

THIRD DIVISION

[G.R. NO. 146313, October 31, 2006]

**FLORENCIO ORENDAIN, PETITIONER, VS. BF HOMES, INC.,
RESPONDENT.**

DECISION

VELASCO, JR., J.:

Before us is a Petition for Review on Certiorari praying for the reversal of the August 18, 2000 Decision and December 6, 2000 Resolution of the Court of Appeals (CA) in CA-G.R. SP No. 48263 entitled *Florencio B. Orendain v. Hon. Alfredo R. Enriquez, Presiding Judge of RTC-Br. 275, Las Piñas, and BF Homes, Inc.*, which affirmed the December 4, 1996 and April 22, 1998 Orders of the Las Piñas RTC finding that said court, not SEC, has jurisdiction over Civil Case No. LP-96-0022 for reconveyance of the lot covered by TCT No. T-36482 to respondent BF Homes, Inc. ("BF Homes" for brevity).

BF Homes, Inc. is a domestic corporation operating under Philippine laws and organized primarily to develop and sell residential lots and houses and other related realty business.^[1]

Records show that respondent BF Homes had to avail itself of financial assistance from various sources to enable it to buy properties and convert them into residential subdivisions. This resulted in its incurring liabilities amounting to PhP 1,542,805,068.23^[2] as of July 31, 1984. On the other hand, during its business operations, it was able to acquire properties and assets worth PhP 2,482,843,358.81 as of July 31, 1984, which, if liquidated, were more than enough to pay all its creditors.^[3]

Despite its solvent status, respondent filed a Petition for Rehabilitation and for Declaration in a State of Suspension of Payments under Section 4 of PD No. 1758 before the Securities and Exchange Commission (SEC) because of the following:

(a) the predatory acts of the Central Bank of trying to take over Banco Filipino and hand it cheap to its unidentified principal and its buyer financing facility with Banco Filipino has been suspended such that it cannot now consummate its sales transactions necessary for it to generate cash to service and/or liquidate its various maturing obligations;

(b) the libelous [circulars] made by the Central Bank to banks under its supervision that its deposit accounts and other transactions with them were being examined such that the creditors of [BF Homes] have [begun] insisting on full liquidation under pain of foreclosure of their notes x x x; and

(c) the [liquidation] of [BF Homes'] assets cannot be made in such a short time as demanded by its creditors.^[4]

In the said petition, respondent prayed that-in the meantime it was continuing its business operations-it be afforded time to pay its aforesaid obligations, freed from various proceedings either judicially or extra-judicially against its assets and properties. Also, respondent highlighted the importance of and prayed for a Rehabilitation Receiver in the petition. Such receiver, according to respondent, was "imperative to oversee the management and operations of [BF Homes] so that its business may not be paralyzed and the interest of the creditors may not be prejudiced." It further argued that "rehabilitation [was] feasible and imperative because otherwise, in view of the extent of its involvement in the shelter program of the government and in the nation's home mortgage insurance system, which has a secured coverage for at least P900 M of [BF Homes'] P1.5 B liabilities, not only [the] creditors, [buyers, and stockholders] of the petitioner corporation may suffer but the public as well."^[5]

In SEC Case No. 2693, the SEC subsequently issued its March 18, 1985 Order which stated:

WHEREFORE, in the interest of the parties-litigants, as well as the general public, and in order to prevent [paralyzation] of business operation[s] of the B.F. Homes, Inc., a Management Committee is hereby created composed of:

1. Atty. Florencio Orendain as Chairman
2. Representative of B. F. Homes, Inc. - member
3. Representative of Home Financing Commission - member
4. Two (2) representatives from the major creditors - members

x x x x

Accordingly, with the creation of the Management Committee, all actions for claims against B.F. Homes, Inc. pending before the court, tribunal, board or body are hereby deemed suspended.^[6]

Thereafter, on February 2, 1988, the SEC ordered the appointment of a rehabilitation receiver, FBO Management Networks, Inc., with petitioner Orendain as Chairman to prevent paralyzation of BF Homes' business operations.^[7]

On October 8, 1993, a Deed of Absolute Sale^[8] was executed by and between BF Homes-represented by petitioner Orendain-as absolute and registered owner, and the Local Superior of the Franciscan Sisters of the Immaculate Phils., Inc. (LSFSIPI) over a parcel of land situated at Barangay Pasong Papaya, BF International, Municipality of Las Piñas, Metro Manila, covered by Transfer Certificate of Title No. T-36482.

