



Republic of the Philippines
 Supreme Court
 Manila

SUPREME COURT OF THE PHILIPPINES
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FIRST DIVISION

LA SAVOIE DEVELOPMENT CORPORATION, G.R. Nos. 200934-35

Petitioner, Present:

-versus-

BERSAMIN, *CJ.*, Chairperson,
 DEL CASTILLO, *Working Chairperson*,
 JARDELEZA,
 GESMUNDO, and
BUENAVISTA PROPERTIES, INC., CARANDANG, *JJ.*

Respondent. Promulgated:

JUN 19 2019

X -----X
DECISION

JARDELEZA, J.:

This is a petition for review on *certiorari*¹ assailing the November 4, 2011 Decision² and February 24, 2012 Resolution³ of the Court of Appeals (CA) in the consolidated cases of CA-G.R. SP Nos. 102114 and 104413. The assailed Decision and Resolution: (1) annulled the Resolution⁴ of the Regional Trial Court of Makati-Branch 149 (Rehabilitation Court) reducing the penalty imposed against petitioner; and (2) annulled the Order⁵ of the Rehabilitation Court preventing the implementation of the Decision of the Regional Trial Court of Quezon City-Branch 217 (QC RTC).

We partly modify the Decision of the CA and restate that a court-approved rehabilitation plan may provide for a reduction in the liability for contractual penalties incurred by the distressed corporation.

On May 7, 1992, Spouses Frisco and Amelia San Juan, and Spouses Felipe and Blesilda Buencamino (collectively, the landowners), through their attorney-in-fact Delfin Cruz, Jr., entered into a Joint Venture Agreement (JVA) with La Savoie Development Corporation (petitioner) over three

¹ *Rollo* (G.R. Nos. 200934-35), pp. 10-62.

² *Id.* at 64-81. Penned by Associate Justice Florito S. Macalino with Associate Justices Ramon M. Bato, Jr. and Elihu A. Ybañez, concurring.

³ *Id.* at 83-84.

⁴ *Id.* at 180-189. Penned by Presiding Judge Cesar O. Untalan.

⁵ *Id.* at 1184-1186.

parcels of land (the properties) located at San Rafael, Bulacan. Under the JVA, petitioner undertook to completely develop the properties into a commercial and residential subdivision (project) on or before May 5, 1995. If petitioner fails to do so within the schedule, it shall pay the landowners a penalty of ₱10,000.00 a day until completion of the project.⁶ On May 26, 1994, the landowners sold the properties to Josephine Conde, who later assigned all her rights and interest therein to Buenavista Properties, Inc. (respondent).⁷ Unfortunately, petitioner did not finish the project on time. Thus, it executed an Addendum to the JVA with respondent, extending the completion of the project until May 5, 1997.⁸ However, petitioner still failed to meet the deadline.

On February 28, 1998, respondent filed a complaint for termination of contract and recovery of property with damages against petitioner before the QC RTC. The case was docketed as Civil Case No. Q-98-33682.⁹ Petitioner failed to appear during pre-trial, and was declared in default.¹⁰ Respondent presented its evidence *ex-parte*.¹¹

Meanwhile, due to the 1997 Asian financial crisis, petitioner anticipated its inability to pay its obligations as they fall due; thus, on April 25, 2003, it filed a petition for rehabilitation before the Regional Trial Court of Makati (Makati RTC).¹² On June 4, 2003, the Makati RTC issued an Order (Stay Order),¹³ staying the enforcement of all claims, whether for money or otherwise, and whether such enforcement is by court action or otherwise, against petitioner. It appointed Rito C. Manzana as rehabilitation receiver.

Subsequently, petitioner filed a manifestation¹⁴ dated June 21, 2003 before the QC RTC. It informed the court that a Stay Order was issued by the Makati RTC, and that respondent was included as one of the creditors in the petition for rehabilitation. It accordingly asked the QC RTC to suspend its proceedings.

