

PHILIPPINE NATIONAL BANK, PETITIONER, VS. RJ VENTURES REALTY & DEVELOPMENT CORPORATION AND RAJAH BROADCASTING NETWORK, INC., RESPONDENTS.

G.R. NO. 164548. September 27, 2006

Ponente: CHICO-NAZARIO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-164548/>

CHICO-NAZARIO, J.:

Before this Court is a Petition for Review filed under Rule 45 of the Rules of Court assailing the 31 March 2004 Decision[1] and the 8 July 2004 Resolution[2] of the Court of Appeals in CA-G.R. SP No. 56119. The challenged Decision disposed, thus:

IN VIEW OF ALL THE FOREGOING, the instant petition is hereby GRANTED, the assailed Orders dated July 28, 1999 and October 26, 1999, respectively, [are] REVERSED AND SET ASIDE, and the preliminary injunction earlier issued is reinstated. No cost.[3]

The assailed Resolution denied petitioner Philippine National Bank's (PNB's) Motion for Reconsideration dated 3 May 2004.

The Antecedents

As culled from the records, the facts show that on 26 February 1999, respondents RJ Ventures Realty & Development Corporation (RJVRD) and Rajah Broadcasting Network, Inc. (RBN) filed a Complaint for Injunction with Prayer for Issuance of Temporary Restraining Order and Writ of Preliminary Injunction[4] against petitioner PNB and Juan S. Baun, Jr.[5] with the Regional Trial Court (RTC), Branch 66 of Makati City, and docketed as Civil Case No. 99-452.

In its Complaint, respondents contended that on 13 June 1996, First Women's Credit Corporation (FWCC) received an invitation to bid from PNB anent the sale of an 8,000 square meter property, located at Paseo de Roxas corner Sen. Gil. Puyat Avenue, Makati City, and covered by Transfer Certificate of Title No. S-15223 (Buendia Property).[6] On 10 July 1996, FWCC bid the amount of P455,000.00 per square meter or a total of P3,640,000,000.00; and pursuant to PNB Rules and Regulations on the Acceptance and Evaluation of Proposals, it deposited ten percent (10%) of the offered price or P364,000,000.00 with the PNB by way of two checks, No. 418796 and No. 418797, in the amounts of P312,000,000.00 and P52,000,000.00, respectively.[7] On 11 July 1996, FWCC submitted a revised offer increasing its bid by P5,000.00 per square meter or a total additional amount of P40,000,000.00. In view of the increase, FWCC deposited with PNB an additional amount of P4,000,000.00.[8] On 17 July 1996, FWCC was awarded the Buendia Property.[9] PNB's Notice of Award to FWCC set a condition that within thirty (30) calendar days from receipt of the same, the successful offeror shall tender payment of the balance of the purchase price in the form of a manager's or cashier's check.[10] On 24 July 1996, FWCC, invoking Section 7.2[11] of the PNB Rules requested PNB to finance the entire balance of the purchase price.[12] On 17 September 1996 and pending action on its loan application, FWCC assigned all its

rights, claims, interest, and title over the Buendia Property to RJVRD.[13] The latter assumed the right to purchase the Buendia Property and the obligations of FWCC to PNB on the balance of the bid price.

Respondents further posited that PNB initially refused to finance the entire balance of the purchase price except to the extent of seventy-five percent (75%) thereof.[14] However, PNB finally agreed to grant a loan to RJVRD equivalent to eighty percent (80%) of the purchase price or for the amount of P2,944,000,000.00. The grant was conditioned on the deposit by RJVRD with PNB of an additional ten percent (10%) of the purchase price to the first ten percent (10%) downpayment which the former had paid. Otherwise stated, RJVRD was required to raise an additional amount of P368,000,000.00.[15] Moreover, to allow RJVRD to raise the additional amount, PNB proposed to lend RBN the required amount, the latter being an affiliate company of RJVRD, which amount will be available for relending to RJVRD.[16]

Respondents described the said arrangement in this wise:

15.0 PNB shall extend a loan to RBN in the amount of P350,000,000.00 which in turn would be loaned to RJVRD.

15.1 The proceeds of the loan shall be used by RJVRD to partially pay the additional 10% or P368,000,000.00 deposit on the Property. PNB documents would however show that the loan was for the expansion of RBN.

15.2 Mr. Ramon P. Jacinto, the majority stockholder of RJVRD will pledge to PNB 70% of his shares of stock in RBN and 40% of his shares of stock in FWCC.[17]

Moreover, in their Complaint a quo, respondents avowed that on 30 September 1996, following the payment by RJVRD to PNB of the additional deposit of P368,000,000.00, the parties entered into a loan agreement wherein PNB will finance the balance of the purchase price in the amount of P2,944,000,000.00 subject to conditions, inter alia, that after the transfer of the Buendia Property in the name of RJVRD, the same shall be mortgaged in favor of PNB. On even date, RJVRD and PNB executed a Loan Agreement.[18] A Deed of Sale[19] and a Real Estate Mortgage,[20] both dated 30 September 1996 were similarly executed between RJVRD and PNB over the Buendia Property. The Loan Agreement included a two-way peso/dollar convertibility feature at the option of RJVRD; hence, to avail of a lower interest rate, RJVRD converted its peso loan to US dollar based on a rate of exchange of P26.23 to US\$1.00, or for a total amount of US\$112,237,895.54.

