

SECOND DIVISION

[G.R. No. 129995, October 19, 2001]

THE PROVINCE OF BATAAN, PETITIONER-APPELLANT, VS. HON. PEDRO VILLAFUERTE, JR., AS PRESIDING JUDGE OF THE REGIONAL TRIAL COURT OF BATAAN (BRANCH 4), AND THE PRESIDENTIAL COMMISSION ON GOOD GOVERNMENT, RESPONDENTS-APPELLEES.

D E C I S I O N

BUENA, J.:

Sought to be reversed in the instant Petition for Review on *Certiorari* is the Decision^[1] of the Court of Appeals, dated 19 December 1996, in C.A. G.R. SP. No. 33344, upholding the twin orders dated 28 July 1993 and 11 November 1993 of the Regional Trial Court (RTC) of Bataan, Branch 4, in Civil Case No. 210-ML, for annulment of sale.

In its order dated 28 July 1993,^[2] the lower court directed that herein petitioner Province of Bataan remit to said court whatever lease rentals petitioner may receive from lessees 7-R Port Services and Marina Port Services, and that such lease rentals be placed under a special time deposit with the Land Bank of the Philippines, Balanga Branch, for the account of the RTC-Balanga, Branch 4, *in escrow*, for the person or persons, natural or juridical, who may be adjudged lawfully entitled thereto. The order dated 11 November 1993,^[3] denied herein petitioner's motion for reconsideration of the 28 July, 1993 order.

Involved in the present controversy is an expanse of real property (hereinafter referred to as the BASECO property) situated at Mariveles, Bataan and formerly registered and titled in the name of either the Bataan Shipyard and Engineering Corporation (BASECO), the Philippine Dockyard Corporation or the Baseco Drydock and Construction Co., Inc..

Pursuant to Presidential Decree No. 464, otherwise known as the Real Property Tax Code of 1974, the Provincial Treasurer of Bataan advertised for auction sale the BASECO property due to real estate tax delinquency amounting to P7,914,281.72, inclusive of penalties.^[4] At the auction sale held on 12 February 1988, no bidder vied for said property as a result of which, the Provincial Treasurer of Bataan adjudged the property to, and acquired the same for, and in the name of herein petitioner Province of Bataan. Upon the expiration of the one-year redemption period, and without the owner exercising its right to redeem the subject property, the Provincial Government of Bataan consolidated its title thereon; the corresponding certificates of title were then issued in the name of herein petitioner Province of Bataan.

Eventually, petitioner, thru then Provincial Governor Enrique T. Garcia, entered into a

ten-year contract of lease with 7-R Port Services, Inc., whereby portions of the BASECO property including facilities and improvements thereon, were leased to the latter for a minimum escalating annual rental of Eighteen Million Pesos (P18 million). On 10 May 1993, petitioner forged another contract of lease with Marina Port Services, over a ten-hectare portion of the BASECO property.

On 11 May 1993, The Presidential Commission on Good Government (PCGG), for itself and on behalf of the Republic of the Philippines and the BASECO, the Philippine Dockyard Corporation and the Baseco Drydock and Construction Co. Inc., filed with the RTC-Bataan a complaint for annulment of sale,^[5] principally assailing the validity of the tax delinquency sale of the BASECO property in favor of petitioner Province of Bataan. Among others, the complaint alleged that the auction sale held on 12 February 1988, is void for having been conducted:^[6]

"a) In defiance of an injunctive order issued by the PCGG in the exercise of its powers under Executive Order No. 1, Series of 1986;

"b) in contravention of the Real Property Tax Code of 1974;

"c) while the issue of ownership of the Baseco property and of whether the same partakes of the nature of ill-gotten wealth is pending litigation in Civil Case No. 0010 before the Sandiganbayan; and

"d) despite the inscription of the sequestration order at the back of each title of the BASECO property."

In its prayer, the complaint asked for the following reliefs:

"1) The tax delinquency sale held on February 12, 1988 be declared null and void; and the defendant Province of Bataan be ordered to reconvey all the properties thus sold to its rightful owners, the Republic of the Philippines and/or the other plaintiffs herein;

"2) The defendants be ordered to render an accounting to, and pay plaintiffs all earnings, fruits and income which they have received or could have received from the time they claimed ownership and took possession and control of all the auctioned properties; and to account and pay for all the losses, deterioration and destruction thereof;

"3) The defendants be ordered, jointly and severally to pay plaintiffs for all damages suffered by it/them by reason of the unlawful actuations of the defendants, in the sum herein claimed and proven at the trial of this case, including attorney's fees and costs of suit;

"4) The defendant 7-R Port Services, Inc. be ordered to immediately cease and desist from paying any lease rentals to the Province of Bataan, and instead to pay the same directly to the plaintiffs;

"5) The Register of Deeds of Bataan be ordered to cancel the Torrens

titles it had issued in favor of the Province of Bataan, and issue a new Torrens titles (sic) in favor of plaintiffs in lieu of the cancelled ones".

