

SECOND DIVISION

[G.R. No. 173610, October 01, 2012]

**TOWN AND COUNTRY ENTERPRISES, INC., PETITIONER, VS.
HONORABLE NORBERTO J. QUISUMBING, JR., ET. AL,
RESPONDENTS.**

[G.R. No. 174132]

**TOWN AND COUNTRY ENTERPRISES, INC., PETITIONER, VS.
METROPOLITAN BANK AND TRUST CO., RESPONDENT.**

D E C I S I O N

PEREZ, J.:

These consolidated Rule 45 Petitions for Review on *Certiorari* primarily assail the 30 November 2005 Decision rendered by the Fourth Division of the Court of Appeals (CA) in CA-G.R. CV No. 84464^[1] and the 24 May 2006 Decision rendered by said Court's Sixteenth Division in CA-G.R. SP No. 90311.^[2]

There is no dispute regarding the fact that petitioner Town & Country Enterprises, Inc. (**TCEI**) obtained loans in the aggregate sum of P12,000,000.00 from respondent Metropolitan Bank & Trust Co. (**Metrobank**).^[3] To secure the prompt payment of the loan, TCEI executed in favor of Metrobank a thrice amended Deed of Real Estate Mortgage^[4] over twenty parcels of land registered in its name and/or its corporate officers, petitioners Spouses Reynaldo and Lydia Campos (**Spouses Campos**), under Transfer Certificates of Title (TCT) Nos. T-361540, T-361541, T-361542, T-361543, T-361544, T-261545, T-361546, T-361547, T-361548, T-361565, T-361566, T-361567, T-361568, T-361569, T-361570, T0361571, T-361572, T-361573, T-361574 and T-743815, all of the Cavite Provincial Registry of Deeds.^[5] For failure of TCEI to heed its demands for the payment of the loan, Metrobank caused the real estate mortgage to be extrajudicially foreclosed and the subject realties to be sold at public auction on 7 November 2001 in accordance with Act No. 3135. As highest bidder, Metrobank was issued the corresponding Certificate of Sale^[6] which was registered with the Cavite Provincial Registry of Deeds on 10 April 2002.^[7]

In view of TCEI's further refusal to heed its demands to turn over actual possession of the properties, Metrobank filed on 23 September 2002 the petition for issuance of a writ of possession docketed as LRC Case No. 2128-02 before the Regional Trial Court (RTC), Branch 21, in Imus, Cavite, presided over by public respondent judge, the Hon. Norberto J. Quisumbing, Jr.^[8] Metrobank invoked its right to said writ of possession under Section 7 of Act No. 3135. Claiming difficulty in servicing its obligations as a consequence of the Asian financial crisis, on the other hand, TCEI filed on 1 October 2002 the petition for declaration of a state of suspension of

payments, with approval of a proposed rehabilitation plan, which was docketed as SEC Case No. 023-02 before the same court, sitting as a Special Commercial Court (**Rehabilitation Court**).^[9] With the issuance of a Stay Order on 8 October 2002 in the corporate rehabilitation case,^[10] TCEI filed on 21 October 2002 a motion to suspend the proceedings in LRC Case No. 2128-02 which was granted by respondent judge in the Order dated 2 December 2002.^[11] Aggrieved by the denial of its motion for reconsideration of the same order, Metrobank filed the Rule 65 petition for *certiorari* which was docketed before the CA as CA-G.R. SP No. 76147.^[12]

On 30 January 2004, the CA's then Fifth Division rendered the Decision^[13] in CA-G.R. SP No. 76147, directing respondent judge "to continue with the proceedings in [LRC Case No. 2128-02] and eventually to issue the required writ of possession in favor of [Metrobank] over the foreclosed properties." The foregoing directive was anchored on the second paragraph of Section 47 of Republic Act (RA) No. 8741.^[14] Finding the Rehabilitation Plan submitted by TCEI feasible, on the other hand, the rehabilitation court issued the Order dated 29 March 2004 in SEC Case No. 023-02,^[15] the decretal portion of which states:

CONSIDERING THE FOREGOING, the Court hereby approves the Rehabilitation Plan of [TCEI] thereby granting [TCEI] a moratorium of five (5) years from today in the payment of all its obligations, together with the corresponding interests, to its creditor banks, subject to the modification that the interest charges shall be reduced from 36% to 24% per annum. After the five-year grace period, [TCEI] shall commence to pay its existing obligations with its creditor banks monthly within a period of three (3) years.

