

WOODRIDGE PROPERTIES, INC., PETITIONER, VS. HON. EUGENIO G. DELA CRUZ IN HIS CAPACITY AS PRESIDING JUDGE OF BR. 117, RTC OF PASAY CITY AND PASEGURUHAN NG MGA NAGLILINGKOD SA PAM...

Ponente: DICDICAN, J.

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DICDICAN, J.:

Before this Court is a Petition for Certiorari[1], under Rule 65 of the Revised Rules of Court, challenging the Orders, dated December 27, 2013[2] and April 23, 2014[3], issued by Branch 117, RTC of Pasay City in Civil Case No. R-PSY-12-11806-CV, denying petitioner's Motion to Suspend Proceedings.

The antecedent facts are as follows:

On November 9, 2012, petitioner Woodridge Properties Inc. filed a Complaint[4] for Specific Performance with Prayer for Temporary Restraining Order and Writ of Preliminary Injunction against respondent Government Service Insurance System (GSIS) in the Regional Trial Court of Pasay City. In the complaint, the petitioner alleged that on January 28, 2010, it entered into a Deed of Conditional Sale[5] with respondent GSIS whereby the later sold the Marbella Hotel[6], located in Davao City, to petitioner for the price of Thirty Million Pesos. As per agreement, the petitioner shall make a downpayment, with the balance payable quarterly over ten years, with one year grace period. The purported reason for the one year grace period was to enable the petitioner to renovate the hotel. Allegedly however, the respondent GSIS could not produce the officially approved building plans to enable petitioner to proceed with the restoration of the hotel. Petitioner eventually received a Letter[7], dated October 15, 2012, from respondent GSIS, unilaterally canceling the Deed of Conditional Sale for alleged failure of petitioner to pay its monetary obligations. Pertinent part of the said letter reads as follows:

“This is to formally serve notice that due to your continued failure to pay your arrearages despite our letters of demand, dated May 25, 2011, November 25, 2011 and March 26, 2012, we are hereby canceling our Deed of Conditional Sale (DCS) dated 28 January 2010, to take effect thirty (30) days from receipt of this Notice, pursuant to Article 14.1[8] and 14.2[9] of the DCS.”

Not agreeing with the cancellation of the Deed of Conditional Sale, petitioner prayed in its Complaint as follows:

“WHEREFORE, it is respectfully prayed of this Honorable Court that:

“1. Immediately upon receipt of the instant complaint, ISSUE a Temporary Restraining Order, and thereafter, a Writ of Preliminary Injunction RESTRAINING and ENJOINING the defendant, its officers and agents from taking any further action that would be tantamount to the recession of the Deed of Conditional Sale, dated January 28, 2010, as well as from re-entering and ejecting the plaintiff from the subject property identified as Marbella Hotel located at J. P. Rizal St. Davao City;

“2. After due hearing, to issue JUDGMENT making permanent that preliminary injunction and directing the defendant to perform its obligation under the Deed of Conditional Sale by delivering to the plaintiff the official

building plans and designs of the subject property identified as Marbella Hotel;

“3. For the defendant to pay the plaintiff the amount of P250,000.00 as and by way of attorney's fees; and

“For the defendant to pay the cost of suit.”[10]

In response to the complaint, respondent GSIS filed an Answer[11] dated December 10, 2012, alleging that the petitioner's complaint lacks merit and cause of action. Thus, in its Answer, respondent GSIS prayed that the petitioner be ordered to vacate and surrender the Marbella Hotel to GSIS and pay arrears, interests, damages and attorney's fees.

Meanwhile, on November 28, 2012, the petitioner filed a Petition for Rehabilitation[12] in the Rehabilitation Court of Muntinlupa City, docketed as SP 12-066. The petitioner alleged therein that it is a domestic corporation whose primary purpose is to own, use, improve, develop, subdivide, sell, exchange, lease and hold for investment or otherwise, real estate of all kinds including buildings, houses, apartments and other structures. It had incurred loan obligations from several banking and financial institutions. Aside from this, it had outstanding debts which are all due and demandable to its suppliers and contractors. It had a total asset of One Billion Two Hundred Seventy Million Two Hundred Ten Thousand Six Hundred Fourteen Pesos and 18/100 (P1,270,210,614.18) as of October 31, 2012, a figure which was more than its total liabilities. Hence, it proposed a rehabilitation plan, seeking to pay off all its obligations to its creditors and to continue to provide houses in southern Metro Manila.