It appears, however, that the QC RTC already rendered a Decision¹⁵ on June 12, 2003 (QC RTC Decision), the dispositive portion of which reads:

WHEREFORE, judgment is hereby rendered in favor of
the plaintiff [herein respondent] and against the defendant
[herein petitioner]:

⁶ *Id.* at 190-193.

⁷ *Id.* at 193.

⁸ *Id.* at 65, 193.

⁹ *Id.* at 65.

¹⁰ Petitioner assailed the judgment by default but the CA sustained the QC RTC Decision. It elevated the case to us, and we affirmed the CA. *Id.* at 67.

¹¹ *Rollo* (G.R. No. 175615), pp. 14-15.

¹² *Rollo* (G.R. Nos. 200934-35), pp. 65-66. The case was raffled to Branch 142 and docketed as SP. Proc. No. M-5664.

¹³ *Id.* at 611-612. The Stay Order was issued by then Judge Estela Perlas-Bernabe (now a Member of this Court).

¹⁴ *Id.* at 1258-1259.

¹⁵ *Id.* at 190-196.

1. Terminating the Joint Venture Agreement and the Addendum to [the] Joint Venture Agreement x x x;
2. Ordering the defendant to deliver to the plaintiff possession of the Buenavista Park Subdivision together with all improvements thereon;
3. Ordering the defendant to pay the plaintiff the amount of Ten Thousand Pesos (P10,000.00) a day representing the penalty for each day of delay computed from March 3, 1998 (when this case was filed) and until paid.
4. Ordering the defendant to pay plaintiff the amount of One Hundred Thousand Pesos (P100,000.00) as and for attorney's fees.

Costs against the defendant.

SO ORDERED.¹⁶

Meantime, in its Order dated October 1, 2003, the Makati RTC lifted the Stay Order and dismissed the petition for rehabilitation. However, on appeal, the CA, in its Decision dated June 21, 2005, reversed the Makati RTC.¹⁷ It remanded the case to the trial court for further proceedings.

Subsequently however, the rehabilitation receiver resigned, and petitioner filed an omnibus motion for appointment of a new receiver. Before the Makati RTC could act on the omnibus motion, the position of the Presiding Judge became vacant; thus, the Presiding Judge of Branch 61 heard the case. Thereafter, the case was transferred to the Rehabilitation Court. On September 21, 2006, the Rehabilitation Court appointed Anna Liza M. Ang-Co as petitioner's new rehabilitation receiver.¹⁸

Meanwhile, respondent moved for the execution of the QC RTC Decision.¹⁹ On November 21, 2007, the QC RTC issued a writ of execution to Deputy Sheriff Reynaldo Madolaria (Sheriff Madolaria). In turn, petitioner filed before the Rehabilitation Court an extremely urgent motion for the issuance of an order to prohibit deputy Sheriff Madolaria of the QC RTC from enforcing the writ of execution.²⁰

In its December 28, 2007 Order,²¹ the Rehabilitation Court directed Sheriff Madolaria to: (a) stop the execution of the QC RTC Decision; (b) return and restore the ejected residents of the subject property; and (c) lift the notices of garnishment and notices of levy upon personal as well as real

¹⁶ *Id.* at 196.

¹⁷ *Id.* at 66.

¹⁸ *Id.* at 67.

¹⁹ *Id.* at 67-68.

²⁰ *Id.* at 1133-1144.

²¹ *Id.* at 1184-1186.

properties of petitioner.²² Respondent challenged this Order in its petition for *certiorari* before the CA docketed as CA-G.R. SP No. 102114.²³

In the interim, petitioner entered into separate Compromise Agreements with two of its creditors - Home Guaranty Corporation (HGC) and Planters Development Bank. The Rehabilitation Court approved the agreements over the opposition of respondent. Petitioner filed an Amended Revised Rehabilitation Plan (ARRP), proposing the condonation of all past due interest, penalties and other surcharge, *dacion en pago* arrangement to settle obligation with HGC, including respondent's claim against petitioner. The rehabilitation receiver filed her recommendation with the Rehabilitation Court.²⁴

