

FREEMAN, INC., FREEMAN MANAGEMENT & DEVELOPMENT CORP., SAW CHIAO LIAN, LECHU S. LIM, PERLITA S. DYOGI, OLIVIA S. SANTOS, CARMEN S. SAW AND RUBEN CHUA, PETITIONERS, VS. THE SECUR...

G.R. No. 110265. July 07, 1994

Ponente: BELLOSILLO, J.

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BELLOSILLO, J.:

This petition for certiorari filed under Rule 65 of the Rules of Court seeks to annul and set aside the order of respondent Securities and Exchange Commission dated 7 January 1993 in SEC-EB No. 308 denying the action of petitioners to nullify the 7 January 1992 order of the Securities and Exchange Commission in SEC Case No. 3577.

Sometime in 1986 and 1987, Freeman, Inc. (FREEMAN), was granted a loan by Equitable Banking Corporation (EQUITABLE) as evidenced by two (2) promissory notes, P.N. No. 125957 dated 8 December 1986 for P1,700,000.00 payable 8 December 1987, and P.N. No. TL-369 dated 24 April 1987 for P6,000,000.00 payable 24 April 1988. Saw Chiao Lian, President of Freeman, Inc., signed as co-maker in both promissory notes.

When FREEMAN failed to pay its obligations, EQUITABLE instituted a collection suit against FREEMAN and Saw Chiao Lian.[1] EQUITABLE also prayed for preliminary attachment.

On 27 May 1988, private respondents Saw Mui, Ruben Saw, Dionisio Saw, Lina S. Chua, Lucila S. Ruste and Evelyn Saw filed an answer in intervention claiming that they owned the minority interest in FREEMAN.

On 12 October 1988, the trial court denied the intervention of private respondents. The denial was affirmed by the Court of Appeals and thereafter by this Court.[2]

The collection case was terminated when the parties entered into a compromise agreement duly approved by the court and a decision rendered thereon on 5 December 1988. However, Freeman, Inc. (FREEMAN) and Saw Chiao Lian, defendants in the trial court, failed to comply with the judgment.

On 30 January 1989, a writ of execution was issued. Two (2) parcels of land belonging to FREEMAN covered by TCT Nos. 34219 and 34220 were levied upon and sold at public auction on 31 March 1989. The highest bidder was one of the petitioners, Freeman Management and Development Corporation (FREEMAN MANAGEMENT), which thereafter registered its certificate of sale with the Register of Deeds.

On 23 May 1989, before FREEMAN MANAGEMENT could consolidate its title over the properties purchased at the auction sale, private respondents, representing the minority shareholdings of FREEMAN, filed a petition with the Securities and Exchange Commission (SEC) seeking the dissolution of FREEMAN, accounting and reconveyance of the properties covered by TCT Nos. 34219 and 34220.[3]

On 5 April 1990, private respondents filed a similar complaint against petitioners with the Regional Trial Court of Kalookan City.[4] The complaint sought to annul the compromise agreement between EQUITABLE on one hand

and defendants FREEMAN and Saw Chiao Lian on the other, as well as the promissory notes executed by Saw Chiao Lian, the auction sale, and the sheriff's certificate of sale of the lots covered by TCT Nos. 34219 and 34220.

Petitioners moved for the dismissal of the complaint on the ground that the same was a duplication of the case pending in the SEC. But the motion was denied. Petitioners went up on certiorari to the Court of Appeals which reversed the trial court and directed the dismissal of the complaint by reason of the pendency of the SEC case.[5]

On 7 January 1992, on motion of private respondents in SEC Case No. 3577, and despite the opposition thereto by petitioners, SEC Hearing Officer Juanito B. Almosa, Jr., issued a writ of preliminary injunction to prevent the consolidation of ownership of petitioner FREEMAN MANAGEMENT over the properties it acquired in the auction sale of 31 March 1989, the redemption period having expired on 7 April 1990.[6]

Petitioners assailed the order of the SEC Hearing Officer by filing a petition for certiorari with the SEC en banc which on 7 January 1993 however denied the petition.[7] On 15 March 1993, petitioners' motion for reconsideration was likewise denied.[8]

On 22 April 1993, petitioners filed with this Court a petition for certiorari questioning the 15 March 1993 order of the SEC.[9] In a Resolution dated 10 May 1993, this Court dismissed the petition for its failure to state the date when the questioned SEC Order was received as well as the date when the order denying the Motion for Reconsideration was received.[10]

