



Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

MRM ASSET HOLDINGS 2, INC.,
Petitioner,

G.R. No. 202761

Present:

- versus -

PERLAS-BERNABE, S.A.J.,
Chairperson,
GISMUNDO,
LAZARO-JAVIER,
LOPEZ, and
ROSARIO, JJ.

STANDARD CHARTERED BANK,
Respondent.

Promulgated:

FEB 10 2021

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RESOLUTION

M. LOPEZ, J.:

This Petition for Review on *Certiorari*¹ under Rule 45 of the Rules of Court assails the Decision² dated July 17, 2012 of the Court of Appeals (CA) in CA-G.R. SP No. 121696, which nullified and set aside the Resolution³ dated September 26, 2011 of the Regional Trial Court of Makati City, Branch 149, acting as a Rehabilitation Court, in SP. Proc. Case No. M-6683.

The antecedents are as follows:

¹ *Rollo*, pp. 11-42.

² *Id.* at 43-70; penned by Associate Justice Vicente S.E. Veloso, with the concurrence of Associate Justices Francisco P. Acosta and Angelita A. Gacutan.

³ *Id.* at 197-199; penned by Presiding Judge Cesar O. Untalan.

Between 2003 and 2007, respondent Standard Chartered Bank (SCB), through its branch in New York, United States of America (USA), and Lehman Brothers Holdings, Inc. (LBHI), a company organized and existing under the laws of Delaware, USA, entered into a Group Facilities Agreement, wherein SCB undertook to make available financial facilities to LBHI and its affiliates in various countries. One of LBHI's foreign affiliates is Philippine Investment Two (SPV-AMC), Inc. (PI Two). By virtue of this agreement, PI Two was able to obtain loans from SCB Philippines in the aggregate amount of ₱819,000,000.00. As security for the financial obligations obtained by LBHI and all its affiliates from SCB, LBHI executed a Pledge Agreement in favor of SCB on September 12, 2008. Under the Pledge Agreement, LBHI pledged the following debt instruments: (1) Notes issued by HD Supply, Inc. with a face value of US \$81,455,477.00; and (2) LBHI's interest in loans granted to Idearc, Inc. amounting to US \$87,189,447.00.⁴

Unfortunately, on September 15, 2008, LBHI filed a bankruptcy petition in New York, USA. SCB intervened as LBHI's creditor.⁵ In the Philippines, on September 18, 2008, Metropolitan Bank and Trust Company, Inc. (Metrobank), being one of PI Two's creditors, filed a petition for the corporate rehabilitation of PI Two before the RTC of Makati City (SP Proc. Case No. M-6683). SCB also intervened in this rehabilitation proceedings as PI Two's creditor. In a Resolution⁶ dated December 14, 2009, the rehabilitation court approved the Rehabilitation Plan, which identified Metrobank and SCB as claimants. A Management Committee (ManCom) was created to oversee the operations of the corporation while under rehabilitation. The ManCom was composed of three members with one representative each from PI Two, Metrobank, and SCB.⁷

During the pendency of the rehabilitation proceedings, petitioner MRM Asset Holdings 2, Inc. (MRM) acquired an indirect equity interest in PI Two. As the acquisition was allegedly made without knowledge of the parties in the rehabilitation proceedings, Metrobank filed a Manifestation and Motion, seeking to prohibit MRM from interfering in the affairs and management of PI Two.⁸ In an Order⁹ dated September 13, 2010, the Rehabilitation Court granted the motion, thus:

WHEREFORE, premises considered, the Manifestation and Motion filed by [Metrobank] is hereby **GRANTED**. Thus, MRM Asset Holdings 2, Inc. is prohibited to:

⁴ *Id.* at 44-46.

⁵ *Id.* at 47 and 49-50.

⁶ *Id.* at 96-107.

⁷ *Id.* at 48 and 105-106. Also in the CA's Decision dated May 26, 2014 in CA G.R. SP No. 131652 and CA-G.R. SP No. 132088; *id.* at 3034-3038.

⁸ *Id.* at 50.

⁹ *Id.* at 203-205.