Respondents claimed that RJVRD undertook to engage foreign investors for the project. It entered into negotiations with Hyundai Construction of South Korea which were eventually suspended. Its talks with Siemens of Austria, and Property Investment and Development Management Corporation of Singapore failed.[21] Respondents interposed further that the Asian currency crisis on 11 July 1997 caused a depreciation of the Philippine peso which correspondingly increased the obligation of RJVRD to PNB from P2,944,000,000.00 to P5,405,301,470.82 inclusive of interest.[22] On 30 September 1997, in an effort to continue the project, RJVRD entered into a joint venture agreement with Fil-Estate Management Incorporated for the development of the Buendia Property. RBN secured another loan from PNB in the amount of P100,000,000.00, part of which was used in paying the interest for the loan it had secured in favor of RJVRD. In addition, as and by way of security, RBN assigned in favor of PNB, all its rights and interest over radio and television frequencies issued by the National Telecommunications Commission, located in Tuguegarao, Baguio, Manila, Cebu, Bacolod, Iloilo, including those in Cagayan de Oro (FM Stations), and Manila (AM Station and TV-UHF Station).[23] On September 1997, RJVRD paid PNB the accrued interest on the loan amounting to P353,478,628.88. RBN also updated its first account with PNB by paying about P41,000,00.00. In March 1998, RJVRD, RBN and PNB entered into discussions on the restructuring of the loans. Respondents alleged that while discussions were ongoing, the accounts of RJVRD and RBN became delinquent.[24] PNB sent RJVRD, a notice,[25] dated 2 June 1998, declaring their accounts delinquent and demanding the settlement of the same.[26]

Respondents asserted that prior to 11 June 1998, in line with the continuing discussions between PNB and RBN for the restructuring of the loan, PNB required the redenomination of RBN's loan as a condition for its restructuring.[27] On 11 June 1998, RBN sent a letter to PNB in agreement to the redenomination of the loan, stating therein the agreed terms for the restructuring of the loan. RJVRD sent a letter to PNB agreeing to redenominate its own loan based on PNB's initial proposal, which letter was returned to RJVRD for the reason that, at that time, the proposals for the restructuring of the RJVRD loan component did not call for the redenomination of the loan of RJVRD.[28] On 24 June 1998, RBN sent a letter to PNB, confirming to redenominate the loan under the terms stated in its letter of 11 June 1998.[29] On 9 September 1998, respondents asseverated that PNB made a call to RJVRD, asking the latter to redenominate its loans. On the same date, RJVRD sent PNB, a letter in agreement to the redenomination.[30] On 23 October 1998, the RJ Groups of Companies sent Mr. Benjamin Palma Gil, president of PNB, a proposal for the settlement of respondents' accounts, including a request for the restructuring of the loans.[31]

On 25 January 1999, PNB, through its counsel, sent RBN a demand letter, requiring the latter to settle their outstanding account of P841,460,891.91.[32] In a letter similarly dated 25 January 1999, PNB by counsel, demanded from RJVRD the settlement of its total obligation of P5,405,301,470.82.[33] On 28 January 1999, RBN sent a letter to PNB's counsel, expressing its surprise to receive the demand letter despite their continuing negotiations with PNB for the restructuring of its accounts.[34] In its letter, RBN said that it was, in fact, required by PNB to redenominate its dollar loans into pesos as an initial step for the restructuring of the account, and which it has complied.[35] On even date, RJVRD sent a letter to PNB's counsel emphasizing that it had not been advised of any adverse development in their negotiation with PNB nor had it been informed of the discontinuance of the negotiation. RJVRD sought for additional time to justify its proposal to PNB with the aim of arriving at a friendly settlement.[36]

On 18 February 1999, PNB made a demand to RBN to turnover the possession and/or control of Broadcasting Equipment Inventory located at No. 33, Dominican Hills, Baguio City.[37] On 18 February 1999, RJVRD received a Notice of Extrajudicial Sale, dated 1 February 1999 for the sale of the Buendia Property[38] to be held on 2 March 1999 at the City Hall, Makati City.

Respondents manifested in their Complaint that when RJVRD, as assignee of FWCC purchased the Buendia Property from PNB, the Philippine economy was progressive; that it was under this favorable economic scenario that RJVRD agreed to the terms and conditions of the loan agreements; however, following the Asian economic crisis of July 1997, and with the depreciation of the Philippine peso, the loan of RJVRD which was denominated in US dollars rose from P2,944,000,000.00 (US\$112,237,895.54) to P5,405,301,470.82.[39] According to respondents, from the original contract price of P3,680,000,000.00, RJVRD already made a payment of P736,000,000.00, representing twenty-percent (20%) of the value of the Buendia Property and P353,478,628.88, representing interest on the loan or a total of P1,089,478,628.88; and that PNB never effectively lost control over the Buendia Property, considering that simultaneous with the execution of the Loan Agreement between RJVRD and PNB, RJVRD executed a Real Estate Mortgage over the Buendia Property in favor of PNB. Furthermore, respondents sought to find recourse under Article 19[40] of the Civil Code. They contended that the action on the part of PNB to foreclose the collaterals pledged or mortgaged by RJVRD and RBN, including the extrajudicial sale of the Buendia Property on 2 March 1999 at the City Hall of Makati City, and the planned take over of RBN's radio facilities in Baguio City would be, among others, premature.[41]

Finally, in support of its Application for the Issuance of a Temporary Restraining Order and a Writ of Preliminary Injunction, respondents alleged that RJVRD and RBN would suffer great and irreparable injury by the extrajudicial foreclosure of the property and the take over of RBN's radio facilities in Baguio, unless a Temporary

Restraining Order and/or Writ of Preliminary Injunction is issued enjoining defendants from implementing the Notice of Extrajudicial Sale dated 1 February 1999, and enjoining PNB from taking possession and control of RBN's radio facilities in Baguio City. Respondents maintained that the commission or continuance of the acts complained of during the litigation or the non-performance thereof would work injustice to RJVRD and RBN. They manifested their willingness to post a bond as the court a quo may fix in its discretion, to answer for whatever damages PNB may sustain for the reason of the restraining order or injunction, if finally determined that respondents are not entitled thereto.