On 4 June 1993, petitioners filed the present petition containing the matters omitted in the petition earlier dismissed. Petitioners allege that the SEC committed grave abuse of discretion and acted in excess of jurisdiction in sustaining the order of its Hearing Officer granting the writ of injunction enjoining consolidation of ownership in FREEMAN MANAGEMENT and that the SEC misconstrued the decisions of the Court of Appeals in *Equitable Banking Corp. v. Hon. Mangay*[11] and of this Court in *Saw v. Court of Appeals*,[12] which in effect ruled that SEC has jurisdiction to take cognizance of and determine the rights of petitioners and private respondents as against each other. Petitioners also argue that the assailed order of the SEC violated the basic principle that the SEC, being a coordinate body with the Regional Trial Court, could not interfere in the proceedings held therein, and neither could it review the issues passed upon by the said court. They likewise maintain that although SEC Case No. 3577 could still proceed as to the dissolution of FREEMAN, the two (2) properties of the latter which were levied upon and sold to FREEMAN MANAGEMENT are already excluded from the corporate assets of FREEMAN; and, that these properties could no longer be the subject of the action for reconveyance in the SEC because they had been the subject of execution to enforce the decision of the trial court in Civil Case No. 88-44404 which had already attained finality.

In their comment, private respondents contend that the present petition was filed beyond the reglementary period of thirty (30) days within which to appeal to this Court, citing Sec. 1, Rule 17, of the New Rules of Procedure of the SEC. Private respondents also allege that the jurisdiction of the SEC has been resolved by this Court in *Saw v. Court of Appeals*[13] when it held that "even with the denial of petitioners' motion to intervene, nothing is really lost to them. The denial did not necessarily prejudice them as their rights are being litigated in the case (SEC Case No. 3577) now before the Securities and Exchange Commission and may be fully asserted and protected in that separate proceeding."

In its comment, the Office of the Solicitor General expresses conformity with the allegations in the petition and prays that the petition be given due course. It also avers that since the present petition, which is one under Rule 65 of the Rules of Court, was filed thirty-five (35) days after receipt of the assailed resolution of the SEC, the instant petition was filed within a reasonable time. The Solicitor General also agrees with petitioners' contention that the SEC, as a co-equal body with the Regional Trial Court, cannot modify, reverse or pass upon the decision of said

court. Moreover, private respondents had the opportunity to submit a bid for the foreclosed properties during the public auction and their failure to exercise their right should not prejudice petitioners.

We sustain petitioners. The present petition seeks to annul and set aside the order of the SEC for want of jurisdiction to issue the writ of injunction, a provisional remedy to the principal action pending in the SEC for the dissolution of petitioner FREEMAN. Hence, the petition is not an appeal from a final order of the SEC but a special civil action questioning the legal competence of the latter to issue such interlocutory order. It is covered by Sec. 1, Rule 65, of the Rules of Court which allows a person aggrieved to file a verified petition in the proper court praying that judgment be rendered annulling or modifying the proceedings, as the law requires, of the tribunal, board or officer when the latter, exercising judicial functions, has acted without or in excess of its or his jurisdiction or with grave abuse of discretion and there is no appeal, nor any plain, speedy and adequate remedy in the ordinary course of law.

We have consistently ruled that petitions for certiorari must be filed within a reasonable time. In the instant case, the records show that the petition at bench was filed on 4 June 1993, or two (2) months and nineteen (19) days from 17 March 1993, which was the date when petitioners received copy of the order of the SEC denying their motion for reconsideration. There is no doubt that this petition was seasonably filed.

SEC Case No. 3577 arose from the action filed by private respondents as minority shareholders of petitioner FREEMAN for the dissolution of the corporation and reconveyance of the properties conveyed to another petitioner FREEMAN MANAGEMENT in a public auction. The SEC maintained that it had jurisdiction to issue the writ of injunction preventing the consolidation of ownership in FREEMAN MANAGEMENT on the basis of our ruling in *Saw v. Court of Appeals*. We denied the intervention of private respondents in the trial court in Civil Case No. 88-44404 which had already been terminated. As we stated therein, even with the denial of herein private respondents' motion to intervene nothing could really be lost to them as their rights were being litigated before the SEC and would be fully asserted and protected in that separate proceeding.

