

## **THIRD DIVISION**

**[ G.R. Nos. 218485-86 and 218493-97, April 28, 2021 ]**

**BANCO DE ORO UNIBANK, INC., PETITIONER, VS.  
INTERNATIONAL COPRA EXPORT CORPORATION, INTERCO  
MANUFACTURING CORPORATION, ICEC LAND CORPORATION,  
AND KIMEE REALTY CORPORATION, RESPONDENT.**

**[G.R. Nos. 218487 AND 218498-503]**

**DEVELOPMENT BANK OF THE PHILIPPINES, PETITIONER, VS.  
INTERNATIONAL COPRA EXPORT CORPORATION, INTERCO  
MANUFACTURING CORPORATION ICEC LAND CORPORATION,  
AND KIMEE REALTY CORPORATION, RESPONDENTS.**

**[G.R. Nos. 218488-90 AND 218504-07]**

**INTERNATIONAL COPRA EXPORT CORPORATION, INTERCO  
MANUFACTURING CORPORATION, ICEC LAND CORPORATION,  
AND KIMEE REALTY CORPORATION, PETITIONERS, VS. BANCO  
DE ORO UNIBANK, INC. AND DEVELOPMENT BANK OF THE  
PHILIPPINES, RESPONDENTS.**

**[G.R. Nos. 218491 AND 218508-13]**

**INTERNATIONAL COPRA EXPORT CORPORATION, INTERCO  
MANUFACTURING CORPORATION, ICEC LAND CORPORATION,  
AND KIMEE REALTY CORPORATION, PETITIONERS, VS. ALLIED  
BANKING CORPORATION AND PHILIPPINE NATIONAL BANK,  
RESPONDENTS.**

**[G.R. Nos. 218523-29]**

**INTERNATIONAL COPRA EXPORT CORPORATION, INTERCO  
MANUFACTURING CORPORATION, ICEC LAND CORPORATION,  
AND KIMEE REALTY CORPORATION, PETITIONERS, VS. RIZAL  
COMMERCIAL BANKING CORPORATION, ALLIED BANKING  
CORPORATION, PHILIPPINE NATIONAL BANK, DEVELOPMENT  
BANK OF THE PHILIPPINES, BANCO DE ORO UNIBANK, INC.,  
AND BANK OF THE PHILIPPINE ISLANDS, RESPONDENTS.**

## **DECISION**

**LEONEN, J.:**

Once enacted into law, a bill is not rendered inoperative by the absence of its own implementing rules. Every law carries in its favor a presumption of validity. So long as the law is susceptible of reasonable construction as to what it is and how it is applied, the law, for all intents and purposes, is binding and enforceable.<sup>[1]</sup>

This Court resolves the consolidated Petitions for Review on Certiorari assailing the Decision<sup>[2]</sup> and Resolution<sup>[3]</sup> of the Court of Appeals, which remanded the case to a rehabilitation court and ordered it to direct the rehabilitation receiver to convene the creditors to vote on the rehabilitation plan.

On September 9, 2010, International Copra Export Corporation (Interco), Interco Manufacturing Corporation (Interco Manufacturing), ICEC Land Corporation (ICEC Land), and Kimee Realty Corporation (Kimee), filed a Petition for Suspension of Payments and Rehabilitation<sup>[4]</sup> before the Regional Trial Court of Zamboanga City. The Petition, filed pursuant to the provisions of the Financial Rehabilitation and Insolvency Act (FRIA),<sup>[5]</sup> was the result of Interco, et al.'s anticipated impossibility of meeting their debts as they become due.<sup>[6]</sup>

Interco, et al. cited as reasons for their liquidity problem the "unforeseen regional and global recession and worldwide economic meltdown, high financial costs for short term loans, increases in fuel costs and costs of production."<sup>[7]</sup> They said their creditors' decision to stop the renewal and restructuring of their maturing loans, and the granting of loans for operating capital, aggravated the problem.<sup>[8]</sup>

After finding the Petition sufficient in form and substance, the Regional Trial Court issued a Stay Order<sup>[9]</sup> on September 13, 2010. It likewise set the initial hearing on November 12, 2010 and appointed Atty. Julio Elamparo (Atty. Elamparo) as the rehabilitation receiver.<sup>[10]</sup>

On September 27, 2010, Interco, et al. submitted a Supplement to their Petition.<sup>[11]</sup>

On the day of the initial hearing, the Regional Trial Court declared that the proceedings shall be governed by the 2008 Rules on Corporate Rehabilitation,<sup>[12]</sup> and then directed the oppositors and claimants to file their respective rejoinders and comments.<sup>[13]</sup> Development Bank of the Philippines (Development Bank), Banco De Oro Unibank, Inc. (BDO), Rizal Commercial Banking Corporation (Rizal Commercial Banking), Allied Banking Corporation (Allied Banking), and Philippine National Bank, Bank of the Philippine Islands (BPI), some of creditors-claimants, complied with the trial court's order.<sup>[14]</sup>

