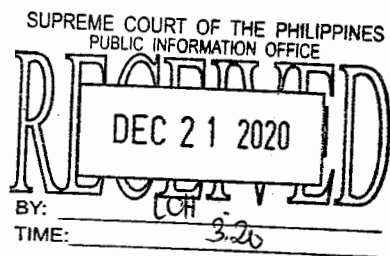




Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

NOTICE



Sirs/Mesdames:

Please take notice that the Court, Third Division, issued a Resolution dated **July 6, 2020**, which reads as follows:

“G.R. No. 222243 (*Santiago T. Gabionza, Jr. v. Steel Corporation of the Philippines*). – The instant Petition for Review¹ under Rule 45 of the Rules of Court (Rules) assails the Decision² dated January 27, 2015 and the Resolution³ dated January 15, 2016 of the Court of Appeals (CA) in CA-G.R. SP No. 117880. The assailed Decision and Resolution affirmed the Orders dated August 6, 2010⁴ and November 22, 2010⁵ of the Regional Trial Court (RTC) of Batangas City, Branch 3. These Orders denied petitioner’s Motion to Consolidate and Motion to Dismiss⁶ a Petition for Indirect Contempt⁷ filed against petitioner.

Respondent Steel Corporation of the Philippines (SCP) is a corporation organized and existing under the laws of the Philippines.⁸ It is engaged in the “manufacturing and distribution of cold-rolled and galvanized steel sheets and coils.”⁹ On September 11, 2016, one of SCP’s creditors, *i.e.*, Equitable PCI Bank, Inc. (Equitable), filed a petition to place SCP under corporate rehabilitation.¹⁰ The case, docketed as Special Proceedings No. 06-7993, was raffled to Branch 2 of the RTC of Batangas City (RTC-Br. 2). In an Order¹¹ dated September 12, 2006, RTC-Br. 2 gave due course to Equitable’s petition and appointed petitioner as SCP’s rehabilitation receiver. Petitioner was then directed to: (1) take possession,

¹ Rollo, pp. 31-104.

² Penned by Associate Justice Noel G. Tijam (former Member of this Court), with the concurrence of Associate Justices Mario V. Lopez (now a Member of this Court) and Myra V. Garcia-Fernandez; id. at 8-22, 110-124.

³ Id. at 24-26, 126-128.

⁴ Penned by Judge Ruben A. Galvez, who is removed as a party-respondent to the instant petition in accordance with Section 4(a), Rule 45 of the Rules of Court; id. at 550-555.

⁵ Id. at 556-558.

⁶ Id. at 434-460.

⁷ Id. at 370-379. A Supplemental Petition was likewise filed by respondent; id. at 400-411.

⁸ Id. at 34.

⁹ Id. at 129, 134, 303.

¹⁰ Id. at 304.

¹¹ Penned by Acting Judge Maria Cecilia A. Austria; id. at 129-133.

control, and custody of SCP's assets; (2) monitor its operations; (3) submit period reports; and (4) conduct other acts that may be necessary with the goal of determining "the best way to salvage and protect the interest of the creditors, stockholders, and the general public."¹²

SCP filed an Urgent Motion¹³ seeking to disqualify petitioner as SCP's rehabilitation receiver. SCP accused petitioner of violating the Interim Rules of Procedure on Corporate Rehabilitation (Interim Rules) when petitioner controlled and managed SCP. Petitioner was also charged with: (1) instigating SCP to violate tax laws; (2) charging exorbitant fees; (3) engaging his own law firm as his counsel despite a conflict of interest;¹⁴ (4) acting with bias in favor of some creditors; and (5) lacking the necessary competence in acting as a rehabilitation receiver.¹⁵ The Urgent Motion was denied in an Order¹⁶ dated February 15, 2007. This prompted SCP to file a Petition for *Certiorari*¹⁷ with the CA. SCP's petition, docketed as CA-G.R. SP No. 98121, prayed for petitioner's disqualification as rehabilitation receiver and for the appointment of a new receiver from the list of SCP's nominees (disqualification case).¹⁸ In response to SCP's prayer, petitioner filed a Manifestation and Motion¹⁹ similarly requesting his withdrawal as SCP's rehabilitation receiver upon the appointment of his replacement.²⁰

Petitioner later filed an Urgent Manifestation and Motion²¹ praying that he be allowed to immediately withdraw as rehabilitation receiver because of the CA's decision in a separate case docketed as CA-G.R. No. SP No. 101881. In that case, the appellate court set aside RTC-Br. 2's approved Rehabilitation Plan and declared the rehabilitation proceedings terminated. One of SCP's creditors²² (Deutsche) filed a motion to terminate rehabilitation proceedings because of the CA's pronouncement. RTC-Br. 4 (replacing RTC-Br. 2) denied Deutsche's motion because the CA's decision was still the subject of a motion for reconsideration.²³ RTC-Br. 4 then directed SCP to "continuously comply with its obligation to pay the interests due its respective creditors and/or suppliers in accordance with the provisions of the Rehabilitation Plan as approved in the Decision of this Court (Branch II) dated December 03, 2007."²⁴

¹² Id. at 131-132.

