

PLANTERS DEVELOPMENT BANK, PETITIONER, VS. HON. JESUS A. SANTIAGO, PRESIDING JUDGE, RTC BRANCH 34, CALAMBA, LAGUNA, ST. LOUIS ANNE ACADEMY OF SAN PEDRO, LAGUNA, INC., RESPONDENTS,

Ponente: ALIÑO-HORMACHUELOS, J.

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ALIÑO-HORMACHUELOS, J.:

Petition for Certiorari under Rule 65 of the Rules of Civil Procedure assailing, on the ground of grave abuse of discretion, the Orders[1] of the Regional Trial Court of Calamba City, Branch 34 dated March 3, 2004 and May 4, 2004 in RTC SEC CASE No. 33-2002-C, entitled “In re: Petition For The Declaration Of Suspension Of Payments With Approval Of Proposed Rehabilitation Plan”.

The facts:

Private respondent St. Louis Anne Academy of San Pedro, Laguna, Inc. (St. Louis) was granted a loan by petitioner Planters Development Bank (PDB) in the amount of Twenty Million Pesos (P20,000,000.00).[2] The loan was secured by a mortgage over two parcels of land covered by TCT Nos. 260866 and 260867.[3]

St. Louis claims that while, as of June 2003, it had made payments totaling Seventeen Million Three Hundred Twenty Eight Thousand Five Hundred Eighty Three and 84/100 Pesos (P17,328,583.84), it could not meet its obligations on their due dates as this may affect its operations. Thus, on July 2, 2002, St. Louis filed a Petition For The Declaration Of Suspension Of Payments With Approval Of Proposed Rehabilitation Plan.[4]

Subsequently, St. Louis filed a motion for the admission of its Amended Petition. This was granted by the trial court in an Order dated September 16, 2002.

However, due to the failure of St. Louis to pay its monthly amortization to PDB despite due demands, PDB foreclosed the mortgage on the subject properties. On November 29, 2002, the mortgaged properties were sold at public auction to PDB as highest bidder and a Certificate of Sale was issued on January 27, 2003. On May 30, 2003, PDB filed another petition seeking the issuance of a writ of possession over said properties.[5]

On June 24, 2003, St. Louis filed an Ex-Parte Motion To Issue Stay Order that was, however, denied by the trial court in an Order[6] dated July 7, 2003 on the ground that the Amended Petition was insufficient in form and substance. Nonetheless, in an Order[7] dated July 29, 2003, St. Louis, upon motion, was granted thirty (30) days within which to submit a revised rehabilitation plan “which should be supported by convincing and compelling evidence that the petitioner be successfully rehabilitated and to convince the court in reconsidering and approving the rehabilitation”. In that same Order, PDB was given fifteen (15) days to comment / object.

On October 13, 2003, after St. Louis filed its 2nd Amended Petition[8] dated August 28, 2003, the trial court issued a Stay Order.

On February 20, 2004, PDB filed an Ex-Parte Manifestation and Motion[9] praying that it be furnished a copy of

the Stay Order. PDB claims that it was not aware of any resolution or order admitting a second amended petition and that it was never furnished a copy of the Stay Order.

In an Order[10] dated March 3, 2004, the trial court, acting on the Ex-Parte Manifestation and Motion filed by PDB, held:

“Under the Interim Rules of Procedure on Corporate Rehabilitation, publication of the Stay Order serves as notice to all parties and persons interested in the Petition (Rule 4, Section 6) and the said Stay Order under Sec. 7, Rule 4 of said Interim Rules be served only on the Rehabilitation Receiver to signify his acceptance of the appointment as a Receiver and to comply with the requirements of said office as an officer of the Court. The publication was sufficient in a proceeding in rem.

Furthermore, record of the proceeding shows that the Amended Petition was at the instance of the Court in response to the manifestation of Petitioner of certain favorable developments since the filing of the Petition, and that in its reaction thereto, the Court had required the submission of the necessary financial documents and an Amended Rehabilitation Plan. The Petitioner herein submitted the Compliance on 28 August 2003. With its Compliance, there was no need for the Court to formally approve or admit its own suggestion to amend the Petition and the additional financial documents it had required. If there was any insufficiency in form and substance in the Petition as earlier noted, the Revised Rehabilitation Plan filed by herein Petitioner has cured said insufficiency.

The Rehabilitation Plan in the instant case has not been approved by the Court. Approval comes after said Revised Rehabilitation is referred to the Rehabilitation Receiver and said Receiver has submitted his report/recommendation therein as provided under Sec. 9, Rule 4 of the Interim Rules on Corporate Rehabilitation.”

Nonetheless, the trial court granted the request of PDB and directed the Branch Clerk of Court to furnish PDB a copy of the Stay Order.

PDB moved for a reconsideration of the Order[11] dated March 3, 2004 reiterating its position that the issuance of the Stay Order was premature considering that there has yet to be a ruling on the admission of the second amended petition and that the Order dated July 7, 2003 was never reconsidered.

In an Order dated May 4, 2004, the trial court denied the motion of PDB holding:

“For one, the pleading is a prohibited pleading under Sec. 1, Rule 3 of the Interim Rules of Procedure on Corporate Rehabilitation. Even if the Court will admit said Motion for Reconsideration, still said pleading failed to address paragraphs 2 and 3 of the Order of 03 March 2004. All other arguments raised by PDB were but a rehash of its previous comments.

