Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

METROPOLITAN BANK AND TRUST COMPANY, as successor-in-interest of ASIAN BANK CORPORATION, Petitioner,	**G.R. No. 169677**
- versus -	
HON. EDILBERTO G. SANDOVAL, HON. FRANCISCO H. VILLARUZ, JR. and HON. RODOLFO A. PONFERRADA (in their capacities as Chairman and Members, respectively, of the Second Division of SANDIGANBAYAN) and the REPUBLIC OF THE PHILIPPINES, Respondents.	Present: SERENO, *C.J.*, LEONARDO-DE CASTRO, BERSAMIN, VILLARAMA, JR. and REYES, *JJ.* Promulgated: FEB 18 2013

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D E C I S I O N

BERSAMIN, *J.*:

The court, in furtherance of convenience or to avoid prejudice, may order a separate trial of any claim, cross-claim, counterclaim, or third-party complaint, or of any separate issue or of any number of claims, cross-claims, counterclaims, third-party complaints or issues.[1] But a separate trial may be denied if a party is thereby deprived of his right to be heard upon an issue dealt with and determined in the main trial.

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[1] Section 2, Rule 31, *Rules of Court*.

Through this special civil action for *certiorari*, Metropolitan Bank and Trust Company (Metrobank) hereby seeks to set aside and nullify the resolutions dated June 25, 2004[2] and July 13, 2005[3] issued in Civil Case No. 0004, whereby the Sandiganbayan granted the motion for separate trial filed by the Republic of the Philippines (Republic), and upheld its jurisdiction over the Republic's claim against the petitioner as the successor-in-interest of Asian Bank Corporation (Asian Bank).

Antecedents

On July 17, 1987, the Republic brought a complaint for reversion, reconveyance, restitution, accounting and damages in the Sandiganbayan against Andres V. Genito, Jr., Ferdinand E. Marcos, Imelda R. Marcos and other defendants. The action was obviously to recover allegedly ill-gotten wealth of the Marcoses, their nominees, dummies and agents. Among the properties subject of the action were two parcels of commercial land located in Tandang Sora (Old Balara), Quezon City, covered by Transfer Certificate of Title (TCT) No. 266423[4] and TCT No. 266588[5] of the Registry of Deeds of Quezon City registered in the names of Spouses Andres V. Genito, Jr. and Ludivina L. Genito.

On February 5, 2001, the Republic moved for the amendment of the complaint in order to implead Asian Bank as an additional defendant. The Sandiganbayan granted the motion.[6] It appears that Asian Bank claimed ownership of the two parcels of land as the registered owner by virtue of TCT No. N-201383 and TCT No. N-201384 issued in its name by the Registry of Deeds of Quezon City. Asian Bank was also in possession of the properties by virtue of the writ of possession issued by the Regional Trial Court (RTC) in Quezon City.[7]

When the Republic was about to terminate its presentation of evidence against the original defendants in Civil Case No. 0004, it moved to hold a separate trial against Asian Bank.[8]

Commenting on the motion, Asian Bank sought the deferment of any action on the motion until it was first given the opportunity to test and assail the testimonial and documentary evidence the Republic had already presented against the original defendants, and contended that it would be deprived of its day in court if a separate trial were to be held against it

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2 *Rollo*, at 38-47.
3 Id. at. 48-52.
4 Id. at 64-66.
5 Id. at 67-69.
6 Id. at 88.
7 Id. at 54-56.
8 Id. at 39.

without having been sufficiently apprised about the evidence the Republic had adduced before it was brought in as an additional defendant.[9]

In its reply to Asian Bank's comment, the Republic maintained that a separate trial for Asian Bank was proper because its cause of action against Asian Bank was entirely distinct and independent from its cause of action against the original defendants; and that the issue with respect to Asian Bank was whether Asian Bank had actual or constructive knowledge at the time of the issuance of the TCTs for the properties in its name that such properties were the subject of the complaint in Civil Case No. 0004, while the issue as to the original defendants was whether they had "committed the acts complained of as constituting illegal or unlawful accumulation of wealth which would, as a consequence, justify forfeiture of the said properties or the satisfaction from said properties of the judgement that may be rendered in favor of the Republic."[10]

