

****Title: North Bulacan Corporation vs. Philippine Bank of Communications****

****Facts:****

North Bulacan Corporation (NBC), involved in low and medium-cost housing projects, entered into a joint venture and later purchased property to develop housing projects. Initially, Land Bank offered financing, but Philippine Bank of Communications (PBCom) took over with the condition that payments for the houses, upon completion, come directly from Pag-IBIG to PBCom. NBC assigned its payment rights from Pag-IBIG to PBCom. However, PBCom halted its financial support citing a cease-and-desist order from the Bangko Sentral ng Pilipinas (BSP). Attempts by NBC to secure financing from other sources were refused by PBCom, leading to NBC's construction projects being halted.

On December 28, 2006, NBC filed for corporate rehabilitation at the Mandaluyong Regional Trial Court (RTC). Numerous motions were filed by NBC, including for the release of Transfer Certificates and issuance of Letters of Guaranty by Pag-IBIG, which were initially granted. However, upon the retirement of Judge Acosta-Villarante and the takeover by Judge Edwin Sorongon, an order was issued on January 24, 2008, giving due course to NBC's petition for rehabilitation.

PBCom contested this order at the Court of Appeals (CA), which in turn granted PBCom's petition pointing out the failure of RTC to approve a rehabilitation plan for NBC within the mandated 180 days from the initial hearing. NBC then appealed to the Supreme Court.

****Issues:****

1. Whether the CA erred in dismissing NBC's action for corporate rehabilitation.
2. Whether NBC complied with the rules governing corporate rehabilitation.
3. Whether NBC's rehabilitation plan was viable and supported by sufficient evidence.

****Court's Decision:****

The Supreme Court held that the CA did not err in dismissing NBC's petition for corporate rehabilitation. The decision pointed out several violations by NBC of the Interim Rules of Procedure on Corporate Rehabilitation, including the filing of unverified pleadings and failure to provide a comprehensive list of debts and liabilities as well as an inventory of assets with necessary details.

The court found that the RTC extended the rehabilitation proceedings beyond the allowed period without substantial evidence of NBC's viability for rehabilitation. The court emphasized the importance of adhering to the rules for rehabilitation proceedings, stating

that even if technicalities were set aside, NBC's petition still fell short on grounds of viability and credibility, given the opposition by creditors and discrepancies in NBC's asset and liability listings.

****Doctrine:****

This case reaffirms the principles governing corporate rehabilitation in the Philippines, particularly the need for strict adherence to procedural rules intended to ensure expeditious and just resolution of rehabilitation cases. It highlights the judiciary's role in scrutinizing the viability of the rehabilitation plan and the importance of providing accurate and detailed information about the corporation's financial status.

****Class Notes:****

- Corporate Rehabilitation Proceedings: A summary and non-adversarial proceeding aimed at providing distressed but viable corporations with an opportunity to recover.
- Interim Rules of Procedure on Corporate Rehabilitation: These rules must be liberally construed to provide a just, expeditious, and inexpensive disposition of cases, subject to strict compliance by petitioning corporations.
- Key elements for a viable rehabilitation petition include detailed listing of assets and liabilities, creditor support or lack of substantial opposition, and compelling evidence of economic feasibility for continued operations.

****Historical Background:****

The case underscores the challenges and complexities within corporate rehabilitation in the Philippines, highlighting the balance between a corporation's efforts to regain financial health and the creditors' rights to recover their investments. It serves as a pivotal reminder of the legal and procedural rigor expected in such proceedings and the courts' discretion in evaluating the viability and sincerity of rehabilitation efforts.