On June 30, 2008, the Rehabilitation Court issued a Resolution²⁵ approving the ARRP with modifications. Among others, it reduced into half the amount of penalty stated in the QC RTC Decision, *viz.*:

4. x x x

- d. **It appears that the impose (*sic*) penalty of P10,000.00 for each day of delay, from the time this petition was filed on April 25, 2003 up to the conclusion of this rehabilitation plan is quite unconscionable and unreasonable considering that petitioner is under rehabilitation, hence the same shall not be considered for payment under this rehabilitation plan.** Moreover, under the wisdom of the Supreme Court in the case of Filinvest Land, Inc. vs. Court of Appeals, (G.R. No. 138980, September 20, 2005), it reduced the penalty from P3.99 million to P1.881 million. (Also in the case of Domel Trading Corporation vs. Court of Appeals, G.R. No. 84848, September 22, 1999; and Antonio Lo vs. Court of Appeals, G.R. No. 141434, February 9, 1998). **Thus, the penalty for payment under this plan for Buenavista Properties is P5,000.00 per day of delay from March 3, 1998 up to June 4, 2003 only (date of Stay Order).**²⁶ (Emphasis supplied.)

Respondent questioned the June 30, 2008 Resolution of the Rehabilitation Court in its petition for review before the CA, docketed as CA-G.R. SP No. 104413. The CA consolidated CA-G.R. SP Nos. 102114 and 104413 in a Resolution dated August 12, 2008.²⁷

²² *Id.* at 1186.

²³ *Id.* at 68.

²⁴ *Id.* at 68-69.

²⁵ *Supra* note 4.

²⁶ *Rollo* (G.R. Nos. 200934-35), p. 188.

²⁷ *Id.* at 71.

The CA granted respondent's petition under CA-G.R. SP No. 102114. It annulled the December 28, 2007 Order of the Rehabilitation Court, which enjoined Sheriff Madolaria from implementing the writ of execution issued by the QC RTC. The CA ruled that the Rehabilitation Court does not have the power to restrain or order a co-equal court to desist from executing its final and executory judgment because that power lies with the higher courts. It, however, noted that the QC RTC should have exercised prudence in issuing the writ of execution since there is a standing Stay Order on all claims against petitioner, and the judgment in Civil Case No. Q-98-33682 falls within the term "claim" as provided under Section 6(c) of Presidential Decree No. (PD) 902-A.²⁸ The writ of execution was thus issued in violation of the Stay Order.²⁹

On the other hand, the CA partly granted respondent's petition under CA-G.R. SP No. 104413. The CA rejected respondent's claim that the Rehabilitation Court lost jurisdiction when it did not act upon the petition for rehabilitation within the time provided in the 2000 Interim Rules of Procedure on Corporate Rehabilitation (Interim Rules).³⁰ It stated that Rule 4, Section 11 of the Interim Rules allows for extensions of time in resolving petitions for rehabilitations. In fact, the Office of the Court Administrator favorably acted upon the extensions of time sought by the Rehabilitation Court.³¹

The CA, however, agreed with respondent that the Rehabilitation Court cannot modify the final judgment of the QC RTC with respect to the amount of penalty to be paid by petitioner. It ruled that the Rehabilitation Court could suspend the payment of the claim or provide an extended period of payment. Further, the CA observed that respondent's claim for penalties is based on the JVA. It held that the Rehabilitation Court cannot change the rate of penalty without impairing the stipulation between the parties. Accordingly, the CA annulled the ARRP insofar as it reduced the amount of penalty.³² Petitioner sought partial reconsideration, which the CA denied.

In this petition, we resolve: (1) whether CA erred in annulling the June 30, 2008 Resolution of the Rehabilitation Court insofar as it reduced by half the amount of penalty adjudged in the QC RTC Decision; and (2) whether the CA erred in annulling the December 28, 2007 Order of the Rehabilitation Court preventing Sheriff Madolaria from implementing the QC RTC Decision.

