

SECOND DIVISION

[G.R. No. 180064, September 16, 2013]

**JOSE U. PUA AND BENJAMIN HANBEN U. PUA, PETITIONERS, VS.
CITIBANK, N.A., RESPONDENT.**

D E C I S I O N

PERLAS-BERNABE, J.:

Assailed in this petition for review on *certiorari*^[1] are the Decision^[2] dated May 21, 2007 and Resolution^[3] dated October 16, 2007 of the Court of Appeals (CA) .in CA-G.R. SP No. 79297, which reversed and set aside the Orders dated May 14, 2003^[4] and July 16, 2003^[5] of the Regional Trial Court of Cauayan City, Isabela, Branch 19 (RTC), dismissing petitioners Jose (Jose) and Benjamin Hanben U. Pua's (petitioners) complaint against respondent Citibank, N.A. (respondent).

The Facts

On December 2, 2002, petitioners filed before the RTC a Complaint^[6] for declaration of nullity of contract and sums of money with damages against respondent,^[7] docketed as Civil Case No. 19-1159.^[8] In their complaint, petitioners alleged that they had been depositors of Citibank Binondo Branch (Citibank Binondo) since 1996. Sometime in 1999, Guada Ang, Citibank Binondo's Branch Manager, invited Jose to a dinner party at the Manila Hotel where he was introduced to several officers and employees of Citibank Hongkong Branch (Citibank Hongkong).^[9] A few months after, Chingyee Yau (Yau), Vice-President of Citibank Hongkong, came to the Philippines to sell securities to Jose. They averred that Yau required Jose to open an account with Citibank Hongkong as it is one of the conditions for the sale of the aforementioned securities.^[10] After opening such account, Yau offered and sold to petitioners numerous securities^[11] issued by various public limited companies established in Jersey, Channel Islands. The offer, sale, and signing of the subscription agreements of said securities were all made and perfected at Citibank Binondo in the presence of its officers and employees.^[12] Later on, petitioners discovered that the securities sold to them were not registered with the Securities and Exchange Commission (SEC) and that the terms and conditions covering the subscription were not likewise submitted to the SEC for evaluation, approval, and registration.^[13] Asserting that respondent's actions are in violation of Republic Act No. 8799, entitled the "Securities Regulation Code" (SRC), they assailed the validity of the subscription agreements and the terms and conditions thereof for being contrary to law and/or public policy.^[14]

For its part, respondent filed a motion to dismiss^[15] alleging, *inter alia*, that petitioners' complaint should be dismissed outright for violation of the doctrine of primary jurisdiction. It pointed out that the merits of the case would largely depend

on the issue of whether or not there was a violation of the SRC, in particular, whether or not there was a sale of unregistered securities. In this regard, respondent contended that the SRC conferred upon the SEC jurisdiction to investigate compliance with its provisions and thus, petitioners' complaint should be first filed with the SEC and not directly before the RTC.^[16]

Petitioners opposed^[17] respondent's motion to dismiss, maintaining that the RTC has jurisdiction over their complaint. They asserted that Section 63 of the SRC expressly provides that the RTC has exclusive jurisdiction to hear and decide all suits to recover damages pursuant to Sections 56 to 61 of the same law.^[18]

The RTC Ruling

In an Order^[19] dated May 14, 2003, the RTC denied respondent's motion to dismiss. It noted that petitioners' complaint is for declaration of nullity of contract and sums of money with damages and, as such, it has jurisdiction to hear and decide upon the case even if it involves the alleged sale of securities. It ratiocinated that the legal questions or issues arising from petitioners' causes of action against respondent are more appropriate for the judiciary than for an administrative agency to resolve.^[20]

Respondent filed an omnibus motion^[21] praying, among others, for the reconsideration of the aforesaid ruling, which petitioners, in turn, opposed.^[22] In an Order^[23] dated July 16, 2003, the RTC denied respondent's omnibus motion with respect to its prayer for reconsideration. Dissatisfied, respondent filed a petition for *certiorari* before the CA.^[24]

The CA Ruling

In a Decision^[25] dated May 21, 2007, the CA reversed and set aside the RTC's Orders and dismissed petitioners' complaint for violation of the doctrine of primary jurisdiction. The CA agreed with respondent's contention that since the case would largely depend on the issue of whether or not the latter violated the provisions of the SRC, the matter is within the special competence or knowledge of the SEC. Citing the case of *Baviera v. Paglinawan*^[26] (*Baviera*), the CA opined that all complaints involving violations of the SRC should be first filed before the SEC.^[27]

Aggrieved, petitioners moved for reconsideration,^[28] which was, however, denied by the CA in a Resolution^[29] dated October 16, 2007. Hence, this petition.

The Issue Before the Court

The essential issue in this case is whether or not petitioners' action falls within the primary jurisdiction of the SEC.

Petitioners reiterate their original position that the SRC itself provides that civil cases for damages arising from violations of the same law fall within the exclusive jurisdiction of the regional trial courts.^[30]

On the contrary, respondent maintains that since petitioners' complaint would

necessarily touch on the issue of whether or not the former violated certain provisions of the SRC, then the said complaint should have been first filed with the SEC which has the technical competence to resolve such dispute.^[31]

The Court's Ruling

The petition is meritorious.

At the outset, the Court observes that respondent erroneously relied on the *Baviera* ruling to support its position that all complaints involving purported violations of the SRC should be first referred to the SEC. A careful reading of the *Baviera* case would reveal that the same involves a criminal prosecution of a purported violator of the SRC, and not a civil suit such as the case at bar. The pertinent portions of the *Baviera* ruling thus read:

A criminal charge for violation of the Securities Regulation Code is a specialized dispute. Hence, it must first be referred to an administrative agency of special competence, i.e., the SEC. Under the doctrine of primary jurisdiction, courts will not determine a controversy involving a question within the jurisdiction of the administrative tribunal, where the question demands the exercise of sound administrative discretion requiring the specialized knowledge and expertise of said administrative tribunal to determine technical and intricate matters of fact. The Securities Regulation Code is a special law. Its enforcement is particularly vested in the SEC. **Hence, all complaints for any violation of the Code and its implementing rules and regulations should be filed with the SEC.** Where the complaint is criminal in nature, the SEC shall indorse the complaint to the DOJ for preliminary investigation and prosecution as provided in Section 53.1 earlier quoted.

We thus agree with the Court of Appeals that petitioner committed a fatal procedural lapse when he filed his criminal complaint directly with the DOJ. Verily, no grave abuse of discretion can be ascribed to the DOJ in dismissing petitioner's complaint.^[32] (Emphases and underscoring supplied)

Records show that petitioners' complaint constitutes a civil suit for declaration of nullity of contract and sums of money with damages, which stemmed from respondent's alleged sale of unregistered securities, in violation of the various provisions of the SRC and not a criminal case such as that involved in *Baviera*.

In this light, when the Court ruled in *Baviera* that "all complaints for any violation of the [SRC] x x x should be filed with the SEC,"^[33] it should be construed as to apply only to criminal and not to civil suits such as petitioners' complaint.

Moreover, it is a fundamental rule in procedural law that jurisdiction is conferred by law;^[34] it cannot be inferred but must be explicitly stated therein. Thus, when Congress confers exclusive jurisdiction to a judicial or quasi-judicial entity over certain matters by law, this, absent any other indication to the contrary, evinces its intent to exclude other bodies from exercising the same.