Acting on respondent's prayer for the issuance of a Temporary Restraining Order, the RTC, issued an Order[42] dated 2 March 1999, denying the same. The RTC held that the evidence showed that respondents are in default of payment of its loan from PNB, amounting to P5,405,301,470.82, including interests and penalties. According to the RTC, the respondents failed to prove that they have a clear right to restrain the foreclosure of the Buendia Property; whereas, it is PNB which has a clear right to the Buendia Property. The RTC opined that the evidence failed to prove that respondents will suffer "irreparable injury" if the foreclosure of the Buendia Property is not enjoined, for under the law, respondents have one (1) year from the date of the registration of the sale with the Register of Deeds within which to redeem the Buendia Property; thus, respondents will have a chance to recover the ownership thereof by way of redemption. Finally, the RTC ruled that the rule of equity is on the side of PNB considering that the Buendia Property was formerly owned by PNB. The RTC denied the application for Temporary Restraining Order for lack of merit, and held that the exposure of PNB in the transaction amounted to P5,405,301,470.82, while the exposure of respondents is P1,089,478,628.00.[43]

On 2 March 1999, the Buendia Property was sold in a public auction conducted by Atty. Juan S. Buan, Notary Public of Makati City.[44] There being no other bidder, the Buendia Property was sold to PNB for the amount of P2,800,000,000.00. On 3 May 1999, RBN received a Notice of Extrajudicial Sale from PNB, specifying therein that the property covered by Broadcasting Equipment Inventory located at No. 33 Dominical Hills, Baguio City will be sold for cash at public auction to the highest bidder on 10 May 1999, at the City Hall, Baguio City, pursuant to the terms of the Deed of Chattel Mortgage dated 19 June 1994 to satisfy the mortgage indebtedness of P841,460,491.91.[45]

Following this development, on 4 May 1999, respondents filed an Urgent Application for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction.[46] Respondents prayed that a Temporary Restraining Order be issued enjoining PNB or any persons acting under its instructions from foreclosing on any other collaterals pledged or mortgaged by respondents to PNB, particularly that which is subject of the Notice of Extrajudicial Sale to be conducted by Notary Public Perlita Chan-Rondez in Baguio City on 10 May 1999. It was likewise prayed that after due proceedings, a Writ of Preliminary Injunction be similarly issued. [47]

On 7 May 1999, the RTC issued an Order[48] granting the Writ of Preliminary Injunction respondents' application for the issuance of a Temporary Restraining Order (TRO), upon posting of a bond in the amount of P1,000,000.00.

On 27 May 1999, the RTC issued an Order,[49] granting the Writ of Preliminary Injunction, enjoining PNB from foreclosing all collaterals pledged or mortgaged by respondents to PNB, in particular those described in Exhibits A to L thereof, after the posting of a bond in the amount of P5,000,000.00.[50] According to the court, the right of PNB to foreclose the chattel mortgages is still challenged by the respondents and therefore, is not yet clearly established. Hence, if PNB is allowed to foreclose the subject chattel mortgages, the determination of the right of PNB to foreclose the subject properties will become moot and academic. Subsequently, on 28 May 1999, a Writ of Preliminary Injunction was issued.

On 9 June 1999, PNB filed a Motion for Reconsideration^[51] of the Order of 27 May 1999. PNB averred, inter alia, that RBN failed to produce any evidence to substantiate and support its claim that it is entitled to the Writ of Preliminary Injunction in order to enjoin PNB from foreclosing on the subject chattels. According to PNB, it was able to show that RBN failed without justifiable cause or reason to service the credit facilities extended to it. PNB advanced the argument that RBN has no clear right in esse; therefore, it cannot seek relief from the court. PNB claimed that they were able to prove irreparable damage to the bank if PNB will be enjoined from foreclosing on the chattel mortgages. PNB maintained that proceeding with the auction sale of the subject properties would lower the bank's "past due ratio" approximately by 2%; hence, with the decrease in the bank's "past due ratio percentage," there would be no legal impediment to PNB's resumption to full lending operations since the Bangko Sentral ng Pilipinas' recommendation for stoppage of grants of new loans is anchored on PNB's current high "past due ratio." In support of its Motion for Reconsideration, PNB further theorized that decreasing its "past due ratio" would improve investors' confidence; hence, substantially enhancing the viability of PNB in its move to attain full privatization by the year 2000.

In its Opposition,^[52] respondents submitted that during the hearing of the application for a Writ of Preliminary Injunction, the court expressed its position that it will not receive evidence relative to the merits of the case as the same would pre-empt the resolution of the merits or dispose of the main case without trial; therefore, by agreement of the parties, the principal issue was limited to whether RBN will suffer irreparable injury if the writ of preliminary injunction is not issued. According to respondents, the damage to RBN's image, loss of listenership, advertisers, staff and employees is unquantifiable in monetary terms. Irreparable damage would be caused to RBN if PNB is allowed to foreclose its equipments. It would also disrupt, if not, paralyze, the operations of RBN's stations. They further asserted that there is no reason to disturb the injunction issued by the court absent a showing of manifest abuse.

On 28 July 1999, the RTC issued an Order^[53] granting PNB's Motion for Reconsideration. This was subsequently rectified in the Order of 29 July 1999 as to the date of the Writ of Preliminary Injunction from May 28, 1998 to May 28, 1999.^[54] In lifting the Writ of Preliminary Injunction of 28 May 1999, the RTC rationalized that the failure of RBN to pay the three (3) credit facilities it obtained from defendant PNB was established; thus, RBN was considered to have effectively "defaulted" on its loan obligation. In the same Order, the RTC concluded that RBN made express admission of its delinquency in its Complaint. Moreover, the RTC held that the "cross-default provision"^[55] embodied in the Loan Agreement between the parties establishes against the grant of the injunction.

Respondents moved for a reconsideration of the 28 July 1999 Order, submitting that there was no reason to disturb the preliminary injunction order as there was no showing of a manifest abuse by then Presiding Judge Hon. Eriberto U. Rosario, in the issuance thereof. Respondents explicated, inter alia, that the sufficiency of their application was already passed upon by the RTC through the Order dated 27 May 1999.

On 26 October 1999, the RTC issued an Order,^[56] denying respondents' Motion for Reconsideration for the lifting of the Writ of Preliminary Injunction dated 28 May 1999.

Aggrieved, on 7 December 1999, respondents filed with the Court of Appeals a Petition for Certiorari under Rule 65 of the Rules of Court assailing the Orders dated 28 July 1999 and 26 October 1999, imputing grave abuse of discretion on the part of the RTC in dissolving the Writ of Preliminary Injunction earlier issued.