- 1) participate in the Board of PI Two in whatever capacity and purpose;
- 2) take part in the management of PI Two in whatever capacity and purpose; and
- 3) do whatever in the affairs and assets of PI Two, until after the money claims of Metrobank and Standard Chartered Bank have been fully paid by PI Two.

SO ORDERED.¹⁰

In the meantime, a disagreement between PI Two and SCB arose in the rehabilitation proceedings with regard to the collaterals given by LBHI in favor of SCB under the Pledge Agreement. PI Two alleged that SCB concealed its possession of the collaterals, as well as the status of its claim in the US bankruptcy case. PI Two's concern is grounded upon the possibility of SCB's double recovery. Thus, PI Two moved for the Rehabilitation Court to direct SCB to disclose relevant information on these matters; to furnish the parties and the rehabilitation court copies of all the pleadings that SCB may have filed with the Bankruptcy Court; and also prayed for the suspension of all payments due to SCB under the Rehabilitation Plan.¹¹ In a Resolution¹² dated May 4, 2011, the Rehabilitation Court partially granted the motion and ordered SCB to submit a list of the collaterals it already received from LBHI, stating the nature, status, and present value of the collaterals, which was complied with by SCB.¹³

On January 18, 2011, PI Two filed an Urgent Motion to Withdraw [SCB's] Appointment to the [ManCom]¹⁴ on the ground that SBC's representative was not a Filipino citizen in violation of the Anti-Dummy Law. The Rehabilitation Court denied this motion for lack of merit in its Resolution¹⁵ dated May 6, 2011.

MRM felt aggrieved that SCB was allowed to remain in the ManCom despite concealment of material information in the rehabilitation proceedings. Thus, notwithstanding the prohibition to take part in the affairs and assets of PI Two under the Order dated September 13, 2010, MRM filed an Omnibus Motion¹⁶ for the removal of SCB from the ManCom for lack of trustworthiness, and for the suspension of payments to SCB. The Rehabilitation Court granted MRM's motion in a Resolution¹⁷ dated September 26, 2011, thus:

¹⁰ *Id.* at 205.

¹¹ *Id.* at 1524-1530.

¹² *Id.* at 143-148.

¹³ *Id.* at 1837-1854.

¹⁴ *Id.* at 1865-1870.

¹⁵ *Id.* at 200-201.

¹⁶ *Id.* at 168-172.

¹⁷ *Supra* note 3.

WHEREFORE, premises considered, this court is constrained to order SCB to refrain from participating and stop, from being [a] member of the Management Committee, created by this court on December 14, 2009. In this connection, the Receiver is hereby given 30 days from receipt of this order to nominate a substitute.

The remaining two members shall continue to act accordingly. In case of tie, in the meantime that there is no substitute being submitted by the Receiver[,], the Receiver will vote to break the tie.

Moreover, SCB is hereby Ordered to surrender, release and transfer portion of the Pledge collaterals being held by it under the Pledge Agreement unto PI Two[,], equivalent to the amount paid under the rehabilitation plan. Any amount assigned by SCB to PI Two under this arrangement shall be held by PI Two under trust.

The other prayer of the Motion, the same is hereby DENIED for utter lack of merit.

SO ORDERED.¹⁸

SCB filed an appeal to the CA, which was granted in a Decision¹⁹ dated July 17, 2012. The CA ruled that the Rehabilitation Court erred in ordering: (1) SCB to surrender the collaterals to PI Two; and (2) the removal of SCB's representative from the ManCom, thus:

WHEREFORE, the instant petition is **GRANTED**. The assailed September 26, 2011 Resolution is **NULLIFIED** and **SET ASIDE**. Petitioner Standard Chartered Bank, through its authorized representative is hereby **REINSTATED** as member of the Management Committee of PI Two.

SO ORDERED.²⁰

MRM is now before this Court, praying for the reinstatement of the Rehabilitation Court's Resolution dated September 26, 2011. Ultimately, the issues for our resolution are whether the CA erred in nullifying the order against SCB to "surrender, release and transfer" the collaterals to PI Two; and whether the CA erred in ordering the reinstatement of SCB's membership in the ManCom.

Pending resolution of the present case, however, the Rehabilitation Court dissolved the ManCom in a Second Order²¹ dated July 11, 2012 because "the reason for the creation of the MC is no longer availing"²² as confirmed by the rehabilitation receiver. Meanwhile, in New York, LBHI

¹⁸ *Rollo*, p. 199.

