

Title: Consuelo Metal Corporation vs. Planters Development Bank, G.R. No. 153477

Facts:

- Initial Petition (1996):** On April 1, 1996, Consuelo Metal Corporation (CMC) filed with the Securities and Exchange Commission (SEC) a petition seeking to be declared in a state of suspension of payments, for rehabilitation, and for the appointment of a rehabilitation receiver or management committee, pursuant to Section 5(d) of Presidential Decree No. 902-A.
- SEC's Immediate Response (1996):** The next day, SEC considered the petition sufficient and suspended all actions for claims against CMC. In 1999, SEC reiterated the suspension order and directed the creation of a management committee to handle CMC's rehabilitation.
- SEC's Omnibus Order (2000):** On November 29, 2000, the SEC accepted the management committee's recommendation, ordering the dissolution and liquidation of CMC. The SEC directed that the case be transferred to the Regional Trial Court (RTC).
- Foreclosure by Planters Development Bank (2001):** Planters Development Bank initiated extra-judicial foreclosure proceedings against CMC's real estate mortgage, scheduling public auctions for January 30 and February 6, 2001.
- CMC's Legal Maneuver (2001):** CMC sought an injunction from the SEC to prevent the foreclosure. The SEC initially issued a temporary restraining order and transferred the case records to the RTC.
- RTC's Denials (2001):** On April 25, 2001, the RTC declined to issue a restraining order, asserting that CMC's suspension of payment petition had been concluded. CMC's motion for reconsideration was denied on May 28, 2001. The trial court instructed CMC to file a new petition for dissolution and liquidation with either the SEC or the trial court.
- Foreclosure Completion (2001):** Despite the ongoing legal proceedings, Planters Bank proceeded with and completed the foreclosure on June 13, 2001.
- Appeals and Remand (2001-2002):** CMC filed for certiorari with the Court of Appeals. On December 14, 2001, the Court of Appeals upheld the RTC's order. However, on March 6, 2002, it partially granted CMC's motion for reconsideration and remanded the case to the SEC for further proceedings but validated the foreclosure by Planters Bank.

****Issues:****

1. Does the case fall under Section 121 of the Corporation Code regarding SEC's jurisdiction over dissolution and liquidation, or should it be seen as a continuation of the SEC's jurisdiction over the petition for suspension of payment?
2. Was the foreclosure of the real estate mortgage by Planters Development Bank valid?

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

1. ****Jurisdiction over Dissolution and Liquidation****:

- ****SEC's Role****: The SEC has jurisdiction to order the dissolution of a corporation. However, as per Republic Act No. 8799, the jurisdiction over liquidation shifts to the appropriate RTC.
- ****RTC's Role****: Liquidation involves the settlement of claims, making the RTC the correct venue for these proceedings.

2. ****Validity of Foreclosure****:

- ****Rights of Secured Creditors****: Planters Bank, as a secured creditor, has the right to foreclosure under Section 2248 of the Civil Code, provided that the debtor is no longer under suspension of payments or rehabilitation.
- ****Regularity of Proceedings****: The foreclosure proceedings were deemed regular since they occurred within the stipulated hours and procedures.

****Doctrine:****

1. ****Jurisdiction Allocation****: The SEC retains jurisdiction over corporate dissolution while liquidation proceedings are under the RTC's purview.
2. ****Creditor Rights****: Secured creditors may foreclose mortgages upon termination of rehabilitation proceedings or lifting of stay orders, reaffirming Section 2248 of the Civil Code.

****Class Notes:****

1. ****Essential Statutes****:

- ****Section 5(d), PD 902-A****: Concerning suspension of payments and management of corporations in financial distress.
- ****Section 121, Corporation Code****: SEC's authority over corporate dissolution.
- ****RA No. 8799 (Securities Regulation Code)****: Allocation of jurisdiction to RTC from SEC.
- ****Section 2248, Civil Code****: Preference of secured credits over specific real properties in liquidation.

2. **Key Principles**:

- Jurisdictional specificity between SEC (dissolution) and RTC (liquidation).
- Secured creditors' right to foreclose coupled with presumption of regular proceedings.

Historical Background:

This case serves as a significant precedent in the evolving legal landscape of corporate rehabilitation and liquidation under Philippine jurisdiction, highlighting the procedural transitions specified in Republic Act No. 8799 and the Civil Code.