

THIRD DIVISION

[G.R. No. 223404, July 15, 2020]

**BANK OF THE PHILIPPINE ISLANDS, PETITIONER, VS.
MARCIANO S. BACALLA, JR., EDUARDO M. ABACAN, ERLINDA U.
LIM, FELICITO A. MADAMBA, AND PEPITO M. DELGADO,
RESPONDENTS.**

DECISION

GESMUNDO, J.:

This is a Petition for Review on *Certiorari*^[1] filed by Bank of the Philippine Islands (*BPI*)^[2] assailing the July 27, 2015 Decision^[3] and March 4, 2016 Resolution^[4] of the Court of Appeals (CA) in CA-G.R. SP No. 129574. The CA affirmed the Orders dated August 10, 2012^[5] and January 14, 2013^[6] rendered by the Regional Trial Court, Las Piñas City, Branch 197 (*RTC*), in Civil Case No. LP-05-0212 which refused to apply the Interim Rules of Procedure for Intra-Corporate Controversies (*Interim Rules*) and denied the Request for Admission applied for by the petitioner.

Antecedents

The present controversy originated from a Petition for Involuntary Dissolution filed against the Tibayan Group of Investment Companies, Inc. (*TGICI*) before the RTC Las Piñas City, Branch 253. On September 24, 2004, the RTC rendered a Decision^[7] granting the petition and ordering the receiver, Atty. Marciano S. Bacalla, Jr. (*Atty. Bacalla*), to proceed with the liquidation of properties. The dispositive portion of the Decision reads:

WHEREFORE, premises considered, finding merit to the instant petition for involuntary dissolution, the same is GRANTED.

Accordingly, judgment is rendered declaring the dissolution of the hereunder-named respondent corporations pursuant to the provisions of Sections 121 and 122 of the *Corporation Code of the Philippines*:

Tibayan Group of Investment Company, Inc.
Tibayan Management Group International Holdings Co. Ltd.
TG Asset Management Corporation
MATCOR Holdings Company Ltd.
JETCOR Equity Company Ltd.
Sta. Rosa Management and Trading Corporation
Westar Royalty Management and Trading Corporation
Starboard Management and Trading Corporation
United Alpa Management and Trading Corporation
Global Progress Management and Trading Corporation
Athon Management and Trading Corporation
Diamond Star Management and Trading Corporation

Likewise, all claims of the petitioners herein and all other creditors shall be paid, as far as practicable, out of the assets and other properties of respondents Jesus V. Tibayan, Palmy B. Tibayan, the above-named corporations and all their officers, and directors, nominees and/or dummies.

Furthermore, **the Receiver Atty. Marciano S. Bacalla, Jr. is ordered to immediately effect the liquidation process pursuant to Section 122 of the Corporation Code and exercise any and all of the powers enumerated under Section 5, Rule 9 of the *Interim Rules Governing Intra-Corporate Controversies under RA 8799*, and such other powers as may be deemed necessary, just and equitable under the premises and/or circumstances.**

Furnish a copy of this Decision to the Securities and Exchange Commission for its information and appropriate action.

SO ORDERED.^[8] (emphasis supplied)

Pursuant to his authority as receiver, Atty. Bacalla, together with TGICI investors Eduardo M. Abacan, Erlinda U. Lim, Felicitio A. Madamba, Pepito M. Delgado (*collectively, respondents*) and the Federation of Investors Tulungan, Inc. (*FITI*), instituted Civil Case No. LP-05-0212^[9] for violation of Presidential Decree No. 902-A and the Interim Rules under R.A. No. 8799 (*Securities Regulations Code*) against Prudential Bank and Trust Company, JAMCOR Holdings Corp. (*JAMCOR Holdings*) and Cielo Azul Holdings Corp. (Cielo Azul), among others.

