

SECOND DIVISION

[CA-G.R. CV No. 101433, March 23, 2015]

MANILA BAY DEVELOPMENT CORPORATION, PLAINTIFF- APPELLEE, VS. SECURITY BANK CORPORATION, DEFENDANT- APPELLANT.

DECISION

GONZALES-SISON, M., J.:

This instant appeal^[1] seeks to reverse and set aside the decision of the Regional Trial Court of Parañaque City, Branch 195 in Civil Case No. CV-06-0097 dated 30 July 2013 which ordered herein appellant Security Bank Corporation to return to appellee Manila Bay Development Corporation its owner's duplicate copies of three (3) land titles covering three (3) parcels of land in Parañaque City. Briefly, the facts of the case, are as follows:

Plaintiff-appellee Manila Bay Development Corporation ("MBDC" for brevity) is a corporation duly organized and validly existing under Philippine laws with principal office located at Central Business Park II, Roxas Blvd., Coastal Road Junction, Reclamation Area, Parañaque City.

Meanwhile, defendant-appellant Security Bank Corporation ("SBC" for brevity) is a banking corporation duly organized and validly existing under Philippine laws with principal office located at Security Bank Centre, 6776 Ayala Ave., Makati City.

The controversy arose when on 15 January 1999, a loan syndicate consisting of several foreign lending banks, namely:

- (i) United World Chinese Commercial Bank ("**UNITED WORLD**" for brevity),
- (ii) First Commercial Bank ("**FCB**" for brevity),
- (iii) Taiwan Business Bank Offshore Banking Branch ("**TAIWAN BUSINESS BANK**" for brevity)
- (iv) Bank of Overseas Chinese ("**BOC**" for brevity),
- (v) Chun Shing Bank ("**CSB**" for brevity), and,
- (vi) En Tie Commercial Bank Offshore Banking Branch ("**EN TIE**" for brevity).

extended a loan worth Fifty Million US Dollars (US\$50,000,000.00) in favor of two (2) borrower-foreign corporations, namely: HD Holdings Corporation ("**HD HOLDINGS**" for brevity), a company incorporated under the laws of Cayman Islands and J.N.R. Holdings Limited ("**JNR HOLDINGS**" for brevity), a company incorporated under the laws of British Virgin Islands. The corresponding participation of the foreign lending banks in the loan syndicate are as follows:

UNITED WORLD	US\$20,000,000.00	40%
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FCB	US\$10,000,000.00	20%
TAIWAN BUSINESS BANK	\$5,000,000.00	10%
US		
BOC	US\$5,000,000.00	10%
CSB	US\$5,000,000.00	10%
EN TIE	US\$5,000,000.00	10%

The loan agreement of the loan syndicate, on one hand, and the group of borrower-foreign corporations, on the other hand, is embodied in a document known as Terms Loan Facility dated 15 January 1999 ("**TLF**" for brevity), which the parties agreed shall be governed by Chinese laws.

According to the TLF, the proceeds of the facility shall be used exclusively for financing the purchase and development of a piece of land in Biñan, having a site of sixty five (65) hectares for residential and commercial development.

Also under the TLF, one of the conditions before HD HOLDINGS and JNR HOLDINGS could avail of the loan is for them to submit to the Facility Agent which is UNITED WORLD, among others, a mortgage contract duly executed by a mortgagor as security to the payment of the loan.

At this point appellee MBDC came into the picture and executed a third party Mortgage Trust Indenture dated 22 March 1999 ("**MTI**" for brevity) in favor of the loan syndicate. In this MTI, MBDC constituted a real estate mortgage over its three (3) properties located in Parañaque City and covered by Transfer of Certificate of Title (TCT) Nos. 86163, 86164 and 86165 as a security for the payment of the US\$50 Million worth of loan extended to borrowers HD HOLDINGS and JNR HOLDINGS.

