INSULAR SAVINGS BANK, PETITIONER, VS. FAR EAST BANK AND TRUST COMPANY, RESPONDENT.

G.R. NO. 141818. June 22, 2006

Ponente: YNARES-SANTIAGO, J.

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YNARES-SANTIAGO, J.:

This petition for review on certiorari[1] assails the November 9, 1999 Order[2] of the Regional Trial Court of Makati City, Branch 135, in Civil Case No. 92-145 which dismissed the petition for review for lack of jurisdiction and its February 1, 2000 Order[3] denying reconsideration thereof.

The antecedent facts are as follows:

On December 11, 1991, Far East Bank and Trust Company (Respondent) filed a complaint against Home Bankers Trust and Company (HBTC)[4] with the Philippine Clearing House Corporationï¿½s (PCHC) Arbitration Committee docketed as Arbicom Case No. 91-069.[5] Respondent sought to recover from the petitioner, the sum of P25,200,000.00 representing the total amount of the three checks drawn and debited against its clearing account. HBTC sent these checks to respondent for clearing by operation of the PCHC clearing system. Thereafter, respondent dishonored the checks for insufficiency of funds and returned the checks to HBTC. However, the latter refused to accept them since the checks were returned by respondent after the reglementary regional clearing period.[6]

Meanwhile, on January 17, 1992, before the termination of the arbitration proceedings, respondent filed another complaint but this time with the Regional Trial Court (RTC) in Makati City docketed as Civil Case No. 92-145 for Sum of Money and Damages with Preliminary Attachment. The complaint was filed not only against HBTC but also against Robert Young, Eugene Arriesgado and Victor Tancuan (collectively known as Defendants), who were the president and depositors of HBTC respectively.[7] Aware of the arbitration proceedings between respondent and petitioner, the RTC, in an Omnibus Order dated April 30, 1992,[8] suspended the proceedings in the case against all the defendants pending the decision of the Arbitration Committee, to wit:

> WHEREFORE, the Court hereby orders:
>
> (a) Home Bankers & Trust Co. to produce and permit plaintiff to inspect, copy and/or photograph the checking account deposit ledger of Victor Tancuan's Account No. 1803-00605-3;
>
> (b) The Motions to Dismiss filed by all defendants denied, for lack of merit; and
>
> (c) Proceedings in this case against all defendants be suspended pending award/decision in the arbitration proceedings against Home Bankers and Trust Co.
>
> SO ORDERED.[9] (Emphasis supplied)

The above Omnibus Order was amended by the trial court in its October 1, 1992 Order,[10] the dispositive portion of which reads as follows:

> WHEREFORE, the Omnibus Order dated 30 April 1992 is hereby reconsidered by deleting the phrase "since the complaint also seeks exemplary damages, attorney's fees, litigation expenses and costs of suit against HBT," on page 4 thereof and par. C of its dispositive portion is amended to read:
>
> (c) "Procedings against Home Bankers and Trust Co. are suspended pending award/decision in the arbitration proceedings while those against individual defendants be immediately reinstated and continued."
>
> HBT and Tancuan's separate Motions for Reconsiderations are hereby denied, for lack of merit.
>
> SO ORDERED.[11]

On February 2, 1998, the PCHC Arbitration Committee rendered its decision in favor of respondent,[12] thus:

> IN VIEW OF ALL THE FOREGOING, judgment is hereby rendered in favor of the plaintiff and against the defendant sentencing the latter to pay the plaintiff the sum of P25.2 million as principal. In view of the fact, however, that this amount was split between the plaintiff and the defendant in the course of the proceedings, the amount to be paid by the defendant to the plaintiff should only be P12,600,000.00 plus interest on this latter amount at the rate of 12% per annum from February 11, 1992, the date when the total amount of P25.2 Million was split between plaintiff and defendant up to the date of payment.
>
> In view of the facts found by the committee, no attorney's fees nor other damages are awarded.
>
> SO ORDERED.[13]

The motion for reconsideration filed by petitioner was denied by the Arbitration Committee.[14] Consequently, to appeal the decision of the Arbitration Committee in Arbicom Case No. 91-069, petitioner filed a petition for review in the earlier case filed by respondent in Branch 135 of the RTC of Makati and docketed as Civil Case No. 92-145.[15] In an order dated January 20, 1999, the RTC directed both petitioner and respondent to file their respective memoranda, after which, said petition would be deemed submitted for resolution.[16]

Both parties filed several pleadings. On February 8, 1999, respondent filed a Motion to Dismiss Petition for Review for Lack of Jurisdiction,[17] which was opposed by the petitioner.[18] Respondent then filed its Reply to the opposition,[19] to which petitioner filed a Rejoinder.[20] On August 16, 1999, respondent submitted its Surrejoinder.[21]

