

SECOND DIVISION

[G.R. No. 176260, November 24, 2010]

**LUCIA BARRAMEDA VDA. DE BALLESTEROS, PETITIONER, VS.
RURAL BANK OF CANAMAN INC., REPRESENTED BY ITS
LIQUIDATOR, THE PHILIPPINE DEPOSIT INSURANCE
CORPORATION, RESPONDENT.**

DECISION

MENDOZA, J.:

This is a petition for review on certiorari under Rule 45 of the Revised Rules of Civil Procedure assailing the August 15, 2006 Decision^[1] of the Court of Appeals (CA) in CA-G.R. No. 82711, modifying the decision of the Regional Trial Court of Iriga City, Branch 36 (*RTC-Iriga*), in Civil Case No. IR-3128, by ordering the consolidation of the said civil case with Special Proceeding Case No. M-5290 (*liquidation case*) before the Regional Trial Court of Makati City, Branch 59 (*RTC-Makati*).

It appears from the records that on March 17, 2000, petitioner Lucia Barrameda Vda. De Ballesteros (*Lucia*) filed a complaint for *Annulment of Deed of Extrajudicial Partition, Deed of Mortgage and Damages with prayer for Preliminary Injunction* against her children, Roy, Rito, Amy, Arabel, Rico, Abe, Ponce Rex and Adden, all surnamed Ballesteros, and the Rural Bank of Canaman, Inc., Baao Branch (*RBCI*) before the RTC-Iriga. The case was docketed as Civil Case No. IR-3128.

In her complaint, Lucia alleged that her deceased husband, Eugenio, left two (2) parcels of land located in San Nicolas, Baao, Camarines Sur, each with an area of 357 square meters; that on March 6, 1995, without her knowledge and consent, her children executed a deed of extrajudicial partition and waiver of the estate of her husband wherein all the heirs, including Lucia, agreed to allot the two parcels to Rico Ballesteros (*Rico*); that, still, without her knowledge and consent, Rico mortgaged Parcel B of the estate in favor of RBCI which mortgage was being foreclosed for failure to settle the loan secured by the lot; and that Lucia was occupying Parcel B and had no other place to live. She prayed that the deed of extrajudicial partition and waiver, and the subsequent mortgage in favor of RBCI be declared null and void having been executed without her knowledge and consent. She also prayed for damages.

In its Answer, RBCI claimed that in 1979, Lucia sold one of the two parcels to Rico which represented her share in the estate of her husband. The extrajudicial partition, waiver and mortgage were all executed with the knowledge and consent of Lucia although she was not able to sign the document. RBCI further claimed that Parcel B had already been foreclosed way back in 1999 which fact was known to Lucia through the auctioning notary public. Attorney's fees were pleaded as counterclaim.

The case was then set for pre-trial conference. During the pre-trial, RBCI's counsel filed a motion to withdraw after being informed that Philippine Deposit Insurance Corporation (*PDIC*) would handle the case as RBCI had already been closed and placed under the receivership of the PDIC. Consequently, on February 4, 2002, the lawyers of PDIC took over the case of RBCI.

On May 9, 2003, RBCI, through PDIC, filed a motion to dismiss on the ground that the RTC-Iriga has no jurisdiction over the subject matter of the action. RBCI stated that pursuant to Section 30, Republic Act No. 7653 (*RA No. 7653*), otherwise known as the "New Central Bank Act," the RTC-Makati, already constituted itself, per its Order dated August 10, 2001, as the liquidation court to assist PDIC in undertaking the liquidation of RBCI. Thus, the subject matter of Civil Case No. IR-3128 fell within the exclusive jurisdiction of such liquidation court. Lucia opposed the motion.

On July 29, 2003, the RTC-Iriga issued an order^[2] granting the Motion to Dismiss, to wit:

This resolves the Motion to Dismiss filed by the defendant Rural Bank of Canaman, Inc., premised on the ground that this court has no jurisdiction over the subject matter of the action. This issue of jurisdiction was raised in view of the pronouncement of the Supreme Court in *Ong v. C.A.* 253 SCRA 105 and in the case of *Hernandez v. Rural Bank of Lucena, Inc.*, G.R. No. L-29791 dated January 10, 1978, wherein it was held that "the liquidation court shall have jurisdiction to adjudicate all claims against the bank whether they be against assets of the insolvent bank, for Specific Performance, Breach of Contract, Damages or whatever."

