



Republic of the Philippines  
**Supreme Court**  
Manila

SUPREME COURT OF THE PHILS.  
MARIA LOURDES P. A. SERENO  
CHIEF JUSTICE

**RECEIVED**  
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**SECOND DIVISION**

**TOWN AND COUNTRY  
ENTERPRISES, INC.,**  
Petitioner,

**G.R. No. 173610**

- versus -

**HONORABLE NORBERTO J.  
QUISUMBING, JR., ET. AL,**  
Respondents.

**TOWN AND COUNTRY  
ENTERPRISES, INC.,**  
Petitioner,

**G.R. No. 174132**

Present:

- versus -

CARPIO, J.,  
Chairperson,  
LEONARDO-DE CASTRO,\*  
BRION,  
PEREZ, and  
PERLAS-BERNABE, JJ.

**METROPOLITAN BANK AND  
TRUST CO.,**  
Respondent.

Promulgated:  
OCT 01 2012

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**DECISION**

**PEREZ, J.:**

These consolidated Rule 45 Petitions for Review on *Certiorari* primarily assail the 30 November 2005 Decision rendered by the Fourth Division of the Court of Appeals (CA) in CA-G.R. CV No. 84464<sup>1</sup> and the 24 May 2006 Decision rendered by said Court's Sixteenth Division in CA-G.R. SP No. 90311.<sup>2</sup>

There is no dispute regarding the fact that petitioner Town & Country Enterprises, Inc. (**TCEI**) obtained loans in the aggregate sum of ₱12,000,000.00 from respondent Metropolitan Bank & Trust Co. (**Metrobank**).<sup>3</sup> To secure the prompt payment of the loan, TCEI executed in favor of Metrobank a thrice amended Deed of Real Estate Mortgage<sup>4</sup> over twenty parcels of land registered in its name and/or its corporate officers, petitioners Spouses Reynaldo and Lydia Campos (**Spouses Campos**), under Transfer Certificates of Title (TCT) Nos. T-361540, T-361541, T-361542, T-361543, T-361544, T-261545, T-361546, T-361547, T-361548, T-361565, T-361566, T-361567, T-361568, T-361569, T-361570, T0361571, T-361572, T-361573, T-361574 and T-743815, all of the Cavite Provincial Registry of Deeds.<sup>5</sup> For failure of TCEI to heed its demands for the payment of the loan, Metrobank caused the real estate mortgage to be extrajudicially foreclosed and the subject realties to be sold at public auction on 7 November 2001 in accordance with Act No. 3135. As highest bidder, Metrobank was issued the corresponding Certificate of Sale<sup>6</sup> which was registered with the Cavite Provincial Registry of Deeds on 10 April 2002.<sup>7</sup>

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\* As per Special Order No. 1308 dated 21 September 2012.

<sup>1</sup> Penned by Justice Ruben T. Reyes and concurred in by Justices Rebecca De Guia-Salvador and Aurora Santiago-Lagman.

<sup>2</sup> Penned by Justice Eliezer R. De Los Santos and concurred in by Justices Jose C. Reyes, Jr. and Arturo G. Tayag.

<sup>3</sup> Original Records, LRC Case No. 2128-02, Promissory Note No. 497652, p. 12.

<sup>4</sup> Real Estate Mortgage and its Amendments, id. at 13-19.

<sup>5</sup> TCTs in the name of TCEI and the Spouses Campos, id. at 20-76.

<sup>6</sup> 13 December 2001 Certificate of Sale, id. at 77-84.

<sup>7</sup> Id. at 21.