Inextricably related with the first issue is the nature of the QC RTC Decision. Respondent submits that the QC RTC Decision had already attained finality, thus the Rehabilitation Court cannot reduce the penalty imposed. It

²⁸ *Id.* at 75; Reorganization of the Securities and Exchange Commission with Additional Powers and Placing the Said Agency under the Administrative Supervision of the Office of the President (1976).

²⁹ *Id.* at 76.

³⁰ A.M. No. 00-8-10-SC, November 21, 2000.

³¹ *Rollo* (G.R. Nos. 200934-95), pp. 77-78.

³² *Id.* at 80-81.

insists that the cram down power of the Rehabilitation Court is irrelevant and inapplicable.³³ A preliminary question, upon which the resolution of the first issues depends on, therefore arises—whether the QC RTC Decision attained finality.³⁴

On the second issue, petitioner contends that the Rehabilitation Court had the right to assert itself and enjoin the execution of the QC RTC Decision because it was rendered in violation of the Stay Order. According to petitioner, respondent pursued the case in the QC RTC to gain illicit advantage over the other creditors of petitioner. Petitioner avers that the CA should have instead nullified the writ of execution, or the improper levies made by Sheriff Madolaria pursuant to the writ.³⁵

For its part, respondent relies on our Resolution³⁶ in *La Savoie Development Corporation v. Buenavista Properties, Inc.* In that case, petitioner raised the issue of whether the Stay Order binds respondent. Respondent alleges that we sustained the jurisdiction of the QC RTC and upheld the decision of that court in Civil Case No. Q-98-33682.³⁷ Hence, petitioner is precluded from raising for adjudication any issue relative to the Stay Order and its effects, because our February 19, 2007 Resolution has become the law of the case.³⁸

We find the petition partly meritorious.

I

Republic Act No. 10142 or the Financial Rehabilitation and Insolvency Act of 2010 (FRIA) defines “rehabilitation” as the restoration of the debtor to a condition of successful operation and solvency, if it is shown that its continuance of operation is economically feasible and its creditors can recover by way of the present value of payments projected in the plan, more if the debtor continues as a going concern than if it is immediately liquidated.³⁹ We explained the essence of corporate rehabilitation in *Philippine Asset Growth Two, Inc. v. Fastech Synergy Philippines, Inc.*,⁴⁰ viz.:

[C]orporate rehabilitation contemplates a continuance of corporate life and activities in an effort **to restore and**

³³ *Id.* at 1465.

³⁴ While this is not raised as an error before us, we deem it necessary to rule upon it because the resolution of the first issue is dependent upon it. *Demafelis v. Court of Appeals* teaches that an appellate court has an inherent authority to review unassigned errors: *e.g.* (1) which are closely related to an error properly raised; (2) upon which the determination of the error properly assigned is dependent; or (3) where the Court finds that consideration of them is necessary in arriving at a just decision of the case. [G.R. No. 152164 (Resolution), November 23, 2007, 538 SCRA 305, 311, citing *Sesbreño v. Central Board of Assessment Appeals*, G.R. No. 106588, March 24, 1997, 270 SCRA 360.]

³⁵ *Rollo* (G.R. Nos. 200934-35), pp. 47-52.

³⁶ *Rollo* (G.R. No. 175615), p. 584.

³⁷ *Rollo* (G.R. Nos. 200934-35), pp. 1458-1459.

³⁸ *Id.* at 1462.

³⁹ See Section 4(gg) of the FRIA.

⁴⁰ G.R. No. 206528, June 28, 2016, 794 SCRA 625.

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.

Thus, the basic issues in rehabilitation proceedings concern the viability and desirability of continuing the business operations of the distressed corporation, all with a view of effectively restoring it to a state of solvency or to its former healthy financial condition through the adoption of a rehabilitation plan.⁴¹ (Emphasis in the original; citations omitted.)

