

METROPOLITAN BANK AND TRUST COMPANY, INC., PETITIONER, VS. SLGT HOLDINGS, INC., DANILO A. DYLANCO AND ASB DEVELOPMENT CORPORATION, RESPONDENTS.

G.R. NOS. 175181-82. September 14, 2007

Ponente: GARCIA, J.

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GARCIA, J.:

It happened before; it will likely happen again. A developer embarks on an aggressive marketing campaign and succeeds in selling units in a yet to-be completed condominium project. Short of funds, the developer borrows money from a bank and, without apprising the latter of the pre-selling transactions, mortgages the condominium complex, but also without informing the buyers of the mortgage constitution. Saddled with debts, the developer fails to meet its part of the bargain. The defaulting developer is soon sued by the fully-paid unit buyers for specific performance or refund and is threatened at the same time with a foreclosure of mortgage. Having his hands full parrying legal blows from different directions, the developer seeks a declaration of suspension of payment, followed by a petition for rehabilitation with suspension of action.

With a slight variation, the scenario thus depicted describes the instant case which features respondent ASB Development Corporation (ASB, for short), as the defaulting developer of the BSA Twin Towers Condominium Project (BSA Towers or Project, for short) situated at Ortigas Center, Mandaluyong City, and respondents Danilo A. Dylanco and SLGT Holdings, Inc. (Dylanco and SLGT, respectively, hereinafter) as the unit buyers. Petitioners Metropolitan Bank and Trust Company, Inc. (Metrobank) and United Coconut Planters Bank (UCPB) are the lending-mortgagee banks.

And now to the case:

Before the Court are these separate petitions for review under Rule 45 of the Rules of Court separately interposed by Metrobank and UCPB to nullify and set aside the consolidated Decision[1] and Resolution[2] dated June 29, 2006, and October 31, 2006, respectively, of the Court of Appeals (CA) in CA-G.R. SP No. 92807, CA-G.R. SP No. 92808 and CA-G.R. SP No. 92882.

The first assailed issuance affirmed the earlier Decision [3] dated October 10, 2005 of the Office of the President (OP, hereinafter), as modified in its Order[4] of December 22, 2005, in consolidated OP Case No. 05-F-212 and OP Case No. 05-G-215. The second assailed issuance, on the other hand, denied reconsideration of the first.

Per its Resolution[5] of March 26, 2007, the Court ordered the consolidation of these petitions.

From the petitions and the comments thereon, with their respective annexes, and other pleadings, the Court gathers the following facts:

On October 25, 1995, Dylanco and SLGT each entered into a contract to sell with ASB for the purchase of a unit (Unit 1106 for Dylanco and Unit 1211 for SLGT) at BSA Towers then being developed by the latter. As stipulated, ASB will deliver the units thus sold upon completion of the construction or before December 1999.

Relying on this and other undertakings, Dylanco and SLGT each paid in full the contract price of their respective units. The promised completion date came and went, but ASB failed to deliver, as the Project remained unfinished at that time. To make matters worse, they learned that the lots on which the BSA Towers were to be erected had been mortgaged[6] to Metrobank, as the lead bank, and UCPB[7] without the prior written approval of the Housing and Land Use Regulatory Board (HLURB).

Alarmed by this foregoing turn of events, Dylanco, on August 10, 2004, filed with the HLURB a complaint[8] for delivery of property and title and for the declaration of nullity of mortgage. A similar complaint[9] filed by SLGT followed three (3) days later. At this time, it appears that the ASB Group of Companies, which included ASB, had already filed with the Securities and Exchange Commission a petition for rehabilitation and a rehabilitation receiver had in fact been appointed.

What happened next are laid out in the OP decision adverted to above, thus:

In response to the above complaints, ASB alleged ... that it encountered liquidity problems sometime in ... 2000 after its creditors [UCPB and Metrobank] simultaneously demanded payments of their loans...; that on May 4, 2000, the ... Commission (SEC) granted its petition for rehabilitation; that it negotiated with UCPB and Metrobank ... but nothing came out positive from their negotiation

On the other hand, Metrobank claims that complainants [Dylanco and SLGT] have no personality to ask for the nullification of the mortgage because they are not parties to the mortgage transaction ...; that the complaints must be dismissed because of the ongoing rehabilitation of ASB; xxx that its claim against ASB, including the mortgage to the [Project] have already been transferred to Asia Recovery Corporation; xxx.

