

ALLIED BANKING CORPORATION, PETITIONER, V. IN THE MATTER OF THE PETITION TO HAVE STEEL CORPORATION OF THE PHILIPPINES PLACED UNDER CORPORATE REHABILITATION WITH PRAYER FOR THE A...

G.R. No. 191939. March 14, 2018

Ponente: MARTIRES, J.

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MARTIRES, J.:

This is a petition for review on certiorari under Rule 45 of the Rules of Court assailing the 22 July 2008 Decision[2] and 12 April 2010 Resolution[3] of the Court of Appeals (CA) in CA-G.R. SP No. 97206. The CA affirmed the 22 November 2006 Resolution of the Regional Trial Court (RTC or the rehabilitation court), Branch 2, Batangas City, in Spec. Proc. No. 06-7993, which ordered the bank creditors of Steel Corporation of the Philippines (SCP) to unfreeze and restore the latter's bank accounts to the possession, control, and custody of the rehabilitation receiver.

THE FACTS

On 11 September 2006, Equitable PCI Bank, Inc. (EPCIB), as creditor, filed a petition for the corporate rehabilitation of its debtor SCP with the RTC.

EPCIB alleged, among others, that due to the onslaught of the 1997 Asian Financial Crisis, SCP began experiencing a downward trend in its financial condition which prompted various banks and financial institutions to grant it with term loan facilities and working capital lines; that SCP failed to make timely payments on its term loan facilities; that SCP also defaulted on its loan obligations under the December 2002 Omnibus Agreement,[4] where lending banks and other financial institutions agreed to reschedule and restructure SCP's payments on the principal loan and interest, reinstate its working capital lines and establish a new trade financing line; and that the petition for corporate rehabilitation is grounded on Section 1, Rule 4 of the Interim Rules of Corporate Rehabilitation, which provides that "any debtor who foresees the impossibility of meeting its debts when they respectively fall due, or any creditor or creditors holding at least twenty-five percent (25%) of the debtor's total liabilities, may petition the proper Regional Trial Court to have the debtor placed under rehabilitation."

Apart from the foregoing agreements, Allied Banking Corporation (ABC) granted SCP with a revolving credit facility denominated as a letter of credit/trust receipt line in the amount of P100 million, which SCP availed of to finance the importation of its raw materials. Pursuant to this arrangement, SCP executed a trust receipt (TR),[5] which authorizes ABC to charge SCP's account in its possession under instances specified in paragraph 9 thereof, viz:

In the event of any bankruptcy, insolvency, suspension of payment, or failure, or assignment for the benefit of creditors, on my/our part, or of the non-fulfillment of any obligation, or of the non-payment at maturity of any acceptance specified hereon or under any credit issued by the ALLIED BANKING CORPORATION for

my/our account, or of the non-payment of any indebtedness on my/our part to the said bank, all obligations, acceptances, indebtedness, and liabilities whatsoever shall thereupon (with or without notice) mature and become due and payable. The ALLIED BANKING CORPORATION is hereby constituted my/our attorney-in-fact, with authority to examine my/our books and records, to charge my/our account or to sell any other property of mine/ours in its possession, and to liquidate any or all of my/our obligations under this Trust Receipt.

The RTC Ruling

On 12 September 2006, the RTC issued an Order^[6] (the subject order) granting EPCIB's petition, the dispositive portion of which reads:

WHEREFORE, finding the petition to be sufficient in form and substance, this Order is hereby issued—

(a) Appointing Santiago T. Gabionza Jr., with address at Villanueva Gabionza and De Santos Law Offices, 20/F 139 Corporate Center, Valero Street, Salcedo Village, Makati City, as Rehabilitation Receiver of Steel Corporation of the Philippines, directing him to assume his position as such upon the taking of an oath before the Branch Clerk of this Court and after posting a bond in the amount of P300,000.00 to guarantee the faithful discharge of his duties and obedience to the Orders of this Court;

(b) Upon acceptance by Santiago T. Gabionza, Jr. of his appointment as Rehabilitation Receiver, directing him:

[i] to take possession, control and custody of the assets of the debtor Steel Corporation of the Philippines;

[ii] to closely oversee and monitor the operations of the said debtor corporation during the pendency of the proceedings and to immediately report to this Court any material adverse change in its business;

