



Republic of the Philippines
Supreme Court
 Manila

FIRST DIVISION

FIL-AGRO RURAL BANK, INC.,
 through the **PHILIPPINE DEPOSIT**
INSURANCE CORP. (PDIC), as
Liquidator,

Petitioner,

- versus -

ANTONIO J. VILLASEÑOR, JR.,
 Respondent.

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ANTONIO J. VILLASEÑOR, JR.,
 Petitioner,

- versus -

FIL-AGRO RURAL BANK, INC.,
 through the **PHILIPPINE DEPOSIT**
INSURANCE CORP. (PDIC), as
 liquidator and **WILFREDA V.**
VILLASEÑOR,

Respondent.

X-----X

G.R. No. 226761

Present:

PERALTA, C.J., *Chairperson,*
 CAGUIOA,
 REYES, J. JR.,
 LAZARO-JAVIER, and
 LOPEZ, JJ.

G.R. No. 226889

Promulgated:

JUL 28 2020

DECISION

REYES, J. JR., J.:

Before the Court are consolidated Petitions for Review on *Certiorari*¹ assailing the Decision² dated May 23, 2016 and the Resolution³ dated August 31, 2016 of the Court of Appeals (CA) in CA-G.R. SP No. 143330, which affirmed the Orders dated June 29, 2015⁴ and September 28, 2015⁵ of

¹ Rollo (G.R. No. 226761), pp. 13-31; *rollo* (G.R. No. 226889), pp. 38-59.

² Penned by Associate Justice Remedios A. Salazar-Fernando, with Associate Justices Priscilla J. Baltazar-Padilla (now a Member of the Court) and Socorro B. Inting, concurring; *rollo* (G.R. No. 226761), pp. 58-69.

³ Rollo (G.R. No. 226761), pp. 71-73.

⁴ Id. at 115.

⁵ Id. at 117.

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the Regional Trial Court (RTC), Branch 155, Pasig City in Civil Case No. 74399 entitled, "*Antonio Villaseñor, Jr. vs. Wilfreda V. Villaseñor, Fil-Agro Rural Bank, Inc. and the Register of Deeds [of] Pasig City.*"

The Antecedents

On June 23, 2014, Antonio J. Villaseñor, Jr. (Antonio) filed a complaint for Declaration of Nullity of Real Estate Mortgages and Quieting of Title with Damages before the RTC of Pasig City, seeking to nullify the real estate mortgages dated May 10, 2012 and June 20, 2012 executed by his wife Wilfreda V. Villaseñor (Wilfreda) in favor of Fil-Agro Rural Bank, Inc. (Fil-Agro). Antonio alleged that Wilfreda mortgaged their conjugal properties covered by Transfer Certificate of Title (TCT) No. PT-90776 and TCT No. PT-127965 to Fil-Agro, without his knowledge and consent while he was working abroad.

Sometime in September 2014, the Bangko Sentral ng Pilipinas (BSP) placed Fil-Agro under the receivership of the Philippine Deposit Insurance Corporation (PDIC).

On September 30, 2014, Fil-Agro's counsel filed a withdrawal of appearance and requested that future notices/processes of the court, as well as pleadings, motions, and/or correspondence pertaining to the case be sent directly to the PDIC or to the bank's new counsel.⁶

On March 17, 2015, the RTC set the case for a pre-trial conference on June 29, 2015. The notices of the court were sent to Fil-Agro's address as there was no entry of appearance or motion for substitution of new counsel for and on behalf of Fil-Agro.⁷

On June 23, 2015, the Office of the General Counsel of the PDIC filed an Entry of Appearance with Motion to Suspend Proceedings. The motion was set for hearing on June 29, 2015.⁸

On June 26, 2015, the PDIC filed an urgent motion to cancel the June 29, 2015 hearing because its counsel was already set to appear in another hearing in Makati RTC.⁹

⁶ *Rollo* (G.R. No. 226761), p. 201

⁷ *Rollo* (G.R. No. 226889), p. 42.

⁸ *Id.* at 42-43.

⁹ *Id.* at 43.

