

SPOUSES EDUARDO SOBREJUANITE AND FIDELA SOBREJUANITE, PETITIONERS, VS. ASB DEVELOPMENT CORPORATION, RESPONDENT.

G.R. NO. 165675. September 30, 2005

Ponente: YNARES-SANTIAGO, J.

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YNARES-SANTIAGO, J.:

This petition for review on certiorari assails the June 29, 2004 Decision of the Court of Appeals in CA-G.R. SP No. 79420 which reversed and set aside the Decision of the Office of the President; and its October 18, 2004 Resolution denying reconsideration thereof.

The antecedent facts show that on March 7, 2001, spouses Eduardo and Fidela Sobrejuanite (Sobrejuanite) filed a Complaint[1] for rescission of contract, refund of payments and damages, against ASB Development Corporation (ASBDC) before the Housing and Land Use Regulatory Board (HLURB).

Sobrejuanite alleged that they entered into a Contract to Sell with ASBDC over a condominium unit and a parking space in the BSA Twin Tower-B Condominium located at Bank Drive, Ortigas Center, Mandaluyong City. They averred that despite full payment and demands, ASBDC failed to deliver the property on or before December 1999 as agreed. They prayed for the rescission of the contract; refund of payments amounting to P2,674,637.10; payment of moral and exemplary damages, attorney's fees, litigation expenses, appearance fee and costs of the suit.

ASBDC filed a motion to dismiss or suspend proceedings in view of the approval by the Securities and Exchange Commission (SEC) on April 26, 2001 of the rehabilitation plan of ASB Group of Companies, which includes ASBDC, and the appointment of a rehabilitation receiver. The HLURB arbiter however denied the motion and ordered the continuation of the proceedings.

The arbiter found that under the Contract to Sell, ASBDC should have delivered the property to Sobrejuanite in December 1999; that the latter had fully paid their obligations except the P50,000.00 which should be paid upon completion of the construction; and that rescission of the contract with damages is proper.

The dispositive portion of the Decision reads:

WHEREFORE, in view of the foregoing judgment is rendered ordering the rescission of the contracts to sell between the parties, and further ordering the respondent [ASBDC] to pay the complainants [Sobrejuanite] the following:

- a) all amortization payments by the complainants amounting to P2,674,637.10 plus 12% interest from the date of actual payment of each amortization;
- b) moral damages amounting to P200,000.00;
- c) exemplary damages amounting to P100,000.00;
- d) attorney's fees amounting to P100,000.00;
- e) litigation expenses amounting to P50,000.00.

All other claims and all counter-claims are hereby dismissed.

IT IS SO ORDERED.[2]

The HLURB Board of Commissioners[3] affirmed the ruling of the arbiter that the approval of the rehabilitation plan and the appointment of a rehabilitation receiver by the SEC did not have the effect of suspending the proceedings before the HLURB. The board held that the HLURB could properly take cognizance of the case since whatever monetary award that may be granted by it will be ultimately filed as a claim before the rehabilitation receiver. The board also found that ASBDC failed to deliver the property to Sobrejuanite within the prescribed period. The dispositive portion of the Decision reads:

Wherefore the petition for review is denied and the decision of the office below is affirmed. It shall be understood that all monetary awards shall still be filed as claims before the rehabilitation receiver.[4]

ASBDC filed an appeal[5] before the Office of the President which was dismissed[6] for lack of merit. Hence, ASBDC filed a petition[7] under Section 1, Rule 43 of the Rules of Court before the Court of Appeals, docketed as CA-G.R. SP No. 79420.

On June 29, 2004, the Court of Appeals rendered its assailed Decision,[8] the dispositive portion of which reads:

WHEREFORE, premises considered, the instant petition is GRANTED. The impugned decision dated June 27, 2003 of the Office of the President is hereby REVERSED AND SET ASIDE. No pronouncement as to costs.