[iii] to ensure that the value of the properties of Steel Corporation of the Philippines are reasonably maintained pending the termination of whether or not it should be rehabilitated;

[iv] to investigate the acts, conduct, properties, liabilities, and financial condition of the debtor-corporation, the operation of its business and the desirability of the continuance thereof, and any matter relevant to the proceedings or to the formulation of a rehabilitation plan;

[v] to report to this Court any fact ascertained by him pertaining to the causes of the debtor's problems, fraud, preferences, dispositions, encumbrances, misconduct, mismanagement, and irregularities committed by the stockholders, directors, management, or any other person against the debtor;

[vi] to evaluate the existing assets and liabilities, earnings and operations of the said debtor-corporation;

[vii] to determine and recommend to this Court the best way to salvage and protect the interests of the creditors, stockholders and the general public;

[viii] to exercise such powers and prerogatives stated above as may be necessary and proper under the law and the Interim Rules of Procedure on Corporate Rehabilitation over all other corporations, persons or entities as may be affected by these proceedings;

[ix] to apply to this Court for any order or directive that he may deem necessary or desirable to aid him in the exercise of his powers and performance of his duties and functions.

(c) Staying all claims against SCP, by all other corporations, persons or entities insofar as they may be affected by the present proceedings, until further notice from this Court, pursuant to Sec. 6, of Rule 4 of the Interim Rules of Procedure on Corporate Rehabilitation. Steel Corporation of the Philippines is hereby prohibited from selling, encumbering, transferring or disposing in any manner of its assets and properties except in the ordinary course of its business and as may be approved by the Rehabilitation Receiver.

The suppliers of goods or services of Steel Corporation of the Philippines are prohibited from withholding supply of goods and services in the ordinary course of business for as long as it is able to make payment for the services and goods supplied after the issuance of this Order.

Steel Corporation of the Philippines is directed to pay in full the administrative expenses incurred after the issuance of this Order.

The petitioner is directed to publish this Order in a newspaper of general circulation in the Philippines once a week for two (2) consecutive weeks.

All other creditors and all interested parties, including the Securities and Exchange Commission, are directed to file and serve on the petitioner, thru their counsels on record, Divina and Uy Law Offices, 8th Floor, Pacific Star Building, Makati Avenue corner Sen. Gil Puyat Ave., Makati City, a verified comment on the petition, with supporting affidavits and documents, not later than ten (10) days before the date of the initial hearing. Failure to do so will constitute a bar on such creditors and all interested parties from participating in the proceedings.

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SO ORDERED. (emphasis supplied)

On 15 September 2006, petitioner applied the remaining proceeds of SCP's Current Account No. 1801-004-87-6 (subject account) in the amount of P6,750,000.00, maintained with its Aguirre Branch, to its obligations under the TR.

On 29 October 2006, SCP filed an urgent omnibus motion alleging that petitioner violated the rehabilitation court's stay order when it applied the proceeds of its current account to the payment of obligations covered by the stay order. Consequently, it prayed for ABC to immediately restore its current account, credit back to said account the amount of P6,750,000.00, and honor any and all transactions of SCP in said account.

On 2 November 2006, ABC filed an opposition, mainly contending that SCP's obligations with it had become due and demandable, rendering legal compensation valid and proper; that petitioner did not violate the stay order, as it had no notice of its issuance at the time of the legal compensation; and that petitioner cannot be legally compelled to extend credit to SCP against its will.

On 22 November 2006, the RTC issued a resolution (the subject resolution), finding merit in SCP's position, to wit:

WHEREFORE, in view of all the foregoing, the Court hereby orders as follows:

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3. ABC to restore SCP's Current Account No. 1801-004-87-6 at Aguirre Branch, Makati City, and to credit back to the said account the entire deposit balance therein of P6,750,000.00 and to honor any and all transactions of SCP in said account as may be approved by the Rehabilitation Receiver.

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Aggrieved, ABC filed a petition for review under Rule 43 with the CA.

The CA Ruling

The CA affirmed the resolution of the RTC, viz:

WHEREFORE, the November 22, 2006 Resolution of the Regional Trial Court, Branch 2, Batangas City, in

Sp. Proc. No. 06-7993, is AFFIRMED.

