

MANTRUSTE SYSTEMS, INC., PETITIONER, VS. THE HON. COURT OF APPEALS, ASSET PRIVATIZATION TRUST, MAKATI AGRO-TRADING, INC., AND LA FILIPINA UY GONGCO CORP., RESPONDENTS.

G.R. Nos. 86540-41. November 06, 1989

Ponente: GRIÑO-AQUINO. J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-nos-86540-41/>

GRIÑO-AQUINO. J.

In this petition for review, Mantruste Systems, Inc. (or MSI) seeks the annulment of the decision dated September 29, 1988 and the resolution dated January 4, 1989 of the Court of Appeals in the consolidated cases of "Makati Agro-Trading, Inc., et al. vs. Judge Job Madayag, et al.," (CA-G.R. SP No. 13929) and "Asset Privatization Trust vs. Judge Job Madayag, et al." (CA-G.R. SP No. 14535) which set aside the writ of preliminary injunction that was issued on December 19, 1987 by Judge Madayag in Civil Case No. 18319 of the Regional Trial Court of Manila ("Mantruste Systems, Inc. vs. Development Bank of the Philippines, Asset Privatization Trust, Makati Agro-Trading, Inc. and La Filipina Uy Gongco Corporation"). Judge Madayag enjoined the defendants in that case from doing the acts stated in its temporary restraining order of November 13, 1987, namely:

"x x x from approving the winning bid and awarding the BAYVIEW property, subject matter of this case, in favor of the winning bidders, the herein defendants, Makati Agro-Trading, Inc. and La Filipina Uy-Gongco Corporation;

"enjoining the Defendants DBP and APT from taking physical possession of the BAYVIEW property, or ejecting the plaintiff and its concessionaires, representatives and agents, from the leased premises;

"from terminating the Contract of Lease (Annex N); and

"from disturbing and obstructing the plaintiff, through the defendants' designated security guards, in the pursuit of its business in the leased premises, until further orders from this Court." (p. 18, Rollo.)

The facts are stated in the decision of the Court of Appeals as follows:

"x x x Herein private respondent Mantruste System, Inc. (MSI) entered into an 'interim lease agreement' dated August 26, 1986 with the Development Bank of the Philippines — owner of the Bayview Plaza Hotel — wherein the former would operate the hotel for 'a minimum of three months or until such time that the said properties are sold to MSI or other third parties by DBP.'

"On December 8, 1986 the President issued Proclamation No. 50 entitled 'Launching a Program for the Expeditious Disposition or Privatization of Certain Government Corporations and/or the (acquired) Assets thereof, and creating a Committee on Privatization and the Asset Privatization Trust.' The Bayview Hotel properties were among the government assets identified for privatization and were consequently transferred from DBP to APT for disposition.

"To effect the disposition of the property, the DBP notified MSI that it was terminating the 'interim lease agreement.' In a certificate dated September 18, 1987 signed by Ernesto S. Salgado, President and Chairman of

the Board of herein private respondent (Annex D; Exh. 2-APT) the latter agreed to the termination with the following terms:

'1. Thirty days from today as of the signing of this Certification, I will consider the Lease Contract between MANTRUSTE SYSTEM, INC. and DEVELOPMENT BANK OF THE PHILIPPINES terminated.

'2. The Bayview Prince Hotel will be made available for inspection at all times by other bidders.

43. The Bayview Prince Hotel will be ready for delivery to any new owners thirty (30) days from signing of this Certification.'

"On October 7, 1987 the APT sent a letter to MSI through Mr. Salgado granting the latter an extension of thirty days from October 18 'within which to effect the delivery of the Bayview Prince Hotel to APT.' The extension was given to 'allow (MSI) to wind up (its) affairs and to facilitate a smooth turn-over of the facilities to its new owners without necessarily interrupting the hotel's regular operation.' The signature of Mr. Salgado appears on the lower left hand of the letter under the word 'CONFORME.'

However, fifteen days later, or on October 22, 1987, MSI — through its Executive Vice-President Rolando C. Cipriano — informed APT of the following points:

'x x x

x x x

x x x

'MSI is of the opinion ... since its lease on the hotel properties has been for more than one year now, its lease status has taken the character of a long term one. As such MSI as the lessee has acquired certain rights and privileges under law and equity.