Asian Bank's rejoinder to the Republic's reply asserted that the issue concerning its supposed actual or constructive knowledge of the properties being the subject of the complaint in Civil Case No. 0004 was intimately related to the issue delving on the character of the properties as the ill-gotten wealth of the original defendants; that it thus had a right to confront the evidence presented by the Republic as to the character of the properties; and that the Sandiganbayan had no jurisdiction to decide Asian Bank's ownership of the properties because the Sandiganbayan, being a special court with limited jurisdiction, could only determine the issue of whether or not the properties were illegally acquired by the original defendants.[11]

On June 25, 2004, the Sandiganbayan issued the first assailed resolution granting the Republic's motion for separate trial, giving its reasons as follows:

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> A cursory reading of the comment filed by defendant Asian Bank to plaintiff's request for a separate trial would readily reveal that defendant is not actually opposing the conduct of a separate trial insofar as the said bank is concerned. What it seeks is the opportunity to confront the witnesses and whatever documentary exhibits that may have been earlier presented by plaintiff in the case before the Court grants a separate trial. This being the situation, we find no reason to deny the motion in light of plaintiff's position that its claim as against Asian Bank is entirely separate and distinct from its claims as against the original defendants, albeit dealing with the same subject matter. In fact, as shown by the allegations of the Second Amended Complaint where Asian Bank was impleaded as a party defendant, the action against the latter is anchored on the claim that its acquisition of the subject properties was tainted with bad faith because

[9] Id. at 164-168.
[10] Id. at 169-175.
[11] Id. at 179-182.

> of its actual or constructive knowledge that the said properties are subject of the present recovery suit at the time it acquired the certificates of title covering the said properties in its name. Consequently, whether or not it is ultimately established that the properties are ill-gotten wealth is of no actual significance to the incident pending consideration since the action against defendant bank is predicated not on the claim that it had knowledge of the ill-gotten wealth character of the properties in question but rather on whether or not it had knowledge, actual or constructive, of the fact that the properties it registered in its name are the subject of the instant recovery suit. Besides, plaintiff already admits that the evidence it had presented as against the original defendants would not apply to defendant bank for the reason that there is no allegation in the second amended complaint imputing responsibility or participation on the part of the said bank insofar as the issue of accumulation of wealth by the original defendants are concerned. Thus, there appears no basis for defendant bank's apprehension that it would be deprived of its right to due process if its not given the opportunity to cross-examine the witnesses presented prior to its inclusion as party defendant in the case. To reiterate, the only issue insofar as defendant bank is concerned is whether there is evidence to show that it acquired the titles to the sequestered properties in bad faith.
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> Neither are we inclined to sustain defendant's bank argument that the Court cannot grant a separate trial in this case because it has no jurisdiction over the claim that defendant bank acquired the properties in bad faith. Indeed, the issue of defendant bank's acquisition of the properties in bad faith is merely incidental to the main action which is for reversion, reconveyance, restitution, accounting and damages. It is axiomatic that jurisdiction over the subject matter of a case is conferred by law and is determined by the allegations in the complaint and the character of the relief sought, irrespective of whether the plaintiff is entitled to all or some of the claims asserted therein *(Russell v. Vestil, 304 SCRA 738; Saura v. Saura, Jr., 313 SCRA 465).*[12]

Asian Bank moved for the reconsideration of the resolution, but the Sandiganbayan denied its motion through the second assailed resolution issued on July 13, 2005.[13]

Hence, Metrobank commenced this special civil action for *certiorari* as the successor-in-interest of Asian Bank and transferee of the properties.[14]

Issues

Metrobank contends that the Sandiganbayan committed grave abuse of discretion in ruling that: (1) the Republic was entitled to a separate trial against Asian Bank; (2) the only issue as regards Asian Bank was whether there was evidence that Asian Bank acquired the properties in bad faith; and

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12 Id. at 40-42.
13 *Supra* note 3.
14 *Rollo*, pp. 3-33.