Likewise stipulated under this MTI is the creation of an express trust designating appellant SBC as a Trustee for the loan syndicate. Consequently, TCT Nos. 86163, 86164 and 86165 were delivered and surrendered by MBDC to appellant SBC.

Eventually, the loan syndicate released the loan worth US\$50 Million Dollars in favor of the borrowers HD HOLDINGS and JNR HOLDINGS. As events turned out, however, these two (2) borrowers defaulted in the payment of their loan obligation.

From that point up to this date, no legal action was taken by any of the members of the loan syndicate to enforce their monetary claim against the two (2) borrowers either by way of filing a case for a sum of money or by way of foreclosure of the subject mortgaged properties of MBDC.

Meanwhile, one of the members of the loan syndicate, namely: FCB, transferred not only its participation under the TLF but also its rights under the MTI in favor of Lehman Brothers Asian Opportunity ("**LEHMAN**" for brevity).

Similarly, another member of the loan syndicate, namely: UNITED WORLD (now renamed as "**CATHAY UNITED BANK**") also transferred not only its participation under the TLF but also its rights under the MTI again in favor of LEHMAN.

Thereafter, another member of the loan syndicate, namely: CSB transferred not only its participation under the TLF but also its rights under the MTI, but this time, in

favor of Lone Star Asset Management Co. VII, Ltd.

Due to said transfers which were done without MBDC's consent, MBDC now claims that the securities furnished under the MTI, i.e., the mortgaged parcels of land have been *ipso facto* released.

On 6 February 2006, SBC notified CATHAY UNITED BANK and MBDC that SBC is resigning as a Trustee effective 7 April 2006 and promised to turn over all pertinent documents once a successor Trustee has been appointed.

Consequently, MBDC sought the return of TCT Nos. 86163, 86164 and 86165 from SBC. A final demand letter dated 15 March 2006 was sent, but to no avail. As a result, MBDC, on 5 April 2006, filed a complaint against SBC for the return of the land titles, for the payment of damages and for the issuance of an injunction which case was raffled to the Regional Trial Court of Parañaque City, Branch 195 ("**RTC**" for brevity).

Not yet done, MBDC filed a supplemental complaint, wherein it alleged that the action against the securities has already prescribed considering that the borrowers HD HOLDINGS and JNR HOLDINGS have been in default for more than ten (10) years. In support of such contention MBDC attached two (2) letters from CATHAY UNITED BANK in 2001 stating collectively that there is already an "Event of Default" for failure of the borrowers to repay their debt.

In its answer, SBC averred that the assignment of the credits of the members of the loan syndicate is their prerogative and the lack of consent of the MBDC on said transfers would not cause the automatic release of the securities. Moreover, SBC posited that MBDC failed to implead indispensable parties such as the members of the loan syndicate and their assignees. In addition, SBC maintained that it is justified in holding on to the certificates of title until a new trustee has been appointed so that it could maintain its partiality for the benefit of all the parties. As to the supplemental complaint, SBC denied for lack of sufficient knowledge that HD HOLDINGS and JNR HOLDINGS have been in default for more than ten (10) years. Further, SBC denied the due execution and authenticity of the purported letters from CATHAY UNITED BANK in 2001.

On 3 September 2012, MBDC moved for a summary judgment alleging that there is no genuine issue as to any material fact, except as to the amount of damages. Finding merit on said motion, the RTC approved the same in an order dated 28 September 2012.^[2]

Thereafter, the RTC rendered the assailed decision in favor of MBDC. The RTC essentially found that SBC has no right to retain the land titles as it has already resigned as a Trustee for the loan syndicate. The RTC pointed out that there is nothing in the MTI which mandates that a successor trustee should be first appointed before SBC is obligated to turn over all the pertinent documents of the trust. At any rate, the RTC explained that the surrender of the land titles to MBDC will not affect the rights of the loan syndicate. The RTC thus decreed:

"WHEREFORE, the foregoing premises considered, defendant is hereby ordered to turn over to plaintiff TCT Nos. 147637, 147638 and 147639.