Before the appellate court, respondents argued that the sufficiency of their application for preliminary injunction was already raised and passed upon by the RTC in the Injunction Order dated 27 May 1999; however, PNB was not able to allege "other grounds" for the lifting thereof as mandated by Section 6 of Rule 58 of the Rules of

Court.[57]Moreover, respondents asserted that on the issue of the purported delinquency, the RTC failed to consider PNB's judicial admissions, whereby the rights of PNB should be those of a seller covered by the law on Sales (Title VI, Book IV, Civil Code), and not those of a money-lender covered by the law on Loans (Title XI, Book IV, Civil Code); hence, PNB's rights as a seller are either to rescind the sale, retrieve the title to the property transferred to the buyer, and exact payment of damages or to leave the property with the buyer, to exact payment of the entire price with interest, and recover damages thereby suffered. According to the respondents, the PNB as seller had recovered through foreclosure the Buendia Property. They alleged that: PNB had forfeited in its favor as mortgagor, the payments already made by RJVRD and the interest thereon; PNB is in the process of recovering as mortgagor and seller additional damages in the form of interests, penalties, charges, attorney's fees, etc; and PNB is in the process of recovering as mortgagor, by way of the foreclosure of mortgage, other realty and chattels of significant value. Respondents contended that there was no grave abuse of discretion in the issuance of the Writ of Preliminary Injunction because the contemplated foreclosure of the other properties will work injustice to RBN and would render ineffectual any judgment on the merits of the case ineffectual.

Anent the issue of whether respondents will suffer irreparable injury, respondents pleaded that although the immediate effect of a Writ of Preliminary Injunction may be quantifiable in pesos, the effect on the respondents is its viability that stands to be affected in the long-term. Respondents rationalized that the foreclosure of the radio equipment will result in the stoppage of operations, and eventually, the loss of the image of the station. These factors will cause the loss of its listenership and client confidence, which cannot be quantifiable in monetary terms. Moreover, respondents set forth the contention that even as PNB suggested that after foreclosure, the radio equipment would either be sold to improve PNB's liquidity or disposed by way of lease-purchase agreement, there exists no assurance that RBN can repurchase the foreclosed collaterals.

The Ruling of the Court of Appeals

On 9 December 1999, the Court of Appeals issued a Resolution[58] temporarily enjoining PNB from foreclosing any collateral pledged or mortgaged by RJVRD and RBN, and from taking possession and control of the latter's radio facilities in Baguio City, until further orders from the appellate court. In granting the same, the Court of Appeals underscored that the purpose of the temporary injunctive relief is to preserve the status quo ante between the parties, and so as not to render moot and academic the relief prayed for in the Petition. Accordingly, the Court of Appeals set the hearing on the application for the issuance of a preliminary injunction on 11 January 2000.

On 10 January 2000, the PNB filed a Comment with the Court of Appeals, disputing the imputation of grave abuse of discretion on the part of the RTC when it lifted the preliminary injunction. The PNB opposed respondents' claim that there exists in their favor a right to be protected. According to PNB, the foreclosure of the collaterals shall be effective upon the default of RBN, which default had been established as RBN was unable to properly service the loan agreements without justifiable cause and despite due demand. Anent the issue on the existence of irreparable injury, PNB challenged respondents' contention by arguing that there is, in fact, a pecuniary standard by which RBN's damage can be measured per the testimony of RBN's witness that it will suffer a loss of P1.2 Billion for the next ten (10) years. PNB further posited that there were no judicial admissions on their part to the effect that RJVRD and RBN are not delinquent. In furtherance of its opposition, PNB averred that it acted in two separate capacities as seller and lender. As a seller, PNB owned the Buendia Property and offered it for sale to interested parties. PNB accepted the bid of RJVRD and the property was sold to the latter. As a lender, PNB supplied the credit facility to RJVRD as the latter needed to borrow money to finance the payment of the remaining balance. PNB insisted that these two transactions cannot be treated as one and the same; hence, there is nothing that prevents it from acting as a seller and lender at the same time. In fine, PNB maintained that RJVRD did not default on the payment of the purchase price for such was completely paid; rather, it defaulted on

the payment of the loan, on its principal, and interest.

On 4 February 2000, the Court of Appeals issued a Resolution,[59] granting the Writ of Preliminary Injunction, enjoining PNB and its agents from foreclosing the collaterals pledged and mortgaged by RJVRD and RBN and from taking over possession and control of RBN radio facilities in Baguio City. The appellate court, held, viz:

The principal action in the petition at bar dwells on the controversy on whether or not the respondent court committed grave abuse of discretion in issuing the order lifting and setting aside the injunctive relief earlier issued in Civil Case No. 4592 (sic). If no preliminary injunction is issued in this case, pending resolution of such main petition, respondent will proceed to foreclose the pledged or mortgaged collaterals. In that eventuality, petitioners stand to sustain injury and irreparable damage, the loss of its properties, income[,] and clientele listeners in the subject radio broadcasting station in Baguio City, even before the instant certiorari proceeding could be resolved. To allow the impending foreclosure to proceed, at this point in time, will surely be violative of petitioners' right to be heard and to due process. It is for this reason, for the preservation of the status quo between the parties, pending decision of the main petition and in order not to render the same moot and academic, We feel justified to grant the preliminary injunction prayed for.

IN VIEW OF ALL THE FOREGOING, pending final resolution of the petition at bar, let a Writ of Preliminary Injunction be issued in this case enjoining the respondent PNB, its officers or agents from foreclosing the collateral pledged and mortgaged by petitioners, RJ Ventures Realty & Development Corporation and Rajah Broadcasting Network, Inc., from taking over possession and control of RBN radio facilities in Baguio City, upon the posting of a P1,000,000.00 injunction bond

Undeterred, PNB filed a Motion for Reconsideration praying that the Order of 4 February 2000 be set aside and the Writ of Preliminary Injunction issued by the Court of Appeals be immediately lifted and dissolved.