In view of TCEI's further refusal to heed its demands to turn over actual possession of the properties, Metrobank filed on 23 September 2002 the petition for issuance of a writ of possession docketed as LRC Case No. 2128-02 before the Regional Trial Court (*RTC*), Branch 21, in Imus, Cavite, presided over by public respondent judge, the Hon. Norberto J. Quisumbing, Jr.<sup>8</sup> Metrobank invoked its right to said writ of possession under Section 7 of Act No. 3135. Claiming difficulty in servicing its obligations as a consequence of the Asian financial crisis, on the other hand, TCEI filed on 1 October 2002 the petition for declaration of a state of suspension of payments, with approval of a proposed rehabilitation plan, which was docketed as SEC Case No. 023-02 before the same court, sitting as a Special Commercial Court (*Rehabilitation Court*).<sup>9</sup> With the issuance of a Stay Order on 8 October 2002 in the corporate rehabilitation case,<sup>10</sup> TCEI filed on 21 October 2002 a motion to suspend the proceedings in LRC Case No. 2128-02 which was granted by respondent judge in the Order dated 2 December 2002.<sup>11</sup> Aggrieved by the denial of its motion for reconsideration of the same order, Metrobank filed the Rule 65 petition for *certiorari* which was docketed before the CA as CA-G.R. SP No. 76147.<sup>12</sup>

On 30 January 2004, the CA's then Fifth Division rendered the Decision<sup>13</sup> in CA-G.R. SP No. 76147, directing respondent judge "to continue with the proceedings in [LRC Case No. 2128-02] and eventually to issue the required writ of possession in favor of [Metrobank] over the foreclosed properties." The foregoing directive was anchored on the second

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<sup>8</sup> Metrobank's 8 August 2002 Ex-Parte Petition for Writ of Possession, id. at 3-9.

<sup>9</sup> Original Records, SEC Case No. 023-02, Vol. I, TCEI's 28 August 2002 Petition for Corporate Rehabilitation, pp. 4-13.

<sup>10</sup> Original Records, Vol. II, 8 October 2002 Stay Order, pp. 268-271.

<sup>11</sup> Original Records, LRC Case No. 2128-02, 2 December 2002 Order, id. at 123.

<sup>12</sup> *Rollo*, G.R. No. 173610, pp. 119-120.

<sup>13</sup> Penned by Justice Mercedes Gozo-Dadole and concurred in by Justices Eugenio S. Labitoria and Rosemari D. Carandang.

paragraph of Section 47 of Republic Act (RA) No. 8741.<sup>14</sup> Finding the Rehabilitation Plan submitted by TCEI feasible, on the other hand, the rehabilitation court issued the Order dated 29 March 2004 in SEC Case No. 023-02,<sup>15</sup> the decretal portion of which states:

CONSIDERING THE FOREGOING, the Court hereby approves the Rehabilitation Plan of [TCEI] thereby granting [TCEI] a moratorium of five (5) years from today in the payment of all its obligations, together with the corresponding interests, to its creditor banks, subject to the modification that the interest charges shall be reduced from 36% to 24% per annum. After the five-year grace period, [TCEI] shall commence to pay its existing obligations with its creditor banks monthly within a period of three (3) years.

[TCEI] is enjoined to comply strictly with the provisions of the Rehabilitation Plan, perform its obligations thereunder and take all actions necessary to carry out the Plan, failing which, the Court shall either, upon motion, *motu proprio* or upon the recommendation of the Rehabilitation Receiver, terminate the proceeding pursuant to SECTION 27, Rule 4 of the Interim Rules of Procedure on Corporate Rehabilitation.

The Rehabilitation Receiver is directed to strictly monitor the implementation of the Plan and submit a quarterly report on the progress thereof.

SO ORDERED.<sup>16</sup>

On 11 January 2005, the RTC issued in LRC Case No. 2128-02 an order granting Metrobank's petition for issuance of a writ of possession and directing the Clerk of Court to issue the writ therein sought.<sup>17</sup> Aggrieved, TCEI and the Spouses Campos perfected the appeal which was docketed before the CA as CA-G.R. CV No. 84464, on the ground that it had been denied due process *a quo* and that the writ of possession issued is contrary to the rules on corporate rehabilitation.<sup>18</sup> On 30 November 2005, the CA's then Fourth Division rendered the first assailed Decision, affirming the RTC's appealed 11 January 2005 Order. In denying the appeal, the CA

<sup>14</sup> *Rollo*, G.R. No. 173610, CA's 30 January 2004 Decision in CA-G.R. SP No. 76147, pp. 117-125.

<sup>15</sup> Original Records, SEC Case No. 023-02, Vol. IV, RTC's 29 March 2004 Order, pp. 605-613.