The respondents alleged in their complaint that TGICI resorted to "fraudulent inducements, deceit, and misrepresentations" by representing themselves as licensed and duly authorized by the Securities and Exchange Commission (*SEC*) to solicit and accept deposits and investments from the general public; that the SEC found TGICI violated Section 9.1 in relation to Subsection 8.1 of R.A. No. 8799, in using multiple front and conduit corporations and issuing unregistered securities to the public;^[10] that the monies and investments collected by TGICI were diverted and channeled to JAMCOR Holdings and then to Cielo Azul;^[11] that Cielo Azul initially purchased 420,000 common shares of stocks of Prudential Bank at P700.00 per share or a total acquisition cost of P294 million pesos; that Cielo Azul also purchased 230,225 common shares of Prudential Bank with an acquisition cost of P161.16 million; that the shares purchased by Cielo Azul came from the proceeds of the illegal activities of TGICI.^[12]

During the pre-trial conference held on September 20, 2010, herein petitioner made an oral motion to declare the respondents as non-suited on the ground that respondents and their counsel lacked Special Powers of Attorney.^[13] Upon order of the trial court to submit a written motion,^[14] Petitioner filed a Memorandum (In Support of Oral Motion to Declare the Federation of Investors Tulungan, Inc. and Marciano S. Bacalla, Jr. Non-Suited).^[15]

The trial court denied the motion in its November 28, 2011 Order.^[16] It held that Atty. Bacalla has been judicially authorized to pursue the case which was part of the execution of the September 4, 2004 Decision of the RTC. On the other hand, FITI

President Eduardo M. Abacan and their counsel, Atty. De Vera, were authorized pursuant to a Board Resolution.^[17]

In the meantime, petitioner filed several Requests for Admissions^[18] dated February 8, 2012 addressed to the respondents, which contain, among others, similar statements regarding their lack of Special Powers of Attorney from Cielo Azul to file the complaint, as well as lack of knowledge regarding any claims, dissolution and other proceedings involving Cielo Azul.

On August 10, 2012, the trial court issued an Order,^[19] denying the Motion for Reconsideration and the requests for admission. The trial court ratiocinated as follows:

A careful perusal of the arguments presented by all parties herein has revealed that the issues raised in the Motion for Reconsideration have already been discussed judiciously in the Order dated November 28, 2011. The Motion for Reconsideration and the subsequent pleadings filed in support thereof have not convinced this court the assailed Order dated November 28, 2011 should be reversed or modified. The Motion for Reconsideration, therefore, is hereby **DENIED**.

As to the issue, however, of the applicability of the Interim Rules in connection with the Requests of Admission filed by the bank defendants, this court is of the opinion that the Orders dated April 21, 2006, July 28, 2006, and February 16, 2007 stand, in deference to the Doctrine of Non-interference or Judicial Stability, which substantially pertains to the ruling that courts of co-equal jurisdiction and coordinate jurisdiction cannot interfere with each other's orders x x x. Therefore, the Motion to Reverse and Set Aside the Orders of Hon. Salvador Timbang, Jr. is hereby **DENIED**.

Accordingly, the Requests for Admission are hereby **DENIED**. Contrary to its alleged purpose of expediting the proceedings of this case, it has added controversy to the instant case that has already been passed upon and denied by the then presiding judge, Hon. Salvador Timbang, Jr. Consequently, a lot of pleadings have been filed before this court effectively delaying the proceedings in this case, and numerous motions for extension of time have polluted the records of the case. In order to indeed expedite the proceedings in this case, let the Pre-Trial Conference proceed as scheduled, and all matters for stipulations, admissions, and denials may be done during Pre-Trial Conference.

SO ORDERED. ^[20]

Consequently, petitioner filed a Petition for *Certiorari* before the CA, docketed as CA-G.R. SP No. 127072, to assail the November 28, 2011 and August 10, 2012 Orders of the RTC concerning the respondents' authority to file the complaint. The CA ruled partially in favor of the petitioner by holding that FITI was not suited. Petitioner appealed to this Court *via* a Petition for Review docketed as G.R. No. 217650.^[21] The Court denied the said petition through a Minute Resolution dated June 17, 2015.

Aside from the above petition, petitioner also filed a Motion for Reconsideration regarding the applicability of the Interim Rules, but the trial court denied the motion

in its Order promulgated on January 14, 2013.^[22] Dissatisfied by the ruling, petitioner filed another Petition for *Certiorari* before the CA docketed as CA-G.R. SP No. 129574,^[23] alleging that the trial court committed grave abuse of discretion in applying the Interim Rules.

CA Ruling

On July 27, 2015, the CA promulgated a Decision^[24] denying the petition. The appellate court ruled that because the complaint filed by Atty. Bacalla and the TGICI investors concerned the recovery of the assets of the dissolved corporation through its subsidiaries, the issue involved an intra-corporate dispute under Section 5(a) of P.D. No. 902-A.^[25] It also ruled that the petitioner was guilty of splitting its cause of action and that its remedy had already prescribed.^[26]

The petitioner filed a Motion for Reconsideration^[27] but the CA denied the same in its March 4, 2016 Resolution.^[28] Hence, this Petition for review.

