

**PRESIDENTIAL COMMISSION ON GOOD GOVERNMENT, PETITIONER,
VS. THE HON. SANDIGANBAYAN (1ST DIV.); HON. IGNACIO M.
CAPULONG, JUDGE, REGIONAL TRIAL COURT, BRANCH 134,
MAKATI; ROBERTO...**

G.R. No. 132738. February 23, 2000

Ponente: PARDO, J.

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PARDO, J.:

The case is a petition for certiorari with preliminary injunction or temporary restraining order to annul the resolution[1] of the Sandiganbayan (First Division), dismissing motu proprio for lack of jurisdiction PCGG's petition for certiorari. In addition, petitioner asks for the following incidental reliefs:

- To declare null and void ab initio for lack of jurisdiction the decision of the Regional Trial Court, Branch 134, Makati,[2]
- To quash and cancel the corresponding writ of execution and notices of garnishment issued in said case;
- To enjoin respondents CDCP/PNCC from making any payments on the judgment and for the other respondents to return or refund any payments made in violation of PCGG's resolution dated November 20, 1997.

The facts are as follows:

World Universal Trading & Investment Co., S.A. (WUTIC) was a sociedad anonima registered in Panama, but was not registered or licensed to do business in the Philippines. It is represented by its attorney-in-fact, M.M. Lazaro & Associates. Construction Development Corporation of the Philippines, now known as Philippine National Construction Corporation (CDCP/PNCC), is a corporation duly organized and existing under the laws of the Philippines. It was under sequestration by the PCGG.[3] On July 24, 1987, PCGG filed with the Sandiganbayan[4] a complaint against Rodolfo M. Cuenca for the sequestration of PNCC for acquiring in an illegal manner assets in the Cuenca-owned corporations, to wit: Construction Development Corporation of the Philippines, now known as Philippine National Construction Corporation (CDCP/PNCC), Asia International Hardwood Limited, a Hongkong-based company, and Construction Development Corporation International Limited, Hongkong, a wholly-owned subsidiary or alter ego of CDCP/PNCC, among other entities. The case is still pending with the Sandiganbayan.

Sometime in 1991, claiming to be an assignee of Asia Hardwood Limited (AHL), a Hongkong-based company owned by Rodolfo M. Cuenca, WUTIC, through its attorney-in-fact, filed with the Regional Trial Court, Branch 134, Makati, a complaint[5] against CDCP/PNCC to enforce a foreign judgment which WUTIC had obtained in Hongkong against Construction Development Corporation of the Philippines International Limited (CDCPI), Hongkong, a corporation wholly-owned by CDCP/PNCC.

After trial on the merits, on December 14, 1994, the trial court rendered judgment[6] in favor of WUTIC. The trial

court considered CDCP/PNCC and CDCPI as "one corporate entity" and held them liable to pay WUTIC the amount of US\$2,994,513.65, with 12% interest per annum, from November 28, 1991, until fully paid, or its equivalent in Philippine currency at the time of payment, plus three million pesos (P3,000,000.00) as attorney's fees, and five hundred thousand pesos (P500,000.00) as litigation expenses, and costs of suits.

In due time, CDCP/PNCC filed with the trial court an appeal from said decision to the Court of Appeals.[7] On October 17, 1996, the Court of Appeals rendered decision affirming the decision of the trial court. On March 19, 1997, the Supreme Court, by a minute resolution denied the petition for review filed by CDCP/PNCC.[8] On July 7, 1997, the Supreme Court denied CDCP/PNCC's motion for reconsideration of the minute resolution.[9]

On October 9, 1997, upon motion of WUTIC, the trial court issued a writ of execution against CDCP/PNCC. Subsequently, Sheriff Roberto V. Harina issued notices of garnishment against the accounts, shares of stocks and income of CDCP/PNCC with various banks and corporations.[10]

Sometime in October 1997, PCGG Commissioner Herminio A. Mendoza, as board member of PNCC, attended a PNCC board meeting, and discovered the writ of execution and notices of garnishment. PCGG noted that substantial stockholdings or equity in CDCP/PNCC, CDCPI, AHL and the shareholdings of Rodolfo M. Cuenca in CDCP/PNCC were under sequestration or otherwise impleaded in the sequestration case[11] pending with the Sandiganbayan. However, PCGG did not participate in the action before the trial court to enforce the foreign judgment. Hence, PCGG had no opportunity to verify and evaluate WUTIC/ AHL's claim, vis a vis that of Rodolfo M. Cuenca.

