

SILAHIS INTERNATIONAL HOTEL, INCORPORATED, PETITIONER, VS. CYRILA G. GUZMAN, THE REGIONAL TRIAL COURT OF BAGUIO CITY, BRANCH 60, AND DELFIN E. ARIAGA, IN HIS CAPACITY AS SHERIFF...

Ponente: DACUDAO, J.

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DACUDAO, J.:

Impugned in this petition for certiorari, as tainted with grave abuse of discretion amounting to lack or excess of jurisdiction, are: (1) The Order dated October 4, 2005 of the Regional Trial Court of Baguio City, Branch 60, granting the writ of execution to enforce the decision of that court, in Civil Case No. 5595-R; (2) The Order dated December 9, 2005 denying petitioner's Motion to Suspend Proceedings in said case; and (3) The Order dated January 27, 2006 denying petitioner's motion for reconsideration thereon.

This case has its genesis in a complaint filed by Cyrila G. Guzman, doing business under the name and style "Guzman Fruits and Vegetable Dealer" against the Grand Boulevard Silahis International Hotel, Incorporated and Doods C. Mangente for "Collection of Sum of Money with Damages." Docketed as Civil Case No. 5595-R of the Regional Trial Court, Branch 60, Baguio City, the complaint alleged that Grand Boulevard Silahis International Hotel, Incorporated purchased from therein plaintiff various vegetables amounting to P2,954,279.99; that therein defendant paid therein plaintiff the sum of P1,661,296.18 only, thereby leaving a balance of P1,292,983.81.[1]

On March 4, 2004, the lower court, after due proceedings, gave judgment decretally disposing of the case, thus:

"WHEREFORE, premises considered, judgment is hereby rendered ordering defendant Grand Boulevard Silahis International Hotel, Inc., to pay the plaintiff, Cyrilla G. Guzman the following sums of money:

"a) Pph 1,134, 143.00 representing defendant's outstanding balance to plaintiff, plus the legal interest of twelve percent until the amount is fully paid;

"b) Pph 50,000.00 as compensatory damages;

"c) Pph 100,000.00 as moral damages;

"d) Pph 50,000.00 as exemplary damages;

"e) Pph 75,000.00 as attorney's fees.

"SO ORDERED."[2]

From the foregoing decision, therein defendant Silahis appealed to the Court of Appeals, whereat it was docketed as CA-G.R. CV No. 82176.[3]

Meanwhile, on October 15, 2004, therein defendant filed a petition for rehabilitation and/or suspension of payments; this was raffled off to the Regional Trial Court of Manila, Branch 24, whereat it was docketed as SEC. CORP. CASE NO. 04-111180.[4]

Finding the petition together with its annexes sufficient in form and substance, the Rehabilitation Court, pursuant to Section 6, Rule 4 of the Interim Rules on Corporate Rehabilitation, issued a Stay Order dated October 18, 2004 directing amongst others, the staying of the enforcement of all claims, whether for money or otherwise, and whether such enforcement is by court action or otherwise, against the debtor, its guarantors and sureties not solidarily liable with the debtor; and also directing the appointment of Mr. Celso P. Vivas as Rehabilitation Receiver.[5]

On December 22, 2004, therein defendant-appellant's appeal in CA-G.R. CV No. 82176 abovementioned was dismissed for its failure to file its brief within the reglementary period.[6]

On January 24, 2005, therein defendants filed before this Court a Motion to Suspend Proceedings[7] in CA-G.R. CV No. 82176, on the ground that a stay order has been issued by Branch 24 of the Manila RTC in SEC. CORP. CASE NO. 04-111180.