On November 9, 1999, the RTC rendered the assailed Order which held, thus:

> Acting on plaintiff Far East Bank and Trust Company's "Motion To Dismiss Petition For Review For Lack Of Jurisdiction", considering that the petition for review is a separate and distinct case, the same must comply with all the requirements for filing initiatory pleadings for civil actions before this Court so that since the commencement of the subject petition lacks the mandatory requirements provided for, except the payment of docket fees, for lack of jurisdiction, the petition for review is hereby dismissed.
>
> SO ORDERED.[22]

The RTC denied petitioner's motion for reconsideration,[23] hence, this petition on the sole ground, to wit:

> THE REGIONAL TRIAL COURT ERRED IN DISMISSING THE PETITION OF PETITIONER FOR LACK OF JURISDICTION ON THE GROUND THAT IT SHOULD HAVE BEEN DOCKETED AS A SEPARATE CASE.[24]

Petitioner contends that Civil Case No. 92-145 was merely suspended to await the outcome of the arbitration case pending before the PCHC. Thus, any petition questioning the decision of the Arbitration Committee must be filed in Civil Case No. 92-145 and should not be docketed as a separate action. Likewise, petitioner avers that had it filed a separate action, "this would have resulted in a multiplicity of suits, which is abhorred in procedure."

Meanwhile respondent avers that the RTC correctly dismissed the appeal from the award of private arbitrators since there is no statutory basis for such appeal. Respondent argues that petitioner's claim that the parties by agreement had conferred on the RTC appellate jurisdiction over decisions of private arbitrators is erroneous because they cannot confer a non-existent jurisdiction on the RTC or any court. Furthermore, the petition for review filed by petitioner violated the rule on commencing an original action under Section 5, Rule 1, and the raffle of cases under Section 2, Rule 20 of the Rules of Court, when it filed the same in Branch 135 of the RTC of Makati where there was already a pending original action, i.e., Civil Case No. 92-145.

The petition lacks merit.

The Philippine Clearing House Corporation was created to facilitate the clearing of checks of member banks. Among these member banks exists a compromissoire,[25] or an arbitration agreement embedded in their contract wherein they consent that any future dispute or controversy between its PCHC participants involving any check would be submitted to the Arbitration Committee for arbitration. Petitioner and respondent are members of PCHC, thus they underwent arbitration proceedings.

The PCHC has its own Rules of Procedure for Arbitration (PCHC Rules). However, this is governed by Republic Act No. 876, also known as The Arbitration Law[26] and supplemented by the Rules of Court.[27] Thus, we first thresh out the remedy of petition for review availed of by the petitioner to appeal the order of the Arbitration Committee.

Sections 23, 24 and 29 of The Arbitration Law, and Section 13 of the PCHC Rules, provide:

> SEC. 23. Confirmation of award. - At any time within one month after the award is made, any party to the controversy which was arbitrated may apply to the court having jurisdiction, as provided in Section 28, for an order confirming the award; and thereupon the court must grant such order unless the award is vacated, modified or corrected, as prescribed herein. Notice of such motion must be served upon the adverse party or his attorney as prescribed by law for the service of such notice upon an attorney in action in the same court.
>
> SEC. 24. Grounds for vacating award. - In any one of the following cases, the court must make an order vacating the award upon the petition of any party to the controversy when such party proves affirmatively that in the arbitration proceedings:
>
> (a) The award was procured by corruption, fraud or other undue means; or
> (b) That there was evident partiality or corruption in the arbitrators or any of them; or
> (c) That the arbitrators were guilty of misconduct in refusing to postpone the hearing upon sufficient cause shown, or in refusing to hear evidence pertinent and material to the controversy; that one or more of the arbitrators was disqualified to act as such under section nine hereof, and willfully refrained from disclosing such disqualification or of any other misbehavior by which the rights of any party have been materially prejudiced; or
> (d) That the arbitrators exceeded their powers, or so imperfectly executed them, that a mutual, final and definite award upon the subject matter submitted to them was not made.
>
> x x x x
>
> SEC. 25. Grounds for modifying or correcting award. - In any one of the following cases, the court must make an order modifying or correcting the award, upon the application of any party to the controversy which was arbitrated:
>
> (a) Where there was an evident miscalculation of figures, or an evident mistake in the description of any person, thing or property referred to in the award; or
> (b) Where the arbitrators have awarded upon a matter not submitted to them, not affecting the merits of the

