THE PROVINCE OF BATAAN, PETITIONER-APPELLANT, VS. HON. PEDRO VILLAFUERTE, JR., AS PRESIDING JUDGE OF THE REGIONAL TRIAL COURT OF BATAAN (BRANCH 4), AND THE PRESIDENTIAL COMMISSI...

G.R. No. 129995. October 19, 2001

Ponente: BUENA, J.

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BUENA, J.:

Sought to be reversed in the instant Petition for Review on Certiorari is the Decision[1] of the Court of Appeals, dated 19 December 1996, in C.A. G.R. SP. No. 33344, upholding the twin orders dated 28 July 1993 and 11 November 1993 of the Regional Trial Court (RTC) of Bataan, Branch 4, in Civil Case No. 210-ML, for annulment of sale.

In its order dated 28 July 1993,[2] the lower court directed that herein petitioner Province of Bataan remit to said court whatever lease rentals petitioner may receive from lessees 7-R Port Services and Marina Port Services, and that such lease rentals be placed under a special time deposit with the Land Bank of the Philippines, Balanga Branch, for the account of the RTC-Balanga, Branch 4, in escrow, for the person or persons, natural or juridical, who may be adjudged lawfully entitled thereto. The order dated 11 November 1993,[3] denied herein petitioner's motion for reconsideration of the 28 July, 1993 order.

Involved in the present controversy is an expanse of real property (hereinafter referred to as the BASECO property) situated at Mariveles, Bataan and formerly registered and titled in the name of either the Bataan Shipyard and Engineering Corporation (BASECO), the Philippine Dockyard Corporation or the Baseco Drydock and Construction Co., Inc..

Pursuant to Presidential Decree No. 464, otherwise known as the Real Property Tax Code of 1974, the Provincial Treasurer of Bataan advertised for auction sale the BASECO property due to real estate tax delinquency amounting to P7,914,281.72, inclusive of penalties.[4] At the auction sale held on 12 February 1988, no bidder vied for said property as a result of which, the Provincial Treasurer of Bataan adjudged the property to, and acquired the same for, and in the name of herein petitioner Province of Bataan. Upon the expiration of the one-year redemption period, and without the owner exercising its right to redeem the subject property, the Provincial Government of Bataan consolidated its title thereon; the corresponding certificates of title were then issued in the name of herein petitioner Province of Bataan.

Eventually, petitioner, thru then Provincial Governor Enrique T. Garcia, entered into a ten-year contract of lease with 7-R Port Services, Inc., whereby portions of the BASECO property including facilities and improvements thereon, were leased to the latter for a minimum escalating annual rental of Eighteen Million Pesos (P18 million). On 10 May 1993, petitioner forged another contract of lease with Marina Port Services, over a ten-hectare portion of the BASECO property.

On 11 May 1993, The Presidential Commission on Good Government (PCGG), for itself and on behalf of the Republic of the Philippines and the BASECO, the Philippine Dockyard Corporation and the Baseco Drydock and Construction Co. Inc., filed with the RTC-Bataan a complaint for annulment of sale,[5] principally assailing the validity of the tax delinquency sale of the BASECO property in favor of petitioner Province of Bataan. Among others, the complaint alleged that the auction sale held on 12 February 1988, is void for having been conducted:[6]

> "a) In defiance of an injunctive order issued by the PCGG in the exercise of its powers under Executive Order No. 1, Series of 1986;
>
> "b) in contravention of the Real Property Tax Code of 1974;
>
> "c) while the issue of ownership of the Baseco property and of whether the same partakes of the nature of ill-gotten wealth is pending litigation in Civil Case No. 0010 before the Sandiganbayan; and
>
> "d) despite the inscription of the sequestration order at the back of each title of the BASECO property."

In its prayer, the complaint asked for the following reliefs:

> "1) The tax delinquency sale held on February 12, 1988 be declared null and void; and the defendant Province of Bataan be ordered to reconvey all the properties thus sold to its rightful owners, the Republic of the Philippines and/or the other plaintiffs herein;
>
> "2) The defendants be ordered to render an accounting to, and pay plaintiffs all earnings, fruits and income which they have received or could have received from the time they claimed ownership and took possession and control of all the auctioned properties; and to account and pay for all the losses, deterioration and destruction thereof;
>
> "3) The defendants be ordered, jointly and severally to pay plaintiffs for all damages suffered by it/them by reason of the unlawful actuations of the defendants, in the sum herein claimed and proven at the trial of this case, including attorney's fees and costs of suit;
>
> "4) The defendant 7-R Port Services, Inc. be ordered to immediately cease and desist from paying any lease rentals to the Province of Bataan, and instead to pay the same directly to the plaintiffs;
>
> "5) The Register of Deeds of Bataan be ordered to cancel the Torrens titles it had issued in favor of the Province of Bataan, and issue a new Torrens titles (sic) in favor of plaintiffs in lieu of the cancelled ones".