On June 29, 2015, the pre-trial conference proceeded. Antonio's counsel, armed with a Special Power of Attorney, appeared on behalf of his client who was then working abroad. Antonio, through his counsel, filed his pre-trial brief, the judicial affidavit of his witnesses and his documentary evidence in compliance with the order of the RTC.¹⁰ Wilfreda and Fil-Agro, on the other hand, failed to appear at the pre-trial conference and submit the judicial affidavits of their witnesses. Thus, Antonio's counsel moved in open court that they be declared in default and that Antonio be allowed to present his evidence *ex parte*, which was granted by the RTC. Further, Antonio moved that the PDIC's urgent motion to cancel hearing be denied, but the RTC did not act on the motion.¹¹

On August 20, 2015, Atty. Ricardo C. Angeles filed his Entry of Appearance for Fil-Agro.¹²

On September 7, 2015, the RTC informed Fil-Agro's counsel that Antonio was already allowed to present his evidence *ex parte* on September 18, 2015.¹³

Fil-Agro filed a Motion for Reconsideration dated September 16, 2015 and set it for hearing on September 18, 2015. Antonio claims that he received Fil-Agro's motion only on September 22, 2015, in violation of the three-day notice rule.¹⁴

On September 28, 2015, the RTC denied Fil-Agro's motion for reconsideration for being *pro forma*.¹⁵

On November 16, 2015, Antonio filed an *Ex Parte* Manifestation with Motion to Admit Formal Offer of Evidence. Acting on the motion, the RTC admitted all the documentary exhibits formally offered and considered the case submitted for decision.¹⁶

Fil-Agro then filed a Petition for *Certiorari* dated December 11, 2015 seeking to annul the RTC Orders dated June 29, 2015 and September 28, 2015. It contended that the RTC committed grave abuse of discretion amounting to lack or excess of jurisdiction when it considered Fil-Agro's motion as *pro forma* and when it failed to consolidate the case with the liquidation proceedings.

¹⁰ Id.

¹¹ Id. at 44.

¹² Id. at 45.

¹³ Id.

¹⁴ Id.

¹⁵ Id. at 45-46.

¹⁶ Id. at 46.

V

In its Decision dated May 23, 2016, the CA partly granted Fil-Agro's petition. It ordered the consolidation of the case with the liquidation proceedings before the RTC, Branch 15, Malolos City (the liquidation court) on the ground that Antonio's action for quieting of title and damages against Fil-Agro is a disputed claim falling within its jurisdiction pursuant to Section 30 of Republic Act (R.A.) No. 7653 or the New Central Bank Act.

The appellate court, on the other hand, sustained the Orders dated June 29, 2015 and September 28, 2015 of the RTC. It held that the RTC did not commit grave abuse of discretion when it declared Fil-Agro and Wilfreda in default for failure to: (1) appear at the scheduled pre-trial conference; (2) submit their pre-trial briefs at least three days before the scheduled pre-trial; and (3) provide valid reason therefor, and allowed Antonio to present his evidence *ex parte* citing as basis Sections 4 and 5, Rule 18 of the Rules of Court. It likewise stated that the RTC correctly considered Fil-Agro's motion as *pro forma* for failure to conform to the mandatory requirements for the court to validly take cognizance of the motion and act on it under Sections 4 and 5, Rule 15 of the Rules of Court.

Hence, the instant petitions.

Antonio asserts that his complaint for declaration of nullity of real estate mortgage and quieting of title with damages is one incapable of pecuniary estimation and is within the jurisdiction of the RTC under Section 19(1) of *Batas Pambansa Bilang* 129. He finds the consolidation of the cases improper and argues that the CA failed to consider that a claim falls under the jurisdiction of the liquidation court when it involves a property that forms part of the assets of the institution under liquidation. He asseverates that the subject properties in this case had not yet qualified as assets of the bank since they have not been foreclosed by Fil-Agro. Further, he insists that the CA erred when it applied the case of *Vda. de Ballesteros v. Rural Bank of Canaman, Inc.*,¹⁷ where the Court ordered the consolidation of a case arising from a complaint for annulment of deed of mortgage and damages with prayer for preliminary injunction with the liquidation proceedings. He points out that in *Vda. de Ballesteros*, foreclosure was already made and the property involved was already owned by the insolvent bank.¹⁸

Fil-Agro, on the other hand, contends that the CA's ruling that the case must be consolidated with the liquidation court renders the June 29, 2015 and September 28, 2015 RTC Orders void.¹⁹

¹⁷ 650 Phil. 476 (2010).

