



Republic of the Philippines  
Supreme Court  
Manila

EN BANC

**PACES  
CORPORATION,**

**INDUSTRIAL**

**A.C. No. 1346**

Petitioner,

**Present:**

SERENO, C. J.,  
CARPIO,  
VELASCO, JR.,  
LEONARDO-DE CASTRO,  
PERALTA,  
BERSAMIN,  
DEL CASTILLO,  
MENDOZA,  
PERLAS-BERNABE,  
LEONEN,  
JARDELEZA,  
CAGUIOA,  
MARTIRES,  
TIJAM, and  
REYES, JR., JJ.

- versus -

**ATTY. EDGARDO  
SALANDANAN,**

Respondent.

**M. Promulgated:**

July 25, 2017

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*[Handwritten Signature]*-----x

**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.

*[Handwritten Mark]*

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 ₱96,513.91. 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

<sup>1</sup> Report and Recommendation submitted by Commissioner Oliver A. Cachapero, dated November 2, 2011; *rollo*, pp. 224-228.

<sup>2</sup> *Rollo*, p. 223.

<sup>3</sup> *Id.* at 231.

**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.



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<sup>4</sup> *Orola, et al. v. Atty. Ramos*, 717 Phil. 536, 544 (2013).

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

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

<sup>7</sup> *Samson v. Atty. Era*, 714 Phil. 101, 112-113 (2013).

*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.

Even the termination of the attorney-client relationship does not justify a lawyer to represent an interest adverse to or in conflict with that of the former client. The spirit behind this rule is that the client's confidence once given should not be stripped by the mere expiration of the professional employment. Even after the severance of the relation, a lawyer should not do anything that will injuriously affect his former client in any matter in which the lawyer previously represented the client. Nor should the lawyer disclose or use any of the client's confidences acquired in the previous relation. In this regard, Canon 17 of the CPR expressly declares that: "A lawyer owes fidelity to the cause of his client and he shall be mindful of the trust and confidence reposed in him." The lawyer's highest and most unquestioned duty is to protect the client at all hazards and costs even to himself. The protection given to the client is perpetual and does not cease with the termination of the litigation, nor is it affected by the client's ceasing to employ the attorney and retaining another, or by any other change of relation between them. It even survives the death of the client.<sup>8</sup>

It must, however, be noted that a lawyer's immutable duty to a former client does not cover transactions that occurred beyond the lawyer's employment with the client. The intent of the law is to impose upon the lawyer the duty to protect the client's interests only on matters that he previously handled for the former client and not for matters that arose after the lawyer-client relationship has terminated.<sup>9</sup>



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

<sup>9</sup> *Orola, et al. v. Atty. Ramos, supra note 4, at 545.*

Here, contrary to Salandanan's futile defense, he sufficiently represented or intervened for Paces in its negotiations for the payment of its obligation to E.E. Black Ltd. The letters he sent to the counsel of E.E. Black Ltd. identified him as the Treasurer of Paces. Previously, he had likewise represented Paces in two (2) different cases. It is clear, therefore, that his duty had been to fight a cause for Paces, but it later became his duty to oppose the same for E.E. Black Ltd. His defense for Paces was eventually opposed by him when he argued for E.E. Black Ltd. Thus, Salandanan had indisputably obtained knowledge of matters affecting the rights and obligations of Paces which had been placed in him in unrestricted confidence. The same knowledge led him to the identification of those attachable properties and business organizations that eventually made the attachment and garnishment against Paces a success. To allow him to utilize said information for his own personal interest or for the benefit of E.E. Black Ltd., the adverse party, would be to violate the element of confidence which lies at the very foundation of a lawyer-client relationship.

The rule prohibiting conflict of interest was fashioned to prevent situations wherein a lawyer would be representing a client whose interest is directly adverse to any of his present or former clients. In the same way, a lawyer may only be allowed to represent a client involving the same or a substantially related matter that is materially adverse to the former client only if the former client consents to it after consultation. The rule is grounded in the fiduciary obligation of loyalty. Throughout the course of a lawyer-client relationship, the lawyer learns all the facts connected with the client's case, including the weak and strong points of the case. Knowledge and information gathered in the course of the relationship must be treated as sacred and guarded with care.<sup>10</sup> It behooves lawyers, not only to keep inviolate the client's confidence, but also to avoid the appearance of treachery and double-dealing for only then can litigants be encouraged to entrust their secrets to their lawyers, which is of paramount importance in the administration of justice.<sup>11</sup> The nature of that relationship is, therefore, one of trust and confidence of the highest degree.<sup>12</sup>

In the absence of the express consent from Paces after full disclosure to it of the conflict of interest, Salandanan should have either outrightly declined representing and entering his appearance as counsel for E.E. Black Ltd., or advised E.E. Black Ltd. to simply engage the services of another lawyer. Unfortunately, he did neither, and must necessarily suffer the dire consequences.<sup>13</sup>



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<sup>10</sup> *Supra* note 7, at 111.

