

RIZAL COMMERCIAL BANKING CORPORATION, PETITIONER, VS. PLAST-PRINT INDUSTRIES INC., AND REYNALDO C. DEQUITO, RESPONDENTS.

G.R. No. 199308. June 19, 2019

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CAGUIOA, J:

The Case

This is a Petition for Review on Certiorari[1] (Petition) filed under Rule 45 of the Rules of Court against the Decision[2] dated May 31, 2011 (assailed Decision) and Resolution[3] dated November 9, 2011 (assailed Resolution) in CA-G.R. CV No. 89431 rendered by the Court of Appeals (CA).

The assailed Decision and Resolution stem from an appeal assailing the Decision[4] dated May 17, 2006 rendered by the Regional Trial Court (RTC) of Antipolo City, Branch 74 in Civil Case No. 00-5875:

- Ordering the Register of Deeds of Rizal Province (RD) to cancel the Certificate of Sale annotated on Transfer Certificate of Title (TCT) Nos. 499643, 617967, 597336, 597337 and 621037; and
- Directing petitioner Rizal Commercial Banking Corporation (RCBC) to (i) make an accounting and re-computation of all previous payments made by respondent Plast-Print Industries, Inc. (Plast-Print) in connection with its financial accommodations with RCBC; and (ii) pay Plast-Print and its Vice-President for Operations, Reynaldo Dequito (Dequito) P200,000.00 as attorney's fees and the costs of suit.

The Facts

The undisputed facts, as narrated by the CA, are as follows:

[Plast-Print] applied for credit facilities with [RCBC] in order to have a bigger working capital and for expansion. The following credit facilities were provided to Plast-Print: a.) Secured (A) Term Loan for [P]6.65 Million; b.) Secured (C) Loan Line for [P]4.49 Million; and c.) Import/Domestic [Letters of Credit with Trust Receipts (LC/TR)] Line for [P]2 Million. The foregoing credit facilities were secured by, among others, a real estate mortgage over properties covered by TCT Nos. 499643, 617967, 597336, 597337, 621037, 59286 and PT-91458. Plast-Print availed of the said credit facilities by way of promissory notes [PN] with the following details:

Date

[PN] No.

Amount (in Philippine Pesos)

Due Date
(month/day/year)

Interest %
(Per annum)

[January 11, 1995]

153-95

4,490,000.00

[January 11, 2000]

15

[January 16, 1995]

185-95

3,000,000.00

on demand

15

[February 9, 1995]

465-95

1,000,000.00

on demand

15.5

[February 13, 1995]

514-95

4,490,000.00

[February 13, 2000]

13.25

[March 27, 1995]

951-95

2,000,000.00

[March 27, 2000]

13.51

[April 5, 1995]

1058-95

490,000.00

on demand

25

Plast-Print also obtained an additional loan by availing of the LC/TR Line x x x amounting to [P2 Million].
Plast-Print, thus, had a total principal loan obligation in the amount of [P] 12,980,000.00.

Plast-Print failed to pay its past due obligations and interest under [PN] Nos. 514-95, 951-95, 185-95, 465-95 and the LC/TR. RCBC, therefore, sent a letter dated July 31, 1997 to Plast-Print, demanding that the latter settle its account with a warning that the former will be constrained to proceed with the appropriate legal action if the latter fails to fully settle its account. Statements of [account] were sent to Plast-Print, reflecting the outstanding obligations it had.

Plast-Print acknowledged its obligation in a letter dated August 7, 1997, but stated that based on its records, its outstanding balance was [P]661,564.45 and as such, it was "not certain if there were any previous applications to [its] loans that were not transmitted to [its] office x x x [and would] appreciate any reconciliation to rectify the matter of x x x its payments."

Plast-Print and RCBC met on October 9, 1997 to reconcile all of the former's payments. The parties reconciled their accounts and records and they confirmed that all statements of [account] sent to Plast-Print were correct, except for three applications of payments for: a.) RCBC Check No. 21412 for [P843.177.78]; b.) RCBC Check No. 21413 for [P835.733.33]; and c.) OR No. 107556 for [P335.782.22]. Later, RCBC wrote to Plast-Print, explaining the applications of payment of RCBC Check Nos. 21412 and 21413 and the cash payment evidenced by OR No. 107556. RCBC Check Nos. 21412 and 21413 were returned checks[,] while OR No. 107556 was determined to be a replacement for returned UCPB Check No. 127374. Plast-Print, however, still failed to settle its obligations.