Issues

The petitioner submits the following grounds in support of its petition:

I

THE COURT OF APPEALS COMMITTED GRAVE, MANIFEST, AND REVERSIBLE FUNDAMENTAL ERROR IN RULING THAT THE ICC RULES GOVERN THE CASE A *QUO* DESPITE THE PATENT ABSENCE OF AN INTRA-CORPORATE CONTROVERSY AS DEFINED UNDER APPLICABLE LAW AND JURISPRUDENCE;^[29]

II

THE COURT OF APPEALS COMMITTED A GRAVE, MANIFEST, AND REVERSIBLE FUNDAMENTAL ERROR IN RULING THAT BPI'S *CERTIORARI* PETITION BEFORE IT WAS FILED OUT OF TIME AND IN VIOLATION OF RULE 2, SECTIONS 3 AND 4 OF THE RULES OF COURT AGAINST SPLITTING OF CAUSE OF ACTION.^[30]

Petitioner maintains that the CA failed to apply the intra-corporate relations test and the nature of the controversy test in determining whether the respondents' complaint involved an intra-corporate dispute. Under the intra-corporate relations test, TMG Holdings as the principal holding company and stockholder of JAMCOR, remained a distinct and separate legal personality from Cielo Azul. The present controversy involved a different issue which cannot be taken as a continuation of the Petition for Dissolution of TGICI.^[31] On the other hand, under the nature of controversy test, there should be proof that the dispute is intrinsically connected with the regulation of Cielo Azul and not of TMG Holdings or JAMCOR. The respondents failed to establish in their complaint that Cielo Azul was part of TGICI or that it was a dummy or nominee of TGICI.^[32]

As regards the CA ruling on the splitting of cause of action and prescription, the petitioner contends that the proscription against splitting of causes of action under Rule 2, Sections 3 and 4 does not apply in filing a Petition for *Certiorari* under Rule 65; that a *certiorari* petition does not originate from a cause of action but from the

existence of grave abuse of discretion; that the issue of application of the Interim Rules was first resolved only in the August 10, 2012 Order of the RTC; and that at the time that the first Petition for *Certiorari* was filed, the issue on the applicability of the Interim Rules was still the subject of a Motion for Reconsideration.^[33]

On the other hand, respondents counter that their complaint involved an intra-corporate controversy as it concerns the recovery of illegally acquired Prudential Bank shares; that the allegations in the complaint were within the purview of Sec. 5(a) of P.D. No. 902-A; that the complaint was a continuation of the dissolution of TGICI where the Interim Rules finds application;^[34] and that the present petition was filed out of time and violated the proscription against splitting a cause of action because the matter should have been included in the first Petition for *Certiorari*.^[35]

In sum, the Court shall resolve the following matters: (1) Does the Interim Rules on Intra-Corporate Controversies apply to the subject proceedings in the RTC; and (2) Are petitioners guilty of violating the rule against splitting the cause of action?

Ruling of the Court

We deny the petition.

I

The Interim Rules of Procedure for Intra-Corporate Controversies under R.A. No. 8799 applies to the proceedings in the RTC.

The Court notes that the petitioner does not challenge the jurisdiction of the RTC in hearing the complaint filed by the respondents. The controversy lies in whether the trial court correctly applied the Interim Rules on Intra-Corporate Controversies in its proceedings below.

The Interim Rules traces its roots from Section 5.2 of R.A. No. 8799 which transferred all cases under Sec. 5 of P.D. No. 902-A from the Securities and Exchange Commission (SEC) to the courts of general jurisdiction or the appropriate RTC. Under Sec. 5 of P.D. No. 902-A, the following cases were transferred to the RTC:

- a) **Devices or schemes employed by or any acts, of the board of directors, business associates, its officers or partners, amounting to fraud and misrepresentation which may be detrimental to the interest of the public and/or of the stockholder, partners, members of associations or organizations registered with the Commission;**
- b) Controversies arising out of intra-corporate or partnership relations, between and among stockholders, members, or associates; between any or all of them and the corporation, partnership or association of which they are stockholders, members or associates, respectively; and between such corporation, partnership or association and the state insofar as it concerns their individual franchise or right to exist as such entity;