

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17.2(c) THEREUNDER

1. Date of Report (Date of earliest event reported)
Jan 6, 2015
2. SEC Identification Number
A199701584
3. BIR Tax Identification No.
000-005-469-606
4. Exact name of issuer as specified in its charter
Philippine Business Bank, Inc.
5. Province, country or other jurisdiction of incorporation
Caloocan City
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
350 Rizal Avenue corner 8th Avenue, Gracepark, Caloocan City
Postal Code
1400
8. Issuer's telephone number, including area code
(02) 363-3333
9. Former name or former address, if changed since last report
N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON	429,166,750
11. Indicate the item numbers reported herein
N/A

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.

Philippine Business Bank PBB

PSE Disclosure Form 4-26 - Legal Proceedings *References: SRC Rule 17 (SEC Form 17-C) and Section 4.4 of the Revised Disclosure Rules*

Subject of the Disclosure

Dismissal of the case by the Regional Trial Court, Makati City, Branch 66.

Background/Description of the Disclosure

The case entitled Tomas G. Tan, et al versus Philippine Business Bank docketed as Civil Case No. 02-299 was already dismissed per Court Order dated 05 December 2014.

Name of the court or agency in which the proceedings are pending	Regional Trial Court, Makati City, Branch 66
Date Instituted	Mar 22, 2002
Docket Number	Civil Case No. 02-299

Principal Parties

Tomas G. Tan of CST Enterprises, Inc. (CST) versus Philippine Business Bank, Inc. (PBB) Et Al.

Nature and description of the legal proceedings

Derivative suit filed by minority stockholder, Tomas G. Tan of CST.

The effect(s) on the Issuer's business or operations, if any

No adverse effect.

Other Relevant Information

Please refer to the attached copy of the Decision.

Filed on behalf by:

Name	KATHERINE PURA
Designation	CORPORATE INFORMATION OFFICER

REPUBLIC OF THE PHILIPPINES
NATIONAL CAPITAL JUDICIAL REGION
REGIONAL TRIAL COURT
MAKATI CITY-BRANCH 66

TOMAS G. TAN, ET. AL.,
Plaintiffs,

- versus -

Civil Case No. 02-299

PHILIPPINE BUSINESS BANK,
ET. AL.,
Defendants.

x-----x

PHILIPPINE BUSINESS BANK,
Defendant-Cross-Claimant,

- versus -

FELIPE CHUA, ET. AL.,
Defendants-Cross-Defendants.

x-----x

DECISION

Before this Court is a Complaint for Declaration of Unenforceability of Promissory Notes and Mortgage and Injunction.

Antecedent Facts

Plaintiff Tomas G. Tan (Tan), filed this derivative suit in his capacity as a minority stockholder of CST Enterprises, Inc. (CST), to declare the unenforceability of the promissory notes and mortgage contract entered into by defendant John Dennis Chua (John Chua) with defendant Philippine Business Bank (PBB), without the authority of the board of directors of CST.

Defendant Philippine Business Bank (PBB) in Answer denied the material averments in the Complaint and countered that the complaint lacks cause of action. PBB likewise made a cross-claim

against defendant Felipe Chua, alleging that Felipe Chua admitted his obligation with the bank when he admitted in his Answer that he signed the promissory note in order to acknowledge the loan and so thereby acknowledges liability for the loan amount which was not paid.

PBB and its officers resisted the action, alleging that the loan of Php91,100,000.00 obtained by John Chua in behalf of CST as evidenced by the promissory notes and real estate mortgage, co-signed by defendant Felipe Chua (Felipe) President of CST, is valid and enforceable, having been obtained by him with proper authorization from CST Board.

Felipe Chua moved to intervene as minority stockholder of CST Enterprises Inc. by way of derivative suit. His bid to intervene was granted and as such he became defendant-intervenor.

Felipe admitted in his Answer that he signed six (6) promissory notes amounting to 75 million pesos after the loan was already taken out to persuade John Chua to pay the same and eventually get back the titles of CST over the mortgaged properties from PBB.

On motion of PBB, a Partial Summary Judgment was rendered by this Court on July 27, 2005 making Felipe Chua personally liable for the loan and ordering Felipe to pay the sum of 75 million pesos representing the cross-claim of PBB. Execution was subsequently issued which Felipe assailed through a petition for certiorari¹ under Rule 65 of the Rules of Court. The Court of Appeals granted the said petition in its Decision dated December 16, 2005, but the Partial Summary Judgment was affirmed. The Supreme Court sustained the Court of Appeals in its Decision dated November 15, 2010².

Trial on the merits ensued with the following issues defined in the pre-trial: (a) whether John Chua was authorized to contract the loans for CST; (b) whether John Chua was authorized to execute the real estate mortgage in behalf of CST; (c) whether the real estate mortgage is valid; (d) whether Tan is entitled to damages; and (e)

¹ CA-GR SP No. 94883

² G.R. No. 178899

whether PBB is entitled to damages and its cross-claims against Felipe.

After the admission of the parties' respective Formal Offer as well as the filing of the parties' respective Memoranda, the case was submitted for decision.

Issue

The Court is thus left with the issue on the enforceability against CST of the promissory notes and real estate mortgage.

Ruling

To arrive at a judicious resolution of the case, a calibration of the respective evidence of the parties is called for to find out the presence or absence of corporate authority from the CST board of directors authorizing John Chua to borrow from PBB and to mortgage its properties as security therefor. Being a corporation, CST can only exercise its powers and transact its business through its board of directors and through its officers and agents authorized by a board resolution or by its by-laws. The physical acts of the corporation, like the signing of documents can be performed only by natural persons duly authorized for the purpose by the corporate by-laws or by a specific act of the board³.

