

SECOND DIVISION

[G.R. No. 168616, January 28, 2015]

**HOME GUARANTY CORPORATION, PETITIONER, VS. LA SAVOIE
DEVELOPMENT CORPORATION, RESPONDENT.**

DECISION

LEONEN, J.:

This is a Petition for Review on Certiorari praying that the assailed Decision^[1] dated June 21, 2005 of the Court of Appeals in CA G.R. CV No. 80241 be reversed and set aside. In the alternative, it prays that certain properties supposedly conveyed by respondent La Savoie Development Corporation to petitioner Home Guaranty Corporation^[2] be excluded from the rehabilitation plan of La Savoie Development Corporation, should its Petition for Corporate Rehabilitation be given due course.

The assailed Decision of the Court of Appeals reversed and set aside the Order^[3] dated October 1, 2003 of the Regional Trial Court, Makati City, reinstated the Stay Order issued by the Regional Trial Court on June 4, 2003, gave due course to La Savoie's Petition for Corporate Rehabilitation, and remanded the case to the Regional Trial Court for further proceedings.^[4] The Regional Trial Court's June 4, 2003 Stay Order stayed the enforcement of all claims, monetary or otherwise, and whether in court or otherwise, against La Savoie Development Corporation.

La Savoie Development Corporation (La Savoie) is a domestic corporation incorporated on April 2, 1990. It is engaged in the business of "real estate development, subdivision and brokering."^[5]

With the onset of the Asian financial crisis in 1997, the devaluation of the Philippine peso and due to other factors such as lack of working capital; high interest rates, penalties, and charges; low demand for real estate properties; and poor peace and order situations in some of its project sites, La Savoie found itself unable to pay its obligations to its creditors. Thus, on April 25, 2003, La Savoie filed before the Regional Trial Court, Makati City^[6] a "petition for the declaration of state of suspension of payments with approval of proposed rehabilitation plan"^[7] under the Interim Rules of Procedure on Corporate Rehabilitation^[8] (Interim Rules).

The proceedings before the Regional Trial Court were initially held in abeyance as La Savoie failed to attach to its Petition some of the requirements under Rule 4, Section 2 of the Interim Rules.^[9] With La Savoie's compliance and finding its "petition to be sufficient in form and substance,"^[10] then Regional Trial Court Judge Estela Perlas-Bernabe issued the Stay Order dated June 4, 2003 staying the enforcement of all claims against La Savoie. The entirety of this Order reads:

ORDER

Finding the petition to be sufficient in form and substance, the enforcement of all claims, whether for money or otherwise, and whether such enforcement is by court action or otherwise, against petitioner La Savoie Development Corporation, its guarantors and sureties not solidarily liable with it, is stayed.

As a consequence of the stay order, petitioner is prohibited from selling, encumbering, transferring, or disposing in any manner any of its properties except in the ordinary course of business. It is further prohibited from making any payment of its liabilities outstanding as of the date of the filing of the petition on April 25, 2003. Its suppliers of goods or services are likewise prohibited from withholding supply of goods and services in the ordinary course of business for as long as it makes payments for the services and goods supplied after the issuance of the stay order.

Petitioner is directed to pay in full all administrative expenses incurred after the issuance of the stay order.

The initial hearing on the petition is set on July 22, 2003 at 8:30 o'clock in the morning at the 3rd Floor, Gusali ng Katarungan, F. Zobel St., Makati City.

All creditors and interested parties including the Securities and Exchange Commission are directed to file and serve on petitioner a verified comment on or opposition to the petition with supporting affidavits and documents, not later than ten (10) days before the date of the initial hearing. Failure to do so will bar them from participating in the proceedings. Copies of the petition and its annexes may be secured from the court within such time as to enable them to file their comment on or opposition to the petition and to prepare for its initial hearing.

Petitioner is directed to publish this Order in a newspaper of general circulation in the Philippines once a week for two (2) consecutive weeks and to file to this Court within five (5) days before the initial hearing the publisher's affidavit shewing compliance with the publication requirements.

Mr. Rito C. Manzana with address at 26B One Lafayette Condominium cor. Leviste and Cedenor Manor St., Salcedo Village, Makati City is appointed Rehabilitation Receiver of Petitioner. He may discharge his duties and functions as such after taking his oath to perform his duties and functions faithfully and posting a bond in the amount of P100,000.00 to guarantee the faithful discharge of his duties and obedience to the orders of the court.