The portion of land sold to LSFSIPI was 7,800 square meters, more or less, for

Nineteen Million Five Hundred Thousand Pesos (PhP 19,500,000.00).^[9]

Meanwhile, on November 7, 1994, the SEC hearing panel released an Omnibus Order^[10] which admitted and confirmed the Closing Report submitted by the receiver, petitioner Orendain. It further appointed a new Committee of Receivers composed of the eleven (11) members of the Board of Directors of BF Homes with Albert C. Aguirre as the Chairman of the Committee. Consequently, receiver Orendain was relieved of his duties and responsibilities.

In its August 22, 1995 Order,^[11] the SEC denied BF Homes' and the intervenor-derivative suitor Eduardo S. Rodriguez's motions for reconsideration of its November 7, 1994 Omnibus Order.

On January 23, 1996, BF Homes filed a Complaint before the Las Piñas RTC against LSFSIPI and petitioner Orendain, in Civil Case No. LP-96-0022, for reconveyance of the property covered by TCT No. T-36482-alleging, *inter alia*, that the LSFSIPI transacted with Orendain in his individual capacity and therefore, neither FBO Management, Inc. nor Orendain had title to the property transferred. Moreover, BF Homes averred that the selling price was grossly inadequate or insufficient amounting to fraud and conspiracy with the LSFSIPI. BF Homes also stated that the total assessed value of the property was approximately PhP 802,330.00. Hence, it prayed in the Complaint that LSFSIPI reconvey the disputed property or, if reconveyance was no longer feasible, pay the present value of the property.^[12]

On March 21, 1996, the LSFSIPI filed its Answer with Compulsory Counterclaim,^[13] stating, among others, that (1) the Complaint stated no cause of action since there was a valid sale with sufficient consideration, and there was no fraud; (2) it was barred by a prior judgment of a tribunal with sufficient jurisdiction over the matter, and BF Homes was liable for forum shopping; and (3) BF Homes could not question its own acts by way of estoppel.

On June 14, 1996, Florencio B. Orendain filed a Motion to Dismiss stating that (1) the RTC had no jurisdiction over the reconveyance suit; (2) the Complaint was barred by the finality of the November 7, 1994 Omnibus Order of the SEC hearing panel; and (3) BF Homes, acting through its Committee of Receivers, had neither the interest nor the personality to prosecute the said action, in the absence of SEC's clear and actual authorization for the institution of the said suit.^[14]

On July 15, 1996, BF Homes filed its Opposition^[15] to petitioner's Motion to Dismiss, alleging that the case was within the exclusive jurisdiction of the RTC, not the SEC, considering that the case was an ordinary reconveyance suit. Likewise, BF Homes alleged that the cause of action was not barred by the perceived finality of the SEC November 7, 1994 Omnibus Order, and that the general powers of a receiver authorized BF Homes to institute actions to recover the property.

On December 4, 1996, RTC Las Piñas, Branch 275 issued an Order denying the June 14, 1996 Motion to Dismiss for lack of merit.^[16]

However, on May 8, 1997, the SEC rendered its Order, as follows:

WHEREFORE, premises considered, the decision of the hearing panel denying the motion for intervention of Mr. Eduardo Rodriguez is hereby **AFFIRMED**. The Commission hereby receives and notes the Closing Report of the Management Network and the Joaquin Cunanan Audit Report for inclusion in the records of the case without going into the merits and veracity of the contents thereof; the order to pay the attorney's fees of Balgos and Perez is hereby **SET ASIDE**; the resolution of the issue on the alleged payment of receiver's fees of FBO Management Network is hereby deferred, and the order to pay the additional fees of the receiver is hereby set aside until after the Commission en banc finally clears and releases FBO Management Networks from its accountabilities in accordance with the policies and orders of the Commission on the receivership.^[17]

On December 27, 1997, petitioner Orendain filed his Motion for Reconsideration^[18] of the RTC December 4, 1996 Order. Consequently, BF Homes filed its January 17, 1997 Opposition^[19] to Orendain's Motion for Reconsideration; and on April 22, 1998, the RTC issued an Order denying the Motion for Reconsideration for lack of merit and petitioner Orendain was directed to file his answer to the Complaint within ten (10) days from receipt of the Order.^[20]

Petitioner then filed his Answer *Ex Abudante Ad Cautelam* with Compulsory Counterclaims^[21] on May 29, 1998.