SO ORDERED.[9]

The Court of Appeals held that the approval by the SEC of the rehabilitation plan and the appointment of the receiver caused the suspension of the HLURB proceedings. The appellate court noted that Sobrejuanite's complaint for rescission and damages is a claim under the contemplation of Presidential Decree (PD) No. 902-A or the SEC Reorganization Act and A.M. No. 00-8-10-SC or the Interim Rules of Procedure on Corporate Rehabilitation, because it sought to enforce a pecuniary demand. Therefore, jurisdiction lies with the SEC and not HLURB. It also ruled that ASBDC was obliged to deliver the property in December 1999 but its financial reverses warranted the extension of the period.

Sobrejuanite's motion for reconsideration was denied[10] hence the instant petition which raises the following issues:

- THE COURT OF APPEALS COMMITTED REVERSIBLE ERROR AND GRAVELY ABUSED ITS DISCRETION IN RULING THAT THE SEC, NOT THE HLURB, HAS JURISDICTION OVER PETITIONER'S COMPLAINT, IN CONTRAVENTION TO LAW AND THE RULING OF THIS HONORABLE COURT IN THE ARRANZA CASE.
- THE COURT OF APPEALS COMMITTED REVERSIBLE ERROR AND GRAVELY ABUSED ITS DISCRETION WHEN IT RULED THAT THE APPROVAL OF THE CORPORATE REHABILITATION PLAN AND THE APPOINTMENT OF A RECEIVER HAD THE EFFECT OF SUSPENDING THE PROCEEDING IN THE HLURB, AND THAT THE MONETARY AWARD GIVEN BY THE HLURB COULD NOT [BE] FILED IN THE SEC FOR PROPER DISPOSITION, NOT BEING IN ACCORDANCE WITH LAW AND JURISPRUDENCE.
- THE COURT OF APPEALS COMMITTED REVERSIBLE ERROR AND GRAVELY ABUSED ITS DISCRETION IN RULING THAT RESPONDENT "IS JUSTIFIED IN EXTENDING THE AGREED DATE OF DELIVERY BY INVOKING AS GROUND THE FINANCIAL CONSTRAINTS IT EXPERIENCED," BEING CONTRARY TO LAW AND IN EFFECT AN UNLAWFUL NOVATION OF THE AGREEMENT OF THE DATE OF DELIVERY ENTERED INTO BY PETITIONERS AND RESPONDENT.[11]

The petition lacks merit.

Section 6(c) of PD No. 902-A empowers the SEC:

c) To appoint one or more receivers of the property, real and personal, which is the subject of the action pending before the Commission ... whenever necessary in order to preserve the rights of the parties-litigants and/or protect the interest of the investing public and creditors: ... Provided, finally, That upon appointment of a management committee, rehabilitation receiver, board or body, pursuant to this Decree, all actions for claims against corporations, partnerships or associations under management or receivership pending before any court, tribunal, board or body shall be suspended accordingly. [Emphasis added]

The purpose for the suspension of the proceedings is to prevent a creditor from obtaining an advantage or preference over another and to protect and preserve the rights of party litigants as well as the interest of the investing public or creditors.[12] Such suspension is intended to give enough breathing space for the management committee or rehabilitation receiver to make the business viable again, without having to divert attention and resources to litigations in various fora.[13] The suspension would enable the management committee or rehabilitation receiver to effectively exercise its/his powers free from any judicial or extra-judicial interference that might unduly hinder or prevent the "rescue" of the debtor company. To allow such other action to continue would only add to the burden of the management committee or rehabilitation receiver, whose time, effort and resources would be wasted in defending claims against the corporation instead of being directed toward its restructuring and rehabilitation.[14]

Thus, in order to resolve whether the proceedings before the HLURB should be suspended, it is necessary to determine whether the complaint for rescission of contract with damages is a claim within the contemplation of PD No. 902-A.

