

SECOND DIVISION

[G.R. No. 176973, February 25, 2015]

**DAVID M. DAVID, PETITIONER, VS. FEDERICO M. PARAGAS, JR.,
RESPONDENT.**

D E C I S I O N

MENDOZA, J.:

This is a petition for review on *certiorari* under Rule 45 seeking to annul and set aside the July 31, 2006 Decision^[1] and the February 23, 2007 Resolution^[2] of the Court of Appeals (CA) in CA-G.R. SP No. 80942. The said issuances modified the July 21, 2003 Order^[3] of the Regional Trial Court, Branch 200, Las Piñas City (RTC) in Civil Case No. LP-02-0165, a case for Declaratory Relief and Sum of Money with Damages filed by petitioner David M. David (*David*) against Philam Plans Inc. (*PPI*), Severo Henry G. Lobrin (*Lobrin*), respondent Federico M. Paragas, Jr. (*Paragas*), Rodelio S. Datoy (*Datoy*), Rizal Commercial Banking Corporation, Paranaque Branch (*RCBC*), and Gerald P.S. Agarra (*Agarra*).

The RTC Order resolved the Motion to Admit Supplemental Complaint filed by David and the Joint Omnibus Motion^[4] filed by David, Lobrin and Datoy. In the said Order, the RTC admitted the attached supplemental complaint and approved the compromise agreement.^[5] The questioned CA decision nullified the approval by the RTC of the compromise agreement.

The Antecedents

Sometime in 1995, David, Paragas and Lobrin agreed to venture into a business in Hong Kong (*HK*). They created Olympia International, Ltd. (*Olympia*) under HK laws. Olympia had offices in HK and the Philippines. David handled the marketing aspect of the business while Lobrin and Datoy were in charge of operations. In late 1995, Olympia started with "selling, through catalogs, consumer products such as appliances, furniture and electronic equipment to the OFWs in Hong Kong, to be delivered to their addresses in the Philippines. They coined the name Kayang-Kaya for the venture."^[6]

In early 1998, Olympia became the exclusive general agent in HK of PPI's pre-need plans through the General Agency Agreement. In late 2001, Olympia launched the *Pares-Pares* program by which planholders would earn points with cash equivalents for successfully enlisting new subscribers. The cash equivalents, in turn, would be used for the payment of monthly premiums of the planholders. PPI authorized Olympia to accept the premium payments, including the cash equivalent of the bonus points, and to remit the same, net of commissions, to PPI in the Philippines. The money from HK was to be remitted through Olympia's account in RCBC. In turn, Olympia was to pay the planholders' bonuses as well as the share of profits for the

directors.^[7] David was tasked to personally remit said amounts to PPI as he was the only signatory authorized to transact on behalf of Olympia regarding the RCBC accounts.

As Paragas alleged, the amount remitted by Olympia to RCBC from September 2001 to May 25, 2002 reached P82,978,543.00, representing the total net earnings from the pre-need plans, 30% of which comprised the bonus points earned by the subscribers under the *Pares-Pares* program. The rest was to be distributed among the four partners.

In 2002, the state of affairs among the partners went sour upon Lobrin's discovery that David failed to remit to PPI the 30% cash equivalent of the bonus points.

In a meeting held on June 1, 2002 in HK, David tried to explain his side, but no settlement was reached.

Later, Lobrin discovered that only P19,302,902.13 remained of the P82,978,543.00 remitted from HK to the RCBC account. As the Chairperson of Olympia's Board of Directors (*BOD*), he demanded the return of the entire P82,978,543.00.

On June 17, 2002, the BOD stripped David of his position as a director. It then informed RCBC of his removal. In another letter, it also instructed RCBC to prohibit any transaction regarding the funds or their withdrawal therefrom pending the determination of their rightful owner/s.

Meanwhile, a Watch-List Order was issued against David pursuant to the letter sent by Paragas' counsel to the Bureau of Immigration. As a result, he was prevented from boarding a flight to Singapore on June 29, 2002.

Constrained by these circumstances, David filed a complaint for Declaratory Relief, Sum of Money and Damages before the RTC. He insisted on his entitlement to the commissions due under the regular and *Pares-Pares* programs in his capacity as Principal Agent under the General Agency Agreement with PPI; that he be allowed to hold the cash deposits of P19,302,902.00 to the extent of P18,631,900.00 as a trust fund for the benefit of the subscribers of the *Pares-Pares* program; that RCBC be ordered to recognize no other signatory relative to the said deposits except him; and that Paragas, Lobrin and Datoy be held liable in an amount not less than P20,000,000.00, representing the missing amount and/or unauthorized disbursements from the funds of Olympia, plus the payment of moral damages, exemplary damages and attorney's fees.

Paragas and Lobrin filed their answers with compulsory counterclaims^[8] against David, to wit:

First Counterclaim - to mandate David to render an accounting of the amounts mentioned;

Second Counterclaim - to require David to turn over such books of accounts and other documents owned by Olympia as well as all records pertaining to Olympia's business transactions in the Philippines;

Third Counterclaim - to make David pay the amount of P24,893,562.90 to Philam as cash bonuses of the respective original subscribers;

Fourth Counterclaim - to make David pay Lobrin and Paragas the amount of P24,521,245.00 each, as and by way of actual damages, representing (1) Lobrin and Paragas' respective shares as co-owners in the net profit of Olympia from the sale of the Pre-need plan under the pares-pares program in the amount of P14,521,245.00 and the amount of P10,000,000.00 representing the cost of plane fares, living allowances and unrealized profit;

Fifth Counterclaim - to hold David liable to pay Lobrin and Paragas the amount of P20,000,000.00 each, as and by way of moral damages;

