

Title: Lucia Barrameda Vda. De Ballesteros vs. Rural Bank of Canaman Inc., represented by its liquidator, the Philippine Deposit Insurance Corporation

Facts: Lucia Barrameda Vda. De Ballesteros filed a complaint before the Regional Trial Court of Iriga City (RTC-Iriga), seeking to annul a deed of extrajudicial partition, a deed of mortgage, and claiming damages against her children and the Rural Bank of Canaman, Inc. (RBCI). She alleged that these documents were executed without her knowledge and consent, and the mortgaged property where she resided was being foreclosed.

Subsequently, the Philippine Deposit Insurance Corporation (PDIC) took over the case as RBCI had been closed and was under PDIC's receivership. RBCI, through PDIC, moved to dismiss the case on jurisdictional grounds, citing that jurisdiction lay with the liquidation court at the RTC-Makati, established per Section 30 of the New Central Bank Act, Republic Act No. 7653 (RA No. 7653). RTC-Iriga granted the motion to dismiss, leading Lucia to appeal to the Court of Appeals (CA). The CA modified the RTC-Iriga decision, ordering the consolidation of Lucia's civil case with the liquidation case before the RTC-Makati. Lucia sought reconsideration, which was denied, prompting her to petition the Supreme Court.

Issues: The primary issue presented was whether the liquidation court could take cognizance of a case where the main cause of action was not a simple money claim against a bank undergoing liquidation. Related to this, the Supreme Court examined whether an RTC could retain jurisdiction over a case once it had attached, even after subsequent events that would ordinarily change jurisdiction, in light of the doctrine of adherence of jurisdiction. Lastly, the appropriateness of the CA's decision to consolidate Lucia's civil case with the liquidation case at RTC-Makati was also in question.

Court's Decision: The Supreme Court denied the petition, aligning with the belief that the liquidation court, as established, held exclusive jurisdiction over all claims against the RBCI. It stated that the doctrine on adherence of jurisdiction did not apply as there are exceptions, especially when new legislation changes jurisdiction, which is curative in character. Moreover, the time of filing the complaint was deemed immaterial—the focus was on the effect of execution on other creditors and depositors. The Court recognized that the consolidation was proper given that the liquidation court should handle all disputes concerning claims against the bankrupt bank.

Doctrine: The Supreme Court reiterated the doctrine that once a bank is ordered closed and placed under receivership, all claims against the bank must be filed with the designated

liquidation court, which is constructed to prevent multiplicity of suits and ensure orderly and equitable settlement of the bank's obligations. It was reaffirmed that the jurisdiction of a court does not necessarily persist after subsequent legislation transferring jurisdiction, especially when the law is curative in nature.

Class Notes:

- Jurisprudence recognizes the doctrine on adherence of jurisdiction, with exceptions when subsequent legislation changes jurisdiction if curative in character (e.g., *Garcia v. Martinez; Calderon, Sr. v. Court of Appeals; Atlas Fertilizer Corporation v. Navarro; Abad v. RTC of Manila, Br. LLL*).
- A liquidation court under Section 30, R.A. 7653 has exclusive jurisdiction over all claims against an insolvent bank, regardless of the nature of the claim (*Miranda v. PDIC; Manalo v. CA*).
- Consolidation of cases is appropriate when multiple cases involve the same parties and subject matter, to avoid multiplicity of suits, under Rule 31 of the Rules of Court (*RTC-Iriga vs. RTC-Makati consolidation in liquidation proceedings*).

Historical Background: The case reflects the regulatory environment for the closure and liquidation of insolvent banks in the Philippines, as governed by the New Central Bank Act (R.A. No. 7653). This regulation ensures that there is an orderly process for handling claims against closed banks, preventing preferential treatment of certain claimants and protecting the interest of all creditors. The legislative intent behind this regulation is to maintain financial stability and public confidence in the financial system.