Petitioner is directed to immediately serve a copy of this Order to Mr. Manzana who is directed to manifest his acceptance or non-acceptance of his appointment not later than ten (10) days from receipt of this order.

SO ORDERED.

Given this 4th day of June, 2003 at Makati City.

ESTELA PERLAS-BERNABE

[sgd.]

Judge^[11]

Following the issuance of the June 4, 2003 Stay Order, La Savoie's creditors — Planters Development Bank, Philippine Veterans Bank, and Robinsons Savings Bank — filed their Comments and/or Oppositions.^[12]

Home Guaranty Corporation filed an Opposition^[13] even though "it [was] not a creditor of Petitioner."^[14] It asserted that it had a "material and beneficial interest in the . . . Petition, in relation to the interest of Philippine Veterans Bank (PVB), Planters Development Bank (PDB), and Land Bank of the Philippines (LBP), which are listed as creditors of Petitioner vis-a-vis certain properties or assets that might have been taken cognizance of, and placed under the custody of the [Regional Trial] Court and[/]or the appointed Rehabilitation Receiver."^[15]

Home Guaranty Corporation noted that through the "La Savoie Asset Pool Formation and Trust Agreement"^[16] (Trust Agreement), La Savoie obtained financing for some of its projects through a securitization process in which Planters Development Bank as nominal issuer issued P150 million in asset participation certificates dubbed as the "La Savoie Development Certificates"^[17] (LSDC certificates) to be sold to investors. The projects financed by these certificates consisted of the development of real properties in General Trias, Cavite; Sto. Tomas, Batangas; Los Banos, Laguna; and Quezon City. The same properties were conveyed in trust by La Savoie, as trustor, to Planters Development Bank, as trustee, and constituted into the La Savoie Asset Pool (Asset Pool).^[18]

The redemption of the LSDC certificates upon maturity and the interest payments on them were "backed/collateralized by the assets that were conveyed by [La Savoie] to the Trust."^[19] Moreover, the LSDC certificates were covered by a guaranty extended by Home Guaranty Corporation through a "Contract of Guaranty"^[20] entered into by Home Guaranty Corporation with La Savoie and Planters Development Bank.

Section 17 of the Contract of Guaranty designates Home Guaranty Corporation to "undertake financial controllerships of the Projects."^[21] Thus, in its Opposition, Home Guaranty Corporation noted that it was "charged with the duty of ensuring that all funds due to the Asset Pool are collected, and that funds are disbursed for the purposes they were intended for."^[22]

Home Guaranty Corporation added that in the course of its business, La Savoie collected a total amount of P60,569,134.30 from the buyers of some of the properties covered by the Asset Pool. This amount, however, was not remitted by La Savoie to the trust. With La Savoie's failure to complete some of its projects and failure to remit sales collections, the Asset Pool defaulted in redeeming and paying interest on the LSDC certificates. Thus, La Savoie's investors placed a call on the

guaranty.^[23] With La Savoie's failure to remit collections, however, Home Guaranty Corporation held in abeyance the settlement of the investors' call. This settlement was then overtaken by the filing of La Savoie's Petition for Rehabilitation.^[24]

Home Guaranty Corporation argued that it and the investors on the LSDC certificates had "preferential rights"^[25] over the properties making up the Asset Pool as these "were conveyed as security or collaterals for the redemption of the [LSDC certificates]."^[26] Thus, they should be excluded from the coverage of La Savoie's Petition for Rehabilitation.

On September 1, 2003, La Savoie filed a Consolidated Answer^[27] to the Comments/Oppositions. It argued that the assignment of assets to the Asset Pool was not absolute and subject to certain conditions. Specifically, it asserted that for the assignment to take effect, Home Guaranty Corporation had to first pay the holders of the LSDC certificates. Thus, La Savoie claimed that the properties comprising the Asset Pool remained to be its assets.^[28]

In the interim, a Verification Report on Accuracy of Petition was filed by the Rehabilitation Receiver.^[29]