UCPB, for its part, denies its liability to SLGT [for lack of privity of contract] ... [and] questioned the personality of SLGT to challenge the validity of the mortgage reasoning that the latter is not party to the mortgage contract ... [and] maintains that the mortgage transaction was done in good faith.... Finally, it prays for the suspension of the proceedings because of the on-going rehabilitation of ASB.

In resolving the complaint in favor of Dylanco and SLGT, the Housing Arbiter ruled that the mortgage constituted over the lots is invalid for lack of mortgage clearance from the HLURB. He also rebuffed the banks' request to suspend the proceedings under Section 5 © of Presidential Decree (PD) No. 902-A as the banks are parties under receivership. xxx

The HLURB Board of Commissioners, [per its separate Decision both dated April 21, 2005] affirmed the above rulings ... with the modification that ASB should cause the subdivision of the mother titles into condominium certificates of title of Dylanco and SLGT free from all liens and encumbrances. [On June 28, 2005 the HLURB denied the separate motions of Metrobank and UCPB for reconsideration. (Words in brackets and emphasis added).

For perspective, the decretal portion of the HLURB's underlying decision[10] with respect to the Dylanco case, docketed thereat as REM-A-050208-0021, reads as follows:

WHEREFORE, the appeals are dismissed for lack of merit and the decision of the office below is modified as follows:

- Declaring the mortgage over the subject condominium unit in favor of respondent [Metrobank] as null and void for violation of Section 18 of [PD] No. 957;
- Directing respondent bank to cancel/release the mortgage on the subject condominium unit [Unit 1106]; and accordingly, surrender/release the title thereof to the complainant;
- Directing respondent Bank to release to respondent ASB the transfer certificate of title of the lots covering the BSA Twin Towers Project; directing ASB to cause the subdivision of the mother titles into condominium

certificates of title within 90 days and to thereafter deliver title to complainant [Dylanco] free from all liens and encumbrances; [and]

- Ordering respondent ASB to complete the subject condominium project as per SEC Order dated 03 November 2004. (Words in brackets added)

On the other hand, the HLURB decision[11] on the SLGT case, docketed as REM-A-050208-0020, was, on all material points, of the same tenor as in the Dylanco case, albeit the unit involved is different and the banks referred to in SLGT are UCPB and Metrobank.

From the HLURB resolutions in REM-A-050208-0020 and REM-A-050208-0021, Metrobank appealed to the OP, followed by UCPB's own appeal from the resolution in REM-A-050208-0020. Owing to the obvious similarities in both cases, the OP had them consolidated, the Dylanco case docketed as O.P. Case No. 05-F-212 and the SLGT case as O.P. Case No. 05-F-215.

On October 10, 2005, the OP rendered a decision[12] against Metrobank and UCPB, disposing as follows:

WHEREFORE, premises considered, the appeals filed by Metropolitan Bank and Trust Company and the United Coconut Planters Bank are hereby DISMISSED for lack of merit.

SO ORDERED.

From the October 10, 2005 OP Decision, petitioner banks and SLGT interposed their respective motions for reconsideration, SLGT excepting to that portion of the decision declaring the mortgage contract as void only insofar as it and Dylanco are concerned. To SLGT, the indivisibility of a mortgage contract requires that a declaration of nullity — or a validity for that matter - should cover the entire mortgage.

On December 22, 2005, the OP issued an Order[13] acting favorably on SLGT's motion, but denying those of Metrobank and UCPB. The fallo of the OP's Order reads:

"WHEREFORE, the Motions for Reconsideration of [Metrobank] and [UCPB] are hereby DENIED. With respect to the partial motion for reconsideration of SLGT ..., the same is hereby GRANTED. Accordingly, the mortgage contract executed between ASB Development Corporation and respondent banks (Metrobank and UCPB) is hereby declared null and void in its entirety. Respondents-appellants are hereby ordered to release to ASBDC [TCT] Nos. 9834 and 9835, and for ASBDC to cause the subdivision of the mother titles into condominium certificates of title, and thereafter deliver to complainants [SLGT and Dylanco] their respective condominium certificates of title free of lien and encumbrances.

The records of the instant cases are hereby remanded to [HLURB] for its appropriate disposition.

SO ORDERED. (Emphasis and words in brackets added)

In time, petitioner banks went to the CA on a petition for review under Rule 43 of the Rules of Court whereat the appellate recourses were likewise consolidated and docketed as CA-G.R. SP No. 92807, CA-G.R. SP No. 92808 and CA-G.R. SP No. 92882.

