



Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

STEEL CORPORATION
OF THE PHILIPPINES,
Petitioner,

G.R. No. 201199

Present:

CARPIO, J., Chairperson,
BRION,
PEREZ,
REYES,* and
PERLAS-BERNABE, JJ.

- versus -

MAPFRE INSULAR INSURANCE
CORPORATION, NEW INDIA
ASSURANCE COMPANY LIMITED,
PHILIPPINE CHARTER INSURANCE
CORPORATION, MALAYAN INSURANCE
CO., INC., and ASIA INSURANCE
PHIL. CORP.,

Respondents.

Promulgated:

OCT 16 2013 *MANCABALAN PERALTA*

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DECISION

CARPIO, J.:

The Case

This is a petition¹ for review on certiorari under Rule 45 of the Rules of Court. Petitioner Steel Corporation of the Philippines (SCP) challenges the 8 February 2012 Decision² and 27 March 2012 Resolution³ of the Court of Appeals in CA-G.R. SP No. 119760. The Court of Appeals declared void the 1 June 2011 Order⁴ of the Regional Trial Court (RTC), acting as rehabilitation court, Fourth Judicial Region, Branch 3, Batangas City, in SP. PROC. No. 06-7993.

* Designated Acting Member per Special Order No. 1564 dated 11 October 2013.

¹ Rollo, pp. 3-63.

² Id. at 66-85. Penned by Associate Justice Fernanda Lampas Peralta, with Associate Justices Priscilla J. Baltazar-Padilla and Agnes Reyes-Carpio, concurring.

³ Id. at 87-88.

⁴ Id. at 317-327. Penned by Judge Ruben A. Galvez.

The Facts

SCP is a domestic corporation engaged in the manufacture and distribution of cold-rolled and galvanized steel sheets and coils. It obtained loans from several creditors and, as security, mortgaged its assets in their favor. The creditors appointed Bank of the Philippine Islands (BPI) as their trustee. On 17 December 1997, SCP and BPI entered into a Mortgage Trust Indenture (MTI) requiring SCP to insure all of its assets until the loans are fully paid. Under the MTI, the insurance policies were to be made payable to BPI.

During the course of its business, SCP suffered financial difficulties. On 11 September 2006, one of the creditors, Equitable PCI Bank, Inc., now known as Banco de Oro-EPCI, Inc., filed with the RTC a petition to have SCP placed under corporate rehabilitation. On 12 September 2006, the RTC issued a stay order to defer all claims against SCP and appointed Atty. Santiago T. Gabionza, Jr. as rehabilitation receiver. On 3 December 2007, the RTC rendered a Decision approving the modified rehabilitation plan.

Under Collective Master Policy No. UCPB Gem HOF075089, SCP insured against material damage and business interruption its assets located in Barangay Munting Tubig, Balayan, Batangas, for the period 19 August 2007 to 19 August 2008. On 8 June 2008, a fire broke out at SCP's plant damaging its machineries. Invoking its right under the MTI, BPI demanded and received from the insurers \$450,000 insurance proceeds.

On 13 October 2009, SCP filed with the RTC a motion to direct BPI to turn over the \$450,000 insurance proceeds in order for SCP to repair and replace the damaged machineries. On 5 January 2010, the RTC issued an Order directing BPI to release the insurance proceeds directly to the contractors and suppliers who will undertake the repairs and replacements of the damaged machineries. BPI filed with the Court of Appeals a petition for certiorari under Rule 65 of the Rules of Court and, in its 28 September 2010 Decision,⁵ the Court of Appeals affirmed the RTC's 5 January 2010 Order. However, in its 3 October 2012 Amended Decision,⁶ the Court of Appeals reversed itself and set aside the RTC's 5 January 2010 Order. SCP filed with the Court a petition for review on certiorari under Rule 45 and, in its 16 September 2013 Resolution,⁷ the Court denied the petition. The Court held that:

After a judicious review of the records, the Court resolves to DENY the instant petition and AFFIRM the October 3, 2012 Amended Decision and July 2, 2013 Resolution of the Court of Appeals (CA) in CA-

⁵ *Bank of the Philippine Islands v. Kalalo*, CA-G.R. SP No. 113078, 28 September 2010.

