

THIRD DIVISION

[G.R. No. 167768, April 17, 2009]

**MALAYAN INSURANCE COMPANY, INC., PETITIONERS, VS.
VICTORIAS MILLING COMPANY, INC., RESPONDENTS.**

DECISION

NACHURA, J.:

Petitioner Malayan Insurance Company, Inc. assails the Court of Appeals' Decision^[1] dated May 21, 2004 and Resolution^[2] dated April 11, 2005, which affirmed the suspension of the proceedings on its claim for reimbursement against the respondent Victorias Milling Company, Inc.

The case arose from the following antecedents:

On July 8, 1997, acting on the verified petition for declaration of a state of suspension of payments, for the approval of a rehabilitation plan and the appointment of a management committee, the Securities and Exchange Commission (SEC) issued an order suspending all pending actions for claims against respondent, thus:

As a consequence of the filing of the instant petition for suspension of payments, all actions for claims against VICTORIAS MILLING COMPANY, INC., pending before any court, [tribunal, [office, [board, body, and/or [commission are deemed SUSPENDED immediately until further order from this Hearing Panel. (RCBC v. IAC, et al., 213 [SCRA] 830; BPI vs. CA, 229 SCRA 223))

Likewise, petitioner [herein respondent] is hereby enjoined from disposing of any and all of its properties in any manner whatsoever, except in the ordinary course of its business and from making any payment outside of the legitimate expenses of its business during the pendency of the proceedings.^[3]

A month later, SEC constituted a Management Committee.

On May 31, 1999, the Labor Arbiter rendered a decision in RAB Case No. 06-08-10553-98 entitled "Dominador P. Abelido v. Victorias Milling Co., Inc.," ordering respondent to pay P6,605,275.24 to Abelido.

To comply with the requisite bond for an appeal to the National Labor Relations Commission (NLRC), respondent procured from the petitioner a surety bond (MICO Bond No. 070117) on July 16, 1999, to secure the satisfaction of the judgment rendered against it. Under the said surety bond, petitioner bound itself to be jointly and severally liable with respondent for the sum of P6,605,275.24 in the event

judgment in the labor case is affirmed in whole or in part.^[4]

In consideration of the execution of the surety bond, respondent, through its Chief Financial Officer Romeo Hermoso, executed in favor of petitioner an Indemnity Agreement^[5] dated July 16, 1999. In said agreement, respondent bound itself to indemnify petitioner and to keep it harmless from all damages, costs, penalties, taxes and other expenses that petitioner may, at any time, incur as a consequence of having become surety.

As security for its obligation under the Indemnity Agreement, respondent executed a Deed of Assignment^[6] dated July 15, 1999 wherein respondent assigned in favor of the petitioner all of its funds on deposit with the Bank of the Philippine Islands (BPI), equivalent to the amount of the supersedes bond.

On September 7, 2000, the NLRC rendered a decision affirming the May 31, 1999 Decision of the Labor Arbiter. Consequently, a writ of execution was issued on April 4, 2001.^[7]

On April 10, 2001, Executive Labor Arbiter Oscar Uy issued an order, directing petitioner to immediately turn over to the NLRC the amount of P6,605,275.24 on account of the writ of execution.^[8] On April 17, 2001, the Labor Arbiter issued another order requiring petitioner to explain why it should not be cited for contempt for failure to comply with its previous order.^[9] When petitioner failed to comply, the Labor Arbiter issued a third order dated May 7, 2001, which ordered petitioner to immediately turn over to the NLRC the garnished amount equivalent to the amount covered by the surety bond.^[10]

On May 11, 2001, petitioner served a demand upon BPI for the release of the bank deposits that respondent had assigned in its favor.^[11] BPI rejected the demand because respondent was still challenging the validity of the execution award [in the CA]; and the validity of the Deed of Assignment may be questioned on the ground that it was executed without the requisite authority of the Management Committee.^[12]

In a Letter^[13] dated May 16, 2001, respondent advised petitioner that the issuance and enforcement of the writ of execution is premature, void and illegal, for which reason, respondent disavowed any liability liable for whatever consequences resulting from the premature execution of the decision.