For another, Creditor PDB should read the Stay Order's Wherefore clause which says that: “finding that the conditions for the issuance of the Stay Order have been met upon careful scrutiny of the petition and the annexes attached thereto,” the Court had considered all the comments, oppositions, the Compliance and the Second Amended Petition filed by the Petitioner, and the hearing had, before the Stay Order was finally issued and published in a newspaper of general circulation once a week for two consecutive weeks. Nothing could be further from the truth ? the creditors had defaulted to file and serve on the Petitioner a verified comment or opposition to the Petition not later than ten (10) days before 18 November 2003. They are therefore barred from participating in the proceedings because as to them, the Order has become final. The Court had scheduled and held the initial and clarificatory hearings in the Petition.”

Hence, the present petition anchored on the following grounds:

THE PUBLIC RESPONDENT ERRED AND DECIDED IN A WAY NOT IN ACCORD WITH INTERIM RULES OF CORPORATE REHABILITATION AND COMMITTED GRAVE ABUSE OF DISCRETION

AMOUNTING TO LACK AND/OR EXCESS OF JURISDICTION WHEN:

- A) It issued a stay order without FIRST ruling on whether or not to admit the second amended petition. This is contrary to the mandate of Section 6 of the Interim Rules on Corporate Rehabilitation (AM No. 00-8-10-SC) which clearly provides that there MUST first be a finding by the Court that the petition is sufficient in form and substance before the issuance of a stay order;
- B) It declared PDB to have defaulted to file a comment and/or opposition when there is no petition for rehabilitation to speak of as yet;
- C) It ruled that the revised rehabilitation plan attached to the second amended petition, that is yet to be admitted, cured whatever insufficiency there is in the petition for rehabilitation; and
- D) It proceeded with the hearing of the case and barred PDB from participating in the proceedings because the order has allegedly become final as to PDB.

PDB argues that before the trial court can issue a stay order, there must be a finding that the petition for corporate rehabilitation is sufficient in form and substance; that the trial court never ruled on whether or not to admit the second amended petition filed by St. Louis; that the rehabilitation plan cannot serve to cure the defect of the amended petition as the second amended petition must first be admitted before the rehabilitation plan may be considered; that since the trial court never ruled to admit the second amended petition filed by St. Louis, there was nothing for PDB to comment on.

The petition lacks merit.

Clearly, the crux of the present controversy lies in determining whether or not the trial court admitted the second amended petition and had determined the same to be sufficient in form and substance before it issued the Stay Order.

PDB claims that the trial court never ruled on whether or not to admit the second amended petition and had failed to determine whether the same was sufficient in form and in substance. However, this claim is belied by the Stay Order itself which states, in no uncertain terms:

“In support of the Petition, Petitioner submitted all the documents required under Section 2, Rule 4 of the Interim Rules of Procedure on Corporate Rehabilitation including its Proposed Rehabilitation Plan which includes its desired business targets or goals and the duration and coverage of the Rehabilitation giving due regard to the interests of the secured creditors, the material financial commitments to support the Rehabilitation Plan and the means for its execution.

x x x.

WHEREFORE, finding that the conditions for the issuance of the Stay Order have been met upon careful scrutiny of the petition and the annexes attached thereto, this Court hereby GRANTS the petition for the issuance of the Stay Order, as mandated by Rule 4, Section 6 of the Interim Rules of Procedure on Corporate Rehabilitation, x x x.” (Emphasis added.)

By holding that the second amended petition had met the conditions for the issuance of the Stay Order, the trial court necessarily admitted the second amended petition and had determined the same to be sufficient in form and substance.

It appears, however, that PDB is of the impression that the finding that the petition is sufficient in form and substance and the Stay Order should be contained in two (2) separate orders. That is, PDB argues that the trial court should first issue an order finding the petition to be sufficient in form and substance and only after issuing

such an order could the trial court issue a second order staying enforcement of all claims (Stay Order). We find the argument untenable.

When the law is clear, the function of the courts is simple application.[12] In the present case, there is nothing in the rules which requires that the finding that the petition is sufficient in form and substance and the Stay Order should be contained in two (2) separate orders. Thus, Section 6, Rule 4 of the Interim Rules of Procedure on Corporate Rehabilitation (2000) provides:

“SEC. 6. Stay Order. ? If the court finds the petition to be sufficient in form and substance, it shall, not later than five (5) days from the filing of the petition, issue an Order (a) appointing a Rehabilitation Receiver and fixing his bond; (b) staying 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; x x x.”

In sum, We find that the issuance of the Stay Order was valid and lawful having been issued in accordance with the provisions of the Interim Rules of Procedure on Corporate Rehabilitation (2000).

Moreover, with the admission by PDB that it failed to file a verified comment or opposition to the second amended petition[13], We likewise affirm the ruling of the trial court barring PDB from further participating in the proceedings a quo which are in accordance with Section 6, Rule 4 of the Interim Rules of Procedure on Corporate Rehabilitation (2000).

WHEREFORE, for lack of merit, the present petition is hereby DISMISSED.

SO ORDERED.

Tolentino and Ranada, JJ., concur.

[1] Rollo, pp.19-22

[2] Rollo, pp.32-34

[3] Rollo, pp.35-36

[4] Rollo, p.201

[5] Rollo, pp.64-65; 123

[6] Rollo, p.41

[7] Rollo, p.42

[8] Rollo, pp.103-109

[9] Rollo, pp.46-48

[10] Supra.

[11] Rollo, pp.53-57

[12] AB Leasing and Finance Corporation vs. Commissioner of Internal Revenue, 405 SCRA 380

[13] Rollo, p.12

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