<sup>16</sup> *Id.* at 612-613.

<sup>17</sup> Original Records, LRC Case No. 2128-02, RTC's 11 January 2005 Order, p. 335.

<sup>18</sup> *CA rollo*, CA-G.R. CV No. 84464, 10 May 2005 Appellants' Brief of TCEI and Spouses Campos, pp. 13-55.

ruled that, as purchaser of the foreclosed properties, Metrobank was entitled to the writ of possession without delay since, under Section 8 of Act No. 3135, the remedy of the mortgagor is to set aside the sale and the writ of possession within 30 days after the purchaser was placed in possession and, if aggrieved from the resolution thereof, to appeal in accordance with Section 14 of Act No. 496, otherwise known as the *Land Registration Act*. Likewise finding that the proceedings before the RTC were *ex parte* by nature, the CA decreed that TCEI and the Spouses Campos were not denied due process and that the appealed order is not reviewable since only one party sought relief *a quo*.<sup>19</sup> Dissatisfied with the denial of the motion for reconsideration of the foregoing decision in the CA's Resolution dated 26 July 2006,<sup>20</sup> TCEI and the Spouses Campos filed the Rule 45 petition for review now docketed before us as G.R. No. 173610.<sup>21</sup>

In the meantime, TCEI discovered that its certificates of titles were already cancelled as of 26 June 2003, with the issuance of TCT Nos. T-1046369, T-1046370, T-1046371, T-1046372, T-1046373, T-1046374, T-1046375, T-1046376, T-1046377, T-1046378, T-1046379, T-1046380, T-1046381, T-1046382, T-1046383, T-1046384, T-1046385, T-1046386, T-1046387 and T-1046388<sup>22</sup> in the name of Metrobank which had consolidated its ownership over the subject properties on 25 April 2003.<sup>23</sup> Maintaining that the transfers of title were invalid and ineffective, TCEI filed its 4 November 2004 motion which was styled as one to direct the Register of Deeds to "bring back the titles in [its] name." TCEI argued that Metrobank's act of transferring said titles to the latter's name amounted to contempt absent modification of the 8 October 2002 Stay Order and

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<sup>19</sup> CA's 30 November Decision in CA-G.R. CV No. 84464, id. at 318-330.

<sup>20</sup> CA's 26 July 2006 Resolution id. at 348-349.

<sup>21</sup> *Rollo*, G.R. No. 173610, 17 August 2006 Petition filed by TCEI and Spouses Campos, pp. 10-56.

<sup>22</sup> *Rollo*, G.R. No. 174132, Metrobank's TCTs, pp. 70-89.

<sup>23</sup> Original Records, LRC Case No. 2128-02, Metrobank's 25 April 2003 Affidavit of Consolidation, p. 333.

approval by the Rehabilitation Court.<sup>24</sup> The motion was, however, denied in the Rehabilitation Court's 2 June 2005 Order, on the ground that Metrobank's right to exercise any act of dominion over the foreclosed properties had already been recognized in the CA's 30 January 2004 Decision in CA-G.R. SP No. 76147.<sup>25</sup>

Insisting that the transfers of title in Metrobank's name was violative of the Stay Order issued in SEC Case No. 023-02, TCEI filed the 17 June 2005 Rule 43 petition for review which was docketed before the CA as CA-G.R. SP No. 90311.<sup>26</sup> On 24 May 2006, said court's Sixteenth Division rendered the second assailed decision, dismissing TCEI's petition for lack of merit on the ground that Metrobank was already the owner of the foreclosed properties by the time the Stay Order was issued on 8 October 2002. For this purpose, the CA took appropriate note of the fact that, in the 30 January 2004 Decision in CA-G.R. SP No. 76147, Metrobank's ownership of the foreclosed properties was considered consolidated for failure of TCEI to exercise its right of redemption within three months from the foreclosure sale or the registration of the certificate of sale in accordance with Sec. 47 of Republic Act (RA) No. 8791.<sup>27</sup> Considering that said 30 January 2004 Decision had already attained finality, the CA also ruled that the determinations therein made already amounted to *res judicata* and that, as a consequence, TCEI's petition for review was equivalent to forum shopping.<sup>28</sup> TCEI's motion for reconsideration was likewise denied for lack

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<sup>24</sup> Original Records, Vol. IV, SEC Case No. 023-02, TCEI's Motion to Direct the Register of Deeds to Bring Back the Titles in the name of the Petitioner, pp. 647-650.