The CA ruled that the RTC's stay order was effective from the date of its issuance on 12 September 2006, on the basis of Section 11, Rule 4, and Section 5, Rule 3, of the Interim Rules of Corporate Rehabilitation; thus, ABC was bound to comply with it on said date. The CA also ruled that the subject account was already under custodia legis by virtue of the stay order, rendering ABC's unilateral application of the proceeds in the subject account improper. On the issue of impairment of contractual rights, the CA held that no impairment exists because no changes were made in the amount or rate of SCP's debt to ABC. Only the enforcement of the latter's claims is being stayed or suspended.

Unconvinced, ABC filed a motion for reconsideration of the CA decision, which was denied by the CA in its resolution; hence, the instant petition.

The present petition

ABC contends that it was deprived of its right to due process when the RTC ordered ABC to restore SCP's current account and to credit back the amount previously set off. ABC asserts that it was not yet bound by the 12 September 2006 stay order when it made the setoff on 15 September 2006 because jurisdiction over it had not yet been acquired by the rehabilitation court; the stay order was only published on 16 September 2006.

ABC further contends that when it offset the proceeds in the subject account, it merely applied the provisions of law on legal compensation, since SCP had already incurred a default in its obligations rendering operative the terms of the TR it had issued.

ISSUES

ABC raises the following issues:

I. THE HONORABLE COURT OF APPEALS ERRED IN AFFIRMING THE LOWER COURT'S DECISION THAT PETITIONER ABC IS BOUND BY THE SEPTEMBER 12, 2006 STAY ORDER THEREBY UNLAWFULLY DEPRIVING THE PETITIONER OF ITS RIGHT TO DUE PROCESS OF LAW.

II. THE HONORABLE COURT OF APPEALS ERRED IN AFFIRMING THE LOWER COURT'S DECISION THAT PETITIONER ABC IS PROHIBITED FROM APPLYING THE PROCEEDS OF THE DEPOSIT ACCOUNT OF STEEL CORPORATION TO ITS OUTSTANDING OBLIGATIONS FROM THE DATE OF THE ISSUANCE OF THE STAY ORDER ON 12 SEPTEMBER 2006, AS THE SAID PROCEEDS ARE ALREADY UNDER CUSTODIA LEGIS, BY VIRTUE OF THE STAY ORDER.

THE COURT'S RULING

The central argument to the present petition is that the RTC could not invalidate an act already consummated prior to the date that the subject order was published, since it was only on said date that the court acquired jurisdiction over ABC. ABC primarily bases its assertion on Section 1, Rule 3 of the Interim Rules,[7] which considers rehabilitation proceedings as in rem and jurisdiction over all those affected acquired only upon publication of the notice commencing proceedings.

This Court is thus tasked to determine when the subject order took effect for purposes of compliance, and whether the rehabilitation court can reverse or invalidate acts that are inconsistent with its stay order and are made after its issuance but prior to its publication.

Applying the provisions of the present Rehabilitation Rules, the rehabilitation court properly invalidated ABC's

action.

The rehabilitation petition was filed by EPCIB under A.M. No. 00-8-10-SC dated 21 November 2000, or the 2000 Interim Rules of Procedure on Corporate Rehabilitation (Interim Rules).

On 27 August 2013, however, the Court enacted A.M. No. 12-12-11-SC, or the Financial Rehabilitation Rules of Procedure (Rehabilitation Rules), which amended and revised the Interim Rules and the subsequent 2008 Rules of Procedure on Corporate Rehabilitation (2008 Rules), in order to incorporate the significant changes brought about by Republic Act No. 10142 (R.A. No. 10142), otherwise known as the Financial Rehabilitation and Insolvency Act of 2010 (FRIA).[8]

The Rehabilitation Rules provides that the court shall issue a commencement order once it finds the petition for rehabilitation sufficient in form and substance.[9] This commencement order primarily contains: a declaration that the debtor is under rehabilitation, the appointment of a rehabilitation receiver, a directive for all creditors to file their verified notices of claim, and an order staying claims against the debtor.[10] The rehabilitation proceedings shall be deemed to have commenced from the date of filing of the petition,[11] which is also termed the commencement date.