Our ruling in *Saw v. Court of Appeals* should be understood in the light of two (2) basic legal principles. First, that administrative agencies like the SEC are tribunals of limited jurisdiction and as such can exercise only those powers which are specifically granted to them by their enabling statutes.[14] Section 5 of P.D. No. 902-A, as amended, provides the cases over which the SEC has original and exclusive jurisdiction to hear and decide. These include controversies arising out of intra-corporate or partnership relations between and among stockholders, members or associates; between any or all of them and the corporation, partnership or association of which they are stockholders, members or associates, respectively; and, between such corporation, partnership or association and the state insofar as it concerns their individual franchise or right to exist as such entity. Section 6 of the same decree empowers the SEC to issue preliminary or permanent injunction, whether prohibitory or mandatory, in all cases in which it has jurisdiction.

The action for dissolution of FREEMAN filed by its minority stockholders is well within the jurisdiction of the SEC to resolve in accordance with P.D. No. 902--A. However, the inclusion in the SEC case of FREEMAN MANAGEMENT of which private respondents are not stockholders for the purpose of compelling it to reconvey to FREEMAN the properties originally owned by the latter but were levied upon and sold to FREEMAN MANAGEMENT in a public auction is a matter outside of the limited jurisdiction of the SEC. The petition for reconveyance of properties against FREEMAN MANAGEMENT is not an intra-corporate controversy since private respondents have no shares or interests whatsoever in FREEMAN MANAGEMENT, a corporation separate and distinct from FREEMAN, which is undergoing dissolution proceedings in the SEC.

The second basic principle is the doctrine of non-interference which should be regarded as highly important in

judicial stability and in the administration of justice whereby the judgment of a court of competent jurisdiction may not be opened, modified or vacated by any court or tribunal of concurrent jurisdiction.[15] The SEC is at the very least co-equal with the Regional Trial Court. As such, one would have no power to control the other.[16] Moreover, in the instant case, judgment was rendered by the trial court in Civil Case No. 88-44404 approving the compromise agreement between EQUITABLE on one hand, and FREEMAN and Saw Chiao Lian on the other. A writ of execution was issued against the defendants to enforce the judgment and two (2) properties of FREEMAN were levied upon and sold to FREEMAN MANAGEMENT as highest bidder in the public auction.

Finally, the judgment was fully satisfied and a certificate of sale was issued to FREEMAN MANAGEMENT. It is axiomatic that after a judgment has been fully satisfied, the case is deemed terminated once and for all.[17] It cannot be modified or altered. Hence, the properties sold to FREEMAN MANAGEMENT are now considered excluded from the corporate assets of FREEMAN and can no longer be the subject of the proceedings in the SEC for the dissolution of the latter. Therefore SEC exceeded its jurisdiction when it issued a writ of injunction enjoining FREEMAN MANAGEMENT from consolidating its ownership over the two (2) parcels of land it acquired as highest bidder in the execution sale.

WHEREFORE, the petition is GRANTED and the assailed orders of the Securities and Exchange Commission dated 7 January 1993 and 15 March 1993 are REVERSED and SET ASIDE.

SO ORDERED.

Cruz, (Chairman), Davide, Jr., Quiason, and Kapunan, JJ., concur.

[1] Docketed as Civil Case No. 88-44404 of the Regional Trial Court of Manila, raffled to Br. 43.

[2] *Saw v. Court of Appeals*, G.R. No. 90580, 8 April 1991, Annex "B," Rollo, pp. 39-46.

[3] Docketed as SEC Case No. 3577.

[4] Docketed as Civil Case No. C-14276, raffled to Br. 125; Annex "F," Rollo, pp. 63-72.

[5] CA-G.R. SP No. 20970, 4 October 1990.

[6] Annex "K," Rollo, pp. 107-115.

[7] Annex "M," Rollo, pp. 137-140.

[8] Annex "Q," Rollo, p. 152.

[9] Docketed as G.R. No. 109674.

[10] S.C. Circular No. 1-88 (4); Annex "R," Rollo, pp. 153-154.

[11] See Note 5.

[12] G.R. No. 90580, 8 April 1991.

[13] *Ibid.*

[14] *Chung Ka Bio v. IAC*, G.R. No. 71837, 26 July 1988, 163 SCRA 534.

[15] *Mercado v. Ubay*, No. L-35830, 24 July 1990, 187 SCRA 719.

[16] *Philippine Pacific Fishing Co., Inc. v. Luna*, G.R. No. 59070, 15 March 1982, 112 SCRA 604.

[17] Alazas v. Salas, G.R. No. 83693, 4 December 1989, 179 SCRA 804.

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