

GMAT MULTI PURPOSE AND TRANSPORT SERVICE COOPERATIVE, PETITIONER, V. HON. LILIA MERCEDES ENCARNACION A. GEPTY, IN HER CAPACITY AS PRESIDING JUDGE OF THE REGIONAL TRIAL COURT OF ...

Ponente: BUESER, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/fae476808a94/>

BUESER, J.:

This is a Petition for Certiorari[1] pursuant to the provisions Sections 1 and 4, Rule 65 of the Rules of Court, as amended, assailing the actions taken by the respondent Judge who has acted in the premises in excess of her jurisdiction and/or with grave abuse of discretion amounting to lack of jurisdiction.

The Antecedent Facts

On 7 June 2013 petitioner filed a Petition for Financial Rehabilitation[2] under Section 12 of the Financial Rehabilitation and Insolvency Act of 2010 (“FRIA 2010” for brevity) or otherwise known as Republic Act 10142, praying within five (5) days upon filing thereof for the issuance of a Commencement Order in accordance with Chapter II, Section 12 of FRIA 2010 and likewise praying for the approval of the rehabilitation plan. The petition was docketed as SP Proc. No. 27-V-13, and was filed with respondent Judge.

However, on 17 June 2013, respondent Judge issued an Order[3] dismissing the petition for financial rehabilitation on the ground that petitioner being a cooperative cannot avail of the benefits under the provisions of FRIA 2010. The respondent Judge ratiocinated:

“xxx xxx xxx. It is noteworthy to mention that under Section 4(k) of the FRIA of 2010, debtor is defined as follows:

“k) Debtor shall refer to, unless specifically excluded by a provision of this Act, a sole proprietorship duly registered with the Department of Trade and Industry (DTI), a partnership duly registered with the Securities and Exchange Commission (SEC), a corporation duly organized and existing under Philippine law, or an individual debtor who has become insolvent as defined herein.

“Hence, the availment of petitioner cooperative of the remedy of a financial rehabilitation pursuant to Section 63 of R.A. No. 9520 in relation to Section 12 of the FRIA of 2010 is unavailing.

“WHEREFORE, premises considered, the instant case is hereby DISMISSED.”

Consequently, on 21 June 2013 petitioner filed a Very Urgent Motion for Reconsideration[4] stressing that:

“5.1. FRIA OF 2010 NOW GOVERNS THE INSOLVENCY PROCEEDINGS FOR COOPERATIVES SUCH AS PETITIONER AND IT INCLUDES REHABILITATION

“5.2. A COOPERATIVE SUCH AS PETITIONER IS NOT ONE OF THOSE EXCLUDED UNDER SECTION 5, CHAPTER 1 OF FRIA 2010, AND A COOPERATIVE IS INCLUDED IN THE DEFINITION OF A DEBTOR AS CORPORATION

“5.3. THE POLICY OF THE STATE IN THE FRIA OF 2010 IS TO PRIORITIZE REHABILITATION OF DEBTORS IN FINANCIAL DISTRESS, THAT IF REHABILITATION IS FEASIBLE A DEBTOR SHALL UNDERGO REHABILITATION, and THE POLICY OF THE STATE IN THE CREATION OF COOPERATIVES SUCH AS PETITIONER IS TO ENHANCE AN ATMOSPHERE FOR THEIR CREATION AND DEVELOPMENT

Then, on 2 July 2013, petitioner filed a Very Urgent Supplemental Motion for Reconsideration,[5] stating that:

“6.1 The legislative intent is very clear, considering that the word “cooperatives” were removed from the EXCLUSIONS, it was the intent of the law to include cooperatives as debtor under RA 10142. Otherwise, it would have retained in the EXCLUSIONS if it intended to exclude it in its provisions as contained in the originating bills.

“6.2 In addition, the legislative intent to include cooperatives such as petitioner under the definition of debtor in the FRIA 2010 is also explainable by the fact that Congress based said definition on the US and UK laws which both did not exclude cooperatives in the definition of debtor.

