

BANK OF THE PHILIPPINE ISLANDS, PETITIONER, VS. COURT OF APPEALS AND RUBY INDUSTRIAL CORPORATION, RESPONDENTS.

G.R. No. 97178. January 10, 1994

Ponente: BELLOSILLO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-97178/>

BELLOSILLO, J.:

BANK OF THE PHILIPPINE ISLANDS, in this petition for review on certiorari, seeks the reversal of the decision of the Court of Appeals in CA-G.R. SP No. 23676[1] dismissing its petition for certiorari and mandamus against respondent Presiding Judge and respondent Ruby Industrial Corporation.

On 16 February 1984, petitioner Bank of the Philippine Islands (BPI, for brevity), filed with the Regional Trial Court of Pasig a complaint against respondent Ruby Industrial Corporation (RUBY, for short), for foreclosure of real estate mortgage. After filing its answer with counterclaim on 8 November 1984, respondent RUBY submitted to the trial court a motion for suspension of the proceedings on the ground that on 10 August 1984 the Securities and Exchange Commission (SEC) issued an Order placing RUBY under a rehabilitation plan pursuant to Sec. 6, par. (c), of P.D. 902- A. In that Order, SEC declared that "(a)ccordingly, with the creation of the Management Committee all actions or claims against Ruby Industrial Corporation pending before any court, tribunal, branch or body are hereby deemed suspended." On 19 December 1984, the trial court issued an order granting the motion of RUBY and suspended the proceedings.

On 31 July 1990, petitioner BPI filed a motion for reopening of the proceedings, invoking our ruling in *Philippine Commercial International Bank v. Court of Appeals*[2] which states that "SEC's order of suspension of payments of Philfinance as well as for all actions or claims against Philfinance could only be applied to claims of unsecured creditors. Such order can not extend to creditors holding a mortgage, pledge or any lien on the property unless they give up the property, security or lien in favor of all the creditors of Philfinance."

However, on 22 August 1990, the trial court denied the motion of BPI on the basis of our decision in *Alemar's Sibal & Sons, Inc. v. Elbinias*[3] holding that the suspension of payments applies to all creditors, whether secured or unsecured, in order to place them on equal footing. On 19 October 1990, petitioner's motion to reconsider the Order of 22 August 1990 was denied by the trial court.

Petitioner then filed with the Court of Appeals a petition for certiorari and mandamus to set aside the Orders of 22 August 1990 and 19 October 1990, alleging grave abuse of discretion on the part of the trial judge in refusing to reopen the case. But, on 31 January 1991, the Court of Appeals dismissed the petition and held that under Sec. 5, P.D. No. 902-A, and the case of *Alemar's Sibal & Sons, Inc. v. Elbinias*,[4] a creditor, whether secured or unsecured, cannot enforce his credit against a distressed firm which has been placed by SEC under receivership or rehabilitation; that during rehabilitation or receivership, the assets are held in trust for the equal benefit of all creditors to preclude one from obtaining an advantage or preference over the others by the expediency of an attachment, execution or otherwise; that instead of vexing the courts with suits against the distressed firm, they are directed to file their claims with the duly appointed receiver of SEC.

In the instant petition, it is alleged that the Court of Appeals has decided a question of substance not in accord with the applicable decision of this Court and/or sanctioned a departure by the trial court from the accepted and usual course of judicial proceedings as to call for the exercise by this Court of its power of supervision.

The issue now before us is whether petitioner, which is a secured creditor of respondent RUBY, may still judicially enforce its claim against the latter which has already been placed by SEC under rehabilitation pursuant to Sec. 5 and Sec. 6, pars. (c) and (d), P.D. 902-A, following our ruling in *Philippine Commercial International Bank v. Court of Appeals (PCIB v. CA, for brevity)*.^[5]

Petitioner alleges that it holds a real estate mortgage over three (3) parcels of land of private respondent which it did not give up in favor of other creditors of private respondent, and that the *PCIB v. CA* ruling explicitly states that the order of SEC for suspension of payments of the distressed firm, as well as for all actions or claims against it, could only be applied to unsecured claims of creditors and could not extend to creditors holding a mortgage, pledge or any lien on the property unless they give up their interests therein in favor of all the creditors. The thrust of petitioner is that since it is a secured creditor, it is not affected by the suspension order of SEC and may therefore enforce its credit against the distressed firm.