It is in view of this jurisprudential pronouncement made by no less than the Supreme Court, that this case is, as far as defendant Rural Bank of Canaman Inc., is concerned, hereby ordered DISMISSED without prejudice on the part of the plaintiff to ventilate their claim before the Liquidation Court now, RTC Branch 59, Makati City.

SO ORDERED.

Not in conformity, Lucia appealed the RTC ruling to the CA on the ground that the RTC-Iriga erred in dismissing the case because it had jurisdiction over Civil Case No. IR-3128 under the rule on adherence of jurisdiction.

On August 15, 2006, the CA rendered the questioned decision ordering the consolidation of Civil Case No. IR-3128 and the liquidation case pending before RTC-Makati. The appellate court ratiocinated thus:

...The consolidation is desirable in order to prevent confusion, to avoid multiplicity of suits and to save unnecessary cost and expense. Needless to add, this procedure is well in accord with the principle that the rules of procedure shall be liberally construed in order to promote their object and to assist the parties in obtaining just, speedy and inexpensive determination of every action and proceeding (*Vallacar Transit, Inc. v.*

Yap, 126 SCRA 500 [1983]; *Suntay v. Aguiluz*, 209 SCRA 500 [1992] citing *Ramos v. Ebarle*, 182 SCRA 245 [1990]). It would be more in keeping with the demands of equity if the cases are simply ordered consolidated. Pursuant to Section 2, Rule 1, Revised Rules of Court, the rules on consolidation should be liberally construed to achieve the object of the parties in obtaining just, speedy and inexpensive determination of their cases (*Allied Banking Corporation v. Court of Appeals*, 259 SCRA 371 [1996]). ...

The dispositive portion of the decision reads:

IN VIEW OF ALL THE FOREGOING, the appealed decision is hereby **MODIFIED**, in such a way that the dismissal of this case (Civil Case No. IR-3128) is set aside and in lieu thereof another one is entered ordering the **consolidation** of said case with the liquidation case docketed as Special Proceeding No. M-5290 before Branch 59 of the Regional Trial Court of Makati City, entitled "*In Re: Assistance in the Judicial Liquidation of Rural Bank of Canaman, Camarines Sur, Inc., Philippine Deposit Corporation, Petitioner.*" No pronouncement as to cost.

SO ORDERED.^[3]

Lucia filed a motion for reconsideration^[4] but it was denied by the CA in its Resolution dated December 14, 2006.^[5]

Hence, the present petition for review on certiorari anchored on the following

GROUND

(I)

THE COURT OF APPEALS ERRED IN NOT FINDING THAT THE REGIONAL TRIAL COURT OF IRIGA CITY, BRANCH 36 IS VESTED WITH JURISDICTION TO CONTINUE TRYING AND ULTIMATELY DECIDE CIVIL CASE NO. IR-3128.

(II)

THE COURT OF APPEALS ERRED AND GRAVELY ABUSED ITS DISCRETION IN ORDERING THE CONSOLIDATION OF CIVIL CASE NO. IR-3128 WITH THE LIQUIDATION CASE DOCKETED AS SPECIAL PROCEEDINGS NO. M-5290 BEFORE BRANCH 59 OF THE REGIONAL TRIAL COURT OF MAKATI CITY.^[6]

Given the foregoing arguments, the Court finds that the core issue to be resolved in this petition involves a determination of whether a liquidation court can take cognizance of a case wherein the main cause of action is not a simple money claim

against a bank ordered closed, placed under receivership of the PDIC, and undergoing a liquidation proceeding.

Lucia contends that the RTC-Iriga is vested with jurisdiction over Civil Case No. 3128, the constitution of the liquidation court notwithstanding. According to her, the case was filed before the RTC-Iriga on March 17, 2000 at the time RBCI was still doing business or before the defendant bank was placed under receivership of PDIC in January 2001.

She further argues that the consolidation of the two cases is improper. Her case, which is for annulment of deed of partition and waiver, deed of mortgage and damages, cannot be legally brought before the RTC-Makati with the liquidation case considering that her cause of action against RBCI is not a simple claim arising out of a creditor-debtor relationship, but one which involves her rights and interest over a certain property irregularly acquired by RBCI. Neither is she a creditor of the bank, as only the creditors of the insolvent bank are allowed to file and ventilate claims before the liquidator, pursuant to the August 10, 2001 Order of the RTC-Makati which granted the petition for assistance in the liquidation of RBCI.