On July 13, 1998, petitioner filed before the CA a Petition for Certiorari and Prohibition with Prayer for the Issuance of a Temporary Restraining Order and/or Bonded Writ of Preliminary Injunction^[22] which sought to annul the RTC December 4, 1996 and April 22, 1998 Orders, denying petitioner's Motion to Dismiss and Motion for Reconsideration. Petitioner alleged that these motions were issued without jurisdiction or with grave abuse of discretion amounting to lack or in excess of jurisdiction.

The Ruling of the Court of Appeals

In its August 18, 2000 Decision, the CA held that the action for reconveyance filed by BF Homes was within the exclusive jurisdiction of the RTC. In the rehabilitation case, the LSFSIPI was not a party to the said case and did not have any intra-corporate relation with petitioner at the time of the sale. The SEC could not acquire jurisdiction over the Franciscan Sisters; while petitioner Orendain was sued in his individual capacity and not in his official capacity as receiver.^[23]

Moreover, the CA stated that at the time the assailed orders were issued, the subject SEC Order had not yet attained finality; that there was no identity between the first and the second action with respect to the parties; and that the SEC November 7, 1994 Omnibus Order relied on by Orendain was not a decision on the merits of BF Homes' Petition for Rehabilitation and for a Declaration in a State of Suspension of Payments under Sec. 4 of P.D. No. 1758.

According to the CA:

Although this Court is not oblivious to the fact that the SEC *en banc* in a Decision dated May 8, 1997, affirmed the denial of the intervention filed by Rodriguez, still the said order did not go into the merits of the intervention but merely refused to give due recognition to the intervention as it was allegedly "untimely." Therefore, the contention of petitioner that the principle of *res judicata* is applicable in the case at bar does not hold water. [24]

The CA ultimately rendered its judgment in this wise:

WHEREFORE, premises considered, the instant petition is DISMISSED for failure to clearly show grave abuse of discretion and the assailed orders dated December 4, 1996 and April 22, 1998, are hereby AFFIRMED in toto without costs to petitioner.[25]

Hence, this petition is before us.

The Court's Ruling

Petitioner avers that the CA erred in holding that (1) the complaint *a quo* is a simple reconveyance suit and hence, can be heard and tried by the court *a quo*; (2) *res judicata* is inapplicable to the complaint *a quo*; and (3) the Committee of Receivers may institute an action against a former receiver without prior SEC approval.[26]

The petition is not meritorious.

Action for Reconveyance in the RTC Does Not Involve Intra-Corporate Dispute

The issue central to this petition is: which has jurisdiction over the action for reconveyance-the RTC or SEC.

Petitioner Orendain argues that it is the SEC that has jurisdiction by virtue of Presidential Decree No. 902-A since BF Homes' suit was instituted against him as its former receiver. He also avers that BF Homes' allegations were nothing more than protestations against the former receiver who entered into a transaction during BF Homes' regime of rehabilitation; and that the assailed transaction was consummated at the time the SEC had placed BF Homes under rehabilitation. Therefore, according to petitioner, the SEC, which appointed the rehabilitation receiver, has the sole power to decide the issue as to whether petitioner acted within the scope of the vested authority.

Petitioner also claims that the resolution of the instant controversy depends on the ratification by the SEC of the acts of its agent, the receiver. Also, he asserts that for the RTC to insist on hearing and deciding the case below is to dislodge the appointing body from reviewing, ratifying, confirming, or overruling the acts of its appointee; and such would constitute undue interference on the jurisdiction of the SEC by a court of equal jurisdiction. Further, petitioner claims that the questions of whether the receiver of a company undergoing rehabilitation acted within the scope of his authority, and whether a transaction consummated during the rehabilitation proceedings is impermissible, are matters not within the province of a regular court acting on an ordinary reconveyance suit. Petitioner avers that the undisputed fact is