“6.3 Likewise, the Rules of Procedure for Corporate Rehabilitation of 2009 (A.M. No. 00-8-10-SC) promulgated by the Supreme Court, defines “debtor” as any corporation, partnership or association or a group of companies, whether supervised or regulated by the Securities and Exchange Commission or other government agencies xxxxxx. (Emphasis supplied). And the same Rules of Procedure also require a liberal construction.

“6.4. Introductory Notes of all the House Bills declared a comprehensive and modern insolvency, which we submit could not have intended to exclude cooperatives. Likewise, the Remarks from the Chair and the Joint Committee Hearing declared the policy that the FRIA was supposed to be comprehensive and modern.”

Eventually, on 2 August 2013 petitioner filed a Manifestation with Very Urgent Plea for Judicial Mercy,[6] manifesting that five (5) taxi units of petitioner have been foreclosed and prayed for the immediate issuance of Commencement Order.

On 8 August 2013 the very urgent motion for reconsideration was denied by the respondent Judge in an Order[7]issued and dated 2 August 2013.

Hence, this present petition.

ISSUE

Whether or not respondent Judge acted without or in excess of its jurisdiction and/or with grave abuse of discretion amounting to lack of jurisdiction in dismissing the petition for financial rehabilitation and in denying the motion for reconsideration filed by petitioner.

THE RULING OF THE COURT

Petitioner claimed that FRIA 2010 now governs the insolvency proceedings for cooperatives and it includes rehabilitation.

We agree.

Under the provisions of the Philippine Cooperative Code of 2008 also known as Republic Act 9520 (R.A. 9520) specifically Chapter VI, Article 63 of the same, in cases of insolvency of cooperatives, they can avail of the remedies under the provisions of the Act No. 1956 otherwise known as the Insolvency Law, which provides:

“Art. 63. Proceeding Upon Insolvency.- In case a cooperative is unable to fulfill its obligations to creditors due

to insolvency, such cooperative may apply for such remedies as it may deem fit under the provisions of Act No. 1956, as amended, otherwise known as the Insolvency Law.

“xxx xxx xxx.”

Significantly, such particular provision of R.A. 9520 has been expressly repealed by Section 148, Chapter 10 of FRIA 2010, which states that:

“Section 148. Repealing Clause.- The Insolvency Law (Act No. 1956), as amended, is hereby repealed. All other laws, orders, rules and regulations or parts thereof inconsistent with any provision of this Act are hereby repealed or modified accordingly.”

Evidently, by virtue of the express repeal of the Insolvency Law, it follows that it is now the provisions of FRIA 2010 that govern the insolvency of cooperatives. It bears stressing that this express repeal consequently made it available to a cooperative the remedy of applying for a financial rehabilitation.

This is strengthened by the fact that upon an astute perusal of the policy objective of the FRIA 2010 it is provided therein that if rehabilitation is feasible an insolvent debtor should and must undergo financial rehabilitation. Chapter 1, Section 2 of the FRIA 2010 states that:

“Sec. 2. Declaration of Policy. – State to encourage debtor and their creditors to collectively and realistically resolve and adjust competing claims and property rights. In furtherance thereof, the State shall ensure a timely, fair, transparent, effective and efficient rehabilitation or liquidation of debtors. The rehabilitation or liquidation shall be made with a view to ensure or maintain certainty and predictability in commercial affairs, preserve and maximize the value of the assets of these debtors, recognize creditor rights and respect priority of claims, and ensure equitable treatment of creditors who are similarly situated. When rehabilitation is not feasible, it is in the interest of the State to facilitate a speedy and orderly liquidation of these debtor’s assets and the settlement of their obligations.”