Plast-Print offered to restructure its obligations and RCBC agreed on the condition that the former [immediately] pay [P]4,000,000.00. Two post-dated checks for [P]2,000,000.00 each was issued by Plast-Print, of which one was dishonored. A [written] demand[5] was, hence, made to Plast-Print for the payment of its obligations which amounted to [P] 13,452,372.85 as of October 10, 1997 [within five days from receipt thereof],[6] but no payment was made.[7] (Emphasis supplied)

RCBC's petitions for extra-judicial
foreclosure

On May 4, 1998, RCBC filed with the RTC separate petitions for extra-judicial foreclosure of properties mortgaged in its favor.[8]

On November 12, 1998, some properties covered by Plast-Print's real estate mortgage (REM) were sold in a public auction,[9] where RCBC emerged as highest bidder. It appears that a second public auction for the remaining properties covered by said REM[10] was subsequently scheduled on November 30, 1998.[11]

Plast-Print's petition for suspension
of payments

Unknown to RCBC, Plast-Print had filed before the Securities and Exchange Commission (SEC) a petition for suspension of payments (SEC Petition) on October 5, 1998.[12]

Thus, on November 16, 1998, the SEC ordered a 30-day suspension of all payments due Plast-Print's creditors. Consequently, the second public auction scheduled on November 30, 1998 did not push through.[13]

Following the filing of the SEC Petition, negotiations between and among Plast-Print and its creditors ensued. These negotiations led to the execution of a Restructuring Agreement[14] dated June 25, 1999 (Restructuring Agreement), which was subsequently approved by the SEC in its Order dated July 22, 1999 (SEC Order).[15]

Under the Restructuring Agreement, Plast-Print acknowledged its indebtedness to RCBC in the amount of P11,216,178.22 as of December 31, 1998. In this regard, Plast-Print bound itself to pay said obligation within a term of six years, with grace periods of one year and two years for interest and principal payments, respectively.[16] For this purpose, Plast-Print executed in favor of RCBC a non-negotiable promissory note in the

amount of P11,216,178.22, due on December 31, 2004. It appears, however, that Plast-Print still failed to settle its obligations with RCBC as agreed. Thus, on August 21, 2000, Plast-Print negotiated for yet another moratorium on its overdue payments, but RCBC no longer acceded.[17]

Plast-Print's RTC Complaint

A day after RCBC denied its plea for another moratorium, Plast-Print and Dequito filed before the RTC a Complaint[18] for accounting, cancellation of bid price and sheriffs Certificate of Sale, injunction and damages (RTC Complaint) against RCBC.

In sum, the RTC Complaint alleged that Plast-Print made several payments in favor of RCBC amounting to P5,506,152.00 which were not applied to its Statement of Account, thus prompting it to request for a reconciliation and re-accounting of its outstanding obligations.[19] On this score, Plast-Print claims that it was alarmed when it received a Notice of Sheriffs Sale on May 5, 1998 indicating that its total outstanding obligations with RCBC already reached the sum of P9,021,161.24 as of October 10, 1997.[20]

In response, RCBC filed a Motion to Dismiss[21] alleging that: (i) the RTC lacks jurisdiction in view of the pending SEC Petition; (ii) the RTC Complaint had been supported by a defective certification against forum shopping (iii) Plast-Print and Dequito are guilty of forum shopping; and (iv) the RTC Complaint is barred by a prior judgment, in view of the SEC Order approving the Restructuring Agreement.[22]

The RTC denied said motion in its Order[23] dated April 16, 2001 (RTC Order). RCBC's subsequent motion for reconsideration was also denied.

Aggrieved, RCBC filed a petition for certiorari (RCBC's petition for certiorari) before the CA praying for the annulment of the RTC Order. This petition, however, was dismissed for lack of merit. RCBC no longer sought reconsideration, rendering the dismissal final.[24]

Meanwhile, in RCBC's Answer Ad Cautelam[25] to the RTC Complaint, RCBC reiterated the grounds raised in its Motion to Dismiss, and in addition, argued that the RTC Complaint is barred not only by prior judgment, but also by estoppel and laches.[26]

On May 17, 2006, the RTC issued a Decision in favor of Plast-Print and Dequito. The dispositive portion of said Decision reads:

WHEREFORE, premises considered, the injunction issued in this case is made permanent and judgment is hereby rendered in favor of [Plast-Print and Dequito] and against [RCBC] ordering x x x:

1) the Register of Deeds of Rizal Province to cancel the Certificate of Sale annotated [on TCT] Nos. 499643, 617967, 597336, 597337 and 621037 as said sale is hereby declared null and void and of no further force and effect;