<sup>25</sup> Rehabilitation Court's 2 June 2005 Order, id. at 692-693.

<sup>26</sup> CA rollo, CA-G.R. SP No. 90311, TCEI's 17 June 2005 Petition for Review, pp. 2-29.

<sup>27</sup> *An Act Providing for the Regulation of the Organization and Operation of Banks, Quasi-Banks, Trust Entities and for Other Purposes.*

<sup>28</sup> CA rollo, CA-G.R. SP No. 90311, CA's 24 May 2006 Decision, pp. 315-323.

of merit in the CA's Resolution dated 14 August 2006,<sup>29</sup> hence its Rule 45 petition for review now docketed before us as G.R. No. 174132.<sup>30</sup>

In G.R. No. 173610, *petitioners* TCEI and the Spouses Campos seek the reversal of the CA's 30 November 2005 Decision in CA-G.R. CV No. 84464 on the following grounds:

1. *The Order granting the Writ of Possession in favor of Metrobank is invalid and unenforceable considering that the properties of TCEI are now in the possession of the rehabilitation receiver in view of the earlier judgment of approval of the Petition for Corporate Rehabilitation in SEC Case No. 023-02.*
2. *The Rehabilitation Receiver is considered a Third-Party in possession of the properties adversely against Metrobank for the benefit of the creditors and the debtor.*
3. *Possession of the Rehabilitation Receiver by virtue of a final judgment in a Rehabilitation Proceeding must be respected as among the exemptions why the Petition for Writ of Possession must be denied or must not be implemented.*
4. *TCEI, Spouses Campos and Metrobank agreed that Act 3135 will be applicable in case of foreclosure sale. Section 47 of the General Banking Act, Republic Act 8791, is not applicable. While the Certificate of Sale was issued in 10 April 2002 there was no transfer until 26 June 2003 when the Stay Order was already effective.*

In G.R. No. 174132, on the other hand, the setting aside of the CA's 24 May 2006 Decision in CA-G.R. SP No. 90311 is urged by TCEI on the following grounds:

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<sup>29</sup> CA's 14 August 2006 Resolution, id. at 379.

<sup>30</sup> Rollo, G.R. No. 174132, TCEI's 28 September 2006 Petition, pp. 10-44.

1. *The Register of Deeds cannot legally transfer the titles subject matter of the Petition for Rehabilitation in favor of Metrobank on 26 June 2003 in view of the existence of the Stay Order on 8 October 2002 prohibiting the enforcement of claims and the subsequent judgment approving the Rehabilitation Plan in favor of Petitioner.*
2. *The Register of Deeds should cancel the titles issued to Metrobank on 26 June 2003 and re-issue titles in favor of TCEI as the same was made in violation of the Stay Order and the Rehabilitation Proceedings as the Decision therein binds the whole world being a proceeding in rem.*
3. *The Decision of the CA failed to take into consideration the far reaching effects of a Petition for Rehabilitation as against a Motion for Issuance of a Writ of Possession which is ex-parte and not a judicial proceeding.*

We find both petitions bereft of merit.

Corporate rehabilitation contemplates a continuance of corporate life and activities in an effort to restore and reinstate the corporation to its former position of successful operation and solvency, the purpose being to enable the company to gain a new lease on life and allow its creditors to be paid their claims out of its earnings.<sup>31</sup> A principal feature of corporate rehabilitation is the Stay Order which defers all actions or claims against the corporation seeking corporate rehabilitation from the date of its issuance until the dismissal of the petition or termination of the rehabilitation proceedings.<sup>32</sup> Under Section 24, Rule 4 of the *Interim Rules of Procedure on Corporate Rehabilitation* which was in force at the time TCEI filed its petition for rehabilitation *a quo*, the approval of the rehabilitation plan also produces the following results:

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<sup>31</sup> *Castillo v. Uniwide Warehouse Club, Inc.*, G.R. No. 169725, 30 April 2010, 619 SCRA 641, 646.