¹⁸ *Rollo* (G.R. No. 226889), pp. 50-57.

¹⁹ *Id.* at 27.

Issues

The issues raised by Antonio and Fil-Agro may be summarized as follows:

(1) Whether or not consolidation of the instant civil case for annulment of real estate mortgage, quieting of title, and damages with the liquidation case is proper; and

(2) Whether or not the June 29, 2015 and September 28, 2015 Orders of the RTC are valid.

The Court's Ruling

We grant Fil-Agro's petition.

During the pendency of the civil case with the RTC of Pasig City, Fil-Agro was placed under the receivership of the PDIC pursuant to Resolution No. 1486 of the Monetary Board of the BSP.²⁰ Thereafter, the RTC of Malolos City was constituted as the liquidation court tasked to adjudicate disputed claims against Fil-Agro and assist the PDIC in undertaking its liquidation.

Section 30 of R.A. No. 7653 reads:

SEC. 30. *Proceedings in Receivership and Liquidation.* — Whenever, upon report of the head of the supervising or examining department, the Monetary Board finds that a bank or quasi-bank:

(a) is unable to pay its liabilities as they become due in the ordinary course of business: *Provided*, That this shall not include inability to pay caused by extraordinary demands induced by financial panic in the banking community;

(b) has insufficient realizable assets, as determined by the Bangko Sentral, to meet its liabilities; or

(c) cannot continue in business without involving probable losses to its depositors or creditors; or

(d) has willfully violated a cease and desist order under Section 37 that has become final, involving acts or transactions which amount to fraud or a dissipation of the assets of the institution; in which cases, the Monetary Board may summarily and without need for prior hearing forbid

²⁰ See Memorandum No. M-2014-03 of the Bangko Sentral ng Pilipinas <<http://www.bsp.gov.ph/downloads/regulations/attachments/2014/m037.pdf>> (visited on June 5, 2020)

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the institution from doing business in the Philippines and designate the Philippine Deposit Insurance Corporation as receiver of the banking institution.

For a quasi-bank, any person of recognized competence in banking or finance may be designated as receiver.

The receiver shall immediately gather and take charge of all the assets and liabilities of the institution, administer the same for the benefit of its creditors, and exercise the general powers of a receiver under the Revised Rules of Court but shall not, with the exception of administrative expenditures, pay or commit any act that will involve the transfer or disposition of any asset of the institution: *Provided*, That the receiver may deposit or place the funds of the institution in non-speculative investments. The receiver shall determine as soon as possible, but not later than ninety (90) days from take over, whether the institution may be rehabilitated or otherwise placed in such a condition that it may be permitted to resume business with safety to its depositors and creditors and the general public: *Provided*, That any determination for the resumption of business of the institution shall be subject to prior approval of the Monetary Board.

If the receiver determines that the institution cannot be rehabilitated or permitted to resume business in accordance with the next preceding paragraph, the Monetary Board shall notify in writing the board of directors of its findings and direct the receiver to proceed with the liquidation of the institution. The receiver shall:

(1) file [*ex parte*] with the proper regional trial court, and without requirement of prior notice or any other action, a petition for assistance in the liquidation of the institution pursuant to a liquidation plan adopted by the Philippine Deposit Insurance Corporation for general application to all closed banks. In case of quasi-banks, the liquidation plan shall be adopted by the Monetary Board. Upon acquiring jurisdiction, the court shall, upon motion by the receiver after due notice, adjudicate disputed claims against the institution, assist the enforcement of individual liabilities of the stockholders, directors and officers, and decide on other issues as may be material to implement the liquidation plan adopted. The receiver shall pay the cost of the proceedings from the assets of the institution.

