

## THIRD DIVISION

[ G.R. No. 211287, April 17, 2017 ]

**LAND BANK OF THE PHILIPPINES, PETITIONER, VS. WEST BAY COLLEGES, INC., PBR MANAGEMENT AND DEVELOPMENT CORPORATION AND BCP TRADING CO., INC., RESPONDENTS.**

### RESOLUTION

**REYES, J.:**

This resolves a petition for review on *certiorari*<sup>[1]</sup> filed by Land Bank of the Philippines (Land Bank), assailing the Decision<sup>[2]</sup> dated September 30, 2013 and Resolution<sup>[3]</sup> dated February 10, 2014 of the Court of Appeals (CA) in CA-G.R. SP No. 127897.

#### Facts

West Bay Colleges, Inc. (West Bay) is a domestic corporation engaged in the operation of an educational institution; while PBR Management and Development Corporation (PBR) and BCP: Trading Company, Inc. (BCP) are domestic corporations engaged in the business of real estate and construction, respectively. Together, West Bay, PBR and BCP form the Chiongbian Group of Companies (CGC) (respondents).<sup>[4]</sup>

In June 1996, West Bay applied for an interim financing with Land Bank for the construction of a school building, which was approved in the amount of P125 Million. On December 22, 1997, PBR availed of a P100-Million Term Loan from Land Bank for the construction of condominium buildings.<sup>[5]</sup>

On January 22, 1998, West Bay, as an accommodation mortgagor, executed a Real and Chattel Mortgage over its training vessel to secure the loan of PBR with Land Bank. The vessel was insured with First Lepanto Taisho Insurance Corporation in the amount of P26 Million, representing the mortgagee Land Bank's insurable interest in the vessel.<sup>[6]</sup>

On November 3, 2000, the mortgaged vessel sank during the typhoon *Seniang*.<sup>[7]</sup> By agreement of the parties, insurance proceeds in the amount of P21,980,000.00 net of shared expenses were released to Land Bank on account of PBR's loan.<sup>[8]</sup>

To resolve its financial difficulties, West Bay proposed a restructuring of its debts with Land Bank, which the latter accepted through a letter<sup>[9]</sup> dated March 25, 2002.<sup>[10]</sup> It was provided therein that Land Bank will reimburse West Bay with the insurance proceeds that it had previously received. Subsequently, on May 10, 2002, West Bay and PBR executed their respective Restructuring Agreements<sup>[11]</sup> with Land

Bank.

But on June 28, 2002, the respondents filed a petition for corporate rehabilitation with a prayer for suspension of payments before the Regional Trial Court (RTC) of Muntinlupa City.<sup>[12]</sup> The RTC Branch 256 issued a Stay Order<sup>[13]</sup> dated July 10, 2002 directing, among others, a stay in the enforcement of all claims against West Bay, its guarantors and sureties not solidarily liable with it, particularly, PBR and BCP.<sup>[14]</sup>

The RTC approved the rehabilitation plan on September 10, 2002 which provided, *inter alia*, that the P21,980,000.00 insurance proceeds received by Land Bank shall instead be applied to the loan of West Bay.<sup>[15]</sup>

On January 31, 2003, the respondents filed an amended rehabilitation plan transferring the application of the insurance proceeds from West Bay to PBR and BCP's obligations.<sup>[16]</sup>

In the subsequent years, the rehabilitation plan underwent several amendments which were approved by the RTC on the following dates: November 17, 2003, June 7, 2004, March 29, 2006 and September 1, 2008.<sup>[17]</sup> The updated Rehabilitation Plans consistently provided for the application of the P21,980,000.00 insurance proceeds to the loan accounts of PBR and BCP.<sup>[18]</sup>

While the rehabilitation proceedings were pending, Land Bank filed a motion to be substituted by Philippine Distressed Asset Asia Pacific (PDAAP), a special purpose vehicle. The motion was granted by the RTC in its Order<sup>[19]</sup> dated November 5, 2010.<sup>[20]</sup>

In November 2011, the respondents filed an Amended Rehabilitation Plan, indicating that PDAAP did not agree to the application of P21,980,000.00 insurance proceeds to the outstanding obligations of PBR.<sup>[21]</sup>

On March 13, 2012, West Bay filed an Urgent Motion<sup>[22]</sup> with the RTC praying for the issuance of an order directing Land Bank to reimburse to it the amount of P21,980,000.00 representing the insurance proceeds. West Bay reasoned that the reimbursement was provided for in the restructuring plan previously approved by Land Bank in the letter dated March 25, 2002 but was not complied with. It alleged that although the RTC approved the rehabilitation plans authorizing the application of the insurance proceeds to the obligations of West Bay, it was never implemented.

