

MCPI CORPORATION / DATINGBAYAN AGRO-INDUSTRIAL CORPORATION, PETITIONERS, VS. OAL PORTFOLIO INVESTMENTS (SPV-AMC), INC., AND HON. JUDGE RAMON B. DAOMILAS, JR. AS PRESIDING JUDGE ...

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HERNANDO, J:

Before this Court is a Petition for Review under Rule 43 of the Rules of Court pursuant to AM No. 04-9-07-SC dated September 14, 2004, filed by MCPI Corporation (MCPI) and Datingbayan Agro-Industrial Corporation (Datingbayan) challenging the Order¹ dated August 27, 2013 of the Regional Trial Court (RTC), Branch 11, of Cebu City, terminating the rehabilitation proceedings of MCPI.

The Antecedents:

On March 27, 2003, MCPI and Dating Bayan filed a Petition² for Corporate Rehabilitation with the court a quo, docketed as SRC Case No. 031-CEB. Dating Bayan is joined in the petition since it is committed to support MCPI's rehabilitation, it having executed several corporate sureties and mortgages to secure MCPI's loan obligations. In fact, most of Dating Bayan's real and personal properties are among those mortgaged to MCPI's creditors.

On April 15, 2003, the court a quo issued an Order in favor of MCPI and Dating Bayan thereby staying the enforcement of all claims against it. Consequently, MCPI and Dating Bayan were prohibited from making payments to its creditors and disposing of its properties. Thereafter, on November 28, 2003, the trial court referred the instant case to a Rehabilitation Receiver. On February 11, 2004, Rehabilitation Receiver Meriam G. Balagtas filed a Motion praying for the approval of the Proposed/Revised Rehabilitation Plan of MCPI and Dating Bayan.

On March 12, 2004, the RTC granted the Rehabilitation Receiver's Motion, to wit:[³]

WHEREFORE, in view of all the foregoing premises, judgment is hereby rendered in this case by this Court approving the Revised Proposed Financial Rehabilitation Plan of petitioners. Accordingly, in consonance with the said rehabilitation plan, this Court decrees as follows:

1. The outstanding principal balance of the petitioners' take-out loans with PNB as of December 31, 2003 should have been P41,205,500.00. However, considering that petitioners used the amount of P44,000.250.00 in the revised plan as balance of the principal adopting the peso amount generated by the second dollar to peso conversion, the latter amount should be followed.
2. The outstanding principal balance of the export revolving credit line with PNB as of December 31, 2003 shall be P39, 797, 052.00;
3. The outstanding balance of the capitalized interest and charges with PNB as of December 31, 2003 shall be P29, 050, 485.51;
4. The outstanding balance of the SCB loan is hereby determined as P14, 170, 202.00 as of December 31, 2003;

5. The outstanding balance of the DCB loan is hereby determined as P6, 134, 258.00 as of December 31, 2003;
6. Interest and penalties, not otherwise capitalized, are hereby condoned.
7. The residual or remaining balance of petitioner MCPI's loans with PNB, SCB and DCB shall be restructured for a period of ten (10) years together with interests of 9% per annum, pursuant to the Revised Proposed Financial Rehabilitation Plan.
8. The residual or remaining balance of petitioner MCPI's loans with PNB shall continue to be secured by the mortgages of real properties and chattels which presently are still subsisting in favor of said bank.
9. There shall be no payment of dividends by the petitioners or payments of advances from stockholders until they have fully paid all their loan obligations.
10. The rehabilitation plan shall commence this year 2004.

On August 27, 2013, the trial court terminated the rehabilitation proceedings due to the failure of MCPI to rehabilitate itself. The court ratiocinated that both the financial condition and the failure of MCPI to comply with its obligation no longer justifies the continuance of its rehabilitation.

Hence, the instant petition before Us.

The Issue:

The main issue here is whether or not the instant case has been rendered moot by virtue of the lapse of the period for rehabilitation on March 2014.