(3) the Sandiganbayan had jurisdiction over the issue of Asian Bank's alleged bad faith in acquiring the properties.[15]

Anent the first issue, Metrobank states that the holding of a separate trial would deny it due process, because Asian Bank was entitled to contest the evidence of the Republic against the original defendants prior to Asian Bank's inclusion as an additional defendant; that Asian Bank (Metrobank) would be deprived of its day in court if a separate trial was held against it, considering that the Republic had already presented such evidence prior to its being impleaded as an additional defendant; that such evidence would be hearsay unless Asian Bank (Metrobank) was afforded the opportunity to test and to object to the admissibility of the evidence; that because Asian Bank disputed the allegedly ill-gotten character of the properties and denied any involvement in their allegedly unlawful acquisition or any connivance with the original defendants in their acquisition, Asian Bank should be given the opportunity to refute the Republic's adverse evidence on the allegedly ill-gotten nature of the properties.[16]

With respect to the second issue, Metrobank submits thuswise:

> 8.02 x x x the Honorable Sandiganbayan failed to consider that Respondent Republic of the Philippines' claim for the recovery of the subject properties from Asian Bank Corporation is anchored mainly on its allegations that: a) the subject properties constitute ill-gotten wealth of the other defendants in the instant civil case; and, b) Asian Bank Corporation acquired the subject properties in bad faith and with due notice of the pendency of the ill-gotten wealth case. In other words, the determination of the character of the subject properties as "ill-gotten wealth" is equally important and relevant for Asian Bank Corporation as it is for the other defendants considering that the issue of its alleged acquisition in bad faith of the subject properties is premised on Respondent Republic of the Philippines' claim that the subject properties form part of the ill-gotten wealth of the late President Marcos and his cronies. Such being the case, Asian Bank Corporation is entitled as a matter of right to contest whatever evidence was presented by Respondent Republic of the Philippines on these two (2) issues, specifically the character and nature of the subject properties.
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> 8.03 It must be stressed that the discretion of the court to order a separate trial of such issues should only be exercised where the issue ordered to be separately tried is so independent of the other issues that its trial will in no way involve the trial of the issues to be thereafter tried and where the determination of that issues will satisfactorily and with practical certainty dispose of the case, if decided for defendant. Considering that the issue on Asian Bank Corporation's alleged acquisition in bad faith of the subject properties is intimately related to the issue on the character and nature of the subject properties as ill-gotten wealth of the other defendants

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15 Id. at 18-19.
16 Id. at 19-22.

> in the instant civil case, there is absolutely no legal or factual basis for the holding of a separate trial against Asian Bank Corporation.[17]

As to the third issue, Metrobank posits that Asian Bank acquired the properties long after they had been acquired by the original defendants supposedly through unlawful means; that the Republic admitted that the evidence adduced against the original defendants would not apply to Asian Bank because the amended complaint in Civil Case No. 0004 did not impute any responsibility to Asian Bank for the accumulation of wealth by the original defendants, or did not allege that Asian Bank had participated in such accumulation of wealth; that there was also no allegation or proof that Asian Bank had been a business associate, dummy, nominee or agent of the Marcoses; that the inclusion of Asian Bank was not warranted under the law; that Asian Bank was a transferee in good faith and for valuable consideration; that the Sandiganbayan had no jurisdiction over civil cases against innocent purchasers for value like Asian Bank that had no notice of the allegedly ill-gotten nature of the properties; and that considering the admission of the Republic that the issue on the accumulation of wealth by the original defendants did not at all concern Asian Bank, it follows that the Sandiganbayan had no jurisdiction to pass judgment on the validity of Asian Bank's ownership of the properties.[18]