On October 4, 2005, the public respondent issued an order granting the writ of execution to enforce the decision in Civil Case No. 5595-R.[8]

On November 17, 2005, the public respondent's Branch Clerk of Court indeed issued the Writ of Execution.[9]

On December 1, 2005, the Rehabilitation Court gave judgment in SEC. CORP. CASE NO. 04-111180, approving therein defendant-petitioner's rehabilitation plan subject to certain terms and conditions.[10]

On December 2, 2005, not having been able to obtain relief from the Court of Appeals because of the earlier dismissal of its appeal, the petitioner filed with the public respondent court (in Civil Case No. 5595-R) a Motion to Suspend Proceedings.[11]

On December 9, 2005, the public respondent court issued an Order declaring the petitioner's second Motion to Suspend Proceedings as moot and academic.[12]

On January 6, 2006, therein defendant moved for reconsideration of the foregoing Order, still invoking the Stay Order issued by the Rehabilitation Court in SEC. CORP. CASE NO. 04-111180.[13]

On January 27, 2006, the public respondent court issued another Order denying therein defendant's Motion for Reconsideration, thus:

"1. As stated in the Order of the Court dated December 9, 2005, the motion by the defendants is deemed moot and academic;

"2. Considering the provisions of the Interim Rules of Procedure on Corporate Rehabilitation (2000) the defendants in their Motion; a) Failed to show that the plaintiff was listed as one of its creditors per provision of Section 2, c thereof, in its Petition for Rehabilitation;

b) Failed to show that RTC, Branch 24 is a court duly designated to hear Rehabilitation cases. In fact it is not one of the courts duly designated by the Supreme Court in said Interim Rules.

c) Failed to show that Sections 25, 26 and 27 of the said Interim Rules are/are not extant in the present case.[14]

"WHEREFORE, premises considered, the Motion for Reconsideration by the defendants is hereby DENIED for lack of merit.

“SO ORDERED.

“DONE IN CHAMBERS, this 27th day of January 2006 at Baguio City, Philippines.

“(SGD.) EDILBERTO T. CLARAVALL

“Presiding Judge”

Hence, this petition.

Therein defendant, as petitioner now, submits this sole issue:

WHETHER OR NOT THE PUBLIC RESPONDENT COMMITTED GRAVE ABUSE OF DISCRETION IN DENYING THE PETITIONER’S MOTION TO SUSPEND PROCEEDINGS IN CIVIL CASE NO. 5595-R AND IN THE ISSUANCE/IMPLEMENTATION OF THE WRIT OF EXECUTION NOTWITHSTANDING THE PENDENCY OF THE REHABILITATION PROCEEDING IN SEC. CORP. CASE NO. 04-111180.[15]

There is merit in this petition.

Rehabilitation contemplates a continuance of corporate life and activities in an effort to restore and reinstate the corporation to its former position of successful operation and solvency.[16]

Under the Interim Rules of Procedure on Corporate Rehabilitation, a petition for rehabilitation may be filed by any debtor who foresees the impossibility of meeting its debts when they respectively fall due.[17] The petition shall be accompanied by certain documents, one of which is the Schedule of Debts and Liabilities, which lists all the creditors of the debtor indicating the names, addresses, the amount of each claim as to principal, interest or penalties due as of the date of filing, the nature of the claim, and any pledge, lien, mortgage, judgment or other security given for the payment thereof. [18]

If the petition is sufficient in form and substance, the Rehabilitation Court shall issue a Stay Order, staying or putting on hold the enforcement of all claims, whether for money or otherwise and whether such enforcement is by court action or otherwise, against the debtor, its guarantors and sureties not solidarily liable with the debtor.[19] The stay order is effective from the date of its issuance until the dismissal of the petition or the termination of the rehabilitation proceedings.[20] This should give the receiver a chance to rehabilitate the corporation if there should still be a possibility for doing so.[21] In addition, this will enable the rehabilitation receiver to effectively exercise its powers free from any judicial or extra-judicial interference that might unduly hinder the rescue of the distressed company.[22]

It is well to remember that “All assets of a corporation under rehabilitation receivership are held in trust for the equal benefit of all creditors to preclude one from obtaining an advantage or preference over another by the expediency of attachment, execution or otherwise. As between the creditors, the key phrase is equality in equity. Once the corporation threatened by bankruptcy is taken over by a receiver, all the creditors ought to stand on equal footing. Not any one of them should be paid ahead of the others. This is precisely the reason for suspending all pending claims against the corporation under receivership.” [23]

In this case, a stay of execution is warranted by the fact that the petitioner corporation has been placed under rehabilitation.

