

## SECOND DIVISION

[ G.R. No. 233850, July 01, 2019 ]

### TRADE AND INVESTMENT DEVELOPMENT CORPORATION OF THE PHILIPPINES ALSO KNOWN AS PHILIPPINE EXPORT-IMPORT CREDIT AGENCY, PETITIONER, VS. PHILIPPINE VETERANS BANK, RESPONDENT.

#### DECISION

##### CAGUIOA, J:

Before the Court is a Petition for Review on *Certiorari*<sup>[1]</sup> (Petition) under Rule 45, in relation to Rule 41, Section 2(c), of the Rules of Court filed by petitioner Trade and Investment Development Corporation (petitioner TIDCORP), also known as Philippine Export-Import Credit Agency (PhilEXIM), assailing the Order<sup>[2]</sup> dated August 16, 2017 (assailed Order) issued by the Regional Trial Court of Makati City, Branch 150 (RTC) in Civil Case No. R-MKT-16-02011-CV, which granted respondent Philippine Veterans Bank's (respondent PVB) Motion for Summary Judgment<sup>[3]</sup> dated February 14, 2017.

#### The Facts and Antecedent Proceedings

As culled from the records of the instant case, the pertinent facts and antecedent proceedings are as follows:

The instant case stems from a Complaint for Specific Performance<sup>[4]</sup> (Complaint) filed on September 22, 2016 before the RTC by respondent PVB against petitioner TIDCORP.

In its Complaint, respondent PVB alleged that on November 23, 2011, PVB, together with other banking institutions (Series A Noteholders), entered into a Five-Year Floating Rate Note Facility Agreement<sup>[5]</sup> (NFA) with debtor Philippine Phosphate Fertilizer Corporation (PhilPhos), a PEZA registered domestic corporation situated in Leyte, up to the aggregate amount of P5 billion. Under the said NFA, respondent PVB committed the amount of P1 billion.

To secure payment of the Series A Notes, petitioner TIDCORP, with the express conformity of PhilPhos, executed a **Guarantee Agreement**<sup>[6]</sup> dated November 23, 2011 (Guarantee Agreement) whereby petitioner TIDCORP agreed to guarantee the payment of the guaranty obligation to the extent of ninety (90%) of the outstanding Series A Notes, including interest, on a rolling successive three-month period commencing on the first drawdown date and ending on the maturity date of the Series A Notes.

On November 8, 2013, Typhoon Yolanda made landfall in Central Visayas, which resulted in widespread devastation in the province of Leyte where PhilPhos' manufacturing plant was situated. Due to the damage brought by said typhoon to PhilPhos' manufacturing facilities, it failed to resume its operations.

Thus, on September 17, 2015, PhilPhos filed a Petition for Voluntary Rehabilitation under the Financial Rehabilitation and Insolvency Act of 2010<sup>[7]</sup> (FRIA) before the Regional Trial Court of Ormoc City, Branch 12 (Rehabilitation Court). On September 22, 2015, the Rehabilitation Court issued a Commencement Order, which included a **Stay Order.**<sup>[8]</sup>

On November 5, 2015, or 45 days as provided in the Guarantee Agreement,<sup>[9]</sup> respondent PVB filed its Notice of Claim<sup>[10]</sup> with petitioner TIDCORP, which received the same on November 6, 2015.

In a Letter<sup>[11]</sup> dated November 12, 2015, petitioner TIDCORP declined to give due course to respondent PVB's Notice of Claim, invoking the Stay Order issued by the Rehabilitation Court. Despite several demands<sup>[12]</sup> made by respondent PVB pursuant to the Guarantee Agreement, petitioner TIDCORP maintained its position to deny PVB's claim due to the issuance of the said Stay Order.

In its Complaint, respondent PVB asserted that "[t]o secure the payment of the Series A Notes, [petitioner] TIDCORP, with the express conformity of PhilPhos, executed a **Guarantee Agreement** with the Series A Noteholders (except CBC) x x x, whereby, among others, it: (a) **agreed to guarantee payment to the Series A Noteholders to the extent of Ninety (90%) Percent of the Series A Notes and interest;** and (b) **waived the benefit of excussion,** x x x."<sup>[13]</sup>

In its Answer with Counterclaim<sup>[14]</sup> (Answer), petitioner TIDCORP argued that the RTC cannot validly try the case because of the Rehabilitation Court's Stay Order, which enjoined the enforcement of all claims, actions and proceedings against PhilPhos.