In contrast, the Republic insists that the *Rules of Court* allowed separate trials if the issues or claims against several defendants were entirely distinct and separate, notwithstanding that the main claim against the original defendants and the issue against Asian Bank involved the same properties; that the allegations in the case against Spouses Genito and the other original defendants pertained to the Republic's claim that the properties listed in Annex A of the original complaint constituted ill-gotten wealth, resulting in the probable forfeiture of the listed properties should the Republic establish in the end that such original defendants had illegally or unlawfully acquired such properties; that although the Republic conceded that neither Asian Bank nor Metrobank had any participation whatsoever in the commission of the illegal or unlawful acts, the only issue relevant to Metrobank being whether it had knowledge that the properties had been *in custodia legis* at the time of its acquisition of them to determine its allegation of being an innocent purchaser for valuable consideration; that because the properties were situated in the heart of Quezon City, whose land records had been destroyed by fire in 1998, resulting in the rampant proliferation of fake land titles, Asian Bank should have acted with extra caution in ascertaining the validity of the mortgagor's certificates of title; and that the series of transactions involving the properties was made under dubious circumstances.[19]

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17 Id. at 23-24.
18 Id. at 24-30.
19 Id. at 261-265.

The Republic posits that the Sandiganbayan had exclusive original jurisdiction over all cases involving the recovery of ill-gotten wealth pursuant to Executive Orders No. 1, No. 2, No. 14 and No. 14-A issued in 1986, laws encompassing the recovery of sequestered properties disposed of by the original defendants while such properties remained *in custodia legis* and pending the final resolution of the suit; and that the properties pertaining to Spouses Genito were among the properties placed under the writs of sequestration issued by the Presidential Commission on Good Government (PCGG), thereby effectively putting such properties *in custodia legis* and rendering them beyond disposition except upon the prior approval of the Sandiganbayan.[20]

Ruling

The petition for *certiorari* is partly meritorious.

The Sandiganbayan gravely abused its discretion in granting the Republic's motion for separate trial, but was correct in upholding its jurisdiction over the Republic's claim against Asian Bank (Metrobank).

First and Second Issues: Separate Trials are Improper

The first and second issues, being interrelated, are jointly discussed and resolved.

The rule on separate trials in civil actions is found in Section 2, Rule 31 of the *Rules of Court*, which reads:

> Section 2. *Separate trials*. – The court, in furtherance of convenience or to avoid prejudice, may order a separate trial of any claim, cross-claim, counterclaim, or third-party complaint, or of any separate issue or of any number of claims, cross-claims, counterclaims, third-party complaints or issues.

The text of the rule grants to the trial court the discretion to determine if a separate trial of any claim, cross-claim, counterclaim, or third-party complaint, or of any separate issue or of any number of claims, cross-claims, counterclaims, third-party complaints or issues should be held, provided that the exercise of such discretion is in furtherance of convenience or to avoid prejudice to any party.

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[20] Id. at 269-271.

The rule is almost identical with Rule 42(b) of the United States *Federal Rules of Civil Procedure* (Federal Rules), a provision that governs separate trials in the United States Federal Courts (US Federal Courts), *viz*:

> Rule 42. Consolidation; Separate Trials.
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> x x x x
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> (b) Separate Trials. The court, in furtherance of convenience or to avoid prejudice, or when separate trials will be conducive to expedition and economy, may order a separate trial of any claim, crossclaim, counterclaim, or third-party claim, or of any separate issue or of any number of claims, crossclaims, counterclaims, third-party claims, or issues, always preserving the inviolate right of trial by jury as declared by the Seventh Amendment to the Constitution or as given by a statute of the United States.

The US Federal Courts have applied Rule 42(b) by using several principles and parameters whose application in this jurisdiction may be warranted because our rule on separate trials has been patterned after the original version of Rule 42(b).[21] There is no obstacle to adopting such principles and parameters as guides in the application of our own rule on separate trials. This is because, generally speaking, the Court has randomly accepted the practices in the US Courts in the elucidation and application of our own rules of procedure that have themselves originated from or been inspired by the practice and procedure in the Federal Courts and the various US State Courts.