'. . . it is the company's firm contention that it has acquired a priority right to the purchase of Bayview Hotel properties over and above other interested parties ...' (Annex F, petition, SP-14535).

"APT's response to this demand was equally firm. It informed MSI that APT has '. . . not found any stipulation tending to support your claim that Mantruste System, Inc., as lessee, has acquired . . . priority right to the purchase of Bayview Hotel . . .' The Trust also pointed out that the 'Pre-Bidding Conference' for the sale of the hotel has already been conducted such that for APT to favorably consider your (MSI's) request would not be in consonance with law, equity and fair play (Annex G, *idem.*).

"On October 28, Salgado, speaking for MSI, wrote APT informing the latter of the alleged 'legal lien' over the hotel to the amount of P10,000,000 (should be P12,000,000). Moreover, he demanded that the Trust consider MSI a 'very preferred' bidder. Nevertheless, on November 4, 1987 herein private respondent allegedly prepared to submit its bid to the APT for P95,000,000.00 in cash or P120,000,000 in installment terms.

"On the same occasion, however, MSI asked the Trust for clarification on the following points: (1) whether APT had a clean title over the property; (2) whether the Trust knew the hotel had back taxes; (3) who should pay the tax arrears; and (4) whether MSI'S advances made in behalf of DBP would be treated as part of the bid offer.

"From there, the versions of the MSI and the Trust differed. According to herein private respondent, because of the questions it posed to the Trust, it was 'immediately disqualified from the public bidding.' The trust alleged on the other hand that MSI voluntarily desisted from participating in the bidding. The property eventually was awarded to herein petitioners Makati-Agro Trading and La Filipina Uy Gongco Corporation which submitted a

bid for P83,000,000 (should be P85,000,000).

"On November 13, 1987, herein private respondent filed a complaint with respondent lower court — docketed as Civil Case No. 18319 — praying among others for: (1) the issuance of a restraining order enjoining APT from approving the winning bid and awarding the Bayview property to private petitioners, and from ejecting MSI from the property or from terminating the contract of lease; (2) the award of the Bayview property in favor of MSI as the highest bidder. On December 15, 1987, the lower court, as already said, granted the writ of preliminary injunction." (pp. 247-250, Rollo.)

The Court of Appeals nullified the lower court's writ of preliminary injunction for being violative of Section 31 of Proclamation No. 50-A dated December 15, 1986, which provides:

"No court or administrative agency shall issue any restraining order or injunction against the Trust in connection with the acquisition, sale or disposition of assets transferred to it ... Nor shall such order or injunction be issued against any purchaser of assets sold by the Trust to prevent such purchaser from taking possession of any assets purchased by him.

The Court of Appeals rejected Judge Madayag's opinion that the above provision of Proclamation No. 50-A is unconstitutional because: (1) it ceased to be operative in view of the 1987 Constitution; (2) it constitutes a deprivation of property without due process of law; and (3) it impinges upon the judicial power as defined in Section 1, Article VIII of the 1987 Constitution. The Court of Appeals held that:

(1) Proclamation No. 50-A continued to be operative after the effectivity of the 1987 Constitution, by virtue of Section 3, Article XVIII (Transitory Provisions) providing that:

"Sec. 3. All existing laws, decrees, executive orders, proclamations, letters of instructions and other executive issuances not inconsistent with this Constitution shall remain operative until amended, repealed, or revoked."

(2) Section 31 of Proclamation No. 50-A does not deprive MSI of its property rights in the Bayview Hotel because those alleged "property rights" are non-existent, and its belief that DBP had declared it to be the preferred buyer of the hotel is "illusory."

Its only "property right" was its reimbursable advances allegedly amounting to P12 million (but denied by DBP in its answer to the complaint) which, it may sue to collect in a separate action.