Corporate rehabilitation traces its roots to Act No. 1956 or the Insolvency Law of 1909. The amendatory provisions of PD 902-A, clothed the Securities and Exchange Commission (SEC) with jurisdiction to hear petitions of corporations for declaration of state of suspension of payments. Such jurisdiction was, however, transferred to the Regional Trial Court in 2000. Presently, the FRIA is the prevailing law on corporate rehabilitation.⁴² In this case, since the petition for rehabilitation was filed on April 25, 2003, the provisions of PD 902-A, as amended, and the Interim Rules apply.

Section 6(c) of PD 902-A, as amended, provides that “upon appointment of a management committee, rehabilitation receiver, board or body, pursuant to this Decree, all actions for claims against corporations, partnerships or associations under management or receivership pending before any court, tribunal, board or body shall be suspended accordingly.” Similarly, Section 6, Rule 4 of the Interim Rules states that if the court finds the petition for rehabilitation to be sufficient in form and substance, it shall, not later than five days from the filing of the petition, issue an order which, *inter alia*, stays the enforcement of all claims against the debtor, its guarantors and sureties not solidarily liable with the debtor. The purpose of the suspension is to prevent a creditor from obtaining an advantage or preference over another and to protect and preserve the rights of party litigants as well as the interest of the investing public or creditors. Such suspension is intended to give enough breathing space for the management committee or rehabilitation receiver to make the business viable again, without having to divert attention and resources to litigations in various fora.⁴³

Here, the Rehabilitation Court issued a Stay Order on June 4, 2003 or during the pendency of Civil Case No. Q-98-33682 before the QC RTC. The effect of the Stay Order is to *ipso jure* suspend the proceedings in the QC RTC at whatever stage the action may be.⁴⁴ The Stay Order notwithstanding, the QC RTC proceeded with the case and rendered judgment. The judgment

⁴¹ *Id.* at 639-640.

⁴² *Viva Shipping Lines, Inc. v. Keppel Philippines Mining, Inc.*, G.R. No. 177382, February 17, 2016, 784 SCRA 173, 197-199.

⁴³ *Metropolitan Bank and Trust Company v. Liberty Corrugated Boxes Manufacturing Corporation*, G.R. No. 184317, January 25, 2017, 815 SCRA 458, 472-473, citing *Sobrejuanite v. ASB Development Corporation*, G.R. No. 165675, September 30, 2005, 471 SCRA 763, 770.

⁴⁴ See *Philippine Airlines, Inc. v. Court of Appeals*, G.R. No. 150592, January 20, 2009, 576 SCRA 471, 475-476.

became final and executory on July 31, 2007.⁴⁵ Respondent relies on this alleged finality to prevent us from looking into the effect of the Stay Order on the QC RTC Decision. Respondent's attempt fails.

In *Lingkod Manggagawa sa Rubberworld Adidas-Anglo v. Rubberworld (Phils.) Inc. (Lingkod)*,⁴⁶ we ruled that proceedings and orders undertaken and issued in violation of the SEC suspension order are null and void; as such, they could not have achieved a final and executory status. In *Lingkod*, the petitioner filed an unfair labor practice case against the respondent. While the case was pending, respondent filed a petition for declaration of state of suspension of payments with proposed rehabilitation plan before the SEC. Thereafter, the SEC issued a suspension order, which respondent presented to the Labor Arbiter. However, the Labor Arbiter still proceeded to render a decision against respondent, which the National Labor Relations Commission affirmed. On appeal, the CA found that the Labor Arbiter committed grave abuse of discretion when it proceeded with the case despite the SEC suspension order. We affirmed the CA in this wise:

Given the factual milieu obtaining in this case, it cannot be said that the decision of the Labor Arbiter, or the decision/dismissal order and writ of execution issued by the NLRC, could ever attain final and executory status. **The Labor Arbiter completely disregarded and violated Section 6(c) of Presidential Decree 902-A, as amended, which categorically mandates the suspension of all actions for claims against a corporation placed under a management committee by the SEC. Thus, the proceedings before the Labor Arbiter and the order and writ subsequently issued by the NLRC are all null and void for having been undertaken or issued in violation of the SEC suspension Order dated December 28, 1994.** As such, the Labor Arbiter's decision, including the dismissal by the NLRC of Rubberworld's appeal, could not have achieved a final and executory status.

