

****Title:****

Philippine Wireless, Inc. and Republic Telecommunications, Inc. vs. Optimum Development Bank (formerly Capitol Development Bank), G.R. No. 206848

****Facts:****

1. ****Initial Agreements:****

- In August 1997, Philippine Wireless, Inc. (PWI) secured a P20,000,000.00 credit facility from Capitol Development Bank (Capitol), guaranteed by Republic Telecommunications, Inc. (RETELCO).

2. ****Loan Transactions:****

- On September 11, 1997, PWI borrowed P10,000,000.00, repayable on October 13, 1997, at 36% interest (Account No. COM 735).

- On September 12, 1997, another P10,000,000.00 was borrowed with identical repayment terms (Account No. COM 735-A).

- Both loans were extended multiple times, eventually maturing on May 13, 1998.

- In February 1998, Capitol lent PWI an additional P2,200,000.00, repayable on June 4, 1998, at 32.53% interest (Account No. COM 735-B).

3. ****Non-Payment:****

- By June 1998, PWI's debt totaled Php 23,363,378.73. Payments were demanded in June and from RETELCO as guarantor, but both failed to settle the debt, which ballooned to P24,669,709.40 by July 1998.

4. ****Legal Actions:****

- Capitol filed a complaint for collection (Civil Case No. 66906) in the Regional Trial Court (RTC) of Pasig. PWI and RETELCO argued estoppel and questioned Capitol's status as the real party-in-interest.

- The RTC ruled in favor of Capitol in September 2008, ordering payment of Php 24,669,709.40 plus attorney fees and legal interest.

5. ****Appeal and Rehabilitation:****

- PWI and RETELCO appealed under Rule 41 to the Court of Appeals (CA).

- Concurrently, PWI and RETELCO filed for corporate rehabilitation in August 2009, resulting in a Stay Order from the RTC Makati, halting enforcement actions against them.

6. **Stay Order and Rehabilitation Updates:**

- A rehabilitation receiver was appointed (later replaced) and a Rehabilitation Plan was approved in April 2011.
- The CA directed PWI and RETELCO to update the status of the rehabilitation proceedings.

7. **Court of Appeals' Decision:**

- In April 2013, the CA denied the appeal and upheld the RTC's decision, asserting that Capitol is a real party-in-interest and is not estopped from enforcing the loan.
- The CA ruled that the Stay Order does not cover the determination of claims but suspends their enforcement.

Issues:

1. **Whether the appellate proceedings on the money judgment should be suspended due to the Stay Order in the corporate rehabilitation proceedings.**
2. **Whether Capitol Development Bank was a real party-in-interest.**
3. **Application of estoppel against Capitol Development Bank in proceeding with the collection case.**

Court's Decision:

1. **Suspension of Appellate Proceedings:**

- The Court ruled that the Stay Order does not affect the determination of the claims but only suspends their enforcement.
- The CA was correct in resuming the proceedings; the Stay Order does not bar the court from determining rights and liabilities to preserve creditor claims.

2. **Real Party-in-Interest:**

- Capitol, now Optimum Development Bank, was determined to be the real party-in-interest as it stands to benefit or be injured by the judgment.

3. **Application of Estoppel:**

- The Court affirmed that estoppel does not apply because Capitol made no admissions or representations to lead PWI and RETELCO to believe that it would not enforce the loan obligations.

Doctrine:

1. **Stay Orders in Rehabilitation Cases:**

- Stay Orders in corporate rehabilitation proceedings per Section 7, Rule 3 of the 2008 Rehabilitation Rules and Section 8, Rule 2 of the 2013 FRIA Rules suspend the enforcement but not the determination of actions for claims against distressed corporations.
- Creditors' right to commence actions necessary to preserve their claims and toll the prescriptive period is upheld despite Stay Orders.

2. **Scope of Rehabilitation Stay Orders:**

- The issuance of a Stay Order does not bar creditors from filing actions necessary to preserve their claims against the corporation undergoing rehabilitation.

Class Notes:

- **Stay Order:** Legal mechanism suspending enforcement of claims but not the determination of rights/liabilities.
- **Real Party-in-Interest:** Party that stands to benefit directly from the suit's outcome.
- **Estoppel Doctrine:** Prevents a party from asserting claims contradicting previous actions or statements relied upon by others.
- **Section 7, Rule 3 of the 2008 Rehabilitation Rules and Section 8, Rule 2 of the 2013 FRIA Rules:** Clarify that the Stay Order suspends enforcement but allows proceedings to preserve claims.

Historical Background:

- The case reflects the evolution of corporate rehabilitation law in the Philippines, transitioning from P.D. 902-A to the 2008 Rehabilitation Rules and FRIA of 2010.
- This development underscores the judiciary's adaptive response to managing corporate distress, balancing creditor rights and debtor rehabilitation effectively.