2) [RCBC] to:

a) make an accounting and re-computation of the payments made by [Plast-Print] applying the same on the date and notes applied for[;]

b) to pay [Plast-Print and Dequito] the sum of TWO HUNDRED THOUSAND PESOS ([P]200,000.00) as for (sic) attorney's fees; and

[c)] [to pay] the cost (sic) of suit. SO ORDERED.[27]

In essence, the RTC found that RCBC failed to establish how Plast-Print's previous payments were applied to its outstanding obligations. Since Plast-Print was "kept in the dark", the RTC directed RCBC to render an accounting

and re-computation of Plast-Print's outstanding obligations. In this connection, the RTC ruled that the foreclosure of Plast-Print's mortgaged properties should be "deemed premature." [28]

RCBC's Appeal

Aggrieved, RCBC filed its Notice of Appeal before the RTC and paid the required fees. [29] The RTC gave due course to RCBC's appeal, which, in turn, assigned the following errors:

(1)

THE [RTC] ERRED IN FINDING THAT [PLAST-PRINT AND DEQUITO] WERE KEPT IN THE DARK AS TO THE APPLICATION OF PAYMENTS.

(2)

THE [RTC] ERRED IN RULING THAT [PLAST-PRINT AND DEQUITO] ARE NOT GUILTY OF FORUM SHOPPING, NOT BARRED BY PRIOR JUDGMENT AND THAT IT [HAD] JURISDICTION OVER THE SUBJECT-MATTER OF THE CASE.

(3)

THE [RTC] ERRED IN DISMISSING THE COUNTERCLAIMS AND IN ORDERING [RCBC] TO PAY [PLAST-PRINT AND DEQUITO] ATTORNEY'S FEES AND THE COST OF SUIT. [30]

On May 31, 2011, the CA issued the assailed Decision, the dispositive portion of which reads:

WHEREFORE, premises considered, the Decision of the [RTC] of Antipolo City, Branch 74, in Civil Case No. 00-5875 is AFFIRMED.

SO ORDERED. [31]

With regard to RCBC's first assigned error, the CA held that while RCBC's account officer Ramon Doblado's testimony revealed that Plast-Print was indeed notified of the total amount of its indebtedness, such testimony failed to establish that RCBC had also apprised Plast-Print of how its initial payments had been applied against its outstanding obligations. [32]

Further, the CA held that RCBC is precluded from raising its second assigned error, as it had already been resolved by the CA with finality when it denied RCBC's petition for certiorari. In any case, the CA emphasized that the SEC Petition does not preclude the RTC from taking cognizance of the RTC Complaint, since the latter involves an action for annulment of real estate mortgage and foreclosure sale — an ordinary civil suit beyond the jurisdiction of the SEC. [33]

Proceeding therefrom, the CA held that RCBC's claims for damages, attorney's fees and litigation expenses lack basis. [34]

RCBC filed a motion for reconsideration, which was denied by the CA through the assailed Resolution. [35]

Based on the records, RCBC received the assailed Resolution on November 17, 2011. [36]

On December 2, 2011, RCBC filed a motion for extension, seeking an additional period of thirty (30) days from December 2, 2011, or until January 1, 2012, within which to file its petition for review on certiorari. [37]

RCBC filed the present Petition on January 2, 2012, [38] January 1, 2012 being concurrently a Sunday and a holiday.

Here, RCBC argues that Plast-Print and Dequito are barred from proceeding with the RTC Complaint on the basis of *res judicata*. Owing to the doctrine of judicial stability, RCBC claims that the SEC Order approving the

Restructuring Agreement constitutes a prior judgment which cannot be opened, modified or vacated by the RTC, as it assumes the nature of a valid judgment rendered by a co-equal body.[39]

In this connection, RCBC further claims that the CA disregarded the obligatory force of the Restructuring Agreement when it affirmed the RTC Decision ordering it "to make an accounting and re[-]computation of the payments made by [Plast-Print]".[40]

In the Resolution[41] dated January 30, 2012, the Court directed Plast-Print and Dequito to file a comment on the Petition within ten (10) days from notice. Plast-Print and Dequito filed their Comment[42] on April 10, 2012.

RCBC filed its Reply[43] to said Comment on October 9, 2012.

