

## FIRST DIVISION

[ G.R. No. 169677, February 18, 2013 ]

**METROPOLITAN BANK AND TRUST COMPANY, AS SUCCESSOR-IN-INTEREST OF ASIAN BANK CORPORATION, PETITIONER, VS. HON. EDILBERTO G. SANDOVAL, HON. FRANCISCO H. VILLARUZ, JR. AND HON. RODOLFO A. PONFERRADA (IN THEIR CAPACITIES AS CHAIRMAN AND MEMBERS, RESPECTIVELY, OF THE SECOND DIVISION OF SANDIGANBAYAN) AND THE REPUBLIC OF THE PHILIPPINES, RESPONDENTS.**

### D E C I S I O N

#### **BERSAMIN, J.:**

The court, in furtherance of convenience or to avoid prejudice, may order a separate trial of any claim, cross-claim, counterclaim, or third-party complaint, or of any separate issue or of any number of claims, cross-claims, counterclaims, third-party complaints or issues.<sup>[1]</sup> But a separate trial may be denied if a party is thereby deprived of his right to be heard upon an issue dealt with and determined in the main trial.

Through this special civil action for *certiorari*, Metropolitan Bank and Trust Company (Metrobank) hereby seeks to set aside and nullify the resolutions dated June 25, 2004<sup>[2]</sup> and July 13, 2005<sup>[3]</sup> issued in Civil Case No. 0004, whereby the Sandiganbayan granted the motion for separate trial filed by the Republic of the Philippines (Republic), and upheld its jurisdiction over the Republic's claim against the petitioner as the successor-in-interest of Asian Bank Corporation (Asian Bank).

#### **Antecedents**

On July 17, 1987, the Republic brought a complaint for reversion, reconveyance, restitution, accounting and damages in the Sandiganbayan against Andres V. Genito, Jr., Ferdinand E. Marcos, Imelda R. Marcos and other defendants. The action was obviously to recover allegedly ill-gotten wealth of the Marcoses, their nominees, dummies and agents. Among the properties subject of the action were two parcels of commercial land located in Tandang Sora (Old Balara), Quezon City, covered by Transfer Certificate of Title (TCT) No. 266423<sup>[4]</sup> and TCT No. 266588<sup>[5]</sup> of the Registry of Deeds of Quezon City registered in the names of Spouses Andres V. Genito, Jr. and Ludivina L. Genito.

On February 5, 2001, the Republic moved for the amendment of the complaint in order to implead Asian Bank as an additional defendant. The Sandiganbayan granted the motion.<sup>[6]</sup> It appears that Asian Bank claimed ownership of the two parcels of land as the registered owner by virtue of TCT No. N-201383 and TCT No. N-201384 issued in its name by the Registry of Deeds of Quezon City. Asian Bank was also in possession of the properties by virtue of the writ of possession issued by the

Regional Trial Court (RTC) in Quezon City.<sup>[7]</sup>

When the Republic was about to terminate its presentation of evidence against the original defendants in Civil Case No. 0004, it moved to hold a separate trial against Asian Bank.<sup>[8]</sup>

Commenting on the motion, Asian Bank sought the deferment of any action on the motion until it was first given the opportunity to test and assail the testimonial and documentary evidence the Republic had already presented against the original defendants, and contended that it would be deprived of its day in court if a separate trial were to be held against it without having been sufficiently apprised about the evidence the Republic had adduced before it was brought in as an additional defendant.<sup>[9]</sup>

In its reply to Asian Bank's comment, the Republic maintained that a separate trial for Asian Bank was proper because its cause of action against Asian Bank was entirely distinct and independent from its cause of action against the original defendants; and that the issue with respect to Asian Bank was whether Asian Bank had actual or constructive knowledge at the time of the issuance of the TCTs for the properties in its name that such properties were the subject of the complaint in Civil Case No. 0004, while the issue as to the original defendants was whether they had "committed the acts complained of as constituting illegal or unlawful accumulation of wealth which would, as a consequence, justify forfeiture of the said properties or the satisfaction from said properties of the judgement that may be rendered in favor of the Republic."<sup>[10]</sup>

Asian Bank's rejoinder to the Republic's reply asserted that the issue concerning its supposed actual or constructive knowledge of the properties being the subject of the complaint in Civil Case No. 0004 was intimately related to the issue delving on the character of the properties as the ill-gotten wealth of the original defendants; that it thus had a right to confront the evidence presented by the Republic as to the character of the properties; and that the Sandiganbayan had no jurisdiction to decide Asian Bank's ownership of the properties because the Sandiganbayan, being a special court with limited jurisdiction, could only determine the issue of whether or not the properties were illegally acquired by the original defendants.<sup>[11]</sup>