Sixth Counterclaim - to make David pay the amount of P10,000,000.00 as and by way of exemplary damages; and

Seventh Counterclaim - to hold David personally liable to pay Lobrin and Paragas the amount of P1,000,000.00 as attorney's fees, plus such amount as may be proved during the trial as litigation expenses and cost of suit.^[9]

On March 5, 2003, David filed the supplemental complaint, with a manifestation that an amicable settlement was struck with Lobrin and Datoy whereby they agreed to withdraw the complaint and counterclaims against each other. On May 6, 2003, Lobrin and Olympia through their counsel, confirmed that on March 26, 2003, they had arrived at a compromise.^[10] The agreement clearly stated that Lobrin was acting on Olympia's behalf, on the basis of a resolution passed during the board meeting held on March 21, 2003. The settlement reads:

COMPROMISE AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

This Agreement, entered into by and between:

DAVID M. DAVID, of legal age, married, Filipino and with address at 23 Pablo Roman Street, BF Homes, Paranaque, hereinafter referred to as DMD;

-and-

OLYMPIA INTERNATIONAL LIMITED, a corporation organized and existing under the laws of Hong Kong, with principal office at 13/F Li Dong Building, 7-11 Li Yuen Street East, Central, Hong Kong, and herein represented by its **Attorney-in-Fact, Henry G. Lobrin**, and herein after referred to as Olympia;

WITNESSETH: That –

WHEREAS, Olympia has passed a board resolution during the meeting of its Board of Directors held in Hong Kong on 21 March 2003 constituting and appointing as such its herein Attorney-in-Fact for the purposes stated in said resolution, a copy of which is hereto attached as Annex "A";

WHEREAS, there is a pending case before Branch 200 of the Regional Trial Court of Las Piñas City docketed as Civil Case No. LP-02-0165 ("the Case") and among the defendants in said Case are Henry G. Lobrin, Federico M. Paragas, Jr. and Roberto S. Datoy who are presently directors of Olympia;

WHEREAS, the causes of action in the complaint in said Case against aforesaid Lobrin, Paragas, Jr. and Datoy are in their capacity as shareholders/directors of Olympia, and likewise concern the relationship and rights between DMD and Olympia International Ltd., including the status of the latter's operations and financial position;

WHEREAS, another issue in said case is the respective rights of herein parties DMD and Olympia under and pursuant to the General Agency Agreement (GAA) with Philam Plans Inc., ("PPI") dated 10 February 1998;

WHEREAS, corollary to the issue of the GAA is the respective obligation of DMD and Olympia to the planholders of PPI under the regular and *pares pares* program, specifically the *binhing yaman* and *pamilyaman* benefits due to approximately 12,000 planholders of Philam Plans Inc. ("PPI") as per the list attached to the complaint in said Case;

WHEREAS, both DMD and Olympia are desirous of settling the Case amicably under mutually acceptable terms and conditions:

NOW, THEREFORE, parties hereby agree as follows:

1. Olympia hereby waives its rights and interests to the trust fund presently in Account Nos. 1-214-25224-0, 07214108903-003 and 0000005292 with the Rizal Commercial Banking Corporation ("RCBC") and Account No. 0301-01334-5 with the Equitable PCI Bank pertaining to the cash benefits of the approximately 12,000 planholders of Philam Plans, Inc., per the list attached to the complaint in the Case;
2. Olympia further agrees that the same shall be settled exclusively by DMD, subject to the requirement that it shall be furnished a copy of the Statement of Benefits pertaining to each planholder;
3. Olympia likewise no longer interposes any objection/opposition to the payment of the cash benefits to the planholders from said trust funds, and shall make of record in the Case the withdrawal of its opposition;
4. DMD shall drop as party Defendants from the Case Severo Henry G. Lobrin, Federico M. Paragas, Jr. and Rodelio S. Datoy;

5. Olympia shall withdraw its First Compulsory Counterclaim, Second Compulsory Counterclaim and Third Compulsory Counterclaim as stated in the "Answer with Compulsory Counterclaims" dated 3 October 2002 filed in said Case, because the subject matters of said compulsory counterclaims are exclusively the concern of Olympia as a corporation and are now the subject of this Compromise Agreement;
6. Olympia shall likewise withdraw the Fourth Compulsory Counterclaim, Fifth Compulsory Counterclaim, Sixth Compulsory Counterclaim and Seventh Compulsory Counterclaim in so far as they refer to claims to which the claimants will be entitled in their capacity as shareholder and/or director of Olympia;
7. The Fourth Compulsory Counterclaim, Fifth Compulsory Counterclaim, Sixth Compulsory Counterclaim and Compulsory Counterclaim (sic) will also be withdrawn by Henry G. Lobrin in his personal capacity;
8. For this purpose, the following motions shall be filed pursuant to this Agreement;
 - a. A Joint Motion shall be filed in the case for the dismissal of the complaint and compulsory counterclaims as above stated;
 - b. A Motion to Withdraw Opposition to the Motion to Release Benefits and Supplemental Motion (to Release Benefits) be filed by Olympia through its Attorney-in-Fact.

IN WITNESS WHEREOF, parties hereto set their hands this ____ day of _____ in _____.

DAVID M. DAVID

**OLYMPIA
INTERNATIONAL
Ltd.**

By:

**HENRY G. LOBRIN
Attorney-in Fact**

**HENRY G. LOBRIN
In his personal capacity**

[Emphases supplied]^[11]

On May 15, 2003, David and Lobrin filed the Joint Omnibus Motion to formally inform the RTC of the compromise agreement. They asserted the following: