

## FIRST DIVISION

[ G.R. NO. 141818, June 22, 2006 ]

### INSULAR SAVINGS BANK, PETITIONER, VS. FAR EAST BANK AND TRUST COMPANY, RESPONDENT.

#### DECISION

##### YNARES-SANTIAGO, J.:

This petition for review on certiorari<sup>[1]</sup> assails the November 9, 1999 Order<sup>[2]</sup> of the Regional Trial Court of Makati City, Branch 135, in Civil Case No. 92-145 which dismissed the petition for review for lack of jurisdiction and its February 1, 2000 Order<sup>[3]</sup> denying reconsideration thereof.

The antecedent facts are as follows:

On December 11, 1991, Far East Bank and Trust Company (Respondent) filed a complaint against Home Bankers Trust and Company (HBTC)<sup>[4]</sup> with the Philippine Clearing House Corporation's (PCHC) Arbitration Committee docketed as Arbicom Case No. 91-069.<sup>[5]</sup> Respondent sought to recover from the petitioner, the sum of P25,200,000.00 representing the total amount of the three checks drawn and debited against its clearing account. HBTC sent these checks to respondent for clearing by operation of the PCHC clearing system. Thereafter, respondent dishonored the checks for insufficiency of funds and returned the checks to HBTC. However, the latter refused to accept them since the checks were returned by respondent after the reglementary regional clearing period.<sup>[6]</sup>

Meanwhile, on January 17, 1992, before the termination of the arbitration proceedings, respondent filed another complaint but this time with the Regional Trial Court (RTC) in Makati City docketed as Civil Case No. 92-145 for Sum of Money and Damages with Preliminary Attachment. The complaint was filed not only against HBTC but also against Robert Young, Eugene Arriesgado and Victor Tancuan (collectively known as Defendants), who were the president and depositors of HBTC respectively.<sup>[7]</sup> Aware of the arbitration proceedings between respondent and petitioner, the RTC, in an Omnibus Order dated April 30, 1992,<sup>[8]</sup> suspended the proceedings in the case against all the defendants pending the decision of the Arbitration Committee, to wit:

WHEREFORE, the Court hereby orders:

(a) Home Bankers & Trust Co. to produce and permit plaintiff to inspect, copy and/or photograph the checking account deposit ledger of Victor Tancuan's Account No. 1803-00605-3;

(b) The Motions to Dismiss filed by all defendants denied, for lack of

merit; and

**(c) Proceedings in this case against all defendants be suspended pending award/decision in the arbitration proceedings against Home Bankers and Trust Co.**

SO ORDERED.<sup>[9]</sup> (Emphasis supplied)

The above Omnibus Order was amended by the trial court in its October 1, 1992 Order,<sup>[10]</sup> the dispositive portion of which reads as follows:

WHEREFORE, the Omnibus Order dated 30 April 1992 is hereby reconsidered by deleting the phrase "since the complaint also seeks exemplary damages, attorney's fees, litigation expenses and costs of suit against HBT," on page 4 thereof and par. C of its dispositive portion is amended to read:

(c) "Proceedings against Home Bankers and Trust Co. are suspended pending award/decision in the arbitration proceedings while those against individual defendants be immediately reinstated and continued."

HBT and Tancuan's separate Motions for Reconsiderations are hereby denied, for lack of merit.

SO ORDERED.<sup>[11]</sup>

On February 2, 1998, the PCHC Arbitration Committee rendered its decision in favor of respondent,<sup>[12]</sup> thus:

IN VIEW OF ALL THE FOREGOING, judgment is hereby rendered in favor of the plaintiff and against the defendant sentencing the latter to pay the plaintiff the sum of P25.2 million as principal. In view of the fact, however, that this amount was split between the plaintiff and the defendant in the course of the proceedings, the amount to be paid by the defendant to the plaintiff should only be P12,600,000.00 plus interest on this latter amount at the rate of 12% per annum from February 11, 1992, the date when the total amount of P25.2 Million was split between plaintiff and defendant up to the date of payment.

In view of the facts found by the committee, no attorney's fees nor other damages are awarded.

SO ORDERED.<sup>[13]</sup>

The motion for reconsideration filed by petitioner was denied by the Arbitration Committee.<sup>[14]</sup> Consequently, to appeal the decision of the Arbitration Committee in Arbicom Case No. 91-069, petitioner filed a petition for review **in the earlier case filed by respondent in Branch 135 of the RTC of Makati and docketed as Civil Case No. 92-145.**<sup>[15]</sup> In an order dated January 20, 1999, the RTC directed both petitioner and respondent to file their respective memoranda, after which, said petition would be deemed submitted for resolution.<sup>[16]</sup>