On June 25, 2004, the Sandiganbayan issued the first assailed resolution granting the Republic's motion for separate trial, giving its reasons as follows:

x x x x

A cursory reading of the comment filed by defendant Asian Bank to plaintiff's request for a separate trial would readily reveal that defendant is not actually opposing the conduct of a separate trial insofar as the said bank is concerned. What it seeks is the opportunity to confront the witnesses and whatever documentary exhibits that may have been earlier presented by plaintiff in the case before the Court grants a separate trial. This being the situation, we find no reason to deny the motion in light of plaintiff's position that its claim as against Asian Bank is entirely separate and distinct from its claims as against the original defendants, albeit

dealing with the same subject matter. In fact, as shown by the allegations of the Second Amended Complaint where Asian Bank was impleaded as a party defendant, the action against the latter is anchored on the claim that its acquisition of the subject properties was tainted with bad faith because of its actual or constructive knowledge that the said properties are subject of the present recovery suit at the time it acquired the certificates of title covering the said properties in its name. Consequently, whether or not it is ultimately established that the properties are ill-gotten wealth is of no actual significance to the incident pending consideration since the action against defendant bank is predicated not on the claim that it had knowledge of the ill-gotten wealth character of the properties in question but rather on whether or not it had knowledge, actual or constructive, of the fact that the properties it registered in its name are the subject of the instant recovery suit. Besides, plaintiff already admits that the evidence it had presented as against the original defendants would not apply to defendant bank for the reason that there is no allegation in the second amended complaint imputing responsibility or participation on the part of the said bank insofar as the issue of accumulation of wealth by the original defendants are concerned. Thus, there appears no basis for defendant bank's apprehension that it would be deprived of its right to due process if its not given the opportunity to cross-examine the witnesses presented prior to its inclusion as party defendant in the case. To reiterate, the only issue insofar as defendant bank is concerned is whether there is evidence to show that it acquired the titles to the sequestered properties in bad faith.

Neither are we inclined to sustain defendant's bank argument that the Court cannot grant a separate trial in this case because it has no jurisdiction over the claim that defendant bank acquired the properties in bad faith. Indeed, the issue of defendant bank's acquisition of the properties in bad faith is merely incidental to the main action which is for reversion, reconveyance, restitution, accounting and damages. It is axiomatic that jurisdiction over the subject matter of a case is conferred by law and is determined by the allegations in the complaint and the character of the relief sought, irrespective of whether the plaintiff is entitled to all or some of the claims asserted therein (*Russell v. Vestil*, 304 SCRA 738; *Saura v. Saura, Jr.*, 313 SCRA 465).<sup>[12]</sup>

Asian Bank moved for the reconsideration of the resolution, but the Sandiganbayan denied its motion through the second assailed resolution issued on July 13, 2005.<sup>[13]</sup>

Hence, Metrobank commenced this special civil action for *certiorari* as the successor-in-interest of Asian Bank and transferee of the properties.<sup>[14]</sup>

### **Issues**

Metrobank contends that the Sandiganbayan committed grave abuse of discretion in ruling that: (1) the Republic was entitled to a separate trial against Asian Bank; (2) the only issue as regards Asian Bank was whether there was evidence that Asian Bank acquired the properties in bad faith; and (3) the Sandiganbayan had

jurisdiction over the issue of Asian Bank's alleged bad faith in acquiring the properties.<sup>[15]</sup>

Anent the first issue, Metrobank states that the holding of a separate trial would deny it due process, because Asian Bank was entitled to contest the evidence of the Republic against the original defendants prior to Asian Bank's inclusion as an additional defendant; that Asian Bank (Metrobank) would be deprived of its day in court if a separate trial was held against it, considering that the Republic had already presented such evidence prior to its being impleaded as an additional defendant; that such evidence would be hearsay unless Asian Bank (Metrobank) was afforded the opportunity to test and to object to the admissibility of the evidence; that because Asian Bank disputed the allegedly ill-gotten character of the properties and denied any involvement in their allegedly unlawful acquisition or any connivance with the original defendants in their acquisition, Asian Bank should be given the opportunity to refute the Republic's adverse evidence on the allegedly ill-gotten nature of the properties.<sup>[16]</sup>

