Case Title: Figueroa v. Securities and Exchange Commission and Philfinance

Facts:

– **June 18, 1981:** The Securities and Exchange Commission (SEC) and the Central Bank assumed management of Philippine Underwriters Finance Corporation (PHILFINANCE), as directed by the President of the Philippines and after consultation with the Central Bank Governor.

– **August 7, 1981:** SEC appointed a receivership committee for PHILFINANCE, giving the receivers management, control, and supervision powers over PHILFINANCE.

– **October 1, 1985:** Marietta Figueroa and PHILFINANCE entered into a “Canteen Concession Agreement,” allowing Figueroa to operate a canteen in PHILFINANCE’s Makati Office.

– **October 30, 1985:** Bengzon Law Offices was appointed as the new receiver for PHILFINANCE.

– **July 14, 1986:** Bengzon Law Offices identified irregularities in the contract and petitioned the SEC to void the agreement. Allegations included lack of approval from the SEC Receivership Committee, unauthorized contractual authority, and suspect notarization.

– **August 19, 1986:** SEC declared the contract null and void.

– **October 21, 1986:** Petitioner sought reconsideration, but the SEC upheld its decision upon review.

– **Petition to the Supreme Court:** Figueroa filed for review, contending grave abuse of discretion by the SEC in declaring the contract void without adequate notice or hearing.

Issues:

1. Does the SEC have the power and authority under P.D. 902-A, as amended, to declare private contracts null and void?

2. Can the SEC void a contract without prior notice to the parties concerned?

Court’s Decision:

1. **Authority of SEC:**
– The Court held that under paragraph 6(d), sub-par. (2) of P.D. No. 902-A, as amended, the SEC Receivership Committee or receiver is empowered to revoke the actions of previous management, thereby supporting the SEC's authority to nullify the contract.

2. **Due Process & Notice:**
– The Court found no violation of due process. It ruled that Figueroa was given a chance to be heard through her motion for reconsideration, satisfying the requirement for due process.
– The necessity of absolute prior notice is not mandated; rather, the opportunity to be heard eventually, as occurred, suffices.

Doctrine:

– The SEC, under P.D. No. 902-A as amended, can overrule or revoke the previous acts of an entity's management thereby addressing incidents of management oversight or irregularities during receivership.

Class Notes:

– **Receivership Powers:** Empowered to oversee, nullify previous management's decisions, manage assets to protect creditors.

– **Due Process in Administrative Contexts:** Not synonymous with preliminary notice but requires an opportunity to be heard at some stage, e.g., through reconsideration motions.

– **Legal Statute:**
– Reference: P.D. No. 902-A as amended by P.D. No. 1799.
– Concept of overriding management decisions for companies under distress pivotal in upholding creditor rights and institutional stability during financial crises.

Historical Background:

Following the economic turbulence in the Philippines during the late 1970s and early 1980s that led to significant distress within financial institutions, several legislative measures including P.D. 902-A and subsequent amendments were enacted to stabilize the financial sector. This included granting enhanced powers to regulatory bodies like the SEC to manage or intervene in failing corporations to mitigate systemic risks, thus contextualizing the case within the governmental efforts to fortify economic foundations amidst prevailing economic uncertainty.