> decision upon the matter submitted; or
> (c) Where the award is imperfect in a matter of form not affecting the merits of the controversy, and if it had been a commissioner's report, the defect could have been amended or disregarded by the court.
>
> The order may modify and correct the award so as to effect the intent thereof and promote justice between the parties.
>
> SEC. 29. Appeals. - An appeal may be taken from an order made in a proceeding under this Act, or from judgment entered upon an award through certiorari proceedings, but such appeals shall be limited to questions of law. The proceedings upon such an appeal, including the judgment thereon shall be governed by the Rules of Court insofar as they are applicable.
>
> AMENDED ARBITRATION RULES OF PROCEDURE OF PCHC
>
> Sec. 13. - The findings of facts of the decision or award rendered by the Arbitration Committee or by the sole Arbitrator as the case may be shall be final and conclusive upon all the parties in said arbitration dispute. The decision or award of the Arbitration Committee or of the Sole Arbitrator or of the Board of Directors, as the case may be, shall be appealable only on questions of law to any of the Regional Trial Courts in the National Capital Region where the Head Office of any of the parties is located. The appellant shall perfect his appeal by filing a notice of appeal to the Arbitration Secretariat and filing a Petition with the Regional Trial Court of the National Capital Region for the review of the decision or award of the committee or sole arbitrator or of the Board of Directors, as the case may be, within a non-extendible period of fifteen (15) days from and after its receipt of the order denying or granting said motion for reconsideration or new trial had been filed, within a non-extendible period of fifteen (15) days from and after its receipt of the order denying or granting said motion for reconsideration or of the decision rendered after the new trial if one had been granted.
>
> x x x x. (Emphasis supplied)

As provided in the PCHC Rules, the findings of facts of the decision or award rendered by the Arbitration Committee shall be final and conclusive upon all the parties in said arbitration dispute.[28] Under Article 2044[29] of the New Civil Code, the validity of any stipulation on the finality of the arbitrators' award or decision is recognized. However, where the conditions described in Articles 2038,[30] 2039[31] and 2040[32] applicable to both compromises and arbitrations are obtaining, the arbitrators' award may be annulled or rescinded.[33] Consequently, the decision of the Arbitration Committee is subject to judicial review.

Furthermore, petitioner had several judicial remedies available at its disposal after the Arbitration Committee denied its Motion for Reconsideration. It may petition the proper RTC to issue an order vacating the award on the grounds provided for under Section 24 of the Arbitration Law.[34] Petitioner likewise has the option to file a petition for review under Rule 43 of the Rules of Court with the Court of Appeals on questions of fact, of law, or mixed questions of fact and law.[35] Lastly, petitioner may file a petition for certiorari under Rule 65 of the Rules of Court on the ground that the Arbitrator Committee acted without or in excess of its jurisdiction or with grave abuse of discretion amounting to lack or excess of jurisdiction. Since this case involves acts or omissions of a quasi-judicial agency, the petition should be filed in and cognizable only by the Court of Appeals.[36]

In this instance, petitioner did not avail of any of the abovementioned remedies available to it. Instead it filed a petition for review with the RTC where Civil Case No. 92-145 is pending pursuant to Section 13 of the PCHC Rules to sustain its action. Clearly, it erred in the procedure it chose for judicial review of the arbitral award.

Having established that petitioner failed to avail of the abovementioned remedies, we now discuss the issue of the jurisdiction of the trial court with respect to the petition for review filed by petitioner.

Jurisdiction is the authority to hear and determine a cause - the right to act in a case.[37] Jurisdiction over the

subject matter is the power to hear and determine the general class to which the proceedings in question belong. Jurisdiction over the subject matter is conferred by law and not by the consent or acquiescence of any or all of the parties or by erroneous belief of the court that it exists.[38]

In the instant case, petitioner and respondent have agreed that the PCHC Rules would govern in case of controversy. However, since the PCHC Rules came about only as a result of an agreement between and among member banks of PCHC and not by law, it cannot confer jurisdiction to the RTC. Thus, the portion of the PCHC Rules granting jurisdiction to the RTC to review arbitral awards, only on questions of law, cannot be given effect.

Consequently, the proper recourse of petitioner from the denial of its motion for reconsideration by the Arbitration Committee is to file either a motion to vacate the arbitral award with the RTC, a petition for review with the Court of Appeals under Rule 43 of the Rules of Court, or a petition for certiorari under Rule 65 of the Rules of Court. In the case at bar, petitioner filed a petition for review with the RTC when the same should have been filed with the Court of Appeals under Rule 43 of the Rules of Court. Thus, the RTC of Makati did not err in dismissing the petition for review for lack of jurisdiction but not on the ground that petitioner should have filed a separate case from Civil Case No. 92-145 but on the necessity of filing the correct petition in the proper court. It is immaterial whether petitioner filed the petition for review in Civil Case No. 92-145 as an appeal of the arbitral award or whether it filed a separate case in the RTC, considering that the RTC will only have jurisdiction over an arbitral award in cases of motions to vacate the same. Otherwise, as elucidated herein, the Court of Appeals retains jurisdiction in petitions for review or in petitions for certiorari. Consequently, petitioner's arguments, with respect to the filing of separate action from Civil Case No. 92-145 resulting in a multiplicity of suits, cannot be given due course.

