

BAROTAC SUGAR MILLS, INC., PETITIONER, VS. COURT OF APPEALS AND PITTSBURGH TRADE CENTER, CO., INC., RESPONDENTS.

G.R. No. 123379. July 15, 1997

Ponente: DAVIDE, JR., J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-123379/>

DAVIDE, JR., J.:

In this petition for review under Rule 45 of the Rules of Court, petitioner Barotac Sugar Mills, Inc. (hereafter BAROTAC), assails the decision of public respondent Court of Appeals in CA-G.R. SP No. 37004[1] affirming the orders of 27 September 1994[2] and 16 March 1995[3] of the Regional Trial Court (RTC) of Quezon City, Branch 79, in Civil Case No. Q-94-20347, denying BAROTAC'S motion to suspend proceedings and motion to reconsider such denial, respectively.

The material facts are as follows:

On April 26, 1994 private respondent Pittsburgh Trade Center Co., Inc., (hereafter PITTSBURGH) filed before the RTC of Quezon City a complaint for a sum of money against BAROTAC. The case was docketed as Civil Case No. Q-94-20347, assigned to Branch 79, and later transferred to Branch 221 of said court.

Instead of filing an answer, BAROTAC filed, on June 21, 1994, a Motion to Suspend Proceedings on the ground that a Petition for Suspension of Payments With Prayer for the Appointment of a Management or Rehabilitation Committee had been filed with the Securities and Exchange Commission (SEC) pursuant to Presidential Decree 902-A, as amended by P.D. Nos. 1653 and 1758. This motion met opposition from PITTSBURGH.

On 27 September 1994, the court issued an Order denying petitioner's motion based on the following grounds:

[I]t appears from the Order issued by the Securities and Exchange Commission dated December 10, 1993 (Annex A, Motion) that the Petition for Suspension of Payment and Appointment of a Management or Rehabilitation Committee was filed by Arcam and Company, Inc., and not by herein defendant.

Moreover, granting that defendant Barotac Sugar Mills, Inc., indeed filed said petition, the suspension of the proceedings before this Court would be premature at this juncture there being no showing that the Securities and Exchange Commission has already placed the defendant under receivership before a management committee appointed by said Commission pursuant to Sec. 5 of P.D. 902-A.

The trial court then ordered petitioner to file its answer or responsive pleading within fifteen days from receipt of a copy of the order.

On 16 March 1995, the trial court denied petitioner's motion for reconsideration of the said order.

BAROTAC then sought redress from respondent Court of Appeals by way of a petition for certiorari under Rule 65 of the Rules of Court. It contended as ground therefor that the trial court acted with grave abuse of discretion in ruling that suspension of proceedings would be premature since no management committee had been appointed by the SEC pursuant to Sec. 5 of P.D. 902-A.

In its decision of 28 September 1995, respondent Court of Appeals dismissed BAROTAC's petition for lack of merit, finding:

Our reading of the law leaves no room for interpretation or doubt that it is only after the appointment of a "management committee," "rehabilitation receiver," etc., by the SEC that "all actions for claims against corporation, etc., under management or receivership pending before any court shall be suspended accordingly."

xxx

At the time the Complaint in the instant case was filed with the respondent court, there was no order yet from the SEC for the appointment of a management or rehabilitation committee or that which will indicate that petitioner had been placed under management or receivership. It is to be stressed that the prayer for the appointment of a management or rehabilitation committee was set for hearing by the SEC on January 7, 1994, while the motion to suspend proceedings before the respondent court was filed on June 21, 1994.

Considering the length of time that had elapsed from the time the prayer for appointment of a management or rehabilitation committee was set for hearing up to the time petitioner filed its motion to suspend said proceedings, petitioner has not shown that the SEC had required the appointment of the said committee, or that the petitioner was placed under management or rehabilitation. It is apparent that the petition for the appointment of a management or rehabilitation committee for petitioner was not granted by the SEC.[4]

It also declared inapplicable the ruling in *RCBC v. Intermediate Appellate Court*,[5] thus:

While the issue in the cited case is, as bluntly pointed out by the petitioner, whether the property of a debtor mortgaged to a preferred creditor, could still be foreclosed once a petition for rehabilitation is filed by said debtor, the issue in the instant case is whether or not the mere filing of a petition to suspend payments with the SEC ipso facto suspends the action for collection of a sum of money filed before the court by a creditor of a distressed corporation.[6]

On 9 January 1996, respondent Court of Appeals denied BAROTAC's motion for the reconsideration of the decision.[7]

Hence, this petition for review premised on the ground that the Court of Appeals erred in ruling that:

A. ...THE SECURITIES AND EXCHANGE COMMISSION (SEC) HAS NOT ACQUIRED ORIGINAL AND EXCLUSIVE JURISDICTION OVER THE PETITION TO SUSPEND PAYMENTS TO THE EXCLUSION OF THE REGIONAL TRIAL COURT.

B. ...THE *RCBC VS. INTERMEDIATE APPELLATE COURT* (213 SCRA 830) [DECISION] IS NOT APPLICABLE [TO THE] INSTANT CASE.

In its comment on the petition, private respondent contends that the first issue should not be whether the SEC has jurisdiction over the petition for suspension of payments, but whether the mere filing with the SEC of such petition suspends the proceedings in the RTC. There is no dispute that the SEC has jurisdiction over the petition; but since the petition failed to show that the SEC has appointed a management committee or rehabilitation receiver, the proceedings in the lower court should not be suspended. Private respondent also submits that *RCBC v. Intermediate Appellate Court* has been misquoted and is not applicable to the instant case.