⁶ *Bank of the Philippine Islands v. Kalalo*, CA-G.R. SP No. 113078, 3 October 2012.

⁷ *Steel Corporation of the Philippines v. Bank of the Philippine Islands*, G.R. No. 207937, 16 September 2013.

G.R. SP No. 113078 for failure of Steel Corporation of the Philippines (petitioner) to show that the CA committed any reversible error in holding Bank of the Philippine Islands (respondent) entitled to receive and hold in trust the subject insurance proceeds. Section 4.04, sub-paragraph (f) of the Mortgage Trust Indenture Agreement between the parties expressly stipulated that respondent shall receive the insurance proceeds in case the risk or risks covered by the said policy occur and it may be released, applied, and/or paid to petitioner to procure replacement equipment and/or machinery only upon written notice to the creditors, who shall issue a Deed of Undertaking. No such compliance was shown. It is hornbook that a contract is the law between the parties and the obligation arising therefrom should be complied with in good faith. Moreover, the rehabilitation proceedings were already terminated by the CA (which decisions are immediately executory), hence, petitioner's justification for release of the insurance proceeds in its favor, i.e., to replace the burnt machineries, is not feasible at this time.

Besides, the petition suffers from procedural defect in that it lacked copy of the Regional Trial Court Order as well as relevant pleadings thereto, as required under Section 4(d), Rule 45 of the Rules of Court.

SO ORDERED.⁸

Under Industrial All Risks Insurance Policy No. F-369430, SCP insured with respondents Mapfre Insular Insurance Corporation, New India Assurance Company Limited, Philippine Charter Insurance Corporation, Malayan Insurance Co., Inc., and Asia Insurance Phil. Corp. (respondent insurers) against material damage and business interruption its assets located in Barangay Munting Tubig for the period 19 August 2009 to 19 August 2010. On 7 December 2009, a fire again broke out at SCP's plant damaging its cold rolling mill and other machineries.

On 17 December 2010, SCP filed with the RTC a motion to direct respondent insurers to pay insurance proceeds in the amounts of \$28,000,000 property damage and \$8,000,000 business interruption.

During the 21 January 2011 hearing of SCP's 17 December 2010 motion, respondent insurers entered a special appearance solely for the purpose of questioning the RTC's jurisdiction over the insurance claim. On 7 February 2011, respondent insurers filed with the RTC an opposition *ad cautelam* praying that SCP's 17 December 2010 motion be denied.

In a letter dated 22 March 2011, respondent insurers denied liability on SCP's insurance claim because (1) SCP failed to comply with the terms of the policies; (2) SCP defrauded the respondent insurers; (3) the gross over-insurance of the cold rolling mill constitutes *prima facie* proof of arson; (4) SCP failed to show the actual damage sustained by its machineries; (5) SCP failed to commence the repair and replacement of the damaged machineries within 12 months; (6) SCP's negligence caused the fire; and

⁸ Id.

(7) since SCP's claim for property damage is non-compensable, its claim for business interruption is also non-compensable. In their *ad cautelam* opposition dated 24 March 2011, respondent insurers prayed that SCP's 17 December 2010 motion be denied because (1) the amount of the claim for property damage was increased from \$28,000,000 to \$30,000,000; (2) the RTC lacked jurisdiction; (3) the RTC's 5 January 2010 Order directing BPI to release the insurance proceeds directly to the contractors and suppliers who will undertake the repairs and replacements of SCP's damaged machineries did not apply; and (4) respondent insurers already denied SCP's insurance claim.

On 25 March and 8 April 2011, the RTC issued an Order directing (1) SCP to formally manifest its amenability to the repair and replacement of the damaged machineries instead of payment of insurance proceeds; (2) SCP and respondent insurers to file their memoranda; and (3) the creditors to file their respective comments.

The RTC's Ruling

In its 1 June 2011 Order, the RTC granted SCP's 17 December 2010 motion and directed respondent insurers to pay SCP \$33,882,393 property damage and \$8,000,000 business interruption. The RTC held that:

At the outset, this Court notes that SCP's manufacturing operations have suffered from two separate fire incidents: one which damaged the ABB roll on June 8, 2008, and the other which damaged the entire Cold Rolling Mill (CRM) on December 7, 2009. The claim for the first fire incident was partially paid by the insurers but the proceeds were withheld by BPI as MTI Trustee. Thus, feeling aggrieved, SCP was forced to file a Motion to Direct Trustee to Release Insurance Proceeds to SCP which was granted by the previous judge, (over and above the objections of BPI which argued that this Court had no jurisdiction over the matter) through his Order dated January 5, 2010 x x x.