¹⁹ *Supra* note 2.

²⁰ *Rollo*, p. 69.

²¹ *Id.* at 3080-3081.

²² *Id.* at 3080.

and one of its affiliates, Lehman Commercial Paper, Inc. (LCPI) filed an Adversary Complaint and Claims Objections against SCB before the Bankruptcy Court to nullify the Pledge Agreement and recover the collaterals from SCB. To settle this controversy, SCB, LBHI, and LCPI entered into a “Stipulation, Agreement and Order,” which was approved by the US Bankruptcy Court.²³ The Stipulation, Agreement and Order gave way to the allowance of SCB’s Guarantee Claim in the bankruptcy proceedings, and to the approval of an agreed payment plan in favor of SCB. Consequently, SCB New York received partial payments from LBHI. In exchange to this arrangement, SCB agreed to release the collaterals in favor of LCPI.²⁴

Due to this development, the Rehabilitation Receiver submitted to the Rehabilitation Court a Comment dated February 25, 2013, stating that SCB has lost its standing in the rehabilitation proceedings as it had already opted to collect from LBHI in the US bankruptcy case pursuant to the Stipulation, Agreement and Order; and recommending the dismissal of SCB’s claim in the rehabilitation proceedings. PI Two then filed an Urgent Motion dated March 6, 2013, which prayed for SCB’s removal from PI Two’s list of creditors and for the return of all payments from PI Two under the Rehabilitation Plan on the ground that PI Two’s obligation to SCB had already been extinguished by virtue of the Stipulation, Agreement and Order.²⁵

On August 30, 2013, the Rehabilitation Court issued a Joint Resolution,²⁶ granting PI Two’s motions to exclude SCB from its list of creditors and to order SCB to return all the amounts it received as payment under the Rehabilitation Plan, thus:

WHEREFORE, all said and considered, this court hereby grants the urgent motion filed by PI Two, as well as PI One’s and [MRM’s] motions to release escrow account in the sum of [P]34,511,095.05 in favor of PI Two. Moreover, [SCB’s] claim against PI Two in this rehabilitation proceedings is now deemed excluded; and [SCB] is ordered to return the amounts it already received under the Rehabilitation Plan in the sum of [P]233,629,672.88 to PI Two.

Finally, the approved Rehabilitation Plan dated December 14, 2009 is hereby amended to the effect that creditor [SCB] is excluded from the list of creditors. Hence[,] the distribution of available cash for payment by the debtor shall be allocated to the remaining creditors.

²³ *Id.* at 3040; CA Decision dated May 26, 2014 in CA-G.R. SP Nos. 131652 and 132088; penned by Associate Justice Rebecca De Guia-Salvador, with the concurrence Associate Justices Samuel H. Gaerlan (now a Member of this Court) and Victoria Isabel A. Paredes.

²⁴ *Id.* at 3060-3061.

²⁵ *Id.* at 3040-3041.

²⁶ *Id.* at 3082-3092.

Notably, in this case, both MRM and SCB recognized that: (1) the Second Order dated July 11, 2012, dissolving the ManCom; (2) the Joint Resolution dated August 30, 2013, removing SCB as creditor in the Rehabilitation Plan; (3) the CA Decision dated May 26, 2014 and Resolution dated January 27, 2015, affirming the RTC's Joint Resolution dated August 30, 2013; and (4) the RTC's Order dated November 26, 2015, terminating the rehabilitation proceedings have rendered the issue on SCB's membership in the ManCom moot and academic.³² MRM, however, insists on the surrender of the pledged collaterals to PI Two.³³

We resolve.

The instant Petition should be dismissed for having become moot and academic. In *Peñafrancia Sugar Mill, Inc. v. Sugar Regulatory Administration*,³⁴ we explained:

A case or issue is considered moot and academic when it ceases to present a justiciable controversy by virtue of supervening events, so that an adjudication of the case or a declaration on the issue would be of no practical value or use. In such instance, there is no actual substantial relief which a petitioner would be entitled to, and which would be negated by the dismissal of the petition. **Courts generally decline jurisdiction over such case or dismiss it on the ground of mootness. This is because the judgment will not serve any useful purpose or have any practical legal effect because, in the nature of things, it cannot be enforced.**³⁵ (Emphasis supplied; citation omitted.)