In *Bowers v. Navistar International Transport Corporation*,[22] we find the following explanation made by the US District Court for the Southern District of New York on the objectives of having separate trials, to wit:

> The aim and purpose of the Rule is aptly summarized in C. Wright and A Miller's Federal Practice and Procedure:
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> > The provision for separate trials in *Rule 42 (b)* is intended to further convenience, avoid delay and prejudice, and serve the ends of justice. It is the interest of efficient judicial administration that is to be controlling rather than the wishes of the parties. The piecemeal trial of separate issues in a single suit is not to be the usual course. It should

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[21] According to Wright & Miller, *Federal Practice and Procedure: Civil* 2d §2388, the phrase "or when separate trials will be conducive to expedition and economy" was added in 1966 to provide an additional ground, although the addition was on its face "quite unnecessary" because this ground was considered as a factor by the Federal Courts under the original rule. Wright & Miller write: "The explanation for the change in the rule's text lies in the union of admiralty and civil procedure effected in 1966. In certain suits in admiralty, separation for trial of the issues of liability and damages, or of the extent of liability other than damages, as for salvage or general average, had been common and beneficial, particularly in view of the statutory right to interlocutory appeal in admiralty cases, which the unified rules preserve for those proceedings that are admiralty and maritime cases x x x."

[22] No. 88 CIV 8857 (SS), 1993 U.S. Dist. LEXIS 6129.

> be resorted to only in the exercise of informed discretion when the court believes that separation will achieve the purposes of the rule.
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> x x x x
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> As explained recently by the Second Circuit in United v. Alcan Aluminum Corp., Nos. 92-6158, 6160 1993 WL 100100, 1 (2d Cir., April 6, 1993), the purpose of separate trials under *Rule 42 (b)* is to "isolate issues to be resolved, avoid lengthy and perhaps needless litigation . . . [and to] encourage settlement discussions and speed up remedial action." (citing, *Amoco Oil v. Borden, Inc.*, 889 F.2d 664, 668 (5th Cir. 1989); *Katsaros v. Cody*, 744 F.2d 270, 278 (2d Cir.), cert. denied sub nom., 469 U.S. 1072, 105 S. Ct. 565, 83 L. Ed. 2d 506 (1984) (separate trials are proper to further convenience or to avoid prejudice); *Ismail v. Cohen*, 706 F. Supp. 243, 251 (S.D.N.Y. 1989) (quoting, *United States v. International Business Machines Corp.*, 60 F.R.D. 654, 657 (S.D.N.Y. 1973) (separate trials under *Rule 42 (b)* are appropriate, although not mandatory, to "(1) avoid prejudice; (2) provide for convenience, or (3) expedite the proceedings and be economical.") Separate trials, however, remain the exception rather than the rule. See, e.g., *Response of Carolina, Inc. v. Leasco Response, Inc.*, 537 F.2d 137 (5th Cir. 1976) xxx (separation of issues is not the usual course under *Rule 42 (b)*). The moving party bears the burden of establishing that separate trials are necessary to prevent prejudice or confusion and serve the ends of justice. *Buscemi v. Pepsico, Inc.*, 736 F. Supp. 1267, 1271 (S.D.N.Y. 1990).

In *Divine Restoration Apostolic Church v. Nationwide Mutual Insurance Co.*,[23] the US District Court for the Southern District of Texas, Houston Division specified that separate trials remained the exception, and emphasized that the moving party had the burden to establish the necessity for the separation of issues, *viz*:

> Rule 42 (b) provides that a court has discretion to order separate trials of claims "in furtherance of convenience or to avoid prejudice, or when separate trials will be conducive to expedition and economy." *FED. R. CIV. P.42 (b)*. Thus, the two primary factors to be considered in determining whether to order separate trials are efficient judicial administration and potential prejudice. Separation of issues for separate trials is "not the usual course that should be followed," *McDaniel v. Anheuser-Bush, Inc.*, 987 F. 2d 298, 304 (5th Cir. 1993), and the burden is on the party seeking separate trials to prove that separation is necessary. 9A CHARLES ALAN WRIGHT, ARTHUR R. MILLER & MARY KAY KANE, FEDERAL PRACTICE AND PROCEDURE 2388 (3d ed. 2001).
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Still, in *Corrigan v. Methodist Hospital*,[24] the US District Court for the Eastern District of Pennsylvania has cautioned against the unfettered granting of separate trials, thusly:

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[23] Civil Action No. 4:09-cv-0926, 2010 U.S. Dist.
[24] No. 94-CV-1478, 874 F. Supp. 657 (1995).

> Courts order separate trials only when "clearly necessary." *Wetherill v. University of Chicago*, 565 F. Supp. 1553, 1566-67 (N.D. Ill. 1983) (citing 5 James William Moore, *Moore's Federal Practice* at pp. 42-37 to 42-38 & n.4 (1982)). This is because a "single trial will generally lessen the delay, expense, and inconvenience to the parties and the courts." 5 James William Moore, *Moore's Federal Practice* P. 42-03[1], at p. 42-43 (1994); *Laitram Corp. v. Hewlett-Packard Co*., 791 F. Supp. 113, 115 (E.D. La. 1992); *Willemijn Houdstermaatschaapij BV. V. Apollo Computer*, 707 F. Supp. 1429, 1433 (D. Del. 1989). The movant has the burden to show prejudice. Moore at p. 42-48.
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> x x x A Colorado District Court found three factors to weigh in determining whether to order separate trials for separate defendants. These are 1) whether separate trials would further the convenience of the parties; 2) whether separate trials would promote judicial economy; and 3) whether separate trials would avoid substantial prejudice to the parties. *Tri-R Sys. V. Friedman & Son*, 94 F.R.D. 726, 727 (D. Colo. 1982).

In *Miller v. American Bonding Company*,[25] the US Supreme Court has delimited the holding of separate trials to only the exceptional instances where there were special and persuasive reasons for departing from the general practice of trying all issues in a case at only one time, stating:

> In actions at law, the general practice is to try all the issues in a case at one time; and it is only in exceptional instances where there are special and persuasive reasons for departing from this practice that distinct causes of action asserted in the same case may be made the subjects of separate trials. Whether this reasonably may be done in any particular instance rests largely in the court's discretion.

Further, *Corpus Juris Secundum*[26] makes clear that neither party had an absolute right to have a separate trial of an issue; hence, the motion to that effect should be allowed only to avoid prejudice, further convenience, promote justice, and give a fair trial to all parties, to wit:

> Generally speaking, a lawsuit should not be tried piecemeal, or at least such a trial should be undertaken only with great caution and sparingly. There should be one full and comprehensive trial covering all disputed matters, and parties cannot, as of right, have a trial divided. It is the policy of the law to limit the number of trials as far as possible, and separate trials are granted only in exceptional cases. Even under a statute permitting trials of separate issues, neither party has an absolute right to have a separate trial of an issue involved. The trial of all issues together is especially appropriate in an action at law wherein the issues are not complicated, x x x, or where the issues are basically the same x x x
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> x x x Separate trials of issues should be ordered where such separation will avoid prejudice, further convenience, promote justice, and give a fair trial to all parties.

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[25] 257 U.S. 304; 42 S. Ct. 98; 66 L. Ed. 250 (1921).
[26] CJS 88 Trial § 8-9.

Bearing in mind the foregoing principles and parameters defined by the relevant US case law, we conclude that the Sandiganbayan committed grave abuse of its discretion in ordering a separate trial as to Asian Bank (Metrobank) on the ground that the issue against Asian Bank was distinct and separate from that against the original defendants. Thereby, the Sandiganbayan veered away from the general rule of having all the issues in every case tried at one time, unreasonably shunting aside the dictum in *Corrigan*, *supra*, that a "single trial will generally lessen the delay, expense, and inconvenience to the parties and the courts."[27]

Exceptions to the general rule are permitted only when there are extraordinary grounds for conducting separate trials on different issues raised in the same case, or when separate trials of the issues will avoid prejudice, or when separate trials of the issues will further convenience, or when separate trials of the issues will promote justice, or when separate trials of the issues will give a fair trial to all parties. Otherwise, the general rule must apply.

