

## EN BANC

**[ G.R. No. 173399, February 21, 2017 ]**

**CENTRAL BANK BOARD OF LIQUIDATORS, PETITIONER, VS.  
BANCO FILIPINO SAVINGS AND MORTGAGE BANK,  
RESPONDENT.**

### DECISION

**SERENO, C.J.:**

Our ruling in this case is confined to the resolution of procedural issues pertaining to the propriety of the admission of a Second Amended/Supplemental Complaint. The latter sought to hold the Bangko Sentral ng Pilipinas (BSP) and its Monetary Board (MB) liable for causes of action that arose almost 10 years after the original Complaint was filed against the now defunct Central Bank of the Philippines (CB).

### THE CASE

The Petition for Review on Certiorari<sup>[1]</sup> under Rule 45 of the 1997 Revised Rules of Civil Procedure now before us was filed by the Central Bank Board of Liquidators (CB-BOL). It seeks to annul the Decision<sup>[2]</sup> of the Court of Appeals (CA), which affirmed the Orders<sup>[3]</sup> of the Regional Trial Court, National Capital Judicial Region, Makati City-Branch 136 (RTC).

The assailed CA Decision affirmed the ruling of the RTC in consolidated Civil Case Nos. 8108, 9675, and 10183, which had admitted the Second Amended/Supplemental Complaint filed by respondent Banco Filipino Savings and Mortgage Bank (Banco Filipino, or respondent).<sup>[4]</sup> The CB-BOL alleges that by admitting the complaint, the RTC erroneously included the BSP and its MB as new parties to the consolidated civil cases and raised new causes of action not alleged in the original Complaint.<sup>[5]</sup>

### THE FACTS

The following are the pertinent facts of the case as gathered from its records.<sup>[6]</sup>

On 14 February 1963, the MB of the then CB issued MB Resolution No. 223 allowing respondent Banco Filipino to operate as a savings bank. Respondent began formal operations on 9 July 1964.<sup>[7]</sup>

However, on 27 July 1984, the CB issued MB Resolution No. 955 placing Banco Filipino under conservatorship after granting the latter's loan applications worth billions of pesos.<sup>[8]</sup> Respondent bank filed with the RTC Makati a Complaint against the CB for the annulment of MB Resolution No. 955.<sup>[9]</sup> The case was docketed as Civil Case No. 8108 and raffled to Judge Ricardo Francisco of Branch 136.<sup>[10]</sup>

Thereafter, on 25 January 1985, the CB issued MB Resolution No. 75 ordering the closure of Banco Filipino and placing the latter under receivership. The Resolution stated that since respondent had been found to be insolvent, the latter was forbidden to continue doing business to prevent further losses to its depositors and creditors. The Resolution further provided for the takeover of the assets and liabilities of Banco Filipino for the benefit of its depositors and creditors, as well as for the termination of its conservatorship.<sup>[11]</sup> On 2 February 1985, Banco Filipino filed a Complaint with the RTC Makati against the MB, assailing the latter's act of placing the bank under receivership.<sup>[12]</sup> The case was docketed as Civil Case No. 9675 and raffled to Judge Zoilo Aguinaldo of Branch 143.<sup>[13]</sup>

Because of its impending closure,<sup>[14]</sup> Banco Filipino filed with the CA a Petition for *Certiorari* and *Mandamus* on 28 February 1985, seeking the annulment of MB Resolution No. 75 on the ground of grave abuse of discretion in the issuance of the Resolution.<sup>[15]</sup> The Petition eventually reached the Supreme Court, where it was docketed as G.R. No. 70054.

On 22 March 1985, the CB issued another Resolution placing Banco Filipino under liquidation. Respondent then filed another Complaint with the RTC Makati to question the propriety of the liquidation.<sup>[16]</sup> The case was docketed as Civil Case No. 10183 and raffled to Judge Fernando Agdamag of Branch 138.<sup>[17]</sup>

Meanwhile, this Court in G.R. No. 70054 promulgated on 29 August 1985 a Resolution directing, among others, the consolidation in Branch 136 of the RTC Makati of the following cases: (1) Civil Case No. 8108, the case for the annulment of the conservatorship order; (2) Civil Case No. 9675, the case seeking to annul the receivership order; and (3) Civil Case No. 10183, the case seeking to annul the order for the liquidation of the bank.<sup>[18]</sup>

On 11 December 1991, this Court, in an *En Banc* Decision penned by Associate Justice Leo D. Medialdea, nullified MB Resolution No. 75 and ordered the CB and its MB to reorganize the bank and allow it to resume business.<sup>[19]</sup>

