

FIRST DIVISION

[G.R. No. 116631, October 28, 1998]

**MARSH THOMSON, PETITIONER, VS. COURT OF APPEALS AND
THE AMERICAN CHAMBER OF COMMERCE OF THE PHILIPPINES,
INC., RESPONDENTS.**

DE C I S I O N

QUISUMBING, J.:

This is a petition for review on certiorari seeking the reversal of the Decision^[1] of the Court of Appeals on May 19, 1994, disposing as follows:

"WHEREFORE, THE DECISION APPEALED FROM IS HEREBY SET ASIDE. ANOTHER JUDGMENT IS ENTERED ORDERING DEFENDANT-APPELLEE MARSH THOMSON TO TRANSFER THE SAID MPC [Manila Polo Club] SHARE TO THE NOMINEE OF THE APPELLANT."

The facts of the case are:

Petitioner Marsh Thomson (Thomson) was the Executive Vice-President and, later on, the Management Consultant of private respondent, the American Chamber of Commerce of the Philippines, Inc. (AmCham) for over ten years, 1979-1989.

While petitioner was still working with private respondent, his superior, A. Lewis Burridge, retired as AmCham's President. Before Burridge decided to return to his home country, he wanted to transfer his proprietary share in the Manila Polo Club (MPC) to petitioner. However, through the intercession of Burridge, private respondent paid for the share but had it listed in petitioner's name. This was made clear in an employment advice dated January 13, 1986, wherein petitioner was informed by private respondent as follows:

x x x x x x x x

"11. If you so desire, the Chamber is willing to acquire for your use a membership in the Manila Polo Club. The timing of such acquisition shall be subject to the discretion of the Board based on the Chamber's financial position. All dues and other charges relating to such membership shall be for your personal account. If the membership is acquired in your name, you would execute such documents as necessary to acknowledge beneficial ownership thereof by the Chamber."^[2]

x x x x x x x x

On April 25, 1986, Burridge transferred said proprietary share to petitioner, as confirmed in a letter^[3] of notification to the Manila Polo Club.

Upon his admission as a new member of the MPC, petitioner paid the transfer fee of P40,000.00 from his own funds; but private respondent subsequently reimbursed this amount. On November 19, 1986, MPC issued Proprietary Membership Certificate Number 3398 in favor of petitioner. But petitioner, however, failed to execute a document recognizing private respondent's beneficial ownership over said share.

Following AmCham's policy and practice, there was a yearly renewal of employment contract between the petitioner and private respondent. Separate letters of employment advice dated October 1, 1986,^[4] as well March 4, 1988^[5] and January 7, 1989,^[6] mentioned the MPC share. But petitioner never acknowledged that private respondent is the beneficial owner of the share as requested in follow-up requests, particularly one dated March 4, 1988 as follows:

"Dear Marsh:

x x x x x x x x

All other provisions of your compensation/benefit package will remain the same and are summarized as follows:

x x x x x x x x

9) The Manila Polo Club membership provided by the Chamber for you and your family will continue on the same basis, to wit: all dues and other charges relating to such membership shall be for your personal account and, if you have not already done so, you will execute such documents as are necessary to acknowledge that the Chamber is the beneficial owner of your membership in the Club."^[7]

When petitioner's contract of employment was up for renewal in 1989, he notified private respondent that he would no longer be available as Executive Vice President after September 30, 1989. Still, the private respondent asked the petitioner to stay on for another six (6) months. Petitioner indicated his acceptance of the consultancy arrangement with a counter-proposal in his letter dated October 8, 1989, among others as follows:

"11.) Retention of the Polo Club share, subject to my reimbursing the purchase price to the Chamber, or one hundred ten thousand pesos (P110,000.00)."^[8]

Private respondent rejected petitioner's counter-proposal.