In *Finasia Investments and Finance Corp. v. Court of Appeals*,^[15] we construed claim to refer only to debts or demands pecuniary in nature. Thus:

[T]he word 'claim' as used in Sec. 6(c) of P.D. 902-A refers to debts or demands of a pecuniary nature. It means "the assertion of a right to have money paid. It is used in special proceedings like those before administrative court, on insolvency."

The word "claim" is also defined as:

Right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured; or right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, unsecured.

In conflicts of law, a receiver may be appointed in any state which has jurisdiction over the defendant who owes a claim.

As used in statutes requiring the presentation of claims against a decedent's estate, "claim" is generally construed to mean debts or demands of a pecuniary nature which could have been enforced against the deceased in his lifetime and could have been reduced to simple money judgments; and among these are those founded upon contract.

In *Arranza v. B.F. Homes, Inc.*,^[16] claim is defined as referring to actions involving monetary considerations.

Finasia Investments and Finance Corp. v. Court of Appeals and *Arranza v. B.F. Homes, Inc.* were promulgated prior to the effectivity of the Interim Rules of Procedure on Corporate Rehabilitation on December 15, 2000. The

interim rules define a claim as referring to all claims or demands, of whatever nature or character against a debtor or its property, whether for money or otherwise. The definition is all-encompassing as it refers to all actions whether for money or otherwise. There are no distinctions or exemptions.

Incidentally, although the petition for rehabilitation with prayer for suspension of actions and proceedings was filed before the SEC on May 2, 2000,[17] or prior to the effectivity of the interim rules, the same would still apply pursuant to Section 1, Rule 1 thereof which provides:

Section 1. Scope – These Rules shall apply to petitions for rehabilitation filed by corporations, partnerships, and associations pursuant to Presidential Decree No. 902-A, as amended.

Clearly then, the complaint filed by Sobrejuanite is a claim as defined under the Interim Rules of Procedure on Corporate Rehabilitation. Even under our rulings in *Finasia Investments and Finance Corp. v. Court of Appeals and Arranza v. B.F. Homes, Inc.*, the complaint for rescission with damages would fall under the category of claim considering that it is for pecuniary considerations.

In their complaint, Sobrejuanite pray for the rescission of the contract and the refund of P2,674,637.10 representing their total payments to ASBDC; P200,000.00 as moral damages; P100,000.00 as exemplary damages; P100,000.00 as attorney's fees; P50,000.00 as litigation expenses; P1,500.00 per hearing as appearance fees; and costs of the suit.

In the decision of the HLURB arbiter, ASBDC was ordered to pay P2,674,637.10 plus 12% interest from the date of actual payment of each amortization, representing the refund of all the amortization payments made by Sobrejuanite; P200,000.00 as moral damages; P100,000.00 as exemplary damages; P100,000.00 as attorney's fees; and P50,000.00 as litigation expenses.

As such, the HLURB arbiter should have suspended the proceedings upon the approval by the SEC of the ASB Group of Companies' rehabilitation plan and the appointment of its rehabilitation receiver. By the suspension of the proceedings, the receiver is allowed to fully devote his time and efforts to the rehabilitation and restructuring of the distressed corporation.

It is well to note that even the execution of final judgments may be held in abeyance when a corporation is under rehabilitation.[18] Hence, there is more reason in the instant case for the HLURB arbiter to order the suspension of the proceedings as the motion to suspend was filed soon after the institution of the complaint. By allowing the proceedings to proceed, the HLURB arbiter unwittingly gave undue preference to Sobrejuanite over the other creditors and claimants of ASBDC, which is precisely the vice sought to be prevented by Section 6(c) of PD 902-A. Thus:

As between creditors, the key phrase is "equality is equity." When a corporation threatened by bankruptcy is taken over by a receiver, all the creditors should stand on equal footing. Not anyone of them should be given any preference by paying one or some of them ahead of the others. This is precisely the reason for the suspension of all pending claims against the corporation under receivership. Instead of creditors vexing the courts with suits against the distressed firm, they are directed to file their claims with the receiver who is a duly appointed officer of the SEC.[19]