The Issues

The following issues are submitted for the Court's resolution:

- Whether the CA erred when it held that the RTC had jurisdiction to act on the RTC Complaint;
- Whether the CA erred when it directed RCBC to make an accounting and re-computation of Plast-Print's payments; and
- Whether the CA erred when it affirmed the nullification of the foreclosure sale and the Certificate of Sale arising therefrom.

The Court's Ruling

The Petition is meritorious.

The RTC did not have jurisdiction to act on the RTC Complaint.

Presidential Decree No. (P.D.) 902-A[44] defines the jurisdiction of the SEC. Section 5[45] thereof, as amended by P.D. 1758,[46] provides:

SEC. 5. In addition to the regulatory and adjudicative functions of the [SEC] over corporations, partnerships and other forms of associations registered with it as expressly granted under existing laws and decrees, it shall have original and exclusive jurisdiction to hear and decide cases involving[:]

a) Devices or schemes employed by or any acts, of the board of directors, business associates, its officers or partners, amounting to fraud and misrepresentation which may be detrimental to the interest of the public and/or of the stockholder, partners, members of associations or organizations registered with the Commission[:]

b) Controversies arising out of intra-corporate or partnership relations, between and among stockholders, members, or associates; between any or all of them and the corporation, partnership or association of which they are stockholders, members or associates, respectively; and between such corporation, partnership or association and the state insofar as it concerns their individual franchise or right to exist as such entity;

c) Controversies in the election or appointments of directors, trustees, officers or managers of such corporations, partnerships or associations^]

d) Petitions of corporations, partnerships or associations to be declared in the state of suspension of payments in cases where the corporation, partnership or association possesses sufficient property to cover all its debts but foresees the impossibility of meeting them when they respectively fall due or in cases where the corporation, partnership or association has no sufficient assets to cover its liabilities, but is under the management of a Rehabilitation Receiver or Management Committee created pursuant to this Decree. (Emphasis supplied)

Pursuant to the exercise of its quasi-judicial jurisdiction, the SEC stands as a co-equal body of the RTC.[47] Hence, all orders and issuances issued by the SEC in the exercise of such jurisdiction may not be interfered with, let alone overturned, by the RTC.

The Court's ruling in *Philippine Pacific Fishing Co., Inc. v. Luna*[48] is clear:

If any or all of said orders are erroneous, the organic act creating the Commission, Presidential Decree 902-A, provides the appropriate remedy, first within the Commission itself, and ultimately in this Court. Nowhere does the law empower any Court of First Instance [(now RTC)] to interfere with the orders of the Commission. Not even on grounds of due process or jurisdiction. The Commission is, conceding *arguendo* a possible claim of respondents, at the very least a co-equal body with the Courts of First Instance. Even as such co-equal, one would have no power to control the other. But the truth of the matter is that only the Supreme Court can enjoin and correct any actuation of the Commission, x x x[49] (Emphasis supplied; citation omitted)

As courts of general jurisdiction, the RTC ordinarily exercise exclusive original jurisdiction over civil actions incapable of pecuniary estimation, such as that of accounting, cancellation of certificates of sale issued in foreclosure proceedings and injunction.[50] Nevertheless, the scope of such general jurisdiction cannot be extended over matters falling under the special jurisdiction of another court or quasi-judicial body.

Plast-Print invoked the special jurisdiction of the SEC when it elected to file the SEC Petition. It cannot be gainsaid that it was Plast-Print who sought the suspension of payments in connection with its outstanding financial accommodations with RCBC. By doing so, Plast-Print necessarily placed the assets securing these financial accommodations under the SEC's special jurisdiction. Considering that the SEC already acquired jurisdiction over the financial accommodations and securities subject of Plast-Print's subsequent RTC Complaint, the RTC erred when it proceeded to act on it while the SEC Petition remained pending.

To stress, jurisdiction, once acquired is not lost, and continues until the case is terminated.[51] Thus, in cases where, as here, a petition for suspension of payments is filed before the SEC, it acquires jurisdiction over the action and all matters relating thereto to the exclusion of the RTC.