¹³ Id. at 164-187.

¹⁴ Petitioner's law firm, then VGS Law (now VGD Law), was also counsel for one of SCP's creditors.
¹⁵ *Rollo*, pp. 164-166.

¹⁶ Id. at 188-190.

¹⁷ Id. at 191-255.

¹⁸ Id. at 252-253.

¹⁹ Id. at 256-257.

²⁰ Id.

²¹ Id. at 336-337. The Urgent Motion and Manifestation is actually a second attempt at requesting petitioner's withdrawal as SCP's rehabilitation receiver.

²² *i.e.*, DEG-Deutsche Investitions-und Entwicklungsgesellschaft GmbH.

²³ *Rollo*, pp. 346-347.

²⁴ Id. at 346.

Petitioner continued to discharge his duties as rehabilitation receiver. Petitioner sent a Notice²⁵ dated December 18, 2009 to SCP's creditors to discuss the following: (1) status of payments to SCP; (2) Financial Statements and Comptroller's Report; (3) Physical and Financial Audit prior to petitioner's resumption of duties as rehabilitation receiver; and (4) motion to direct the release of insurance proceeds filed by SCP.²⁶ Petitioner also filed an Omnibus Motion²⁷ praying that RTC-Br. 4 direct all banks to disclose to petitioner all amounts held by them in SCP's name and order SCP's President to show cause why he should not be cited in indirect contempt for preventing petitioner from exercising his duties.²⁸

On February 10, 2010, SCP filed a Petition to Cite (petitioner) in Indirect Contempt of Court (indirect contempt case).²⁹ SCP accused petitioner of: (1) improperly seeking bank disclosure of SCP's accounts without the latter's consent; (2) violating Section 21,³⁰ Rule 4 of the Interim Rules by calling a creditors' meeting after submission of a rehabilitation plan; (3) abandoning his position as rehabilitation receiver in violation of the RTC's May 2, 2008 Order;³¹ and (4) violating RTC-Br. 2's February 5, 2007 Order by continuing the engagement of petitioner's law firm as his counsel. A Supplemental Petition³² was filed after SCP discovered that petitioner furnished almost all major banks in the Philippines with a copy of petitioner's Omnibus Motion.³³ These petitions were raffled to RTC-Branch 3 (contempt court).

Petitioner filed an Urgent Motion for Consolidation with Motion to Dismiss³⁴ against the indirect contempt case. Petitioner averred that since the acts complained of "were done in his capacity as rehabilitation receiver, and arose out of and relate to the rehabilitation proceedings,"³⁵ the indirect contempt case should be consolidated with the rehabilitation court (*i.e.*, RTC-Br. 4). Petitioner also sought the dismissal of the indirect contempt case for (1) failure to include a Certificate against forum shopping;³⁶ (2) forum shopping;³⁷ (3) failure to state a cause of action;³⁸ and (4) lack of

²⁵ Id. at 348-351.

²⁶ Id. at 351.

²⁷ Id. at 352-369, 412-429.

²⁸ Id. at 359.

²⁹ Id. at 370-379. Docketed as Civil Case No. 8781.

³⁰ Sec. 21. *Creditors' Meetings*. – At any time before he submits his evaluation on the rehabilitation plan to the court as prescribed in section 9, Rule 4 of this Rule, the Rehabilitation Receiver may, either alone or with the debtor, meet with the creditors or any interested party to discuss the plan with a view to clarifying or resolving any matter connected therewith.

³¹ Id. at 376. The RTC's May 2, 2008 Order instructed petitioner to remain as SCP's rehabilitation receiver "until his replacement has assumed office." A copy of the RTC's May 2, 2008 Order is not attached to the *rollo*.

³² Id. at 400-411.

³³ Id. at 352-369, 412-429.

³⁴ Id. at 434-460.

³⁵ Id. at 436-437.

³⁶ Id. at 437-440.

³⁷ Id. at 440-442.

³⁸ Id. at 442-446.

cause of action.³⁹ Petitioner filed a Supplemental Motion to Dismiss⁴⁰ assailing the validity of the Supplemental Petition for being an unauthorized pleading.

