

**ALMA MAGALAD, PETITIONER, VS. PREMIERE FINANCING CORP.,
RESPONDENTS.***G.R. No. 87135. May 22, 1992*

Ponente: PARAS, J.

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This is an appeal originally filed with the Court of Appeals but certified to this court for disposition since it involves purely questions of law from the decision of the Regional Trial Court (RTC), Branch LXXXV, Quezon City, dated May 22, 1984, in Civil Case No. Q-40392, ordering the defendant-appellant Premiere Financing Corporation (Premiere for short) to pay to the plaintiff-appellee Alma Magalad (Magalad for short) the sum of: (a) P50,000.00, the Principal obligation, plus interest at the legal rate from September 12, 1983, until the full amount is paid; (b) P10,000.00, both for moral and exemplary damages; (c) P5,000.00, for and as attorney's fees and (d) the costs of suit.

The antecedent facts of the case are as follows:

Premiere is a financing company engaged in soliciting and accepting money market placements or deposits (Original Record p. 29).

On September 12, 1983 with expired permit to issue commercial papers (Ibid., p. 8) and with intention not to pay or defraud its creditors. Premiere induced and misled Magalad into making a money market placement of P50,000.00 at 22% interest per annum for which it issued a receipt (Ibid., Exh. "B", p. 8). Aside from the receipt, Premier likewise issued two (2) post-dated checks in the total sum of P51,079.00 (Ibid., Exh. "C", p. 9) and assigned to Magalad its receivable from a certain David Saman for the same amount (Ibid., Exh. "C", p. 10).

When the said checks were presented for payment on their due dates, the drawee bank dishonored the checks for lack of sufficient funds to cover the amount (Ibid., Exhs. "D-1", "E-1", pp. 11-12). Despite demands by Magalad for the replacement of said checks with cash, Premiere, for no valid reason, failed and refused to honor such demands and due to fraudulent acts of Premiere, Magalad suffered sleepless nights, mental anguish, fright, serious anxiety, considering the fact that the money she invested is blood money and is the only source of support for her family (Ibid., p. 4).

Magalad in order to seek redress and retrieve her blood money, availed of the service of counsel for which she agreed to pay twenty percent (20%) of the amount due as and for attorney's fees (Ibid.).

On January 10, 1984, Magalad filed a complaint for damages with prayer for writ of preliminary attachment with the RTC, Branch LXXXV, Quezon City, docketed as Civil Case No. Q-40392 against herein Premiere (Ibid., pp. 3-6).

Premiere having failed to file an answer and acting on Magalad's motion, the lower court declared Premiere in default by virtue of an order dated April 5, 1984 allowing Magalad to present evidence ex-parte (Ibid., pp. 21; 22).

On May 22, 1984 the lower court rendered a default judgment against Premiere, the dispositive portion of which reads:

"From the foregoing evidence, the court finds that Plaintiff has fully established her claim that defendant had indeed acted fraudulently in incurring the obligation and considering that no evidence has been adduced by the defendant to contradict the same, judgment is hereby rendered ordering the defendant to pay plaintiff as follows:

"(a) P50,000.00, the principal obligation, plus interest at the legal rate from September 12, 1983 until the full amount is paid;

"(b) P10,000.00 both for moral and exemplary damages;

"(c) P5,000.00 for and as attorney's fees; and

"(d) the costs of suit.

"SO ORDERED." (Ibid., p. 30)

Premiere filed a motion for reconsideration of the foregoing decision, based principally on a question of law alleging that the Securities and Exchange Commission (SEC) has exclusive and original jurisdiction over a corporation under a state of suspension of payments (Ibid., pp. 32-41).

Magalad filed an opposition to the motion for reconsideration on January 8, 1985 alleging among others that the regular court has jurisdiction over the case to the exclusion of the SEC (Ibid., pp. 51-53).

On May 28, 1986 the lower court issued an order denying the motion for reconsideration (Ibid., p. 61).

On June 11, 1986 Premiere filed his notice of appeal which led to the issuance of the order of the lower court dated July 29, 1986 elevating the case to the Court of Appeals (CA) (Ibid., pp. 62; 63).

The Court of Appeals in its resolution dated September 8, 1987 dismissed the case for failure of Premiere to file its brief despite the ninety-day extension granted to it, which expired on June 10, 1987 (Rollo, p. 16).

An omnibus motion for reconsideration and admission of late filing of Premiere's brief was filed on September 22, 1987 (Rollo, pp. 17-19; 32).

On September 30, 1987 the Court of Appeals issued a resolution which reconsidered its previous resolution dated September 5, 1987 and admitted the Premiere's brief (Rollo, p. 26).

On January 31, 1989 the Court of Appeals issued a resolution certifying the instant case to this Court on the ground that the case involves a question of law, the dispositive part of which stating:

"ACCORDINGLY, pursuant to Rule 50, Sec. 3, in relation to the Judiciary Act of 1948, Sec. 17 par. 4(3) (4), the appeal in this case is hereby certified to the Supreme Court on the ground that the only issue raised concerns the jurisdiction of the trial court and only a question of law." (Rollo, p. 33)

Hence, this appeal.