On February 22, 2013, the petitioner filed a Manifestation and Motion to Suspend Proceedings[13] in the court a quo, informing the respondent RTC that the petitioner had filed a Petition for Rehabilitation under the Financial Rehabilitation and Insolvency Act of 2010 (FRIA Law) and that the corresponding Commencement Order[14], dated November 29, 2012, had been issued by Branch 256 of the RTC of Muntinlupa City, pertinent portion of which reads:

“With all the foregoing, it shall be understood that the legal consequences of a STAY or SUSPENSION ORDER shall be effected, to wit:

1. the suspension of all actions or proceedings, in court or otherwise, for the enforcement of claims against the debtor;
2. the suspension of all actions to enforce any judgment, attachment or other provisional remedies against the debtor;
3. the debtor is prohibited from selling, encumbering, transferring or disposing in any manner any of its properties, except in the ordinary course of business; and
4. the debtor is prohibited from making any payment of its liabilities outstanding as of the commencement date except as may be provided herein.”[15]

On December 27, 2013, the respondent RTC issued the assailed Order, denying the petitioner's Motion to Suspend Proceedings. Material portion of the said Order states:

“Plaintiff's reliance on the suspension of the proceedings is based on the Commencement Order of the Regional Trial Court of Muntinlupa City in a Petition for Rehabilitation it filed is utterly untenable.

“Precisely, this case is an action for Specific Performance sought by plaintiff against herein defendant. Thus, it is not one to enforce a claim against plaintiff nor to enforce judgment of a provisional remedy against it. Moreover, plaintiff's allegation in paragraph 5 regarding the rehabilitation plan which covers the payment of monetary claims of the GSIS is plainly unfounded. Nowhere in plaintiff's Petition for Rehabilitation was GSIS mentioned as a creditor. Thus, the suspension of proceedings has no legal basis to stand.

IN LIGHT OF THE FOREGOING, the Motion to Suspend Proceedings is hereby DENIED.”[16]

Feeling aggrieved, the petitioner filed a Motion for Reconsideration[17], dated January 30, 2014. In the challenged Order, dated April 23, 2014, the respondent court denied the petitioner's motion for being pro forma and for utter lack of merit.

Thus, the petitioner filed the instant petition for certiorari before this Court on the following alleged grounds:

I.

PUBLIC RESPONDENT ACTED WITH GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OR EXCESS OF JURISDICTION WHEN IT DENIED THE MANIFESTATION AND MOTION TO SUSPEND PROCEEDINGS FILED BY THE PETITIONER DESPITE THE ISSUANCE OF THE COMMENCEMENT ORDER BY THE RTC OF MUNTINLUPA CITY PURSUANT TO R.A. NO. 10142.

II.

PUBLIC RESPONDENT RTC ACTED WITH GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OR EXCESS OF JURISDICTION WHEN IT FAILED TO RECOGNIZE THE EXCLUSIVE AND PRIMARY JURISDICTION OF THE RTC OF MUNTINLUPA CITY, BRANCH 256 AS REHABILITATION COURT WHICH IS POISED TO ACT UPON THE REHABILITATION PLAN WHICH COVERS THE PAYMENT PLAN OF THE MONETARY CLAIMS OF GSIS.

III.

PUBLIC RESPONDENT RTC ACTED WITH GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OR EXCESS OF JURISDICTION WHEN IT OVERLOOKED THE FACT THAT THE PETITION FOR REHABILITATION AND OTHER CASE DOCUMENTS INDEED INCLUDE THE GSIS AS A CREDITOR IN THE CORPORATE REHABILITATION PROCEEDINGS PENDING WITH THE BRANCH 256 , RTC OF MUNTINLUPA CITY.

The principle issue therefore, is whether or not the court a quo committed a grave abuse of discretion when it denied petitioner's motion to suspend proceedings despite the existence of a commencement order issued by the RTC of Muntinlupa City which allegedly has exclusive and primary jurisdiction as a rehabilitation court. Likewise in issue is whether or not the trial court committed a grave abuse of discretion when it failed to conclude that the petition for rehabilitation include the respondent GSIS as a creditor in the corporate rehabilitation proceedings.