The respondent Judge in denying the petition for financial rehabilitation states in its assailed Order that:

“Section 6 of R.A. 9520 reads:

SEC. 6. Article 64 of Chapter VI on Insolvency of Cooperatives of the same Code is hereby renumbered and amended to read, as follows:

CHAPTER VI INSOLVENCY OF COOPERATIVES

“ART. 63. Proceeding Upon Insolvency.- In case a cooperative is unable to fulfill its obligations to creditors due to insolvency, such cooperative may apply for such remedies as it may deem fit under the provisions of Act No. 1956, as amended, otherwise known as the Insolvency Law.

“Nothing in this Article, however, precludes creditors from seeking protection from said insolvency law.”

On the other hand, Section 12 of FRIA of 2010 reads:

Section 12. Petition to Initiate Voluntary Proceedings by Debtor. When approved by the owner in case of a sole proprietorship, or by a majority of the partners in case of a partnership, or in case of a corporation, by a majority vote of the board of directors or trustees and authorized by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock, or in case of nonstick corporation, by the vote of at least two-thirds (2/3) of the members, in a stockholder’s or member’s meeting duly called for the purpose, an insolvent debtor may initiate voluntary proceedings under this Act by filing a petition for rehabilitation with the court and on the grounds hereinafter specifically provided. The petition shall be verified to establish the insolvency of the debtor and the viability of its rehabilitation, and include, whether as an attachment or as part

of the body of the petition, as a minimum the following:

- (a) xxx xxx xxx
- (b) xxx xxx xxx
- (c) xxx xxx xxx
- (d) xxx xxx xxx
- (e) xxx xxx xxx
- (f) xxx xxx xxx
- (g) xxx xxx xxx
- (h) xxx xxx xxx
- (i) xxx xxx xxx
- (j) xxx xxx xxx

A group of debtors may jointly file a petition for rehabilitation under this Act when one or more of its members foresee the impossibility of meeting debts when they respectively fall due, and the financial distress would likely adversely affect the financial condition and/or operations of the other members of the group and/or the participation of the other members of the group is essential under the terms and conditions of the proposed Rehabilitation Plan.

Under the above provisions of law, it is clear that Section 63 of R.A. No. 9520 refers to an insolvency proceeding only under Act No. 1956, as amended, or the Insolvency Law (now covered by FRIA of 2010) and not to a petition for rehabilitation. Further, under the FRIA of 2010, only the following may file a voluntary petition for rehabilitation under FRIA of 2010: (1) sole proprietorship; (2) partnership; (3) corporation; and (4) an individual debtor. There is no mention of a cooperative.

It is noteworthy to mention that under Section 4 (k) of the FRIA of 2010, debtor is defined as follows:

k) Debtor shall refer to, unless specifically excluded by a provision of this Act, a sole proprietorship duly registered with the Department of Trade and Industry (DTI), a partnership duly registered with the Securities and Exchange Commission (SEC), a corporation duly organized and existing under Philippine law, or an individual debtor who has become insolvent as defined herein. (emphasis supplied)

Hence, the availment of petitioner cooperative of the remedy of financial rehabilitation pursuant to Section 63 of R.A. No. 9520 in relation to Section 12 of the FRIA of 2010 is unavailing.

WHEREFORE, premises considered, the instant case is hereby DISMISSED.”

Apparently, respondent Judge lost sight of the fact that in the definition of the debtor there is a proviso “unless expressly excluded” and Section 5 of the same Act is instructive on those who are specifically excluded by R.A. 10142 and cooperatives are not excluded, to wit:

Section 5. Exclusions. – The term debtor does not include banks, insurance companies, pre-need companies, and national and local government agencies or units.

Under the maxim expression *unius est exclusion alterius*, the mention of one thing implies the exclusion of another thing not mentioned - if a statute enumerates the things upon which it is to operate, everything else must necessarily and by implication be excluded from its operation and effect.

Therefore, if the intention of FRIA 2010 was to exclude cooperatives under its coverage, then cooperatives should have been included as “exclusions” from its coverage. The legal maxim that “inclusion unius exclusion alterius” is perfectly applicable in this case.