Additionally, PCGG claimed that the Regional Trial Court had no jurisdiction to entertain the complaint to enforce a foreign judgment and the motion for the issuance of a writ of execution considering that the case involved a sequestered corporation, and sequestered stockholdings of Rodolfo M. Cuenca. PCGG contended that the Sandiganbayan has original and exclusive jurisdiction, pursuant to E. O. No. 14 and 14-A, over cases involving sequestered assets.

On November 20, 1997, after realizing that WUTIC/AHL's claim could be Cuenca's in disguise, PCGG issued en banc Resolution No. 97-188 enjoining PNCC and/or any person, agent, representative acting in its behalf and stead from taking any action that would dissipate and/or affect the assets of CDCP/PNCC, without getting prior clearance and approval from the Sandiganbayan.[12]

On December 1, 1997, PCGG filed with the Sandiganbayan a petition for certiorari to annul the Regional Trial Court's decision in Civil Case No. 91-3291, and the corresponding writ of execution and notices of garnishment.

On January 8, 1998, the Sandiganbayan motu proprio dismissed the petition. The Sandiganbayan ruled that it had no jurisdiction to annul the judgment of the Regional Trial Court. The Sandiganbayan held that the case before the trial court was for enforcement of a foreign judgment, and not for recovery of ill-gotten wealth. Hence, it ruled that it had no jurisdiction over the action for annulment of the decision of the trial court. The Sandiganbayan ruled that not every claim against a sequestered asset or entity falls within its jurisdiction. It further stated that it only had appellate jurisdiction over decisions of the Regional Trial Court in criminal cases involving offenses relating to public office, and not over civil cases. Moreover, the Sandiganbayan ruled that the Regional Trial Court decision in Civil Case No. 91-3291 has become final, and that, pursuant to the 1997 Rules of Civil Procedure, the Court of Appeals had jurisdiction to annul the judgment, not the Sandiganbayan.

Meanwhile, on January 28, 1998, in violation of the PCGG Resolution No. 97-188, WUTIC and CDCP/PNCC, entered into an agreement on the manner of satisfying the trial court's decision. According to WUTIC, the Regional Trial Court, Makati approved the agreement.[13] As per agreement, on January 29, 1998 PNCC paid

WUTIC fifty percent (50%) of the judgment debt. The balance was payable in twelve (12) months. CDCP/PNCC already paid the February, March and April 1998 installments.

On March 10, 1998, PCGG filed this petition for certiorari assailing the Sandiganbayan's resolution.[14]

On March 23, 1998, we required respondents to file comment on the petition, to which they complied.

We give due course to the petition.

Petitioner maintains that the Sandiganbayan committed grave abuse of discretion in summarily dismissing the petition for certiorari filed before it, without any motion to dismiss filed by any of the parties. Petitioner further avers that, pursuant to Executive Order No. 14, the Sandiganbayan has exclusive jurisdiction over all PCGG cases involving ill-gotten wealth, whether civil or criminal, and all incidents arising from, incidental to, or related to, such cases. Since CDCP, as the party liable, is a sequestered corporation, then the complaint to enforce a foreign judgment against CDCP is a PCGG case, within the exclusive jurisdiction of the Sandiganbayan, including jurisdiction to annul the judgment rendered by the Regional Trial Court, pursuant to the exclusive and original jurisdiction it has not only on principal cases involving "ill-gotten wealth," but also on all incidents arising from, incidental to, or related to such cases.

The petition is impressed with merit.

The Sandiganbayan gravely abused its discretion in summarily dismissing the petition without a motion to dismiss filed by any of the parties. We rule that the Sandiganbayan has jurisdiction to annul the judgment of the Regional Trial Court in a sequestration-related case.

It will be noted that three corporations involved in this petition, PNCC/CDCP, AHL and CDCPI, Hongkong, are under sequestration and are defendants in the sequestration case[15] pending before the Sandiganbayan. AHL had claims against CDCPI, amounting to US\$2,994,513.65 plus twelve percent (12%) interest per annum and other costs, and assigned the same to WUTIC. Eventually, WUTIC obtained a favorable judgment in a Hongkong court to claim the indebtedness, amounting to about US\$5,132,842.56 against CDCPI. Due to the closure of CDCPI in Hongkong, WUTIC filed a case with Regional Trial Court against PNCC/CDCP to enforce a foreign judgment obtained against CDCPI. Considering that it was initially a claim by AHL against CDCPI, Hongkong, both corporations known as Cuenca-owned and under sequestration, there is valid ground for PCGG to evaluate the validity of WUTIC's claim as a legitimate assignee, or merely a dummy corporation set up to circumvent the sequestration case. It should be noted that despite the initial sequestration orders and the case filed with the Sandiganbayan against stockholdings of Rodolfo M. Cuenca and the so-called Cuenca-owned corporations, including AHL, PNCC/CDCP and CDCPI, the PCGG was not made a party in the civil case in Hongkong and the case to enforce the foreign judgment filed with the trial court. Considering the interconnections between the participating corporations in the said transaction, and the existence of the sequestration case, PCGG should have been informed of the above cases to question and verify the veracity of the claim.