On 6 July 1993, during the pendency of the three consolidated cases, Republic Act (R.A.) No. 7653, or the New Central Bank Act of 1993, took effect. Under the new law, the CB was abolished and, in its stead, the BSP was created. The new law also created the CB-BOL for the purpose of administering and liquidating the CB's assets and liabilities,<sup>[20]</sup> not all of which had been transferred to the BSP.<sup>[21]</sup>

Pursuant to the Decision of this Court in G.R. No. 70054, the BSP reopened Banco Filipino and allowed it to resume business on 1 July 1994.<sup>[22]</sup>

On 29 May 1995, pursuant to the recent development, Banco Filipino filed a Motion to Admit Attached Amended/Supplemental Complaint<sup>[23]</sup> in the three consolidated cases — Civil Case Nos. 8108, 9675, and 10183 — before the RTC. In its Amended/Supplemental Complaint, respondent bank sought to substitute the CB-BOL for the defunct CB and its MB. Respondent also aimed to recover at least P18 billion in actual damages, litigation expenses, attorney's fees, interests, and costs of suit against petitioner and individuals who had allegedly acted with malice and evident bad faith in placing the bank under conservatorship and eventually closing it down in 1985.<sup>[24]</sup>

The trial court, through an Order dated 29 March 1996, granted the Motion to Admit filed by Banco Filipino and accordingly admitted the latter's Amended/Supplemental Complaint. Consequently, the CB-BOL was substituted for the defunct CB in respondent's civil cases, which are still pending with the RTC.<sup>[25]</sup>

On 25 September 2003, or more than 10 years from the enactment of R.A. 7653, Banco Filipino again filed a Motion to Admit Second Amended/Supplemental Complaint<sup>[26]</sup> in the consolidated civil cases before the RTC. In that Second Amended/Supplemental Complaint,<sup>[27]</sup> respondent sought to include the BSP and its MB — "the purported successor-in-interest of the old CB"<sup>[28]</sup> — as additional defendants based on the latter's alleged acts or omissions as follows:

1. The BSP and the MB refused to grant Banco Filipino a universal banking license, unless it complied with their stringent conditions intended to further deplete its resources, contrary to the provisions of the Memorandum of Agreement the parties entered into on 20 December 1999.<sup>[29]</sup>
2. The BSP and the MB engaged in a smear campaign against Banco Filipino intended to undermine the trust and confidence of its depositors and the public in general.<sup>[30]</sup>
3. With the objective of gaining control of respondent bank, the BSP disqualified a member of the former's board of directors.<sup>[31]</sup>
4. The BSP and its MB conspired with a group of minority stockholders of Banco Filipino to institute a case against respondent and thereby place it under a state of receivership or conservatorship or under a management committee.<sup>[32]</sup>
5. The demands of Banco Filipino for an out-of-court settlement of its damage claims against the BSP have gone unheeded and have resulted in burgeoning litigation expenses and other damages, for which respondent continues to suffer as a result of prolonged litigation.<sup>[33]</sup>

Banco Filipino claimed that the BSP employed "coercive measures"<sup>[34]</sup> that forced respondent to enter into a Memorandum of Agreement (MOA) regarding the collection of advances extended to the latter by the defunct CB. In addition, respondent also alleged that its present dealings with the BSP and the MB have become increasingly difficult, especially in obtaining favorable actions on its requests and other official dealings.<sup>[35]</sup>

Banco Filipino's Motion to Admit its Second Amended/Supplemental Complaint was opposed by the CB-BOL based on the following grounds:

1. Banco Filipino's Second Amended/Supplemental Complaint was not supported by a board resolution that authorized it to file the amended or supplemental complaint.
2. The second supplemental complaint raised new and independent causes of action against a new party - the BSP - which was not an original party.

3. The second supplemental complaint was violative of the rule on the joinder of causes of action, because it alleged those that did not arise from the same contract, transaction or relation between the parties - as opposed to those alleged in the complaint sought to be amended or supplemented - and differed from the causes of action cited in the original Complaint.
4. The admission of the second supplemental complaint would expand the scope of the dispute in the consolidated civil cases to include new causes of action against new parties like the BSP, resulting in a delay in the resolution of the cases.<sup>[36]</sup>

On 27 January 2004, the RTC, through an Order penned by Presiding Judge Rebecca R. Mariano, granted the Motion to Admit Banco Filipino's Second Amended/Supplemental Complaint.<sup>[37]</sup> The CB-BOL moved for the reconsideration of the trial court's Order,<sup>[38]</sup> but the motion was denied in an Order dated 20 July 2004.<sup>[39]</sup>

On 1 October 2004, petitioner CB-BOL filed with the CA a Petition for *Certiorari* under Rule 65, docketed as CA-G.R. SP No. 86697.<sup>[40]</sup> It questioned the propriety of the RTC's Order admitting Banco Filipino's Second Amended/Supplemental Complaint and committing grave abuse of discretion in the process. Reiterating the grounds stated in its Opposition to the Motion to Admit the Second Amended/Supplemental Complaint, petitioner contended that the complaint consisted of, among others, an improper joinder of parties and other issues that were entirely different from those raised in the original complaint.<sup>[41]</sup>

On 27 January 2006, the CA dismissed the CB-BOL's Petition and affirmed *in toto* the trial court's Order admitting the Second Amended/Supplemental Complaint.<sup>[42]</sup>

The appellate court ruled that the old CB continued to exist and remained a defendant in the consolidated civil cases, *albeit* under a new name: CB-BOL.