(3) In view of Section 31 of Proclamation No. 50-A, the issuance of a writ of preliminary injunction by the lower court against the APT may not be justified as a valid exercise of judicial power, i.e., the power to settle actual controversies involving rights which are legally demandable and enforceable, for MSI does not have a legally demandable and enforceable right of retention over the hotel. In any case, judicial power is "not unqualified." It may be regulated and defined by the Constitution (Sec. 2, Art. VIII, 1987 Constitution) and by law, and the law in this particular case (Sec. 31, Procl. No. 50-A) provides that judicial power may not be exercised in the form of an injunction against the acts of the APT in pursuance of its mandate.

The seven grounds of this petition for certiorari may be compressed into the following propositions:

(1) that the Court of Appeals gravely abused its discretion in substituting its own discretion for that of the trial court on the propriety of issuing the writ of preliminary injunction to preserve the status quo and to protect Mantruste's contractual right to retain possession of the Bayview Hotel until all its advances are paid; and

(2) that the Court of Appeals erred: (a) in holding that Mantruste's property rights are non-existent except its right to the refund of its alleged advances; (b) in not declaring unconstitutional Section 31 of Proclamation 50-A prohibiting the issuance of an injunction against the APT; and (c) in finding that Mantruste is to blame for its

failure to participate in the bidding for the Bayview Hotel.

We find no merit in the petition.

While the well-known and basic purpose of a preliminary injunction is to preserve the status quo of the property subject of the action to protect the rights of the plaintiff respecting the same during the pendency of the suit (*Calo vs. Roldan*, 16 Phil. 445,452; *Lasala vs. Fernandez*, 5 SCRA 79; *Rivera vs. Florendo*, 144 SCRA 643), and that generally, the exercise of sound judicial discretion by the lower court will not be interfered with (*Rodulfa vs. Alfonso*, 16 Phil. 225, 232), the Court of Appeals however correctly found that, under the lease agreement between the DBP and Mantruste, the latter's claim to a "patent contractual right to retain possession of the Bayview Hotel until all its advances are paid" is non-existent. As the right of retention does not exist, neither does the right to the relief (injunction) demanded (Sec. 3, Rule 58, Rules of Court).

Furthermore, there is Section 31 of Proclamation No. 50-A to be reckoned with which explicitly prohibits courts and administrative agencies from issuing "any restraining order or injunction against the Trust (APT) in connection with the acquisition, sale or disposition of assets transferred to it, nor against any purchaser of assets sold by the Trust to prevent such purchaser from taking possession of any assets purchased by him." While the petitioner decries the "probable injustice" that it will suffer if it is ousted from the hotel and possession of the property is delivered to the private respondents as the winning bidders/purchasers at the public auction sale, the greater prejudice and injustice to the latter who, after paying P85 million to purchase the hotel have been deprived of its possession by the illegal issuance of the writ of injunction, may not be glossed over. On the other hand, as indicated by the Appellate Court, the petitioner is not without adequate remedy to recover its alleged P12 million advances on behalf of the DBP to make the hotel operational. It may sue either the DBP, or its successor-in-interest, the APT, for payment of the claim.

Mantruste's right to reimbursement for those advances (the exact amount of which remains to be determined) may not be denied. However, its claim to a right of retention over the hotel pending such reimbursement, is, as was correctly found by the Court of Appeals, "illusory" and "non-existent." A mere lessee, like Mantruste, is not a builder in good faith, hence, the right of retention given to a possessor in good faith under Article 546 of the Civil Code, pending reimbursement of his advances for necessary repairs and useful improvements on another's property is not available to a lessee whose possession is not that of an owner.

"A lessee is not entitled to retain possession of the premises leased until he is reimbursed for alleged improvements thereon, for a lessee cannot pretend to act in good faith in making improvements.

"A lessee, in order to be entitled to one half the value of the improvements introduced by him in the leased premises, or to remove them should lessor refuse to reimburse the half value thereof, must show that the same were introduced in good faith; are useful; suitable to the use for which the lease is intended without altering the form and substance of the premises.'1 (*imperial Insurance, Inc. vs. Simon*, 14SCRA855.

"Petitioner's contention that he is a builder in good faith for which reason he may not be evicted unless he is indemnified for the cost of his improvements on the leased premises, has no merit. Knowing that his right to occupy the premises was temporary, he is deemed to have built his house at his own risk." (*Lopez, Inc. vs. Phil. & Eastern Trading Co., Inc.*, 98 Phil. 348.)

