

THIRD DIVISION

[G.R. No. 181381, July 20, 2015]

**SECURITIES AND EXCHANGE COMMISSION, PETITIONER, VS.
UNIVERSAL RIGHTFIELD PROPERTY HOLDINGS, INC.,
RESPONDENT.**

D E C I S I O N

PERALTA, J.:

Before the Court is a petition for review under Rule 45 of the Rules of Court, which seeks to reverse and set aside the Decision^[1] dated January 21, 2008 of the Court of Appeals (CA) in CA-G.R. SP No. 93337, the dispositive portion of which reads:

WHEREFORE, in view of the foregoing, the petition is **GRANTED**. The assailed Resolution, dated December 15, 2005, of the Securities and Exchange Commission, as well as its Order of Revocation dated December 8, 2004, are hereby **SET ASIDE**.

SO ORDERED.^[2]

The facts are as follows:

Respondent Universal Rightfield Property Holdings, Inc. (*URPHI*) is a corporation duly registered and existing under the Philippine Laws, and is engaged in the business of providing residential and leisure-related needs and wants of the middle and upper middle-income market.

On May 29, 2003, petitioner Securities and Exchange Commission (SEC), through its Corporate Finance Department, issued an Order revoking URPHI's Registration of Securities and Permit to Sell Securities to the Public for its failure to timely file its Year 2001 Annual Report and Year 2002 1st, 2nd and 3rd Quarterly Reports pursuant to Section 17^[3] of the Securities Regulation Code (*SRC*), Republic Act No. 8799.

On October 16, 2003, URPHI filed with the SEC a Manifestation/Urgent Motion to Set Aside Revocation Order and Reinstate Registration after complying with its reportorial requirements.

On October 24, 2003, the SEC granted URPHI's motion to lift the revocation order, considering the current economic situation, URPHI's belated filing of the required annual and quarterly reports, and its payment of the reduced fine of P82,000.00.

Thereafter, URPHI failed again to comply with the same reportorial requirements.

In a Notice of Hearing dated June 25, 2004, the SEC directed URPHI to show cause why its Registration of Securities and Certificate of Permit to Sell Securities to the

Public should not be suspended for failure to submit the said requirements. Pertinent portion of the notice reads:

Records show that the corporation has failed to submit the following reports in violation of SRC Rule 17.1:

- (1) 2003 Annual Report (SEC Form 17-A); and
- (2) 2004 1st Quarter Report (SEC Form 17-Q)

The company has been allowed a non-extendible period until May 31, 2004 within which to file its 2003 Annual Report but to date the said report has not been submitted.

In view of the foregoing and considering the inadequate information available to the public, the corporation is hereby directed to show cause why the Registration of its Securities and Certificate of Permit to Sell Securities should not be suspended, in a hearing scheduled before Atty. Francia A. Tiuseco-Manlapaz on July 6, 2004, at the Securities Registration Division, Corporation Finance Department of the Commission, 6th Floor, SEC Building, EDA, Greenhills, Mandaluyong, Metro Manila at 10:00 o'clock in the morning. Failure of the company to appear, through its representative, at the said hearing shall be deemed a waiver on its part to be heard with regard to the suspension of its Certificate of Permit to Sell Securities to the Public.

SO ORDERED.^[4]

During the scheduled hearing on July 6, 2004, URPHI, through its Chief Accountant, Rhodora Lahaylahay, informed the SEC why it failed to submit the reportorial requirements, viz.: (1) it was constrained to reduce its accounting staff due to cost-cutting measures; thus, some of the audit requirements were not completed within the original timetable; and (2) its audited financial statements for the period ending December 31, 2003 could not be finalized by reason of the delay in the completion of some of its audit requirements.

In an Order dated July 27, 2004, the SEC suspended URPHI's Registration of Securities and Permit to Sell Securities to the Public for failure to submit its reportorial requirements despite the lapse of the extension period, and due to lack of sufficient justification for its inability to comply with the said requirements.

On August 23, 2004, the SEC, through its Corporation Finance Department, informed URPHI that it failed to submit its 2004 2nd Quarter Report (SEC Form 17-Q) in violation of the Amended Implementing Rules and Regulations of the SRC Rule 17.1(1)(A)(ii).^[5] It also directed URPHI to file the said report, and to show cause why it should not be held liable for violation of the said rule.