Petitioner replied that it had raised before the NLRC the issues cited in the May 16, 2001 Letter, but the latter was bent on enforcing the writ of execution. Thus, petitioner requested from respondent a copy of the temporary restraining order (TRO) that it allegedly procured from the Court of Appeals (CA), with a reminder that, without a TRO, it would be compelled to comply with the writ of execution to avoid being held in contempt.^[14]

On May 18, 2001, petitioner released P6,605,275.24 to the NLRC.^[15] Thereafter, petitioner made a series of demands for reimbursement against respondent and BPI but to no avail.^[16]

On January 15, 2003, petitioner filed a complaint for sum of money and damages against respondent and BPI. BPI filed a motion to dismiss the complaint. Respondent also filed a motion to dismiss on the ground that it is the SEC that has jurisdiction over the claim considering that it is under a state of suspension of payments.

Meanwhile, with the approval of the rehabilitation plan, SEC issued an order appointing a rehabilitation receiver on January 27, 2003.^[17]

Thus, on July 2, 2003, the Regional Trial Court (RTC) issued an order denying BPI's motion to dismiss while suspending the proceedings as against respondent, thus:

WHEREFORE, co-defendant BPI's motion to dismiss dated March 4, 2003 is denied for lack of merit.

Insofar as co-defendant VMC [Victorias Milling Company, Inc.] is concerned, the herein proceeding is suspended.

SO ORDERED.^[18]

Petitioner moved for the partial reconsideration of the order insofar as it suspended the proceedings against respondent. On October 7, 2004, the RTC denied the motion.^[19]

Subsequently, petitioner filed a petition for *certiorari* with the CA assailing the said orders. On May 21, 2004, the CA agreed with the RTC that petitioner's claim is covered by the Stay Order; consequently, it dismissed the petition. It stressed that, as held in *Rubberworld (Phils.), Inc. v. NLRC*,^[20] Sec.6(c) of P.D. 902-A does not make any distinction as to what claims are covered. The appellate court noted that the law provides that actions for claims shall be suspended "upon appointment of a management committee or a rehabilitation receiver." It then concluded that, even if the claim were not covered by the said stay order, the suspension of petitioner's claim would still be inevitable considering that at the time the rehabilitation receiver was appointed by the SEC on January 27, 2003, petitioner's complaint was already pending before the trial court. According to the CA, to rule otherwise would defeat the very purpose of suspension of payments and render inutile the rescue functions of the management committee.

On April 11, 2005, the CA denied the petitioner's motion for reconsideration. Dissatisfied with the CA's ruling, petitioner now comes to this Court raising the following issues:

I

WITH ALL DUE RESPECT, THE HONORABLE COURT ERRED IN RULING THAT BY VIRTUE OF SECTION 6 (C) OF P.D. 902-A, "ALL ACTIONS FOR CLAIMS" AGAINST RESPONDENT VICTORIAS MILLING, CO., INC. ("VMC"), WITHOUT ANY DISTINCTION, ARE SUSPENDED UPON THE APPOINTMENT BY THE SECURITIES AND EXCHANGE COMMISSION ("SEC") OF A MANAGEMENT COMMITTEE FOR RESPONDENT VMC.

II

WITH DUE RESPECT, THE HONORABLE COURT ERRED IN RULING THAT SINCE THE ACTION OF PETITIONER MICI AGAINST RESPONDENT VMC IN THE CASE BELOW WAS ALREADY PENDING WHEN THE SEC APPOINTED A REHABILITATION RECEIVER FOR RESPONDENT VMC, ITS SUSPENSION "WOULD STILL BE INEVITABLE" AS THE LAW PROVIDES THAT "SUSPENSION OF ACTIONS COMMENCES UPON APPOINTMENT OF A MANAGEMENT COMMITTEE OR A REHABILITATION RECEIVER."

III

WITH DUE RESPECT, THE HONORABLE COURT ERRED IN FINDING THAT THE PAYMENT OF THE INSTANT CLAIM OF PETITIONER MICI WOULD "DEFEAT THE VERY PURPOSE" OF THE STAY ORDER ISSUED BY THE SEC FOLLOWING THE APPOINTMENT OF THE MANAGEMENT COMMITTEE FOR RESPONDENT VMC.^[21]

Petitioner maintains that the Stay Order applies only to claims existing prior to or at the time of the issuance of the said order. It avers that Sec. 6(c) of P.D. No. 902-A is clear and categorical that the suspension covers *actions for claims* which are *pending* before any court at the time of the appointment of the management committee or rehabilitation receiver.^[22] And, not being a pre-existing claim, payment of petitioner's claim will not result in undue preference which is the mischief sought to be prevented by a stay order.

