

# FIRST DIVISION

[ G.R. No. 208251, November 10, 2020 ]

## PHILIPPINE WIRELESS, INC. AND REPUBLIC TELECOMMUNICATIONS, INC., PETITIONERS, VS. OPTIMUM DEVELOPMENT BANK (FORMERLY CAPITOL DEVELOPMENT BANK), RESPONDENT.

### D E C I S I O N

#### CARANDANG, J.:

Before this Court is a Petition for Review on *Certiorari*<sup>[1]</sup> under Rule 45 of the Rules of Court (Rules), assailing the Decision<sup>[2]</sup> dated April 17, 2013 and the Resolution<sup>[3]</sup> dated July 16, 2013 of the Court of Appeals (CA) in CA-G.R. CV No. 92685 denying the appeal of petitioners Philippine Wireless, Inc. (PWI) and Republic Telecommunications, Inc. (RETELCO) for lack of merit.

#### Antecedents

In August 1997, PWI entered into a Credit Agreement with respondent Capitol Development Bank (Capitol), availing a P20,000,000.00 credit facility from Capitol secured by the corporate suretyship of RETELCO. In the Continuing Suretyship Agreement RETELCO executed, it undertook to jointly and severally pay with PWI the obligation PWI may incur pursuant to the Credit Agreement.<sup>[4]</sup>

On September 11, 1997, PWI borrowed P10,000,000.00 from Capitol, payable on October 13, 1997 at 36% interest rate *per annum* under Account No. COM 735. The next day, or on September 12, 1997, PWI borrowed another P10,000,000.00 from Capitol, payable on October 13, 1997 at 36% interest rate *per annum* under Account No. COM 735-A.<sup>[5]</sup>

When the loans matured, PWI requested for several extensions to pay the loans. Capitol agreed, on the condition that the interests corresponding to the extension period be paid by PWI. After several extensions, the maturity date of the loans became May 13, 1998.<sup>[6]</sup>

Meanwhile, in February 1998, Capitol extended another loan to PWI in the amount of P2,200,000.00 payable on June 4, 1998 at 32.53% interest *per annum* under Account No. COM-735-B.<sup>[7]</sup>

As of June 10, 1998, PWI's unpaid loans under Account Nos. COM 735, COM 735-A, and COM 735-B amounted to P23,363,378.73. Thus, on June 15, 1998, Capitol demanded payment from PWI. Capitol also demanded payment from RETELCO pursuant to the Continuing Suretyship Agreement. However, despite repeated

demands, PWI and RETELCO failed to pay their outstanding obligations that had already ballooned to P24,669, 709.40 as of July 10, 1998. Thus, Capitol instituted a Complaint for collection of a sum of money docketed as Civil Case No. 66906 in the Regional Trial Court (RTC) of Pasig.<sup>[8]</sup>

In their Answer, PWI and RETELCO argued that Capitol is estopped from proceeding with the collection case as it was aware of the possible restructuring or repayment plan to settle all of PWI's debts. PWI and RETELCO also raised that the collection case was not instituted in the name of the real party-in-interest.<sup>[9]</sup>

### **Ruling of the Regional Trial Court**

On September 15, 2008, the RTC of Pasig rendered its Decision, the dispositive portion of which reads:

**WHEREFORE**, judgment is hereby rendered in favor of the plaintiff:

1. **ORDERING** defendants jointly and severally, to pay the plaintiff the amount of Php 24,669,709.40 with 6% legal interest from July 16, 1998 until full payment, as actual damages.
2. **ORDERING** defendants jointly and severally, to pay plaintiff attorney's fees equivalent to 10% of the entire obligation.
3. Cost of the suits.

**SO ORDERED.**<sup>[10]</sup> (Emphasis in the original)

Thereafter, PWI and RETELCO filed an appeal under Rule 41 of the Rules seeking to reverse and set aside the Decision dated September 15, 2008 of the RTC of Pasig.<sup>[11]</sup>

On August 20, 2009, while the appeal under Rule 41 of the Rules of PWI and RETELCO was pending before the CA, PWI and RETELCO instituted a petition for corporate rehabilitation with the RTC of Makati docketed as Special Proceeding No. M-6853.<sup>[12]</sup>

On August 24, 2009, the RTC of Makati (rehabilitation court) issued a Stay Order,<sup>[13]</sup> the dispositive portion of which states:

IN VIEW OF THE FOREGOING, this Court issues a Stay Order, in accordance with Section 7, Rule 2 of the aforecited Rules of Procedure on Corporate Rehabilitation, as follows:

1. Appointing **Atty. Pamela Barbara D. Quizon-Labayen with address at Unit 410 Cornell St., Southpointe Townhomes, Merville, Paranaque City**, as rehabilitation receiver who shall be considered as an officer of the court and who shall have the powers, duties and functions as provided in Section 12, Rule 3 of the aforecited Rules of Procedure on Corporate Rehabilitation. The rehabilitation receiver must post a bond of Php 1,000,000.00 before entering upon his powers, duties and functions and must take an oath, as provided under

Section 13, Rule 3 of the aforementioned Rules. The petitioners is [sic] directed to serve immediately a copy of this Stay Order upon the rehabilitation receiver, **Atty. Pamela Barbara D. Quizon-Labayen** who shall manifest her acceptance or non-acceptance of her appointment to this Court not later than ten (10) days from receipt hereof;

2. Staying enforcement of all claims, whether for money or otherwise and whether such enforcement by this court, action or otherwise, against the petitioners, and its guarantors and sureties not solidarity liable with the petitioners;

3. Prohibiting the petitioners from selling, encumbering, transferring or disposing in any manner any of the properties except in the ordinary course of business;

4. Prohibiting the petitioners from making any payment of its liabilities outstanding as of the date of filing of the verified Petition on **August 20, 2009**;

5. Prohibiting the suppliers of the petitioners from withholding supply of goods or services in the ordinary course of business for as long as the petitioners makes [sic] payments for the services and goods supplied after the issuance of the Stay Order.

6. Directing the petitioners to pay in full all administrative expenses incurred after the issuance of this Stay Order.

x x x x<sup>[14]</sup> (Emphasis in the original; underscoring supplied)

However, Atty. Labayen failed to manifest her acceptance or non-acceptance of her appointment as rehabilitation receiver. In an Order<sup>[15]</sup> dated October 21, 2009, the rehabilitation court appointed Atty. Lito A. Mondragon in her stead. On December 7, 2009, Atty. Mondragon took his oath as rehabilitation receiver<sup>[16]</sup> of PWI and RETELCO.<sup>[17]</sup>

On February 12, 2010, PWI and RETELCO filed a Manifestation with Motion with the CA seeking the suspension of the appellate proceedings in accordance with the 2008 Rules of Procedure on Corporate Rehabilitation<sup>[18]</sup> (2008 Rehabilitation Rules) which was granted in a Resolution dated August 20, 2010.<sup>[19]</sup>

The CA directed PWI and RETELCO to give an update on the status of the rehabilitation proceedings. In their Manifestation dated December 20, 2010, PWI and RETELCO reported that the rehabilitation receiver had already filed a Rehabilitation Receiver's Report dated November 24, 2010. Also, in their Compliance dated July 12, 2011, PWI and RETELCO manifested that an Order<sup>[20]</sup> dated April 1, 2011 was issued by the rehabilitation court in Special Proceeding No. M-6853, approving the Rehabilitation Plan they submitted. Three sets of creditors filed their Petition for Review with the CA assailing the grant of the petition for corporate rehabilitation and seeking the nullification of the approved rehabilitation plan.<sup>[21]</sup>

Thereafter, in the appealed case, the CA issued a Minute Resolution dated August 9, 2011 ordering the resumption of the appellate proceedings in the collection case and for PWI and RETELCO to submit their Appellants' Brief.<sup>[22]</sup>

### **Ruling of the Court of Appeals**

On April 17, 2013, the CA rendered its Decision,<sup>[23]</sup> the dispositive portion of which states:

**WHEREFORE**, premises considered, the present appeal is **DENIED** for lack of merit. The assailed Decision dated September 15, 2008 rendered by the Regional Trial Court, Branch 71, Pasig City in Civil Case No. 66906, is hereby **AFFIRMED**.