<sup>32</sup> *Philippine Airlines, Inc. v. Court of Appeals*, G.R. No. 150592, 20 January 2009, 576 SCRA 471, 477.



- a. The plan and its provisions shall be binding upon the debtor and all persons who may be affected by it, including the creditors, whether or not such persons have participated in the proceedings or opposed the plan or whether or not their claims have been scheduled;
- b. The debtor shall comply with the provisions of the plan and shall take all actions necessary to carry out the plan;
- c. Payments shall be made to the creditors in accordance with the provisions of the plan;
- d. Contracts and other arrangements between the debtor and its creditors shall be interpreted as continuing to apply to the extent that they do not conflict with the provisions of the plan; and
- e. Any compromises on amounts or rescheduling of timing of payments by the debtor shall be binding on creditors regardless of whether or not the plan is successfully implemented.

In addition to the issuance of the Stay Order in SEC Case No. 023-02 on 8 October 2002, petitioners call attention to the fact that the Rehabilitation Court approved TCEI's rehabilitation plan in the Order dated 29 March 2004. Considering that orders issued by the Rehabilitation Court are immediately executory under Section 5, Rule 3 of the *Interim Rules*,<sup>33</sup> petitioners argue that the subject properties were placed in *custodia legis* upon approval of TCEI's rehabilitation plan and that the grant of the writ of possession in favor of Metrobank was tantamount to taking said properties away from the rehabilitation receiver. Petitioners maintain that the rehabilitation receiver, as an officer of the court empowered to take possession, control and custody of the debtor's assets,<sup>34</sup> should have been considered a third person whose possession of the foreclosed properties was an exception to the rule that the grant of a writ of possession is ministerial. For these reasons, petitioners claim that the writ of possession issued in favor of Metrobank is invalid and unenforceable.<sup>35</sup>

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<sup>33</sup> SEC. 5. *Executory Nature of Orders.*— Any order issued by the court under these Rules is immediately executory. A petition for review or an appeal therefrom shall not stay the execution of the order unless restrained or enjoined by the appellate court. The review of any order or decision of the court or an appeal therefrom shall be in accordance with the Rules of Court: *Provided, however,* that the reliefs ordered by the trial or appellate courts shall take into account the need for resolution of proceedings in a just, equitable, and speedy manner.

<sup>34</sup> Section 14 (s), Rule 4, *Interim Rules on Corporate Rehabilitation*.

<sup>35</sup> *Rollo*, G.R. No. 173610, pp. 28-46.

The dearth of merit in petitioners' position is, however, evident from the fact that, Metrobank had already acquired ownership over the subject realties when TCEI commenced its petition for corporate rehabilitation on 1 October 2002. Although Metrobank concededly invoked Act No. 3135 in seeking the extrajudicial foreclosure of the mortgages executed by TCEI, the second paragraph of Section 47 of RA 8791 – the law in force at said time – specifically provides as follows:

*Section 47. Foreclosure of Real Estate Mortgage. – x x x x*

Notwithstanding Act 3135, juridical persons whose property is being sold pursuant to an extrajudicial foreclosure, shall have the right to redeem the property in accordance with this provision until, but not after, the registration of the certificate of foreclosure sale with the applicable Register of Deeds which in no case shall be more than three (3) months after foreclosure, whichever is earlier. Owners of property that has been sold in a foreclosure sale prior to the effectivity of this Act shall retain their redemption rights until their expiration.

Having purchased the subject realties at public auction on 7 November 2001, Metrobank undoubtedly acquired ownership over the same when TCEI failed to exercise its right of redemption within the three-month period prescribed under the foregoing provision. With ownership already vested in its favor as of 6 February 2002, it matters little that Metrobank caused the certificate of sale to be registered with the Cavite Provincial Registry only on 10 April 2002 and/or executed an affidavit consolidating its ownership over the same properties only on 25 April 2003. The rule is settled that the mortgagor loses all interest over the foreclosed property after the expiration of the redemption period and the purchaser becomes the absolute owner thereof when no redemption is made.<sup>36</sup> By the time that the Rehabilitation Court issued the 8 October 2002 Stay Order in SEC Case No.

