



Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

PATRICIA CABRIETO DELA TORRE, represented by BENIGNO T. CABRIETO, JR.,

Petitioner,

- versus -

PRIMETOWN PROPERTY GROUP, INC.,

Respondent.

G.R. No. 221932

Present:

CARPIO, J., Chairperson,
PERALTA,
PERLAS-BERNABE,
CAGUIOA,* and
REYES, JJ.

Promulgated:

14 FEB 2018

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DECISION

PERALTA, J.:

Before us is a petition for review on *certiorari* seeking to annul and set aside the Decision¹ dated April 28, 2015 of the Court of Appeals (CA) in CA-G.R. SP No. 125314 and the Resolution² dated November 25, 2015 denying reconsideration thereof.

Respondent Primetown Property Group, Inc. is primarily engaged in holding, owning and developing real estate. Among its projects are the Century Citadel Inn, Makati, Makati Prime Century Tower and Makati Prime City. It, likewise, expanded its real estate business in Cebu City where it constructed two (2) condotel projects. However, the ascent of respondent was arrested and its shares were brought down by the Asian financial crisis in 1997. It experienced financial difficulties due to the

* On official business.

¹ Penned by Associate Justice Edwin D. Sorongon, concurred in by Associate Justices Ricardo R. Rosario and Danton Q. Bueser; *rollo*, pp. 17-24.

² *Id.* at 7-8.

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devaluation of the Philippine peso, the increase in interest rates and lack of access to adequate credit. Thus, in 2003, respondent filed a petition for corporate rehabilitation with prayer for suspension of payments and actions with the Regional Trial Court (RTC) of Makati City, and was raffled off to Branch 138. On August 15, 2003, the rehabilitation court issued a Stay Order.³

On October 15, 2004, petitioner Patricia Cabrieto dela Torre filed a Motion for Leave to Intervene⁴ seeking judicial order for specific performance, *i.e.*, for respondent to execute in her favor a deed of sale covering Unit 3306, Makati Prime Citadel Condominium which she bought from the former as she had allegedly fully paid the purchase price. Respondent opposed the motion arguing that it was filed out of time considering that the Stay Order was issued on August 15, 2003 and under the Interim Rules of Procedure on Corporate Rehabilitation (*Interim Rules*), any claimants and creditors shall file their claim before the rehabilitation court not later than ten (10) days before the date of the initial hearing; and that since the Stay Order was issued on August 15, 2003 and the publication thereof was done in September 2003 with the initial hearing on the petition set on September 24, 2003, the motion for intervention should have been filed on or before September 14, 2003.⁵

On August 24, 2011, the RTC issued an Order⁶ granting petitioner's motion for intervention as follows:

x x x x

The court, after a cursory of the records, finds the intervention to have been filed on time as there will only be an additional requirement and that is leave of court, which was here granted to the intervenor. Dismissal on the ground of belated filing is, therefore, unwarranted.

All things considered, the Court finds clear and convincing proof that intervenor had fully paid for Unit 3306 of the Makati Prime Citadel Condominium and, therefore, is entitled to the grant of relief.

WHEREFORE, order is hereby issued directing petitioner Primetown Properties Group, Inc. (1) to execute the corresponding deed of absolute sale covering Unit 3306 of the Makati Prime Citadel Condominium in favor of intervenor Patricia Cabrieto-Dela Torre; (2) to deliver the copy of the Owner's Duplicate of Condominium Certificate of Title No. 25161, together with all the pertinent documents needed to effect registration of the deed of sale and issuance of a new title in the name of intervenor; and (3) to

³ *Id.* at 194-195; Per Judge Sixto Marella, Jr.

⁴ *Rollo*, pp. 77-81.

⁵ *Id.* at 135-136.

⁶ *Id.* at 104-105; Per Acting Presiding Judge Joselito C. Villarosa.

immediately transfer possession of the subject Unit 3306 to said intervenor Patricia Cabrieto-Dela Torre.⁷

Respondent filed a motion for reconsideration alleging that intervenor is still liable to pay ₱1,902,210.48 as unpaid interest and penalty charges; and it is the Housing and Land Use Regulatory Board (*HLURB*) which has exclusive and original jurisdiction over the controversies involving condominium units and not the RTC.

The RTC denied the motion for reconsideration in an Order⁸ dated April 16, 2012.

Aggrieved, respondent filed with the CA a petition for *certiorari*.

On April 28, 2015, the CA issued its assailed Decision, the decretal portion of which reads:

WHEREFORE, the petition is GRANTED. The August 24, 2011 Order of the Regional Trial Court of Makati City, Branch 138 is ANNULLED and SET ASIDE. The Motion for Intervention filed by private respondent is DENIED.