In a letter dated September 28, 2004, URPHI requested for a final extension, or until November 15, 2004, within which to submit its reportorial requirements. Pertinent portions of the letter read:

We refer to your Order dated 27 July 2004, wherein the Commission resolved to SUSPEND the Corporation's Registration of Securities and

Permit to Sell Securities to the Public due to non-filing of the Corporation's reportorial requirements under SRC Rule 17 effective for sixty (60) days or until the reporting requirements are complied [with]; otherwise, the Commission shall proceed with the revocation of the Corporation's registration [of] securities. To date, the Corporation has not filed with the Commission its 2003 Annual Report in SEC Form 17-A and 2004 1st and 2nd Quarterly reports in SEC Form 17-Q. The non-submission of these reportorial requirements, as we have already disclosed to you per our letter dated 13 September 2004, was due to the non-finalization of the Corporation's audited financial statement for the fiscal year ended December 31, 2003.

During our meeting with our external auditor, SGV & Co. last 8 September 2004, SGV agreed to facilitate the finalization of our financial statements within two (2) weeks. Notwithstanding the same, the Corporation foresees the impossibility of complying with its submission until the end of the month, as the partners of SGV are still reviewing the final draft of the financial statements.

The Corporation intends to comply with its reportorial requirements. However, due to the foregoing circumstances, the finalization of our financial statement has again been delayed. In this regard, may we request for the last time until November 15, 2004 within which to submit said reportorial requirements.^[6]

On December 1, 2004, URPHI filed with the SEC its 2003 Annual Report.

In an Order of Revocation^[7] dated December 8, 2004, the SEC revoked URPHI's Registration of Securities and Permit to Sell Securities to the Public for its failure to submit its reportorial requirements within the final extension period.

On December 9, 10, and 14, 2004, URPHI finally submitted to the SEC its 1st Quarterly Report for 2004, 2nd Quarterly Report for 2004, and 3rd Quarterly Report for 2004, respectively.

Meantime, URPHI appealed the SEC Order of Revocation dated December 8, 2004 by filing a Notice of Appeal and a Memorandum both dated January 3, 2005.

In a Resolution dated December 15, 2005, the SEC denied URPHI's appeal, thus:

WHEREFORE, premises considered, the Memorandum dated 03 January 2005 of Universal Rightfield Property Holdings, Inc. praying for the reversal of the Order of Revocation dated 08 December 2004 is **DENIED** for lack of merit.

SO ORDERED.^[8]

Aggrieved, URPHI filed a petition for review with the CA.

In a Decision dated January 21, 2008, the CA granted the petition and set aside the SEC Order of Revocation after finding that URPHI was not afforded due process

because no due notice was given and no hearing was conducted before its registration of securities and permit to sell them to the public was revoked. The CA noted that the hearing conducted on July 6, 2004 was only for the purpose of determining whether URPHI's registration and permit to sell should be suspended and not whether said registration should be revoked.

The CA ruled that based on how Sections 5.1 (m)^[9] and 13.1^[10] of the SRC are worded, suspension and revocation of URPHI's registration of securities each requires separate notices and hearings. It also held that the ruling^[11] in *Globe Telecom, Inc. v. The National Telecommunications Commission*^[12] (*Globe Telecom, Inc.*) applies squarely to this case since the Section 13.1 of the SRC itself provides that due notice and hearing are required before revocation may be ordered by the SEC. In view of such specific mandate of the SRC in cases of revocation, the CA rejected the SEC's argument that the hearing conducted for the suspension of URPHI's registration can already be considered as the hearing for revocation.

The CA also held that the SEC cannot brush aside the specific mandate of Section 13.1 of the SRC by merely invoking the doctrine that administrative due process is satisfied when the party is given the opportunity to explain one's side or the opportunity to seek a reconsideration of the action or ruling taken. Citing *Globe Telecom, Inc.*^[13] the CA explained that while such doctrine remains valid and has been applied in numerous instances, it must give way in instances when the statute itself, such as Section 13.1, demands prior notice and hearing. It added that the imperativeness for a hearing in cases of revocation of registration of securities assumes greater significance, considering that revocation is a measure punitive in character undertaken by an administrative agency in the exercise of its quasi-judicial functions.

