Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

HENRY G. LACIDA, Complainant,	**A.C. No. 13361** **[Formerly CBD Case No. 17-5314]**
	Present:
- versus -	CAGUIOA, *J.*, *Chairperson*, INTING, GAERLAN.,* DIMAAMPAO, and SINGH, *JJ.***
ATTY. REJOICE S. SUBEJANO, Respondent.	
	Promulgated: FEB 12 2025

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DECISION

CAGUIOA, *J.*:

This resolves the complaint[1] for disbarment filed by complainant Henry G. Lacida (complainant) on behalf of Megamitch Financial Resources Corporation (Megamitch) against respondent Atty. Rejoice S. Subejano (respondent) in connection with a loan obtained by respondent from Megamitch.

On January 19, 2015, respondent and Mr. Alejandro Rentillosa (Rentillosa) applied for a loan amounting to PHP 15,000,000.00 with Megamitch to augment the capitalization of their aggregate business in Iligan City and Lanao del Norte.[2] At that time, Subejano & Ditucalan (SD Law), of which respondent is a founding partner, was Megamitch's retained legal counsel.[3] In securing the loan, respondent allegedly took advantage of his

* On official business.

** On leave.

1 *Rollo*, pp. 1–3, Letter-Complaint for Disbarment dated March 7, 2017.

2 *Id.* at 27–28, Complaint for Estafa dated April 25, 2016.

3 *Id.* at 5–6, Retainership Contract dated January 15, 2014.

personal relationship with Megamitch's Chief Executive Officer, Mr. Alain De Schouwer (De Schouwer), and misrepresented that he and Mr. Rentillosa were engaged in the sand and gravel business in Iligan City and Lanao del Norte.[4]

Thus, on different dates in January 2015, De Schouwer authorized the release of funds totaling to PHP 11,679,900.00 to respondent, under a purported agreement that respondent would later execute a loan contract and provide the necessary security as required under Megamitch's loan application procedure.[5]

Subsequently, respondent submitted a Loan Contract with Chattel Mortgage to Megamitch, which was, however, deemed unacceptable by Megamitch.[6] Megamitch also allegedly discovered from the Office of the Treasurer of Iligan City that respondent had no business record with the city, contrary to his representations.[7] As a result, Megamitch refused to release the balance of the approved loan and demanded the return of the amounts already released to respondent.[8] When respondent failed to heed these demands, Megamitch filed a criminal case for Estafa against respondent and Rentillosa, as well as the present disbarment case against respondent.[9]

For his part, respondent admitted that he obtained a loan from Megamitch for their business venture.[10] He also added that he had previously obtained a loan amounting to PHP 500,000.00 from Megamitch, which he fully repaid in December 2016.[11] As regards the subject loan transaction, respondent denied making any misrepresentations or using deceit to secure the approval of their loan application.[12] He asserted that, as part of the loan application process, he and Rentillosa submitted a business proposal and a feasibility study, which were evaluated by Megamitch's officers.[13] Respondent also stated that the proceeds of the loan were used to purchase heavy equipment, which were inspected by Megamitch's officers, and that he promptly submitted the proof of purchase to Megamitch.[14]

Respondent also alleged that he already made several payments to Megamitch but was unable to fully comply with the loan agreement because their business venture failed due to the unfavorable political climate in Iligan City.[15] Nevertheless, respondent maintained that he is not evading his obligations and is doing all in his capacity to repay Megamitch.[16]

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4 *Id.* at 27–28, Complaint for Estafa dated April 25, 2016.
5 *Id.* at 1, Letter-Complaint for Disbarment dated March 7, 2017; 164–165, Judicial Affidavit of Alain De Schouwer.
6 *Id.* at 159, Judicial Affidavit of Complainant.
7 *Id.* at 31, Complaint for Estafa dated April 25, 2016.
8 *Id.*
9 *Id.* at 2, Letter-Complaint for Disbarment dated March 7, 2017.
10 *Id.* at 169, Position Paper of Respondent dated May 11, 2018.
11 *Id.*
12 *Id.* 171–176.
13 *Id.* at 170.
14 *Id.* at 171.
15 *Id.*
16 *Id.* at 176.

In her Report and Recommendation[17] dated August 15, 2018, Investigating Commissioner Rebecca Villanueva-Maala (Comm. Maala) found respondent guilty of violating Canon 16, Rule 16.04 of the Code of Professional Responsibility (CPR), which states that: "*A lawyer shall not borrow from his client unless the client's interests are fully protected by the nature of the case or by independent advice.*" This finding was based on respondent's admission that he contracted a loan from his client, Megamitch, at the time when he was its retained legal counsel. Accordingly, Comm. Maala recommended that respondent be suspended from the practice of law for five years.

