECI, removed them from their positions as account managers and finance manager, and ordered Cheryl to pre-sign several checks in blank to be drawn from MECI's China Bank Account; (4) they temporarily agreed to Alvin's demands to ensure the continuation of MECI and the satisfaction of its obligations to its employees, contractors, and clients; (5) on October 8, 2017, or one month after Custodios' death, Alvin offered to buy their shares as well as Sofronio and Patricio's shareholdings; (6) Alvin also offered to buy the subject property at the price of PHP 20,000.00 per sq.m., payable over 11 to 15 years without interest; (7) Sofronio, Patricio, and

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<sup>7</sup> *Id.* at 33-34.

<sup>8</sup> *Id.* at 69.

<sup>9</sup> *Id.* at 34.

<sup>10</sup> *Id.*



respondents rejected Alvin's offers as grossly inadequate considering that the current market value of the lot alone was estimated at PHP 140,000.00 per sq.m.; (8) on December 20, 2017, a special stockholders' and organizational meeting was called and held to elect new directors and officers; (9) in January 2018, Paul asked Alvin to turn over all documents, papers, and records pertaining to MECI's operations, finances, and assets, but Alvin denied having them in his possession; and (10) Alvin asked Albert, his brother, to sign an Affidavit of Waiver of Rights which Albert tore up in disgust.<sup>11</sup>

Thereafter, Alvin failed to attend the meetings set by respondents on January 12 and 17, 2018, and on March 1, 2018, which were held to appoint Sofronio as a director of MECI. On March 2, 2018, Alvin filed a General Information Sheet (GIS) with the Securities and Exchange Commission to reflect the purported transfer of shares made by Sofronio and Patricio in favor of Custodios on March 10, 2017, through a Deed of Assignment supposedly notarized by Atty. Michael Darwin M. Bayotas (Atty. Bayotas). Upon verification with the Office of the Clerk of Court of the RTC Quezon City, respondents discovered that the notarization on the purported Deed of Assignment was spurious considering that in Doc. No. 131, Page 28, Book No. VII, series of 2017, Atty. Bayotas' notarial register referred to a Memorandum of Agreement, not the purported Deed of Assignment. Thus, Cheryl filed another GIS on March 5, 2018, to reflect their actual shareholdings based on the December 20, 2017, special stockholders' meeting and organizational meeting and the March 1, 2018, special stockholders' meeting. On March 8, 2018, Sofronio and Patricio signed a Joint Affidavit denying the alleged transfer of their respective 30% shares to Custodios. On April 16, 2018, an annual stockholders' meeting was held where respondents and Sofronio were re-elected as directors.<sup>12</sup>

### *The Ruling of the RTC*

In the Decision<sup>13</sup> dated August 15, 2022, the RTC dismissed both Alvin's action and respondents' counterclaim. The dispositive portion reads:

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<sup>11</sup> *Id.* at 34–35.

<sup>12</sup> *Id.* at 35–37.

<sup>13</sup> *Id.* at 58–76. Penned by Acting Presiding Judge Evangeline C. Cabochan-Santos.



WHEREFORE, in view of the foregoing, the case is hereby DISMISSED for lack of merit.

The counterclaim of the defendants is likewise DISMISSED.

SO ORDERED.<sup>14</sup>

The RTC found that Alvin's factual allegations did not support his claims of fraudulent schemes by respondents. According to the RTC, mere allegations of a sudden plan to close the company and Alvin's expulsion from MECI's BOD are not considered ultimate facts but mere assertions that these were in violation of the law.<sup>15</sup> Assuming *arguendo* that the Complaint is sufficient in form and substance, the RTC held that the evidence presented by Alvin failed to prove his allegations of fraud.<sup>16</sup> The RTC declared:

*First*, Alvin waived his right to question the validity of the December 20, 2017, special stockholders' and organizational meeting based on his own admission that he participated in the actions taken during that meeting.<sup>17</sup>

*Second*, MECI's By-Laws do not prohibit the election of fewer than five directors.<sup>18</sup>

*Third*, Alvin's receipt of the notice of the April 16, 2018, annual stockholders' meeting less than 10 days prior cannot be considered a fraudulent scheme because the Corporation Code and MECI's By-Laws only address the mailing or sending of the notice, not the stockholder's receipt of it.<sup>19</sup>

*Fourth*, respondents had the discretion to reject Alvin's offers, a matter outside the court's purview.<sup>20</sup>

*Finally*, the Corporation Code permits the closure of a corporation and the sale of its assets provided the sale is approved by a majority vote

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<sup>14</sup> *Id.* at 76.