In its Comment/Opposition,<sup>[23]</sup> Land Bank explained that the insurance proceeds were applied (value-dated) in January and June 2002 to West Bay's and PBR's outstanding loan obligation as follows:

- a. For payment of documentary stamp tax (DST) on the restructuring of the account of [West Bay] and [PBR] in the amount of P651,277.00; and
- b. In partial settlement of the loan of PBR under Promissory Notes Nos. P&C-2841 in the total amount of P21,328,723.00.<sup>[24]</sup>

Land Bank averred that it was prompted to apply the insurance proceeds to West Bay's and PBR's outstanding loans due to West Bay's failure to comply with the terms and conditions of the Restructuring Agreement dated May 10, 2002, as well as the filing of the petition for corporate rehabilitation. Further, Land Bank claimed that it sold all its rights, credits and receivables relative to the West Bay and PBR accounts to PDAAP, net of the insurance proceeds.<sup>[25]</sup>

### **Ruling of the RTC**

In the assailed Order<sup>[26]</sup> dated August 31, 2012, the RTC denied the Urgent Motion as it found no justifiable reason for the reimbursement of the insurance proceeds to West Bay. It also observed that West Bay did not comply with the terms and conditions of the restructuring agreement. Finally, PBR signed promissory notes which stated that, "[t]he Borrower hereby authorizes and empowers the Bank, without need of notice to the Borrower, and irrespective of the date of maturity, to deduct, set-off and apply any funds, securities or assets of the Borrower with the Bank or any of its branches, on deposit or otherwise, in reduction of amounts due under this Note."<sup>[27]</sup>

On December 18, 2012, the respondents filed a petition for *certiorari* and mandamus with the CA, challenging the RTC Order dated August 31, 2012.<sup>[28]</sup>

### **Ruling of the CA**

On September 30, 2013, the CA promulgated a Decision,<sup>[29]</sup> setting aside the RTC order. Per the CA's findings, Land Bank did not apply the insurance proceeds to the remaining obligations of West Bay, PBR or BCP as there was no statement of the settlement of the insurance proceeds in the context of the restructured loan. Granting that West Bay and PBR failed to comply with the requirements of the restructured loan, it was because they were prohibited from paying any of their outstanding liabilities when the Stay Order took effect.<sup>[30]</sup> The dispositive portion of the decision reads:

**WHEREFORE**, the petition is **GRANTED**. The Order dated August 31, 2012 of the Rehabilitation Court is **ANNULLED and SET ASIDE**. The Rehabilitation Court is **ORDERED to DIRECT** the [Land Bank] to **REIMBURSE** the P21,980,000.00 insurance proceeds, plus interest, to [West Bay].

**SO ORDERED.**<sup>[31]</sup>

Land Bank filed a motion for reconsideration, which the CA denied in its Resolution<sup>[32]</sup> dated February 10, 2014.

Undeterred, Land Bank filed the present petition for review on *certiorari*, raising the

following issues:

A. WHETHER WEST BAY IS ENTITLED TO THE REIMBURSEMENT OF THE P21,980,000.00 INSURANCE PROCEEDS; and

B. WHETHER THE RIGHT OF WEST BAY TO BE REIMBURSED WITH THE P21,980,000.00 INSURANCE PROCEEDS HAS BEEN CLEARLY AND FULLY ESTABLISHED IN THE MODIFIED REHABILITATION PLAN SO AS TO BE COMPELLABLE BY MANDAMUS.<sup>[33]</sup>

### **Ruling of the Court**

The Court denies giving due course to the petition for failure of Land Bank to show any reversible error in the assailed decision as to warrant the exercise of the Court's discretionary appellate jurisdiction.

It should be noted at the outset that under Rule 45 of the 1997 Rules of Civil Procedure, only questions of law may be raised by the parties and passed upon by the Court. The Court is not a trier of facts and is not duty bound to analyze and weigh again the evidence considered in the proceedings below.<sup>[34]</sup> This rule, however, admits of certain exceptions:

(1) when the inference made is manifestly mistaken, absurd or impossible; (2) when there is grave abuse of discretion; (3) when the findings are grounded entirely on speculations, surmises or conjectures; (4) when the judgment of the CA is based on misapprehension of facts; **(5) when the findings of fact are conflicting;** (6) when the CA, in making its findings, went beyond the issues of the case and the same is contrary to the admissions of both appellant and appellee; (7) when the findings of fact are conclusions without citation of specific evidence on which they are based; (8) when the CA manifestly overlooked certain relevant facts not disputed by the parties and which, if properly considered, would justify a different conclusion; and (9) when the findings of fact of the CA are premised on the absence of evidence and are contradicted by the evidence on record.<sup>[35]</sup> (Citation omitted and emphasis ours)

In the instant case, the RTC and the CA have conflicting pronouncements, which necessitates a review of their factual findings.

After a judicious review of the records, the Court finds that there is no reversible error on the part of the CA in ordering the reimbursement of P21,980,000.00 which is the amount of the insurance proceeds previously received by Land Bank.

As the CA pointed out, despite several amendments to the rehabilitation plan which repeatedly provided for the application of the insurance proceeds to the debts of

West Bay, then to PBR and BCP, there is no showing that Land Bank applied the amount thereof to the aforementioned loans.<sup>[36]</sup> The Court is inclined to uphold this finding – for if Land Bank had in fact deducted the amount of the insurance proceeds from the loan obligations of either West Bay or PBR and BCP, this information would have reflected on the rehabilitation plans of the CGC. In other words, if the insurance proceeds were indeed applied to West Bay's and PBR's account in January and June 2002 as Land Bank espoused, then P21,980,000.00 should have been subtracted from the obligations of the said companies. Verily, Land Bank negated its own claim when it failed to present evidence of reduction in the outstanding balances of the respondents, whether singly or collectively.

Also, a belated application of the insurance proceeds to the obligations of West Bay or PBR and BCP would violate the Stay Order dated July 10, 2002 issued by the RTC. Section 6 of Rule 4 of the 2000 Interim Rules of Procedure on Corporate Rehabilitation, which was in force at the time of the filing of the petition for corporate rehabilitation, provides:

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 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.

Lastly, the Court deems it proper to impose interest on the amount of the insurance proceeds in the concept of actual and compensatory damages. Article 2209 of the