The fact that petitioner failed to include private respondent in the list of its creditors per provision of Section 2 (c) of the Interim Rules furnishes no cogent reason to deny the Motion to Suspend. Indeed, Section 24 of the same rule pertinently provides:

SEC. 24. Effects of the Rehabilitation Plan. – The approval of the rehabilitation plan by the court shall result in

the following:

- The plan and its provisions shall be binding upon the debtor and all persons who may be affected by it, including the creditors, whether or not such persons have participated in the proceedings or opposed the plan or whether or not their claims have been scheduled;

Clearly, all creditors, whether or not included in the list, are bound by the rehabilitation plan and by Stay Order. Which means that under the circumstances obtaining in this case, the private respondent only needs to file the necessary motion for inclusion in the list of creditors before the Rehabilitation Court.

What is more, there is no reason to challenge the jurisdiction of the Rehabilitation Court. One of the more familiar and fundamental presumptions, albeit a presumption juris tantum, is that established by Section 3 (n) of Rule 131, of the Revised Rules of Court, which proclaims that a court or judge acting as such, whether in the Philippines or elsewhere, was acting in the lawful exercise of jurisdiction and has regularly performed its official duty.[24]

Against this backdrop, it should be easy to see that public respondent court committed grave abuse of discretion, amounting to lack or excess of jurisdiction, when it denied petitioner's motion to suspend issuance of a writ of execution.

UPON THE VIEW WE TAKE OF THIS CASE, THUS, the petition must be, as it is hereby GRANTED. The Order of the respondent court dated October 4, 2005 granting the writ of execution to enforce the decision of the Regional Trial Court, Branch 60, Baguio City in Civil Case No. 5595-R; and the Order dated January 27, 2006 denying therein defendants' motion for reconsideration, are thus hereby VACATED and SET ASIDE. Without costs in this instance.

SO ORDERED.

Carandang and Arevalo-Zenarosa, JJ., concur.

[1] Rollo, p. 4 (No copy of Complaint/Answer attached to the Petition).

[2] Annex "H", Rollo, p. 51 (No copy of the Decision is attached to the Petition).

[3] Rollo, p. 4.

[4] Id., p. 5.

[5] Annex "D", Rollo, p. 25.

[6] Rollo, pp. 4-5.

[7] Annex "F", Rollo, p. 38.

[8] Annex "A", Id., p. 22. Penned by RTC Judge Edilberto T. Claravall.

[9] Annex "H", Id., pp. 56-57.

[10] Annex "E", Id., p. 28. Order penned by RTC Judge Antonio M. Eugenio.

[11] Annex "G", Id., pp. 44-49.

[12] Annex "B", Id., p. 23.

[13] Annex "I", Id., pp. 53-54.

[14] Annex “C”, Id., p. 24.

[15] Rollo, p. 8.

[16] Philippine Veterans Bank Employees Union-N.U.B.E. v. Vega , G.R. No. 105364, June 28, 2001, 360 SCRA 33.

[17] A.M. No. 00-8-10-SC, December 15, 2000, Rule 4, Section 1.

[18] Id., Section 2 (c).

[19] Id., Section 6.

[20] Philippine Airlines v. Kurangking, G.R. No. 146698, September 24, 2002, 389 SCRA 588.

[21] Rizal Commercial Banking Corporation v. Intermediate Appellate Court, G.R. No. 74851, December 9, 1999, 320 SCRA 279.

[22] Alemar’s Sibal & Sons, Inc., v. NLRC, G.R. No. 114761, January 19, 2000, 322 SCRA 306.

[23] Ruby Industrial Corporation v. Court of Appeals, G.R. Nos. 124185-87, January 20, 1998, 284 SCRA 445.

[24] Asiavest Merchant Bankers (M) Berhad v. Court of Appeals, G.R. No. 110263, 361 SCRA 489 (2001); Northwest Orient Airlines, Inc. v. Court of Appeals, G.R. No. 112573, 241 SCRA 192 (1995).

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