This Court, in resolving the instant motion, is inclined to agree with the previous judge's order and so upholds that it has jurisdiction over the insurance claims filed by SCP in these rehabilitation proceedings. x x x.

In a resolution dated September 28, 2010, the Court of Appeals (BPI vs. Hon. Albert A. Kalalo, C.A.-G.R. SP No. 113078) confirmed this Court's authority and jurisdiction to take cognizance of the insurance matter in the same rehabilitation proceedings. The appellate court made it very clear that this court's jurisdiction includes the necessary and usual incidental powers that are essential to effectuate SCP's rehabilitation. x x x.

The argument that this Court cannot possibly pass upon the insurance claim of SCP because it is only acting as a rehabilitation court cannot hold water. The mere fact that this Court by raffle has been designated as a rehabilitation court in view of the inhibition of RTC

Branches 2 and 4 does not mean that it has lost its powers or authority as a court of general jurisdiction. x x x.

x x x x

It is not true that the second panel of insurers are not “affected parties” and therefore cannot be deemed covered by the *in rem* nature of the rehabilitation proceedings. It is apt to note that the second panel of insurers unequivocally admitted, in par. 21 of their Opposition, that “the panel of insurers are aware that any proceeding initiated under the Rules on [C]orporate Rehabilitation shall be considered *in rem* and that jurisdiction over all persons affected by the proceedings shall be considered acquired upon publication of the notice of the commencement of the proceedings in any newspaper of general circulation in the Philippines as required by the Rules.”

The panel of insurers’ argument that they are not “affected parties” in the rehabilitation proceedings because they do not hold any asset belonging to SCP [“]which should be reflected in its audited financial statements” was sufficiently rebutted by SCP when the latter argued that the insurers, holding as they do, sums of money, recovery of which is sought by SCP, as the insured, are parts of the assets of its estate (*Bank of the Philippine Islands vs. Posadas*, 56 Phil. 215, 230). They are sums of money redounding to the benefit of its estate (i.e. assets) as an insured (*Heirs of Loreto Maramag vs. Heirs of Maramag, et al.*, 586 SCRA 774, 787). Thus, the fact that SCP, as insured, is claiming the proceeds of insurance policies issued to it, makes the insurers affected parties covered by the instant rehabilitation proceedings.

The panel of insurers further contend, that the claim “may not be resolved summarily as the same requires a full-blown trial” such that it may be considered a complaint and therefore this Court did not acquire jurisdiction over the *res* because of the non-payment of docket fees. Contrary to this line of reasoning however, it should be pointed out that the Interim Rules of Procedure on Corporate Rehabilitation clearly recognizes the right of the parties affected by the proceedings to file their opposition (Rule 3, Secs. 6, 10 and 20). The rehabilitation judge can hold clarificatory hearings if there is a need to clarify certain questions arising from such opposition. In short, the right to oppose (together with the corresponding right to be heard on the opposition) does not necessarily mean that a “full-blown trial” should be conducted. The instant proceedings does [sic] not automatically become “adversarial” (as compared to “summary” proceedings) necessitating “full-blown trial” just because the insurers have conveyed their intent to oppose (which they did) the claim.

As the insurers themselves admit in par. 37 of their Opposition adversarial proceedings simply means that it is “one having opposing parties, contested as distinguished from an *ex-parte* application, one of which the party seeking relief has given legal warning to the other party and afforded the latter an opportunity to contest it” (*Republic of the Philippines vs. Valencia*, 141 SCRA 462[,] 1986). It is very clear that the insurers have all the opportunity in these proceedings to oppose even without the necessity of a “full-blown hearing.”

