

TITLE:

****Philippine Veterans Bank Employees Union-NUBE v. The Philippine Veterans Bank****

FACTS:

- ****Creation and Initial Vision****: Philippine Veterans Bank (PVB) was established in 1963 under a special law to benefit war veterans as its stockholders.
- ****Financial Troubles****: On April 10, 1983, due to its precarious financial state, the Monetary Board of the Central Bank placed PVB under receivership via Resolution No. 334.
- ****Employee Challenge****: On April 26, 1984, the PVB Employees Union filed a petition (G.R. No. 67125) to halt the Bank's retrenchment and reorganization plans, citing security of tenure.
- ****Temporary Restraining Order****: Granted by SC on May 9, 1984.
- ****Liquidation Ordered****: On June 7, 1985, Monetary Board ordered PVB's liquidation (Resolution No. 612) due to P540,835,860.79 in liabilities.
- ****Union's Opposition****: Filed a supplemental petition on September 25, 1985.
- ****Veterans Federation's Intervention****: Filed on November 26, 1985, opposing liquidation and proposing rehabilitation.
- ****Ancillary Petition & Preliminary Injunction****: Union sought wage increase enforcement; SC issued preliminary injunction on March 26, 1987, against liquidation actions.
- ****New Petition for Restitution****: Simeon Medalla et al. filed another petition (G.R. No. 82337) on March 18, 1988, for control over the Bank.
- ****Consolidation****: This was consolidated with G.R. No. 67125.
- ****Lower Court Orders on Payments****: Regional Trial Court of Manila ordered payments to employees and retirees in 1987 and 1988.
- ****Temporary Restraining Order on Retirement Payments****: Issued by SC on January 12, 1989.
- ****Injunction Amended****: On December 15, 1988, the SC amended the injunction to allow the sale of acquired assets.

ISSUES:

1. ****Whether the Central Bank has the authority to liquidate the Philippine Veterans Bank.****
2. ****Whether liquidation by the Central Bank constitutes a violation of the impairment clause of contractual obligations.****
3. ****Whether the claims for back wages and other benefits by employees are valid given the Bank's liquidation.****
4. ****Whether the ownership and management of PVB should be turned over to the veterans.****

COURT'S DECISION:

1. **Authority of Central Bank**:

- **Resolved**: Central Bank has the explicit authority to liquidate banks under its supervisory power as per the Central Bank Act and R.A. No. 3518.
- **Legal Basis**: Sections 25, 28, 28-A, and 29 of the Central Bank Act provides comprehensive powers for supervision and liquidation of banks, including government credit institutions.

2. **Impairment of Contractual Obligations**:

- **Resolved**: The contract clause does not prevent the liquidation as it is subject to the inherent powers of the State to regulate entities affecting public interest, including banks.
- **Public Interest**: Preservation of the banking system's integrity and stability overrides the impairment clause.

3. **Employee Claims**:

- **Back Wages and Benefits**: Employees cannot claim back wages as they were legally separated due to the Central Bank's liquidation order, not wrongful termination by the employer.
- **Retirement Benefits**: Claims for retirement benefits by former board members are valid under PVB's Retirement Plan but do not enjoy priority preference.
- **Labor Code Article 110**: Pertains to the preference of worker claims, prioritizing unpaid wages over other claims.

4. **Ownership and Management to Veterans**:

- **Procedural Issue**: Petition was determined to be procedurally flawed as it did not appropriately fall under certiorari, prohibition, or mandamus.
- **Governance**: Management and administration of liquidation were affirmed to be within the Central Bank and the liquidator court's jurisdiction.

DOCTRINE:

The Central Bank's authority to regulate and order the liquidation of financial institutions is paramount for maintaining the banking system's stability. The impairment clause cannot shield such entities from government regulation when public interest is at stake. Employee claims resulting from liquidation proceed under standard liquidation priority norms.

CLASS NOTES:

- **Key Elements**:

- **Supervisory Power**: Central Bank has supervisory and examination powers over all banking institutions, including those with special charters.
- **Liquidation Authority**: Under Central Bank Act, Central Bank can liquidate insolvent banks to protect public interest.
- **Impairment Clause Exception**: Regulation of institutions for public interest does not violate the impairment clause.
- **Employee Claims During Liquidation**: Unpaid wages and benefits fall within statutory priority but are valid if the liquidation is duly ordered.

- **Relevant Statutes**:
 - **Central Bank Act**: Sections 25, 28, 28-A, 29 concerning bank supervision and liquidation.
 - **Labor Code Article 110**: Worker preference during employer's bankruptcy or liquidation.

HISTORICAL BACKGROUND:

PVB was envisioned to secure and enhance the economic well-being of war veterans through institutional ownership. However, its financial instability led to regulatory intervention and eventual liquidation, stirring legal disputes on supervisory authority, employees' claims, and management rights. The resolution underscored regulatory oversight importance and public interest protection in the banking sector.