SO ORDERED.⁹

In so ruling, the CA found that when the Stay Order was issued, the rehabilitation court is empowered to suspend all claims against respondent whether monetary or otherwise which includes petitioner's action or claim to execute a certificate of title in her favor. Moreso, when respondent countered that petitioner was not entitled to her prayer as she had not yet fully paid the contract price; and that the RTC has no jurisdiction for the enforcement of the contract of sale involving a condominium unit since the exclusive jurisdiction lies with the HLURB.

In a Resolution dated November 25, 2015, the CA denied petitioner's motion for reconsideration.

Dissatisfied, petitioner filed the instant petition for review on *certiorari* alleging the following assignment of errors:

⁷ *Id.* at 104.

⁸ *Id.* at 88-89.

⁹ *Rollo*, pp. 23-33.



The Honorable Court of Appeals committed serious and reversible error in brushing aside legal authority and holding that the claim/action to execute a certificate of title in petitioner's favor is stayed when the rehabilitation court ordered the suspension of claims against herein respondent;


The Honorable Court of Appeals committed serious and reversible error in brushing aside well settled legal authorities and holding that the Honorable Regional Trial Court, Branch 138, Makati City, has no jurisdiction to grant herein petitioner's intervention in Spec. Proc. No. M-5704; and

The Honorable Court of Appeals committed serious and reversible error in nullifying the trial court's factual finding of full payment and grant of herein petitioner's intervention.¹⁰

Petitioner contends that her claim against respondent was not suspended with the issuance of the Stay Order because when the order was issued on August 15, 2003, she had long already fully paid the purchase price of the condominium unit she bought from respondent, *i.e.*, as of July 25, 1996, and invokes the case of *Town and Country Enterprises, Inc. v. Hon. Quisumbing, Jr., et al.*;¹¹ and that claims refer to debts or demands of pecuniary nature or the assertion that money be paid by the company under rehabilitation to its creditors, but her prayer for the execution of a deed of absolute sale is not a claim of this character as to be covered and suspended under the Stay Order.

We do not agree.

The law on rehabilitation and suspension of actions for claims against corporations is Presidential Decree (PD) 902-A, as amended. In January 2004, Republic Act No. 8799 (RA 8799), otherwise known as the *Securities Regulation Code*, amended Section 5 of PD 902-A, and transferred to the Regional Trial Courts the jurisdiction of the Securities and Exchange Commission (SEC) over 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 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 a management committee. In the meantime, on December 15, 2000, we promulgated A.M. No. 00-8-10-SC, or the *Interim Rules of Procedure on Corporate Rehabilitation*, which applies to petitions for rehabilitation filed by corporations, partnerships and associations pursuant to PD 902-A, and which is applicable in this case.



¹⁰ *Id.* at 32-33.

¹¹ 696 Phil. 1 (2012).

Corporate rehabilitation contemplates a continuance of corporate life and activities in an effort to restore and reinstate the corporation to its former position of successful operation and solvency, the purpose being to enable the company to gain a new lease on life and allow its creditors to be paid their claims out of its earnings.¹² An essential function of corporate rehabilitation is the Stay Order which is a mechanism of suspension of all actions and claims against the distressed corporation upon the due appointment of a management committee or rehabilitation receiver.¹³ Rule 4, Section 6 of the Interim Rules states:

Sec. 6. Stay Order. - If the court finds the petition to be sufficient in form and substance, it shall, not later than five (5) days from the filing of the petition, issue an Order (a) appointing a Rehabilitation Receiver and fixing his bond; (b) staying enforcement of all claims, whether for money or otherwise and whether such enforcement is by court action or otherwise, against the debtor, its guarantors and sureties not solidarily liable with the debtor; (c) prohibiting the debtor from selling, encumbering, transferring, or disposing in any manner any of its properties except in the ordinary course of business; (d) prohibiting the debtor from making any payment of its liabilities outstanding as at the date of filing of the petition; (e) prohibiting the debtor's suppliers of goods or services from withholding supply of goods and services in the ordinary course of business for as long as the debtor makes payments for the services and goods supplied after the issuance of the stay order; (f) directing the payment in full of all administrative expenses incurred after the issuance of the stay order; (g) fixing the initial hearing on the petition not earlier than forty five (45) days but not later than sixty (60) days from the filing thereof; (h) directing the petitioner to publish the Order in a newspaper of general of general circulation in the Philippines once a week for two (2) consecutive weeks; (i) directing all creditors and all interested parties (including the Securities and Exchange Commission) to file and serve on the debtor a verified comment on or opposition to the petition, with supporting affidavits and documents, not later than ten (10) days before the date of the initial hearing and putting them on notice that their failure to do so will bar them from participating in the proceedings; and (j) directing the creditors and interested parties to secure from the court copies of the petition and its annexes within such time as to enable themselves to file their comment on or opposition to the petition and to prepare for the initial hearing of the petition.