We are aware of various schemes employed to circumvent sequestration orders, dissipate sequestered assets, and thwart PCGG's efforts to recover ill-gotten wealth. Even the Sandiganbayan intimated that there is a possibility that WUTIC is a dummy corporation formed by Rodolfo Cuenca, or his alter ego, to reach the sequestered assets.[16] Hence, there is a need to vigorously guard these assets and preserve them pending resolution of the sequestration case before the Sandiganbayan, considering the paramount public policy for the recovery of ill-gotten wealth.

We disagree with the Sandiganbayan that it has no jurisdiction over an action to annul the Regional Trial Court's judgment in a sequestration-related case. We have held that the Sandiganbayan has original and exclusive

jurisdiction not only over principal causes of action involving recovery of ill-gotten wealth, but also over all incidents arising from, incidental to, or related to such cases.[17] Consider the fact that PNCC/CDCP and CDCPI and Rodolfo Cuenca's equity thereat are in custodia legis in the sequestration case pending with the Sandiganbayan. Furthermore, the Sandiganbayan itself recognized that WUTIC could be a dummy corporation formed by Cuenca himself.

Sequestered assets and corporations are legally and technically in custodia legis, under the administration of the PCGG. Executive Order No. 2 specifically prohibits that such assets and properties be transferred, conveyed, encumbered, or otherwise depleted or concealed, under pain of such penalties as prescribed by law. Considering that PNCC/CDCP and AHL are sequestered corporations, and WUTIC's claim is questionable, the payment of a substantial amount of money can result in the deterioration and disappearance of the sequestered assets. "Such a situation cannot be allowed to happen, unless there is a final adjudication and disposition of the issue as to whether these assets are ill-gotten or not, since it may result in damage or prejudice to the Republic of the Philippines." [18]

Republic Act 7975, an act amending P.D. 1606, provides that the Sandiganbayan has original jurisdiction over all civil and criminal cases filed pursuant to and in connection with Executive Order Nos. 1, 2, 14 and 14-A, or the so-called ill-gotten wealth cases. Since we have ruled that the civil case before the Regional Trial Court is considered as arising from, incidental to, or related to the recovery of ill-gotten wealth, then the Sandiganbayan has jurisdiction to annul the decision of the Regional Trial Court in such case.

WHEREFORE, the Court hereby GRANTS the petition and SETS ASIDE the resolution dated January 8, 1998 of the Sandiganbayan, First Division, in Civil Case No. 180. Let the records be remanded to the Sandiganbayan for further proceedings.

No costs.

SO ORDERED.

Davide, Jr., C.J., (Chairman), Puno, Kapunan, and Ynares-Santiago, JJ., concur.

[1] In Civil Case No. 180, promulgated on January 8, 1998, Presiding Justice Francis E. Garchitorena, ponente, Justices Edilberto G. Sandoval and Catalino Castañeda, Jr., concurring. Rollo, pp. 26-32.

[2] In Civil Case No. 91-3291, Decision, dated December 14, 1994, Judge Ignacio M. Capulong, presiding.

[3] Between the period of May 23, 1986 to July 23, 1987, PCGG issued orders of sequestration, freezing orders or provisional takeovers against assets and records of Rodolfo M. Cuenca, Universal Holdings Corp., Cuenca Investment Corporation, Philippine National Construction Corp. (formerly CDCP), and San Mariano Milling Corp., etc. Republic v. Sandiganbayan, 240 SCRA 376, 395.

[4] Docketed as Civil Case No. 0016.

[5] Docketed as Civil Case No. 91-3291.

[6] Rollo, pp. 49-60.

[7] Docketed as CA-G. R. CV No. 48079.

[8] G. R. No. 126864. Rollo, p. 216.

[9] Rollo, p. 217.

- [10] Rollo, pp. 62-66.
- [11] Republic v. Cuenca, Civil Case No. 0016.
- [12] Rollo, p. 67.
- [13] Rollo, pp. 198, 218-223.
- [14] Rollo, pp. 26-32.
- [15] Republic v. Cuenca, docketed as Civil Case No. 0016.
- [16] Rollo, p. 31.
- [17] Republic v. Sandiganbayan, 203 SCRA 310 (1991).
- [18] Meralco v. Sandiganbayan, 232 SCRA 644, 648 (1994).

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