And since the subject motion for payment of the insurance claim does not necessarily entail full-blown hearings despite it being an adversarial motion (i.e. contested), the argument of the insurers that it is a complaint that must be resolved in an original, separate, full-blown proceedings, independently of the instant case which is summary in nature, and necessarily must comply with Sec. 141 of the Revised Rules of Court regarding the payment of filing fees [“]upon filing of the pleading or other application which initiates an action or proceeding” does not hold water and is fallacious.

x x x x

As to the corollary issue of the rightful payee of the insurance proceeds, this Court hereby rules that contrary to the creditors’ argument that the proceeds of the insurance claims should be given to the MTI Trustee pursuant to the MTI, it is appropriate for this Court to emphasize what the appellate court in *BPI vs. Hon. Kalalo*, has said – that although it is beyond dispute that the provisions of the MTI continue to bind the parties, the MTI’s binding effect should be qualified. Pursuant to the provision of the Interim Rules and in deference to the purpose of rehabilitation proceedings, “the Mortgage Trust Indenture would be binding only insofar as it does not conflict with the provisions of the rehabilitation plan undertaken by the private respondent as well as if it does not hinder the corporate rehabilitation of private respondent itself”. In deciding who has the better right to receive the disputed insurance proceeds, the Court of Appeals said that “utmost regard must be had to the restoration of herein private respondent to a position of successful operation and solvency.”

x x x x

It is not true as contended by the second panel of insurers that there are distinctions between the instant motion (for the second fire) from the first motion (for the first fire) which had already been ruled in favor of SCP by the previous judge. The factual circumstances under the first motion and the present one are similar or analogous even if not entirely identical. Both motions refer to disputed insurance claims arising from losses covered by existing policies issued to SCP. Both have been disputed or opposed either by the MTI Trustee or by the insurers themselves. Thus, both motions should be resolved in the same manner in order to maintain consistency and stability in this Court’s judicial pronouncements.

This Court agrees with SCP when it argues that the creditors should realize that if they insist on being paid the cash proceeds of the claim or if the proceeds are to be given to the MTI trustee, the said act may not only constitute a violation of the Stay Order (since it is virtually a satisfaction/enforcement/collection of their money claims) but it would also result in SCP not being able to restart normal operations which would adversely affect its rehabilitation. Hence, this Court mandates the second panel of insurers to pay the insurance claims of SCP or in lieu thereof, replace or reinstate the CRM.

WHEREFORE, premised and predicated on the foregoing, the Court hereby orders the following:

1. Grant SCP's unopposed Urgent Motion (to Withdraw Motion to Admit Supplemental Motion dated December 2, 2009) dated September 9, 2010;
2. Order the second panel of insurers to already pay the additional business interruption claim of US\$8 million plus interest at the rate provided by Sec. 243 of the Insurance Code (for the second fire); and
3. Order the second panel of insurers to pay to SCP the total sum of US\$33,882,393.00, plus interest at the rate provided by Sec. 243 of the Insurance Code inclusive of the value of its CRM or in lieu thereof, replace or reinstate the CRM.

SO ORDERED.⁹

Respondent insurers filed with the Court of Appeals a petition¹⁰ for certiorari under Rule 65 of the Rules of Court raising mainly as issue that the RTC lacked jurisdiction over SCP's insurance claim and over respondent insurers.

The Court of Appeals' Ruling

In its 8 February 2012 Decision, the Court of Appeals declared void the RTC's 1 June 2011 Order. The Court of Appeals held that:

x x x [T]he present petition for certiorari under Rule 65, 1997 Rules of Civil Procedure is an appropriate remedy, as it assails the very jurisdiction of the trial court in granting private respondent's insurance claims which were raised through a mere "Motion to Pay" in the rehabilitation proceedings. It is basic that a special civil action for certiorari is intended for the correction of errors of jurisdiction or grave abuse of discretion amounting to lack or excess of jurisdiction. Its principal office is to keep the inferior court within the parameters of its jurisdiction or to prevent it from committing such a grave abuse of discretion amounting to lack or excess of jurisdiction.

x x x x

Notably, even in the proceedings below, petitioners questioned the trial court's jurisdiction to resolve private respondent's "Motion to Pay." As the trial court noted in its Order dated June 1, 2011, during the hearing on private respondent's "Motion to Pay" on January 21, 2011, petitioners entered a very special appearance solely for the purpose of questioning the trial court's jurisdiction. Record also bears that petitioners assailed the trial court's jurisdiction during the hearing on private respondent's "Motion to Resolve Critical Pending Incidents," dated March 25, 2011,

⁹ *Rollo*, pp. 319-327.