As we see it, however, the justification of the Sandiganbayan for allowing the separate trial did not constitute a special or compelling reason like any of the exceptions. To begin with, the issue relevant to Asian Bank was not complicated. In that context, the separate trial would not be in furtherance of convenience. And, secondly, the cause of action against Asian Bank was necessarily connected with the cause of action against the original defendants. Should the Sandiganbayan resolve the issue against Spouses Genito in a separate trial on the basis of the evidence adduced against the original defendants, the properties would be thereby adjudged as ill-gotten and liable to forfeiture in favor of the Republic without Metrobank being given the opportunity to rebut or explain its side. The outcome would surely be prejudicial towards Metrobank.

The representation by the Republic in its comment to the petition of Metrobank, that the latter "merely seeks to be afforded the opportunity to confront the witnesses and documentary exhibits," and that it will "still be granted said right during the conduct of the separate trial, if proper grounds are presented therefor,"[28] unfairly dismisses the objective possibility of leaving the opportunity to confront the witnesses and documentary exhibits to be given to Metrobank in the separate trial as already too late. The properties, though already registered in the name of Asian Bank, would be meanwhile declared liable to forfeiture in favor of the Republic, causing Metrobank to suffer the deprivation of its properties without due process of law. Only a joint trial with the original defendants could afford to Metrobank the equal and efficient opportunity to confront and to contest all the evidence bearing on its ownership of the properties. Hence, the disadvantages that a separate trial would cause to Metrobank would far outweigh any good or

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[27] *Corrigan v. Methodist Hospital*, *supra* note 21.
[28] *Rollo*, p. 261.

benefit that the Republic would seemingly stand to gain from the separation of trials.

We must safeguard Metrobank's right to be heard in the defense of its registered ownership of the properties, for that is what our Constitution requires us to do. Hence, the grant by the Sandiganbayan of the Republic's motion for separate trial, not being in furtherance of convenience or would not avoid prejudice to a party, and being even contrary to the Constitution, the law and jurisprudence, was arbitrary, and, therefore, a grave abuse of discretion amounting to lack or excess of jurisdiction on the part of the Sandiganbayan.[29]

Third Issue:
Sandiganbayan has exclusive original jurisdiction over the matter involving Metrobank

Presidential Decree No. 1606,[30] as amended by Republic Act No. 7975[31] and Republic Act No. 8249,[32] vests the Sandiganbayan with original exclusive jurisdiction over civil and criminal cases instituted pursuant to and in connection with Executive Orders No. 1, No. 2, No. 14 and No. 14-A, issued in 1986 by then President Corazon C. Aquino.

Executive Order No. 1 refers to cases of recovery and sequestration of ill-gotten wealth amassed by the Marcoses their relatives, subordinates, and close associates, directly or through nominees, by taking undue advantage of their public office and/or by using their powers, authority, influence, connections or relationships. Executive Order No. 2 states that the ill-gotten wealth includes assets and properties in the form of estates and real properties in the Philippines and abroad. Executive Orders No. 14 and No. 14-A pertain to the Sandiganbayan's jurisdiction over criminal and civil cases relative to the ill-gotten wealth of the Marcoses and their cronies.

The amended complaint filed by the Republic to implead Asian Bank prays for reversion, reconveyance, reconstitution, accounting and damages. In other words, the Republic would recover ill-gotten wealth, by virtue of which the properties in question came under sequestration and are now, for that reason, in *custodia legis*.[33]

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[29] *Banal III v. Panganiban*, G.R. No. 167474, November 15, 2005, 475 SCRA 164, 174; *Freedom from Debt Coalition v. Energy Regulatory Commission*, G.R. No. 161113, June 15, 2004, 432 SCRA 157, 199.