In view of the Answer filed by petitioner TIDCORP, respondent PVB filed a Motion for Summary Judgment<sup>[15]</sup> dated February 14, 2017 (Motion for Summary Judgment). Thereafter, petitioner TIDCORP filed its Comment (On Plaintiffs Motion for Summary Judgment)<sup>[16]</sup> dated March 6, 2017.

### **The Ruling of the RTC on Respondent PVB's Motion for Summary Judgment**

On August 16, 2017, the RTC issued the assailed Order<sup>[17]</sup> granting respondent PVB's Motion for Summary Judgment. The dispositive portion of the Order reads:

The facts are clear and undisputed from the pleadings, supporting affidavits, and admissions on file. Thus, a full-blown trial need not be conducted to resolve the merits of this case, hence, the Motion for Summary Judgment is granted. x x x.

SO ORDERED.<sup>[18]</sup>

In sum, the RTC held that, as made manifest in the pleadings, supporting affidavits, and admissions on record, there was no genuine issue as to any material fact posed by petitioner TIDCORP with respect to its liability under the Guarantee Agreement, except as to the amount of damages. Thus, the RTC found that respondent PVB was entitled to a judgment in its favor as a matter of law.

Hence, as petitioner TIDCORP deemed the assailed Order as a final order susceptible of appeal in which pure questions of law are involved, petitioner TIDCORP directly filed the instant Petition before the Court under Rule 45, in relation to Section 2(c), Rule 41 of the Rules of Court. Respondent PVB filed a Motion to Dismiss<sup>[19]</sup> dated November 8, 2017 (Motion to Dismiss), arguing that petitioner TIDCORP filed the wrong mode of appeal. In a Resolution<sup>[20]</sup> dated September 12, 2018, the Court denied respondent PVB's Motion to Dismiss for lack of merit. On November 5, 2018, respondent PVB filed its Comment.<sup>[21]</sup>

### **Issue**

The singular issue posited by petitioner TIDCORP for the Court's disposition is whether the RTC erred in granting respondent PVB's Motion for Summary Judgment.

### **The Court's Ruling**

#### ***I. Procedural Issue – Correct Mode of Appeal***

Before delving into the merits of the instant Petition, the Court first deals with the procedural matter raised by respondent PVB in its Motion to Dismiss.

Respondent PVB argues that the instant Petition should be summarily dismissed because the petitioner allegedly pursued the wrong mode of appeal, maintaining that the assailed Order is a mere interlocutory order and not a final order subject of an appeal under Rule 45.

Respondent PVB's contention is incorrect.

An order or resolution granting a Motion for Summary Judgment which fully determines the rights and obligations of the parties relative to the case and leaves no other issue unresolved, except the amount of damages, is a final judgment.

As explained by the Court in *Ybiernas, et al. v. Tanco-Gabaldon, et al.*,<sup>[22]</sup> when a court, in granting a Motion for Summary Judgment, adjudicates on the merits of the case and declares categorically what the rights and obligations of the parties are and which party is in the right, such order or resolution takes the nature of a final order susceptible to appeal. **In leaving out the determination of the amount of damages, a summary judgment is not removed from the category of final**

**judgments.**<sup>[23]</sup>

In the instant case, it is clear that the assailed Order discussed at length the applicable facts, the governing law, and the arguments put forward by both parties, making an extensive assessment of the merits of respondent PVB's Complaint. The RTC then made a definitive adjudication in favor of respondent PVB. As manifestly seen in the assailed Order, the RTC categorically determined what the rights and obligations of the parties are, ruling in no uncertain terms that respondent PVB's Complaint was meritorious and that petitioner TIDCORP should be made liable under the Guarantee Agreement.

Hence, respondent PVB's argument in its Motion to Dismiss is unmeritorious.

Having disposed of the procedural issues, the Court now decides the substantive merits of the instant Petition.