Petitioners' reliance on *Arranza v. B.F. Homes, Inc.*[20] is misplaced. In that case, we held that the HLURB retained its jurisdiction despite the rehabilitation proceedings since the claim filed by the homeowners did not involve pecuniary considerations. The claim therein was for specific performance to enforce the homeowners' rights as regards right of way, open spaces, road and perimeter wall repairs, and security. However, it can also be deduced therefrom that if the claim was for monetary awards, the proceedings before the HLURB should be suspended during the rehabilitation. Thus:

No violation of the SEC order suspending payments to creditors would result as far as petitioners' complaint before the HLURB is concerned. To reiterate, what petitioners seek to enforce are respondent's obligations as a subdivision developer. Such claims are basically not pecuniary in nature although it could incidentally involve monetary considerations. All that petitioners' claims entail is the exercise of proper subdivision management on the part of the SEC-appointed Board of Receivers towards the end that homeowners shall enjoy the ideal community living that respondent portrayed they would have when they bought real estate from it.

Neither may petitioners be considered as having "claims" against respondent within the context of the following proviso of Section 6 (c) of P.D. No. 902-A, i.e., to warrant suspension of the HLURB proceedings.

....

In this case, under the complaint for specific performance before the HLURB, petitioners do not aim to enforce a pecuniary demand. Their claim for reimbursement should be viewed in the light of respondent's alleged failure to observe its statutory and contractual obligations to provide petitioners a "decent human settlement" and "ample opportunities for improving their quality of life." The HLURB, not the SEC, is equipped with the expertise to deal with that matter.[21]

Finally, we agree with the Court of Appeals that under the Contract to Sell, ASBDC was obliged to deliver the property to Sobrejuanite on or before December 1999. Nonetheless, the same was deemed extended due to the financial reverses experienced by the company. Section 7 of the Contract to Sell allows the developer to extend the period of delivery on account of causes beyond its control, such as financial reverses.

WHEREFORE, the petition is DENIED. The assailed Decision of the Court of Appeals dated June 29, 2004 in CA-G.R. SP No. 79420 and its Resolution dated October 18, 2004, are AFFIRMED.

SO ORDERED.

Davide, Jr., C.J. (Chairman), Quisumbing, Carpio, and Azcuna, JJ., concur.

[1] Rollo, pp. 154-156. Docketed as HLURB Case No. REM-030701-11433.

[2] CA Rollo, pp. 193-194. Penned by HLURB Arbiter Marino Bernardo M. Torres.

[3] Commissioners Teresita A. Desierto and Fortunato R. Abrenilla; Jose C. Calida took no part.

[4] CA Rollo, p. 199.

[5] Docketed as O.P. Case No. 03-C-119.

[6] CA Rollo, p. 203. Per Acting Deputy Executive Secretary for Legal Affairs Manuel B. Gaité.

[7] Id. at 13-31.

[8] Id. at 320-331. Penned by Associate Justice Amelita G. Tolentino and concurred in by Associate Justices Marina L. Buzon and Vicente S. E. Veloso.

[9] Id. at 330.

[10] Id. at 397.

[11] Rollo, p. 40.

[12] *Finasia Investments and Finance Corp. v. Court of Appeals*, G.R. No. 107002, October 7, 1994, 237 SCRA 446, 450-451.

[13] Rubberworld (Phils.), Inc. v. NLRC, 365 Phil. 273, 276-277 [1999].

[14] BF Homes, Incorporated v. Court of Appeals, G.R. Nos. 76879 & 77143, October 3, 1990, 190 SCRA 262, 269.

[15] Supra at 450.

[16] 389 Phil. 318 [2000].

[17] CA Rollo, p. 44.

[18] Alemar's Sibal & Sons, Inc. v. Elbinias, G.R. No. 75414, June 4, 1990, 186 SCRA 94.

[19] Id. at 99-100.

[20] Supra.

[21] Id. at 332-333.

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