

FORMER SIXTH DIVISION

[CA-G.R. CV NO. 98607, November 25, 2014]

NATIONAL STEEL CORPORATION, REPRESENTED BY ITS DULY APPOINTED LIQUIDATOR, ATTY. DANILO L. CONCEPCION, PLAINTIFF-APPELLEE, VS. CITY OF ILIGAN, HON. LAWRENCE LL. CRUZ, IN HIS CAPACITY AS CITY MAYOR OF ILIGAN, HON. LOUELA S. MAYBITUIN, IN HER CAPACITY AS CITY TREASURER OF ILIGAN, AND THE SANGGUNIAN PANLUNGSOD OF THE CITY OF ILIGAN, DEFENDANTS-APPELLANTS.

AMENDED DECISION

BARZA, J.:

Before this Court is plaintiff-appellee's *Motion for Reconsideration*^[1] of this Court's *Decision*, dated March 7, 2014, which granted defendants-appellants' appeal by setting aside the Decision of the Regional Trial Court of Makati, Branch 57 (*hereinafter referred to as "RTC"*), dated October 7, 2011 in Civil Case No. 10-639 and declaring all the proceedings conducted therein null and void for lack of jurisdiction.

To recall, NSC availed of the City of Iligan's City Ordinance No. 04-4611^[2] which granted to real property taxpayers a one hundred percent (100%) relief on interests and penalties for delinquent real properties. Previously, there was a default on the part of the NSC in paying the real property tax of its Iligan Plant and all the equipment located therein used for plant operations (*collectively referred to as "Plant Assets"*). Thus, the Tax Amnesty Agreement (TAA) was signed by NSC and the City of Iligan wherein it was provided that the total real property tax liability amounting to P177,527,351.99 shall be paid by NSC in (8) annual installments of P22,190,918.99 from 2004 to 2012, except the year 2005. The TAA also provided that the aforesaid scheme of payment must be religiously complied with by NSC while also paying its current real estate taxes, otherwise all penalties and interests that have been waived by virtue of City Ordinance No. 04-4611 shall be restored and become immediately due and demandable.

The City of Iligan, however, sent letters to NSC threatening to revoke the TAA when the latter defaulted in paying its current real property taxes for the year 2005. Despite the said threats, however, NSC still paid the City of Iligan the amount of P22,190,918.00, which represented its installment payment for the year 2006 under the TAA. Thereafter, PNB-Trust tendered in behalf of NSC two (2) Manager's Checks, ^[3] one amounting to P133,145,514.01, representing the third to eight accelerated installment payments of NSC under the TAA and another check amounting to P1,398,813.64, representing the real property tax liability of NSC's Plant Assets, including those sold to Global Steel for the period of October 1-14, 2004.

In response to the said payment, the City Council of Iligan enacted *Resolution No.*

08-924^[4] authorizing the City Treasurer to (a) receive and issue an Official Receipt for the PNB-Trust's tender of the amount of P133,145,514.01, based on the October 13, 2004 schedule of payments contained in the letter of retired City Treasurer, Mr. Balat, without further elaboration or qualification in the Official Receipt and (b) issue an Official Receipt for PNB-Trust's tender of P1,398,813.64 subject to verification of the basis and amount being paid. The City Treasurer then issued *Official Receipt Nos. 9781501*^[5] (for the P133,145,514.01) and *9781502*^[6] (for the P1,398,813.64) to acknowledge receipt of payments tendered by PNB-Trust. Thereafter, two *Certifications* dated December 18, 2008^[7] and February 23, 2009,^[8] respectively, were issued acknowledging receipt of the payment tendered by PNB-Trust in full compliance with the schedule of payments as contained in the October 13, 2004 letter of the previous city treasurer, Mr. Balat.

Despite NSC's payment, however, the City of Iligan still demanded payment of real estate taxes on its Plant Assets thereby prompting NSC to file a *Complaint for Specific Performance*^[9] against defendants-appellants wherein it prayed that by virtue of the unqualified acceptance of NSC's payments by the City of Iligan, the latter be ordered to comply with its obligations under the TAA by clearing NSC of all its real property tax liabilities until October 14, 2004 and afford them relief from the payment of interests and penalties pursuant to the amnesty.

In its *Decision*^[10] dated October 7, 2011, the RTC declared NSC has fully complied with its obligations under the TAA and ordered defendants-appellants to comply with its own obligation therein by clearing plaintiff of all its real property tax liabilities up to October 14, 2004. Defendants-appellants sought for a reconsideration of the said decision but the same was denied by the RTC in its *Order*^[11] dated February 6, 2012.