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<sup>36</sup> *Oliveros v. Presiding Judge, RTC, Branch 24, Biñan, Laguna*, G.R. No. 165963, 3 September 2007, 532 SCRA 109, 118.

023-02, it cannot, therefore, be gainsaid that Metrobank had long acquired ownership over the subject realties.

Viewed in the foregoing light, the CA cannot be faulted for upholding the RTC's grant of a writ of possession in favor of Metrobank on 11 January 2005. If the purchaser at the foreclosure sale, upon posting of the requisite bond, is entitled to a writ of possession even during the redemption period under Section 7 of Act 3135,<sup>37</sup> as amended, it has been consistently ruled that there is no reason to withhold said writ after the expiration of the redemption period when no redemption is effected by the mortgagor. Indeed, the rule is settled that the right of the purchaser to the possession of the foreclosed property becomes absolute after the redemption period, without a redemption being effected by the property owner. Since the basis of this right to possession is the purchaser's ownership of the property, the mere filing of an *ex parte* motion for the issuance of the writ of possession would suffice, and no bond is required.<sup>38</sup>

Considering that Metrobank acquired ownership over the mortgaged properties upon the expiration of the redemption period on 6 February 2002, TCEI is also out on a limb in invoking the Stay Order issued by the Rehabilitation Court on 8 October 2002 and the approval of its rehabilitation

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<sup>37</sup> SEC. 7. In any sale made under the provisions of this Act, the purchaser may petition the Court of First Instance of the province or place where the property or any part thereof is situated, to give him possession thereof during the redemption period, furnishing bond in an amount equivalent to the use of the property for a period of twelve months, to indemnify the debtor in case it be shown that the sale was made without violating the mortgage or without complying with the requirements of this Act. Such petition shall be made under oath and filed in form of an *ex parte* motion in the registration or cadastral proceedings if the property is registered, or in special proceedings in the case of property registered under the Mortgage Law or under section one hundred and ninety-four of the Administrative Code, or of any other real property encumbered with a mortgage duly registered in the office of any register of deeds in accordance with any existing law, and in each case the clerk of the court shall, upon the filing of such petition, collect the fees specified in paragraph eleven of section one hundred and fourteen of Act Numbered Four hundred and ninety-six, as amended by Act Numbered Twenty-eight hundred and sixty-six, and the court shall, upon approval of the bond, order that a writ of possession issue, addressed to the sheriff of the province in which the property is situated, who shall execute said order immediately.

<sup>38</sup> *Spouses Tansipek v. Philippine Bank of Communications*, 423 Phil. 727, 734 (2001) citing *Laureano v. Bormaheco, Inc.*, 404 Phil. 80, 86 (2001).

plan on 29 March 2004. An essential function of corporate rehabilitation is, admittedly, the Stay Order which is a mechanism of suspension of all actions and claims against the distressed corporation upon the due appointment of a management committee or rehabilitation receiver.<sup>39</sup> The Stay Order issued by the Rehabilitation Court in SEC Case No. 023-02 cannot, however, apply to the mortgage obligations owing to Metrobank which had already been enforced even before TCEI's filing of its petition for corporate rehabilitation on 1 October 2002.

In *Equitable PCI Bank, Inc v. DNG Realty and Development Corporation*,<sup>40</sup> the Court upheld the validity of the writ of possession procured by the creditor despite the subsequent issuance of a stay order in the rehabilitation proceedings instituted by the debtor. In said case, Equitable PCI Bank (*Equitable*) foreclosed on 30 June 2003 the mortgage executed in its favor by DNG Realty and Development Corporation (DNG) and was declared the highest bidder at the 4 September 2003 public auction of the property. On 21 October 2003, DNG also instituted a petition for corporate rehabilitation which resulted in the issuance of a Stay Order on 27 October 2003. Having caused the recording of the Certificate of Sale on 3 December 2003, on the other hand, Equitable executed an affidavit of consolidation of its ownership which served as basis for the issuance of a new title in its favor on 10 December 2003. Equitable subsequently filed an action for the issuance of a writ of possession on 17 March 2004 which was eventually granted on 6 September 2004. In affirming the validity of the certificate of sale, certificate of title and writ of possession issued in favor of Equitable, the Court ruled as follows:

In RCBC, we upheld the extrajudicial foreclosure sale of the mortgage properties of BF Homes wherein RCBC emerged as the highest

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<sup>39</sup> *Veterans Philippine Scout Security Agency, Inc. vs. First Dominion Prime Holdings, Inc.*, G.R. No. 190907, 23 August 2012.