<sup>15</sup> *Id.* at 67.

<sup>16</sup> *Id.* at 68.

<sup>17</sup> *Id.* at 70.

<sup>18</sup> *Id.* at 71.

<sup>19</sup> *Id.* at 72.

<sup>20</sup> *Id.* at 73-74.



of the BOD and ratified in a meeting by the stockholders representing at least 2/3 of the outstanding capital stock. Under the business judgment rule, questions of policy and management are solely within the discretion of a corporation's officers and directors; thus, the court lacks the authority to substitute its judgment for that of the BOD.<sup>21</sup>

Unconvinced, Alvin filed a petition for review with the CA.

*The Ruling of the CA*

In the assailed Decision, the CA affirmed the RTC's decision *in toto*. It agreed with the RTC's findings that Alvin failed to adduce clear and convincing evidence to support his allegations of fraud<sup>22</sup> and that he is estopped from questioning the validity of the December 20, 2017, special stockholders' and organizational meetings, notwithstanding the lack of a prior written notice, given his active participation in the actions taken at the meeting, including nominating his mother for a director position.<sup>23</sup>

The CA further ruled that the December 20, 2017 stockholders' and organizational meetings constituted an *ultra vires* act. Thus, the meeting was not void, but merely voidable, and was effectively ratified by the subsequent holding of the March 1, 2018, special board meeting, during which, the vacancy was filled by appointing Sofronio as the fifth director.<sup>24</sup>

Finally, the CA ruled that the elections of respondents and Sofronio as directors, the appointment of respondents as officers, respondents' decision not to cast votes in Alvin's favor resulting in his failure to secure a position, and respondents' decision to cease MECI's business operations, were all valid acts, the legality of which are rooted on the inherent powers vested upon them by the Corporation Code. Finding the main case to be without merit, the CA consequently denied Alvin's prayer for a permanent injunction.<sup>25</sup>

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<sup>21</sup> *Id.*

<sup>22</sup> *Id.* at 44–45.

<sup>23</sup> *Id.* at 47–49.

<sup>24</sup> *Id.* at 51–52.

<sup>25</sup> *Id.* at 56–57.

Still unconvinced, Alvin moved for the reconsideration of the assailed Decision, but the CA denied his motion in the Resolution<sup>26</sup> dated October 21, 2024.

Hence, the instant Petition.

### *Alvin's Arguments*

Alvin maintains that fraud was evident in the power grab that occurred on December 20, 2017, which was purportedly a family gathering that suddenly became a special stockholders' meeting, resulting in the election of respondents. He emphasizes that it was established that no notices were sent to the stockholders notifying them of the meeting or its supposed agenda.<sup>27</sup> According to Alvin, the CA erred in applying Section 50<sup>28</sup> of the Corporation Code given that MECI's By-Laws<sup>29</sup> expressly state that waiver of such notice may be made only in writing.<sup>30</sup>

Alvin further argues that the CA erred in ruling that the special stockholders' and organizational meetings that occurred on December 20, 2017, was ratified on March 1, 2018, considering that the latter was a special board meeting, not a stockholders' meeting. He contends that decisions made by stockholders at a stockholders' meeting can only be ratified by the stockholders themselves at a subsequent meeting.<sup>31</sup>

Finally, Alvin maintains that the dissolution of MECI or its cessation of business should have been preceded by: (1) a majority vote of the board of directors; (2) a resolution duly adopted by the affirmative vote of stockholders owning at least two-thirds of the outstanding capital stock; and (3) publication of the notice of the time, place, and object of

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<sup>26</sup> *Id.* at 29–30.

<sup>27</sup> *Id.* at 18–19.