Seemingly cognizant of the RTC's lack of jurisdiction, Plast-Print and Dequito alternatively claim that the issue of the RTC's jurisdiction had been settled by the CA with finality when it resolved RCBC's petition for certiorari in this wise:

"[The RTC] correctly ruled that [it] had jurisdiction over the questioned case since the principal action before [it] was not the suspension of payments] under the jurisdiction of the [SEC], but that of the annulment and cancellation of the [S]heriff's certificate in the foreclosure proceedings over which [the RTC] had jurisdiction.

x x x x

In *Macapalan v. Katalbas-Moscardon*, the High Court ruled that the complaint for annulment of the real estate and foreclosure sale with preliminary injunction is an ordinary civil suit, beyond the jurisdiction of the SEC. It stressed that while it is true that the trend is towards vesting administrative bodies like the SEC with the power to adjudicate matters coming under their particular specialization, x x x it should not deprive courts of justice of their power to decide ordinary [actions] x x x [otherwise, the creeping takeover by the administrative agencies of the judicial power vested in the regular courts of justice would render the judiciary virtually impotent x x x.

x x x x

It goes without saying, thus, that private respondent was not guilty of forum shopping when it filed the foreclosure case with the RTC x x x.[52]

According to *Plast-Print and Dequito*, the CA's Decision resolving RCBC's petition for certiorari serves as the law of the case between the parties,[53] and precludes RCBC from assailing the RTC's jurisdiction before the Court.

This assertion is erroneous.

At the outset, it is necessary to stress that what is at issue is the RTC's jurisdiction over the nature of the action involved (i.e., the RTC Complaint). The Court's unanimous ruling in *La Naval Drug Corporation v. Court of Appeals*[54] is instructive:

Jurisdiction over the nature of the action, in concept, differs from jurisdiction over the subject matter. Illustrated, lack of jurisdiction over the nature of the action is the situation that arises when a court, which ordinarily would have the authority and competence to take a case, is rendered without it either because a special law has limited the exercise of its normal jurisdiction on a particular matter or because the type of action has been reposed by law in certain other courts or quasi-judicial agencies for determination. Nevertheless, it can hardly be questioned that the rules relating to the effects of want of jurisdiction over the subject matter should apply with equal vigor to cases where the court is similarly bereft of jurisdiction over the nature of the action.

x x x

x x x Where the court itself clearly has no jurisdiction over the subject matter or the nature of the action, the invocation of this defense may be done at any time. It is neither for the courts nor the parties to violate or disregard that rule, let alone to confer that jurisdiction, this matter being legislative in character. Barring highly meritorious and exceptional circumstances xxx neither estoppel nor waiver shall apply.[55] (Emphasis and underscoring supplied)

Simply stated, there is lack of jurisdiction over the nature of the action where the type of action is reposed by law in certain other courts,[56] or in the present case, in a quasi-judicial body — even as there may be subject matter jurisdiction.

It is well-established that jurisdiction over subject matter, like that over the nature of the action, is "conferred by law and not by the consent or acquiescence of any or all of the parties, or by erroneous belief of the court that it exists." [57] Hence, the doctrine of the law of the case cannot be applied to serve as a bar against jurisdictional challenges involving the subject matter or nature of the case; it cannot be applied so as to grant jurisdiction which the law itself does not confer.

That RCBC no longer sought reconsideration of the CA's Decision dismissing its petition for certiorari is of no moment. To recall, RCBC reiterated its objection against RTC's exercise of jurisdiction by asserting the same as an affirmative defense in its Answer Ad Cautelam to the RTC Complaint, the relevant portions of which read:

x x x With all due respect, this Honorable Court has not acquired jurisdiction over the subject matter of [Plast-Print's and Dequito's] causes of action.

x x x Essentially, the [RTC Complaint] would want [the RTC] to restrain [RCBC] from consolidating its titles over certain properties after [RCBC] had foreclosed said properties on account of alleged overpayments made to [RCBC].

x x x Whether there was an overpayment is a matter within the exclusive jurisdiction of the SEC that already issued an Order approving the Restructuring Agreement.

x x x When Plast-Print filed a petition for suspension of payment with the SEC on [October 5, 1998], the SEC acquired original and exclusive jurisdiction over the case x x x.[58]

Similar to lack of jurisdiction over the subject matter, lack of jurisdiction over the nature of the case may be

raised, as an affirmative defense at any time.[59] By asserting the RTC's lack of jurisdiction as an affirmative defense in its Answer, RCBC in no way abandoned or waived its objection thereto, but in fact, maintained and pursued said objection in the main case.

Plast-Print is bound to pay its indebtedness to RCBC in accordance with the computation detailed in the Restructuring Agreement.