[TCEI] is enjoined to comply strictly with the provisions of the Rehabilitation Plan, perform its obligations thereunder and take all actions necessary to carry out the Plan, failing which, the Court shall either, upon motion, *motu proprio* or upon the recommendation of the Rehabilitation Receiver, terminate the proceeding pursuant to SECTION 27, Rule 4 of the Interim Rules of Procedure on Corporate Rehabilitation.

The Rehabilitation Receiver is directed to strictly monitor the implementation of the Plan and submit a quarterly report on the progress thereof.

SO ORDERED.^[16]

On 11 January 2005, the RTC issued in LRC Case No. 2128-02 an order granting Metrobank's petition for issuance of a writ of possession and directing the Clerk of Court to issue the writ therein sought.^[17] Aggrieved, TCEI and the Spouses Campos perfected the appeal which was docketed before the CA as CA-G.R. CV No. 84464, on the ground that it had been denied due process *a quo* and that the writ of possession issued is contrary to the rules on corporate rehabilitation.^[18] On 30 November 2005, the CA's then Fourth Division rendered the first assailed Decision, affirming the RTC's appealed 11 January 2005 Order. In denying the appeal, the CA

ruled that, as purchaser of the foreclosed properties, Metrobank was entitled to the writ of possession without delay since, under Section 8 of Act No. 3135, the remedy of the mortgagor is to set aside the sale and the writ of possession within 30 days after the purchaser was placed in possession and, if aggrieved from the resolution thereof, to appeal in accordance with Section 14 of Act No. 496, otherwise known as the *Land Registration Act*. Likewise finding that the proceedings before the RTC were ex parte by nature, the CA decreed that TCEI and the Spouses Campos were not denied due process and that the appealed order is not reviewable since only one party sought relief *a quo*.^[19] Dissatisfied with the denial of the motion for reconsideration of the foregoing decision in the CA's Resolution dated 26 July 2006,^[20] TCEI and the Spouses Campos filed the Rule 45 petition for review now docketed before us as G.R. No. 173610.^[21]

In the meantime, TCEI discovered that its certificates of titles were already cancelled as of 26 June 2003, with the issuance of TCT Nos. T-1046369, T-1046370, T-1046371, T-1046372, T-1046373, T-1046374, T-1046375, T-1046376, T-1046377, T-1046378, T-1046379, T-1046380, T-1046381, T-1046382, T-1046383, T-1046384, T-1046385, T-1046386, T-1046387 and T-1046388^[22] in the name of Metrobank which had consolidated its ownership over the subject properties on 25 April 2003.^[23] Maintaining that the transfers of title were invalid and ineffective, TCEI filed its 4 November 2004 motion which was styled as one to direct the Register of Deeds to "bring back the titles in [its] name." TCEI argued that Metrobank's act of transferring said titles to the latter's name amounted to contempt absent modification of the 8 October 2002 Stay Order and approval by the Rehabilitation Court.^[24] The motion was, however, denied in the Rehabilitation Court's 2 June 2005 Order, on the ground that Metrobank's right to exercise any act of dominion over the foreclosed properties had already been recognized in the CA's 30 January 2004 Decision in CA-G.R. SP No. 76147.^[25]

Insisting that the transfers of title in Metrobank's name was violative of the Stay Order issued in SEC Case No. 023-02, TCEI filed the 17 June 2005 Rule 43 petition for review which was docketed before the CA as CA-G.R. SP No. 90311.^[26] On 24 May 2006, said court's Sixteenth Division rendered the second assailed decision, dismissing TCEI's petition for lack of merit on the ground that Metrobank was already the owner of the foreclosed properties by the time the Stay Order was issued on 8 October 2002. For this purpose, the CA took appropriate note of the fact that, in the 30 January 2004 Decision in CA-G.R. SP No. 76147, Metrobank's ownership of the foreclosed properties was considered consolidated for failure of TCEI to exercise its right of redemption within three months from the foreclosure sale or the registration of the certificate of sale in accordance with Sec. 47 of Republic Act (RA) No. 8791.^[27] Considering that said 30 January 2004 Decision had already attained finality, the CA also ruled that the determinations therein made already amounted to *res judicata* and that, as a consequence, TCEI's petition for review was equivalent to forum shopping.^[28] TCEI's motion for reconsideration was likewise denied for lack of merit in the CA's Resolution dated 14 August 2006,^[29] hence its Rule 45 petition for review now docketed before us as G.R. No. 174132.^[30]

