

****Title:****

Spouses Ramon M. Nisce and A. Natividad Paras-Nisce vs. Equitable PCI Bank, Inc.

****Facts:****

On November 26, 2002, Equitable PCI Bank (“the Bank”) filed for extrajudicial foreclosure of real estate mortgages executed by spouses Ramon and Natividad Nisce, covering two parcels of land in Rizal. The Bank’s claim included various promissory notes and surety obligations totaling P34,087,725.76. The mortgaged properties were scheduled for public auction on January 14, 2003, with a secondary date on January 30, 2003.

On January 28, 2003, the Nisce spouses filed a complaint at the Regional Trial Court (RTC) of Makati City to nullify a suretyship agreement, seeking damages and legal compensation, and requesting a temporary restraining order (TRO) against the foreclosure. They claimed that obligations should be offset against their US dollar account in PCI Capital Asia Ltd., a Bank subsidiary in Hong Kong.

The Bank amended its foreclosure petition, and the auction was reset to March 5 and 27, 2003. The Nisce spouses then filed for a supplemental temporary restraining order, which the RTC granted on March 24, 2003, upon the posting of a bond. The Bank did not file a motion for reconsideration but instead petitioned the Court of Appeals (CA) through certiorari under Rule 65, alleging RTC grave abuse of discretion.

****Issues:****

1. Whether the Court of Appeals erred in taking cognizance of the Bank’s petition for certiorari despite no motion for reconsideration being filed with the RTC.
2. Whether the Court of Appeals prematurely ruled on the merits rather than focusing purely on the injunctive relief.
3. Whether the CA was correct in finding that the RTC committed grave abuse of discretion by issuing a preliminary injunction.

****Court’s Decision:****

1. ****Procedural Prematurity of Certiorari Petition:****
 - The Supreme Court held that although the general rule requires a motion for reconsideration before filing a certiorari petition, exceptions apply. These include issues purely of law or where the error is apparent. The CA reasonably addressed the certiorari

petition due to such exceptions.

2. **Premature Ruling by CA:**

- The Supreme Court concluded that the CA properly considered the merits concerning whether legal grounds for an injunction existed. Evaluating preliminary injunctions often necessitates probing the substantive merits, given the overlapping issues of factual evidence and immediate relief.

3. **RTC's Alleged Grave Abuse of Discretion:**

- The High Court concurred with the CA that the RTC lacked a basis to issue the injunction. The Nisce spouses failed to prove with preponderant evidence that Equitable PCI Bank owed any setoff related to Natividad's dollar deposits in PCI Capital, distinguishing debtor-creditor relationships between them and the Bank.

Doctrine:

- **Legal Compensation (Article 1278 to 1279, Civil Code):** For compensation to extinguish obligations, mutual principal debtorship, clear sums of money, liquidation, and absence of third-party claims are prerequisites.

- **Corporate Veil Doctrine:** Corporations maintain distinct legal personalities from subsidiaries and parent companies. Absent substantial evidence for significant control or fraud participation, claims against a subsidiary don't extend to its parent company.

Class Notes:

- **Double Creditorship Rule:** Legal compensation requires mutual clear and demandable obligations (Art. 1278-1279).

- **Subsidiary vs. Parent Corporation Claims:** Independent corporate entities with separate personalities protect them from each other's liabilities unless exceptional circumstances warrant piercing the corporate veil (e.g., fraud or alter ego usage).

- **Preliminary Injunction Requirements:** To qualify for injunction relief, the claimant must show a well-defined right violated, likely injustice, and separate rights and interest preservation reasons (Rule 58, Section 3).

Historical Background:

This case emphasizes the interplay between corporate law respecting separate legal entities and property foreclosure law. The historical context involves post-Asian financial crisis

practices where banks rigorously enforced loan contracts. It also showcases judicial attention to due process principles and procedural rights in mortgage and foreclosure disputes during the early 2000s.