

## EN BANC

[ A.C. No. 1346, July 25, 2017 ]

**PACES INDUSTRIAL CORPORATION, PETITIONER, VS. ATTY.  
EDGARDO M. SALANDANAN, RESPONDENT.**

### DECISION

**PERALTA, J.:**

This is a complaint which Paces Industrial Corporation (*Paces*) filed against its former lawyer, Atty. Edgardo M. Salandanan, for allegedly committing malpractice and/or gross misconduct when he represented conflicting interests.

The procedural and factual antecedents of the instant case are as follows:

Sometime in October 1973, Salandanan became a stockholder of Paces, and later became its Director, Treasurer, Administrative Officer, Vice-President for Finance, then its counsel. As lawyer for Paces, he appeared for it in several cases such as in *Sisenando Malveda, et al. v. Paces Corporation* (NLRC R-04 Case No. 11-3114-73) and *Land & Housing Development Corporation v. Paces Corporation* (Civil Case No. 18791). In the latter case, Salandanan failed to file the Answer, after filing a Motion for a Bill of Particulars, which the court had denied. As a result, an order of default was issued against Paces. Salandanan never withdrew his appearance in the case nor notified Paces to get the services of another lawyer. Subsequently, a decision was rendered against Paces which later became final and executory.

On December 4, 1973, E.E. Black Ltd., through its counsel, sent a letter to Paces regarding the latter's outstanding obligation to it in the amount of P96,513.91. In the negotiations that transpired thereafter, Salandanan was the one who represented Paces. He was likewise entrusted with the documents relative to the agreement between Paces and E.E. Black Ltd.

Meanwhile, disagreements on various management policies ensued among the stockholders and officers in the corporation. Eventually, Salandanan and his group were forced to sell out their shareholdings in the company to the group of Mr. Nicolas C. Balderama on May 27, 1974.

After said sell-out, Salandanan started handling the case between E.E. Black Ltd. and Paces, but now, representing E.E. Black Ltd. Salandanan then filed a complaint with application for preliminary attachment against Paces for the collection of its obligation to E.E. Black Ltd. He later succeeded in obtaining an order of attachment, writ of attachment, and notices of garnishment to various entities which Paces had business dealings with.

Thus, Paces filed a complaint against Salandanan. It argued that when he acted as counsel for E.E. Black Ltd., he represented conflicting interests and utilized, to the

full extent, all the information he had acquired as its stockholder, officer, and lawyer. On the other hand, Salandanan claimed that he was never employed nor paid as a counsel by Paces. There was no client-lawyer contract between them. He maintained that his being a lawyer was merely coincidental to his being a stockholder-officer and did not automatically make him a lawyer of the corporation, particularly with respect to its account with E.E. Black Ltd. He added that whatever knowledge or information he had obtained on the operation of Paces only took place in the regular, routinary course of business as him being an investor, stockholder, and officer, but never as a lawyer of the company.

After a thorough and careful review of the case, the Commission on Bar Discipline of the Integrated Bar of the Philippines (*IBP*) recommended Salandanan's suspension for one (1) year on November 2, 2011.<sup>[1]</sup> On September 28, 2013, the IBP Board of Governors passed Resolution No. XX-2013-120<sup>[2]</sup> adopting and approving, with modification, the aforementioned recommendation, thus:

*RESOLVED to ADOPT and APPROVE, as it is hereby unanimously ADOPTED and APPROVED, **with modification**, the Report and Recommendation of the Investigating Commissioner in the above-entitled case, herein made part of this Resolution as Annex "A, " and finding the recommendation fully supported by the evidence on record and the applicable laws and rules and considering that the Respondent violated the conflict of interest rule, Atty. Edgardo M Salandanan is hereby **SUSPENDED from the practice of law for three (3) years.***

On August 8, 2014, the IBP Board of Governors passed Resolution No. XXI-2014-413,<sup>[3]</sup> denying Salandanan's motion for reconsideration and affirming Resolution No. XX-2013-120.

### ***The Court's Ruling***

The Court finds no justifiable reason to deviate from the findings and recommendations of the IBP.

Rule 15.03, Canon 15 and Canon 21 of the Code of Professional Responsibility (*CPR*) provide:

**CANON 15 – A LAWYER SHALL OBSERVE CANDOR, FAIRNESS AND LOYALTY IN ALL HIS DEALINGS AND TRANSACTIONS WITH HIS CLIENTS.**

x x x x

Rule 15.03 A lawyer shall not represent conflicting interests except by written consent of all concerned given after a full disclosure of the facts.

x x x x

**CANON 21 – A LAWYER SHALL PRESERVE THE CONFIDENCES AND SECRETS OF HIS CLIENT EVEN AFTER THE ATTORNEY-CLIENT RELATION IS TERMINATED.**

Under the aforecited rules, it is explicit that a lawyer is prohibited from representing new clients whose interests oppose those of a former client in any manner, whether or not they are parties in the same action or on totally unrelated cases.<sup>[4]</sup> Conflict of interest exists when a lawyer represents inconsistent interests of two or more opposing parties. The test is whether or not in behalf of one client, it is the lawyer's duty to fight for an issue or claim, but it is his duty to oppose it for the other client. In short, if he argues for one client, this argument will be opposed by him when he argues for the other client. This rule covers not only cases in which confidential communications have been confided, but also those in which no confidence has been bestowed or will be used. Also, there is conflict of interests if the acceptance of the new retainer will require the attorney to perform an act which will injuriously affect his first client in any matter in which he represents him and also whether he will be called upon in his new relation to use against his first client any knowledge acquired through their connection. Another test of the inconsistency of interests is whether the acceptance of a new relation will prevent an attorney from the full discharge of his duty of undivided fidelity and loyalty to his client or invite suspicion of unfaithfulness or double-dealing in the performance of said duty.<sup>[5]</sup> The prohibition is founded on the principles of public policy and good taste.<sup>[6]</sup>

The prohibition against conflict of interest rests on the following five (5) rationales:  
<sup>[7]</sup>

*First*, the law seeks to assure clients that their lawyers will represent them with undivided loyalty. A client is entitled to be represented by a lawyer whom the client can trust. Instilling such confidence is an objective important in itself.

*Second*, the prohibition against conflicts of interest seeks to enhance the effectiveness of legal representation. To the extent that a conflict of interest undermines the independence of the lawyer's professional judgment or inhibits a lawyer from working with appropriate vigor in the client's behalf, the client's expectation of effective representation could be compromised.

*Third*, a client has a legal right to have the lawyer safeguard confidential information pertaining to it. Preventing the use of confidential information against the interests of the client to benefit the lawyer's personal interest, in aid of some other client, or to foster an assumed public purpose, is facilitated through conflicts rules that reduce the opportunity for such abuse.

*Fourth*, conflicts rules help ensure that lawyers will not exploit clients, such as by inducing a client to make a gift or grant in the lawyer's favor.

*Finally*, some conflict-of-interest rules protect interests of the legal system in obtaining adequate presentations to tribunals. In the absence of such rules, for example, a lawyer might appear on both sides of the litigation, complicating the process of taking proof and compromise adversary argumentation.