Acts executed against the provisions of mandatory or prohibitory laws shall be void, except when the law itself authorizes their validity. The Labor Arbiter's decision in this case is void *ab initio*, and therefore, non-existent. A void judgment is in effect no judgment at all. No rights are divested by it nor obtained from it. Being worthless in itself, all proceedings upon which the judgment is founded are equally worthless. It neither binds nor bars anyone. All acts performed under it and all claims flowing out of it are void. In other words, a void judgment is regarded as a nullity, and the situation is the same as it would be if there were no judgment. It accordingly leaves the party-litigants in the same position they were in before the trial.⁴⁷ (Emphasis supplied; citations omitted.)

⁴⁵ *Rollo* (G.R. No. 175615), p. 725.

⁴⁶ G.R. No. 153882, January 29, 2007, 513 SCRA 208.

⁴⁷ *Id.* at 218-219.

We see no reason not to apply the rule in *Lingkod* in case of violation of a stay order under the Interim Rules. Having been executed against the provisions of a mandatory law, the QC RTC Decision did not attain finality.

We further clarify that our February 19, 2007 Resolution in G.R. No. 175615 did not resolve the issue of the effect of the Stay Order on Civil Case No. Q-98-33682. Neither did we hold that the QC RTC has jurisdiction to render a judgment while a Stay Order was subsisting. Our minute Resolution stated only that the CA committed no reversible error in issuing the challenged Decision. In effect, we affirmed the decision of the CA, which we stress did not rule upon any issue concerning the Stay Order of the Rehabilitation Court. The Decision⁴⁸ of the CA in CA-G.R. CV. No. 79318, in fact, did not mention anything about the Stay Order. It only dealt with the issue of whether the QC RTC erred in declaring petitioner as in default for failure to appear at the pre-trial. Hence, respondent has no factual and legal basis to claim that the law of the case doctrine applies.

Necessarily, we reject respondent's contention that the Rehabilitation Court cannot exercise its cram-down power to approve a rehabilitation plan over the opposition of a creditor. Since the QC RTC Decision did not attain finality, there is no legal impediment to reduce the penalties under the ARRP.

Further, we have already held that a court-approved rehabilitation plan may include a reduction of liability. In *Pacific Wide Realty and Development Corporation v. Puerto Azul Land, Inc.*,⁴⁹ we held that there is nothing unreasonable or onerous about the 50% reduction of the principal amount owing to the creditor. Restructuring the debts of the corporation under financial distress is part and parcel of its rehabilitation.⁵⁰ In the same case, we stressed that reduction of the amount due to creditors does not violate the non-impairment of contracts' clause of the Constitution. We explained, thus:

We also find no merit in PWRDC's [Pacific Wide Realty and Development Corporation] contention that there is a violation of the [non-] impairment clause. Section 10, Article III of the Constitution mandates that no law impairing the obligations of contract shall be passed. **This case does not involve a law or an executive issuance declaring the modification of the contract among debtor PALI, its creditors and its accommodation mortgagors. Thus, the non-impairment clause may not be invoked.** Furthermore, as held in *Oposa v. Factoran, Jr.* even assuming that the same may be invoked, the non-impairment clause must yield to the police power of the State. Property rights and contractual rights are not absolute. The constitutional guaranty of non-impairment of obligations is limited by the exercise of the police power of the State for the common

⁴⁸ *Rollo* (G.R. No. 175615), pp. 12-25.

⁴⁹ G.R. No. 178768, November 25, 2009, 605 SCRA 502.

⁵⁰ *Id.* at 516.

good of the general public.⁵¹ (Emphasis supplied; citation omitted.)

