

JERRY ONG, PETITIONER, VS. COURT OF APPEALS AND RURAL BANK OF OLONGAPO, INC., REPRESENTED BY ITS LIQUIDATOR, GUILLERMO G. REYES, JR. AND DEPUTY LIQUIDATOR ABEL ALLANIGUE, RESPON...

G.R. No. 112830. February 01, 1996

Ponente: BELLOSILLO, J.

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BELLOSILLO, J.:

The jurisdiction of a regular court over a bank undergoing liquidation is the issue in this petition for review of the decision of the Court of Appeals.[1]

On 5 February 1991 Jerry Ong filed with the Regional Trial Court of Quezon City a petition for the surrender of TCT Nos. 13769 and 13770 pursuant to the provisions of Secs. 63(b) and 107 of P.D. 1529[2] against Rural Bank of Olongapo, Inc. (RBO), represented by its liquidator Guillermo G. Reyes, Jr. and deputy liquidator Abel Allanigue.[3] The petition averred inter alia that -

2. The RBO was the owner in fee simple of two parcels of land including the improvements thereon situated in Tagaytay City x x x particularly described in TCT Nos. 13769 and 13770 x x x
3. Said parcels of land were duly mortgaged by RBO in favor of petitioner on December 29, 1983 to guarantee the payment of Omnibus Finance, Inc., which is likewise now undergoing liquidation proceedings of its money market obligations to petitioner in the principal amount of P863,517.02 x x x
4. Omnibus Finance, Inc., not having seasonably settled its obligations to petitioner, the latter proceeded to effect the extrajudicial foreclosure of said mortgages, such that on March 23, 1984, the City Sheriff of Tagaytay City issued a Certificate of Sale in favor of petitioner xxx
5. Said Certificate of Sale x x x was duly registered with the Registry of Deeds of Tagaytay City on July 16, 1985, as shown in the certified true copies of the aforementioned titles x x x
6. Respondents failed to seasonably redeem said parcels of land, for which reason, petitioner has executed an Affidavit of Consolidation of Ownership which, to date, has not been submitted to the Registry of Deeds of Tagaytay City, in view of the fact that possession of the aforesaid titles or owner's duplicate certificates of title remains with the RBO.
7. To date, petitioner has not been able to effect the registration of said parcels of land in his name in view of the persistent refusal of respondents, despite demand, to surrender RBO's copies of its owner's certificates of title for the parcels of land covered by TCT Nos. 13769 and 13770.[4]

Respondent RBO filed a motion to dismiss on the ground of res judicata alleging that petitioner had earlier sought a similar relief from Br. 18 of the Regional Trial Court of Tagaytay City, which case was dismissed with finality on appeal before the Court of Appeals.

In a supplemental motion to dismiss, respondent RBO contended that it was undergoing liquidation and, pursuant to prevailing jurisprudence, it is the liquidation court which has exclusive jurisdiction to take cognizance of petitioner's claim.

On 7 May 1991 the trial court denied the motion to dismiss because it found that the causes of action in the previous and present cases were different although it was silent on the jurisdictional issue. Accordingly, respondent RBO filed a motion for reconsideration but the same was similarly rejected in the order of June 11, 1991 holding that: (a) subject parcels of land were sold to petitioner through public bidding on 23 March 1984 and, consequently, said pieces of realty were no longer part of the assets of respondent RBO; and, (b) in the same token, subject lots were no longer considered assets of respondent RBO when its liquidation was commenced by the Central Bank on 9 November 1984 and when the petition for assistance in its liquidation was approved by the Regional Trial Court of Olongapo City on 30 May 1985.

On 5 July 1991 respondent RBO filed a manifestation and urgent motion for reconsideration arguing that the validity of the certificate of sale issued to petitioner was still at issue in another case between them and therefore the properties covered by said certificate were still part and parcel of its assets.

Still unpersuaded by respondent RBO's arguments, the trial court denied reconsideration in its order of 18 September 1991 prompting the bank to elevate the case to respondent Court of Appeals by way of a petition for certiorari and prohibition. On 12 February 1992 respondent court rendered a decision annulling the challenged order of the court a quo dated 19 June 1991 which sustained the jurisdiction of the trial court as well as the order of 18 September 1991 denying reconsideration thereof. Moreover, the trial judge was ordered to dismiss Civil Case No. Q-91-8019 without prejudice to the right of petitioner to file his claim in the liquidation proceedings (Sp. Proc. No. 170-0-85) pending before Br. 73 of the Regional Trial Court of Olongapo City.[5]

In reversing the trial court the appellate court noted that Sec. 29, par. 3, of R.A. 265 as amended by P.D. 1827[6] does not limit the jurisdiction of the liquidation court to claims against the assets of the insolvent bank. The provision is general in that it clearly and unqualifiedly states that the liquidation court shall have jurisdiction to adjudicate disputed claims against the bank. "Disputed claims" refer to all claims, whether they be against the assets of the insolvent bank, for specific performance, breach of contract, damages, or whatever. To limit the jurisdiction of the liquidation court to those claims against the assets of the bank is to remove significantly and without basis the cases that may be brought against a bank in case of insolvency.