<sup>28</sup> Section 50. Regular and special meetings of stockholders or members. - . . . .

Special meetings of stockholders or members shall be held at any time deemed necessary or as provided in the by-laws: Provided, however, That at least one (1) week written notice shall be sent to all stockholders or members, unless otherwise provided in the by-laws.

*Notice of any meeting may be waived, expressly or impliedly, by any stockholder or member. . . .*

<sup>29</sup> *Rollo*, p. 80.

ARTICLE III - STOCKHOLDERS' MEETING

. . . .

6. NOTICE – WRITTEN NOTICE OF THE ANNUAL AND SPECIAL MEETINGS OF THE STOCKHOLDERS SHALL BE SEN[T] TO EACH REGISTERED STOCKHODLER AT LEASE TEN (10) DAYS PRIOR TO THE DATE OF SUCH MEETING, WAIVER OF SUCH NOTICE MAY BE MADE ONLY IN WRITING.

<sup>30</sup> *Id.* at 20.

<sup>31</sup> *Id.* at 21–22.

the meeting for three consecutive weeks, pursuant to Section 118<sup>32</sup> of the Corporation Code. Thus, Alvin concludes that he is entitled to a writ of injunction because he did not receive notice of the dissolution, or even a courtesy call.<sup>33</sup>

### *The Issues*

1. Whether the CA erred in ruling that the December 20, 2017, special stockholders' and organizational meeting was ratified at the March 1, 2018 special board meeting.
2. Whether the CA erred in ruling that Alvin's allegations of fraud were not supported by clear and convincing evidence; and
3. Whether the CA erred in denying Alvin's prayer for a permanent injunction.

### *The Ruling of the Court*

Preliminarily, the Court notes that the inter-corporate case was filed on April 13, 2018. Therefore, the governing law in the case is Batas Pambansa Bilang 68,<sup>34</sup> otherwise known as the Corporation Code of the Philippines (Old Corporation Code).

After a careful review, the Court resolves to deny the Petition for lack of merit.

Here, Alvin accuses respondents of employing fraudulent schemes that resulted in grave and irreparable damage to him. It is settled law,

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<sup>32</sup> Section 118. Voluntary dissolution where no creditors are affected. – If dissolution of a corporation does not prejudice the rights of any creditor having a claim against it, the dissolution may be effected by majority vote of the board of directors or trustees, and by a resolution duly adopted by the affirmative vote of the stockholders owning at least two-thirds (2/3) of the outstanding capital stock or of at least two-thirds (2/3) of the members of a meeting to be held upon call of the directors or trustees after publication of the notice of time, place and object of the meeting for three (3) consecutive weeks in a newspaper published in the place where the principal office of said corporation is located; and if no newspaper is published in such place, then in a newspaper of general circulation in the Philippines, after sending such notice to each stockholder or member either by registered mail or by personal delivery at least thirty (30) days prior to said meeting. A copy of the resolution authorizing the dissolution shall be certified by a majority of the board of directors or trustees and countersigned by the secretary of the corporation. The Securities and Exchange Commission shall thereupon issue the certificate of dissolution.

<sup>33</sup> *Rollo*, pp. 23–24.

<sup>34</sup> Approved on May 1, 1980.



however, that fraud is never presumed and must be established by clear and convincing evidence.<sup>35</sup> “Fraud refers to all kinds of deception—whether through insidious machination, manipulation, concealment or misrepresentation—that would lead an ordinarily prudent person into error after taking the circumstances into account.”<sup>36</sup>

As aptly ruled by the courts below, Alvin’s allegations of fraud against respondents were not supported by the required factual allegations. The actions allegedly committed by respondents, even if true, do not constitute fraud. The removal of a director or a corporate officer, the cessation of operations, and the sale of corporate property, are all permitted under the Corporation Code, provided the statutory voting requirements are met. As for the election of Cheryl as corporate secretary in place of Alvin, this action by respondents does not constitute a fraudulent scheme because Article III of MECI’s By-laws expressly states that the corporate secretary “shall serve at the pleasure of the board of directors.”<sup>37</sup> Consequently, Alvin’s removal as corporate secretary by respondents, acting as MECI’s BOD, was in accordance with MECI’s By-laws.