Herein respondent PCGG, upon learning of the lease contracts entered into by and between petitioner and Marina Port Services, filed with the RTC an urgent motion for the issuance of a writ of preliminary injunction to enjoin herein petitioner "from entering into a lease contract with Marina Port Services, Inc. (Marina), or any other entity, and/or from implementing/enforcing such lease contract, if one has already been executed, and to maintain the status quo until further orders from the Court."

On 06 July 1993, the lower court denied the motion ratiocinating that the lease contract with Marina was already a fait accompli when the motion was filed, and that Marina was not a party to the suit for not having been impleaded as party-defendant.

On 30 June 1993, the PCGG filed with the lower court an "Urgent Motion to Deposit Lease Rentals," alleging inter alia that the rentals amounting to "Hundreds of Millions of Pesos" are "in danger of being unlawfully spent, squandered and dissipated to the great and irreparable damage of plaintiffs who are the rightful owners of the property leased."

On 28 July 1993, the lower court granted the PCGG's urgent motion and issued its assailed order the dispositive

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portion of which reads:

> "ACCORDINGLY, the defendant Province of Bataan is hereby ordered to remit to this Court the lease rentals it may receive from the defendant 7-R Port Services, Inc. and the Marina Port Services, Inc. to commence from its receipt of this Order and for the Clerk of Court of this Branch to deposit said amount under special time deposit with the Land Bank of the Philippines, Balanga Branch, in Balanga, Bataan in the name and/or account of this Court to be held in ESCROW for the person or persons, natural or juridical, who may be finally adjudged lawfully entitled thereto, and subject to further orders from this Court."[7]

Petitioner moved to reconsider the aforementioned order, which motion the lower court denied via its assailed order dated 11 November 1993.[8] Aggrieved by the lower court's twin orders, petitioner filed before the Court of Appeals a petition for certiorari with prayer for issuance of a temporary restraining order and writ of preliminary injunction.[9]

On 01 December 1995, the Bataan Shipyard and Engineering Corporation, the Philippine Dockyard Corporation and the Baseco Drydock and Construction Co., Inc., filed a motion for leave to intervene before the Court of Appeals. In a Resolution dated 26 March 1996, the appellate court granted the motion.

On 16 April 1996, the intervenors-respondents filed their Answer-in-Intervention praying for the dismissal of the petition before the Court of Appeals and the dissolution of the preliminary injunction issued in favor of petitioners.[10]

In its Decision dated 19 December 1996, the Court of Appeals dismissed the petition to which a motion for reconsideration was filed by petitioner. In a Resolution dated 21 July 1997, respondent court likewise denied the motion for reconsideration, hence, the instant appeal where petitioner Province of Bataan imputes to the Court of Appeals a lone assignment of error, to wit:

> "The Court of Appeals manifestly erred in refusing to declare and/or hold that the respondent judge acted without jurisdiction or with grave abuse of discretion in ordering the deposit in escrow of the rental payments pertaining to the petitioner province."

In simpler terms, the sole issue for resolution revolves around the propriety of the escrow order issued by the lower court in the civil suit for annulment of sale.

The instant petition is devoid of merit.

In the main, petitioner insists that the issuance of the escrow order by the trial court "was patently irregular, if not downright anomalous", reasoning that "nowhere in the Revised Rules of Court is the trial court, or any court for that matter, authorized to issue such escrow order, whether as a provisional or permanent remedy." According to petitioner, "the escrow orders in question are null and void ab initio for having been issued absent any legal basis" and are "merely calculated to prejudice the petitioner province without any practical or worthwhile, much less legal objective."

We do not agree. An escrow[11] fills a definite niche in the body of the law; it has a distinct legal character.[12] The usual definition is that an escrow is a written instrument which by its terms imports a legal obligation and which is deposited by the grantor, promisor, or obligor, or his agent with a stranger or third party, to be kept by the depositary until the performance of a condition or the happening of a certain event, and then to be delivered over to the grantee, promisee, or obligee.[13]

While originally, the doctrine of escrow applied only to deeds by way of grant,[14] or as otherwise stated, instruments for the conveyance of land,[15] under modern theories of law, the term escrow is not limited in its application to deeds, but is applied to the deposit of any written instrument with a third person.[16] Particular

instruments which have been held to be the subject of an escrow include bonds or covenants, deeds, mortgages, oil and gas leases, contracts for the sale of land or for the purchase of personal property, corporate stocks and stock subscriptions, promissory notes or other commercial paper, insurance applications and policies, contracts for the settlement of will-contest cases, indentures of apprenticeship, receipts assigning concessions and discontinuances and releases of causes of action.[17] Moreover, it is no longer open to question that money may be delivered in escrow.[18]