To stress, Act No. 1956, as amended, and, which was referred to under R.A. No. 9520 did not also make mention

of any cooperative in the definition of the word “debtor”. Chapter XIII, Section 77 of the Act, provides:

“SECTION 77. Words used in this Act in the singular include the plural, and in the plural, the singular, and the word “debtor” includes partnerships, corporations and sociedades anonimas.”

However, because R.A. 9520 made reference to Act No. 1956, as amended, then the latter becomes applicable to cooperatives by operation of law. Consequently, the amendment of Act No. 1956 by R.A. No. 10142 would make the same applicable to cooperatives.

Significantly, legislative records clearly manifest the legislative intent that a cooperative can avail of the benefits under the FRIA 2010.

FRIA 2010 originated from House Bill No. 07090, which in turn originated from four (4) bills namely: HB No. 04960[8], HB No. 00293[9], HB No. 00132[10] and HB No. 03542[11].

It is worthy to note that in the HB No. 04960, introduced by Cong. Ramon H. Durano VI, HB No. 00293, introduced by Cong. Jaime C. Lopez and HB No. 00132, introduced by Cong. Sonny M. Angara, these all originally included in their provision for “exclusions” the word “cooperatives”. On the other hand, HB No. 03542, as introduced by Cong. Ma. Amelita Calimbas-Villarosa, did not indicate any exclusions but provided a definition of a corporation debtor which included associations of persons.

To stress, HB No. 04960 and HB No. 00293 became the working draft of HB No. 07090 and as above discussed these versions both indicated cooperatives as exclusions.

Eventually, in the final draft of HB No. 07090, cooperatives were no longer included in the exclusions provision. Therefore, it is clear that the legislative intent was to include cooperatives as debtor under R.A. 10142 and most commonly known as FRIA 2010. The legislature would have retained in the exclusions the cooperatives if it intended to exclude it in the provisions of R.A. 10142 as contained in the originating bills.

Moreover, the legislative intent to include cooperatives such as petitioner under the definition of debtor in the FRIA 2010 is strengthened by the fact that Congress based said definition on the US and UK laws[12], which both did not exclude cooperatives in the definition of a debtor.

In the same vein, the Rules of Procedure for Corporate Rehabilitation of 2009 (A.M. No. 00-8-10-SC)[13] promulgated by the Supreme Court, defines debtor as “any corporation, partnership or association or a group of companies, whether supervised or regulated by the Securities and Exchange Commission or other government agencies.”

Although not controlling, it is just as significant to note that on 5 November 2013 petitioner submitted to this Honorable Court and copy furnished to respondent Judge a written legal opinion[14] rendered by the Cooperative Development Authority (“CDA” for brevity) regarding the applicability to cooperatives of R.A. 10142, otherwise known as an “An Act Providing for the Rehabilitation or Liquidation of Financially Distressed Enterprises and Individuals”.

In answer, the CDA opined that cooperatives may well be within the coverage of R.A. 10142. It explained that:

“xxx xxx xxx. The said law under Section 4(k) provides:

(k) Debtor shall refer to, unless specifically excluded by a provision of this Act, a sole proprietorship duly registered with the Department of Trade and Industry (DTI), a partnership duly registered with the Securities and Exchange Commission (SEC), a corporation duly organized and existing under Philippine law, or an individual debtor who has become insolvent as defined herein.

The law says, “unless specifically excluded by a provision of this Act”. In connection with Section 5, RA No. 10142 on those specifically excluded by RA 10142, cooperatives are not excluded from the application of RA No. 10142.