In a Resolution[18] dated June 17, 2019, the IBP Board of Governors (IBP-BOG) adopted the findings of the Comm. Maala but reduced the recommended penalty to six months suspension from the practice of law.

Aggrieved, respondent filed a Motion for Reconsideration[19] (MR), arguing that: (a) he was not the legal counsel of Megamitch as it was SD Law; (b) he incurred the loan in his personal capacity, and the loan has nothing to do with any of the cases handled by SD Law for Megamitch; (c) he did not take undue advantage of or deceive Megamitch to secure the loan; and (d) Megamitch's interests were duly protected by the independent advice of its officers and employees, as well as by postdated checks issued by Rentillosa. Respondent also subsequently filed a Supplemental MR,[20] to which he attached a copy of the Compromise Agreement[21] dated February 8, 2020 executed by De Schouwer and himself, which was submitted to the trial court for the provisional dismissal of the Estafa case.

Complainant raised no objection to respondent's MR and Supplemental MR, and even prayed that respondent not be penalized so that he could comply with the Compromise Agreement.[22] Nonetheless, complainant prayed that the complaint be revived should respondent fail to comply with the terms of the Compromise Agreement.[23]

In an Extended Resolution dated June 22, 2021, the IBP-BOG resolved to grant respondent's MR and Supplemental MR and recommended the dismissal of the complaint. The IBP-BOG held as follows:

> This admitted failure of respondent to settle his obligations appears to have been cured by events subsequent to the issuance of the June 17, 2019 Resolution of the 23rd Board. More specifically, and as admitted by complainant, respondent had: (a) paid it the sum of [PHP]750,000.00, (b) executed a compromise agreement with complainant which enumerated how he will settle his loan obligation with complainant, and (c) issued postdated checks to complainant. In fact, complainant had even asked this

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17 *Id.* at 199–201.
18 *Id.* at 198.
19 *Id.* at 202–207.
20 *Id.* at 211–212.
21 *Id.* at 213–216.
22 *Id.* at 221–223, Comment of Complainant to Respondent's MR.
23 *Id.* at 222.

> Board not to sanction respondent with suspension so that he can duly pay his loan obligations to complainant.
>
> Clearly, these undisputed events reveal respondent's honest attempts to settle his loan obligation with the complainant and duly refute any notion that he used legal maneuverings to renege [on] his obligation with complainant. And with respondent's initial payment, his execution of a compromise agreement and his issuance of postdated checks to complainant, the interests of complainant on the said load had been fully protected. To the mind of this Board, these events thus show [that] respondent did not deliberately violate the spirit and letter of Rule 16.04 of the Code of Professional Responsibility. Hence, the dismissal of the instant case is warranted.[24]

The Court's Ruling

The Court adopts the recommendation of the IBP-BOG to dismiss the complaint against respondent.

While it is clear that a lawyer-client relationship exists between respondent and Megamitch, there is no sufficient basis to hold respondent administratively liable for violating the prohibition on borrowing of money or property from clients.

The prohibition against borrowing of money or property from clients is originally found in Rule 16.04, Canon 16 of the CPR, and reads as follows:

> Rule 16.04 — A lawyer shall not borrow money from his client unless the client's interest are fully protected by the nature of the case or by independent advice. Neither shall a lawyer lend money to a client except, when in the interest of justice, he has to advance necessary expenses in a legal matter he is handling for the client. (Underscoring supplied)

The purpose of the prohibition is to protect the trust and confidence reposed by the client upon the lawyer. It is designed to prevent lawyers from taking advantage of the client's trust or evading their obligations through legal maneuverings. As held by the Court in *Yu v. Dela Cruz*,[25] *viz.*:

> The Court has repeatedly emphasized that the relationship between a lawyer and his client is one imbued with trust and confidence. And as true as any natural tendency goes, this "trust and confidence" is prone to abuse. The rule against borrowing of money by a lawyer from his client is intended to prevent the lawyer from taking advantage of his influence over his client. The rule presumes that the client is disadvantaged by the lawyer's ability to use all the legal maneuverings to renege on his obligation. Suffice it to say, the borrowing of money or property from a client outside the limits laid down in the CPR is an unethical act that warrants sanction.[26]

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24 *Id.*
25 778 Phil. 557 (2016) [*Per Curiam, En Banc*].
26 *Id.* at 564.

On April 11, 2023, the Court issued a Resolution in A.M. No. 22-09-01-SC, adopting the Code of Professional Responsibility and Accountability (CPRA), which supersedes and repeals the CPR.[27] The Transitory Provision of the CPRA specifies that it shall apply retroactively to all pending cases.[28] Accordingly, the Court shall resolve the present case in accordance with the provisions of the CPRA.