It is also worth noting that respondents, together with Sofronio and Patricio who voted in their favor, owns 68% of MECI’s shares, while Alvin owns only 2%. The Court finds that respondents had no motive to employ fraudulent schemes to elect themselves as directors and officers of MECI, considering that Alvin’s 2% shares were minuscule compared to the total shares held by the remaining stockholders, who voted respondents as directors MECI.

Furthermore, only five individuals were nominated during the December 20, 2017, special stockholders’ and organization meeting: the four respondents and Elena, who was nominated by Alvin. Notably, Alvin did not even nominate himself.<sup>38</sup> Thus, the Court cannot ascribe bad faith, much less fraud, on respondents simply because Alvin was not re-elected as director. More, Elena was not qualified to be elected as director under Section 23<sup>39</sup> of the Old Corporation Code because she was not a

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<sup>35</sup> *Maestrado v. Court of Appeals*, 384 Phil. 418, 435 (2000).

<sup>36</sup> *Solidbank Corporation v. Mindanao Ferroalloy Corporation*, 502 Phil. 651, 669 (2005).

<sup>37</sup> *Rollo*, p. 80.

<sup>38</sup> *Id.* at 72.

<sup>39</sup> Section 23. *The board of directors or trustees.* — . . . .

Every director must own at least one (1) share of the capital stock of the corporation of which he is a director, which share shall stand in his name on the books of the corporation. Any director who ceases to be the owner of at least one (1) share of the capital stock of the corporation of which he is a director shall thereby cease to be a director. Trustees of non-stock corporations must be members thereof. A majority of the directors or trustees of all corporations organized under this Code must be residents of the Philippines.

stockholder.<sup>40</sup> Thus, the election of just four directors at that meeting was justified. Finally, the RTC correctly ruled that MECI's By-laws do not prohibit the election of fewer than five directors.

Anent the CA's ruling that the December 20, 2017, stockholders' and organizational meeting was subsequently ratified at the March 1, 2018, board meeting, Alvin correctly points out that MECI's BOD could not ratify their election in a board meeting, as the power to elect members of the BOD belongs to the stockholders under Section 24<sup>41</sup> of the Old Corporation Code. Regardless, any defect in respondents' election as directors, and subsequently, as officers of MECI, has been rendered moot by the holding of MECI's annual stockholders' meeting on April 16, 2018, where respondents and Sofronio were re-elected as directors of MECI.

Further, Alvin's action to nullify the December 20, 2017, stockholders' and organizational meeting constitutes an election contest and is therefore subject to the 15-day prescriptive period under Rule 6, Section 3<sup>42</sup> of the Interim Rules of Procedure Governing Intra-Corporate Controversies under Republic Act No. 8799.<sup>43</sup> Consequently, Alvin is barred from questioning the election of respondents as directors and officers of MECI on December 20, 2017, as his action was filed only on April 13, 2018—well beyond the 15-day period provided by the rules.

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<sup>40</sup> . . . .  
*Rollo*, p. 72.

<sup>41</sup> Section 24. *Election of directors or trustees.* – At all elections of directors or trustees, there must be present, either in person or by representative authorized to act by written proxy, the owners of a majority of the outstanding capital stock, or if there be no capital stock, a majority of the members entitled to vote. The election must be by ballot if requested by any voting stockholder or member. In stock corporations, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed in the by-laws, in his own name on the stock books of the corporation, or where the by-laws are silent, at the time of the election; and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit: Provided, That the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected: Provided, however, That no delinquent stock shall be voted. Unless otherwise provided in the articles of incorporation or in the by-laws, members of corporations which have no capital stock may cast as many votes as there are trustees to be elected but may not cast more than one vote for one candidate. Candidates receiving the highest number of votes shall be declared elected. Any meeting of the stockholders or members called for an election may adjourn from day to day or from time to time but not sine die or indefinitely if, for any reason, no election is held, or if there are not present or represented by proxy, at the meeting, the owners of a majority of the outstanding capital stock, or if there be no capital stock, a majority of the members entitled to vote.