On appeal before this Court, We agreed with the contention of defendants-appellants and held, in our *Decision*^[12] dated March 7, 2014, that what NSC essentially seeks in filing its complaint for specific performance before the RTC is to settle the claim for taxes against it by the City of Iligan. Ruling that the settlement of claims against a distressed corporation is a liquidation function which properly falls under the jurisdiction of the SEC, We set aside the Decision of the RTC and declared all proceedings conducted therein to be null and void on the ground of lack of jurisdiction.

Hence, the present motion for reconsideration filed by NSC.

In the present motion, NSC alleged that this Court committed reversible error in holding that the RTC had no jurisdiction over Civil Case No. 10-639 and that its action to compel herein defendant-appellant City of Iligan's to comply with its contractual obligations under the TAA entails the performance of a liquidation function which falls under the jurisdiction of the Securities and Exchange Commission (SEC). NSC likewise claims that the RTC acted correctly in deciding Civil Case No. 10-639 in its favor as the unqualified receipt by the City of Iligan of the payments made by NSC under the TAA had the legal effect of vesting in it the benefits and privileges contained under the TAA and resulted in the settlement of all its tax liabilities to the City of Iligan as of October 14, 2004, pursuant to the provisions of the TAA.

The Court finds merit in the present motion for reconsideration and hereby amends its Decision declaring that the RTC had no jurisdiction over Civil Case No. 10-639.

Aside from claiming that the City of Iligan can no longer belatedly question the RTC's jurisdiction after actively participating in the proceedings conducted before the court *a quo*, the main argument of NSC in contending that the RTC has jurisdiction over Civil Case No. 10-639 is that it was merely seeking to compel the City of Iligan in its complaint for specific performance to comply with its contractual obligations under the TAA by recognizing that the NSC has fully settled its tax liabilities up to October 14 2004. NSC argues that the compliance by the City of Iligan of the said obligation does not entail the performance of a liquidation function which falls under the jurisdiction of the SEC but rather an action incapable of pecuniary estimation which is under the jurisdiction of regional trial courts.

Initially, this Court ruled that what NSC was in effect asking in its complaint for specific performance is for the lower court to perform a liquidation function considering that it was seeking a settlement of the claim for unpaid real property taxes against it by the City of Iligan, a function which We held properly falls under the jurisdiction of the SEC. Upon closer perusal, however, of NSC's complaint for specific performance, We find the latter was merely trying to enforce the obligations of the City of Iligan under the TAA and that any settlement of its real property tax liabilities that may be obtained therein is purely incidental to, or a mere consequence of, the enforcement of Iligan's obligations under the TAA. Under Section 19^[13] of B.P. 129, as amended by R.A. 7691, Regional Trial Courts exercise exclusive original jurisdiction over all civil actions in which the subject of the litigation is incapable of pecuniary estimation. Since it is settled jurisprudence that an action for specific performance is incapable of pecuniary estimation,^[14] the RTC acted properly in exercising jurisdiction over the complaint for specific performance filed by NSC and in resolving the issues raised therein during the proceedings in Civil Case No. 10-639.

Furthermore, even assuming *arguendo* that NSC was in effect asking the RTC to perform a liquidation function by asking the latter to settle the City of Iligan's claims for unpaid real property taxes against it, said issue no longer falls under the jurisdiction of the SEC.

In the case of *Consuelo Metal Corporation v. Planters Developmental Bank*,^[15] the Supreme Court held that while the SEC has jurisdiction to order the dissolution of a corporation, its jurisdiction does not extend to the liquidation of the corporation as the same falls under the jurisdiction of the Regional Trial Courts, *viz*:

"However, the SEC's jurisdiction does not extend to the liquidation of a corporation. While the SEC has jurisdiction to order the dissolution of a corporation, jurisdiction over the liquidation of the corporation now pertains to the appropriate regional trial courts. This is the reason why the SEC, in its 29 November 2000 Omnibus Order, directed that 'the proceedings on and implementation of the order of liquidation be commenced at the Regional Trial Court to which this case shall be transferred.' This is the correct procedure

because the liquidation of a corporation requires the settlement of claims for and against the corporation, which clearly falls under the jurisdiction of the regular courts. The trial court is in the best position to convene all the creditors of the corporation, ascertain their claims, and determine their preferences." (emphasis supplied)

While this Court, citing the case of *Union Bank of the Philippines v. Concepcion*,^[16] previously held in its presently assailed Decision that the jurisdiction acquired by the SEC over a petition for suspension of payments extends to the liquidation and dissolution process of a distressed corporation, We find the pronouncement made by the High Court in the above-mentioned case of *Consuelo Metal Corporation* is more applicable to the case at bar since in the *Union Bank* case, the petition for suspension of payment filed by the corporation therein likewise contained an alternative prayer for liquidation/ dissolution in the event the SEC found the same to be warranted. Since jurisdiction is determined by the allegations and the character of the relief sought in the complaint, the Supreme Court ruled in the *Union Bank* case that the jurisdiction acquired by the SEC over the corporation's petition for suspension of payment/petition for liquidation extended even after it has declared the said corporation to be insolvent. Furthermore, the SEC also initially issued in the *Union Bank* case a suspension order after it found the petition for suspension of payment therein to be sufficient in form and substance. In the instant case, the SEC denied NSC's petition for suspension of payment in its Order^[17] dated October 3, 2000 and ordered the liquidation of NSC.

