

Title:

Metropolitan Bank & Trust Company vs. ASB Group of Companies

Facts:

The Metropolitan Bank and Trust Company (hereafter referred to as Metrobank) was a creditor to the collective entities known as the ASB Group of Companies, which were engaged in condominium and real estate development. The ASB Group's obligations to Metrobank were secured by real estate mortgages totaling P1.5965 billion across different projects. Facing financial distress due to a confluence of economic downturns, the ASB Group filed a Petition for Rehabilitation with the Securities and Exchange Commission (SEC) under Presidential Decree No. 902-A, seeking suspension of all actions and proceedings against it to rehabilitate its financial state. Following the filing, the SEC issued a Suspension Order, appointing an interim receiver for the ASB Group.

Subsequently, the ASB Group proposed a Rehabilitation Plan, which included reconfiguration of debts and dacion en pago arrangements with creditors, including Metrobank. Metrobank opposed the plan, contesting the valuation of properties for dacion en pago, the waiver of future interests, penalties, and charges, and challenging the overall legality and feasibility of the plan. Despite this, the SEC Hearing Panel approved the Rehabilitation Plan.

Metrobank escalated the issue to the SEC En Banc through a Petition for Certiorari, arguing grave abuse of discretion in approving the Rehabilitation Plan. The SEC En Banc affirmed the Hearing Panel's decision, which was further contested by Metrobank to the Court of Appeals through a Petition for Review. The appellate court denied the petition, and Metrobank filed for review on certiorari with the Supreme Court. Meanwhile, Cameron Granville 3 Asset Management, Inc., having acquired the loans and mortgages at issue, intervened in the Supreme Court proceedings.

Issues:

1. Whether the approval of the Rehabilitation Plan impairs Metrobank's contractual rights and constitutes a violation of the non-impairment clause and due process.
2. Whether the SEC committed grave abuse of discretion in approving the Rehabilitation Plan without Metrobank's consent to the dacion en pago arrangement and waiver of interests, penalties, and charges.
3. Whether the SEC's Stay Order can extend to affiliate corporations of ASB Holdings, Inc., not directly experiencing financial distress.

Court's Decision:

The Supreme Court denied Metrobank's petition and affirmed the decision of the Court of Appeals. The Court held that:

1. The Rehabilitation Plan did not impair Metrobank's lien over the mortgaged properties or violate the contractual rights, considering the suspension of actions for claims was provisional and intended to facilitate the rehabilitation effort.
2. The SEC did not commit grave abuse of discretion in approving the Rehabilitation Plan since the dacion en pago arrangement and proposals for waiver of interests, penalties, and charges were not compulsory but based on mutually agreed terms, as explicitly stated in the Rehabilitation Plan.
3. The issue regarding the extension of the SEC's Stay Order to affiliates not directly implicated in the financial distress was dismissed for being raised belatedly and because the factual findings of quasi-judicial bodies like the SEC are generally accorded respect and finality.

Doctrine:

This case reaffirms the doctrine that the suspension of actions for claims against a corporation under a rehabilitation proceeding does not impair the contractual rights of secured creditors since it merely suspends the enforcement of such rights to enable the possibility of the company's recovery, aligning with the state's interest in preserving enterprises as going concerns.

Class Notes:

- ****Presidential Decree No. 902-A****: Provides for the suspension of actions for claims against corporations, partnerships, or associations under management or receivership pending rehabilitation.
- ****Dacion en Pago****: A legal arrangement where property is given in satisfaction of a debt to the extent of the value of the property. In rehabilitation contexts, subject to approval and mutually agreed terms.
- ****Non-Impairment Clause****: This constitutional provision protects contracts against legislative impairment but recognizes exceptions in the interest of public welfare, such as rehabilitation proceedings.
- ****Grave Abuse of Discretion****: Occurs when a public official or tribunal acts in a capricious, whimsical, arbitrary, or despotic manner by reason of passion or personal hostility amounting to an evasion of a positive duty or virtual refusal to perform a duty enjoined by law.

Historical Background:

Rehabilitation proceedings in the Philippines are governed by a framework allowing financially distressed corporations to recover, ensuring their survival and thereby protecting the interests of stakeholders and the public. This case illustrates the balance between preserving a company's ability to continue business and respecting the rights of creditors within rehabilitation efforts, emphasizing judicial deference to specialized agencies' expertise in business recovery matters.