

### Title: Banco De Oro Unibank, Inc., et al. v. International Copra Export Corporation, et al.: A Primer on Corporate Rehabilitation under the Financial Rehabilitation and Insolvency Act (FRIA)

### Facts:

The case involves a series of consolidated Petitions for Review on Certiorari concerning the applicability and interpretation of the Financial Rehabilitation and Insolvency Act (FRIA) of 2010 in the corporate rehabilitation process of International Copra Export Corporation (Interco) and its affiliated entities. The intricate procedural history began on September 9, 2010, when Interco and its affiliated corporations filed a Petition for Suspension of Payments and Rehabilitation with the Regional Trial Court (RTC) of Zamboanga City pursuant to FRIA's provisions. Faced with financial adversity attributed to various factors like the global recession and high production costs, Interco sought judicial assistance to rehabilitate its business operations.

The RTC found the Petition sufficient in form and substance and issued a Stay Order. Following various legal maneuvers, including the submission of a rehabilitation plan by the appointed receiver and objections from creditors, the RTC, applying the 2008 Rules on Corporate Rehabilitation suppletorily alongside FRIA, approved the modified rehabilitation plan despite opposition from several of Interco's creditors.

Displeased, the creditors appealed to the Court of Appeals (CA), which eventually remanded the case back to the RTC, directing that the rehabilitation receiver convene the creditors for voting on the rehabilitation plan in compliance with Section 64 of FRIA. Both Interco and its creditors filed motions for reconsideration, which the CA denied, leading to the elevation of the matter to the Supreme Court (SC).

### Issues:

1. Whether International Copra Export Corporation, et al., committed forum shopping by filing multiple petitions on the same ground.
2. Whether the Court of Appeals erred in declaring the FRIA applicable to the Petition for Suspension of Payments and Rehabilitation.
3. Whether the CA erred in remanding the case for compliance with the voting requirement under FRIA.

### Court's Decision:

The Supreme Court partially granted the petitions, reinstating the RTC's Resolution approving the modified rehabilitation plan and directed the RTC to proceed with the corporate rehabilitation in accordance with FRIA and the 2013 Financial Rehabilitation Rules of Procedure. The key points are:

1. **Forum Shopping:** The Court recognized the existence of forum shopping but decided that substantial justice would be better served by resolving the case on its merits rather than penalizing procedural lapses.
2. **Applicability of FRIA:** The SC emphasized that FRIA was applicable to the case, noting that laws are presumed valid, and their implementation does not necessarily depend on the presence of implementing rules. It clarified that FRIA and, suppletorily, the 2008 Rules on Corporate Rehabilitation governed the petitions filed by Interco and its affiliates since they were lodged after FRIA's effectivity.
3. **Remand for Voting Compliance:** The SC found that while the CA intended to enforce compliance with FRIA's voting requirement, the substantive justice required recognizing the efforts taken during the rehabilitation proceedings, including creditors' participation and the general meeting held for discussing the rehabilitation plan.

### ### Doctrine:

Every law carries in its favor the presumption of validity. The absence of implementing rules does not render a law inoperative, and as long as reasonable construction can be made, it remains binding and enforceable. Furthermore, in cases where rehabilitation proceedings are under review, courts are guided by the principle of substantial justice over procedural technicalities, especially when interpreting the applicability and execution of laws like FRIA.

### ### Class Notes:

- **Financial Rehabilitation and Insolvency Act (FRIA) of 2010:** Applies to rehabilitation petitions filed after its effectivity; does not require implementing rules to be applicable.
- **Forum Shopping:** Committed when multiple actions rest on the same grounds, expecting a favorable ruling by at least one court.
- **Corporate Rehabilitation:** Seeks to restore the debtor to profitable operation under FRIA standards.

### ### Historical Background:

The evolution of corporate rehabilitation in Philippine law saw jurisdiction shift between courts and the SEC, culminating in the enactment of FRIA in 2010 to consolidate and

streamline insolvency and rehabilitation processes. This case illustrates the application and interpretation complexities of new legal frameworks in ongoing legal disputes.