We do not agree with petitioner. The facts in *PCIB v. CA*, relied upon heavily by petitioner, are different from those in the instant case. In *PCIB v. CA*, SEC ordered the dissolution and liquidation of Philfinance on the basis of the findings of the receivership committee appointed by SEC. After the order of dissolution, Philfinance failed to satisfy its obligation with Philippine Commercial International Bank (PCIB), prompting the latter to put up for auction sale the pledged shares of stocks and bonds of Philfinance in the possession of PCIB. By then the proceedings before the SEC had already been terminated and an order of dissolution already issued when the bank moved for the sale of the pledged stocks and bonds. The pledged properties being still in PCIB's possession, the receiver could not possess the same for equitable distribution to the creditors of Philfinance.

In the instant case, the action of petitioner for foreclosure of real estate mortgage had been filed against respondent RUBY and was pending with the trial court when RUBY was placed by SEC under rehabilitation through the creation of a management committee pursuant to Sec. 6, par. (d), P.D. 902- A. In its order of 10 August 1984, SEC directed that all actions or claims against RUBY pending before any court, tribunal, branch or body be deemed suspended. On the basis of this order, the jurisdiction of the trial court over the case was also considered suspended. As a result, SEC acquired jurisdiction, which is bolstered by the fact that it had already appointed a rehabilitation receiver for the distressed corporation and had directed that all proceedings or claims against it be suspended.^[6]

More importantly, the doctrine in the *PCIB* case has since been abrogated. In *Aleamar's Sibal & Sons v. Elbinias*,^[7] *BF Homes, Inc. v. Court of Appeals*,^[8] *Araneta v. Court of Appeals*,^[9] and *RCBC v. Court of Appeals*,^[10] we already ruled that whenever a distressed corporation asks SEC for rehabilitation and suspension of payments, preferred creditors may no longer assert such preference, but shall stand on equal footing with other creditors. Foreclosure shall be disallowed so as not to prejudice other creditors or cause discrimination among them. If foreclosure is undertaken despite the fact that a petition for rehabilitation has been filed, the certificate of sale shall not be delivered pending rehabilitation. If this has already been done, no transfer certificate of title shall likewise be effected within the period of rehabilitation. The rationale behind PD 902-A, as amended, is to effect a feasible and viable rehabilitation. This cannot be achieved if one creditor is preferred over the others.^[11]

While it is recognized that petitioner is a preferred creditor whose claim is secured by a real estate mortgage on the properties of respondent RUBY, its right to enforce its claim in court is suspended with the placing by SEC of respondent under rehabilitation. This rule will enable the management committee or rehabilitation receiver to

effectively exercise his/its powers free from any judicial or extrajudicial interference that might unduly hinder the rescue of the distressed company.[12]

WHEREFORE, the petition is DENIED and the assailed decision of the Court of Appeals dated 31 January 1991 is AFFIRMED. Costs against petitioner.

SO ORDERED.

Cruz, (Chairman), Davide, Jr., and Quiason, JJ., concur.

[1] Penned by Associate Justice Vicente V. Mendoza, concurred in by Associate Justices Segundino G. Chua and Luis L. Victor, promulgated 31 January 1991.

[2] G.R. No. 76853, 18 April 1989, 172 SCRA 436.

[3] G.R. No. 75414, 4 June 1990, 186 SCRA 94.

[4] Ibid.

[5] See Note 2.

[6] Orosa v. Court of Appeals, G.R. Nos. 76828-32, 28 January 1991, 193 SCRA 391.

[7] G.R. No. 75414, 4 June 1990, 186 SCRA 94.

[8] G.R. No. 77143, 3 October 1990, 190 SCRA 262.

[9] G.R. No. 95253, 10 July 1992, 211 SCRA 390.

[10] G.R. No. 74851, 14 September 1992, 213 SCRA 830.

[11] See Note 10.

[12] See Note 8.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.