According to Tan, all throughout the trial, PBB was not able to show any resolution of the board of directors of CST authorizing John Chua to obtain loans and mortgage its properties⁴. Only a secretary's certificate was shown by PBB signed by a certain Atty. Jaime Soriano who is not in any way connected with CST as corporate secretary of the corporation⁵.

But the secretary's certificate⁶ dated April 4, 2001 appears regular. It authorized CST, through John Chua, to obtain credit

³ *Ellice Agro-Industrial Corporation vs. Young*, G.R. No. 174077, November 21, 2012, citing *Salonga vs. Court of Appeals*, G.R. No. 174941, February 1, 2012

⁴ Page 2, plaintiff's memorandum

⁵ Page 5, plaintiff's memorandum

⁶ Exhibit "5"

facilities from PBB, to mortgage its properties as security and to open savings or current account with the defendant bank. When a secretary's certificate is regular on its face, it can be relied upon by a third party who does not have to investigate the truths of the facts contained in such certification⁷. It has been held that:

"xxx VECCI's sale of all the properties mentioned in the judicially-approved compromise agreement was done on the basis of its *corporate secretary's certification* of these two resolutions. The partial decision did not require any further board or stockholder resolutions to make VECCI's sale of these properties valid. **Being regular on its face, the secretary's certification was sufficient for private respondent Sureste Properties, Inc. to rely on. It did not have to investigate the truth of the facts contained in such certification.** Otherwise, business transactions of corporations would become tortuously slow and unnecessarily hampered. xxx"⁸

Furthermore, a secretary's certificate is a notarized document which is admissible in evidence without necessity of preliminary proof as to its authenticity and due execution. It enjoys a presumption not only of regularity but is also considered *prima facie* evidence of the facts stated therein. Any party who wishes to assail the authenticity and due execution of a notarized document is, by operation of law required to present clear and convincing evidence and not merely preponderant thereto.

Interestingly, Tan did not present Atty. Soriano, John Chua and Notary Public Eufrazio T. Layag to dispute the due execution and authenticity of the secretary's certificate. He merely relied on the absence of a board resolution which, as earlier discussed is not indispensable in view of the notarized secretary's certificate.

⁷ Philippine Corporation Law, Villameva, p. 316, 1998 edition
⁸ Esguerra vs. Court of Appeals, G.R. No. 119310, February 3, 1997

Thusly, Tan did not per se wish to declare the Real Estate Mortgage null and void but rather, merely unenforceable as against CSI to protect his alleged interest therein.

Significantly, witness Roberto S. Santos, the Vice-President, Head, Legal Services Center of PBB testified that the bank requirements for the approval of the CST loan consisting of: (a) the owner's duplicate copies of TCT nos. 124275 and 157581 of CST; (b) Tax Declaration Nos. E-006-06961 and E-006-06966; (c) Loan Application duly signed by CST President Felipe and its authorized representative John Chua; (d) Loan Agreements; (e) Promissory Notes with disclosure statements; (f) Articles of Incorporation and By-laws of CST; and (g) notarized Secretary's Certificate, were submitted. Witness Francis Lee, the Chairman of the Board of PBB declared that Felipe Chua was the one who handed over to him the duplicate owner's copies of the titles⁹. He had no reason to doubt the authority of Felipe Chua because he has known him personally for a long time and he feels safe because there are collaterals.¹⁰

Felipe and John Chua did not come forward to deny the declarations of Lee and Santos, warranting a well-founded belief that their testimonies are true, especially so, when RTC Branch 139 of this Court had issued an Order dated September 30, 2009 dismissing the falsification case against Atty. Soriano¹¹ at the behest of the public prosecutor.

This Court finds Felipe's possession of the owner's duplicate copies of the titles as an authority to mortgage the same for the loans procured by CST from PBB. Upon presentation for registration of the deed of mortgage together with the owner's duplicate, the Register of Deeds shall enter upon the original certificate of title and the owner's duplicate the memorandum thereof¹².

Tan himself in his Complaint and Memorandum admitted that he turned over to Felipe the duplicate owner's copies of the titles sometime in February 2001 before his wife underwent medical

⁹ TSN, Page 52, August 13, 2012

¹⁰ TSN, Page 26 October 1, 2012

¹¹ Exhibit "20"

¹² Section 61, P.D. 1529

treatment abroad. Although he alleged that its intended use is as evidence in the ejectment case, this Court is not persuaded because if he really intended the titles to be utilized in ejectment cases, certified copies will suffice inasmuch as ownership is not an issue in unlawful detainer cases.

Thus, no one but himself has to be blamed that forbids him from complaining. It is a settled rule that where one of two innocent persons must suffer, that person who have occasion for the damages to be caused must bear the consequences.¹³

As correctly pointed out by PBB in its Memorandum, it is highly unlikely for somebody like plaintiff who is a veteran businessman not to know the consequences of turning over Torrens Titles to another person. Also, the bank had every reason to give credit to the promissory note which whose co-maker is none other than defendant/intervenor Felipe Chua who also happen to be CST's President, director and major stockholder.

WHEREFORE, this case is DISMISSED against plaintiffs, without prejudice to the right of PBB to proceed against the mortgaged properties. As such, the Partial Summary Judgment dated July 27, 2005 on the cross-claim of PBB against Felipe Chua may now be enforced.

SO ORDERED.

Makati City. December 5, 2014.


JOSELITO C. VILLAROSA
Presiding Judge

¹³ Mate vs. Court of Appeals, 290 SCRA 463, May 21, 1998; Singsong vs. Isabela Saw Mill, 88 SCRA 623, February 28, 1979.