Under the same Rules, the effects of such commencement order shall retroact to the date that the petition was filed, and renders void any attempt to collect on or enforce a claim against the debtor or to set off any debt by the debtor's creditors, after the commencement date, to wit:

SEC. 9. EFFECTS OF THE COMMENCEMENT ORDER. - The effects of the court's issuance of a Commencement Order shall retroact to the date of the filing of the petition and, in addition to the effects of a Stay or Suspension Order described in the foregoing section, shall

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(B) prohibit or otherwise serve as the legal basis for rendering null and void the results of any extrajudicial activity or process to seize property, sell encumbered property, or otherwise attempt to collect on or enforce a claim against the debtor after the commencement date unless otherwise allowed under these Rules, subject to the provisions of Section 49 of this Rule;

(C) serve as legal basis for rendering null and void any set-off after the commencement date of any debt owed to the debtor by any of the debtor's creditors; (emphasis supplied)

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The order issued by the RTC on 12 September 2006, which effectively initiated rehabilitation proceedings and included a suspension of all claims against SCP, is akin to the commencement order under the Rehabilitation Rules.

Clearly, therefore, if the Rehabilitation Rules were to be applied, the directive of the rehabilitation court restoring SCP's current account and crediting back the offset amount is valid and proper, since the offsetting was made on 15 September 2006, after the commencement date on 11 September 2006, when the petition for rehabilitation was filed.

The question thus arises: May the Rehabilitation Rules be applied to resolve the present petition, when the subject petition for rehabilitation was filed under the Interim Rules.

The Court rules in the affirmative.

Section 2, Rule 1 of the Rehabilitation Rules governs rehabilitation cases already pending, except when its

application would not prove feasible or would work injustice, to wit:

SEC. 2. SCOPE. - These Rules shall apply to petitions for rehabilitation of corporations, partnerships, and sole proprietorships, filed pursuant to Republic Act No. 10142, otherwise known as the Financial Rehabilitation and Insolvency Act (FRIA) of 2010.

These Rules shall similarly govern all further proceedings in suspension of payments and rehabilitation cases already pending, except to the extent that, in the opinion of the court, its application would not be feasible or would work injustice, in which event the procedures originally applicable shall continue to govern. (emphasis supplied)

The above provision is consistent with the mandate under R.A. No. 10142, viz:

SEC. 146. Application to Pending Insolvency, Suspension of Payments and Rehabilitation Cases. - This Act shall govern all petitions filed after it has taken effect. All further proceedings in insolvency, suspension of payments and rehabilitation cases then pending, except to the extent that in the opinion of the court their application would not be feasible or would work injustice, in which event the procedures set forth in prior laws and regulations shall apply. (emphasis supplied)

The soundness of upholding the retroactive effect of a commencement order is easily discernible.

In *Philippine Bank of Communications v. Basic Polyprinters and Packaging Corporation*,^[12] the Court said that rehabilitation proceedings seek to give insolvent debtors the opportunity to reorganize their affairs and to efficiently and equitably distribute its remaining assets, viz:

Rehabilitation proceedings in our jurisdiction have equitable and rehabilitative purposes. On the one hand, they attempt to provide for the efficient and equitable distribution of an insolvent debtor's remaining assets to its creditors; and on the other, to provide debtors with a "fresh start" by relieving them of the weight of their outstanding debts and permitting them to reorganize their affairs. The purpose of rehabilitation proceedings is to enable the company to gain a new lease on life and thereby allow creditors to be paid their claims from its earnings. (emphasis supplied)

The filing of a petition for the rehabilitation of a debtor, when the court finds that it is sufficient in form and substance, is both (1) an acknowledgment that the debtor is presently financially distressed; and (2) an attempt to conserve and administer its assets in the hope that it will eventually return to its former state of successful financial operation and liquidity.^[13] The inherent purpose of rehabilitation is to find ways and means to minimize the expenses of the distressed corporation during the rehabilitation period by providing the best possible framework for the corporation to gradually regain or achieve a sustainable operating form.^[14]

Certainly, when a petition for rehabilitation is filed and subsequently granted by the court, its purpose will be defeated if the debtors are still allowed to arbitrarily dispose of their property and pay their liabilities, outside of the ordinary course of business and what is allowed by the court, after the filing of the said petition. Such a scenario does not promote an environment where the debtor could regain its operational footing, contrary to the dictates of rehabilitation.