Under the above-quoted Section, it is provided that if the RTC finds the petition to be sufficient in form and substance, it shall issue, not later than five (5) days from the filing of the petition, an Order as follows:

- (a) appointing a Rehabilitation Receiver and fixing his bond;
- (b) staying enforcement of all claims, whether for money or otherwise and whether such enforcement is by court action or otherwise, against the debtor, its guarantors and sureties not solidarily liable with the debtor;

¹² *Town and Country Enterprises, Inc. v. Hon. Quisumbing, Jr., et al., supra*, at 12-13, citing *Castillo v. Uniwid Warehouse Club, Inc.*, 634 Phil. 41, 49 (2010).

¹³ *Veterans Philippine Scout Security Agency, Inc. vs. First Dominion Prime Holdings, Inc.*, 693 Phil. 336, 346 (2012).

- (c) prohibiting the debtor from selling, encumbering, transferring, or disposing in any manner any of its properties except in the ordinary course of business;
- (d) prohibiting the debtor from making any payment of its liabilities outstanding as at the date of filing of the petition; x x x.

In addition, it is also stated under the same Section that all creditors and all interested parties are directed to file and serve on the debtor a verified comment on or opposition to the petition not later than ten (10) days before the date of the initial hearing and their failure to do so will bar them from participating in the proceedings.

In this case, respondent filed a petition for rehabilitation and suspension of payments with the RTC which issued a Stay Order on August 15, 2003. The initial hearing was set on September 24, 2003; thus, any comment or opposition to the petition should have been filed 10 days before the initial hearing but petitioner did not file any and already barred from participating in the proceedings. However, petitioner filed a motion for leave to intervene on October 15, 2004, one year after, praying that respondent be ordered to execute in her favor a deed of absolute sale over Unit 3306 of the Makati Prime Citadel Condominium, subject matter of their earlier contract to sell. It bears stressing that intervention is prohibited under Section 1,¹⁴ Rule 3 of the Interim Rules. Hence, the RTC should not have entertained the petition for intervention at all.

In *Advent Capital and Finance Corporation v. Alcantara, et al.*,¹⁵ we said:

Rehabilitation proceedings are summary and non-adversarial in nature, and do not contemplate adjudication of claims that must be threshed out in ordinary court proceedings. Adversarial proceedings similar to that in ordinary courts are inconsistent with the commercial nature of a rehabilitation case. The latter must be resolved quickly and expeditiously for the sake of the corporate debtor, its creditors and other interested parties. Thus, the Interim Rules "incorporate the concept of prohibited pleadings, affidavit evidence in lieu of oral testimony, clarificatory hearings instead of the traditional approach of receiving evidence, and the grant of authority to the court to decide the case, or any incident, on the basis of affidavits and documentary evidence."¹⁶

¹⁴ Section 1. *Nature of Proceedings.* - Any proceeding initiated under these Rules shall be considered in rem. Jurisdiction over all those affected by the proceedings shall be considered as acquired upon publication of the notice of the commencement of the proceedings in any newspaper of general circulation in the Philippines in the manner prescribed by these Rules.

The proceedings shall also be summary and non-adversarial in nature. The following pleadings are prohibited:

x x x

j. Intervention.

¹⁵ 680 Phil. 238 (2012).

¹⁶ *Id.* at 245-246.

Moreover, the RTC had already issued a Stay Order on August 15, 2003 providing, among others, to wit:

By virtue of the authority of the Court under Section 6 of the Interim Rules of Procedure on Corporate Rehabilitation (hereinafter referred to as Interim Rules), it is ordered that enforcement of all claims against the petitioner, whether for money or otherwise, and whether such enforcement is by court action or otherwise, its guarantors or sureties not solidarily liable with the petitioner, be stayed.

Petitioner is prohibited (a) from selling, encumbering, transferring or disposing in any manner of any of its properties, except in the ordinary course of business and (b) from making any payment of its liabilities, outstanding as of July 2, 2003, the date of the filing of the petition.¹⁷

Clearly, while respondent is undergoing rehabilitation, the enforcement of all claims against it is stayed. Rule 2, Section 1 of the Interim Rules defines a claim as referring to all claims or demands of whatever nature or character against a debtor or its property, whether for money or otherwise. The definition is all-encompassing as it refers to all actions whether for money or otherwise. There are no distinctions or exemptions.¹⁸

Petitioner's prayer in intervention for respondent to execute the deed of sale in her favor for the condominium unit is a claim as defined under the *Interim Rules* which is already stayed as early as August 15, 2003. In fact, the same order also prohibited respondent from selling, encumbering, transferring or disposing in any manner of any of its properties, except in the ordinary course of business. The RTC's Order granting petitioner's intervention and directing respondent to execute a deed of sale in her favor and to deliver the copy of the owner's duplicate copy of the condominium certificate, with all the pertinent documents needed to effect registration of the deed of sale and issuance of a new title in petitioner's name, is a violation of the law. And the RTC gave undue preference to petitioner over respondent's other creditors and claimants. The CA correctly found that the RTC committed grave abuse of discretion in issuing its Orders dated August 24, 2011 and April 16, 2012.