Dissatisfied with the CA Decision, the SEC filed the instant petition for review on *certiorari*, raising the sole issue that:

THE COURT OF APPEALS DECIDED A QUESTION OF SUBSTANCE WHICH
IS NOT IN ACCORD WITH THE LAW AND PREVAILING JURISPRUDENCE.

^[14]

On the one hand, the SEC contends that URPHI was accorded all the opportunity to be heard and comply with all the reportorial requirements before the Order of Revocation was issued.

Specifically, in the Order dated July 27, 2004 suspending URPHI's registration of securities for 60 days, the SEC expressly warned that such registration would be revoked should it persistently fail to comply with the said requirements. Still, URPHI continuously failed to submit the required reports. On August 23, 2004, the SEC directed again URPHI to submit the required report and to show cause why it should not be held liable for violation of the law. Instead of submitting the required reports, URPHI requested for a final extension, or until November 15, 2004, within which to comply with its reportorial requirements. For URPHI's failure to submit the said reports, the SEC issued the Order of Revocation dated December 8, 2004. URPHI immediately filed a motion for reconsideration thereof through a Notice of Appeal and a Memorandum both dated January 3, 2005, which the SEC later denied in the Resolution dated December 15, 2005. Hence, URPHI was amply accorded its guaranteed right to due process.

The SEC also submits that the factual milieu of *Globe Telecom, Inc.*^[15] cited by the CA in its Decision is starkly different from this case. Unlike in the former case where the Court ruled that the fine imposed by the National Telecommunications Commission without notice and hearing, was null and void due to the denial of petitioner's right to due process, the SEC points out that URPHI was duly notified of its violations and the corresponding penalty that may be imposed should it fail to submit the required reports, and was given more than enough time to comply before the Order of Revocation was issued. The SEC adds that a hearing was conducted on July 6, 2004 as to URPHI's repeated failure to submit the reportorial requirements as mandated by the SRC and its implementing rules and regulations, which was the basis in issuing the said Order.

On the other hand, URPHI insists that the CA was correct in ruling that the SRC requires separate notices and hearings for revocation and suspension of registration of securities and permit to sell them to the public. It then asserts that the warning contained in the SEC's suspension Order dated July 27, 2004 does not meet the requirement of notice under the SRC. It stresses that while the SEC issued a separate notice of hearing for such suspension, no similar notice was issued as regards such revocation. It also notes that the July 6, 2004 hearing was with regard to the suspension of its registration of securities, and that no hearing was ever conducted for purposes of revocation of such registration.

On the SEC's claim that URPHI was afforded due process because it was already given the opportunity to seek a reconsideration of the Order of Revocation by filing its Notice of Appeal and Memorandum, URPHI argues that the filing of such appeal did not cure the violation of its right to due process. In support of its argument, URPHI cites the *Globe Telecom, Inc.*^[16] ruling that notice and hearing are indispensable when an administrative agency exercises quasi-judicial functions and that such requirements become even more imperative if the statute itself demands it.

URPHI further cites the ruling^[17] in *BLTB, Co. v. Cadiao, et al.*,^[18] to support its view that a motion for reconsideration is curative of a defect in procedural due process only if a party is given sufficient opportunity to explain his side of the controversy. It claims that the controversy referred to is the underlying substantive controversy of which the procedural due process controversy is but an offshoot. Noting that the only issue raised in its appeal was procedural, *i.e.*, whether it was denied prior notice and hearing under the SRC, URPHI contends that it cannot be said that by appealing to the SEC, it had the opportunity to explain its side on substantive controversy which pertains to its alleged violation of the SRC and failure to comply with the reportorial requirements that prompted the SEC to issue the Order of Revocation. Hence, such appeal cannot be considered curative of the defect in procedural due process which attended the issuance of the said Order.

URPHI further submits that the prior revocation of its registration on May 29, 2003 did not cure the lack of due process which attended the revocation of its registration on December 8, 2004. Since the SEC deemed it proper to lift the prior revocation, such can no longer be used to sustain another revocation order, much less one issued without prior notice and hearing.