

SECOND DIVISION

[G.R. No. 172983, July 22, 2015]

**FAR EAST BANK AND TRUST COMPANY, PETITIONER, VS.
PHILIPPINE DEPOSIT INSURANCE CORPORATION,
RESPONDENT.**

DECISION

BRION, J.:

Before the Court is a petition for review on *certiorari*^[1] filed by the petitioner Far East Bank and Trust Company (*FEBTC*), assailing the May 31, 2006 decision^[2] of the Court of Appeals (*CA*) in CA-G.R. C.V. No. 56624.

The *CA* decision reversed and set aside the orders dated February 26, 1997, and May 21, 1997, of the Regional Trial Court (*RTC*), Branch 31, Manila, in Special Proceeding No. 86-35313.

The Factual Antecedents

On July 5, 1985, the Central Bank of the Philippines (*Central Bank*) issued Monetary Board (*MB*) Resolution No. 699, placing Pacific Banking Corporation (*PBC*) under receivership.^[3]

On October 28, 1985, the Central Bank formally invited banks to submit their proposals for the purchase of the assets and franchise of the various offices of the *PBC* and the assumption of an equivalent amount of the *PBC*'s liabilities.^[4]

In answer to the formal invitation, the *FEBTC* submitted its bid^[5] on November 14, 1985.

The *FEBTC*'s bid covered the purchase of the *PBC*'s non-fixed and fixed assets and the assumption of the *PBC*'s recorded liabilities.^[6] According to the bid, the fixed assets are those described in the Asian Appraisal Report of August 1, 1984, and August 9, 1984 (*Asian Appraisal Report*), which the *FEBTC* offered to purchase at a price equivalent to the sound values indicated in the report, subject to the discounts proposed in the bid.^[7]

Specifically, the assets and their corresponding valuation that were enumerated in the Asian Appraisal Report^[8] are as follows:

	Cost of Reproduction	Sound Value
Cubao, Quezon City,	P 19,604,000	P 16,844,000

Metropolitan Manila		
Paco, Manila	3,836,000	3,288,000
Sta. Cruz, Manila (Soler) [9]	3,126,750	2,445,750
Sta. Mesa, Manila	12,500,400	10,213,000
Bacolod City	12,522,900	9,728,000
Melencio Street, Cabanatuan City	3,878,600	3,157,500
A.V. Fernandez Avenue, Dagupan City	9,873,000	8,325,000
E. Tañedo Street, Tarlac, Tarlac	5,622,000	5,227,000
A. Flores Street, San Pablo City	3,434,800	3,151,800
Cebu City	3,921,700	3,112,200
Davao City	6,844,200	5,938,800
Iloilo City	5,383,000	3,803,000
Quezon Avenue, San Fernando, La Union	3,587,800	2,729,400
Laoag City	1,781,000	1,293,000
Bo. Centro, Legaspi City	3,132,300	2,400,000
Poblacion, Naga City	6,280,900	5,569,600
Grand Total	P105,329,350	P87,226,050
Rounded To	P105,329,000	P87,226,000

On November 22, 1985, the Monetary Board issued MB Resolution No. 1234, accepting the FEBTC's bid after finding it as the most advantageous.^[10]

On April 16, 1986, **the FEBTC as the buyer, the PBC as the seller, and the Central Bank** entered into a Memorandum of Agreement (MOA). The PBC was represented by its Liquidator Renan V. Santos (*Liquidator Santos*)^[11] who was then the Special Assistant to the Central Bank Governor.

Section 1^[12] of the MOA stated that the parties shall execute an absolute purchase agreement covering **all the assets of the PBC**.^[13] Specifically, these assets covered the **non-fixed assets**, as provided under Section 3(a)^[14] of the MOA and the **fixed assets** defined under Section 3(c).^[15] Reflecting the FEBTC's bid, Section 3(c)^[16] of the MOA stated that the fixed assets are those enumerated in the Asian Appraisal Report dated August 1984.^[17]

The parties agreed, however, in Section 1(a)(vii) of the MOA that the PBC assets submitted to the Central Bank as collaterals shall be excluded from the purchase.^[18]

In accordance with Section 1(a)^[19] of the MOA, **the PBC as the seller, the FEBTC as the buyer, and the Central Bank, executed a purchase agreement (PA)** for the FEBTC's purchase of the PBC assets and the assumption of its liabilities.^[20] The PBC was again represented by Liquidator Santos.

The PA merely covered the non-fixed assets of the PBC and did not include the fixed assets agreed upon under Section 3(c)^[21] of the MOA.^[22]

The parties acknowledged, however, that there were other assets not yet covered by the PA and that **the parties may agree, within a period of ninety (90) days from the effectivity date of the PA, to purchase the additional assets.^[23]**

The parties agreed that the effectivity date of the PA shall be the date of its approval by the Liquidation Court.^[24]

The PA was approved^[25] by the Monetary Board on October 24, 1986, **and by the RTC, as the liquidating court, on December 18, 1986.^[26]**

According to the FEBTC, it complied with its obligation under the MOA, including the payment of P260,000,000.00 as additional consideration for the purchase. The FEBTC also took possession and custody of the fixed assets of the PBC, including those mentioned in the Asian Appraisal Report, and opened its branches thereon including the servicing of the PBC's deposit liability.^[27]

In January 1987, the FEBTC wrote a letter to Liquidator Santos, following up the execution of the deeds of sale over the fixed assets of the PBC.^[28]

Initially, Liquidator Santos positively responded to the FEBTC request by furnishing it with copies of the transfer certificates of title of the fixed assets.^[29] However, he failed to execute the purchase agreement covering the disputed fixed assets.^[30]

The respondent Philippine Deposit Insurance Commission (PDIC), thereafter, took over as the new PBC Liquidator. The PDIC President Mr. Vitaliano Nañagas II (*Liquidator Nañagas*) replaced Liquidator Santos.