The opening clause of the Restructuring Agreement provides:

WHEREAS, [Plast-Print is] indebted to the CREDITORS individually in the aggregate principal amount as set forth in the schedule hereto attached as Annex "A." [60]

In turn, Annex "A" [61] details the outstanding acknowledged by Plast-Print:

Name of Creditors

Outstanding Loan Balance

Total

Percentage (%) Over Aggregate Principal Loan

Principal

Capitalized Interest

Other Charges

WESTMONT BANK

31,046,859.90

9,433,711.95

-

40,480,571.85

48.006%

METROBANK

16,931,101.37

3,742,188.74

-

20,673,290.11

26.179%

RCBC

8,628,188.37

1,439,293.18

1,148,696.67

11,216,178.22

13.341%

MERCATOR FINANCE

4,802,756.30

368,876.22

1,724,515.13

6,896,147.65

7.426%

FIRST MALAYAN

3,264,469.00

-

-

3,264,469.00

5.048%

TOTAL

64,673,374.94

14,984,070.09

2,873,211.80

82,530,656.83

100.000%

The provisions of the Restructuring Agreement are clear as they are absolute — Plast-Print acknowledged and bound itself to pay its indebtedness to RCBC in the amount of P11,216,178.22. Hence, it is precluded from insisting on yet another re-computation of its indebtedness to RCBC to avert the consequences of its default. To be sure, the Restructuring Agreement does not only stand as a binding contract between the parties;^[62] it also serves as a compromise duly approved by the SEC which has the force and effect of a judgment.

Speaking on the effect of a judicially approved compromise agreement, the Court, in *Spouses Martir v. Spouses Verano*,^[63] held:

A compromise agreement is a contract whereby the parties make reciprocal concessions in order to resolve their differences and thus avoid litigation or to put an end to one already commenced. Once stamped with judicial imprimatur, it becomes more than a mere contract binding upon the parties; having the sanction of the court and entered as its determination of the controversy, it has the force and effect of any other judgment. It has the effect and authority of *res judicata*, although no execution may issue until it would have received the corresponding approval of the court where the litigation pends and its compliance with the terms of the agreement is thereupon decreed.

x x x x

A compromise agreement once approved by final order of the court has the force of *res judicata* between the parties and should not be disturbed except for vices of consent or forgery. Hence, a decision on a compromise agreement is final and executory; it has the force of law and is conclusive between the parties. It transcends its identity as a mere contract binding only upon the parties thereto, as it becomes a judgment that is subject to execution in accordance with the Rules, x x x^[64] (Emphasis supplied)

The foregoing principles apply with equal force to agreements approved by the SEC in the exercise of its quasi-judicial powers, inasmuch as it stands on equal footing with the RTC with respect to matters over which it has jurisdiction.

By taking cognizance of the RTC Complaint and granting Plast-Print's prayer for accounting, the RTC not only permitted the latter to renege on its obligation to pay the outstanding balance explicitly recognized under the Restructuring Agreement, worse, the RTC effectively interfered with the jurisdiction of the SEC by completely negating the SEC Order, contrary to applicable law and jurisprudence.

The Restructuring Agreement did not have the effect of extinguishing the REM constituted in RCBC's favor through extinctive novation.

Articles 1291 and 1292 of the Civil Code govern novation. These provisions state:

ART. 1291. Obligations may be modified by:

- (1) Changing their object or principal conditions;
- (2) Substituting the person of the debtor;
- (3) Subrogating a third person in the rights of the creditor.

ART. 1292. In order that an obligation may be extinguished by another which substitute the same, it is imperative that it be so declared in unequivocal terms, or that the old and the new obligations be on every point incompatible with each other.

Novation may be total or extinctive,^[65] when there is an absolute extinguishment of the old obligation, or partial, when there is merely a modification of the old obligation.^[66] Noted civilist Justice Eduardo P. Caguioa elucidates:

x x x Novation has been defined as the substitution or alteration of an obligation by a subsequent one that cancels or modifies the preceding one.^[67] Unlike other modes of extinction of obligations, novation is a juridical act of dual function, in that at the time it extinguishes an obligation, it creates a new one in lieu of the

old.[68] x x x This is not to say however, that in every case of novation the old obligation is necessarily extinguished. Our Civil Code now admits of the so-called imperfect or modificatory novation where the original obligation is not extinguished but modified or changed in some of the principal conditions of the obligation. Thus, [A]rticle 1291 provides that obligations may be modified.[69] (Emphasis and underscoring supplied)

While the provisions of the Restructuring Agreement had the effect of "superseding" the "existing agreements" as to Plast-Print's outstanding loans, the changes contemplated in said agreement merely modified certain terms relating to these loans, particularly, those pertaining to the waiver of penalties, reduction of interest rates, renewal of payment periods, and fixing of principal amounts payable as of the date of the execution of the Restructuring Agreement. These modifications, while significant, do not amount to a total novation of Plast-Print's outstanding loans so as to extinguish the REM constituted to secure such loans, or nullify the foreclosure of properties conducted before these modifications had taken effect.