Acting on the Motion, the Court of Appeals, rendered the assailed Decision dated 31 March 2004, denying the same. In the same order, the appellate court, reversed and set aside the Orders dated 28 July 1999 and 26 October 1999 of the RTC; hence, effectively reinstating the Writ of Preliminary Injunction earlier issued on 28 May 1999. The Court of Appeals held that the RTC was not asked to make a definitive conclusion on the issue of whether RBN was indeed guilty of default in paying its loan nor was it asked to resolve whether RBN committed a breach against PNB which necessitated foreclosure. A determination of whether there was default or breach can be only be reached after the principal action is set for trial on the merits after the parties are given opportunity to present evidence in support of their respective claims.

The appellate court decreed, to wit:

It must be emphasized that a preliminary injunction may be granted at any stage of an action prior to final judgment, requiring a person to refrain from a particular act. As the term itself suggests, it is merely temporary, subject to the final disposition of the principal action. The justification for the preliminary injunction is urgency. It is based on evidence tending to show that the action complained of must be stayed lest the movant suffer irreparable injury or the final judgment granting the relief sought become ineffectual. Necessarily, that evidence need only be a "sampling," as it were, and intended merely to give the court an idea of the justification for the preliminary injunction pending the decision of the case on the merits. The evidence submitted at the hearing on the motion for preliminary injunction is not conclusive of the principal action, which has yet to be decided. (*Olalia vs. Hizon*, 196 SCRA 665 [1991]).

Anent the issue of whether RBN would sustain "irreparable injury" should the chattel mortgage be foreclosed, it bears repeating that the evidence to be submitted at the hearing on the motion for preliminary injunction need not be conclusive and complete. On this score, We find petitioners to have sufficiently established the existence of irreparable injury to justify, albeit provisionally, the restraint of the act complained against them.

We find that the potential injury demonstrated by the various testimonies presented by petitioners more than satisfies the legal and jurisprudential requirements of "irreparable injury." There is no gainsaying in that the foreclosure of the subject radio equipment[s] would inevitably result in stoppage of operations. This, in turn, shall result to (sic) the station's tarnished image and consequent loss of public listenership. Loss of listenership then leads to loss of confidence of the station's patrons and advertising clients that would cause serious repercussions on its ability to sustain its operations. Undoubtedly, the loss of image and reputation by a radio station are matters that are not quantifiable in terms of monetary value.

All told, We find the court a quo's lifting of the injunction earlier issued tainted with grave abuse of discretion properly correctable by the special writ of certiorari.[60]

On 4 May 2004, PNB moved for the reconsideration thereon. On 8 July 2004, the Court of Appeals rendered a Resolution, finding no justification to compel a modification or reversal of the 31 March 2004 Decision.

Hence, the instant Petition.

The Issues

PNB recites the following statement of the issues, viz:

I

WHETHER OR NOT THE PETITION FILED BY PNB INVOLVES QUESTIONS OF FACTS WHICH SHOULD BE A CAUSE FOR ITS DISMISSAL;

II

WHETHER OR NOT THE DEFAULT BY RJVRD AND RBN IN THE PAYMENT OF THEIR RESPECTIVE LOAN OBLIGATIONS TO PNB JUSTIFIES THE DENIAL OF THE ISSUANCE OF THE WRIT OF PRELIMINARY INJUNCTION FOR THE FORECLOSURE OF THE MORTGAGED PROPERTIES;

III

WHETHER OR NOT RBN'S ADMISSION OF ITS FAILURE TO SETTLE ITS LOAN OBLIGATION IN FULL GIVES PNB A CLEAR RIGHT TO FORECLOSE THE MORTGAGE;

IV

WHETHER OR NOT [THE] RIGHT OF RJVRD AND RBN TO A WRIT OF INJUNCTION IS CLEAR, EXISTING[,] AND UNMISTAKABLE; and

V

WHETHER OR NOT THE HONORABLE COURT OF APPEALS HAD LEGAL BASIS IN REVERSING AND SETTING ASIDE THE ORDER DATED JULY 28, 1999 AND OCTOBER 26, 1999 OF THE REGIONAL TRIAL COURT OF MAKATI, BRANCH 66, AND THEREBY ISSUING A WRIT OF CERTIOARI IN FAVOR OF RJVRD AND RBN.[61]

The Ruling of the Court

The pivotal issue in the instant Petition is whether the Court of Appeals correctly reinstated the Writ of Preliminary Injunction dated 28 May 1999. Hence, the question is whether respondents RJVRD and RBN are entitled to the Writ of Preliminary Injunction. It is for this reason that we shall address and concern ourselves only with the assailed writ, but not with the merits of the case pending before the trial court. A preliminary injunction

is merely a provisional remedy, adjunct to the main case subject to the latter's outcome.[62] It is not a cause of action in itself.[63]

This Petition has no merit.

Foremost, we reiterate that the sole object of a preliminary injunction is to maintain the status quo until the merits can be heard. [64] A preliminary injunction[65] is an order granted at any stage of an action prior to judgment of final order, requiring a party, court, agency, or person to refrain from a particular act or acts. It is a preservative remedy to ensure the protection of a party's substantive rights or interests pending the final judgment in the principal action. A plea for an injunctive writ lies upon the existence of a claimed emergency or extraordinary situation which should be avoided for otherwise, the outcome of a litigation would be useless as far as the party applying for the writ is concerned.[66]

The grounds for the issuance of a Writ of Preliminary Injunction are prescribed in Section 3 of Rule 58 of the Rules of Court. Thus:

SEC. 3. Grounds for issuance of preliminary injunction. - A preliminary injunction may be granted when it is established:

- (a) That the applicant is entitled to the relief demanded, and the whole or part of such relief consists in restraining the commission or continuance of the act or acts complained of, or in requiring the performance of an act or acts, either for a limited period or perpetually;
- (b) That the commission, continuance or nonperformance of the act or acts complained of during the litigation would probably work injustice to the applicant; or
- (c) That a party, court, agency or a person is doing, threatening, or is attempting to do, or is procuring or suffering to be done, some act or acts probably in violation of the rights of the applicant respecting the subject of the action or proceeding, and tending to render the judgment ineffectual.