The petition itself, when granted by the court, is already a recognition of the debtor's distressed financial status not only at the time the order is issued, but also at the time the petition is filed. It is, therefore, more consistent with the objectives of rehabilitation to recognize that the effects of an order commencing rehabilitation proceedings and staying claims against the debtor should retroact to the date the petition is filed.

Accordingly, the Court finds that application of the Rehabilitation Rules to the case at bar is proper, insofar as it clarifies the effect of an order staying claims against a debtor sought to be rehabilitated.

Such application promotes a just and sound resolution to the present controversy, bearing in mind the inherent purpose of rehabilitation proceedings. It is also feasible, considering the subject resolution was within the Rehabilitation Court's powers, wielded for the same purpose identified in both the Interim Rules and the Rehabilitation Rules which is to promote a timely, fair, transparent, effective, and efficient rehabilitation of debtors.[15]

Even the Interim Rules provides for the immediate effectivity of a stay order.

Even if the retroactive effect under the Rehabilitation Rules is inapplicable to the case at bar, the Interim Rules expressly provides that the stay order is effective upon its issuance, viz:

Sec. 11. Period of the Stay Order. - The stay order shall be effective from the date of its issuance until the dismissal of the petition or the termination of the rehabilitation proceedings. (emphasis supplied)

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The foregoing provision finds support in Section 5, Rule 3, of the Interim Rules, to wit:

Sec. 5. Executory Nature of Orders. - Any order issued by the court under these Rules is immediately executory. A petition for review or an appeal therefrom shall not stay the execution of the order unless restrained or enjoined by the appellate court. The review of any order or decision of the court or an appeal therefrom shall be in accordance with the Rules of Court: Provided, however, that the reliefs ordered by the trial or appellate courts shall take into account the need for resolution of proceedings in a just, equitable, and speedy manner. (emphasis supplied)

This Court quotes with approval the CA's disquisition on this matter:

From the above provisions, a stay order issued by the court in a corporate rehabilitation proceeding is effective from the date of its issuance until the dismissal of the petition or the termination of the rehabilitation proceedings. In fact, it is immediately executory.

In the case at bar, there is no doubt that the rehabilitation court correctly held that the appellant is bound by the September 12, 2006 Stay Order as of the date of its issuance, the same being immediately executory and effective without any further act, event, or condition being necessary to compel compliance therewith as expressly provided in Sec. 11, Rule IV and Sec. 5, Rule III of the Interim Rules of Procedure on Corporate Rehabilitation.

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It should be stressed that the Interim Rules was enacted to provide for a summary and non-adversarial rehabilitation proceedings. This is in consonance with the commercial nature of a rehabilitation case, which is aimed to be resolved expeditiously for the benefit of all the parties concerned and the economy in general.

It is true that under the Interim Rules, similar to the Rehabilitation Rules, publication of the notice of the commencement of the proceedings is necessary to acquire jurisdiction over all persons affected, viz:

Section 1. Nature of Proceedings. - Any proceeding initiated under these Rules shall be considered in rem. Jurisdiction over all those affected by the proceedings shall be considered as acquired upon publication of the notice of the commencement of the proceedings in any newspaper of general circulation in the Philippines in the manner prescribed by these Rules.

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The question posed herein is whether the immediate effectivity of the stay order is inconsistent with the publication requirement under the Rules, such that the rehabilitation court cannot invalidate acts made after its

issuance but prior to its publication. The Court rules in the negative.

Taking into consideration the laudable objectives of rehabilitation proceedings, the immediate effectivity of the stay order means that the RTC, through an order commencing rehabilitation and staying claims against the debtor, acknowledges that the debtor requires rehabilitation immediately and therefore it can not only prohibit but also nullify acts made after its effectivity, when such acts are violative of the stay order, to prevent any irreparable detriment to the debtor's successful restoration.