Alternative dispute resolution methods or ADRs - like arbitration, mediation, negotiation and conciliation - are encouraged by the Supreme Court. By enabling parties to resolve their disputes amicably, they provide solutions that are less time-consuming, less tedious, less confrontational, and more productive of goodwill and lasting relationships.[39] It must be borne in mind that arbitration proceedings are mainly governed by the Arbitration Law and suppletorily by the Rules of Court.

WHEREFORE, in light of the foregoing, the petition is DENIED. The November 9, 1999 Order of the Regional Trial Court of Makati City, Branch 135, in Civil Case No. 92-145 which dismissed the petition for review for lack of jurisdiction and the February 1, 2000 Order denying its reconsideration, are AFFIRMED.

SO ORDERED.

Panganiban, C.J., (Chairperson), Austria-Martinez, Callejo, Sr., and Chico-Nazario, JJ., concur.

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[1] Rollo, pp. 9-19.

[2] Id. at 481. Penned by Judge Francisco B. Ibay.

[3] Id. at 499.

[4] The petitioner, now Insular Savings Bank, is the predecessor-in-interest of Home Bankers Trust and Company.

[5] Rollo, pp. 69-78.

[6] Id. at 289.

[7] Id. at 20-30.

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[8] Id. at 43-47.

[9] Id. at 47. Penned by Judge Buenaventura J. Guerrero.

[10] Id. at 48-49. Penned by Judge Buenaventura J. Guerrero.

[11] Id. at 49.

[12] Id. at 289-308. Penned by Mr. Jose F. Unson, Chairman and concurred in by Mr. Amado F. Cabaero and Mr. Rodolfo V. Cruz, members.

[13] Id. at 308.

[14] Id. at 348-351.

[15] Id. at 50-68.

[16] Id. at 410.

[17] Id. at 411-415.

[18] Id. at 423-442.

[19] Id. at 443-457.

[20] Id. at 458-468.

[21] Id. at 471-479.

[22] Id. at 481.

[23] Id. at 499.

[24] Id. at 12.

[25] Custodio Parlade, "Alternative Dispute Resolution Act of 2004", 2004, p. 275.

[26] As amended by Republic Act No. 9285 or the Alternative Dispute Resolution Act of 2004.

[27] PCHC Amended Arbitration Rules of Procedure, Sec. 16.

[28] Id. at Sec. 13.

[29] Any stipulation that the arbitrators' award or decision shall be final, is valid, without prejudice to Articles 2038, 2039, and 2040.

[30] A compromise in which there is mistake, fraud, violence, intimidation, undue influence, or falsity of documents, is subject to the provisions of Article 1330 of this Code.

However, one of the parties cannot set up a mistake of fact as against the other if the latter, by virtue of the compromise, has withdrawn from a litigation already commenced.

[31] When the parties compromise generally on all differences which they might have with each other, the discovery of documents referring to one or more but not to all of the questions settled shall not itself be a cause for annulment or rescission of the compromise, unless said documents have been concealed by one of the parties.

But the compromise may be annulled or rescinded if it refers only to one thing to which one of the parties has no right, as shown by the newly-discovered documents.

[32] If after a litigation has been decided by a final judgment, a compromise should be agreed upon, either or both parties being unaware of the existence of the final judgment, the compromise may be rescinded.

Ignorance of a judgment which may be revoked or set aside is not a valid ground for attacking a compromise.

[33] Chung Fu Industries (Phils.), Inc. v. Court of Appeals, G.R. No. 96283, February 25, 1992, 206 SCRA 545, 554.

[34] Section 41 of the Alternative Dispute Resolution Act of 2004 provides that the grounds enumerated in Section 25 (this should be Section 24) of R.A. 876 are exclusive. Any other ground raised against a domestic arbitral award shall be disregarded by the Regional Trial Court.

[35] Rules of Court, Rule 43, Secs. 1 & 3.

[36] Rules of Court, Rule 65, Sec. 4.

[37] Toyota Autoparts Phils., Inc. v. The Director of the Bureau of Labor Relations of the Department of Labor and Employment, 363 Phil. 437, 445 (1999).

[38] Allied Domecq Phil., Inc. v. Villon, G.R. No. 156264, September 30, 2004, 439 SCRA 667, 672-673.

[39] LM Power Engineering Corp. v. Capitol Industrial Construction Groups, Inc., 447 Phil. 705, 707 (2003).

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