

## **SECOND DIVISION**

**[ G.R. No. 183140, August 02, 2010 ]**

### **NORTH BULACAN CORPORATION, PETITIONER, VS. PHILIPPINE BANK OF COMMUNICATIONS, RESPONDENT.**

#### **D E C I S I O N**

**ABAD, J.:**

This case is about the need for petitioners in corporate rehabilitation cases to consistently abide by the rules governing the same and to meet the creditors' substantial opposition to their petitions.

#### **The Facts and the Case**

Petitioner North Bulacan Corporation (NBC) is engaged in the business of developing low and medium-cost housing projects. On December 11, 2000 its parent company, Centro Ville, Inc. (CVI), entered into a joint venture agreement (JVA) with First Sarmiento Property Holdings, Inc. (FSPHI) to develop the latter's 15.5-hectare property into low and medium-cost housing projects. FSPHI will supply the land and CVI will develop it. The parties amended the JVA on April 26, 2001 to enable NBC to substitute for CVI. On August 1, 2001 NBC bought a 21-hectare property from FSPHI for P84,499,800.00.

At the onset, the Land Bank of the Philippines (Land Bank) offered P100 million to finance the construction of the houses. Later, however, respondent Philippine Bank of Communications (PBCom) offered to finance the whole project and immediately provide NBC a P100 million loan facility on the condition that the Pag-IBIG/Home Development Mutual Fund (Pag-IBIG) directly paid PBCom for the houses upon completion of construction, whether or not these had been sold.

Relying on PBCom's commitment, NBC accepted the bank's offer. On July 11, 2003 NBC executed a deed of assignment, assigning to PBCom its rights and interests over all payments that may be due it from the Pag-IBIG.

After a time, however, PBCom discontinued its financial support to NBC reportedly because Bangko Sentral ng Pilipinas (BSP) had issued a cease-and-desist order against the bank. When it became apparent that PBCom had no intention of complying with its commitment, NBC sought help from Cocolife and Land Bank which expressed their intention to finance the project by taking out NBC's loan from PBCom. But the latter refused the offer, insisting on the supposed BSP cease-and-desist order. NBC's construction eventually stopped for lack of funds.

On December 28, 2006 NBC filed a petition for corporate rehabilitation with the Mandaluyong Regional Trial Court (RTC). On June 15, 2007 NBC filed with the court a manifestation and urgent motions a) to order PBCom to release 12 Transfer

Certificates of Title of finished housing units, b) to order Pag-IBIG to issue Letters of Guaranty to PBCom representing the take-out value of the finished units, and c) to allow NBC to use the proceeds to make emergency repairs and restoration works. On July 17, 2007 Judge Paulita Acosta-Villarante granted NBC's motions. PBCom refused, however, to comply with it. Meantime, Judge Villarante retired and Judge Edwin Sorongon took over. On January 24, 2008 the RTC, presided over by the latter judge, issued an order giving due course to NBC's petition for rehabilitation.

PBCom filed a petition for *certiorari* before the Court of Appeals (CA) to challenge the RTC order. On May 20, 2008 the CA granted PBCom's petition, stating that since the RTC was unable to approve a rehabilitation plan for NBC after 180 days from the date of the initial hearing in the case, it should have dismissed the petition for rehabilitation. This prompted NBC to take recourse to this Court.

### **The Issue Presented**

The only issue presented in this case is whether or not the CA erred in dismissing NBC's action for corporate rehabilitation.

### **The Ruling of the Court**

The Court enacted the Interim Rules of Procedure on Corporate Rehabilitation to provide a remedy for summary and non-adversarial rehabilitation proceedings of distressed but viable corporations.<sup>[1]</sup> The intent is consistent with the commercial nature of rehabilitation, which seeks to expedite its resolution for the benefit, not only of the petitioner-corporation, but of all the parties involved and the economy in general.<sup>[2]</sup> These rules are to be construed liberally to obtain for the parties a just, expeditious, and inexpensive disposition of the case.<sup>[3]</sup> The parties may not, however, invoke such liberality if it will result in the utter disregard of the rules or cause needless delay in the administration of justice.<sup>[4]</sup>

Here, as PBCom pointed out, NBC violated several rules on corporate rehabilitation. In contravention of Rule 3, Section 1 on prohibited pleadings, NBC filed motions for extension and a memorandum in the case,<sup>[5]</sup> which the RTC blindly allowed. NBC likewise filed various pleadings,<sup>[6]</sup> ignoring the requirement under the Rules that these be verified by the affiants.<sup>[7]</sup> Also, NBC filed a couple of motions for indirect contempt<sup>[8]</sup> against PBCom without complying with the requirement that these, too, had to be verified.<sup>[9]</sup>

Further, the documents that accompanied NBC's petition fell short of what the rules required.<sup>[10]</sup> For instance, the Schedule of Debts and Liabilities<sup>[11]</sup> did not show the creditors' addresses and, although it reflected the principal amount of each debt, nowhere did it state the amount of accrued interests, the penalties, the nature of the obligation, and any pledge, lien, mortgage judgment, or other security given for the debt. Additionally, the NBC's Inventory of Assets<sup>[12]</sup> failed to state the nature of its assets, their location and condition. NBC did not likewise disclose the encumbrances, liens, or claims on its properties and the identities as well as the addresses of the lien holders or claimants.

Largely because of NBC's numerous prohibited pleadings, nearly a year had passed