<sup>42</sup> SEC. 3. Complaint. – In addition to the requirements in section 4, Rule 2 of these Rules, the complaint in an election contest must state the following:  
The case was filed within fifteen (15) days from the date of the election if the by-laws of the corporation do not provide for a procedure for resolution of the controversy, or within fifteen (15) days from the resolution of the controversy by the corporation as provided in its by-laws[.]

<sup>43</sup> A.M. No. 01-2-04-SC, approved on March 13, 2001.

Thus, the lack of prior notice of meeting is of no moment, as Alvin's action to contest respondents' election was already time-barred.

Finally, Alvin's reliance on Section 118 of the Corporation Code demonstrates his fundamental misunderstanding as to the legal distinction between *dissolution* of a corporation and *cessation of business operations*.

Corporate dissolution, on the one hand, terminates the corporation's juridical personality.<sup>44</sup> The closure or cessation of business operations, on the other hand, refers to the complete or partial cessation of the operations and/or shutdown of the establishment, carried out either to prevent financial ruin or to promote the business interest of the entity.<sup>45</sup> The mere cessation of business operations does not equate to corporate dissolution; an entity can stop doing business and yet retain its legal personality until it is dissolved according to law. The cessation of business operations is a management decision that falls under the purview of the board of directors, pursuant to Section 23,<sup>46</sup> paragraph 1 of the Old Corporation Code, unless otherwise provided in the articles of incorporation or the by-laws. Corporate dissolution, however, requires the affirmative vote of stockholders owning at least two-thirds of the outstanding capital stock and must strictly adhere to the requirements set forth in Title XIV of the Old Corporation Code.

Before the Court can rule on respondents' alleged non-compliance with Section 118 of the Old Corporation Code, Alvin must first prove that respondents actually dissolved MECI's corporate existence. A thorough examination of the record<sup>47</sup> demonstrates that Alvin has not adduced sufficient evidence to prove the alleged dissolution. Instead, the records reveal that respondents merely ceased MECI's operations on September 30, 2018, as a consequence of the intra-corporate controversy between the parties.<sup>48</sup> As directors of MECI, respondents had the discretion to terminate its operations, even without the stockholders' approval, given that neither the Old Corporation Code nor MECI's By-Laws requires stockholders' approval for the cessation of its business operations.

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<sup>44</sup> *Dr. Rich v. Paloma*, 827 Phil. 398, 408 (2018).

<sup>45</sup> *Manila Polo Club Employees' Union (MPCEU) FUR-TUCP v. Manila Polo Club, Inc.*, 715 Phil. 18, 25 (2013).

<sup>46</sup> Section 23. The board of directors or trustees. – Unless otherwise provided in this Code, the corporate powers of all corporations formed under this Code shall be exercised, all business conducted and all property of such corporations controlled and held by the board of directors or trustees to be elected from among the holders of stocks, or where there is no stock, from among the members of the corporation, who shall hold office for one (1) year until their successors are elected and qualified.

<sup>47</sup> *Rollo*, p. 62.

<sup>48</sup> *Id.* at 73.

From the foregoing, the courts *a quo* aptly denied Alvin's prayer for a writ of injunction, as the decision regarding the cessation of MECI's operations falls within the business judgment of MECI's BOD given the circumstances.<sup>49</sup>

In *Ong Yong v. Tiu*,<sup>50</sup> the Court ruled that it could not intervene or order corporate structural changes not voluntarily agreed upon by its stockholders and directors:

[I]t is an improper judicial intrusion into the internal affairs of the corporation to compel FLADC to file at the SEC a petition for the issuance of a certificate of decrease of stock. Decreasing a corporation's authorized capital stock is an amendment of the Articles of Incorporation. It is a decision that only the stockholders and the directors can make, considering that they are the contracting parties thereto. In this case, the Tius are actually not just asking for a review of the legality and fairness of a corporate decision. They want this Court to make a corporate decision for FLADC. We decline to intervene and order corporate structural changes not voluntarily agreed upon by its stockholders and directors.