Otherwise stated, for a Writ of Preliminary Injunction to issue, the following requisites must be present, to wit: (1) the existence of a clear and unmistakable right that must be protected, and (2) an urgent and paramount necessity for the writ to prevent serious damage.[67] Indubitably, this Court has likewise stressed that the very foundation of the jurisdiction to issue a writ of injunction rests in the existence of a cause of action and in the probability of irreparable injury, inadequacy of pecuniary compensation and the prevention of multiplicity of suits.[68] Sine dubio, the grant or denial of a writ of preliminary injunction in a pending case rests in the sound discretion of the court taking cognizance of the case since the assessment and evaluation of evidence towards that end involve findings of facts left to the said court for its conclusive determination.[69] Hence, the exercise of judicial discretion by a court in injunctive matters must not be interfered with except when there is grave abuse of discretion.[70] Grave abuse of discretion in the issuance of writs of preliminary injunction implies a capricious and whimsical exercise of judgment that is equivalent to lack of jurisdiction, or where the power is exercised in an arbitrary or despotic manner by reason of passion, prejudice or personal aversion amounting to an evasion of positive duty or to a virtual refusal to perform the duty enjoined, or to act at all in contemplation of law.[71]

We find the conclusions reached by the Court of Appeals to be in accord with law.

The Supreme Court is not a trier of facts.[72] While this is perhaps one of our more emphatic doctrines, it admits of certain exceptions, inter alia, when the findings of the Court of Appeals are contrary to those of the trial court.[73] In the case at bar, we apply the exception and proceed to make a determination of whether there is a factual and legal bases for a Writ of Preliminary Injunction to issue.

First, respondents were able to establish a clear and unmistakable right to the possession of the subject collaterals.

Evidently, as owner of the subject collaterals that stand to be extrajudicially foreclosed, respondents are entitled to the possession and protection thereof. RBN as the owner and operator of the subject radio equipment and radio stations have a clear right over them. The instant case does not involve abstract rights, or a future and contingent rights, but a right that is already in existence. To our minds, petitioner's claim that respondents have lost their rights to the subject collaterals in the face of their admission of default is best threshed out in a full-blown trial a quo where the merits of the case can be tried and determined. Significantly, to give the trial court a fair idea of whether a justification for the issuance of the writ exists, only a "sampling" of the evidence is needed, pending a decision on the merits of the case.[74] Hence, the determination of respondents' default and the legality of the defenses they adduced are matters appropriately subject of the trial on the merits.

Second, there is an urgent and paramount necessity to prevent serious damage. Indeed, an injunctive remedy may only be resorted to when there is a pressing necessity to avoid injurious consequences which cannot be remedied under any standard compensation.[75] PNB assails the existence of this ground by raising the argument that there is, in actuality, a pecuniary standard by which RBN's damage can be measured, as evidenced by the testimony of RBN's witness that it will suffer a loss of P1.2 Billion for the next ten (10) years.

To be sure, this court has declared that the term irreparable injury has a definite meaning in law. It does not have reference to the amount of damages that may be caused but rather to the difficulty of measuring the damages inflicted. If full compensation can be obtained by way of damages, equity will not apply the remedy of injunction.[76] The Court of Appeals declared that the evidence adduced by respondents more than satisfies the legal and jurisprudential requirements of irreparable injury. It behooves this court to appreciate the unique character of the collaterals that stand to be affected should the Writ of Preliminary Injunction be dissolved as PNB would have it. The direct and inevitable result would be the stoppage of the operations of respondents' radio stations, consequently, losing its listenership, and tarnishing the image that it has built over time. It does not stretch one's imagination to see that the cost of a destroyed image is significantly the loss of its good name and reputation. As aptly appreciated by the appellate court, the value of a radio station's image and reputation are not quantifiable in terms of monetary value. This conclusion can be gleaned from the testimony of respondents' witness, Jose E. Escaner, Jr., General Manager of RBN, thus:123

Atty. Mendoza:

Q:

Now, in your forty (40) years in the broadcast (sic) industry, have you had any personal experience in (sic) any actual interruption in the operations of a radio station programming?

Witness:

A:

Yes, when I was handling the network of the then Ambassador Nanding Cojuanco within which the radio stations were sequestered and sometime or the other it (sic) went off the air and immediately, we do not have any revenues, so much so that we actually suffered two (2) to three (3) years.

Atty. Mendoza:

Q: And how long did it take for that station in Cebu that you mentioned to retain its listenership day? (sic)

Witness:

A:

Well, honestly, until now its airtime, because of its image, status image (sic) which is the reputation of an AM

Station while they are still recouping other stations, the other reports came over (sic) and practically brought their ratings down, so, until now they still have to recoup.

Atty. Mendoza:

Q: What radio station are you referring to?

Witness:

A: DYRB.

Atty. Mendoza:

Q: What would be the consequence if the radio stations of RBN stops (sic) operation (sic)?

Witness:

A:

It will lose whatever image it has generated to this point and (sic) time, it will cost irreparable damage not only to its operation but most of all (sic) its image as being built by RNB. Rajah Broadcasting Network and I doubt very much if it will still be able to recoup to a very good result, what we are now generating.

Atty. Mendoza:

That is all for the witness, Your Honor.

COURT:

Alright (sic), cross.

Atty. dela Vega:

With the permission of the Honorable Court.

x x x x

Atty. dela Vega:

Q:

Based from (sic) your experienced (sic) as the person engaged in media practice Mr. Witness, with respect to the possession, let us go to the heart of the matter as of this point and time.

COURT:

You shoot the question straight.

Atty. dela Vega:

Yes, Your Honor.

(continuing to (sic) the witness

Q

Will it made a difference to the operations of a radio station and relation with the listeners and their clients if technical equipments, in (sic) the technical equipments, the ownership over the sale are transferred to another person?

Witness:

A:

If you take the equipment immediately that would mean stopping our operations. That would mean stopping our day to day communication with our listenership. That they will be wondering, that will cost damage and (sic) our image immediately. That will cost damage to our contracts right now without keeping with our clients.

Atty. dela Vega:

Q: Usually that person who owns that particular equipment will get the particular equipment. When you say get, what do you mean by get Mr. Witness?

Witness:

A:

If for instance was what we are talking about right now, you are going to foreclose, ok, (sic), what will we use?