The foregoing is validated by the Interim Rules, where the court can declare void any transaction made in violation of the stay order, viz:

Sec. 8. Voidability of Illegal Transfers and Preferences. - Upon motion or motu proprio, the court may declare void any transfer of property or any other conveyance, sale, payment, or agreement made in violation of its stay order or in violation of these Rules. (emphasis supplied)

The publication requirement only means that all affected persons must, to satisfy the requirements of due process, be notified that as of a particular date, the debtor in question requires rehabilitation and should temporarily be exempt from paying its obligations, unless allowed by the court. Once due notice is made, the rehabilitation court may nullify actions inconsistent with the stay order but which may have been taken prior to publication, precisely because prior to publication, creditors may not yet be aware that they are to desist from pursuing claims against the insolvent debtor.

Again, the immediate effectivity of the stay order can be traced to the purpose of rehabilitation: once the necessity of rehabilitating the debtor is recognized, through a petition duly granted, it is imperative that the necessary steps to preserve its assets are taken at the earliest possible time.

It is thus apparent that the RTC properly invalidated petitioner's action made on 15 September 2006, after the subject order was issued.

There was no impairment of contract or deprivation of due process.

According to ABC, the subject resolution constituted an impairment of its contract with SCP because under the TR it executed in ABC's favor, ABC had the right to charge SCP's account in case of nonpayment of any indebtedness. ABC also claims lack of due process because the rehabilitation court directed ABC to restore SCP's account even when the offsetting was made prior to publication of the subject order, when ABC was not yet deemed notified of the order.

Anent the alleged impairment of contract, basic is the principle that the law is deemed written into every contract, such that while a contract is the law between the parties, the provisions of positive law which regulate contracts shall limit and govern their relations.[16] At the time the Trust Receipt Agreement was entered into by ABC and SCP, the law expressly allowed corporations to be declared in a state of suspension of payments under specific instances.[17]

Consequently, said law and its implementing rules are deemed incorporated in the Trust Receipt Agreement, thereby limiting ABC's right to enforce its claim against SCP once a stay or suspension order is issued. Clearly, the principle on inviolability of contracts was not violated.

It must also be noted that the subject order did not eliminate or reduce SCP's obligations to ABC, but merely suspended its enforcement while rehabilitation is being undertaken. In fact, one of the purposes of rehabilitation is to ensure the efficient and equitable distribution of the insolvent debtor's remaining assets to its creditors.[18]

In *Golden Merchandising Corporation v. Equitable PCI Bank*,[19] which involved the question of whether the

shorter redemption period, provided under R.A. No. 8791 and applied to a real mortgage contract executed prior to the enactment of said law, constitutes a violation against the constitutional proscription on impairment of contracts, the Court ruled that there was no impairment because the provision in question did not divest juridical persons of their right to redeem but merely modified the time for the exercise of such right.

Similarly, ABC was not deprived of its right to enforce its claim against SCP. The creditor's right to enforce his claim despite the issuance of a stay order is even validated by Section 8 of the Rehabilitation Rules, to wit:

SEC. 8. COMMENCEMENT OF PROCEEDINGS AND ISSUANCE OF COMMENCEMENT ORDER. -
The rehabilitation proceedings shall be deemed to have commenced from the date of filing of the petition.

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The issuance of a stay order does not affect the right to commence actions or proceedings in order to preserve ad cautelam a claim against the debtor and to toll the running of the prescriptive period to file the claim. For this purpose, the plaintiff may file the appropriate court action or proceedings by paying the amount of One Hundred Thousand Pesos (P100,000.00) or one-tenth (1/10) of the prescribed filing fee, whichever is lower. The payment of the balance of the filing fee shall be a jurisdictional requirement for the reinstatement or revival of the case. (emphasis supplied)

It is also clear from the previous discussion that ABC was not deprived of due process when the RTC issued the subject resolution.

The essence of procedural due process is one which hears before it condemns, which proceeds upon inquiry and renders judgment only upon trial. It contemplates notice and opportunity to be heard before judgment is rendered affecting one's person or property.[20]

Rehabilitation proceedings are considered in rem.[21] In rem actions are against the thing itself and they are binding upon the whole world,[22] unlike in personam actions, which are against a person on the basis of his personal liability.[23] "Against the thing" means that the resolution of the case affects the direct or indirect interests of others and assumes that those interests attach to the thing which is the subject matter of the litigation.[24]

The Court has consistently held that in actions in personam, jurisdiction over the parties is required since they seek to impose personal liability. On the other hand, courts need not acquire jurisdiction over the person of the defendant in actions in rem because they are not directed against a specific person. The court need only acquire jurisdiction over the res.[25] Nonetheless, some form of notice to all affected parties is required to satisfy the requirements of due process. Under both the Rehabilitation Rules and the Interim Rules, publication of the notice of the commencement of rehabilitation proceedings is the operative act which vests the court with jurisdiction over all affected parties. As discussed earlier, once jurisdiction is acquired, the court can subject all those affected to orders consistent with the rehabilitation of the insolvent debtor, including the reversal of any transfer, payment, or sale made after the filing of the petition.