Both parties filed several pleadings. On February 8, 1999, respondent filed a Motion to Dismiss Petition for Review for Lack of Jurisdiction,<sup>[17]</sup> which was opposed by the petitioner.<sup>[18]</sup> Respondent then filed its Reply to the opposition,<sup>[19]</sup> to which petitioner filed a Rejoinder.<sup>[20]</sup> On August 16, 1999, respondent submitted its Surrejoinder.<sup>[21]</sup>

On November 9, 1999, the RTC rendered the assailed Order which held, thus:

Acting on plaintiff Far East Bank and Trust Company's "Motion To Dismiss Petition For Review For Lack Of Jurisdiction", considering that the petition for review is a separate and distinct case, the same must comply with all the requirements for filing initiatory pleadings for civil actions before this Court so that since the commencement of the subject petition lacks the mandatory requirements provided for, except the payment of docket fees, for lack of jurisdiction, the petition for review is hereby dismissed.

SO ORDERED.<sup>[22]</sup>

The RTC denied petitioner's motion for reconsideration,<sup>[23]</sup> hence, this petition on the sole ground, to wit:

THE REGIONAL TRIAL COURT ERRED IN DISMISSING THE PETITION OF PETITIONER FOR LACK OF JURISDICTION ON THE GROUND THAT IT SHOULD HAVE BEEN DOCKETED AS A SEPARATE CASE.<sup>[24]</sup>

Petitioner contends that Civil Case No. 92-145 was merely suspended to await the outcome of the arbitration case pending before the PCHC. Thus, any petition questioning the decision of the Arbitration Committee must be filed in Civil Case No. 92-145 and should not be docketed as a separate action. Likewise, petitioner avers that had it filed a separate action, "this would have resulted in a multiplicity of suits, which is abhorred in procedure."

Meanwhile respondent avers that the RTC correctly dismissed the appeal from the award of private arbitrators since there is no statutory basis for such appeal. Respondent argues that petitioner's claim that the parties by agreement had conferred on the RTC appellate jurisdiction over decisions of private arbitrators is erroneous because they cannot confer a non-existent jurisdiction on the RTC or any court. Furthermore, the petition for review filed by petitioner violated the rule on commencing an original action under Section 5, Rule 1, and the raffle of cases under Section 2, Rule 20 of the Rules of Court, when it filed the same in Branch 135 of the RTC of Makati where there was already a pending original action, *i.e.*, Civil Case No. 92-145.

The petition lacks merit.

The Philippine Clearing House Corporation was created to facilitate the clearing of checks of member banks. Among these member banks exists a *compromissoire*,<sup>[25]</sup> or an arbitration agreement embedded in their contract wherein they consent that any future dispute or controversy between its PCHC participants involving any check would be submitted to the Arbitration Committee for arbitration. Petitioner and respondent are members of PCHC, thus they underwent arbitration proceedings.

The PCHC has its own Rules of Procedure for Arbitration (PCHC Rules). However, this is governed by Republic Act No. 876, also known as The Arbitration Law<sup>[26]</sup> and supplemented by the Rules of Court.<sup>[27]</sup> Thus, we first thresh out the remedy of petition for review availed of by the petitioner to appeal the order of the Arbitration Committee.

Sections 23, 24 and 29 of The Arbitration Law, and Section 13 of the PCHC Rules, provide:

SEC. 23. Confirmation of award. - At any time within one month after the award is made, **any party** to the controversy which was arbitrated **may apply to the court having jurisdiction**, as provided in Section 28, **for an order confirming the award; and thereupon the court must grant such order unless the award is vacated, modified or corrected, as prescribed herein.** Notice of such motion must be served upon the adverse party or his attorney as prescribed by law for the service of such notice upon an attorney in action in the same court.

SEC. 24. Grounds for vacating award. - In any one of the following cases, the court must make an order vacating the award upon the petition of any party to the controversy when such party proves affirmatively that in the arbitration proceedings:

- (a) The award was procured by corruption, fraud or other undue means; or
- (b) That there was evident partiality or corruption in the arbitrators or any of them; or
- (c) That the arbitrators were guilty of misconduct in refusing to postpone the hearing upon sufficient cause shown, or in refusing to hear evidence pertinent and material to the controversy; that one or more of the arbitrators was disqualified to act as such under section nine hereof, and willfully refrained from disclosing such disqualification or of any other misbehavior by which the rights of any party have been materially prejudiced; or
- (d) That the arbitrators exceeded their powers, or so imperfectly executed them, that a mutual, final and definite award upon the subject matter submitted to them was not made.

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SEC. 25. Grounds for modifying or correcting award. - In any one of the following cases, the court must make an order modifying or correcting the award, upon the application of any party to the controversy which was arbitrated:

- (a) Where there was an evident miscalculation of figures, or an evident mistake in the description of any person, thing or property referred to in the award; or
- (b) Where the arbitrators have awarded upon a matter not submitted to them, not affecting the merits of the decision upon the matter submitted; or