In fact, by the very terms of the Restructuring Agreement, Plast-Print and its creditors agreed to (i) maintain the status quo vis-a-vis the subsisting "mortgages constituted in favor of its creditors, including RCBC; and (ii) proceed to foreclosure and/or the consolidation of title in case of default.[70] Reference to Sections 2, 15 and 20 of the Restructuring Agreement is accordingly proper:

Section 2. Restructuring commitment/Consequence of Restructuring. The DEBTORS commit to fully pay the Restructured Loans including interests accrued thereon subject to the terms and conditions hereinafter set forth. This [Restructuring] Agreement, once effective as of the Restructuring Date, shall exclusively control and govern the mutual rights and obligations of the DEBTORS and each CREDITOR with respect to the debts owing to the latter. The [e]xisting [a]greement[s] as to such debts shall be deemed superseded by this [Restructuring] Agreement.

x x x x

Section 15. Security for the Restructured Loans. To secure the prompt and full repayment of the Restructured Loans and the compliance by the DEBTORS with any and all of its obligations under the Credit Documents, the CREDITORS agree to maintain the status quo vis-a-vis each of the collaterals of whatever nature presently mortgaged in their favor without any arrangement for consolidation or sharing of such collaterals. Should the DEBTORS, with the conformity of all the CREDITORS pursuant to Section 18 (e) herein be able to sell any of the mortgaged properties, the proceeds thereof shall first be applied to the payment of the total debt to the [CREDITOR] in whose favor the property was mortgaged. The remaining balance in the proceeds of the sale, should there be any, shall be distributed among the rest of the CREDITORS in proportion to the outstanding debts due them x x x.

x x x x

SECTION 20. Consequences of an Event of Default x x x xxxx

(b) The failure of the DEBTORS to pay for three payment dates in any of the scheduled dates of payment shall cause the foreclosure and/or consolidation of title for properties already foreclosed and execution of each CREDITOR'S respective security and the commencement of all necessary actions to collect from the DEBTORS all amounts due under the Credit Documents.[71] (Emphasis supplied)

Absent a total or extinctive novation, the effects of the foreclosure conducted prior to the execution of the Restructuring Agreement must be respected. Hence, the reinstatement of the annotation of the Certificate of Sale on Plast-Print's TCTs of the foreclosed properties is proper.

WHEREFORE, premises considered, the Petition is GRANTED. The Decision and Resolution respectively dated

May 31, 2011 and November 9, 2011 rendered by the Court of Appeals in CA-G.R. CV No. 89431 and the Decision dated May 17, 2006 of the Regional Trial Court of Antipolo City, Branch 74, in Civil Case No. 00-5875 are REVERSED and SET ASIDE.

The Complaint in Civil Case No. 00-5875 is hereby DISMISSED for lack of jurisdiction.

The Register of Deeds of Rizal Province is hereby DIRECTED to reinstate the annotation of the Certificate of Sale on Transfer Certificate of Title Nos. 499643, 617967, 597336, 597337 and 621037.

SO ORDERED.

Carpio, (Chairperson), Perlas-Bernabe, Reyes, Jr., and Lazaro-Javier, JJ., concur.

[*] Also stated as "Plast Print" in some parts of the rollo

[**] Also stated as "Renaldo" in some parts of the rollo.

[1] Rollo (Vol. I), pp. 20-74.

[2] Id. at 75-84. Penned by Associate Justice Florito S. Macalino, with Associate Justices Juan Q. Enriquez, Jr. and Ramon M. Bato, Jr. concurring.

[3] Id. at 85-86.

[4] Rollo (Vol. III), pp. 1006-1018. Penned by Presiding Judge Francisco A. Querubin.

[5] Rollo (Vol. I), p. 24.

[6] Id. at 26-27.

[7] Id. at 76-77.

[8] Id. at 77-78.

[9] Particularly, those properties covered by TCT Nos. 499643 (situated in Taytay, Rizal) and 617967, 597336, 597337 and 621037 (situated in Cainta, Rizal); see id. at 92.

[10] Particularly, those properties covered by TCT Nos. 59286 and PT-91458; see id.

[11] Rollo (Vol. I), pp. 27-28.

[12] Id. at 78, 321.

[13] Id. at 27-28, 78.

[14] Id. at 366-377.

[15] Id. at 28, 78.

[16] Id. at 28.