Section 5. Exclusions. – The term debtor does not include banks, insurance companies, pre-need companies, and national and local government agencies or units.

xxx xxx xxx

Revisiting Act No. 1956, as amended, the said law referred to under RA No. 9520 did not also made mention of any cooperative. It made mention only of individual person, sociedad or corporation. But since RA No. 9520 made reference to Act No. 1956, as amended, the latter is applicable to cooperatives by operation of law. Conversely, with the amendment of Act No. 1956, as amended, by RA No. 10142 it would seem that RA No. 10142 is applicable to cooperatives.

ACT NO. 1956

AN ACT PROVIDING FOR THE SUSPENSION OF PAYMENTS, THE RELIEF OF INSOLVENT DEBTORS, THE PROTECTION OF CREDITORS, AND THE PUNISHMENT OF FRAUDULENT DEBTORS

CHAPTER I

TITLE AND GENERAL SUBJECT OF THE ACT

SECTION 1. This Act shall be known and may be cited as The Insolvency Law, and in accordance with its provisions every insolvent debtor may be permitted to suspend payments or be discharged from his debts and liabilities.

CHAPTER II

SUSPENSION OF PAYMENTS

SECTION 2. Petition.- The debtor, who, possessing sufficient property to cover all his debts, be it an individual person, be it a sociedad or corporation, foresees the impossibility of meeting them when they respectively fall due, may petition that he be declared in the state of suspension of payments by the court, or the judge thereof in vacation, of the province or of the city in which he has resided for six months next preceding the filing of his petition. (emphasis supplied)

xxx.”

Considering the foregoing, it is the opinion of the Authority that RA No. 10142 otherwise known as “An Act Providing for the Rehabilitation or Liquidation of Financially Distressed Enterprises and Individuals” is applicable to cooperatives.”

The CDA is created under the Office of the President to carry out the provisions of the Republic Act 6939 (R.A. 6939) entitled, “An Act Creating The Cooperative Development Authority To Promote The Viability And Growth Of Cooperatives As Instruments Of Equity, Social Justice And Economic Development, Defining Its Powers, Functions And Responsibilities, Rationalizing Government Policies And Agencies With Cooperative Functions, Supporting Cooperative Development, Transferring The Registration And Regulation Functions Of Existing Government Agencies On Cooperatives As Such And Consolidating The Same With The Authority, Appropriating Funds Therefore, And For Other Purposes.

With the powers, functions and responsibilities of the CDA provided under R.A. 6939, it is the position of this Honorable Court that the clarification of the CDA with respect to the applicability to cooperatives of R.A. 10142

shall be looked into by the parties in this case to shed light on the disputed matter.

If viewed against the foregoing principles, and cooperatives are indeed excluded from the provisions of the FRIA 2010, then consequently the cooperatives, like herein petitioner, will be left with no recourse under any existing law as the provisions of the Insolvency Law have been expressly repealed by the FRIA 2010. This can never be the intent of the law to remove protection to the cooperatives, which are considered as primary tools for socio-economic empowerment and their creation and development are prioritized by the government.

WHEREFORE, in view of the foregoing, the Orders dated 17 June 2013 and 2 August 2013 of the Regional Trial Court of Valenzuela, Branch 75 are ANNULLED and SET ASIDE.

Accordingly, the respondent Judge is ORDERED to issue a Commencement Order retroactive to the date of the filing of the Petition for Financial Rehabilitation in accordance with Chapter II, Section 15 of the Financial Rehabilitation and Insolvency Act of 2010.

SO ORDERED.

De Guia-Salvador and Garcia, JJ., concur.

[1] Rollo, pp. 3-18.

[2] Id., pp. 20-25.

[3] Id., pp. 161-163.

[4] Id., pp. 164-170.

[5] Id., pp. 172-175.

[6] Id., pp. 225-226.

[7] Id., pp. 227-229.

[8] Id., pp. 179- 183.

[9] Id., pp. 184-189.

[10] Id., pp. 190-194.

[11] Id., pp. 195-199.

[12] Id., pp. 200-207.

[13] Id., pp. 208-213.

[14] Id., pp. 253-255.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.