The issue on SCB's representation in the ManCom was obviously mooted by the dissolution of the ManCom, the removal of SCB as creditor in the Rehabilitation Plan, and the eventual termination of the rehabilitation proceedings. Likewise, the issue on the surrender of the collaterals was mooted by the CA Decision dated May 26, 2014 and Resolution dated January 27, 2015 in CA-G.R. SP Nos. 131652 and 132088, which recognized the sale or transfer of the pledged collaterals to LCPI pursuant to the Stipulation, Agreement and Order, as there is no more collateral in SCB's possession to surrender. In any case, the surrender and release of the collaterals from the Pledge Agreement is dependent upon the full satisfaction of LBHI and its affiliate's obligation with SCB owing to the accessory character of a pledge;³⁶ the underlying agreement between LBHI (pledgor)

³² MRM's Reply [To the COMMENT (RE: PETITION FOR REVIEW ON *CERTIORARI*)] dated April 10, 2017; *id.* at 3012-3013; SCB's Reply/Opposition [To MRM Asset Holdings 2, Inc.'s Motion for Leave to File and Admit Attached Comment/Opposition dated 17 July 2014] dated August 26, 2014; *id.* at 2765-2767.

³³ MRM's Reply [To the COMMENT (RE: PETITION FOR REVIEW ON *CERTIORARI*)] dated April 10, 2017, *id.* at 3018-3020.

³⁴ 728 Phil. 535 (2014).

³⁵ *Id.* at 540.

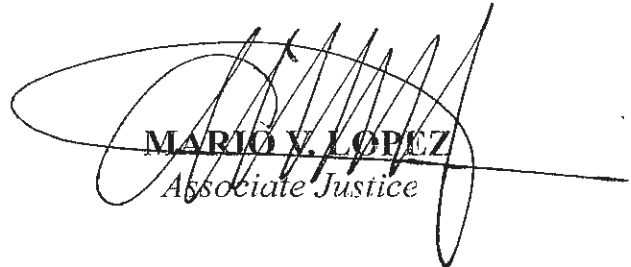
³⁶ See *Acme Shoe, Rubber & Plastic Corporation v. CA*, 329 Phil. 531, 539 (1996); and *Manila Surety and Fidelity Company, Inc. v. Velayo*, 128 Phil. 548, 550 (1967).

and the SCB (pledgee) as approved by the US Bankruptcy Court; and the determination of which party actually has possession of the collaterals. Notably, these purely factual matters were already threshed out in the rehabilitation proceedings and in CA-G.R. SP Nos. 131652 and 132088 on appeal. Any subsisting claim that MRM may have over the collaterals should instead be pursued by it in a separate case through the appropriate remedy.


Considering the foregoing, we find it appropriate to abstain from passing upon the merits of the case where legal relief is no longer necessary nor called for. While the Court may pass upon issues albeit supervening events had rendered the petition moot and academic, the Court does so only when there is grave violation of the Constitution; when the exceptional character of the situation and paramount public interest is involved; when the constitutional issue raised requires formulation of controlling principles to guide the bench, the bar and the public; or when the case is capable of repetition yet evading review.³⁷ We do not find such circumstances in this case.

WHEREFORE, the Petition is **DISMISSED** for being moot and academic.

SO ORDERED.


MARIO V. LOPEZ
Associate Justice

WE CONCUR:


ESTELA M. PERLAS-BERNABE
Senior Associate Justice
Chairperson


ALEXANDER G. GESMUNDO
Associate Justice



AMY C. LAZARO-JAVIER
Associate Justice

³⁷ *The Philippine Ports Authority v. Coalition of PPA Officers and Employees*, 767 Phil. 792, 803 (2015).


RICARDO R. ROSARIO
Associate Justice

ATTESTATION

I attest that the conclusions in the above Resolution had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


ESTELA M. PERLAS-BERNABE
Senior Associate Justice
Chairperson, Second Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, and the Division Chairperson's Attestation, I certify that the conclusions in the above Resolution 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