It is not disputed that the 12 September 2006 Order of the rehabilitation court was duly published on 16 September 2006; that said order contained a directive for all creditors to file their verified comment on the petition within a stated period; and that ABC filed its verified comment on 17 October 2006.

It is therefore evident that petitioner was notified of the rehabilitation proceedings and given an opportunity to be heard, as in fact it filed a comment thereon, thereby satisfying due process requirements. Moreover, as previously discussed, there was no undue deprivation of property because SCP's obligation to ABC remains.

WHEREFORE, the petition is DENIED. The 22 July 2008 Decision and 12 April 2010 Resolution of the Court of

Appeals in CA-G.R. SP No. 97206 are AFFIRMED.

SO ORDERED.

Velasco, Jr. (Chairperson), Bersamin, Leonen, and Gesmundo, JJ., concur.

[1] The Petition for Review was originally filed with the title "In the Matter of the Petition to Have Steel Corporation of the Philippines Placed under Corporate Rehabilitation with Prayer for the Approval of the Proposed Rehabilitation Plan," reflecting Equitable PCI Bank, Inc. as petitioner-appellee and Allied Banking Corporation as appellant. For clarity, the present title reflects ABC as petitioner and EPCIB as respondent.

[2] Rollo, pp. 11-29; penned by Associate Justice Jose Catral Mendoza, with Associate Justices Andres B. Reyes, Jr., and Sesonando E. Villon, concurring.

[3] Id. at 32-34.

[4] Id. at 260-324.

[5] Id. at 109-110.

[6] Id. at 434-438.

[7] Section 1. Nature of Proceedings. - Any proceeding initiated under these Rules shall be considered in rem. Jurisdiction over all those affected by the proceedings shall be considered as acquired upon publication of the notice of the commencement of the proceedings in any newspaper of general circulation in the Philippines in the manner prescribed by these Rules.

[8] The Resolution of the Court under A.M. No. 12-12-11-SC states:

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Whereas, the Supreme Court, through Memorandum "No. 46-2010 dated September 30, 2010 (as amended by Memorandum Order No. 17-2013 dated May 9, 2013), tasked the Sub-Committee on Commercial Courts to revise and/or amend A.M. No. 00-8-10-SC or the Rules of Procedure on Corporate Rehabilitation (2008) to incorporate the significant changes brought about by the enactment of R.A. No. 10142, particularly on rehabilitation proceedings;

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[9] Section 6, Rule 2, the Rehabilitation Rules.

[10] Section 8, Rule 2, the Rehabilitation Rules.

[11] Id.

[12] 745 Phil. 651 (2014).

[13] BIR v. Lepanto Ceramics, Inc., G.R. No. 224764, 24 April 2017.

[14] Id.

[15] Section 2, Rule 2, the Interim Rules; Section 3, Rule 1, the Rehabilitation Rules.

[16] Heirs of Severina San Miguel v. CA, 416 Phil. 943, 954 (2001); Sulo Sa Nayon, Inc. v. Nayong Filipino Foundation, 596 Phil. 715, 723 (2009).

[17] Section 5 (d), Presidential Decree 902-A, as amended by Presidential Decree 1758.

[18] Supra note 12, at 660-661.

[19] 706 Phil. 427 (2013).

[20] *Aberca, et al. v. Ver, et al.*, 684 Phil. 207, 221-222 (2012).

[21] Supra note 7.

[22] *De Pedro v. Romasan Development Corporation*, 748 Phil. 706, 725 (2014).

[23] *Biaco v. Philippine Countryside Rural Bank*, 544 Phil. 45, 55 (2007).

[24] Supra note 22, at 725-726.

[25] *Id.*

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