[30] P.D. No. 1606 is entitled *Revising Presidential Decree No. 1486 Creating A Special Court To Be Known As "Sandiganbayan" And For Other Purposes*, approved on December 10, 1978.

[31] Republic Act No. 7975 is entitled *An Act To Strengthen The Functional And Structural Organization Of The Sandiganbayan, Amending For That Purpose Presidential Decree No. 1606, As Amended*, approved on March 30, 1995.

[32] Republic Act No. 8249 is entitled *An Act Further Defining The Jurisdiction Of The Sandiganbayan, Amending For The Purpose Presidential Decree No. 1606, As Amended, Providing Funds Therefor, And For Other Purposes*, approved on February 5, 1997.

[33] *Rollo*, pp. 43, 54-58, and 100.

Although the Republic has not imputed any responsibility to Asian Bank for the illegal accumulation of wealth by the original defendants, or has not averred that Asian Bank was a business associate, dummy, nominee, or agent of the Marcoses, the allegation in its amended complaint in Civil Case No. 0004 that Asian Bank acted with bad faith for ignoring the sequestration of the properties as ill-gotten wealth has made the cause of action against Asian Bank incidental or necessarily connected to the cause of action against the original defendants. Consequently, the Sandiganbayan has original exclusive jurisdiction over the claim against Asian Bank, for the Court has ruled in *Presidential Commission on Good Government v. Sandiganbayan*,[34] that "the Sandiganbayan has original and exclusive jurisdiction not only over principal causes of action involving recovery of ill-gotten wealth, but also over all incidents arising from, incidental to, or related to such cases." The Court made a similar pronouncement sustaining the jurisdiction of the Sandiganbayan in *Republic of the Philippines (PCGG) v. Sandiganbayan (First Division),*[35] to wit:

> We cannot possibly sustain such a puerile stand. *Peña* itself already dealt with the matter when it stated that under Section 2 of Executive Order No. 14, all cases of the Commission regarding alleged ill-gotten properties of former President Marcos and his relatives, subordinates, cronies, nominees and so forth, whether civil or criminal, are lodged within the exclusive and original jurisdiction of the Sandiganbayan, "and all incidents arising from, incidental to, or related to such cases necessarily fall likewise under the Sandiganbayan's exclusive and original jurisdiction, subject to review on certiorari exclusively by the Supreme Court."

WHEREFORE, the Court **PARTIALLY GRANTS** the petition for *certiorari*.

Let the writ of *certiorari* issue: (*a*) **ANNULLING AND SETTING ASIDE** the Resolution dated June 25, 2004 and the Resolution dated July 13, 2005 issued by the Sandiganbayan in Civil Case No. 0004 granting the motion for separate trial of the Republic of the Philippines as to Metropolitan Bank and Trust Company; and (*b*), **DIRECTING** the Sandiganbayan to hear Civil Case No. 0004 against Metropolitan Bank and Trust Company in the same trial conducted against the original defendants in Civil Case No. 0004.

The Court **DECLARES** that the Sandiganbayan has original exclusive jurisdiction over the amended complaint in Civil Case No. 0004 as against Asian Bank Corporation/Metropolitan Bank and Trust Company.

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[34] G.R. No. 132738, February 23, 2000, 326 SCRA 346, 353,
[35] G.R. No. 88126, July 12, 1996, 258 SCRA 685, 699.

No pronouncements on costs of suit.

SO ORDERED.

LUCAS P. BERSAMIN
Associate Justice

WE CONCUR:

MARIA LOURDES P. A. SERENO
Chief Justice

TERESITA J. LEONARDO-DE CASTRO
Associate Justice

MARTIN S. VILLARAMA, JR.
Associate Justice

BIENVENIDO L. REYES
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, it is hereby certified 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.

MARIA LOURDES P. A. SERENO
Chief Justice