As stated at the threshold hereof, the appellate court, in its assailed Decision[14] of June 29, 2006, affirmed the OP's October 10, 2005 Decision as modified in its December 22, 2005 Order, the affirmance being predicated, in gist, on the following main premises:

- A mortgage constituted on a condominium project without the approval of the HLURB in violation of the prescription of Presidential Decree (PD) 957, like the ASB-Metrobank-Trust Division mortgage contract, is void; a mortgage is indivisible and cannot be divided into a valid and invalid parts.
- The complaints of Dylanco and SLGT are not covered by the order issued by the SEC suspending all actions

and proceedings against ASB.

Petitioner banks' separate motions for reconsideration were later denied in the CA's equally assailed resolution[15] dated October 31, 2006.

Hence, these separate petitions.

Although formulated a bit differently, the grounds and arguments advanced in support of the petitions converge and focus on two issues, to wit:

- The declaration of nullity of the entire mortgage constituted on the project land site and the improvements thereon; and
- The applicability to this case of the suspension order granted by SEC to ASB.

We DENY.

As to the first issue, it is the petitioners' posture that the CA, and, before it, the OP, erred when it declared the subject mortgage contract void in its entirety and then directed both petitioner banks to release the mortgage on the Project.

We are not persuaded.

Both petitioners do not dispute executing the mortgage in question without the HLURB's prior written approval and notice to both individual respondents. Section 18 of Presidential Decree No. (PD) 957 — The Subdivision and Condominium Buyers' Protective Decree — provides:

SEC. 18. Mortgages. - No mortgage of any unit or lot shall be made by the owner or developer without prior written approval of the [HLURB]. Such approval shall not be granted unless it is shown that the proceeds of the mortgage loan shall be used for the development of the condominium or subdivision project The loan value of each lot or unit covered by the mortgage shall be determined and the buyer thereof, if any, shall be notified before the release of the loan. The buyer may, at his option, pay his installment for the lot or unit directly to the mortgagee who shall apply the payments to the corresponding mortgage indebtedness secured by the particular lot or unit being paid for (Emphasis and word in bracket added)

There can thus be no quibbling that the project lot/s and the improvements introduced or be introduced thereon were mortgaged in clear violation of the aforequoted provision of PD 957. And to be sure, Dylanco and SLGT, as Project unit buyers, were not notified of the mortgage before the release of the loan proceeds by petitioner banks.

As it were, PD 957 aims to protect innocent subdivision lot and condominium unit buyers against fraudulent real estate practices. Its preambulatory clauses say so and the Court need not belabor the matter presently. Section 18, *supra*, of the decree directly addresses the problem of fraud and other manipulative practices perpetrated against buyers when the lot or unit they have contracted to acquire, and which they religiously paid for, is mortgaged without their knowledge, let alone their consent. The avowed purpose of PD 957 compels, as the OP correctly stated, the reading of Section 18 as prohibitory and acts committed contrary to it are void.[16] Any less stringent construal would only accord unscrupulous developers and their financiers unbridled discretion to follow or not to follow PD 957 and thus defeat the very lofty purpose of that decree. It thus stands to reason that a mortgage contract executed in breach of Section 18 of the decree is null and void.

In *Philippine National Bank v. Office of the President*, [17] involving a defaulting mortgagor-subdivision developer, a mortgagee-bank and a lot buyer, the Court expounded on the rationale behind PD 957, as a tool to protect subdivision lot and/or condominium unit buyers against developers and mortgaging banks, in the following wise:

xxx [T]he unmistakable intent of the law [is] to protect innocent lot buyers from scheming subdivision developers. As between these small lot buyers and the gigantic financial institutions which the developers deal with, it is obvious that the law — as an instrument of social justice — must favor the weak. Indeed, the petitioner bank had at its disposal vast resources with which it could adequately protect its loan activities, and therefore is presumed to have conducted the usual "due diligence" checking and ascertaining ... the actual status, condition, utilization and occupancy of the property offered as collateral. xxx On the other hand, private respondents obviously were powerless to discover the attempt of the land developer to hypothecate the property being sold to them. It was precisely in order to deal with this kind of situation that P.D. 957 was enacted, its very essence and intendment being to provide a protective mantle over helpless citizens who may fall prey to the razzmatazz of what P.D. 957 termed "unscrupulous subdivision and condominium sellers."