After a careful and judicious scrutiny of the whole matter, together with the applicable laws and jurisprudence in the premises, we find that the trial court of Pasay City acted within its jurisdiction and did not commit a grave abuse of discretion when it did not suspend the proceedings in Civil Case No. R-PSY-12-11806-CV considering that the petitioner's complaint was merely for specific performance and does not relate to the matters involved in the rehabilitation proceedings pending in the trial court of Muntinlupa City.

Nothing is more settled than the principle that a special civil action for certiorari under Rule 65 will prosper only if grave abuse of discretion is alleged and proved to exist. "Grave abuse of discretion," as contemplated by the Rules of Court, is "the arbitrary or despotic exercise of power due to passion, prejudice or personal hostility; or the whimsical, arbitrary, or capricious exercise of power" that is so patent and gross that it "amounts to an evasion or refusal to perform a positive duty enjoined by law or to act at all in contemplation of law." Such capricious, whimsical and arbitrary acts must be apparent on the face of the assailed order.[18]

The Commencement Order[19], dated November 29, 2012, issued by Branch 256 of the RTC of Muntinlupa City only suspended actions or proceedings for the enforcement of claims against the petitioner and actions to enforce any judgment, attachment or other provisional remedies against the petitioner. The petitioner was also prohibited,

with certain exceptions, from encumbering or disposing in any manner any of its properties and from making any payment of its liabilities outstanding as of the commencement date.

Certainly, the ordered suspension and prohibition does not cover the complaint for specific performance filed by the petitioner which merely prayed for a Temporary Restraining Order/Writ of Preliminary Injunction, enjoining the respondent from taking any further action that would be tantamount to the recession of the Deed of Conditional Sale, dated January 28, 2010, as well as from re-entering and ejecting the petitioner from the Marbella Hotel. The complaint likewise prayed that the respondent be ordered to deliver the official building plans of Marbella Hotel to the petitioner and pay the petitioner attorney's fees.

Petitioner confuses the action of specific performance as a form of claim. Republic Act 10142 otherwise known as the Financial Rehabilitation and Insolvency Act of 2010 (FRIA Law) defines claim as:

“xxx claims or demands of whatever nature or character against the debtor or its property, whether for money or otherwise, liquidated or unliquidated, fixed or contingent, matured or unmatured, disputed or undisputed, including, but not limited to; (1) all claims of the government, whether national or local, including taxes, tariffs and customs duties; and (2) claims against directors and officers of the debtor arising from acts done in the discharge of their functions falling within the scope of their authority xxx”[20]

The complaint for specific performance filed by petitioner against GSIS, being essentially a demand by the debtor against his creditor does not fall within the ambit of the FRIA Law. Apart from the fact that the said complaint entails a demand by the debtor against his creditor, the demand does not entail payment of money nor transfer of property. The trial court, therefore, was partly correct when it ruled that the complaint for specific performance was not covered by the FRIA Law. It is noteworthy to mention that the subject property from which the complaint arose cannot likewise be covered by the FRIA Law for the simple reason that ownership over the said property has not yet been transferred to the creditor. A contract of conditional sale is akin to a contract to sell “whereby the prospective seller, while expressly reserving the ownership of the subject property despite delivery thereof to the prospective buyer, binds himself to sell the said property exclusively to the latter upon his fulfillment of the conditions agreed upon, i.e., the full payment of the purchase price and/or compliance with the other obligations stated in the contract to sell. Given its contingent nature, the failure of the prospective buyer to make full payment and/or abide by his commitments stated in the contract to sell prevents the obligation of the prospective seller to execute the corresponding deed of sale to effect the transfer of ownership to the buyer from arising.”[21]

Recognizing the volatile nature of every business, the rules on corporate rehabilitation have been crafted in order to give companies sufficient leeway in dealing with debilitating financial predicaments in the hope of restoring or reaching a sustainable operating form if only to best accommodate the various interests of all its stakeholders, may it be the corporation's stockholders, its creditors and even the general public. In this light, case law has defined corporate rehabilitation as an attempt to conserve and administer the assets of an insolvent corporation in the hope of its eventual return from financial stress to solvency.[22]

The Financial Rehabilitation Rules of Procedure of 2013 (A.M. 12-12-11-SC), in defining assets, only speaks of assets belonging to the debtor which are in his possession or assets of the debtor which are in possession of third parties. The Marbella Hotel clearly does not fall under the coverage of the FRIA Law as the ownership over the Marbella Hotel has not yet even been transferred to the petitioner, its interest therein merely inchoate. In fact, the respondent even opted for the cancellation of the Deed of Conditional Sale pursuant to Article 14.1 and 14.2 thereof which provided for the grounds for terminating or canceling the said contract without need of a judicial action.