Respondent court also noted that the certificates of title are still in the name of respondent RBO. As far as third persons are concerned (and these include claimants in the liquidation court), registration is the operative act which would convey title to the property.

Petitioner submits that Civil Case No. Q-91-8019 may proceed independently of Sp. Proc. No. 170-0-85. He argues that the disputed parcels of land have been extrajudicially foreclosed and the corresponding certificate of sale issued in his favor; that considering that respondent RBO failed to redeem said properties he should now be allowed to consolidate his title thereto; that respondent RBO's mortgage of TCT Nos. 13769 and 13770 in favor of petitioner and its subsequent foreclosure are presumed valid and regular; and, that the liquidation court has no jurisdiction over subject parcels of land since they are no longer assets of respondent RBO.

We find no merit in the petition. Section 29, par. 3, of R.A. 265 as amended by P. D. 1827 provides"

If the Monetary Board shall determine and confirm within (sixty days) that the bank x x x is insolvent or cannot resume business with safety to its depositors, creditors and the general public, it shall, if the public interest requires, order its liquidation, indicate the manner of its liquidation and approve a liquidation plan. The Central Bank shall, by the Solicitor General, file a petition in the Court of First Instance[7] reciting the

proceedings which have been taken and praying the assistance of the court in the liquidation of such institution. The court shall have jurisdiction in the same proceedings to adjudicate disputed claims against the bank x x x and enforce individual liabilities of the stockholders and do all that is necessary to preserve the assets of such institution and to implement the liquidation plan approved by the Monetary Board (*italics supplied*).

Applying the aforequoted provision in *Hernandez v. Rural Bank of Lucena, Inc.*,^[8] this Court ruled"

The fact that the insolvent bank is forbidden to do business, that its assets are turned over to the Superintendent of Banks, as a receiver, for conversion into cash, and that its liquidation is undertaken with judicial intervention means that, as far as lawful and practicable, all claims against the insolvent bank should be filed in the liquidation proceeding (*italics supplied*).

We explained therein the rationale behind the provision, i.e., the judicial liquidation is intended to prevent multiplicity of actions against the insolvent bank. It is a pragmatic arrangement designed to establish due process and orderliness in the liquidation of the bank, to obviate the proliferation of litigations and to avoid injustice and arbitrariness. The lawmaking body contemplated that for convenience only one court, if possible, should pass upon the claims against the insolvent bank and that the liquidation court should assist the Superintendent of Banks and regulate his operations.

The phrase "(T)he court shall have jurisdiction in the same proceedings to adjudicate disputed claims against the bank" appears to have misled petitioner. He argues that to the best of his personal knowledge there is no pending action filed before any court or agency which contests his right over subject properties. Thus his petition before the Regional Trial Court of Quezon City cannot be considered a "disputed claim" as contemplated by law.

It is not necessary that a claim be initially disputed in a court or agency before it is filed with the liquidation court. As may be gleaned in the *Hernandez* case, the term "disputed claim" in the provision simply connotes that -

[i]n the course of the liquidation, contentious cases might arise wherein a full-dress hearing would be required and legal issues would have to be resolved. Hence, it would be necessary injustice to all concerned that a Court of First Instance (now Regional Trial Court) x x x assist and supervise the liquidation and x x x act as umpire or arbitrator in the allowance and disallowance of claims.

Petitioner must have overlooked the fact that since respondent RBO is insolvent other claimants not privy to their transaction may be involved. As far as those claimants are concerned, in the absence of certificates of title in the name of petitioner, subject lots still form part of the assets of the insolvent bank.

On the basis of the *Hernandez* case as well as Sec. 29, par. 3, of R.A. 265 as amended by P.D. 1827, respondent Court of Appeals was correct in holding that the Regional Trial Court of Quezon City, Br. 79, did not have jurisdiction over the petition, much less in ordering the dismissal of Civil Case No. Q-91-8019, without prejudice to petitioner's right to file his claim in Sp. Proc. No. 170-0-85 before the Regional Trial Court of Olongapo City, Br. 73.

WHEREFORE, the petition is DENIED. The decision of respondent Court of Appeals dated 12 February 1992 is AFFIRMED. Costs against petitioner.

SO ORDERED.

Padilla (Chairman), Vitug, Kapunan, and Hermosisima, Jr., JJ., concur.

[1] Docketed as CA-G.R. SP No. 26278. Decision penned by Justice Serafin V.C. Giuingona, concurred in by Justices Luis A. Javellana and Jorge S. Imperial.

[2] The Property Registration Decree.

[3] Docketed as Civil Case No. Q-91 -8019.

[4] Rollo, pp. 36-37.

[5] Rollo, p. 43.

[6] The Central Bank Act.

[7] Now Regional Trial Court.

[8] No. L-29791, 10 January 1978, 81 SCRA 75.

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