Atty. dela Vega:

Q:

Assuming Mr. Witness, that the creditor of Rajah Broadcasting Network will not get, will not get the equipment, will not get their account, will it adversely affect the operations of Rajah Broadcasting?

Witness:

A: Still it will.

Atty. dela vega:

Q: In what way?

Witness:

A:

Because that will have an effect now on our relation with our clientele. The image will be doubt (sic). The will be doubt, there be vacillation in the planning of the media plans, vacillation in the buying of airtime.

Atty. dela Vega:

Q It will affect?

Witness:

A: It will affect. The confidence is there.

Atty. dela Vega:

Q: It will affect?

Witness:

A: We do not want our clientele to lose confidence.[77]

Atty. Mendoza:

Evidently, there exists in the case at bar a pressing necessity to avoid injurious consequences to respondents which cannot be remedied under any standard compensation. After a careful scrutiny of the attendant circumstances, we do not find herein a reason for reversing the reinstatement by the Court of Appeals of the Writ of Preliminary Injunction earlier issued.

The Fallo

WHEREFORE, the Petition is DENIED. The Decision dated 31 March 2004 and the Resolution dated 8 July 2004 of the Court of Appeals in CA-G.R. SP No. 56119, reversing and setting aside the 28 July 1999 and 26 October 1999 Orders of the RTC, Branch 66 of Makati City in Civil Case No. 99-452, and reinstating the Writ of Preliminary Injunction issued on 28 May 1999 are AFFIRMED. Costs against petitioners.

SO ORDERED.

Ynares-Santiago, Austria-Martinez and Callejo, Sr., concur.
Panganiban, C. J. (Chairperson), in the result.

[1] Penned by Associate Justice Conrado M. Vasquez, Jr. with Associate Justice Edgardo P. Cruz and Associate Justice Lucas P. Bersamin, concurring; rollo, pp. 10-19.

[2] Id. at 21.

[3] Id. at 18-19.

[4] Records, Vol. I, pp. 1-17.

[5] In his capacity as Notary Public of Makati City.

[6] Records, Vol. I, p. 2, 40.

[7] Id.

[8] Id.

[9] Id.

[10] Id. , see also Records, Vol. I, p. 36.

[11] Section 7.2 of the PNB Rules provides, to wit:

The PNB is prepared to consider applications for a loan to the successful offeror, upon such terms and conditions as may be mutually agreed upon, to finance the balance of the purchase price.

[12] Records, Vol. I, p. 3.

[13] Id.

[14] Id.

[15] Id.

[16] Id.

[17] Id. at 3-4.

[18] Id. at 4, 53-56.

[19] Id. at 41-52.

[20] Id. at 66-73.

[21] Id. at 4-5.

[22] Id.

[23] Id.

[24] Id. at 6.

[25] Id. at 118.

[26] Supra note 24.

[27] Id.

[28] Id. at 6.

[29] Id.

[30] Id. at 7.

[31] Id.

[32] Id. at 158.

[33] Id. at 159.

[34] Id. at 7.

[35] Id. at 155.

[36] Id. at 156-157.

[37] Id. at 7, 171.

[38] Described therein as property covered by TCT No. 207729, issued by the Registry of Deeds of Makati City; id. at 170.

[39] Id. at 9.

[40] Article 19 of the Civil Code provides, to wit:

"Every person must, in the exercise of his rights and in the performance of his duties, act with justice, give everyone his due, and observe honesty and good faith."

[41] Records, Vol. I, p. 14.

[42] Penned by Judge Eriberto U. Rosario, Jr.; id. at 182-183.

[43] Id.

[44] Rollo, p. 13, 32. See Records, Vol. II, pp. 87-88.

[45] Records, Vol. I, pp. 275-277.

[46] Records, Vol. II, pp. 118-124.

[47] Id. at 122.

[48] Penned by Judge Eriberto U. Rosario, Jr.; id. at 168-170.

[49] CA rollo, pp. 232-234.

[50] The properties covered by Exhibits A to L are listed in the 27 May 1999 Order of the RTC, to wit:

[P]roperty covered by broadcasting equipment inventory located at No. 33 Dominical Hills, Baguio City (Exh. A); the property covered by broadcasting equipment inventory located at Morgagor's Transmitter House in Sitio Halang, Barangay San Roque, Antipolo, Rizal (Exh. B); the property covered by broadcasting equipment inventory located at Morgagor's DZRJ station in 7849 Makati Avenue, corner Gen. Luna Street, Makati City (Exh. C); all to be conducted on May 10, 1999 at 10:00 o'clock in the morning at the City Hall Baguio City, City Hall-Antipolo City, City Hall-Makati City, respectively.

x x x x

"Broadcasting Equipment Inventory located at DYRJ-FM Station, 10th Floor, Centerpoint Hotel, Plaridel Street, corner Osmeña Blvd., Cebu City" (Exh. D);

"Broadcasting Equipment Inventory located at DXDJ-FM Station, Rm. 310 A, B & C Banco Davao Building, San Pedro Street, Davao City" (Exh. E);

"Broadcasting Equipment Inventory located at DXRJ-FM Station, Carmen Hills, Pryce Plaza, Cagayan de Oro City" (Exh. F);

"Broadcasting Equipment Inventory located at DYNJ-FM Station, TRB Building, J.M Basa Street, Iloilo City" (Exh. G);

"Broadcasting Equipment Inventory located at the Morgagor's Novaliches AM Station" (Exh. H);

"Broadcasting Equipment Inventory located at the Morgagor's transmitter house in Sitio Halang, Brgy. San Roque, Antipolo, Rizal, Cagayan de Oro" (Exh. I);

"Broadcasting Equipment Inventory located at the Morgagor's station in La Villa, Theresa Pension, Tuguegarao, Cagayan Valley" (Exh. J);

"Broadcasting Equipment Inventory located at the Morgagor's DZRJ station in 7849 Makati Avenue corner Gen. Luna Street, Makati City" (Exh. K);

"Broadcasting Equipment Inventory located at DYFJ-FM Station, Rm. 5, 3rh (sic) Floor Arremar Building, P. Hernandez Street, corner Margarita Street, Bacolod City" (Exh. L); id. at 234-235.