(2) convert the assets of the institutions to money, dispose of the same to creditors and other parties, for the purpose of paying the debts of such institution in accordance with the rules on concurrence and preference of credit under the Civil Code of the Philippines and he may, in the name of the institution, and with the assistance of counsel as he may retain, institute such actions as may be necessary to collect and recover accounts and assets of, or defend any action against, the institution. The assets of an institution under receivership or liquidation shall be deemed in [*custodia legis*] in the hands of the receiver and shall, from the moment the institution was placed under such receivership or liquidation, be exempt from any order of garnishment, levy, attachment, or execution. (Emphasis and underscoring supplied)

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The above legal provision recognizes the exclusive jurisdiction of the liquidation court to adjudicate disputed claims against the closed bank, assist in the enforcement of individual liabilities of the stockholders, directors and officers, and decide on all other issues as may be material to implement the distribution plan adopted by the PDIC for general application to all closed banks.²¹ Simply put, if there is a judicial liquidation of an insolvent bank, all claims against the bank should be filed in the liquidation proceeding.²² This holds true regardless of whether or not the claim is initially disputed in a court or agency before it is filed with the liquidation court.²³

Antonio, however, insists that his claim against Fil-Agro is not a disputed claim within the purview of Section 30 of R.A. No. 7653 because ownership of the mortgaged property has not yet vested on Fil-Agro. He maintains that the Court's ruling in *Vda. de Ballesteros* cannot be applied here where foreclosure of the subject properties was not made by the insolvent bank.

The argument is bereft of substance.

Jurisprudentially, it has long been resolved that "disputed claims" covers **all claims** whether they be against the assets of the insolvent bank, for specific performance, breach of contract, damages or whatever.²⁴ The term is defined in an all-encompassing and broad manner so as to include any cause of action against the insolvent bank, regardless of its nature or character, irrespective of whether the relief sought would directly affect the property of the bank under liquidation. In fact, Section 30(2) of R.A. 7653 authorizes the receiver to defend **any action** against the insolvent bank. Moreover, in *Provident Savings Bank v. Court of Appeals*,²⁵ we have held:

When a bank is prohibited from continuing to do business by the Central Bank and a receiver is appointed for such bank, that bank would not be able to do new business, i.e., to grant new loans or to accept new deposits. However, the receiver of the bank is in fact obliged to collect debts owing to the bank, which debts form part of the assets of the bank. The receiver must assemble the assets and pay the obligation of the bank under receivership, and take steps to prevent dissipation of such assets. Accordingly, the receiver of the bank is obliged to collect pre-existing debts due to the bank, and in connection therewith, to foreclose mortgages securing such debts. (Underscoring supplied)

²¹ *Cu v. Small Business Guarantee and Finance Corp.*, 815 Phil. 617 (2017).

²² *Cudiamat v. Batangas Savings and Loan Bank, Inc.*, Phil. 641 (2010).

²³ *Ong v. Court of Appeals*, 323 Phil. 126, 131 (1996).

²⁴ *Miranda v. Philippine Deposit Insurance Corp.*, 532 Phil. 723 (2006); *Ong v. Court of Appeals*, id.

²⁵ G.R. No. 97218, March 17, 1993.

Here, when Antonio filed the complaint for annulment of the mortgages, he is essentially assailing Fil-Agro's right to foreclose the mortgages constituted to secure the principal obligation, including the closed bank's right to sell the property and apply the proceeds of the sale to the satisfaction of the unpaid loan.²⁶ Indubitably, the claim lodged by Antonio is a disputed claim over which the RTC of Malolos City sitting as liquidation court has jurisdiction.