The Court then quoted with approval the following instructive comments of the Solicitor General:

Verily, if P.D. 957 were to exclude from its coverage the aforesaid mortgage contract, the vigorous regulation which P.D. 957 seeks to impose on unconscientious subdivision sellers will be translated into a feeble exercise of police power just because the iron hand of the state cannot particularly touch mortgage contracts badged with the unfortunate accident of having been constituted prior to the enactment of P.D. 957. Indeed, it would be illogical in the extreme if P.D. 957 is to be given full force and effect and yet, the fraudulent practices and manipulations it seeks to curb. xxx

Given the foregoing perspective, the next question to be addressed turns on whether or not the nullity extends to the entire mortgage contract.

The poser should be resolved, as the CA and OP did resolve it, in the affirmative. This disposition stems from the basic postulate that a mortgage contract is, by nature, indivisible.[18] Consequent to this feature, a debtor cannot ask for the release of any portion of the mortgaged property or of one or some of the several properties mortgaged unless and until the loan thus secured has been fully paid, notwithstanding the fact that there has been partial fulfillment of the obligation. Hence, it is provided that the debtor who has paid a part of the debt cannot ask for the proportionate extinguishments of the mortgage as long as the debt is not completely satisfied.

The situation obtaining in the case at bench is within the purview of the aforesaid rule on the indivisibility of mortgage. It may be that Section 18 of PD 957 allows partial redemption of the mortgage in the sense that the buyer is entitled to pay his installment for the lot or unit directly to the mortgagee so as to enable him -the said buyer - to obtain title over the lot or unit after full payment thereof. Such accommodation statutorily given to a unit/lot buyer does not, however, render the mortgage contract also divisible. Generally, the divisibility of the principal obligation is not affected by the indivisibility of the mortgage. The real estate mortgage voluntarily constituted by the debtor (ASB) on the lots or units is one and indivisible. In this case, the mortgage contract executed between ASB and the petitioner banks is considered indivisible, that is, it cannot be divided among the different buildings or units of the Project. Necessarily, partial extinguishment of the mortgage cannot be allowed. In the same token, the annulment of the mortgage is an all or nothing proposition. It cannot be divided into valid or invalid parts. The mortgage is either valid in its entirety or not valid at all. In the present case, there is doubtless only one mortgage to speak of. Ergo, a declaration of nullity for violation of Section 18 of PD 957 should result to the mortgage being nullified wholly.

It will not avail the petitioners any to feign ignorance of PD 957 requiring prior written approval of the HLURB, they being charged with knowledge of such requirement since granting loans secured by a real estate mortgage is an ordinary part of their business.

Neither could they rightly claim to be mortgagees in good faith. We shall explain.

The unyielding rule is that persons dealing with property brought under the Torrens system of land registration

have the right to rely on what appears on the certificate of title without inquiring further;[19] that in the absence of anything to excite or arouse suspicion that should impel a reasonably cautious person to make such further inquiry, a would-be mortgagee is without obligation to look beyond the certificate and investigate the title of the mortgagor. Such rule, however, does not apply to mortgagee-banks,[20] their business being one affected with public interest, holding as they do and keeping, in trust, money pertaining to the depositing public which they should guard with earnest. Unlike private individuals, it behooves banks to exercise greater care and prudence in their dealings, including those involving registered lands.[21] As we wrote in *Cruz v. Bancom Finance Corporation*,[22] "a banking institution is expected to exercise due diligence before entering into a mortgage contract. The ascertainment of the status or condition of a property offered to it as a security must be standard and indispensable part of its operations." A bank that failed to observe due diligence cannot be accorded the status of a bona fide mortgagee.[23]

Surely, petitioner banks cannot plausibly assert compliance with the due diligence requirement exacted contextually by the situation. For, have they done so, they could have easily discovered that there is an on-going condominium project on the lots offered as mortgage collateral and, as such, could have aroused their suspicion that the developer may have engaged in pre-selling, or, with like effect, that there may be unit buyers therein, as was the case here. Having been short in care and prudence, petitioners cannot be deemed to be mortgagees in good faith entitled to the benefits arising from such status.

This thus brings us to the next issue of whether or not the HLURB, OP and, necessarily, the CA reversibly erred in continuing with the resolution of this case notwithstanding the rehabilitation proceedings before, and the appointment by, the SEC of a receiver for ASB which, under Section 6 (c)[24] of PD 902-A, as amended,[25] necessarily suspended "all actions for claims" against distressed corporations.