Liquidator Nañagas informed the FEBTC that all the fixed assets of the PBC can be purchased only at their present appraisal value which is much higher than their sound value.^[31] He also proceeded to start the bidding or negotiated sale to third persons of the PBC's fixed assets, including those enumerated in the Asian Appraisal's Report.^[32]

This move prompted the FEBTC to file before the RTC (the Liquidating Court) a **motion to compel the Liquidator to execute the implementing deeds of sale over the disputed PBC fixed assets,^[33] with application for the issuance of preliminary injunction and/or temporary restraining order (TRO).^[34]**

The disputed fixed assets are the PBC branches located at the following sites:

1. Soler (Arranque)
2. BacolodCity
3. Cabanatuan City

4. San Pablo City
5. Cebu-Manalili
6. Davao-Sta. Ana
7. San Fernando, La Union
8. Legaspi City
9. Iloilo City-Central Market
10. PBC Condominium Bldg.-Paseo de Roxas

The PBC Condominium Bldg.-Paseo de Roxas was sold to Security Bank and Trust Company in the RTC-approved compromise agreement with PDIC and FEBTC; thus, this PBC asset is no longer in dispute.^[35]

The RTC issued a TRO, directing the PDIC to desist from proceeding with the bidding or negotiated sale of the PBC fixed assets.^[36]

However, on November 16, 1993, the RTC denied the FEBTC's prayer for the issuance of a writ of preliminary injunction and declared the TRO automatically dissolved.^[37] **The RTC likewise ruled that the disputed assets had been submitted as collaterals with the Central Bank and are therefore excluded from the purchase pursuant to Section 1(a)(vii)^[38] of the MOA.**^[39]

The CA and the Court affirmed the RTC's order denying the preliminary injunction.^[40]

The Motion-for-Intervention of Central Bank Board of Liquidators before the Court

On December 4, 2013, the Central Bank Board of Liquidators (CB-BOL) filed **before the Court** a motion for leave to intervene with motion for extension to file its memorandum-in-intervention.^[41] In its memorandum-in-intervention,^[42] the CB-BOL alleged that the PBC had assigned to it the disputed fixed assets by virtue of a deed of assignment.^[43]

The FEBTC filed its opposition^[44] to the motion for leave to intervene.

The Court granted the motion for leave to intervene in its Resolution dated August 13, 2014.^[45] The Court ruled that the CB-BOL is a necessary party in the case since it is the transferee of the properties in litigation. Additionally, since the case arose from the liquidation proceedings before the RTC, it is only proper that the Court decide who - between FEBTC (as the alleged purchaser) and the Central Bank (the creditor and the PBC's former liquidator) - has the superior right over the disputed properties.^[46]

The RTC Ruling

After the trial on the merits, the RTC issued the assailed order dated February 26, 1997: (1) directing the PDIC to execute the implementing deeds of absolute sale in favor of the FEBTC; and (2) ordering the FEBTC to pay the price for the fixed assets in the amount equivalent to their sound values as stated in the Asian Appraisal Report.^[47]

The RTC concluded that, **first**, there was a perfected contract of sale or direct purchase of the disputed fixed assets under both the MOA and the PA; these fixed assets were identified and valued in the Asian Appraisal Report.^[48]

Furthermore, the amount of P260,000,000.00 that the FEBTC previously paid pursuant to the MOA was part of the consideration and did not merely serve as authority to operate and reopen the PBC branches.^[49]

Second, the RTC ruled that the fixed assets were not actually submitted as collaterals with the Central Bank, as admitted by Ms. Teresa Salcor who was an Account Officer of the Central Bank Board of Liquidators.^[50] Therefore, the disputed assets should not be excluded from the assets that the FEBTC purchased under the MOA.

According to the RTC, Ms. Salcor also admitted that the FEBTC was not notified that the disputed assets were mortgaged to the Central Bank.^[51]

Third, the authenticity of the deeds of real estate mortgage submitted to the court was suspicious. The deeds and annexes were not signed and did not bear any notarial seal, contrary to the statement in the acknowledgment portion of the deeds.

The alleged mortgages were also not annotated on the respective titles of the mortgaged properties, and hence, were not binding on third parties such as the FEBTC.

Lastly, after the execution of the MOA and the PA in 1986, the FEBTC immediately took possession of the fixed assets and introduced improvements thereon with the knowledge of the PDIC. It was only in June 1993 that the PDIC assessed rentals for the use and occupation of the disputed assets.^[52]

On May 21, 1997, the RTC denied the PDIC's motion for reconsideration, prompting the PDIC to file an appeal with the CA.^[53]

The CA Ruling

The CA granted the petition and reversed the RTC's decision.^[54]

First, the CA relied on the RTC's initial findings during the preliminary injunction proceedings that the disputed fixed assets had been submitted as collaterals with the Central Bank and are thus excluded from the purchase.^[55] The CA emphasized that this RTC ruling was upheld by the CA and by the Court.^[56]