In G.R. No. 173610, ***petitioners*** TCEI and the Spouses Campos seek the reversal of the CA's 30 November 2005 Decision in CA-G.R. CV No. 84464 on the following

grounds:

- 1. The Order granting the Writ of Possession in favor of Metrobank is invalid and unenforceable considering that the properties of TCEI are now in the possession of the rehabilitation receiver in view of the earlier judgment of approval of the Petition for Corporate Rehabilitation in SEC Case No. 023-02.***
- 2. The Rehabilitation Receiver is considered a Third-Party in possession of the properties adversely against Metrobank for the benefit of the creditors and the debtor.***
- 3. Possession of the Rehabilitation Receiver by virtue of a final judgment in a Rehabilitation Proceeding must be respected as among the exemptions why the Petition for Writ of Possession must be denied or must not be implemented.***
- 4. TCEI, Spouses Campos and Metrobank agreed that Act 3135 will be applicable in case of foreclosure sale. Section 47 of the General Banking Act, Republic Act 8791, is not applicable. While the Certificate of Sale was issued in 10 April 2002 there was no transfer until 26 June 2003 when the Stay Order was already effective.***

In G.R. No. 174132, on the other hand, the setting aside of the CA's 24 May 2006 Decision in CA-G.R. SP No. 90311 is urged by TCEI on the following grounds:

- 1. The Register of Deeds cannot legally transfer the titles subject matter of the Petition for Rehabilitation in favor of Metrobank on 26 June 2003 in view of the existence of the Stay Order on 8 October 2002 prohibiting the enforcement of claims and the subsequent judgment approving the Rehabilitation Plan in favor of Petitioner.***
- 2. The Register of Deeds should cancel the titles issued to Metrobank on 26 June 2003 and re-issue titles in favor of TCEI as the same was made in violation of the Stay Order and the Rehabilitation Proceedings as the Decision therein binds the whole world being a proceeding in rem.***
- 3. The Decision of the CA failed to take into consideration the far reaching effects of a Petition for Rehabilitation as against a Motion for Issuance of a Writ of Possession which is ex-parte and not a judicial proceeding.***

We find both petitions bereft of merit.

Corporate rehabilitation contemplates a continuance of corporate life and activities

in an effort to restore and 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.

[31] A principal feature of corporate rehabilitation is the Stay Order which defers all actions or claims against the corporation seeking corporate rehabilitation from the date of its issuance until the dismissal of the petition or termination of the rehabilitation proceedings.[32] Under Section 24, Rule 4 of the *Interim Rules of Procedure on Corporate Rehabilitation* which was in force at the time TCEI filed its petition for rehabilitation a quo, the approval of the rehabilitation plan also produces the following results:

- a. The plan and its provisions shall be binding upon the debtor and all persons who may be affected by it, including the creditors, whether or not such persons have participated in the proceedings or opposed the plan or whether or not their claims have been scheduled;
- b. The debtor shall comply with the provisions of the plan and shall take all actions necessary to carry out the plan;
- c. Payments shall be made to the creditors in accordance with the provisions of the plan;
- d. Contracts and other arrangements between the debtor and its creditors shall be interpreted as continuing to apply to the extent that they do not conflict with the provisions of the plan; and
- e. Any compromises on amounts or rescheduling of timing of payments by the debtor shall be binding on creditors regardless of whether or not the plan is successfully implemented.

In addition to the issuance of the Stay Order in SEC Case No. 023-02 on 8 October 2002, petitioners call attention to the fact that the Rehabilitation Court approved TCEI's rehabilitation plan in the Order dated 29 March 2004. Considering that orders issued by the Rehabilitation Court are immediately executory under Section 5, Rule 3 of the *Interim Rules*, [33] petitioners argue that the subject properties were placed in *custodia legis* upon approval of TCEI's rehabilitation plan and that the grant of the writ of possession in favor of Metrobank was tantamount to taking said properties away from the rehabilitation receiver. Petitioners maintain that the rehabilitation receiver, as an officer of the court empowered to take possession, control and custody of the debtor's assets, [34] should have been considered a third person whose possession of the foreclosed properties was an exception to the rule that the grant of a writ of possession is ministerial. For these reasons, petitioners claim that the writ of possession issued in favor of Metrobank is invalid and unenforceable. [35]

The dearth of merit in petitioners' position is, however, evident from the fact that, Metrobank had already acquired ownership over the subject realties when TCEI commenced its petition for corporate rehabilitation on 1 October 2002. Although