The Court's Ruling

We hold to dismiss the petition for being moot.

Concededly, MCPI has benefited from the trial court's March 12, 2004 Decision since for more than a decade it enjoyed the deferment of payment due to its creditors. Thus, MCPI cannot justly claim that the rehabilitation proceedings is still pending implementation since the import of the rehabilitation proceedings, which is to give MCPI reasonable time to recover its financial standing by staying all claims against it, has definitely been carried out during all those years.

In any event, it is worth noting that Orders issued by the Rehabilitation Court are immediately executory under Section 5, Rule 3 of the Interim Rules of Procedure on Corporate Rehabilitation, to wit:

SEC. 5. Executory Nature of Orders.— Any order issued by the court under these Rules is immediately executory. A petition for review or an appeal therefrom shall not stay the execution of the order unless restrained or enjoined by the appellate court. The review of any order or decision of the court or an appeal therefrom shall be in accordance with the Rules of Court: Provided, however, that the reliefs ordered by the trial or appellate courts shall take into account the need for resolution of proceedings in a just, equitable, and speedy manner.

Therefore, the corporate rehabilitation of MCPI has commenced and remained uninterrupted since March 12, 2004. Consequently, the issue of whether the trial court erred in pre-terminating the rehabilitation proceedings is rendered moot because of the expiry of the period for rehabilitation. The ten-year period, which the trial court extended to MCPI for it to comply with its Proposed/Revised Financial Rehabilitation Plan, had already expired on March 12, 2014.

In *Osmeña III v. Social Security System of the Philippines*,^[4] the Supreme Court defined a moot and academic case or issue as follows:

A case or issue is considered moot and academic when it ceases to present a justiciable controversy by virtue of supervening events, so that an adjudication of the case or a declaration on the issue would be of no practical value or use. In such instance, there is no actual substantial relief which a petitioner would be entitled to, and which would be negated by the dismissal of the petition. Courts generally decline jurisdiction over such case or dismiss it on the ground of mootness — save when, among others, a compelling constitutional issue raised requires the formulation of controlling principles to guide the bench, the bar and the public; or when the case is capable of repetition yet evading judicial review.

Indubitably, any ruling by this Court on the assailed August 27, 2013 Order of the trial court pre-terminating the rehabilitation proceedings would be absolutely pointless. There is no longer any purpose for determining whether the court a quo erred in pre-terminating the rehabilitation proceedings since even if the assailed Order was reversed, the rehabilitation proceedings cannot recommence since its effectivity period had already lapsed. Thus, no practical relief can be granted to the disputants by resolving the instant petition.

In fine, it is unnecessary to indulge in academic discussion of a case presenting a moot question as a judgment thereon cannot have any practical legal effect or, in the nature of things, cannot be enforced.[5] Here, the correctness of the trial court's pre-termination of the rehabilitation proceedings have already become moot and academic. It no longer poses a justiciable controversy because of the lapse of the period for rehabilitation. The resolution of said issue is no longer ripe for judicial adjudication since it has been mooted by the foregoing supervening event and would certainly not offer an actual substantial relief to the parties. Hence, it will not serve the orderly administration of justice if We would take further cognizance of the instant petition.

WHEREFORE, in view of all the foregoing considerations, the Court **DISMISSES** the petition on the ground that the same has become moot and academic.

SO ORDERED.

Quijano-Padilla, and [*]Lopez, JJ., concur.

[*] 3[rd] Member in lieu of Justice Marie Christine Azcarraga-Jacob per Office Order No. 01-15-GTI.

[1] Penned by Hon. Ramon B. Daomilas, Jr., Rollo, pp. 31-32.

[2] Penned by Hon. Isaias P. Dicdican Rollo, pp. 33-45.

[3] Rollo, p. 135.

[4] G.R. No. 165272, September 13, 2007.

[5] Gerardo O. Lanuza, Jr. v. Ma. Vivian Yuchengco, et. al., G.R. No. 157033, March 28, 2005.

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