Pending the negotiation for the consultancy arrangement, private respondent executed on September 29, 1989 a Release and Quitclaim,^[9] stating that "AMCHAM, its directors, officers and assigns, employees and/or representatives do hereby release, waive, abandon and discharge J. MARSH THOMSON from any and all existing claims that the AMCHAM, its directors, officers and assigns, employees and/or representatives may have against J. MARSH THOMSON."^[10] The quitclaim, expressed in general terms, did not mention specifically the MPC share.

On April 5, 1990, private respondent, through counsel sent a letter to the petitioner demanding the return and delivery of the MPC share which "it (AmCham) owns and

placed in your (Thomson's) name."^[11]

Failing to get a favorable response, private respondent filed on May 15, 1990, a complaint against petitioner praying, *inter alia*, that the Makati Regional Trial Court render judgment ordering Thomson "to return the Manila Polo Club share to the plaintiff and transfer said share to the nominee of plaintiff."^[12]

On February 28, 1992, the trial court promulgated its decision,^[13] thus:

"The foregoing considered judgment is rendered as follows:

1.) The ownership of the contested Manila Polo Club share is adjudicated in favor of defendant Marsh Thomson; and;

2.) Defendant shall pay plaintiff the sum of P300,000.00

Because both parties thru their respective faults have somehow contributed to the birth of this case, each shall bear the incidental expenses incurred."^[14]

In said decision, the trial court awarded the MPC share to defendant (petitioner now) on the ground that the Articles of Incorporation and By-laws of Manila Polo Club prohibit artificial persons, such as corporations, to be club members, ratiocinating in this manner:

"An assessment of the evidence adduced by both parties at the trial will show clearly that it was the intention of the parties that a membership to Manila Polo Club was to be secured by plaintiff [herein private respondent] for defendant's [herein petitioner] use. The latter was to execute the necessary documents to acknowledge ownership of the Polo membership in favor of plaintiff. (Exh. C par 9) However, when the parties parted ways in disagreement and with some degree of bitterness, the defendant had second thoughts and decided to keep the membership for himself. This is evident from the exhibits (E & G) where defendant asked that he retained the Polo Club membership upon reimbursement of its purchase price; and where he showed his 'profound disappointment, both at the previous Board's unfair action, and at what I consider to be harsh terms, after my long years of dedication to the Chamber's interest.'

x x x x x x x x x

"Notwithstanding all these evidence in favor of plaintiff, however, defendant may not be declared the owner of the contested membership nor be compelled to execute documents transferring the Polo Membership to plaintiff or the latter's nominee for the reason that this is prohibited by Polo Club's Articles & By-Laws. x x x

"It is for the foregoing reasons that the Court rules that the ownership of the questioned Polo Club membership be retained by defendant."^[15] x x x.

Not satisfied with the trial court's decision, private respondent appealed to the Court of Appeals.

On May 19, 1994, the Court of Appeals (Former Special Sixth Division) promulgated its decision^[16] in said CA-G.R. CV No. 38417, reversing the trial court's judgment and ordered herein petitioner to transfer the MPC share to the nominee of private respondent, reasoning thus:

x x x x x x x x

"The significant fact in the instant case is that the appellant [herein private respondent] purchased the MPC share for the use of the appellee [herein petitioner] and the latter expressly conformed thereto as shown in Exhibits A-1, B, B-1, C, C-1, D, D-1. By such express conformity of the appellee, the former was bound to recognize the appellant as the owner of the said share for a contract has the force of law between the parties. (Alim vs. CA, 200 SCRA 450; Sasuhura Company, Inc., Ltd. vs. IAC, 205 SCRA 632) Aside from the foregoing, the appellee conceded the true ownership of the said share to the appellant when (1) he offered to buy the MPC share from the appellant (Exhs. E and E-1) upon the termination of his employment; (2) he obliged himself to return the MPC share after his six month consultancy contract had elapsed, unless its return was earlier requested in writing (Exh. I); and (3) on cross-examination, he admitted that the proprietary share listed as one of the assets of the appellant corporation in its 1988 Corporate Income Tax Return, which he signed as the latter's Executive Vice President (prior to its filing), refers to the Manila Polo Club share (tsn., pp. 19-20, August 30, 1991). x x x"
^[17]

On 16 June 1994, petitioner filed a motion for reconsideration^[18] of said decision. By resolution^[19] promulgated on August 4, 1994, the Court of Appeals denied the motion for reconsideration.

