

FIRST DIVISION

[G. R. No. 125167, September 08, 2000]

**PRODUCERS BANK OF THE PHILIPPINES, ANTONIO M. PERRY,
AND TRISTAN CATINDIG, PETITIONERS, VS. BANK OF THE
PHILIPPINE ISLANDS AND THE COURT OF APPEALS,
RESPONDENTS.**

D E C I S I O N

PARDO, J.:

The case before the Court is an appeal from the decision of the Court of Appeals reversing that of the trial court dismissing the case, and remanding the same to the trial court for further proceedings.^[1]

The facts are as follows:

On August 15, 1980, Dewey Dee, Donald Dee, Emmanuel Cu, Michael Barreto and Angelito Lagos as pledgors, executed in favor of Ayala Investment & Development Corporation (AIDC), a deed of pledge covering their shares of stock in Producers Bank of the Philippines. Under the deed of pledge, the pledgors delivered by way of pledge unto AIDC, its successors and assigns, all their rights, title and interest over their shares of stock in Producers Bank to secure the full payment of the obligation of Continental Manufacturing Corporation, in the amount of P4,500,000.00.

On January 13, 1981, AIDC notified Producers Bank, through its corporate secretary, of the pledge constituted in AIDC's favor by the aforementioned stockholders of Producers Bank; and requested the latter to record the pledge in its books.^[2]

By letter dated January 13, 1981,^[3] Producers Bank refused to record the pledge in its books on the ground that the shares of stock in question were not registered in the names of the persons named therein. When AIDC inquired^[4] as to the reasons why the shares of stock in question were not registered in the names of the persons named therein, Producers Bank replied^[5] that it had unilaterally appropriated in its favor all the shareholdings of the pledgees.

On January 23, 1981, AIDC declared the total obligation of Continental Manufacturing Corporation, in the amount of P4,500,000.00, to be due and demandable on January 28, 1981. The pledgors were notified that in case of non-payment of the full amount of the indebtedness on said date, AIDC would cause the sale of the pledged shares at a public auction.

On January 28, 1981, the obligation secured by the pledge was not paid, and upon prior notice, AIDC proceeded with the sale at public auction of the pledged shares before Notary Public Ramoncito C. Mison. The public auction sale was held at the

office of AIDC on January 29, 1981, at 10:00 a.m.

No bidders appeared on said date and time. The scheduled auction sale was adjourned, and upon proper notice to the debtor and the pledgors, a second public auction sale was scheduled on February 5, 1981, at 10:00 a.m., at the principal offices of AIDC, located at the 5th Floor, Makati Stock Exchange Building, Ayala Avenue, Makati City.

Again, no bidders appeared at the second public auction sale. Thus, AIDC appropriated all the shares of stock pledged in its favor. Accordingly, AIDC executed an acquittance of the pledgor's obligation.^[6]

Having acquired all the shares of stock of Dewey Dee, Donald Dee, Emmanuel Cu, Michael Barretto, and Angelito Lagos, on February 8, 1981, AIDC requested Producers Bank to cancel the certificates of stock registered in their names, and to issue the corresponding certificates of stock in the name of AIDC for the total amount of 42,176 shares.^[7] Notwithstanding such request, petitioner Producers Bank, through its corporate secretary, refused to issue the corresponding certificates of stock in AIDC's name.

Because of the refusal, on February 13, 1981, AIDC filed with the Securities and Exchange Commission (SEC for brevity) a "Petition for the Issuance of Certificates of Stock". In its decision,^[8] the SEC ordered Producers Bank "to cancel the certificates of stock of Messrs. Dewey Dee, et al., and to issue new certificates to petitioner upon presentation of the certificates of stock.

However, on September 2, 1987, the Court of Appeals set aside the SEC decision on the ground that the SEC had no jurisdiction over the case; and that the action must be filed with regular courts of justice.^[9] On January 24, 1988, the Supreme Court affirmed the said decision.

Meantime, on August 1, 1985, Bank of the Philippine Islands (BPI) acquired all the assets and liabilities of AIDC by virtue of its merger, with the Bank of the Philippine Islands as the surviving corporation.

On February 9, 1989, BPI, as AIDC's successor-in-interest, filed with the Regional Trial Court, Makati a complaint for specific performance and damages against petitioners. On May 9, 1989, petitioners filed with the trial court a motion to dismiss on the following grounds: (a) that BPI's cause of action is barred by the statute of limitations; and (b) that the complaint states no cause of action.

On January 15, 1991, the trial court issued an order dismissing the complaint, stating that the grounds set forth in the motion to dismiss appear to be meritorious and well-founded, without explaining why.

On appeal to the Court of Appeals, on February 29, 1996, the Court of Appeals rendered its decision reversing the ruling of the trial court and ordering the case remanded to the trial court for further proceedings.

Hence, this petition.^[10]