<sup>40</sup> G.R. No. 168672, 9 August 2010, 627 SCRA 125.

bidder as it was done before the appointment of the management committee. Noteworthy to mention was the fact that the issuance of the certificate of sale in RCBC's favor, the consolidation of title, and the issuance of the new titles in RCBC's name had also been upheld notwithstanding that the same were all done after the management committee had already been appointed and there was already a suspension of claims. Thus, applying *RCBC v. IAC* in this case, since the foreclosure of respondent DNG's mortgage and the issuance of the certificate of sale in petitioner EPCIB's favor were done prior to the appointment of a Rehabilitation Receiver and the Stay Order, all the actions taken with respect to the foreclosed mortgage property which were subsequent to the issuance of the Stay Order were not affected by the Stay Order. Thus, *after the redemption period expired without respondent redeeming the foreclosed property, petitioner becomes the absolute owner of the property and it was within its right to ask for the consolidation of title and the issuance of new title in its name as a consequence of ownership; thus, it is entitled to the possession and enjoyment of the property.* (Italics supplied)

A similar dearth of merit may be said of TCEI's claim that the subject properties were in *custodia legis* upon the issuance of the Stay Order and the approval of the rehabilitation plan fails to persuade. As early as 7 February 2002 or three months after the foreclosure sale on 7 November 2001, Metrobank acted well-within its rights in applying for a writ of possession, the issuance of which has consistently been held to be a ministerial function which cannot be hindered by an injunction or an action for the annulment of the mortgage or the foreclosure itself.<sup>41</sup> While it is true that the function ceases to be ministerial where the property is in the possession of a third party claiming a right adverse to that of the judgment debtor,<sup>42</sup> the rehabilitation receiver's power to take possession, control and custody of TCEI's assets is far from adverse to the latter. A rehabilitation receiver is an officer of the court who is appointed for the protection of the interests of the corporate investors and creditors.<sup>43</sup> It has been ruled that there is nothing in

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<sup>41</sup> *Chailease Finance Corporation v. Spouses Ma*, 456 Phil. 498, 503 (2003).

<sup>42</sup> *Philippine National Bank v. Court of Appeals*, 424 Phil. 757, 769 (2002).

<sup>43</sup> *Siochi Fishery Enterprises, Inc. v. Bank of the Philippine Islands*, G.R. No. 193872, 19 October 2011, 659 SCRA 817, 829.

the concept of corporate rehabilitation that would *ipso facto* deprive the officers of a debtor corporation of control over its business or properties.<sup>44</sup>

Neither are we inclined to hospitably entertain TCEI's harping on the supposed primacy of the one-year redemption period provided under Act 3135 over the three-month redemption period provided under the second paragraph of Section 47 of RA 8791 where the property being sold pursuant to an extrajudicial foreclosure is owned by a juridical person. As may be gleaned from the record, Metrobank's acquisition of the subject properties would still pass muster even if tested alongside the longer redemption period provided under Act 3135. Having purchased the same properties at public auction on 7 November 2001, Metrobank was issued a 13 December 2001 certificate of sale which it caused to be registered on 10 April 2002. Despite the shorter redemption period provided under RA 8791, Metrobank also executed an affidavit of consolidation of ownership over the subject realties on 25 April 2003 or after the lapse of the one-year redemption period provided under Act 3135.