In this petition for review, petitioner alleges the following errors of public respondent as grounds for our review:

I. The respondent Court of Appeals erred in setting aside the Decision dated 28 February 1992 of the Regional Trial Court, NCJR, Branch 65, Makati, Metro Manila, in its Civil Case No. 90-1286, and in not confirming petitioner's ownership over the MPC membership share.

II. The respondent Court of Appeals erred in ruling that "the Quitclaim executed by AmCham in favor of petitioner on September 29, 1989 was superseded by the contractual agreement entered into by the parties on October 13, 1989 wherein again the appellee acknowledged that the appellant owned the MPC share, there being absolutely no evidence to support such a conclusion and/or such inference is manifestly mistaken.

III. The respondent Court of Appeals erred in rendering judgment ordering petitioner to transfer the contested MPC share to a nominee of respondent AmCham notwithstanding that: (a) AmCham has no standing in the Manila Polo Club (MPC), and being an artificial person, it is

precluded under MPC's Articles of Incorporation and governing rules and regulations from owning a proprietary share or from becoming a member thereof; and (b) even under AmCham's Articles of Incorporation, and the purposes for which it is dedicated, becoming a stockholder or shareholder in other corporations is not one of the express or implied powers fixed in AmCham's said corporate franchise.^[20]

As posited above, these assigned errors show the disputed matters herein are mainly factual. As such they are best left to the trial and appellate courts' disposition. And this Court could have dismissed the petition outright, were it not for the opposite results reached by the courts below. Moreover, for the enhanced appreciation of the jural relationship between the parties involving trust, this Court has given due course to the petition, which we now decide.

After carefully considering the pleadings on record, we find there are two main issues to be resolved: (1) Did respondent court err in holding that private respondent is the beneficial owner of the disputed share? (2) Did the respondent court err in ordering petitioner to transfer said share to private respondent's nominee?

Petitioner claims ownership of the MPC share, asserting that he merely incurred a debt to respondent when the latter advanced the funds for the purchase of the share. On the other hand, private respondent asserts beneficial ownership whereby petitioner only holds the share in his name, but the beneficial title belongs to private respondent. To resolve the first issue, we must clearly distinguish a debt from a trust.

The beneficiary of a trust has beneficial interest in the trust property, while a creditor has merely a personal claim against the debtor. In trust, there is a fiduciary relation between a trustee and a beneficiary, but there is no such relation between a debtor and creditor. While a debt implies merely an obligation to pay a certain sum of money, a trust refers to a duty to deal with a specific property for the benefit of another. If a creditor-debtor relationship exists, but not a fiduciary relationship between the parties, there is no express trust. However, it is understood that when the purported trustee of funds is entitled to use them as his or her own (and commingle them with his or her own money), a debtor-creditor relationship exists, not a trust.^[21]

In the present case, as the Executive Vice-President of AmCham, petitioner occupied a fiduciary position in the business of AmCham. AmCham released the funds to acquire a share in the Club for the use of petitioner but obliged him to "execute such document as necessary to acknowledge beneficial ownership thereof by the Chamber".^[22] A trust relationship is, therefore, manifestly indicated.

Moreover, petitioner failed to present evidence to support his allegation of being merely a debtor when the private respondent paid the purchase price of the MPC share. Applicable here is the rule that a trust arises in favor of one who pays the purchase money of property in the name of another, because of the presumption that he who pays for a thing intends a beneficial interest therein for himself.^[23]

Although petitioner initiated the acquisition of the share, evidence on record shows