In Negros Navigation Co., Inc. v. Court of Appeals,¹⁹ we said:

The justification for the suspension of actions or claims, without distinction, pending rehabilitation proceedings is to enable the

¹⁷ *Rollo*, p. 194.


¹⁸ *Spouses Sobrejuanite v. ASB Development Corp.*, 508 Phil. 715, 723 (2005).

¹⁹ 594 Phil. 96 (2008).



management committee or rehabilitation receiver to effectively exercise its/his powers free from any judicial or extra-judicial interference that might unduly hinder or prevent the "rescue" of the debtor company. To allow such other actions to continue would only add to the burden of the management committee or rehabilitation receiver, whose time, effort and resources would be wasted in defending claims against the corporation instead of being directed toward its restructuring and rehabilitation.²⁰

Petitioner's reliance in *Town and Country Enterprises, Inc. v. Hon. Quisumbing, Jr., et al.*²¹ to support that her claim against respondent is not suspended by the issuance of the Stay Order is misplaced. In that case, petitioner Town & Country Enterprises, Inc. (TCEI) obtained loans in the total amount of ₱12,000,000.00 from Metrobank; that TCEI executed in favor of Metrobank a Deed of Real Estate Mortgage over their twenty parcels of land; that TCEI failed to pay its loan, thus, Metrobank caused the real estate mortgage to be extrajudicially foreclosed and the subject realties to be sold at public auction on November 7, 2001; that Metrobank emerged as the highest bidder and was issued the corresponding Certificate of Sale; as TCEI failed to redeem the property within the prescribed period, the ownership was already vested with Metrobank as of February 6, 2002 notwithstanding that the affidavit of consolidation of ownership was executed only on April 25, 2003. Later, Metrobank moved for the issuance of a writ of possession and which was eventually granted. In the meantime, TCEI filed on October 1, 2002 a petition for declaration of a state of suspension of payments, where a Stay Order was issued on October 8, 2002. TCEI moved for the suspension of the writ of possession proceedings arguing that the writ of possession issued in favor of Metrobank was invalid and unenforceable because of the issuance of the Stay Order in SEC Case No. 023-02 on October 8, 2002. We ruled that Metrobank had already acquired ownership over the mortgaged properties when TCEI commenced its petition for rehabilitation on October 1, 2002. The rule is settled that the mortgagor loses all interests over the foreclosed property after the expiration of the redemption period and the purchaser becomes the absolute owner thereof when no redemption is made and, therefore, entitled to possession. We also ruled that while the issuance of the Stay Order suspends the enforcement of all claims against the debtor, whether for money or otherwise, and whether such enforcement is by court action or otherwise, effective from the date of its issuance until the dismissal of the petition or the termination of the rehabilitation proceedings, however, the Stay Order issued by the Rehabilitation Court cannot apply to the mortgage obligations owing to Metrobank which had already been enforced before TCEI's filing of its petition.



²⁰ *Id.* at 112.


²¹ *Supra* note 11.

In contrast, petitioner's ownership of the condominium unit alleging that she had fully paid the purchase price was, however, disputed by respondent based on their Memorandum of Agreement dated January 20, 1997 where petitioner acknowledged that she had paid the principal obligation on the condominium unit but had yet to pay respondent for penalty charges and interest by reason of the delay in the payment of the monthly amortizations. Consequently, when the RTC issued the Stay Order which suspended all claims against respondent, without distinction, petitioner's prayer for the execution of a deed of sale is a claim covered by the Stay Order issued by the RTC. In fact, the parties' contentions already require a full-blown trial on the merits which must be decided in a separate action and not by the rehabilitation court.

Considering the foregoing discussions, we find no need to discuss the other issues raised by petitioner.

WHEREFORE, the petition is **DENIED**. The Decision dated April 28, 2015 and the Resolution dated November 25, 2015 of the Court of Appeals in CA-G.R. SP No. 125314 are hereby **AFFIRMED**.

SO ORDERED.


DIOSDADO M. PERALTA
Associate Justice

WE CONCUR:



ANTONIO T. CARPIO

Associate Justice

Chairperson

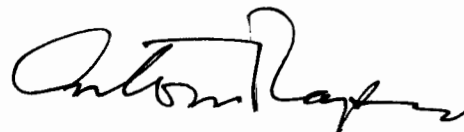
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ESTELA M. PERLAS-BERNABE
Associate Justice

On official business
ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

Reyes
ANDRES B. REYES JR.
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



ANTONIO T. CARPIO

Associate Justice

Chairperson, Second Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



MARIA LOURDES P. A. SERENO

Chief Justice