In its Comment,^[7] PDIC, as liquidator of RBCI, counters that the consolidation of Civil Case No. 3128 with the liquidation proceeding is proper. It posits that the liquidation court of RBCI, having been established, shall have exclusive jurisdiction over *all* claims against the said bank.

After due consideration, the Court finds the petition devoid of merit.

Lucia's argument, that the RTC-Iriga is vested with jurisdiction to continue trying Civil Case No. IR-3128 until its final disposition, evidently falls out from a strained interpretation of the law and jurisprudence. She contends that:

Since the RTC-Iriga has already obtained jurisdiction over the case it should continue exercising such jurisdiction until the final termination of the case. The jurisdiction of a court once attached cannot be ousted by subsequent happenings or events, although of a character which would have prevented jurisdiction from attaching in the first instance, and the Court retains jurisdiction until it finally disposes of the case (*Aruego Jr. v. Court of Appeals*, 254 SCRA 711).

When a court has already obtained and is exercising jurisdiction over a controversy, its jurisdiction to proceed to final determination of the case is not affected by a new legislation transferring jurisdiction over such proceedings to another tribunal. (*Alindao v. Josen*, 264 SCRA 211). Once jurisdiction is vested, the same is retained up to the end of the litigation (*Bernate v. Court of Appeals*, 263 SCRA 323).^[8]

The afore-quoted cases, cited by Lucia to bolster the plea for the continuance of her case, find no application in the case at bench.

Indeed, the Court recognizes the doctrine on adherence of jurisdiction. Lucia, however, must be reminded that such principle is not without exceptions. It is well

to quote the ruling of the CA on this matter, thus:

This Court is not unmindful nor unaware of the doctrine on the adherence of jurisdiction. However, the rule on adherence of jurisdiction is not absolute and has exceptions. One of the exceptions is that when the change in jurisdiction is curative in character (*Garcia v. Martinez*, 90 SCRA 331 [1979]; *Calderon, Sr. v. Court of Appeals*, 100 SCRA 459 [1980]; *Atlas Fertilizer Corporation v. Navarro*, 149 SCRA 432 [1987]; *Abad v. RTC of Manila, Br. LII*, 154 SCRA 664 [1987]).

For sure, Section 30, R.A. 7653 is curative in character when it declared that the liquidation court shall have jurisdiction in the same proceedings to assist in the adjudication of the disputed claims against the Bank. The interpretation of this Section (formerly Section 29, R.A. 265) becomes more obvious in the light of its intent. In *Manalo v. Court of Appeals* (366 SCRA 752, [2001]), the Supreme Court says:

xxx The requirement that all claims against the bank be pursued in the liquidation proceedings filed by the Central Bank is intended to prevent multiplicity of actions against the insolvent bank and designed to establish due process and orderliness in the liquidation of the bank, to obviate the proliferation of litigations and to avoid injustice and arbitrariness (citing *Ong v. CA*, 253 SCRA 105 [1996]). The lawmaking body contemplated that for convenience, only one court, if possible, should pass upon the claims against the insolvent bank and that the liquidation court should assist the Superintendents of Banks and regulate his operations (citing *Central Bank of the Philippines, et al. v. CA, et al.*, 163 SCRA 482 [1988]).^[9]

As regards Lucia's contention that jurisdiction already attached when Civil Case No. IR-3128 was filed with, and jurisdiction obtained by, the RTC-Iriga prior to the filing of the liquidation case before the RTC-Makati, her stance fails to persuade this Court. In refuting this assertion, respondent PDIC cited the case of *Lipana v. Development Bank of Riza*^[10] where it was held that the time of the filing of the complaint is immaterial, viz:

It is the contention of petitioners, however, that the placing under receivership of Respondent Bank long after the filing of the complaint removed it from the doctrine in the said Morfe Case.

This contention is untenable. The time of the filing of the complaint is immaterial. It is the execution that will obviously prejudice the other depositors and creditors. Moreover, as stated in the said Morfe case, the effect of the judgment is only to fix the amount of the debt, and not to give priority over other depositors and creditors.