In its February 11, 2011 Order,<sup>[15]</sup> the Regional Trial Court gave due course to the Petition and directed Atty. Elamparo to submit his recommendation within 90 days from receipt of the Order.<sup>[16]</sup>

In compliance with the Regional Trial Court's directive, Atty. Elamparo sent a Letter<sup>[17]</sup> dated March 3, 2011 to the creditors-claimants, requiring them to submit documents evidencing their claims and their proposed commercial terms on the rehabilitation plan. He likewise informed the creditors of a general creditors' meeting

to be held on April 6, 2011.<sup>[18]</sup>

After the April 6, 2011 meeting,<sup>[19]</sup> Atty. Elamparo submitted to the rehabilitation court his Compliance with Recommendation and a modified version of the proposed rehabilitation plan.<sup>[20]</sup> He said that Interco, et al.'s rehabilitation was "very viable."<sup>[21]</sup>

Meanwhile, Allied Banking and Philippine National Bank commented on the Petition and moved to amend the Stay Order.<sup>[22]</sup> They likewise moved for clarification.<sup>[23]</sup>

In its May 30, 2011 Order,<sup>[24]</sup> the Regional Trial Court stated that as early as November 12, 2010, it had decreed that it would apply the 2008 Rules on Corporate Rehabilitation provided that they are not contrary to FRIA.<sup>[25]</sup>

On June 17, 2011, Development Bank filed its Comment/Opposition to Atty. Elamparo's Compliance with Recommendation and modified rehabilitation plan.<sup>[26]</sup>

In its July 8, 2011 Resolution,<sup>[27]</sup> the Regional Trial Court granted Interco, et al.'s Petition and approved the modified rehabilitation plan.<sup>[28]</sup> It decreed that the continuance of Interco, et al.'s corporate life would be more beneficial not only to its creditors, but also to its employees, stockholders, and the general public.<sup>[29]</sup>

BDO moved for reconsideration,<sup>[30]</sup> but it was denied by the Regional Trial Court on April 29, 2011.<sup>[31]</sup>

In a Petition for Review<sup>[32]</sup> before the Court of Appeals, Development Bank argued that the rehabilitation court erred in not dismissing the Petition and in approving the modified rehabilitation plan.<sup>[33]</sup> It contended that Interco, et al.'s Petition was filed merely to "delay" the enforcement of its creditors' claims,<sup>[34]</sup> and that it made a "misrepresentation" that warranted its outright dismissal.<sup>[35]</sup>

Similarly, Allied Banking and Philippine National Bank, Rizal Commercial Banking, BDO, and BPI filed their respective Petitions for Review before the Court of Appeals.<sup>[36]</sup>

In the meantime, Atty. Elamparo, the rehabilitation receiver, requested for the approval of the disposition of non-core assets and bidding rules.<sup>[37]</sup> On October 20, 2011, the Regional Trial Court granted<sup>[38]</sup> the request and authorized him to dispose of Interco, et al.'s non-core assets.<sup>[39]</sup>

At this, BDO and Rizal Commercial Banking filed before the Court of Appeals separate Petitions for Certiorari, contending that the rehabilitation court committed grave abuse of discretion in allowing the sale of the noncore assets.<sup>[40]</sup> These Petitions were consolidated.<sup>[41]</sup>

In its November 18, 2014 Decision,<sup>[42]</sup> the Court of Appeals partially granted the

Petitions of BDO and Rizal Commercial Banking, and remanded the case to the rehabilitation court, disposing thus:

WHEREFORE, the Petitions are partially GRANTED. The case is hereby remanded to the Rehabilitation Court which is hereby ORDERED to DIRECT the Rehabilitation Receiver to CONVENE the creditors within twenty (20) days from the finality of this Decision, for the purpose of voting on the Rehabilitation Plan and to REPORT with dispatch the outcome of the vote to the said court. The Rehabilitation Court is then ORDERED to confirm or reject the Plan in accordance with Sections 64 and 65 of the FRIA. The Rehabilitation Court is DIRECTED to proceed thereafter in accordance with the provisions of FRIA and the FR Rules with utmost dispatch.<sup>[43]</sup>

In ruling this, the Court of Appeals first settled whether the Regional Trial Court properly acquired jurisdiction over the case. It held that petitions for financial rehabilitation are like proceedings for suspension of payments, and were properly lodged with the Regional Trial Court, which FRIA did not take away or modify.<sup>[44]</sup>