"It is a settled rule that lessees are not possessors in good faith, because they know that their occupancy of the premises continues only during the life of the lease, hence they cannot, as a matter of right, recover the value of their improvements from the lessor, much less retain the premises until they are reimbursed therefor." (*Bacaling vs. Laguna, et al*, 54 SCRA 243.)

Section 31 of Proclamation No. 50-A does not infringe any provision of the Constitution. It does not impair the

inherent power of courts "to settle actual controversies which are legally demandable and enforceable and to determine whether or not there has been a grave abuse of discretion amounting to lack or excess of jurisdiction on the part of any branch or instrumentality of the government" (Sec. I, Art. VIII, 1987 Constitution). The power to define, prescribe and apportion the jurisdiction of the various courts belongs to the legislature, except that it may not deprive the Supreme Court of its jurisdiction over cases enumerated in Section 5, Article VIII of the Constitution (Sec. 2, Art. VIII, 1987 Constitution).

The President, in the exercise of her legislative power under the Freedom Constitution, issued Proclamation No. 50-A prohibiting the courts from issuing restraining orders and writs of injunction against the APT and the purchasers of any assets sold by it, to prevent courts from interfering in the discharge, by this instrumentality of the executive branch of the Government, of its task of carrying out "the expeditious disposition and privatization of certain government corporations and/or the assets thereof (Proc. No. 50), absent any grave abuse of discretion amounting to excess or lack of jurisdiction on its part. This proclamation, not being inconsistent with the Constitution and not having been repealed or revoked by Congress, has remained operative (Sec. 3, Art. XVIII, 1987 Constitution).

While the judicial power may appear to be pervasive, the truth is that under the system of separation of powers set up in the Constitution, the power of the courts over the other branches and instrumentalities of the Government is limited only to the determination of "whether or not there has been a grave abuse of discretion (by them) amounting to lack or excess of jurisdiction"

in the exercise of their authority and in the performance of their assigned tasks (Sec. 1, Art. VIII, 1987 Constitution). Courts may not substitute their judgment for that of the APT, nor block, by an injunction, the discharge of its functions and the implementation of its decisions in connection with the acquisition, sale or disposition of assets transferred to it.

There can be no justification for judicial interference in the business of an administrative agency, except when it violates a citizen's constitutional rights, or commits a grave abuse of discretion, or acts in excess of, or without jurisdiction.

The Court of Appeals correctly ruled that paragraph 2 of the Contract of Lease which provides:

"2. The term of the lease is a minimum of three (3) months or until such time that said properties are sold to MSI or other third parties by DBP." (p. 1, Annex N of Annex A hereof; Exh. I.) does not give Mantruste preferred standing or "a right of first refusal" as a prospective buyer of the Bayview Hotel. That provision of the lease contract gives it only the right, equally with others, to bid for the property.

In any event, assuming that Mantruste did have that preferred status (for it was assured by Estela Ladrado, DBP's officer-in-charge of the Bayview Hotel, that "all things equal (sic) DBP would be more inclined to sell the Bayview property to MSI"), Mantruste lost that preferential right by failing to participate in the bidding for the property. Its allegation that it would have submitted a higher bid than the winning bidders, is futile, for the fact is that it did not submit a bid. Its excuses for failing to do so are unconvincing. The real reason is difficult to fathom but the following statement in its petition —

"Considering that Mantruste has made capital expenditures of more than P12 million, then this would mean an uninterrupted, peaceful and continued possession by Mantruste of Bayview for more than twenty (20) years in order to complete the offsetting process." (p. 44, Petition.)

may provide a clue. Mantruste may have banked on its alleged advance of P12 million to keep it in possession of the hotel for 20 years, without having to buy it at the APT's auction.

WHEREFORE, finding no reversible error in the decision of the Court of Appeals, the petition for review is dismissed for lack of merit. Costs against the petitioner.

SO ORDERED.

Fernan, C.J., Narvasa, Melencio-Herrera, Cruz, Paras, Feliciano, Gancayco, Padilla, Bidin, Sarmiento, Cortes, Medialdea, and Regalado, JJ., concur.

Gutierrez, Jr., J., in the result.

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.