¹⁰ *Id.* at 201-270.

and in pleadings filed before the trial court, to wit: (i) “Insurers’ Opposition *Ad Cautelam* (To: ‘Motion to Direct Insurers to Pay Insurance Proceeds to Insured Steel Corporation of the Philippines’ dated December 17, 2010)”; (ii) “Comment *Ad Cautelam* (On Steel Corporation of the Philippines’ ‘Comment on the Opposition *Ad Cautelam* dated January 20, 2011’)”; (iii) “Insurers’ *Ad Cautelam* Opposition versus Honorable Court’s Assumption of Jurisdiction and/or Summary Resolution of Motion in Movant’s Favor”; and (iv) “Insurers’ Memorandum (on Issue of Jurisdiction).”

There is no denying that the subject matter of private respondent’s “Motion to Pay” comprised of its insurance claims for (i) business interruption in the amount of US\$8 million, and (ii) property loss in the amount of US\$28 million. Said insurance claims cannot be considered as “claims” within the jurisdiction of the trial court functioning as a rehabilitation court. Rehabilitation courts only have limited jurisdiction over the claims by creditors against the distressed company, not on the claims of said distressed company against its debtors. The interim rules define claim as referring to all claims or demands, of whatever nature or character against a debtor or its property, whether for money or otherwise.

Even under the new Rules of Procedure on Corporate Rehabilitation, claim is defined under Section 1, Rule 2 as “all claims or demands of whatever nature or character against a debtor or its property, whether for money or otherwise.” This is also the definition of a claim under Republic Act No. 10142. Section 4(c) thereof reads:

“(c) Claim shall refer to all claims or demands of whatever nature or character against the debtor or its property, whether for money or otherwise, liquidated or unliquidated, fixed or contingent, matured or unmatured, disputed or undisputed, including, but not limited to[:] (1) all claims of the government, whether national or local, including taxes, tariffs and customs duties; and (2) claims against directors and officers of the debtor arising from the acts done in the discharge of their functions falling within the scope of their authority: Provided, That, this inclusion does not prohibit the creditors or third parties from filing cases against the directors and officers acting in their personal capacities.”

Contrary to the trial court’s finding, petitioners cannot be considered as “affected parties” within the purview of Section 1, Rule 3 of the Interim Rules o[n] Corporate Rehabilitation. As explained in *Metropolitan Waterworks and Sewerage System vs. Daway*, the provision, being merely a logical consequence of filing an in rem petition for rehabilitation, shall only cover the distressed company’s creditors and those other persons holding the assets belonging to the debtor under rehabilitation that would be material to the rehabilitation proceedings. As the Supreme Court explained in said case:

“The public respondent relied on Sec. 1, Rule 3 of the Interim Rules on Corporate Rehabilitation to support its jurisdiction over the Irrevocable Standby Letter of Credit and the banks that issued it. The section reads in part

[“]that jurisdiction over those affected by the proceedings is considered acquired upon the publication of the notice of commencement of proceedings in a newspaper of general circulation[”] and goes further to define rehabilitation as an in rem proceeding. This provision is a logical consequence of the in rem nature of the proceedings, where jurisdiction is acquired by publication and where it is necessary that the assets of the debtor come within the court’s jurisdiction to secure the same for the benefit of creditors. The reference to [“]all those affected by the proceedings[”] covers creditors or such other persons or entities holding assets belonging to the debtor under rehabilitation which should be reflected in its audited financial statements. The banks do not hold any assets of respondent Maynilad that would be material to the rehabilitation proceedings nor is Maynilad liable to the banks at this point.”

In essence, private respondent’s “Motion to Pay” is a collection suit; hence, it must be filed in a separate proceeding and the corresponding docket fees must be paid. Too basic to require further elucidation is the settled doctrine that a court acquires jurisdiction over a case only upon the payment of the prescribed fees. Here, the filing of the “Motion to Pay” in the rehabilitation court was a circumvention of the basic and indispensable requirement of payment of docket fees.