The prevailing principle is that the order or judgment of the courts, not being a law, is not within the ambit of the non-impairment clause. Further, it is more in keeping with the spirit of rehabilitation that courts are given the leeway to decide how distressed corporations can best and fairly address their financial issues. Necessarily, a business in the red and about to incur tremendous losses may not be able to pay all its creditors. Rather than leave it to the strongest or most resourceful amongst all of them, the state steps in to equitably distribute the corporation's limited resources.⁵²

Here, *sans* the QC RTC Decision, the basis for the penalty award of ₱10,000.00 per day of delay is the JVA between petitioner and respondent. The Rehabilitation Court after hearing all of the evidence on the financial status of petitioner, reduced it to ₱5,000.00 per day, finding the ₱10,000.00 per day penalty unreasonable and unconscionable. We see nothing in the record that persuades us to depart from their factual finding of the Rehabilitation Court. We also concur with the Rehabilitation Court that the penalty must be computed from the time of judicial demand or filing of the suit before the QC RTC on March 3, 1998 up to the date of the issuance of the Stay Order on June 4, 2003.

II

On the second issue, we rule that the Rehabilitation Court cannot issue an order preventing the QC RTC from enforcing its Decision. The QC RTC and the Rehabilitation Court are co-equal and coordinate courts. The doctrine of judicial stability or non-interference in the regular orders or judgments of a co-equal court is an elementary principle in the administration of justice: no court can interfere by injunction with the judgments or orders of another court of concurrent jurisdiction having the power to grant the relief sought by the injunction.⁵³

Petitioner cannot argue that the Rehabilitation Court, in issuing the injunction, merely aims to enforce the Stay Order that it earlier issued. No law confers upon the Rehabilitation Court the authority to interfere with the order of a co-equal court. Only the CA or this Court, in a petition appropriately filed for the purpose, may halt the execution of the judgment of a regional trial court. Thus, we quote with approval the ruling of the CA, *viz.*:

The rehabilitation court in issuing the said [December 28, 2007] order arrogated upon itself the function of a higher court and issued the same even if it does not have any jurisdiction to do so. Therefore, we accept the view that the

⁵¹ *Id.* at 516-517.

⁵² *Pryce Corporation v. China Banking Corporation*, G.R. No. 172302, February 18, 2014, 716 SCRA 207, 233.

⁵³ *Cabili v. Balindong*, A.M. No. RTJ-10-2225, September 6, 2011, 656 SCRA 747, 753. Citation omitted.

rehabilitation court indeed gravely abused its discretion in issuing the assailed order, the annulment of said order is warranted in the foregoing circumstances.⁵⁴

To recapitulate, we rule that the Order of the Rehabilitation Court reducing the penalties awarded to respondent is valid; and that the Order of the Rehabilitation Court preventing the implementation of the QC RTC Decision is invalid for being issued with grave abuse of discretion amounting to lack of jurisdiction.

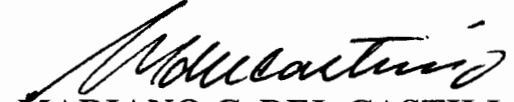
WHEREFORE, the petition is **PARTLY GRANTED**. The November 4, 2011 Decision and February 24, 2012 Resolution of the Court of Appeals in the consolidated cases of CA-G.R. SP Nos. 102114 and 104413 are hereby **AFFIRMED** with **MODIFICATION** only insofar as the provision in the approved Amended Revised Rehabilitation Plan reducing the amount of penalty awarded to respondent is declared **VALID and BINDING**.

SO ORDERED.


FRANCIS H. JARDELEZA
Associate Justice

WE CONCUR:


LUCAS P. BERSAMIN
Chief Justice
Chairperson


MARIANO C. DEL CASTILLO
Working Chairperson
Associate Justice


ALEXANDER G. GESMUNDO
Associate Justice


ROSMARI D. CARANDANG
Associate Justice

⁵⁴ Rollo (G.R. Nos. 200934-35), p. 75.

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, it is hereby certified that the conclusions in the above Decision had been reached in consultation before the cases were assigned to the writer of the opinion of the Court's Division.



LUCAS P. BERSAMIN
Chief Justice