**SO ORDERED.**<sup>[24]</sup> (Emphasis in the original)

In affirming the ruling of the RTC, the CA pointed out that the petition for corporate rehabilitation was only initiated after the RTC of Pasig rendered the appealed Decision. For the CA, it did not err in continuing with the appellate proceedings because the Rehabilitation Plan of PWI and RETELCO was approved in a petition for corporate rehabilitation initiated after the decision in the collection case was appealed to the CA.<sup>[25]</sup> The CA also noted the three petitions for review separately filed with the CA assailing the rehabilitation court's Order dated April 1, 2011 approving the Rehabilitation Plan. The CA opined that the rehabilitation court's Order dated April 1, 2011 is not yet final so as to adversely affect the appellate proceedings in the collection case because the three petitions for review can still be granted or denied by the CA and raised to the Court.<sup>[26]</sup>

The CA also ruled that Capitol is a real party-in-interest as it stands to be benefited or injured by any judgment in the case.<sup>[27]</sup> The CA also held that Capitol is not barred from proceeding with the collection case despite its alleged knowledge of the existence of a steering committee created to prepare a restructuring plan to settle PWI's debts. The CA explained that the principle of estoppel cannot be applied because Capitol did not make any admission or representation which would make PWI and RETELCO believe that the bank will no longer enforce the loan obligations against them.<sup>[28]</sup> Lastly, the CA declared that PWI and RETELCO cannot renege on their loan obligations and simply invoke the existence of "[']circumstances beyond its control['] or '[']acts of God[']"<sup>[29]</sup> to justify non-payment of their loan obligations without establishing entitlement to such exemption.<sup>[30]</sup>

In a Resolution<sup>[31]</sup> dated July 16, 2013, the CA denied the Motion for Reconsideration PWI and RETELCO filed for lack of merit.

In the present petition, PWI and RETELCO argue that the stay order contemplated in Section 7, Rule 3 of the 2008 Rehabilitation Rules,<sup>[32]</sup> which was carried over to Section 7(b) of Republic Act No. (R.A.) 10142 or the Financial Rehabilitation and Insolvency Act of 2010,<sup>[33]</sup> covers all actions for claims against a corporation pending before any court, tribunal or board. They emphasize that these claims shall be suspended in whatever stage they may be found upon the appointment of a rehabilitation receiver.<sup>[34]</sup> Citing various jurisprudence, PWI and RETELCO maintain

that all monetary claims against a distressed corporation, without distinction, are suspended pending the rehabilitation proceedings.<sup>[35]</sup>

In its Comment,<sup>[36]</sup> Capitol, now called Optimum Development Bank (Optimum), highlights that the RTC of Pasig could no longer suspend the collection case when the Stay Order<sup>[37]</sup> was issued on August 24, 2009. The Decision dated September 15, 2008 of the RTC of Pasig was already appealed on October 28, 2008 by PWI and RETELCO to the CA.<sup>[38]</sup> Even assuming *arguendo* that proceedings are still pending before the RTC of Pasig, Optimum posits that the RTC of Pasig was justified in not suspending the proceedings because the Stay Order merely enjoins the enforcement of claims and not its determination.<sup>[39]</sup> Optimum stresses that, just like the appeal PWI and RETELCO made to the CA, the present petition does not impugn the determination by the RTC of Pasig of PWI and RETELCO's liability. What is only being questioned is the propriety of suspending the proceedings in light of the Stay Order.<sup>[40]</sup> In the present case, Optimum insists that the Stay Order was only issued a year after the Decision of the RTC of Pasig was rendered and after the decision was appealed.<sup>[41]</sup> Optimum also maintains that the CA is justified in resuming the appellate proceedings since the collection case has been pending for more than 15 years already.<sup>[42]</sup> Optimum argues that continuing the appellate proceedings would not unduly hinder or prevent the rehabilitation of PWI. Optimum also notes that the timing of the filing of the petition for rehabilitation, 11 years after the filing of the collection case by Capitol, is suspicious.<sup>[43]</sup>

In their Reply,<sup>[44]</sup> PWI and RETELCO clarify that it is the appeal pending before the CA that they are asking the Court to suspend. PWI and RETELCO also reiterate that a stay order suspends all actions for claims against a corporation under rehabilitation in whatever stage they may be and wherever they may be pending, including one that is pending appeal before the CA. PWI and RETELCO also add that the suspension covers all claims of a pecuniary nature such as the present collection case.<sup>[45]</sup>

The parties submitted their memoranda<sup>[46]</sup> reiterating their respective positions.

### **Issue**

The issue to be resolved is whether the appellate proceedings assailing the money judgment the RTC of Pasig rendered in a collection case against PWI and RETELCO may be suspended by a stay order issued in a petition for rehabilitation PWI and RETELCO initiated after the decision on the collection case was appealed.

### **Ruling of the Court**

The petition is not meritorious.

**The  
collection  
case  
instituted by  
the creditor  
against the**