X X X X

There is also no gainsaying that the trial court had not validly acquired jurisdiction over the persons of petitioners. Jurisdiction over the person of a party defendant is acquired upon the service of summons in the manner required by law or, otherwise, by his voluntary appearance. Petitioners were not served with summons. Their appearance before the trial court cannot be considered as voluntary appearance since the same was done precisely to question the jurisdiction of the trial court. It is well-settled that a party who makes a special appearance in court challenging the jurisdiction of said court based on the ground of invalidity of summons, among others, cannot be considered to have submitted himself to the jurisdiction of the court.

In fine, the Court finds that the trial court committed grave abuse of discretion amounting to lack or excess of jurisdiction in issuing the Order dated June 1, 2011. Grave abuse of discretion implies such capricious and whimsical exercise of judgment as is equivalent to lack of jurisdiction or, in other words, where the power is exercised in an arbitrary manner by reason of passion, prejudice, or personal hostility, and it must be so patent or gross as to amount to an evasion of a positive duty or to a virtual refusal to perform the duty enjoined or to act at all in contemplation of law.

WHEREFORE, the trial court’s Order dated June 1, 2011 is declared NULL and VOID. Respondents and all persons acting on their behalf are PERMANENTLY ENJOINED from implementing the said Order dated June 1, 2011 and all related issuances, if any, in SP Proc. No. 06-7993.

SO ORDERED.¹¹

SCP filed a motion for reconsideration, which the Court of Appeals denied in its 27 March 2012 Resolution. Hence, the present petition.

The Issues

SCP raises mainly as issues that the Court of Appeals erred when it entertained respondent insurers' petition for certiorari filed under Rule 65 of the Rules of Court, and when it held that the RTC acted with grave abuse of discretion amounting to lack or excess of jurisdiction:

FIRST REASON

THE COURT OF APPEALS ERRED WHEN, AFTER EXPRESSLY SAYING THAT "IT IS THE MANDATE OF THE COURT TO APPLY RELEVANT DECISIONS MATERIAL TO THE RESOLUTION OF QUESTIONS BEFORE IT", NEVERTHELESS REFUSED TO FOLLOW AND APPLY CHINA BANKING CORPORATION VS. CEBU PRINTING AND PACKAGING CORPORATION x x x UPON THE RESPONDENTS AND, INSTEAD, SUSTAINED A REMEDY WHICH WAS NOT ONLY WRONG BUT ALSO COULD NOT HAVE BEEN VALIDLY AVAILED OF BY THE RESPONDENTS FOR THE REVERSAL AND NULLIFICATION OF THE ORDER OF THE REHABILITATION COURT OF BATANGAS DIRECTING THE RESPONDENTS TO PAY TO THE PETITIONER THE PROCEEDS OF INSURANCE POLICIES ISSUED BY THEM AND/OR TO REPLACE THE COLD ROLLING MILL OF THE PETITIONER WHICH WAS LOST AS A CONSEQUENCE OF THE RISK INSURED AGAINST.

SECOND REASON

THE COURT OF APPEALS ERRED WHEN IT DID NOT CONSIDER THE STATUS OF THE PROCEEDINGS UNDER WHICH THE REHABILITATION COURT EXERCISED ITS JURISDICTION AND, INSTEAD, FOUND THE SAID COURT AS WITHOUT JURISDICTION TO DIRECT THE RESPONDENTS AS INSURERS TO PAY THE INSURANCE PROCEEDS DUE FROM THEM AND/OR REPLACE THE COLD ROLLING MILL OF THE PETITIONER SO THAT IT COULD CONTINUE TO REHABILITATE ITSELF IN A MANNER AS WOULD SERVE THE POLICIES ON CORPORATE REHABILITATION AS MANDATED BY P.D. NO. 902-A AND THE INTERIM RULES OF PROCEDURE ON CORPORATE REHABILITATION.¹²

¹¹ Id. at 79-85.

¹² Id. at 17-18.

The Court's Ruling

The petition is unmeritorious.

