

Title: Deutsche Bank AG London (Substituted by A & L Fishpond and Hatchery, Inc.) vs. Kormasinc, Inc. / Metropolitan Bank & Trust Company (Substituted by Kormasinc, Inc.) vs. Vitarich Corporation

Facts:

Vitarich Corporation, engaged in various agricultural businesses, entered a Mortgage Trust Indenture (MTI) on January 30, 1998, with several banks to secure repayment of loans and obligations. In the agreement, properties were mortgaged as security for the payment, and Philippine Commercial International Bank (PCIB) was named the trustee. Vitarich eventually encountered financial difficulties leading to its filing for corporate rehabilitation on September 15, 2006, at the Regional Trial Court (RTC) in Malolos, Bulacan.

As part of the rehabilitation proceedings, a rehabilitation plan was devised, and Melito S. Salazar was appointed as the rehabilitation receiver. Kormasinc, Inc., taking over some of Vitarich's obligations, challenged the need for an MTI trustee, arguing it duplicated the receiver's role and added unnecessary costs not accounted for in the rehabilitation plan. Following disagreement on this matter, Kormasinc filed a motion with the RTC to grant the receiver possession, custody, and control over the mortgaged properties.

The RTC denied Kormasinc's motion, interpreting the powers granted to the receiver by the Financial Rehabilitation and Insolvency Act (FRIA) of 2010 as pertaining only to physical assets, not the titles or documents of ownership. Dissatisfied, Kormasinc appealed to the Court of Appeals (CA), which revoked the RTC's order. The CA ruled that the roles of an MTI trustee overlapped with those of the court-appointed rehabilitation receiver and mandated the transfer of custody and control over the MTI properties to the receiver.

The question regarding the receiver's entitlement to possession of titles and documents relating to the MTI properties was subsequently elevated to the Supreme Court by the banks involved via separate petitions for review.

Issues:

1. Whether the Court of Appeals erred in its decision to grant the rehabilitation receiver possession, custody, and control over the properties subject to the MTI, including all relevant documents.
2. The interpretation of the receiver's powers under Section 31 of the FRIA of 2010 in relation to the control and custody of debtor's properties and documents.

Court's Decision:

The Supreme Court dismissed the petitions as moot, citing that the successful rehabilitation of Vitarich and the termination of rehabilitation proceedings, along with the discharge of the receiver, rendered the dispute academic. The Court emphasized the principle that it does not decide on moot and academic questions or abstract propositions.

Doctrine:

The Supreme Court highlighted the general doctrine that courts decline jurisdiction over cases that have become moot, underlining the importance of presenting a justiciable controversy for judicial resolution.

Class Notes:

- Mortgage Trust Indenture (MTI): A legal arrangement wherein properties are mortgaged as security for loan repayments, with a trustee appointed to hold the security for the benefit of the creditors.
- Rehabilitation Receiver: An officer of the court tasked with preserving and maximizing the debtor's assets during rehabilitation, whose specific powers and responsibilities are outlined under the Financial Rehabilitation and Insolvency Act (FRIA) of 2010.
- Moot and Academic Principle: Courts will not decide on cases that no longer present an actual, substantial controversy or where a decision would no longer have practical legal effect.

Historical Background:

This case reflects the legal challenges and complexities associated with corporate rehabilitation in the Philippines, particularly in how the roles of various stakeholders, such as trustees and receivers, intersect and potentially conflict within the framework established by the FRIA of 2010. Through its resolution, it underscores the significance of adaptability in rehabilitation procedures to effectively address the practical realities faced by financially distressed enterprises.