In our jurisdiction, an escrow order issued by a court of law may find ample basis and support in the court's intrinsic power to issue orders and other ancillary writs and processes incidental or reasonably necessary to the exercise of its main jurisdiction. Evidently, judicial power connotes certain incidental and inherent attributes reasonably necessary for an effective administration of justice.[19]

In a manner of speaking, courts have not only the power to maintain their life, but they have also the power to make that existence effective for the purpose for which the judiciary was created. They can, by appropriate means, do all things necessary to preserve and maintain every quality needful to make the judiciary an effective institution of Government. Courts have therefore inherent power to preserve their integrity, maintain their dignity and to insure effectiveness in the administration of justice.[20]

To lend flesh and blood to this legal aphorism, Rule 135 of the Rules of Court explicitly provides:

"Section 5. Inherent powers of courts- Every court shall have power:

> "X X X (g) To amend and control its process and orders so as to make them conformable to law and justice.
>
> "Section 6. Means to carry jurisdiction into effect - When by law jurisdiction is conferred on a court or judicial officer, all auxiliary writs, processes and other means necessary to carry it into effect may be employed by such court or officer, and if the procedure to be followed in the exercise of such jurisdiction is not specifically pointed out by law or by these rules, any suitable process or mode of proceeding may be adopted which appears conformable to the spirit of said law or rules." (Emphasis ours)

It is beyond dispute that the lower court exercised jurisdiction over the main action docketed as Civil Case No. 210-ML, which involved the annulment of sale and reconveyance of the subject properties. Under this circumstance, we are of the firm view that the trial court, in issuing the assailed escrow orders, acted well within its province and sphere of power inasmuch as the subject orders were adopted in accordance with the Rules and jurisprudence and were merely incidental to the court's exercise of jurisdiction over the main case, thus:

> " X X X Jurisdiction attaching, the court's powers as a necessary incident to their general jurisdiction, to make such orders in relation to the cases pending before them are as necessary to the progress of the cases and the dispatch of business follow. Deming v. Foster, 42 N.H. 165, 178 cited in Burleigh v. Wong Sung De Leon 139 A. 184,83 N.H. 115.
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> "X X X X X X X X X
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> "X X X A court is vested, not only with the powers expressly granted by the statute, but also with all such powers as are incidentally necessary to the effective exercise of the powers expressly conferred (In re McLure's Estate, 68 Mont. 556, 220 P. 527) and to render its orders, made under such express powers effective. Brown v. Clark, 102 Tex. 323, 116 S.W. 360, 24 L.R.A. (N.S.) 670 cited in State v.District Court, 272 P. 525.
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> "X X X X X X X X X
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> "In the absence of prohibitive legislation, courts have inherent power to provide themselves with appropriate procedures required for the performance of their tasks. Ex parte Peterson, 253 U.S. 300, 312, 313, 40 S. Ct. 543, 64 L. Ed. 919; Funk v. U.S., 290 U.S. 371,381-384, 54 A. Ct. 212, 78 L.Ed. 369, 93 A.L.R. 1136 cited in

> Ex parte U.S. C.C.A. Wis., 101 F 2d 870.
>
> "X X X X X X X X X
>
> "A court has inherent power to make such interlocutory orders as may be necessary to protect its jurisdiction, and to make certain that its eventual decree may not be ineffective. (Boynton v. Moffat Tunnel Improvement Dist. C.C.A. Colo, 57 F, 2d 772.
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> "X X X X X X X X X
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> "In the ordinary case the courts can proceed to the enforcement of the plaintiff's rights only after a trial had in the manner prescribed by the laws of the land, which involves due notice, the right of the trial by jury, etc. Preliminary to such an adjucation, the power of the court is generally to preserve the subject matter of the litigation to maintain the status, or issue some extraordinary writs provided by law, such as attachments, etc. None of these powers, however, are exercised on the theory that the court should, in advance of the final adjudication determine the rights of the parties in any summary way and put either of them in the enjoyment thereof; but such actions taken merely, as means for securing an effective adjudication and enforcement of rights of the parties after such adjudication. Colby c. Osgood Tex. Civ. App., 230 S.W. 459;)"[21] (emphasis ours)

On this score, the incisive disquisition of the Court of Appeals is worthy of mention, to wit:

> " X X X Given the jurisdiction of the trial court to pass upon the raised question of ownership and possession of the disputed property, there then can hardly be any doubt as to the competence of the same court, as an adjunct of its main jurisdiction, to require the deposit in escrow of the rentals thereof pending final resolution of such question. To paraphrase the teaching in Manila Herald Publishing Co., Inc. v. Ramos (G.R. No. L-4268, January 18, 1951, cited in Francisco, Revised Rules of Court, Vol. 1, 2[nd] ed., p. 133), jurisdiction over an action carries with it jurisdiction over an interlocutory matter incidental to the cause and deemed essential to preserve the subject matter of the suit or to protect the parties' interest. X X X
>
> " X X X the impugned orders appear to us as a fair response to the exigencies and equities of the situation. Parenthetically, it is not disputed that even before the institution of the main case below, the Province of Bataan has been utilizing the rental payments on the Baseco Property to meet its financial requirements. To us, this circumstance adds a more compelling dimension for the issuance of the assailed orders. X X X"

Applying the foregoing principles and considering the peculiarities of the instant case, the lower court, in the course of adjudicating and resolving the issues presented in the main suit, is clearly empowered to control the proceedings therein through the adoption, formulation and issuance of orders and other ancillary writs, including the authority to place the properties in custodia legis, for the purpose of effectuating its judgment or decree and protecting further the interests of the rightful claimants of the subject property.

To trace its source, the court's authority proceeds from its jurisdiction and power to decide, adjudicate and resolve the issues raised in the principal suit. Stated differently, the deposit of the rentals in escrow with the bank, in the name of the lower court, "is only an incident in the main proceeding."[22] To be sure, placing property in litigation under judicial possession, whether in the hands of a receiver, and administrator, or as in this case, in a government bank,[23] is an ancient and accepted procedure.[24] Consequently, we find no cogency to disturb the questioned orders of the lower court and in effect uphold the propriety of the subject escrow orders. (emphasis ours)

IN VIEW WHEREOF, the instant petition is hereby DENIED for lack of merit. ACCORDINGLY, the assailed decision of the Court of Appeals is hereby AFFIRMED.

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SO ORDERED.

Bellosillo, (Chairman), Mendoza, Quisumbing, and De Leon, Jr., JJ., concur.

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[1] Court of Appeals Decision in C.A.-G.R. SP. No. 33344, promulgated on 19 December 1996, penned by Justice Cancio C. Garcia and concurred in by Justices Eugenio S. Labitoria and Omar U. Amin; Rollo, p. 30-39.

[2] Records, pp. 124-125; Annex "C".

[3] Records, pp.60-61; Annex "E".

[4] Rollo, p. 31.

[5] Docketed as Civil Case No. 210-ML; Rollo, pp. 41-56; Annex "C."

[6] Rollo, pp. 32-33.

[7] Records, pp. 50-51.

[8] Records, pp. 60-61.

[9] Docketed as CA-GR SP No. 33344; Records, pp. 2-20.

[10] Rollo, pp. 36.

[11] The term "escrow" is derived from a French word meaning bond or writing; Stonewall vs. Mcgown (Tex Civ App) 231 SW 850.

[12] Squire vs. Branciforti, 131 Ohio St 344, 2 NE2d 878; 28 Am Jur 2d, p. 3.

[13] 28 Am Jur 2d, p.3; Gulf Petroleum, S.A. vs. Collazo (CA1 Puerto Rico) 316 F2d 257; Munger vs. Perlman Rim Corp. (CA2 NY) 275 F21 cert den 257 US 645,66 L ed 413, 42 S Ct 54; Ashford vs. Prewitt, 102 Ala 264, 14 So 663.

[14] Jordan vs. Jordan, 78 Tenn (10 Lea) 124.

[15] Vaughan vs. Vaughan, 161 Ky 401, 170 SW 981; Moore Mill & Lumber Co. vs. Curry County Bank, 200 Or 558, 267 P2d 202.

[16] Gulf Petroleum, S.A. vs. Collazo (CA 1 Puerto Rico) 316 F2d 257; Vaughan vs. Vaughan, 161 Ky 401, 170 SW 981; Ganser vs. Zimmerman (ND) 80 NW2d 828.

[17] 28 Am Jur 2d, pp. 5-6.

[18] American Service Co. vs. Henderson (CA4 NC) 120 F2d 525, 135 ALR 1414.

[19] People vs. Gutierrez, 36 SCRA 172 [1970].

[20] Borromeo vs. Mariano 41 Phil. 322, 332.

[21] Republic vs. Sandiganbayan, 186 SCRA 864 [1990].

[22] Ibid.

[23] Land Bank of the Philippines, Balanga Branch.

[24] Republic vs. Sandiganbayan, 186 SCRA 864, 872 citing Gustilo, et al. vs. Matti, et al., 11 Phil 611, 615

[1908], per Chief Justice Cayetano Arellano.

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