

FIRST DIVISION

[G.R. NO. 165675, September 30, 2005]

**SPOUSES EDUARDO SOBREJUANITE AND FIDELA
SOBREJUANITE, PETITIONERS, VS. ASB DEVELOPMENT
CORPORATION, RESPONDENT.**

DECISION

YNARES-SANTIAGO, J.:

This petition for review on certiorari assails the June 29, 2004 Decision of the Court of Appeals in CA-G.R. SP No. 79420 which reversed and set aside the Decision of the Office of the President; and its October 18, 2004 Resolution denying reconsideration thereof.

The antecedent facts show that on March 7, 2001, spouses Eduardo and Fidela Sobrejuanite (Sobrejuanite) filed a Complaint^[1] for rescission of contract, refund of payments and damages, against ASB Development Corporation (ASBDC) before the Housing and Land Use Regulatory Board (HLURB).

Sobrejuanite alleged that they entered into a Contract to Sell with ASBDC over a condominium unit and a parking space in the BSA Twin Tower-B Condominium located at Bank Drive, Ortigas Center, Mandaluyong City. They averred that despite full payment and demands, ASBDC failed to deliver the property on or before December 1999 as agreed. They prayed for the rescission of the contract; refund of payments amounting to P2,674,637.10; payment of moral and exemplary damages, attorney's fees, litigation expenses, appearance fee and costs of the suit.

ASBDC filed a motion to dismiss or suspend proceedings in view of the approval by the Securities and Exchange Commission (SEC) on April 26, 2001 of the rehabilitation plan of ASB Group of Companies, which includes ASBDC, and the appointment of a rehabilitation receiver. The HLURB arbiter however denied the motion and ordered the continuation of the proceedings.

The arbiter found that under the Contract to Sell, ASBDC should have delivered the property to Sobrejuanite in December 1999; that the latter had fully paid their obligations except the P50,000.00 which should be paid upon completion of the construction; and that rescission of the contract with damages is proper.

The dispositive portion of the Decision reads:

WHEREFORE, in view of the foregoing judgment is rendered ordering the rescission of the contracts to sell between the parties, and further ordering the respondent [ASBDC] to pay the complainants [Sobrejuanite] the following:

- a) all amortization payments by the complainants amounting to P2,674,637.10 plus 12% interest from the date of actual payment of each amortization;
- b) moral damages amounting to P200,000.00;
- c) exemplary damages amounting to P100,000.00;
- d) attorney's fees amounting to P100,000.00;
- e) litigation expenses amounting to P50,000.00.

All other claims and all counter-claims are hereby dismissed.

IT IS SO ORDERED.^[2]

The HLURB Board of Commissioners^[3] affirmed the ruling of the arbiter that the approval of the rehabilitation plan and the appointment of a rehabilitation receiver by the SEC did not have the effect of suspending the proceedings before the HLURB. The board held that the HLURB could properly take cognizance of the case since whatever monetary award that may be granted by it will be ultimately filed as a claim before the rehabilitation receiver. The board also found that ASBDC failed to deliver the property to Sobrejuanite within the prescribed period. The dispositive portion of the Decision reads:

Wherefore the petition for review is denied and the decision of the office below is affirmed. It shall be understood that all monetary awards shall still be filed as claims before the rehabilitation receiver.^[4]

ASBDC filed an appeal^[5] before the Office of the President which was dismissed^[6] for lack of merit. Hence, ASBDC filed a petition^[7] under Section 1, Rule 43 of the Rules of Court before the Court of Appeals, docketed as CA-G.R. SP No. 79420.

On June 29, 2004, the Court of Appeals rendered its assailed Decision,^[8] the dispositive portion of which reads:

WHEREFORE, premises considered, the instant petition is GRANTED. The impugned decision dated June 27, 2003 of the Office of the President is hereby REVERSED AND SET ASIDE. No pronouncement as to costs.

SO ORDERED.^[9]

The Court of Appeals held that the approval by the SEC of the rehabilitation plan and the appointment of the receiver caused the suspension of the HLURB proceedings. The appellate court noted that Sobrejuanite's complaint for rescission and damages is a *claim* under the contemplation of Presidential Decree (PD) No. 902-A or the *SEC Reorganization Act* and A.M. No. 00-8-10-SC or the *Interim Rules of Procedure on Corporate Rehabilitation*, because it sought to enforce a pecuniary demand. Therefore, jurisdiction lies with the SEC and not HLURB. It also ruled that ASBDC was obliged to deliver the property in December 1999 but its financial reverses warranted the extension of the period.

Sobrejuanite's motion for reconsideration was denied^[10] hence the instant petition which raises the following issues:

1. THE COURT OF APPEALS COMMITTED REVERSIBLE ERROR AND GRAVELY ABUSED ITS DISCRETION IN RULING THAT THE SEC, NOT THE HLURB, HAS JURISDICTION OVER PETITIONER'S COMPLAINT, IN CONTRAVENTION TO LAW AND THE RULING OF THIS HONORABLE COURT IN THE ARRANZA CASE.
2. THE COURT OF APPEALS COMMITTED REVERSIBLE ERROR AND GRAVELY ABUSED ITS DISCRETION WHEN IT RULED THAT THE APPROVAL OF THE CORPORATE REHABILITATION PLAN AND THE APPOINTMENT OF A RECEIVER HAD THE EFFECT OF SUSPENDING THE PROCEEDING IN THE HLURB, AND THAT THE MONETARY AWARD GIVEN BY THE HLURB COULD NOT [BE] FILED IN THE SEC FOR PROPER DISPOSITION, NOT BEING IN ACCORDANCE WITH LAW AND JURISPRUDENCE.
3. THE COURT OF APPEALS COMMITTED REVERSIBLE ERROR AND GRAVELY ABUSED ITS DISCRETION IN RULING THAT RESPONDENT "IS JUSTIFIED IN EXTENDING THE AGREED DATE OF DELIVERY BY INVOKING AS GROUND THE FINANCIAL CONSTRAINTS IT EXPERIENCED," BEING CONTRARY TO LAW AND IN EFFECT AN UNLAWFUL NOVATION OF THE AGREEMENT OF THE DATE OF DELIVERY ENTERED INTO BY PETITIONERS AND RESPONDENT.^[11]

The petition lacks merit.

Section 6(c) of PD No. 902-A empowers the SEC:

c) To appoint one or more receivers of the property, real and personal, which is the subject of the action pending before the Commission ... whenever necessary in order to preserve the rights of the parties-litigants and/or protect the interest of the investing public and creditors: ... Provided, finally, That upon appointment of a management committee, rehabilitation receiver, board or body, pursuant to this Decree, **all actions for claims against corporations, partnerships or associations under management or receivership pending before any court, tribunal, board or body shall be suspended accordingly.** [Emphasis added]

The purpose for the suspension of the proceedings is to prevent a creditor from obtaining an advantage or preference over another and to protect and preserve the rights of party litigants as well as the interest of the investing public or creditors.

^[12] Such suspension is intended to give enough breathing space for the management committee or rehabilitation receiver to make the business viable again, without having to divert attention and resources to litigations in various fora.

^[13] The suspension would enable the management committee or rehabilitation receiver to effectively exercise its/his powers free from any judicial or extra-judicial interference that might unduly hinder or prevent the "rescue" of the debtor company. To allow such other action to continue would only add to the burden of the management committee or rehabilitation receiver, whose time, effort and resources would be wasted in defending claims against the corporation instead of being directed toward its restructuring and rehabilitation.^[14]