<sup>11</sup> *Supra* note 4.

<sup>12</sup> *Supra* note 7, at 112.

<sup>13</sup> *Id.* at 113.

Applying the above-stated principles, the Court agrees with the IBP's finding that Salandanan represented conflicting interests and, perforce, must be held administratively liable for the same.<sup>14</sup>

**WHEREFORE, IN VIEW OF THE FOREGOING,** the Court **SUSPENDS** Atty. Edgardo M. Salandanan from the practice of law for three (3) years effective upon his receipt of this decision, with a warning that his commission of a similar offense will be dealt with more severely.

Let copies of this decision be included in the personal record of Atty. Edgardo M. Salandanan and entered in his file in the Office of the Bar Confidant.

Let copies of this decision be disseminated to all lower courts by the Office of the Court Administrator, as well as to the Integrated Bar of the Philippines for its guidance.

**SO ORDERED.**



**DIOSDADO M. PERALTA**  
Associate Justice

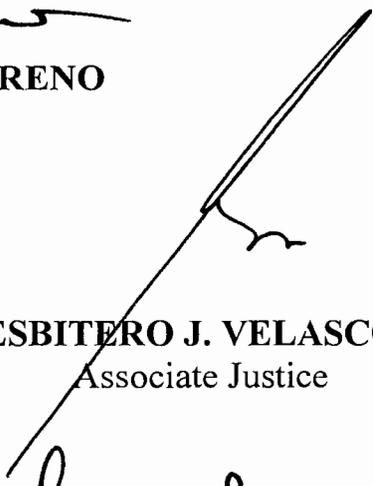
**WE CONCUR:**



**MARIA LOURDES P. A. SERENO**  
Chief Justice



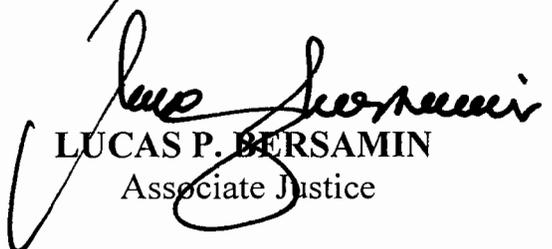
**ANTONIO T. CARPIO**  
Associate Justice



**PRESBITERO J. VELASCO, JR.**  
Associate Justice



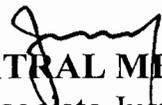
**TERESITA J. LEONARDO-DE CASTRO**  
Associate Justice



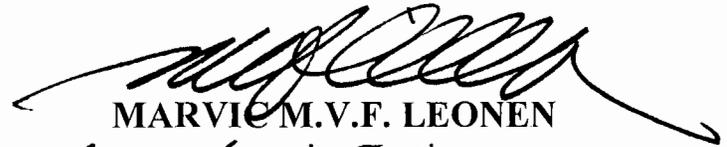
**LUCAS P. BERSAMIN**  
Associate Justice

<sup>14</sup> *Orola, et al. v. Atty. Ramos, supra* note 4, at 545.

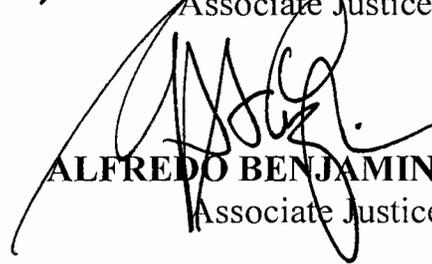
  
MARIANO C. DEL CASTILLO  
Associate Justice

  
JOSE CATRAL MENDOZA  
Associate Justice

  
ESTELA M. PERLAS-BERNABE  
Associate Justice

  
MARVIC M.V.F. LEONEN  
Associate Justice

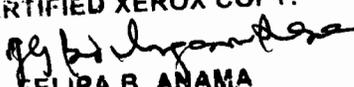
  
FRANCIS H. JARDELEZA  
Associate Justice

  
ALFREDO BENJAMIN S. CAGUIOA  
Associate Justice

  
SAMUEL R. MARTIRES  
Associate Justice

  
NOEL GIMENEZ TIJAM  
Associate Justice

  
ANDRES B. REYES JR.  
Associate Justice

CERTIFIED XEROX COPY:  
  
FELIPA B. ANAMA  
CLERK OF COURT, EN BANC  
SUPREME COURT