Herein respondent PCGG, upon learning of the lease contracts entered into by and between petitioner and Marina Port Services, filed with the RTC an urgent motion for the issuance of a writ of preliminary injunction to enjoin herein petitioner "from entering into a lease contract with Marina Port Services, Inc. (Marina), or any other entity, and/or from implementing/enforcing such lease contract, if one has already been executed, and to maintain the status quo until further orders from the Court."

On 06 July 1993, the lower court denied the motion ratiocinating that the lease contract with Marina was already a *fait accompli* when the motion was filed, and that Marina was not a party to the suit for not having been impleaded as party-defendant.

On 30 June 1993, the PCGG filed with the lower court an "Urgent Motion to Deposit Lease Rentals," alleging *inter alia* that the rentals amounting to "Hundreds of Millions of Pesos" are "in danger of being unlawfully spent, squandered and dissipated to the great and irreparable damage of plaintiffs who are the rightful owners of the property leased."

On 28 July 1993, the lower court granted the PCGG's urgent motion and issued its assailed order the dispositive portion of which reads:

"ACCORDINGLY, the defendant Province of Bataan is hereby ordered to remit to this Court the lease rentals it may receive from the defendant 7-R Port Services, Inc. and the Marina Port Services, Inc. to commence from its receipt of this Order and for the Clerk of Court of this Branch to deposit said amount under special time deposit with the Land Bank of the Philippines, Balanga Branch, in Balanga, Bataan in the name and/or account of this Court to be held in **ESCROW** for the person or persons, natural or juridical, who may be finally adjudged lawfully entitled thereto, and subject to further orders from this Court."^[7]

Petitioner moved to reconsider the aforementioned order, which motion the lower court denied *via* its assailed order dated 11 November 1993.^[8] Aggrieved by the lower court's twin orders, petitioner filed before the Court of Appeals a petition for *certiorari* with prayer for issuance of a temporary restraining order and writ of preliminary injunction.^[9]

On 01 December 1995, the Bataan Shipyard and Engineering Corporation, the Philippine Dockyard Corporation and the Baseco Drydock and Construction Co., Inc., filed a motion for leave to intervene before the Court of Appeals. In a Resolution dated 26 March 1996, the appellate court granted the motion.

On 16 April 1996, the intervenors-respondents filed their Answer-in-Intervention praying for the dismissal of the petition before the Court of Appeals and the dissolution of the preliminary injunction issued in favor of petitioners.^[10]

In its Decision dated 19 December 1996, the Court of Appeals dismissed the petition to which a motion for reconsideration was filed by petitioner. In a Resolution dated 21 July 1997, respondent court likewise denied the motion for reconsideration, hence, the instant appeal where petitioner Province of Bataan imputes to the Court of Appeals a lone assignment of error, to wit:

"The Court of Appeals manifestly erred in refusing to declare and/or hold that the respondent judge acted without jurisdiction or with grave abuse of discretion in ordering the deposit in escrow of the rental payments pertaining to the petitioner province."

In simpler terms, the sole issue for resolution revolves around the propriety of the escrow order issued by the lower court in the civil suit for annulment of sale.

The instant petition is devoid of merit.

In the main, petitioner insists that the issuance of the escrow order by the trial court "was patently irregular, if not downright anomalous", reasoning that "nowhere in the Revised Rules of Court is the trial court, or any court for that matter, authorized to issue such escrow order, whether as a provisional or permanent remedy." According to petitioner, "the escrow orders in question are null and void *ab initio* for having been issued absent any legal basis" and are "merely calculated to prejudice the petitioner province without any practical or worthwhile, much less legal objective."

We do not agree. An **escrow**^[11] fills a definite niche in the body of the law; it has a distinct legal character.^[12] The usual definition is that an escrow is a written instrument which by its terms imports a legal obligation and which is deposited by the grantor, promisor, or obligor, or his agent with a stranger or third party, to be kept by the depositary until the performance of a condition or the happening of a certain event, and then to be delivered over to the grantee, promisee, or obligee.^[13]

While originally, the doctrine of escrow applied only to deeds by way of grant,^[14] or as otherwise stated, instruments for the conveyance of land,^[15] under modern theories of law, the term escrow is not limited in its application to deeds, but is applied to the deposit of any written instrument with a third person.^[16] Particular instruments which have been held to be the subject of an escrow include bonds or covenants, deeds, mortgages, oil and gas leases, contracts for the sale of land or for the purchase of personal property, corporate stocks and stock subscriptions, promissory notes or other commercial paper, insurance applications and policies, contracts for the settlement of will-contest cases, indentures of apprenticeship, receipts assigning concessions and discontinuances and releases of causes of action.^[17] **Moreover, it is no longer open to question that money may be delivered in escrow.**^[18]

In our jurisdiction, an escrow order issued by a court of law may find ample basis and support in the court's intrinsic power to issue orders and other ancillary writs and processes incidental or reasonably necessary to the exercise of its main jurisdiction. Evidently, judicial power connotes certain incidental and inherent