

Title: Apex Bancrights Holdings, Inc. et al. vs. Bangko Sentral ng Pilipinas and Philippine Deposit Insurance Corporation

Facts:

1. **July 2001:** Export and Industry Bank (EIB) entered a merger with Urban Bank, Inc. (UBI) and Urbancorp Investments, Inc. (UII) to rehabilitate UBI.
2. **September 2001:** EIB began facing financial difficulties, leading the Philippine Deposit Insurance Corporation (PDIC) to provide financial assistance.
3. **May 2005:** Despite PDIC's assistance, EIB failed to meet BSP's capital requirements, necessitating efforts to sell the bank.
4. **Banco de Oro (BDO) Interest:** BDO showed interest in acquiring EIB, but the deal was stalled over liabilities issues, specifically concerning the Pacific Rehouse Group's claims.
5. **April 26, 2012:** EIB's president surrendered control to BSP and announced a bank holiday effective April 27, 2012.
6. **April 26, 2012:** The Monetary Board of the BSP issued Resolution No. 686, prohibiting EIB from doing business and placing it under PDIC receivership as per Section 30 of RA 7653.
7. **Initial Receivership Report:** PDIC's report suggested potential rehabilitation if conditions were met, leading to Monetary Board Resolution No. 1317 on August 9, 2012.
8. **Bidding Attempts:** PDIC's scheduled public bidding on October 18, 2012, and the re-bidding on March 20, 2013, failed due to lack of bids.
9. **April 1, 2013:** PDIC reported to BSP that EIB was insolvent.
10. **April 4, 2013:** The Monetary Board issued Resolution No. 571 directing PDIC to liquidate EIB.

Procedural Posture:

11. **April 29, 2013:** Petitioners, majority stockholders of EIB, filed a petition for certiorari with the Court of Appeals (CA), challenging Resolution No. 571.
12. **January 21, 2014:** The CA dismissed the petition, ruling that the Monetary Board did not abuse its discretion.
13. **October 10, 2014:** Petitioners' motion for reconsideration was denied by the CA.
14. **Petition to Supreme Court:** Petitioners sought review via certiorari, questioning the CA's decision.

Issues:

1. **Main Issue:**

- Whether the CA correctly ruled that the Monetary Board did not gravely abuse its discretion in issuing Resolution No. 571 ordering PDIC to liquidate EIB.

Court's Decision:

1. **Section 30 of RA 7653:**

- States that if a receiver determines a bank cannot be rehabilitated, the Monetary Board must notify the directors and direct liquidation.
- The Court emphasized the role of PDIC and BSP in assessing financial viability.

2. **Judicial Inquiry into Police Power:**

- Although the Monetary Board's actions are typically final and executory, they can be reviewed under certiorari if decisions were made with grave abuse of discretion.
- Grave abuse entails capricious, arbitrary, or unjust actions lacking factual basis.

3. **Factual Basis and Compliance:**

- The Court found no abuse of discretion as the Monetary Board's order for liquidation followed PDIC's well-grounded finding of EIB's insolvency.
- Consent from the MI would only have been necessary if an independent factual determination by BSP were required by Section 30 of RA 7653 - which it does not.

4. **Final and Executory Decisions:**

- The Court reiterated that the law mandates finality in Monetary Board decisions related to insolvency, barring evident grave abuse or lack of jurisdiction.

Conclusion:

The petition was denied, affirming the CA's decisions that upheld Resolution No. 571 and rejected claims of grave abuse of discretion by the Monetary Board.

Doctrine:

1. **Section 30 of RA 7653:**

- Disallows courts from interfering with the Monetary Board's liquidation process unless

there is proven excess or grave abuse of discretion.

2. **Role of PDIC:**

- PDIC's determination of a bank's insolvency is binding on the Monetary Board unless contradicted by compelling evidence.

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Class Notes:

- **Essentials on Bank Liquidation:**
- **Authorities:** PDIC and BSP (Monetary Board) are key authorities.
- **Grave Abuse of Discretion:** Defined as actions that are arbitrary, whimsical, or unjust.
- **Final Decisions:** Monetary Board's liquidation orders are generally final and can only be contested on compelling evidence of arbitrary action.
- **Legal Provisions:** Section 30 of RA 7653 governs insolvency and liquidation proceedings, emphasizing minimal judicial intervention.
- **Key Legal Principles:**
- **Police Power:** Monetary Board's actions in public interest are a facet of police power, constrained by the need for due process.
- **Statutory Interpretation:** Verba legis – interpreting clear statutory language without embellishment.

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Historical Background:

- **Banking Crisis of Early 2000s:** EIB's challenge parallels systemic banking issues, leading to legal refinements in receivership and liquidation laws under RA 7653.
- **Regulatory Evolution:** Highlighting the shift to more stringent oversight and prompt intervention in banking insolvencies to safeguard public interest and depositor confidence.