In a Consolidated Order⁴¹ dated August 6, 2010, the contempt court denied petitioner's Motion to Consolidate with Motion to Dismiss. Citing paragraph 2, Section 4, Rule 71 of the Rules, the contempt court explained that petitions for indirect contempt are generally docketed and heard separately from the main case. While consolidation may be allowed, such is only an exception to the general rule. The contempt court found "no cogent reason to order such consolidation"⁴² because the indirect contempt case and the rehabilitation proceedings did not involve the same factual and legal issues. Consolidation was found to be futile as RTC-Br. 2 already rendered its December 3, 2007 Decision approving a rehabilitation plan.⁴³

Addressing petitioner's procedural grounds for dismissal, the contempt court found substantial compliance with the requirements of verification and certification of non-forum shopping. It found that the allegations in the petition and supplemental petition stated a cause of action but opted to defer its ruling on the alleged lack of cause of action.⁴⁴

Petitioner filed a Petition⁴⁵ for *certiorari* with the CA. Petitioner maintained that the rehabilitation court should decide on the indirect contempt case. Petitioner reiterated his prayer for the dismissal of the indirect contempt case based on the grounds stated in his motions to dismiss.⁴⁶

In its January 27, 2015 Decision,⁴⁷ the CA reiterated the rule that consolidation is a matter of judicial discretion. Given that there are no common issues involved in the indirect contempt case and the rehabilitation proceedings, there would be no multiplicity of suits, oppression, abuse, and delays if consolidation were denied. The CA pointed out that consolidation would further complicate and delay the rehabilitation case. The lack of common issues also led the CA to conclude that SCP did not commit forum shopping when it filed the indirect contempt case.⁴⁸

The CA likewise found SCP's belated filing of a verification and certification of non-forum shopping as substantially compliant with the Rules. Like the RTC, the CA explained that SCP's failure to immediately

³⁹ Id. at 446-457.

⁴⁰ Id. at 461-487.

⁴¹ Penned by Judge Ruben A. Galvez; id. at 550-555.

⁴² Id. at 551.

⁴³ Id. at 552.

⁴⁴ Id.

⁴⁵ Id. at 599-675.

⁴⁶ Id. at 621.

⁴⁷ Supra note 2.

⁴⁸ *Rollo*, pp. 13-18.

include these in the petition are not automatic grounds for the petition's dismissal.⁴⁹

Aggrieved, petitioner filed the instant petition for review on *certiorari*. Petitioner claims that the CA committed grave error in: (1) requiring a full blown trial on his motion to dismiss despite petitioner's immunity from suit as SCP's rehabilitation receiver; (2) finding SCP to have substantially complied with the requirements of Certification of Non-Forum Shopping; (3) affirming the RTC's refusal to consolidate the disqualification case with the indirect contempt case; and (4) failing to rule on the Judge's refusal to inhibit.⁵⁰

Stripped off its non-essentials, the main issue concerns the propriety of the indirect contempt case.

No action may be filed against a rehabilitation receiver in relation to any official act performed by it in good faith.

Section 17,⁵¹ Rule 4 of the Interim Rules states:

Section. 17. *Immunity from Suit*. – The Rehabilitation Receiver shall not be subject to any action, claim, or demand in connection with any act done or omitted by him in good faith in the exercise of his functions and powers herein conferred.

This provision was echoed in Section 41⁵² of the Financial Rehabilitation and Insolvency Act of 2010. A rehabilitation receiver is given this guarantee so that the receiver will be able to effectively carry out its mandate without fear of having to be subjected to suit by reason of the exercise of its function. It does not mean, however, that the aggrieved parties are without recourse. They may seek the rehabilitation receiver's dismissal through a motion before the rehabilitation court "on account of conflict of interest, or on any of the grounds for removing a trustee under the general principles of trusts."⁵³

Note that more than 10 years have lapsed since the indirect contempt case was filed. SCP has been entangled in several cases resulting from the

⁴⁹ Id. at 20.

⁵⁰ Id. at 46-47.

⁵¹ Now Section 15, Rule 3 of the Rules of Procedure on Corporate Rehabilitation.

⁵² Section 41. *Immunity*. – The rehabilitation receiver and all persons employed by him, and the members of the management committee and all persons employed by it, shall not be subject to any action, claim or demand in connection with any act done or omitted to be done by them in good faith in connection with the exercise of their powers and functions under this Act or other actions duly approved by the court.