Truth to tell, a judicial order to decrease capital stock without the assent of FLADC's directors and stockholders is a violation of the "business judgment rule" which states that:

. . . (C)ontracts intra vires entered into by the board of directors are binding upon the corporation and courts will not interfere unless such contracts are so unconscionable and oppressive as to amount to wanton destruction to the rights of the minority, as when plaintiffs aver that the defendants (members of the board), have concluded a transaction among themselves as will result in serious injury to the plaintiffs stockholders.

The reason behind the rule is aptly explained by Dean Cesar L. Villanueva, an esteemed author in corporate law, thus:

Courts and other tribunals are wont to override the business judgment of the board mainly because, courts are not in the business of business, and the *laissez faire* rule or the free enterprise system prevailing in our social and economic set-up dictates that it is better for the State and its organs to leave business to the businessmen; especially so, when courts are ill-equipped to make business decisions.

<sup>49</sup> The RTC found that because of Alvin's assertion of becoming the majority shareholder before China Bank, the latter froze MECI's bank account and as a result, respondents encountered problems with the flow of funds. *Id.*

<sup>50</sup> 448 Phil. 860 (2003).

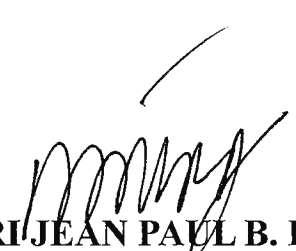
More importantly, the social contract in the corporate family to decide the course of the corporate business has been vested in the board and not with courts.<sup>51</sup> (Citations omitted)

Similarly, the Court cannot compel respondents in the case to resume MECI's business operations or enjoin them from selling the subject property. The Court has even stronger grounds for not enjoining respondents from holding further board meetings as this power is inherent in their role as MECI's BOD.

In fine, the Court finds no reversible error on the part of the CA in dismissing Alvin's petition for review and affirming the RTC's decision, which, in turn, dismissed Alvin's intra-corporate action. Accordingly, his prayer for a permanent writ of injunction is also denied.

**WHEREFORE**, the Petition for Review is **DENIED**. The Decision dated February 26, 2024, and Resolution dated October 21, 2024, of the Court Appeals in CA-G.R. SP No. 175036 are **AFFIRMED**. Consequently, the application for issuance of permanent injunction is **DENIED**.

**SO ORDERED.**

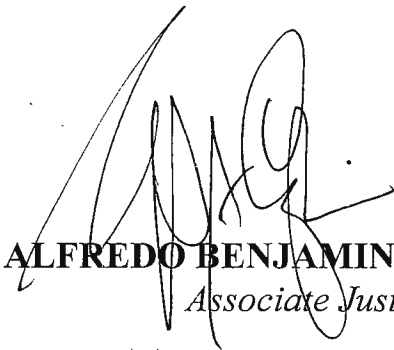


**HENRI JEAN PAUL B. INTING**  
*Associate Justice*

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<sup>51</sup> *Id.* at 890–891.

WE CONCUR:



**ALFREDO BENJAMIN S. CAGUIOA**  
*Associate Justice*



**SAMUEL H. GAERLAN**  
*Associate Justice*

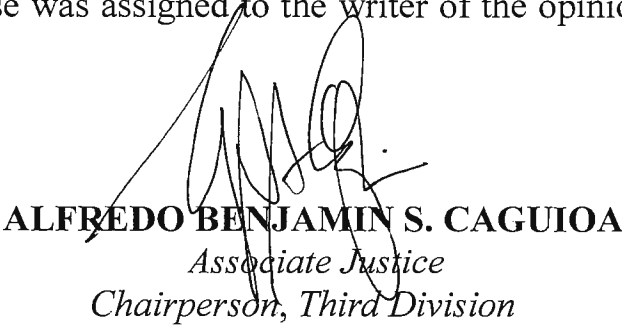


**JAPAR B. DIMAAMPAO**  
*Associate Justice*

On leave  
**MARIA FILOMENA D. SINGH**  
*Associate Justice*

**ATTESTATION**

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



**ALFREDO BENJAMIN S. CAGUIOA**  
*Associate Justice*  
*Chairperson, Third Division*

**CERTIFICATION**

Pursuant to Article VIII, Section 13 of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



**ALEXANDER G. GESMUNDO**  
*Chief Justice*