Petitioners maintain that individual respondents' demands initially filed with the HLURB partake of the nature of "claim" within the contemplation of the aforesaid suspensive section of PD 902-A. They cite *Sobrejuanite v. ASB Development Corporation*[26] to drive home the idea of the encompassing reach of the word "claim" which they deem to include any and all claims or demands of whatever nature and character.

The Court is unable to accommodate the petitioners.

As we articulated in *Arranza v. B.F. Homes, Inc.*,[27] the fact that respondent B.F. Homes is under receivership does not preclude the continuance before the HLURB of the case for specific performance of a real estate developer's obligation under PD 957. For, "[E]ven if respondent is under receivership, its obligations as a real estate developer under P.D. 957 are not suspended. Section 6 (C) of P.D. No. 902-A, as amended ..., on 'suspension of all actions for claims against corporations' refers solely to monetary claims." [28] Says the Court further:

xxx The appointment of a receiver does not dissolve the corporation, nor does it interfere with the exercise of corporate rights. In this case where there appears to be no restraints imposed upon respondent as it undergoes rehabilitation receivership, respondent ... continues or should continue to perform its contractual and statutory responsibilities to petitioners as homeowners.

xxx xxx xxx

No violation of the SEC order suspending payments to creditors would result as far as petitioners' complaint before the HLURB is concerned. To reiterate, what petitioners seek to enforce are respondent's obligation as subdivision developer [for which the HLURB, not the SEC, is equipped with the expertise to deal with the matter]. Such claims are basically not pecuniary in nature.[29]

Arranza actually complemented the earlier case of *Finasia Investments and Finance Corporation v. CA*[30] where the Court defined and explained the term "claim" in the following wise:

We agree ... that the word "claim" as used in Sec. 6 (c) of P.D. 902-A, as amended, refers to debts or demands of a pecuniary nature. It means "the assertion of a right to have money paid. It is used in special proceedings like those before administrative court, on insolvency. Consequently, the word "claim"

Petitioners' citation and undue reliance on *Sobrejuanite* is quite misplaced in view of differing set of facts. In that case, the Court held that the HLURB is bereft of jurisdiction to proceed with the case during the pendency of the rehabilitation proceedings since the spouses *Sobrejuanite's* claim involves pecuniary consideration, or a claim for refund of the purchase price paid, with interest, to be precise. Unlike the spouses *Sobrejuanite* in *Sobrejuanite*, SLGT's and *Dylanco's* complaints in the instant case did not seek monetary recovery or to touch the corporate coffers of ASB ahead of others. They did not even consider themselves as money claimants. All they ask was for the enforcement of ASB's statutory and contractual obligations as a condominium developer. In the concrete, they pressed for the delivery of their units free from all liens and encumbrances and the declaration of nullity of the mortgage in question arising from the breach of Section 18 of PD 957.

Significantly, in *Sobrejuanite*, the Court stated the observation, in reference to the *Arranza* case, that "the proceedings before the HLURB [may] be suspended during the rehabilitation [of the ailing corporation]" "if the claim was for monetary awards." [31]

The Court is very much aware of A.M. No. 00-8-10-SC or the Interim Rules on Corporate Rehabilitation [32] which defines the term "claim" as including all claims or demands of whatever character against a debtor or its property, whether for money or otherwise. But as aptly explained by the CA, Section 24 [33] of the interim rules limits the coverage of the Rules on rehabilitation and consequently the rule of suspension of action to those who stand in the category of debtors and creditors. The relationship between the petitioner banks, as mortgagor of the ASB property, on one hand, and respondents SLGT and *Dylanco*, as unit buyers, on the other, cannot be that of a debtor-creditor as to bring the case within the purview of the rules on corporate recovery, let alone the *Sobrejuanite* case. Then, too, the vinculum that binds SLGT/*Dylanco*, as unit buyers and as suitors before the HLURB, and ASB is far from being akin to that of debtor-creditor. As it were, SLGT/*Dylanco* sued ASB for having constituted, in breach of PD 957, a mortgage on the condominium project without prior HLURB approval and so much as notifying them of the loan release for which reason they prayed for the delivery of their units free from all liens and encumbrances. With the view we take of the case, the complaint of individual respondents is not in the nature of "claims" that should be covered by the suspensive effect of a rehabilitation proceeding.