On October 1, 2003, the Regional Trial Court issued an Order^[30] denying due course to La Savoie's Petition for Rehabilitation and lifting the June 4, 2003 Stay Order. The trial court reasoned that the "findings of sufficiency in the form and substance of the petition for which a stay order was issued has been flawed"^[31] and that "[i]t cannot countenance a situation such as this where the petitioner files a petition on the basis of inaccurate or unverifiable allegations and false representations."^[32] It noted that per the Rehabilitation Receiver's Report, there were "various inaccuracies in the material allegations of the petition and its annexes."^[33] Several documents "to verify other material statements made therein" were also lacking.^[34] It added that La Savoie "has not presented any concrete and feasible plan on how it will be able to secure additional funds to continue with the development of its raw land and on-going joint-venture projects."^[35]

Aggrieved, La Savoie filed an Appeal before the Court of Appeals. It filed its Appellant's Brief on May 5, 2004.^[36]

In the meantime, Home Guaranty Corporation approved and processed the call on the guaranty for the redemption of the LSDC certificates. Thus, Home Guaranty Corporation, through Planters Development Bank, paid a total of P128.5 million as redemption value to certificate holders. Acting on this, Planters Development Bank executed a "Deed of Assignment and Conveyance"^[37] in favor of Home Guaranty Corporation through which, in the words of Home Guaranty Corporation, Planters Development Bank "absolutely conveyed and assigned to [Home Guaranty Corporation] the ownership and possession of the entire assets that formed part of the La Savoie Asset Pool."^[38] Home Guaranty Corporation claims, in addition, that, through the same Deed, Planters Development Bank "absolutely conveyed and assigned to [Home Guaranty Corporation] the right to collect from [La Savoie] cash receivables . . . representing the amount collected by [La Savoie] from sales in the

course of the development of the projects which it failed to remit to the Trust."^[39]

On August 18, 2004, Home Guaranty Corporation filed its Appellee's Brief.^[40] It argued that all of the properties comprising the Asset Pool should be excluded from the rehabilitation proceedings in view of the Deed of Assignment and Conveyance executed in its favor by Planters Development Bank.^[41] Attached to this Brief was a copy of the Deed of Assignment and Conveyance.^[42]

In the Decision^[43] dated June 21, 2005, the Court of Appeals Special Twelfth Division reversed and set aside the Regional Trial Court's October 1, 2003 Order, reinstated the Stay Order, gave due course to the Petition for Rehabilitation, and remanded the case to the trial court for further proceedings.

The Court of Appeals characterized the inaccuracies noted by the trial court as "minor" and "trivial,"^[44] as well as insufficient to render as "false" the allegations made by La Savoie in its Petition for Rehabilitation. It added that La Savoie "convincingly showed that it could undertake to market its projects through [the] Pag-Ibig Overseas Program, sell the existing inventories of unsold subdivision lots and use the un-remitted collections due to HGC which will be converted as additional loan to fund its on-going projects."^[45] Regarding Home Guaranty Corporation's payment of the guaranty call, the Court of Appeals noted that it was made after the Petition for Rehabilitation had been brought by La Savoie and after the issuance of the Stay Order; thus, Home Guaranty Corporation had no right to make such payment.

On August 12, 2005, Home Guaranty Corporation filed before this court the present Petition for Review on Certiorari under Rule 45 of the 1997 Rules of Civil Procedure.^[46]

Home Guaranty Corporation asserts 'that the properties comprising the Asset Pool should be excluded from the rehabilitation proceedings as these have now been "removed from the oominion"^[47] of La Savoie and have been conveyed and assigned to it. It underscores that the transfer made to it by Planters Development Bank was made after the Stay Order had been lifted, per the Regional Trial Court's October 1, 2003 Order.

On October 28, 2005, La Savoie filed its Comment.^[48] It claimed that the supposed assignment and conveyance to Home Guaranty Corporation was ineffectual considering that "at the time of the guaranty call, the Stay Order dated 04 June 2003 was admittedly in effect."^[49] La Savoie faulted Home Guaranty Corporation for supposedly not adducing proof of the transfer effected to it by Planters Development Bank on the strength of its payment on the guaranty. It added that, even assuming there was full payment and that the Deed of Assignment and Conveyance was executed, "the Subject Properties remained within the jurisdiction of the [Regional Trial Court] even after the lifting of the Stay Order dated 04 June 2003"^[50] and that, as a result, "any contract or document affecting title to the Subject Properties is also subject to the rehabilitation proceedings pending with the [trial court]."^[51] It also asserted that by paying the guaranty, Home Guaranty Corporation effectively became its creditor. Excluding the properties comprising the Asset Pool from the