This notwithstanding, we note that the respondent's Answer to the Complaint postulates an obligation on the part

of the petitioner to: first, surrender possession of the Marbella Hotel to the respondent and, second, pay arrearages and interests pursuant to Section 4.3 (b)[23] of the Deed of Conditional Sale, P1,000,000.00 liquidated damages pursuant to Section 15.1[24] of the Deed of Conditional Sale, P300,000.00 moral damages, P300,000.00 exemplary damages, P100,000.00 litigation expenses. Considering that the respondent's monetary claims fall within the actions or proceedings for the enforcement of claims against the petitioner which were suspended by the Commencement Order, dated November 29, 2012, the court a quo shall hold in abeyance hearing Civil Case No. R-PSY-12-11806-CV on matters which pertain to such monetary claims especially taking into account that the Comprehensive Rehabilitation Plan[25] of petitioner mentions the respondent GSIS as a creditor.

WHEREFORE, in view of the foregoing premises, Orders dated December 27, 2013 and April 23, 2014, issued by Branch 117, RTC of Pasay City in Civil Case No. R-PSY-12-11806-CV, is hereby **AFFIRMED** with the **MODIFICATION** that the hearing on the respondent GSIS's compulsory counterclaim, concerning its monetary claims, should be held in abeyance pursuant to Commencement Order, dated November 29, 2012, issued by Branch 256 of the RTC of Muntinlupa City.

SO ORDERED.

Ybañez, and Paredes, JJ., concur.

[1] Rollo, Petition pp. 3-22

[2] Ibid. page 23

[3] Ibid. page 24-25

[4] Ibid. pp. 50-56

[5] Ibid. pp. 58-65

[6] Covered by T-430118, see Rollo, page 57

[7] Rollo. pp. 74-75

[8] “14.1. Any of the following acts of WPI shall constitute sufficient ground for terminating or canceling this DEED without need of a judicial action:

“a. If for any reason, WPI fails to pay and/or defaults in the payment xxx

xxx xxx

“c. WPI voluntarily files an application for declaration of insolvency, dissolution, liquidation, bankruptcy, receivership or suspension of payments, or the filing of any such proceedings against WPI.”

[9] “14.2. This DEED shall be deemed cancelled or terminated within thirty (30) days from WPI's receipt of Notice of Cancellation.”

[10] Rollo, page 54

[11] Ibid. pp. 79-96

[12] Ibid. pp. 30-47

[13] Ibid. pp. 97-99

[14] Ibid. pp. 101-103

[15] Ibid. page 103

[16] Ibid. page 23

[17] Ibid. pp. 26-29

[18] Novateknika Land Corporation vs Philippine National Bank, G.R. No. 194104, March 13, 2013

[19] Rollo, pp. 101-103

[20] Subparagrah C, Section 4, Chapter 1 of RA 10142.

[21] Nabus v. Pacson, G.R. No. 161318, November 25, 2009

[22] Bank of the Philippine Islands vs. Sarabia Manor Hotel Corporation, G.R. No. 175844, July 29, 2013

[23] 14.3. In the event that this DEED is cancelled, as herein provided, WPI unconditionally agrees:

xxx xxx

(b) To renounce any right to demand the return or refund of any amount paid to the GSIS which shall be forfeited in favor of the latter as rentals for the use and occupancy of the PROPERTY. All arrearages and interests due, as well as other charges at the effectivity of the cancellation shall remain due and demandable from WPI;

xxx

[24] 15.1 WPI agrees, warrants and obligates that it shall faithfully observe and comply with all its undertaking hereunder, should WPI fail and/refuse to comply with or otherwise breach any term, condition, or stipulation of this DEED in contravention of this express warranty, it agrees and binds itself to pay GSIS liquidated damages in the amount of ONE MILLION PESOS (Php 1,000,000.00). It is understood that the damages herein are fixed and that GSIS shall not be required to adduce proof thereof.

[25] Rollo, pp. 140-161

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