Looking beyond the strictly legal issues involved in this case, however, the pendency of the rehabilitation proceedings ought not, as stressed in the Order [34] of the OP, be invoked to defeat or deny the claim of individual respondents. Suspending the proceedings would only perpetuate and compound the injustice committed by ASB on SLGT and *Dylanco*. It would reduce to pure jargon the beneficent provisions and render illusory the purpose of PD 957 which, to repeat, is to protect innocent unit and lot buyers from scheming subdivision/condominium owners/developers. As a matter of good conscience, the Court cannot allow it under the factual and legal premises surrounding this case.

WHEREFORE, the instant petitions are DENIED and the assailed CA Decision and Resolution are AFFIRMED. Cost against the petitioners.

SO ORDERED.

Puno, C.J., (Chairperson), Sandoval-Gutierrez, Corona, and Azcuna, JJ., concur.

[1] Penned by Associate Justice Vicente S.E. Veloso and concurred in by Associate Justices Conrado M. Vasquez, Jr. and Mariano C. Del Castillo; rollo (G.R. Nos. 175181-82), pp. 59 et seq.

[2] Id. at 82-83.

[3] Id. at 18 et seq.

[4] Id. at 798 et seq.

[5] Rollo (G.R. Nos. 175354 & 175387-88), p. 768.

[6] Created by Mortgage Trust Indenture entered into by Metrobank Trust and ASB dated September 20, 1999. Metrobank Trust signed as Trustee in behalf of certain creditors among whom is UCPB; rollo (G.R. Nos. 175181-82), pp. 277 et seq.

[7] As participating creditor in the Mortgage Trust Indenture, UCPB is the holder of a Mortgage Participation Certificate, representing its aliquot interest in the mortgage created by the Indenture.

[8] Impleading Metrobank and ASB as defendants; rollo (G.R. Nos. 175181-82), pp. 307 et seq.

[9] Id. at 293 et seq.; SLGT impleaded UCPB as additional defendant.

[10] Id. at 1259 et seq.

[11] Rollo (G.R. Nos. 175354 & 175387-88), pp. 292 et seq.

[12] Supra note 3.

[13] Supra note 4.

[14] Supra note 1.

[15] Supra note 2.

[16] Article 5, Civil Code.

[17] G.R. No. 104528, January 18, 1996, 252 SCRA 5.

[18] Art. 2089 of the Civil Code provides: A pledge or mortgage is invisible, even though the debt may be divided among the successors in interest of the debtor or of the creditor.

[19] Republic v. Court of Appeals, G.R. No. 122801, April 8, 1997, 301 SCRA 366.

[20] Rural Bank of Compostela v. CA, G.R. No. 116111, January 21, 1999, 271 SCRA 76; Tomas v. Tomas, G.R. No. L-36897, June 25, 1980, 98 SCRA 280.

[21] Cavite Development Bank v. Lim, G.R. No. 131679, February 1, 2000, 324 SCRA 346, citing cases.

[22] G.R. No. 147788, March 19, 2002, 379 SCRA 490.

[23] Rural Bank of Compostela, supra.

[24] SEC. 6. In order to effectively exercise such jurisdiction [over corporations] the [SEC] shall possess the following powers: xxx c) To appoint one or more receivers of the property ... which is the subject of the action pending before the Commission Provided, finally That upon appointment of a ... rehabilitation receiver ... all actions for claims against corporations ... pending before any court, tribunal, board or body shall be suspended accordingly. (*Italics added.*)

[25] Amended by PD 1758, as further amended by RA 8999 which transferred to the RTC jurisdiction over cases listed under Sec. 5 of PD 902-A heretofore belonging to the SEC.

[26] G.R. No. 165675, September 30, 2005, 471 SCRA 763.

[27] G.R. No. 131683, June 19, 2000, 333 SCRA 799.

[28] *Id.* at 811.

[29] *Id.* at 815.

[30] G.R. No. 107002, October 7, 1994, 237 SCRA 446.

[31] At page 774 of the *Sobrejuanite* case, *supra*.

[32] Its provisions were based primarily on the provisions of the SEC Rules on Corporate Recovery.

[33] Under Sec. 24, the rehabilitation plan produces, among others, the following effects: 1. It binds the debtor, including creditors whether or not they participated or opposed the plan; 2. Payment to the creditors must be made in accordance with the plan; 3. Existing contracts and arrangements between the debtor and creditor shall be interpreted as continuing; and 4. Any compromise on amounts or rescheduling of timing of payments by the debtor shall be binding on the creditor regardless of whether or not the plan is successfully implemented.

[34] *Supra* note 4, at p. 7 of the Order.

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