SCP claims that respondent insurers availed of the improper remedy when they filed with the Court of Appeals a petition for certiorari under Rule 65 of the Rules of Court, instead of a petition for review under Rule 43. Thus, the Court of Appeals erred when it did not dismiss respondent insurers' petition, applying *China Banking Corporation v. Cebu Printing and Packaging Corporation*.¹³

The Court disagrees. A petition for certiorari under Rule 65 is the proper remedy when the issue raised involves errors of jurisdiction. On the other hand, a petition for review under Rule 43 is the proper remedy when the issue raised involves errors of judgment. In *ABS-CBN Broadcasting Corp. v. World Interactive Network Systems Japan Co., Ltd.*,¹⁴ the Court held that:

Proper issues that may be raised in a petition for review under Rule 43 pertain to errors of fact, law or mixed questions of fact and law. While a petition for certiorari under Rule 65 should only limit itself to errors of jurisdiction, that is, grave abuse of discretion amounting to a lack or excess of jurisdiction.¹⁵

In *Suyat, Jr. v. Torres*,¹⁶ the Court held that:

In a petition for certiorari, the jurisdiction of the court is narrow in scope. It is limited to resolving only errors of jurisdiction. x x x Certiorari will issue only to correct errors of jurisdiction. It is not a remedy to correct errors of judgment. An error of judgment is one in which the court may commit in the exercise of its jurisdiction, and which error is reversible only by appeal. Error of jurisdiction is one where the act complained was issued by the court without or in excess of jurisdiction and which error is correctible only by the extraordinary writ of certiorari. Certiorari will not be issued to cure errors by the trial court or quasi-judicial body in its appreciation of the evidence of the parties, and its conclusions anchored on the said findings, and its conclusions of law. As long as the court acts within its jurisdiction, any alleged errors committed in the exercise of its discretion will amount to nothing more than mere errors of judgment, correctible by an appeal or a petition for review under Rule 43 of the Rules of Court.¹⁷

China Banking Corporation is inapplicable because the issue in that case is different from the issue raised by respondent insurers in CA-G.R. SP No. 119760. In *China Banking Corporation*, the issue involved errors of

¹³ G.R. No. 172880, 11 August 2010, 628 SCRA 154.

¹⁴ 568 Phil. 282 (2008).

¹⁵ Id. at 294.

¹⁶ 484 Phil. 230 (2004).

¹⁷ Id. at 239-240.

judgment. In particular, Cebu Printing and Packaging Corporation (CPPC) questioned the rehabilitation court's findings of fact and law in its 30 April 2002 Order denying due course to the petition for corporate rehabilitation. CPPC never questioned the rehabilitation court's jurisdiction. Since the issue involved errors of judgment, the proper remedy, as held in *China Banking Corporation*, was to file a petition for review under Rule 43. In the present case, the issue raised by respondent insurers in CA-G.R. SP No. 119760 involved errors of jurisdiction. Respondent insurers questioned the RTC's jurisdiction over the subject matter of SCP's insurance claim and over the persons of respondent insurers. Since the issue involved errors of jurisdiction, the proper remedy was to file a petition for certiorari under Rule 65.

SCP claims that the RTC has jurisdiction over the subject matter of the insurance claim. Thus, the Court of Appeals erred when it held that the RTC acted with grave abuse of discretion amounting to lack or excess of jurisdiction in issuing the 1 June 2011 Order.

The Court disagrees. The RTC, acting as rehabilitation court, has no jurisdiction over the subject matter of the insurance claim of SCP against respondent insurers. SCP must file a separate action for collection where respondent insurers can properly thresh out their defenses. SCP cannot simply file with the RTC a motion to direct respondent insurers to pay insurance proceeds. Section 3 of Republic Act No. 10142¹⁸ states that rehabilitation proceedings are "summary and non-adversarial" in nature. They do not include adjudication of claims that require full trial on the merits, like SCP's insurance claim against respondent insurers. In *Advent Capital and Finance Corporation v. Alcantara*,¹⁹ the Court held that:

Ultimately, the issue is what court has jurisdiction to hear and adjudicate the conflicting claims of the parties over the dividends that Belson held in trust for their owners. Certainly, not the rehabilitation court which has not been given the power to resolve ownership disputes between Advent Capital and third parties. x x x.

Advent Capital must file a separate action for collection to recover the trust fees that it allegedly earned and, with the trial court's authorization if warranted, put the money in escrow for payment to whoever it belongs. Having failed to collect the trust fees at the end of each calendar quarter as stated in the contract, **all it had against the Alcantaras was a claim for payment which is proper subject for an ordinary action for collection. It cannot enforce its money claim by simply filing a motion in the rehabilitation case for delivery of money** belonging to the Alcantaras but in the possession of a third party.