⁵³ Section 19, Rule 4 of the Interim Rules of Procedure on Corporate Rehabilitation (now Section 17, Rule 3 of the Rules of Procedure on Corporate Rehabilitation), which states:

Section 19. *Dismissal of Rehabilitation Receiver*. — A Rehabilitation Receiver may be dismissed by the court, upon motion or *motu proprio*, on account of conflict of interest, or on any of the grounds for removing a trustee under the general principles of trusts.

rehabilitation proceedings. Among these cases are those already decided by this Court, to wit:

1. *Allied Banking Corporation v. In the Matter of the Petition to have Steel Corporation of the Philippines Placed Under Corporate Rehabilitation*;⁵⁴
2. *Steel Corporation of the Philippines v. Bureau of Customs*;⁵⁵
3. *Steel Corporation of the Philippines v. Mapfre Insular Insurance Corporation*;⁵⁶
4. *Deutsche Bank AG v. Court of Appeals*;⁵⁷ and
5. *Steel Corporation of the Philippines v. Equitable PCI Bank, Inc.*⁵⁸

The issues in the indirect contempt case are simple. SCP would like to cite petitioner in indirect contempt of court for: (1) petitioner's misbehavior in the performance of official functions when he (a) inquired into SCP's bank deposits and (b) called a creditors' meeting past the period allowed under the Interim Rules; and (2) petitioner's disobedience to the rehabilitation court's lawful orders by (a) prematurely vacating his position as rehabilitation receiver and (b) engaging the services of his own law firm in defiance of the rehabilitation court's February 15, 2007 Order.⁵⁹ These grounds may very well be raised before the rehabilitation court through a motion under Section 19 of the Interim Rules. In fact, it would be expeditious to file a motion with the rehabilitation court because of its first-hand knowledge of the circumstances surrounding SCP's allegations.

WHEREFORE, the instant petition is **GRANTED**. The Petition for Indirect Contempt, docketed as Civil Case No. 8781, is **DISMISSED** for lack of cause of action because of petitioner Santiago T. Gabionza, Jr.'s immunity from suit.

⁵⁴ G.R. No. 191939, March 14, 2018. This Court ultimately affirmed the rehabilitation court's Order directing the petitioner therein (ABC) to restore the ₱6,750,000.00 it debited from SCP's current account as payment for a Trust Receipt executed by SCP in favor of ABC, in accordance with the effects of a commencement order under A.M. No. 12-12-11-SC or the Financial Rehabilitation Rules of Procedure.

⁵⁵ G.R. No. 220502, February 12, 2018. The case involved the dismissal of SCP's complaint for injunction against respondents. The complaint sought to restrain the respondents from assessing and continuing to assess SCP of all taxes and fees due to the national government.

⁵⁶ 719 Phil. 638 (2013). Although the case involved SCP's insurance claim against respondents therein, the case was filed before the rehabilitation court before being filed on appeal with the CA.

⁵⁷ 683 Phil. 80 (2012). Petitioner Deutsche was an assignee of Rizal Commercial Banking Corporation's (RCBC) right in the loan RCBC extended to SCP. The case involved the consolidation of petitioner's petition for *certiorari* before the CA (questioning the rehabilitation court's order for the assignees to disclose the actual price paid by them for SCP debts assigned to them) with two separate petitions filed by Investments 2234 Philippines Fund, Inc. and Equitable PCI Bank, Inc. SCP also sought to consolidate its cases with a petition filed by Vitarich Corporation (which, in turn stemmed from a petition for Vitarich Corporation's corporate rehabilitation).

⁵⁸ 649 Phil. 692 (2010). The petitions here were filed by SCP and Deutsche assailing the CA's July 3, 2008 Decision in CA-G.R. No. 101881, which terminated rehabilitation proceedings pursuant to Section 27, Rule 4 of the Interim Rules of Procedure on Corporate Rehabilitation. This Court reversed the CA's July 3, 2008 Decision and remanded the case to the appellate court for consolidation of the 4 appeals docketed as CA-G.R. SP Nos. 101732, 101880, 101881, and 101913.

⁵⁹ *Id.* at 372-377.

SO ORDERED.”

Very truly yours,

Mis-DC Batt
MISAEAL DOMINGO C. BATTUNG III
Division Clerk of Court JB 12/3/20

VILLANUEVA GABIONZA DY
Counsel for Petitioner
20/F 139 Corporate Center
139 Valero Street, Salcedo Village
1227 Makati City

COURT OF APPEALS
CA G.R. SP No. 117880
1000 Manila

TOPACIO LAW OFFICE
Counsel for Respondent
Suite 107, Skyway Twin Towers
H. Javier St., Ortigas Center
1605 Pasig City

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