With respect to the second issue, Metrobank submits thuswise:

8.02 x x x the Honorable Sandiganbayan failed to consider that Respondent Republic of the Philippines' claim for the recovery of the subject properties from Asian Bank Corporation is anchored mainly on its allegations that: a) the subject properties constitute ill-gotten wealth of the other defendants in the instant civil case; and, b) Asian Bank Corporation acquired the subject properties in bad faith and with due notice of the pendency of the ill-gotten wealth case. In other words, the determination of the character of the subject properties as "ill-gotten wealth" is equally important and relevant for Asian Bank Corporation as it is for the other defendants considering that the issue of its alleged acquisition in bad faith of the subject properties is premised on Respondent Republic of the Philippines' claim that the subject properties form part of the ill-gotten wealth of the late President Marcos and his cronies. Such being the case, Asian Bank Corporation is entitled as a matter of right to contest whatever evidence was presented by Respondent Republic of the Philippines on these two (2) issues, specifically the character and nature of the subject properties.

8.03 It must be stressed that the discretion of the court to order a separate trial of such issues should only be exercised where the issue ordered to be separately tried is so independent of the other issues that its trial will in no way involve the trial of the issues to be thereafter tried and where the determination of that issues will satisfactorily and with practical certainty dispose of the case, if decided for defendant. Considering that the issue on Asian Bank Corporation's alleged acquisition in bad faith of the subject properties is intimately related to the issue on the character and nature of the subject properties as ill-gotten wealth of the other defendants in the instant civil case, there is absolutely no legal or factual basis for the holding of a separate trial against Asian Bank Corporation.<sup>[17]</sup>

As to the third issue, Metrobank posits that Asian Bank acquired the properties long after they had been acquired by the original defendants supposedly through unlawful means; that the Republic admitted that the evidence adduced against the original defendants would not apply to Asian Bank because the amended complaint in Civil Case No. 0004 did not impute any responsibility to Asian Bank for the accumulation of wealth by the original defendants, or did not allege that Asian Bank had participated in such accumulation of wealth; that there was also no allegation or proof that Asian Bank had been a business associate, dummy, nominee or agent of the Marcoses; that the inclusion of Asian Bank was not warranted under the law; that Asian Bank was a transferee in good faith and for valuable consideration; that the Sandiganbayan had no jurisdiction over civil cases against innocent purchasers for value like Asian Bank that had no notice of the allegedly ill-gotten nature of the properties; and that considering the admission of the Republic that the issue on the accumulation of wealth by the original defendants did not at all concern Asian Bank, it follows that the Sandiganbayan had no jurisdiction to pass judgment on the validity of Asian Bank's ownership of the properties.<sup>[18]</sup>

In contrast, the Republic insists that the *Rules of Court* allowed separate trials if the issues or claims against several defendants were entirely distinct and separate, notwithstanding that the main claim against the original defendants and the issue against Asian Bank involved the same properties; that the allegations in the case against Spouses Genito and the other original defendants pertained to the Republic's claim that the properties listed in Annex A of the original complaint constituted ill-gotten wealth, resulting in the probable forfeiture of the listed properties should the Republic establish in the end that such original defendants had illegally or unlawfully acquired such properties; that although the Republic conceded that neither Asian Bank nor Metrobank had any participation whatsoever in the commission of the illegal or unlawful acts, the only issue relevant to Metrobank being whether it had knowledge that the properties had been *in custodia legis* at the time of its acquisition of them to determine its allegation of being an innocent purchaser for valuable consideration; that because the properties were situated in the heart of Quezon City, whose land records had been destroyed by fire in 1998, resulting in the rampant proliferation of fake land titles, Asian Bank should have acted with extra caution in ascertaining the validity of the mortgagor's certificates of title; and that the series of transactions involving the properties was made under dubious circumstances.<sup>[19]</sup>

The Republic posits that the Sandiganbayan had exclusive original jurisdiction over all cases involving the recovery of ill-gotten wealth pursuant to Executive Orders No. 1, No. 2, No. 14 and No. 14-A issued in 1986, laws encompassing the recovery of sequestered properties disposed of by the original defendants while such properties remained *in custodia legis* and pending the final resolution of the suit; and that the properties pertaining to Spouses Genito were among the properties placed under the writs of sequestration issued by the Presidential Commission on Good Government (PCGG), thereby effectively putting such properties *in custodia legis* and rendering them beyond disposition except upon the prior approval of the Sandiganbayan.<sup>[20]</sup>

## **Ruling**