Rehabilitation proceedings are summary and non-adversarial in nature, and do not contemplate adjudication of claims that must be

¹⁸ Financial Rehabilitation and Insolvency Act of 2010.

¹⁹ G.R. No. 183050, 25 January 2012, 664 SCRA 224.

threshed out in ordinary court proceedings. Adversarial proceedings similar to that in ordinary courts are inconsistent with the commercial nature of a rehabilitation case. The latter must be resolved quickly and expeditiously for the sake of the corporate debtor, its creditors and other interested parties. Thus, the Interim Rules “incorporate the concept of prohibited pleadings, affidavit evidence in lieu of oral testimony, clarificatory hearings instead of the traditional approach of receiving evidence, and the grant of authority to the court to decide the case, or any incident, on the basis of affidavits and documentary evidence.”

Here, **Advent Capital’s claim is disputed and requires a full trial on the merits. It must be resolved in a separate action where the Alcantaras’ claim and defenses may also be presented and heard.**²⁰
(Emphases supplied)

The Court agrees with the ruling of the Court of Appeals that the jurisdiction of the rehabilitation courts is **over claims against the debtor** that is under rehabilitation, **not over claims by the debtor** against its own debtors or against third parties. In its 8 February 2012 Decision, the Court of Appeals held that:

x x x Said insurance claims cannot be considered as “claims” within the jurisdiction of the trial court functioning as a rehabilitation court. Rehabilitation courts only have limited jurisdiction over the claims by creditors against the distressed company, not on the claims of said distressed company against its debtors. The interim rules define claim as referring to all claims or demands, of whatever nature or character against a debtor or its property, whether for money or otherwise.

Even under the new Rules of Procedure on Corporate Rehabilitation, claim is defined under Section 1, Rule 2 as “all claims or demands of whatever nature or character against a debtor or its property, whether for money or otherwise.” This is also the definition of a claim under Republic Act No. 10142. Section 4(c) thereof reads:

“(c) **Claim shall refer to all claims or demands of whatever nature or character against the debtor or its property**, whether for money or otherwise, liquidated or unliquidated, fixed or contingent, matured or unmatured, disputed or undisputed, including, but not limited to[:] (1) all claims of the government, whether national or local, including taxes, tariffs and customs duties; and (2) claims against directors and officers of the debtor arising from the acts done in the discharge of their functions falling within the scope of their authority: Provided, That, this inclusion does not prohibit the creditors or third parties from filing cases against the directors and officers acting in their personal capacities.”²¹ (Emphasis supplied)

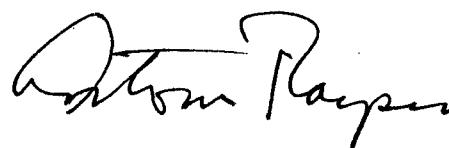
²⁰ Id. at 231-232.

²¹ *Rollo*, pp. 81-82.

Respondent insurers are **not** claiming or demanding any money or property from SCP. In other words, respondent insurers are **not creditors of SCP**. Respondent insurers are **contingent debtors** of SCP because they may possibly be, subject to proof during trial, liable to SCP. Thus, the RTC has no jurisdiction over the insurance claim of SCP against respondent insurers. SCP must file a separate action against respondent insurers to recover whatever claim it may have against them.

WHEREFORE, the petition is **DENIED**. The Court **AFFIRMS** the 8 February 2012 Decision and 27 March 2012 Resolution of the Court of Appeals in CA-G.R. SP No. 119760.

SO ORDERED.



ANTONIO T. CARPIO
Associate Justice

WE CONCUR:



ARTURO D. BRION
Associate Justice



JOSE PORTUGAL PEREZ
Associate Justice



BIENVENIDO L. REYES
Associate Justice



ESTELA M. PERLAS-BERNABE
Associate Justice

ATTESTATION


I attest 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.

**ANTONIO T. CARPIO**

Associate Justice
Chairperson

CERTIFICATION

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

**MARIA LOURDES P. A. SERENO**

Chief Justice