

Title:

Pacific Banking Corporation Employees Organization, Paula S. Paug, and its Officers and Members vs. The Honorable Court of Appeals and Vitaliano N. Nañagas II, Liquidator of Pacific Banking Corporation / President of the Philippine Deposit Insurance Corporation, Liquidator of Pacific Banking Corporation vs. Court of Appeals, et al.

Facts:

This case involves multiple procedural maneuvers following the liquidation of Pacific Banking Corporation (PaBC). After the Philippine Supreme Court promulgated a decision on March 24, 1995, Atty. Marino E. Eslao, representing private respondents in G.R. No. 112991, requested Deputy Sheriff Carmelo V. Cachero to immediately enforce a Writ of Execution issued on October 28, 1992, without waiting for the finality of the Supreme Court decision. The sheriff demanded the release of garnished funds from the Philippine National Bank (PNB) and the Land Bank of the Philippines (LBP).

On March 29, 1995, LBP complied, releasing P1,393,178.05. However, PNB did not comply, leading the sheriff to seek a court order compelling release. On April 3, 1995, Judge Regino T. Veridiano II granted this request and issued an order for PNB's compliance, which they still refused. The sheriff reported to Judge Veridiano, who then issued subsequent orders threatening PNB officials with contempt and imprisonment for further non-compliance.

The Bank Liquidator (petitioner) filed an Urgent Motion for a Status Quo Order on April 5, 1995, to halt the enforcement of the writ until motions for reconsideration were resolved. The Supreme Court ordered a cease and desist on April 7, 1995. Meanwhile, on April 11, 1995, the Bank Liquidator filed a motion for reconsideration of the Supreme Court's decision.

On June 14, 1995, the Bank Liquidator filed a Motion to Cite in Contempt against Judge Veridiano, Deputy Sheriff Cachero, Branch Clerk of Court Antonio B. Valencia, Jr., and Atty. Eslao. This motion accused them of unduly hastening the enforcement of the writ, misleading the Court on the appeal, and conducting activities impeding justice.

Issues:

1. Whether Judge Veridiano, Deputy Sheriff Cachero, and Atty. Eslao acted in contempt by attempting to enforce the writ of execution before the Supreme Court's decision was final.
2. Whether the temporary restraining order (TRO) in place during the appellate proceedings was effectively lifted upon the dismissal of the main case.

3. Whether good faith can be a defense for the respondents' actions in enforcing the writ prematurely.

Court's Decision:

The Supreme Court found Judge Veridiano, Deputy Sheriff Cachero, and Atty. Eslao guilty of indirect contempt. The ruling was based on the fact that they acted with willfulness or bad faith by enforcing the writ of execution despite knowing about the TRO and that the Supreme Court's decision was not final.

1. **Contempt by Premature Enforcement**: The Court held that the respondents were aware of the existing TRO and knowingly enforced the writ of execution prematurely. Their justification that the decision was final because the Bank Liquidator did not object was invalid given the explicit terms of the TRO.
2. **Effect of the TRO**: The Court clarified that the TRO, effective until further orders, remained in place despite the dismissal of the main case. The Court highlighted that the decision declaring the lower court's decision final was not itself final.
3. **Good Faith Defense**: The Court dismissed claims of good faith, emphasizing that the respondents' actions showed a blatant disregard for judicial processes and constituted a serious infraction undermining the judiciary's authority.

Doctrine:

Respect for Judicial Orders: The case reaffirms the doctrine that judicial orders—especially from higher courts—must be strictly observed and respected. Any form of evasion, negligence, or contempt shown towards such orders is intolerable and warrants appropriate penalties.

Class Notes:

- **Principle of Finality of Judgment**: A judgment must be final and executory before it is enforced (Refer to Rule 39, §2, Rules of Court).
- **Temporary Restraining Orders**: TROs remain effective until lifted by a competent court and cannot be ignored based on subjective interpretations.
- **Judicial Contempt**: Defined under Rule 71, §3(b)(d) and §6 of the Rules of Court, these provisions outline the consequences of contempt, emphasizing respect for legal processes.

Historical Background:

The context of this case involves the liquidation of PaBC, a critical event affecting numerous

stakeholders, including employees, stockholders, and creditors. The case highlights the intricate procedural safeguards in place to ensure judicial decisions are respected and the consequences of breaching court orders. The decision underscores the judiciary's role in maintaining order and reflects on broader principles of legal obedience and the rule of law during liquidation and insolvency proceedings in the Philippines.