Consequently, assuming the complaint of NSC required the RTC to perform a liquidation function by asking the same to settle the City of Iligan's claim for unpaid real property taxes, the RTC nevertheless still has jurisdiction to grant the reliefs prayed for in the complaint of NSC since jurisdiction over the liquidation of the corporation now properly pertains to the regional trial courts.

Having threshed out the procedural issue of this case, We now resolve the substantive issues raised by defendants-appellants in their appeal.

The main issue to be resolved in the present case is whether the City of Iligan can be compelled by NSC to clear it of all its real property tax liabilities up to October 14, 2004 and afford NSC full relief from payment of interests and penalties of the said tax liabilities pursuant to the provisions of the TAA. This issue in turn is dependent on whether the acceptance made by the City of Iligan of the payment made by NSC representing its remaining installments under the TAA can amount to an unqualified acceptance on its part so as to make the said payment equivalent to a full satisfaction of the obligations of NSC under the TAA.

As mentioned above, two conditions were imposed on NSC under the TAA in order for the penalties and interests on its unpaid real property taxes may be waived: (1) the stipulated scheme of installment payments under the TAA must be religiously complied with, and (2) the current real estate taxes of the Plant Assets must be paid on time even while payment is being made on the TAA installment payments. NSC was not able to comply with the second condition when it failed to pay the current real property tax of its Plant Assets for the year 2005. While this allegation is not denied by NSC, it however argues that despite such failure, it was still able to fully settle its tax obligations under the TAA when defendants-appellants accepted the

accelerated payments made by PNB-Trust in its behalf which was intended to be in full satisfaction of NSC's real property tax liability for its Plant Assets up to October 14, 2004. NSC argues that the acceptance of the said payment by defendants-appellants, despite their knowledge of NSC's previous default in the payment of current real property taxes, necessarily translates to an unqualified acceptance on their part which has the effect of compliance by NSC of its obligations under the TAA.

The RTC agreed with NSC's contention and held that while repeated threats were made by defendants-appellants on NSC regarding the revocation of the TAA, the said agreement was never really revoked and that based on the actions of defendants-appellants in December 2008, it would appear that they were treating the TAA as though it was still subsisting and in effect. To support its finding, the RTC made reference to *Resolution No. 08-924*^[18] which was enacted by the City Council of Iligan to authorize the City Treasurer to receive and issue a receipt for the two checks tendered by PNB-Trust as payment for the tax liabilities of NSC. According to the RTC, the words used in the said resolution consistently made reference to the schedule of payments stated under the TAA which indicates that the said agreement has not been revoked or that even if it has been revoked, its legal effects has been reinstated by defendants-appellants. Furthermore, the RTC also explained that while Resolution No. 08-924 may not have the effect of repealing City Ordinance No. 04-4611 since it is a mere declaration of the sentiment or opinion of a lawmaking body, the sentiment or opinion contained in the said resolution was nevertheless sufficient to vest NSC the benefits and privileges of the TAA by application of Art. 1235 of the Civil Code. Consequently, the RTC concluded that NSC can be considered to have complied with its obligations under the TAA.

We agree with the RTC.

The resolution by the City Council of Iligan being cited by the RTC as a basis for the application of Art. 1235 of the Civil Code provides, as follows:

RESOLUTION NO. 08-924

RESOLUTION AUTHORIZING THE CITY TREASURER TO RECEIVE AND ISSUE AN OFFICIAL RECEIPT FOR THE PHILIPPINE NATIONAL BANK TENDER OF PAYMENT BASED ON THE OCTOBER 13, 2004 SCHEDULE OF PAYMENTS CONTAINED IN THE LETTER OF RETIRED CITY TREASURER ERNESTO BALAT WITHOUT ANY FURTHER ELABORATION OR QUALIFICATION.

WHEREAS, on October 13, 2004, then City Treasurer Ernesto Balat devised a payment scheme through a schedule of payments which National Steel Corporation (NSC), one of the distressed companies availing of the tax amnesty under City Ordinance No. 04-4611 s. of 2004, may pay in installments its tax obligations up to the end year 2004;

x x x

WHEREAS, in accordance with the said schedule, NSC paid the amount of P22,190,198.99 (sic) on December 8, 2004 and another amount of