[51] Records, Vol. III, pp. 4-14.

[52] Id. at 124-135.

[53] Penned by Pairing Judge Roberto C. Diokno; id. at 136-139.

[54] Id. at 144.

[55] The provision, reads, viz:

4.03 - Cross-Default - Any default by RJ Ventures Realty and Development Corporation [and] First Women's Credit Corporation under the forms and condition of the various documents evidencing these loan/credit accommodations with the Bank shall likewise constitute an event of default under this agreement.

[56] Id. at 237.

[57] Section 6, Rule 58 of the Rules of Court reads:

SEC. 6. Grounds for objection to, or for motion of dissolution of, injunction or restraining order. - The

application for injunction or restraining order may be denied, upon a showing of its insufficiency. The injunction or restraining order may also be denied, or, if granted, may be dissolved on other grounds upon affidavits of the party or person enjoined, which may be opposed by the applicant also by affidavits. It may further be denied, or, if granted, may be dissolved, if it appears after hearing that although the applicant is entitled to the injunction or restraining order, the issuance or continuance thereof, as the case may be, would cause irreparable damage to the party or person enjoined while the applicant can be fully compensated for such damages as he may suffer, and the former files a bond in an amount fixed by the court conditioned that he will pay all damages which the applicant may suffer by the denial or the dissolution of the injunction or restraining order. If it appears that the extent of the preliminary injunction or restraining order granted is too great, it may be modified.

[58] Penned by Associate Justice Conrado M. Vasquez, Jr., with the concurrence of Associate Justice Salome A. Montoya and Associate Justice Candido V. Rivera; CA rollo, pp. 237-238.

[59] Penned by Associate Justice Conrado M. Vasquez, Jr. with the concurrence of Associate Justice Candido V. Rivera and Associate Justice Edgardo P. Cruz; *id.* at 444-446.

[60] Rollo, pp. 17-18.

[61] *Id.* at 287.

[62] *Rualo v. Pitargue*, G.R. No. 140284, 21 January 2005, 449 SCRA 121, 141; *Bustamante v. Court of Appeals*, 430 Phil. 797, 808 (2002).

[63] *Batangas Laguna Tayabas Bus Co., Inc. v. Bitanga*, G.R. Nos. 137934 & 137936, 415 Phil. 43, 56 (2001).

[64] "Status quo" to be preserved by a preliminary injunction is the last actual, peaceable, uncontested status which preceded the pending controversy. See *Black's Law Dictionary*, 6th Ed., p. 1410, citing *Edgewater Constr. Co., Inc. v. Percy Wilson Mortg. & Finance Corp.*, 2 Ill.Dec. 864, 357 N.E.2d 1307, 1314; *Knecht v. Court of Appeals*, G.R. No. 56122, 18 November 1993, 228 SCRA 1, 6, citing *Rodulfa v. Alfonso*, 76 Phil. 225 (1946); *Philippine Economic Zone Authority v. Vianzon*, 391 Phil. 186, 193 (2000).

[65] There are generally two kinds of preliminary injunction: (1) a prohibitory injunction which commands a party to refrain from doing a particular act; and (2) a mandatory injunction which commands the performance of some positive act to correct a wrong in the past. See *Levi Strauss & Co. v. Clinton Apparelle, Inc.*, G.R. No. 138900, 20 September 2005, 470 SCRA 236, 252.

[66] *Philippine Ports Authority v. Cipres Stevedoring & Arrastre, Inc.*, G.R. No. 145742, 14 July 2005, 463 SCRA 358, 373, citing Section 1, Rule 58, 1997 Rules of Civil Procedure.

[67] *Manila International Airport Authority v. Court of Appeals*, 445 Phil. 369, 382 (2003), citing *Ong Ching Kian Chuan v. Court of Appeals*, 415 Phil. 365, 374 (2001); See also *Republic of the Philippines v. Hon. Victorino Evangelista*, G.R. No. 156015, 11 August 2005, 466 SCRA 544, 553.

[68] *Federated Realty Corporation v. Court of Appeals*, G.R. No. 127967, 14 December 2005, 477 SCRA 707, 715.

[69] *Cortez-Estrada v. Heirs of Domingo Samut/Antonia Samut*, G.R. No. 154407, 14 February 2005, 451 SCRA 275, 290.

[70] *Id.*

[71] *Id.* at 290-291.

[72] *Mamsar Enterprises Agro-Industrial Corporation v. Varley Trading, Inc.*, G.R. No. 142729, 29 November 2005, 476 SCRA. 378, 382, citing cases.

[73] In *Mamsar*, the Court enumerated the following exceptions: (1) when the conclusion is a finding grounded entirely on speculation, surmises or conjecture; (2) when the inference made is manifestly mistaken; (3) where there is a grave abuse of discretion; (4) when judgment is based on a misapprehension of facts; (5) when the findings of facts are conflicting; (6) when the Court of Appeals, in making its findings went beyond the issues of the case and the same is contrary to the admissions of both appellant and appellee; (7) the findings of the Court of Appeals are contrary to those of the trial court; (8) when the findings of fact are conclusions without specific evidence on which they are based; (9) when the facts set forth in the petition as well [as] in the petitioners' main and reply briefs are not disputed by the respondents; and (10) the finding of fact of the Court of Appeals is premised on the supposed absence of evidence and is contradicted by the evidence on record."

[74] See *United Coconut Planters Bank v. United Alloy Philippines Corporation*, G.R. No. 152238, 28 January 2005, 449 SCRA 473, 483. See also *Olalia v. Hizon*, 274 Phil. 66, 72 (1991) as cited by the Court of Appeals in the 31 March 2004 Decision.

[75] *Almeida v. Court of Appeals*, G.R. No. 159124, 17 January 2005, 448 SCRA 681, 703.

[76] *Social Security Com. v. Hon. Bayona*, 115 Phil. 106, 111 (1962), citing 28 Am. Jur., 244 and 43 C.J.S., 427, 446.

[77] TSN, 25 May 1999, pp. 112-115, 132-136.

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.