The propriety of consolidation of cases is a matter addressed to the sound discretion of the court taking into account its purpose or object, to wit: (1) avoid multiplicity of suits; (2) guard against oppression of abuse; (3) prevent delay; (4) clear congested dockets; (5) simplify the work of the trial court; and (5) save unnecessary costs and expense.²⁷ The framers of the law contemplated that for convenience, only one court, if possible, should pass upon the claims against the insolvent bank and that the liquidation court should assist the Superintendents of Banks and regulate its operations.²⁸ It is precisely for these reasons that the appellate court ordered the consolidation of the civil case with the liquidation proceedings. Thus, the CA did not err in allowing the consolidation if only to "prevent confusion, avoid multiplicity of suits and to save unnecessary cost and expenses."²⁹

Anent the second issue, the June 29, 2015 and September 28, 2015 assailed Orders are void and without any legal effect.

Time and again, the Court has held that a judgment rendered by a court without jurisdiction is null and void, creates no rights, and produces no effect. It may be attacked anytime since a void judgment for want of jurisdiction is no judgment at all. All acts performed pursuant to it and all claims emanating from it have no legal effect.³⁰

In this case, it is settled that the RTC of Pasig City sitting as a court of general jurisdiction has no jurisdiction over Antonio's complaint. It is the RTC of Malolos City which has jurisdiction over all claims against Fil-Agro. Consequently, any decision, judgment, or resolution rendered or order issued by the RTC of Pasig City is null and void and of no force and binding effect.

WHEREFORE, the petition in **G.R. No. 226889** is **DENIED**, while the petition in **G.R. No. 226761** is **GRANTED**. The Decision dated May 23, 2016 and the Resolution dated August 31, 2016 of the Court of Appeals in CA-G.R. SP No. 143330 are hereby **AFFIRMED** with **MODIFICATION**

²⁶ *Lotto Restaurant Corp. v. BP! Family Savings Bank, Inc.*, 662 Phil. 267 (2011).

²⁷ *Republic v. Mangrobang*, 422 Phil. 178 (2001).

²⁸ *Manalo v. Court of Appeals*, 419 Phil. 215 (2001).

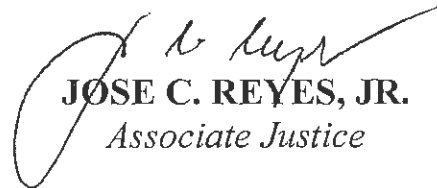
²⁹ *Rollo* (G.R. No. 226761), p. 68.

³⁰ *Tan v. Cinco*, 787 Phil. 441 (2016).

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in that the Orders dated June 29, 2015 and September 28, 2015 rendered by the Regional Trial Court of Pasig City Branch 155 in Civil Case No. 74399 are hereby declared **NULL** and **VOID** for lack of jurisdiction.

SO ORDERED.

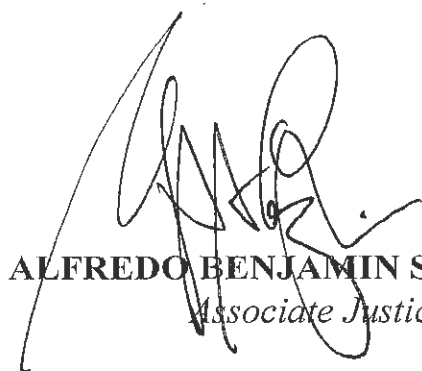


JOSE C. REYES, JR.
Associate Justice

WE CONCUR:



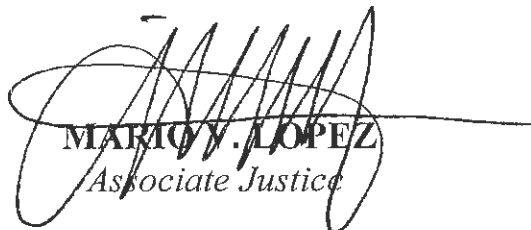
DIOSDADO M. PERALTA
Chief Justice
Chairperson



ALFREDO BENJAMIN S. CAGUIOA
Associate Justice



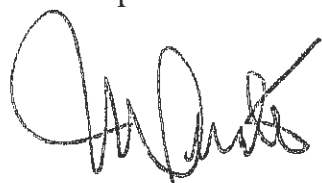
AMY C. LAZARO-JAVIER
Associate Justice



MARIO V. LOPEZ
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



DIOSDADO M. PERALTA
Chief Justice