Not having exercised its right of redemption in the intervening period, TCEI cannot be heard to complain about the cancellation of its titles and the issuance of new ones in favor of Metrobank on 26 June 2003. In *Union Bank of the Philippines v. Court of Appeals*,<sup>45</sup> the Court ruled that, after the purchaser's consolidation of title over foreclosed property, the issuance of a certificate of title in his favor is ministerial upon the Register of Deeds, thus:

In real estate mortgage, when the principal obligation is not paid when due, the mortgagee has the right to foreclose the mortgage and to have the property seized and sold with a view to applying the proceeds to the payment of the principal obligation. Foreclosure may be effected either judicially or extrajudicially. In a public bidding during extra-judicial foreclosure, the creditor-mortgagee, trustee, or other person authorized to

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<sup>44</sup> *Umale v. ASB Realty Corporation*, G.R. No. 181126, 15 June 2011, 652 SCRA 215, 228.

<sup>45</sup> 370 Phil. 837, 846-847 (1999).

act for the creditor may participate and purchase the mortgaged property as any other bidder. Thereafter the mortgagor has one year within which to redeem the property from and after registration of sale with the Register of Deeds. In case of non-redemption, the purchaser at foreclosure sale shall file with the Register of Deeds, either a final deed of sale executed by the person authorized by virtue of the power of attorney embodied in the deed or mortgage, or his sworn statement attesting to the fact of non-redemption; whereupon, the Register of Deeds shall issue a new certificate of title in favor of the purchaser after the owner's duplicate of the certificate has been previously delivered and cancelled. Thus, upon failure to redeem foreclosed realty, consolidation of title becomes a matter of right on the part of the auction buyer, and the issuance of a certificate of title in favor of the purchaser becomes ministerial upon the Register of Deeds.

In upholding the RTC's denial of its motion for the cancellation of the certificates of title issued in favor of Metrobank, TCEI, finally, argues that the CA erroneously gave more premium to the *ex-parte* proceedings for the issuance of a writ of possession over those in the corporate rehabilitation case which, being *in rem*, binds the whole world. Aside from the fact that this matter had already been addressed in the 30 January 2004 Decision earlier rendered in CA-G.R. SP No. 76147, TCEI loses sight of the fact, that the proceedings in corporate rehabilitation cases are also summary and non-adversarial<sup>46</sup> and do not impair the debtor's contracts<sup>47</sup> or diminish the status of preferred creditors.<sup>48</sup> Concededly, the issuance of the Stay Order suspends the enforcement of all claims against the debtor, whether for money or otherwise, and whether such enforcement is by court action or otherwise, effective from the date of its issuance until the dismissal of the petition or the termination of the rehabilitation proceedings.<sup>49</sup> This does not, however, apply to Metrobank which already acquired ownership over

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<sup>46</sup> Sec.1, Rule 3, *Interim Rules of Procedure on Corporate Rehabilitation* and 2008 *Rules of Procedure on Corporate Rehabilitation*; Sec. 3, Chapter I, R.A. 10142, *The Financial Rehabilitation and Insolvency Act (FRIA) of 2010*.

<sup>47</sup> *Bank of Philippine Islands v. Securities and Exchange Commission*, G.R. No. 164641, 20 December 2007, 541 SCRA 294, 302.

<sup>48</sup> Supra note 44.

<sup>49</sup> *Philippine Airlines v. Spouses Kurangking*, 438 Phil. 375, 381 (2002).


the subject realties even before TCEI filed its petition for rehabilitation *a quo*.

**WHEREFORE**, premises considered, both petitions for review on *certiorari* are **DENIED** for lack of merit.

**SO ORDERED.**

  
**JOSE PORTUGAL PEREZ**  
Associate Justice

**WE CONCUR:**

  
**ANTONIO T. CARPIO**  
Associate Justice

  
**TERESITA J. LEONARDO-DE CASTRO**  
Associate Justice

  
**ARTURO D. BRION**  
Associate Justice

  
**ESTELA M. BERLAS-BERNABE**  
Associate Justice



### ATTESTATION

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

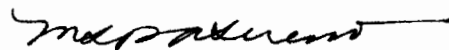


**ANTONIO T. CARPIO**

Associate Justice  
Chairperson, Second Division

### CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, it is hereby certified that the conclusions in the above Decision were reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



**MARIA LOURDES P. A. SERENO**

Chief Justice