The CPRA introduces a revised rule on the prohibition on borrowing of money or property from a client. Unlike its predecessor, Canon III, Section 52 of the CPRA outlines three exceptions to this prohibition, *viz.*:

> **Section 52.** ***Prohibition on lending and borrowing; exceptions.*** — . . .
>
> Neither shall a lawyer borrow money from a client during the existence of the lawyer-client relationship, unless the client's interests are fully protected by the nature of the case, or by independent advice. This rule does not apply to standard commercial transactions for products or services that the client offers to the public in general, or where the lawyer and the client have an existing or prior business relationship, or where there is a contract between the lawyer and the client.[29] (Underscoring supplied)

The exceptions in Section 52 of the CPRA are intended to carve out specific transactions where the prohibition on borrowing of money or property from clients does not apply. These exceptions recognize that legitimate business transactions can occur between lawyers and clients outside the scope of their professional relationships. Still, not all business transactions are exempt from the prohibition. Only transactions where the lawyer avails of the products and services generally offered by the client to the public, where there is an existing or prior business relationship between the lawyer and the client, or where the transaction is covered by a contract, are excluded from the prohibition. In these cases, the client's interests are safeguarded through formal agreements or through the client's knowledge of the business arrangement, ensuring that the transaction does not compromise the lawyer's duties of trust and loyalty to the client.

Here, the Court finds that the loan transaction between Megamitch and respondent is excluded from the prohibition against borrowing of money from a client.

Firstly, the subject loan is a standard commercial transaction relating to the business of Megamitch. Both parties alleged in their pleadings that Megamitch is engaged in the lending business and that the loan extended to respondent was one of its business transactions. In his Answer[30] dated August 24, 2017, respondent alleged that Megamitch is engaged in lending and financing. Complainant did not refute this allegation and even asserted in his

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27 CODE OF PROFESSIONAL RESPONSIBILITY AND ACCOUNTABILITY, General Provisions, sec. 2.
28 CODE OF PROFESSIONAL RESPONSIBILITY AND ACCOUNTABILITY, General Provisions, sec. 1.
29 CODE OF PROFESSIONAL RESPONSIBILITY AND ACCOUNTABILITY, Canon III, sec. 52.
30 *Rollo*, pp. 55–57.

Position Paper[31] dated April 6, 2018, that the loan extended to respondent "was made in violation [of] Megamitch's Loan Policies on the requirement for borrowers to execute a loan agreement and the posting of sufficient sureties or the conveyance of valid collaterals."[32]

Secondly, Megamitch had an existing business relationship with respondent when they entered the subject loan transaction in January 2015. Complainant does not dispute respondent's allegation that Megamitch extended a loan to respondent in 2014 which respondent fully paid in 2016, *viz.*:

> Respondent admits the contractual relation between the Respondent and Megamitch represented by herein Complainant. In fact, this is not the only contractual obligation the Respondent has with Megamitch. In 2014, Respondent contracted a loan obligation with Megamitch in the amount of [PHP]500,000.00, which Respondent had faithfully and punctually paid his monthly amortization until it expired last December 2016.[33]

Lastly, while the transaction does not fall squarely under the third exception since no formal agreement was executed because of Megamitch's refusal to sign the Loan Agreement with Chattel Mortgage, the parties' allegations still prove that a contract of loan was perfected between Megamitch and respondent. In fact, complainant's claim for repayment and complaint for Estafa is based on said loan.

Apart from the fact that the subject loan transaction is excluded from the prohibition against borrowing of money from clients, the Court also finds a lack of sufficient evidence to substantiate the claims of abuse of trust and misrepresentation employed by respondent. Complainant contends that respondent took advantage of his personal relationship with De Schouwer, as well as his position as Megamitch's retained counsel, to facilitate the release of the loan proceeds without complying with the Loan Policy. Additionally, complainant claims that respondent and Rentillosa misrepresented that he is engaged in the same and gravel business in Iligan City and Lanao del Norte.

In support of these allegations, complainant only presented a copy of a Certification[34] issued by the Office of the Treasurer of Iligan City stating that respondent has no business records in the city. This hardly amounts to substantial evidence that would compel the Court to exercise its disciplinary power. For the same reason, the Court also cannot accede to complainant's prayer to revive the complaint should respondent fail to abide by the terms of their Compromise Agreement.

ACCORDINGLY, the Court finds that there is no sufficient basis to hold Atty. Rejoice S. Subejano liable for violation of Canon III, Section 52 of

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31 *Id.* at 152–157.
32 *Id.* at 153.
33 *Id.* at 169.
34 *Id.* at 10.

the Code of Professional Responsibility and Accountability. Accordingly, the complaint is **DISMISSED** for lack of merit.

SO ORDERED.

ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

WE CONCUR:

HENRI JEAN PAUL B. INTING
Associate Justice

(On official business)
SAMUEL H. GAERLAN
Associate Justice

JAPAR B. DIMAAMPAO
Associate Justice

(On leave)
MARIA FILOMENA D. SINGH
Associate Justice