We resolved to give due course to the petition and required the parties to file their respective memoranda, which they submitted in due time.

The first assigned error is without basis. The Court of Appeals did not rule that the SEC has not acquired original and exclusive jurisdiction over BAROTAC's petition to suspend payments. By citing Sections 5 and 6 of P.D.

No. 902-A,[8] as amended by P.D. Nos. 1653 and 1758 the Court of Appeals did, in fact, recognize SEC's jurisdiction over such petition. The Court of Appeals' ruling, i.e., that it is only after the appointment of a management committee or rehabilitation receiver by the SEC that an action against a corporation pending before any court will be suspended, is fully supported by sub-paragraph (c) of Section 6 of P.D. No. 902-A, as amended. Said Section pertinently reads as follows:

SEC. 6. In order to effectively exercise such jurisdiction, the Commission shall possess the following powers:

xxx

“(c) To appoint one or more receivers of the property, real and personal, which is the subject of the action pending before the Commission in accordance with the pertinent provisions of the Rules of Court in such other cases whenever necessary in order to preserve the rights of the parties-litigants and/or protect the interest of the investing public and creditors. Provided, however, that the Commission may, in appropriate cases, appoint a Rehabilitation Receiver... who shall have, in addition to the powers of a regular receiver under the provisions of the Rules of Court, such functions and powers as are provided for in the succeeding paragraph (d) hereof:... Provided, finally, that upon appointment of a management committee, rehabilitation receiver, board or body, pursuant to this Decree, all actions for claims against corporations, partnerships or associations under management or receivership pending before any court, tribunal, board or body shall be suspended accordingly.” (Underscoring supplied)

The appointment of a management committee or rehabilitation receiver may only take place after the filing with the SEC of an appropriate petition for suspension of payments. This is clear from a reading of sub-paragraph (d) of Section 5 and sub-paragraph (d) of Section 6 of P.D. No. 902-A, as amended by P.D. Nos. 1653 and 1758. These paragraphs provide as follows:

SEC. 5. In addition to the regulatory and adjudicative functions of the Securities and Exchange Commission over corporations, partnerships and other forms of associations registered with it as expressly granted under existing laws and decrees, it shall have original and exclusive jurisdiction to hear and decide cases involving:

xxx

d) Petitions of corporations, partnerships or associations to be declared in the state of suspension of payments in cases where the corporation, partnership or association possesses sufficient property to cover all its debts but foresees the impossibility of meeting them when they respectively fall due or in cases where the corporation, partnership or association has no sufficient assets to cover its liabilities, but is under the management of a Rehabilitation Receiver or Management Committee created pursuant to this Decree.

xxx

SEC. 6.

xxx

d) To create and appoint a management committee, board, or body upon petition or motu proprio to undertake the management of corporations, partnerships or other associations ... in appropriate cases where there is imminent danger of dissipation, loss, wastage or destruction of assets or other properties or paralization of business operations of such corporations or entities which may be prejudicial to the interest of minority stockholders, parties-litigants or the general public....

The conclusion then is inevitable that pursuant to the underscored proviso in sub-paragraph (c) of the aforementioned Section 6, taken together with sub-paragraph (d) of Section 5 and sub-paragraph (d) of Section 6, a court is ipso jure suspended only upon the appointment of a management committee or a rehabilitation receiver.

Since there is no showing at all that a management committee or rehabilitation receiver for BAROTAC has been appointed by the SEC, suspension of the proceedings in Civil Case No. Q-94-20347 before the RTC of Quezon City is not warranted.

The second ground of the petition is equally unmeritorious. The Court of Appeals correctly held to be inapplicable the ruling in *RCBC v. Intermediate Appellate Court*.^[9] The fact pattern here, which merely involves the collection of a sum of money, is distinct from that in *RCBC* where B.F. Homes, Inc., filed a Petition for Rehabilitation and for Declaration of Suspension of Payments. Thereafter, RCBC, a creditor of B.F.Homes, requested the Provincial Sheriff of Rizal to extrajudicially foreclose its real estate mortgage on certain properties of B.F. Homes. Almost six months later, the SEC actually appointed a Management Committee for B.F. Homes, which did not take place in the instant case. Moreover, as found by the trial court and which petitioner did not care to dispute, BAROTAC, the debtor, was not the named petitioner for suspension of payments and appointment of a management or rehabilitation committee.

IN VIEW OF THE FOREGOING, the petition is hereby dismissed and the questioned decision of the Court of Appeals in CA-G.R. SP No. 37004, and the orders dated 27 September 1994 and 16 March 1995 issued by the Regional Trial Court of Quezon City, Branch 79, in Civil Case No. Q-94-20347 are hereby affirmed.

Double costs against petitioner.

SO ORDERED.

Narvasa, C.J., (Chairman), Melo, Francisco and Panganiban, JJ., concur.

[1] Rollo, 24-33. Per Francisco, C., J., Verzola, E., and Agcaoili, O., JJ, concurring.

[2] Annex “C” of Petition; Rollo, 36. Per Judge Godofredo L. Legaspi.

[3] Annex “D” of Petition; *id.*, 37.

[4] Rollo, 31-32.

[5] 213 SCRA 830 [1992].

[6] Rollo, 32.

[7] *Id.*, 35.

[8] Entitled Reorganization of the Securities and Exchange Commission with Additional Powers and Placing the Said Agency Under the Administrative Supervision of the Office of the President.

[9] See note 5.

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.