## ***II. Substantive Issue – The Propriety of the RTC's Summary Judgment***

The solitary matter to be dealt with by the Court is the propriety of the RTC's Order granting respondent PVB's Motion for Summary Judgment.

Summary judgment is a device for weeding out sham claims or defenses at an early stage of the litigation, thereby avoiding the expense and loss of time involved in a trial.<sup>[24]</sup>

According to Section 1, Rule 35 of the Rules of Court, a party seeking to recover upon a claim may, at any time after the pleading in answer thereto has been served, move with supporting affidavits, depositions or admissions for a summary judgment in his/her favor.

According to Section 3 of the same Rule, the judgment sought shall be rendered forthwith if the pleadings, supporting affidavits, depositions, and admissions on file, show that, except as to the amount of damages, there is **no genuine issue as to any material fact** and that **the moving party is entitled to a judgment as a matter of law**.

The term has been defined as **an issue of fact which calls for the presentation of evidence** as distinguished from an issue which is **sham, fictitious, contrived, set up in bad faith and patently unsubstantial so as not to constitute a genuine issue for trial**.<sup>[25]</sup> The court can determine this on the basis of the pleadings, admissions, documents, affidavits and/or counter-affidavits submitted by the parties before the court.<sup>[26]</sup>

In assailing the RTC's decision granting the Motion for Summary Judgment, petitioner TIDCORP, in the main, asserts that respondent PVB is not entitled to judgment as a matter of law and that there are genuine issues on material facts that necessitate trial on the merits, contrary to the findings of the RTC.

To support this theory, petitioner TIDCORP raises two grounds: (1) the RTC cannot validly hear and decide respondent PVB's Complaint because of the Rehabilitation

Court's Stay Order which enjoined the enforcement of all claims, actions and proceedings against PhilPhos; and (2) there is supposedly a contentious material fact that raises a genuine issue in the instant case.

The Court shall discuss these two grounds in *seriatim*.

***The Stay Order of the Rehabilitation Court  
did not divest the RTC's jurisdiction to hear  
and decide respondent PVB's Complaint.***

With respect to the first ground raised by petitioner TIDCORP, the Court holds that the Stay Order issued by the Rehabilitation Court did not preclude the RTC from hearing and deciding respondent PVB's Complaint.

First and foremost, it must be noted that the Stay Order relied upon by petitioner TIDCORP merely ordered the staying and suspension of enforcement of all claims and proceedings against the petitioner PhilPhos and *not* against all the other persons or entities solidarily liable with the debtor. The tenor of the Stay Order itself belies the theory of petitioner TIDCORP. According to the Stay Order, the said order only covers "all claims, actions, or proceedings **against the petitioner [referring to debtor PhilPhos].**"<sup>[27]</sup>

Second, Section 18(c) of the FRIA explicitly states that **a stay order shall not apply "to the enforcement of claims against sureties and other persons solidarily liable with the debtor, and third party or accommodation mortgagors as well as issuers of letters of credit, x x x."**<sup>[28]</sup>

In addition, under Rule 4, Section 6 of A.M. No. 00-8-10-SC or the Interim Rules of Procedure on Corporate Rehabilitation, a stay order has the effect of staying enforcement only with respect to claims made against the debtor, its guarantors and persons not solidarily liable with the debtor:

Section 6. *Stay Order.*— If the court finds the petition to be sufficient in form and substance, it shall, not later than five (5) working days from the filing of the petition, issue an order: (a) appointing a rehabilitation receiver and fixing his bond; (b) **staying enforcement of all claims, whether for money or otherwise and whether such enforcement is by court action or otherwise, against the debtor, its guarantors and persons not solidarily liable with the debtor** x x x.<sup>[29]</sup>

In *Situs Dev. Corporation, et al. v. Asiatruster Bank, et al.*,<sup>[30]</sup> the Court held that when a stay order is issued, the rehabilitation court is only empowered to suspend claims against the debtor, its guarantors, and sureties who are not solidarily liable with the debtor. Hence, **the making of claims against sureties and other persons solidarily liable with the debtor is not barred by a stay order.**

Thus, the question now redounds to whether the abovementioned provision of the FRIA on the non-application of a stay order with respect to the enforcement of claims against sureties and other persons solidarily liable with the debtor applies to