The Court of Appeals likewise declared that the absence of rules implementing FRIA did not affect the Regional Trial Court's jurisdiction over petitions for financial rehabilitation, as every law is presumed to be complete and self-executing.<sup>[45]</sup>

The Court of Appeals then said that FRIA applies to Interco, et al.'s Petition for Suspension of Payments and Rehabilitation, it being filed after the law had taken effect. It clarified that the discretion to not apply FRIA only applies to cases already pending prior to FRIA's effectivity. It added that while the rehabilitation court erred in declaring that the proceedings would be governed by the 2008 Rules on Corporate Rehabilitation, only acts performed contrary to FRIA should be nullified, while those consistent with FRIA should be sustained.<sup>[46]</sup>

Finally, the Court of Appeals found the Petition for Suspension of Payments and Rehabilitation to be sufficient in form and substance.<sup>[47]</sup> Nonetheless, it remanded the case to the rehabilitation court after it found that Section 64 of FRIA had not been complied with.<sup>[48]</sup>

Interco, et al.,<sup>[49]</sup> BDO,<sup>[50]</sup> and Development Bank<sup>[51]</sup> each moved for reconsideration, but all of them were denied by the Court of Appeals in its May 13, 2015 Resolution.<sup>[52]</sup>

In its February 24, 2015 Order, the rehabilitation court suspended the implementation of the rehabilitation plan pending the finality of the November 18, 2014 Court of Appeals Decision.<sup>[53]</sup>

In another Order dated February 17, 2016, the rehabilitation court reiterated its previous directive holding in abeyance all actions relating to the rehabilitation plan pending the finality of the Court of Appeals Decision.<sup>[54]</sup>

Meanwhile, the parties elevated the case to this Court through their separate Petitions for Review on Certiorari.

Interco, et al. argue that the Court of Appeals erred in ruling that FRIA is applicable since the rehabilitation court's decision to apply the 2008 Rules on Corporate Rehabilitation has become the law of the case.<sup>[55]</sup> They insist that FRIA gives the rehabilitation court a wide latitude to decide whether to apply its provisions.<sup>[56]</sup>

They likewise maintain that while their Petition for Suspension of Payments and Rehabilitation was filed after FRIA had taken effect, the law is inapplicable since its provisions are not self-executory.<sup>[57]</sup> They contend that the law's mandate directing this Court to promulgate rules of procedure governing rehabilitation proceedings confirms that it is not immediately enforceable.<sup>[58]</sup> They claim that the Court of Appeals' application of FRIA despite the absence of the implementing rules constitutes judicial legislation violative of their right to due process.<sup>[59]</sup>

Interco, et al. add that, assuming that FRIA is self-executory, the voting requirement under Section 64 could not be properly implemented due to the absence of governing rules of procedure.<sup>[60]</sup>

They further assert that supposing that the voting requirement has not been complied with, the creditors were accorded due process when they filed their comments or oppositions to the Petition for Suspension of Payments and Rehabilitation in the April 6, 2011 creditors' meeting,<sup>[61]</sup> which inputs were considered in the modified rehabilitation plan.<sup>[62]</sup>

Finally, Interco, et al. aver that the Court of Appeals erred in ruling that Section 146 of FRIA applies only to petitions filed before the law took effect.<sup>[63]</sup>

For its part, BDO maintains that the Court of Appeals correctly applied FRIA,<sup>[64]</sup> as that the absence of rules and regulations does not render its provisions inoperative.<sup>[65]</sup> Nonetheless, it claims that the Court of Appeals should have nullified the order granting Interco, et al.'s Petition for Suspension of Payments and Rehabilitation for being replete with inaccuracies.<sup>[66]</sup> It argues that FRIA requires petitions to be complete and accurate before there can be any further proceedings.<sup>[67]</sup>

BDO likewise contends that the Court of Appeals erred in remanding the case to the rehabilitation court, and insists that it should have denied the modified rehabilitation plan outright.<sup>[68]</sup> It maintains that a perusal of the documents submitted by Interco, et al. shows that its proposed rehabilitation plan is not feasible and viable.<sup>[69]</sup>

Lastly, BDO claims that the venue with respect to Kimmee was improperly laid.<sup>[70]</sup>

Philippine National Bank and Allied Banking similarly assert that the provisions of FRIA can stand despite the absence of implementing rules.<sup>[71]</sup> They add that implementing rules serve only as guide and do not affect FRIA's validity.<sup>[72]</sup>

They further contend that since the Financial Rehabilitation Rules of Procedure, the implementing rules and regulations of FRIA, states that it retroactively applies, the 2008 Rules on Corporate Rehabilitation is rendered inapplicable to Interco, et al.'s