The CA allegedly erred in citing *Rubberworld* which declared that the suspension is deemed to cover "all claims" since the law made no distinction or exemption. Petitioner posits that such pronouncement referred to claims in general, as opposed to labor claims.^[23]

Petitioner further contends that the suspension of actions commences either upon the appointment of a management receiver or rehabilitation receiver, not successively as interpreted by the CA. It argues that the use of the disjunctive word "or" in Sec. 6(c) signifies that suspension of actions commences either upon appointment of a management committee or a rehabilitation receiver.

Citing *Philippine Blooming Mills, Inc. v. Court of Appeals*,^[24] petitioner submits that, as surety, it is separately liable for the satisfaction of the judgment award rendered against the respondent in the labor case. Petitioner lays the blame on the respondent for its failure to avert the execution of the NLRC Decision.

For its part, respondent posits that it is immaterial when the actions were commenced as Sec. 6(c) of P.D. 902-A is clear that *all* actions standing before a court against a corporation under a management committee must be stayed; hence, even actions for claims instituted after the appointment of the management committee are covered by the stay.^[25] It avers that the stay order is not limited to the claims stated in the Schedule of Debts and Liabilities.

Respondent counters that, in *Rubberworld*, this Court applied Sec. 6(c) of P.D. 902-A and suspended the proceedings in the labor case even if the complaint for illegal

dismissal was filed after the issuance of the stay order.^[26] Respondent also cited *Arranza v. B.F. Homes, Inc.*^[27] wherein the class suit was filed 10 years after the management committee was appointed. Respondent avers that in said case, this Court did not consider the time of the filing of the claim or when the cause of action accrued. It points out that, in a later case,^[28] the Court even concluded that had the claim in *Arranza* been for monetary awards, the proceedings to enforce such claim would have been suspended.

Respondent emphasizes that the petitioner's claim is for reimbursement of the monetary award it paid to Abelido in the labor case, which was later ordered suspended by the CA in CA-GR SP No. 64467. Having originated from an action for a claim that has been suspended, petitioner's claim should also be deemed suspended. The suspension of the labor proceedings by the CA rendered moot the petitioner's cause of action; its remedy is now to go against the bond posted by Abelido in the NLRC.

Finally, respondent contends that claims not arising from the operation of the corporation's business, whether filed before or after the petition for suspension of payments, are covered by the SEC Stay Order.^[29]

The petition is bereft of merit.

For our resolution of the instant case, we briefly revisit the following undisputed facts:

On July 8, 1997, the SEC issued a Stay Order, suspending all actions for claims against respondent pending before any court, tribunal, office, board, body or commission. On August 8, 1997, the SEC constituted a Management Committee. On May 31, 1999, the Labor Arbiter rendered a decision in "*Abelido v. Victorias Milling*", ordering respondent to pay Abelido the sum of P6,605,275.24. On July 16, 1999, respondent procured from the petitioner a surety bond as a requisite to the filing of an appeal with the NLRC from the Labor Arbiter's decision. On September 7, 2000, the NLRC affirmed the decision of the Labor Arbiter, and a writ of execution was issued on April 4, 2001.

The Executive Labor Arbiter issued three orders (dated April 10, 2001, April 17, 2001, and May 7, 2001, respectively) directing the petitioner to turn over to the NLRC the amount of P6,605,275.24, on pain of contempt. On May 11, 2001, petitioner served a demand upon BPI for the release of the bank deposits that respondent had assigned in its favor, but BPI refused. On May 16, 2001, respondent advised petitioner that the enforcement of the writ of execution was premature and without legal basis. The following day, petitioner replied that the NLRC was bent on enforcing the writ, and sought from the respondent a copy of a TRO, if any, issued by the Court of Appeals. On May 18, 2001, petitioner released the amount to the NLRC.

Failing to obtain reimbursement from the respondent despite a series of demands, petitioner, on January 15, 2003, filed a complaint for sum of money with the RTC. On January 27, 2003, SEC issued an order appointing a rehabilitation receiver for respondent. On July 2, 2003, the RTC suspended the proceedings against respondent, and subsequently denied the petitioner's motion for reconsideration.