[17] Id. at 28-29.

[18] Id. at 87-98.

[19] Id. at 91.

[20] Id. at 92.

[21] Id. at 219-230.

[22] Id. at 78 and 227.

[23] Id. at 293.

[24] Id. at 79.

[25] Id. at 313-329.

[26] Id. at 79.

[27] Rollo (Vol. III), p. 1018.

[28] Id. at 1017-1018.

[29] Rollo (Vol. I), p. 36.

[30] Id. at 79-80.

[31] Id. at 83.

[32] See id.

[33] See id. at 81-82.

[34] Id. at 83.

[35] Id. at 85-86.

[36] Id. at 3.

[37] Id. at 4.

[38] Id. at 20, 68, 73.

[39] Id. at 60-62.

[40] Id. at 39.

[41] Rollo (Vol. III), p. 1336.

[42] Id. at 1339-1350.

[43] Id. at 1356-1367.

[44] REORGANIZATION OF THE SECURITIES AND EXCHANGE COMMISSION WITH ADDITIONAL POWERS AND PLACING THE SAID AGENCY UNDER THE ADMINISTRATIVE SUPERVISION OF THE OFFICE OF THE PRESIDENT, March 11, 1976.

[45] Section 5 of P.D. 902-A was later amended by Republic Act No. 8799, which transferred the SEC's jurisdiction over all cases enumerated under said provision to the courts of general jurisdiction, thus:

5.2. The Commission's jurisdiction over all cases enumerated under Section 5 of [P.D.] 902-A is hereby transferred to the Courts of general jurisdiction or the appropriate Regional Trial Court: Provided, That the Supreme Court in the exercise of its authority may designate the Regional Trial Court branches that shall exercise jurisdiction over these cases. The Commission shall retain jurisdiction over pending cases involving

intra-corporate disputes submitted for final resolution which should be resolved within one (1) year from the enactment of this Code. The Commission shall retain jurisdiction over pending suspension of payments/rehabilitation cases filed as of 30 June 2000 until finally disposed. (Emphasis supplied)

The SEC thus retained jurisdiction over the SEC Petition subject of this case, as it was filed on October 5, 1998.

[46] Amending Further Sections 2,3,5,6, and 8 of Presidential Decree No. 902-A, January 2, 1981.

[47] See *Philippine Pacific Fishing Co., Inc. v. Luna*, 198 Phil. 301, 314 (1982)

[48] *Id.*

[49] *Id.* at 314.

[50] See *Batas Pambansa Blg. 129*, Sec. 19.

[51] See *Heritage Park Management Corporation v. Construction Industry Arbitration Commission*, 589 Phil. 102, 112 (2008).

[52] As quoted in the assailed Decision, see *rollo* (Vol. I), p. 82.

[53] See *rollo* (Vol. III), pp. 1347-1348.

[54] 306 Phil. 84 (1994).

[55] *Id.* at 97.

[56] See *Loyola v. Court of Appeals*, 315 Phil. 529, 536-537 (1995).

[57] See *Allied Domecq Phil. Inc. v. Villon*, 482 Phil. 894, 900 (2004).

[58] *Rollo* (Vol. I), p. 323.

[59] See *Spouses Erorita v. Spouses Dumlao*, 779 Phil. 23, 29 (2016).

[60] *Rollo* (Vol. I), p. 366.

[61] *Id.* at 378.

[62] Article 1159 of the Civil Code states:

ART. 1159. Obligations arising from contracts have the force of law between the contracting parties and should be complied with in good faith.

[63] 529 Phil. 120 (2006) as cited in *Metropolitan Bank & Trust Co. v. G & P Builders, Inc.*, 773 Phil. 289, 337 (2015).

[64] *Id.* at 125-126.

[65] See *Edgardo L. Paras, Civil Code of the Philippines Annotated*, Vol. IV, 2016 18th Ed., p. 489.

[66] *Id.* at 490.

[67] Citing 8 *Manresa*, p. 751.

[68] Citing *Gov't. v. Bautista (CA)*, 37 O.G. 1880; 3 *Castan*, 8th ed., p. 306.

[69] *Eduardo P. Caguioa, COMMENTS AND CASES ON CIVIL LAW, CIVIL CODE OF THE PHILIPPINES*,

Vol. IV, 1983 Rev. 2[nd] Ed., pp. 410-411.

[70] See Sections 15 and 20(b) of the Restructuring Agreement; rollo (Vol. I), pp. 369, 373-374.

[71] Rollo (Vol. I), pp. 368-374.

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