The pivotal issue in this case is whether or not the court a quo had jurisdiction to try the instant case.

At the very core of this appeal assailing the aforesaid pronouncement of the lower court, and around which revolve the arguments of the parties, is the applicability of Presidential Decree No. 902-A (Reorganization of the SEC with Additional Powers), as amended by Presidential Decrees Nos. 1653, 1758 and 1799. Magalad submits that the legal suit which she has brought against Premiere is an ordinary action for damages with the preliminary

attachment cognizable solely by the RTC. Premiere, on the other hand, espouses the original and exclusive jurisdiction of the Securities and Exchange Commission.

Presidential Decree No. 902-A, Section 3, provides:

"SEC. 3. The Commission shall have absolute jurisdiction, supervision and control over all corporations, partnerships or associations, who are the grantees of primary franchises and/or a license or permit issued by the government to operate in the Philippines; and in the exercise of its authority, it shall have the power to enlist the aid and support of and to deputize any and all enforcement agencies of the government, civil or military as well as any private institution, corporation, firm, association or person." (As amended by Presidential Decree No. 1758).

Sec 3 of Pres. Decree No. 902-A should also be read in conjunction with Sec. 5 of the same law, providing:

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

‘a) Devises 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 public and/or to the stockholders, partners, members of associations or organizations registered with the Commission.'" (Underscoring supplied)

Considering that Magalad's complaint sufficiently alleges acts amounting to fraud and misrepresentation committed by Premiere, the SEC must be held to retain its original and exclusive jurisdiction over the case, despite the fact that the suit involves collection of sums of money paid to said corporation, the recovery of which would ordinarily fall within the jurisdiction of regular courts. The fraud committed is detrimental to the interest of the public and, therefore, encompasses a category of relationship within the SEC jurisdiction.

Otherwise stated, in order that the SEC can take cognizance of a case, the controversy must pertain to any of the following relationships: (a) between the corporation, partnership or association and the public; (b) between the corporation, partnership or association and its stockholders, partners, members or officers; (c) between the corporation, partnership or association and the state so far as its franchise, permit or license to operate is concerned; and (d) among the stockholders, partners or associates themselves (*Union Glass & Container Corp. v. SEC*, 126 SCRA 31; 38; 1983; *Abejo v. De la Cruz*, 149 SCRA 654, 1987).

In this case, the recitals of the complaint sufficiently allege that devices or schemes amounting to fraud and misrepresentation detrimental to the interest of the public have been resorted to by Premiere Corporation. It can not but be conceded, therefore, that the SEC may exercise its adjudicative powers pursuant to Sec 5(a) of Pres. Decree No. 902-A (*Supra*).

The fact that Premiere's authority to engage in financing already expired will not have the effect of divesting the SEC of its original and exclusive jurisdiction. The expanded jurisdiction of the SEC was conceived primarily to protect the interest of the investing public. That Magalad's money placements were in the nature of investments in Premiere can not be gainsaid, Magalad had reasonably expected to receive returns from moneys she had paid to Premiere. Unfortunately, however, she was the victim of alleged fraud and misrepresentation.

Reliance by Magalad on the cases of *DMRC v. Este del Sol*, (132 SCRA 293) and *Union Glass & Container Corp. v. SEC* (126 SCRA 31), where the jurisdiction of the ordinary Courts was upheld, is misplaced for, as explicitly stated in those cases, nowhere in the complaints therein is found any averment of fraud or misrepresentation committed by the respective corporations involved. The causes of action, therefore, were nothing more than

simple money claims.

Further bolstering the jurisdiction of the SEC in this case is the fact that said agency had already appointed a Rehabilitation Receiver for Premiere and has directed all proceedings or claims against it be suspended. This, pursuant to Sec. 6(c) of Pres. Decree No. 902-A providing that "upon appointment of a x x x rehabilitation receiver x x x all actions for claims against corporations x x x under receivership pending before any court, tribunal, board or body shall be suspended accordingly."

By so doing, SEC has exercised its original and exclusive jurisdiction to hear and decide cases involving:

"a) 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 of a Rehabilitation Receiver or Management Committee created pursuant to this Decree." (Section 5(d) of Pres. Decree No. 902-A as added by Pres. Decree 1758).

In fine, the adjudicative powers of the SEC being clearly defined by law, its jurisdiction over this case has to be upheld.

PREMISES CONSIDERED, the instant appeal is GRANTED, and the order of the Presiding Judge of the Regional Trial Court, Quezon City, Branch LXXXV dated May 22, 1984, in Civil Case No. Q-40392 is REVERSED and SET ASIDE, without prejudice to the filing by Alma Magalad of the appropriate complaint against Premiere Financing Corporation with the Securities and Exchange Commission.

SO ORDERED.

Narvasa, C.J., (Chairman), Padilla, Regalado, and Nocon, JJ., concur.

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