It also ruled that, pursuant to R.A. 7653, the BSP was the successor in-interest of the old CB. Further, with the transfer of assets from the CB to the BSP during the pendency of the subject civil cases, the latter now became a transferee *pendente lite*. Therefore, the CA concluded that there were no new parties impleaded in the civil cases when the Second Amended/Supplemental Complaint was admitted by the trial court.<sup>[43]</sup>

The CA further sustained the RTC's ruling that respondent Banco Filipino did not raise new issues against petitioner CB-BOL or seek new reliefs or claim new damages from the latter. Supposedly, respondent merely sought the addition of the BSP and its MB as parties-defendants in the consolidated civil case, as they were the successors-in-interest of the defunct CB and its MB.<sup>[44]</sup>

The assailed CA Decision also attributed to the CB-BOL the apparent delay in the resolution of the current dispute, based on the number of *certiorari* cases the latter had filed with the CA and the Supreme Court since the commencement of those cases.<sup>[45]</sup>

On 16 February 2006, petitioner filed a Motion for Reconsideration seeking the reversal of the Decision dated 27 January 2006 in CA-G.R. SP No. 86697.<sup>[46]</sup> On 27 June 2006, the CA denied the Motion after finding no "plausible reason" to depart from its assailed Decision.<sup>[47]</sup>

Petitioner CB-BOL now comes to this Court via a Petition for Review on *Certiorari*. It assails the Decision of the appellate court in CA-G.R. SP No. 86697, which affirmed *in toto* the trial court's Order admitting the Second Amended/Supplemental Complaint of Banco Filipino. Specifically, petitioner raises the following arguments:<sup>[48]</sup>

I.

THE COURT OF APPEALS ERRED IN AFFIRMING THE TRIAL COURT'S ORDER ADMITTING RESPONDENT'S SECOND AMENDED/SUPPLEMENTAL COMPLAINT AGAINST THE BSP, DESPITE THE FACT THAT THE PARTIES, SUBJECT MATTER AND CAUSES OF ACTION ASSERTED THEREIN ARE DIFFERENT FROM AND TOTALLY UNRELATED TO RESPONDENT'S CAUSES OF ACTION UNDER THE FIRST AMENDED SUPPLEMENTAL COMPLAINT AGAINST THE DEFUNCT CB.

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II.

THE COURT OF APPEALS ERRED IN REDUCING THE ADMISSION OF THE SECOND AMENDED/SUPPLEMENTAL COMPLAINT TO THE MERE AMENDMENT OF A PLEADING "TO SUBSTITUTE OR JOIN A TRANSFEREE *PENDENTE LITE*" UNDER SEC. 19, RULE 3 OF THE REVISED RULES OF COURT x x x.

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III.

THE COURT OF APPEALS ERRED IN UPHOLDING THE TRIAL COURT'S RULING THAT THE OLD CB CONTINUES TO EXIST AS PETITIONER CB-BOL. PETITIONER IS A SEPARATE, DISTINCT AND INDEPENDENT ENTITY FROM THE DEFUNCT CB WHICH HAS BEEN ABOLISHED UPON THE ENACTMENT OF THE NEW CENTRAL BANK ACT.

IV.

PETITIONER'S PLEA AGAINST THE ADMISSION OF RESPONDENT'S SECOND AMENDED/SUPPLEMENTAL COMPLAINT IS NOT A DILATORY TACTIC OR A MERE RESORT TO TECHNICALITY; RATHER, IT IS AN EARNEST APPEAL FOR PETITIONER TO BE FREE FROM A USELESS AND WASTEFUL LEGAL CONTEST WHICH SHOULD BE THE SUBJECT OF A SEPARATE CASE SOLELY BETWEEN THE RESPONDENT AND THE BSP. IT IS A PLEA BY PETITIONER TO SECURE A JUST, SPEEDY AND INEXPENSIVE DETERMINATION OF RESPONDENT'S CASE AGAINST IT FOR ACTS SUPPOSEDLY PERPETRATED BY THE OLD CB IN 1984-1985 FOR WHICH IT IS SUPPOSEDLY THE SUCCESSOR-IN-INTEREST.

**THE ISSUE**