



Republic of the Philippines  
 Supreme Court  
 Manila

THIRD DIVISION

**CITY GOVERNMENT OF  
 TAGUIG,**

Petitioner,

- versus -

**SHOPPERS PARADISE REALTY  
 & DEVELOPMENT CORP., AND  
 SHOPPERS PARADISE FTI  
 CORPORATION,**

Respondents.

**G.R. No. 246179**

**Present:**

LEONEN, J., *Chairperson*,  
 HERNANDO,  
 INTING,  
 ROSARIO,\* and  
 LOPEZ, J., *JJ.*

**Promulgated:**

July 14, 2021

*M. D. C. Balt*

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**DECISION**

**LOPEZ, J., J.:**

The City Government of Taguig (CGT) filed the instant Petition for Review on *Certiorari*<sup>1</sup> dated May 14, 2019, pursuant to Rule 45 of the Revised Rules of Court, ascribing reversible error to the Court of Appeals for rendering in CA-G.R. SP No. 143723 a Decision<sup>2</sup> dated August 28, 2018 and Resolution<sup>3</sup> dated March 18, 2019, both of which dismissed the CGT's Petition for *Certiorari*. The CGT's Petition for *Certiorari* assailed, for being issued without jurisdiction, an Order dated December 8, 2015, issued by Branch 149 of the Regional Trial Court of Makati (RTC-Makati), constituted as a rehabilitation court to oversee SP Proc. Case No. M-6075, which granted the Urgent Motion for Collection dated November 5, 2015 (Urgent Motion for Collection) filed by Shoppers Paradise FTI Corporation (SPFC).

\* Designated as Additional Member per Special Order No. 2833 dated June 29, 2021.

<sup>1</sup> *Rollo*, pp. 26-54.

<sup>2</sup> Penned by Associate Justice Zenaida T. Galapate-Laguilles, with Associate Justices Stephen C. Cruz (Ret.) and Geraldine C. Fiel-Macaraig, concurring; *id.* at 62-73.

<sup>3</sup> *Id.* at 75-76.

## FACTUAL AND PROCEDURAL ANTECEDENTS

### *Rehabilitation Proceedings*

Shoppers Paradise Realty & Development Corporation (SPRDC) and SPFC<sup>4</sup> are affiliate corporations organized and existing under Philippine law, both engaged in the construction, development, maintenance, and lease of commercial buildings. Their business model involves long-term leases of land, construction thereon of community malls and eventual sale of leasehold rights, and leasing out of commercial spaces. Among such projects, SPFC holds a long-term lease over the Food Terminal, Inc. (FTI) Complex in Taguig City, upon which it erected its Sunshine Plaza Mall.<sup>5</sup>

The 1997 Asian Financial Crisis inflicted financial setbacks on SPRDC and SPFC, prompting them to file a joint Petition for Rehabilitation<sup>6</sup> on May 9, 2005, docketed as SP Proc. Case No. M-6075, and heard by the RTC-Makati as a rehabilitation court. The CGT is among the creditors claiming unpaid realty taxes due on the operation of the Sunshine Plaza Mall.<sup>7</sup>

To facilitate the assessment and payment of the realty taxes, the RTC-Makati issued an Order dated October 5, 2006, directing the CGT to issue individual tax declarations for each of the Sunshine Plaza Mall's stall owners, constituting them as taxpayers, but with SPRDC and SPFC made jointly and severally liable for payment of such taxes.<sup>8</sup> Thus, the CGT issued on May 30, 2007 new sets of Tax Declaration Certificates to stall owners operating in the Sunshine Plaza Mall.<sup>9</sup>

Meanwhile, the RTC-Makati issued a Resolution dated November 7, 2006, approving SPRDC and SPFC's Revised Rehabilitation Plan, noting as a strategic offsetting scheme that "[t]he plan envisioned to source its funds to pay those financial obligations from lease rentals of available units at the two malls[,]” one of which is the Sunshine Plaza Mall.<sup>10</sup>

### *The City Government of Taguig's lease of areas in the Sunshine Plaza Mall for the operation of the Pamantasan ng Lungsod ng Taguig, its canteen, and One Stop Local*

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<sup>4</sup> Collectively referred to, and appearing together in some documentary submissions, as the Shoppers Paradise Group of Companies (SPGC).

<sup>5</sup> *Rollo*, pp. 79-81.

<sup>6</sup> *Id.* at 81-94.

<sup>7</sup> *Id.* at 84-85.

<sup>8</sup> *Id.* at 138-139.

<sup>9</sup> *Id.* at 104.

<sup>10</sup> *Id.* at 141-150.

Pursuant to the Order dated October 5, 2006 and the Revised Rehabilitation Plan, the CGT and SPFC executed a Memorandum of Agreement dated October 29, 2007 (MOA), instituting an offsetting scheme, whereby SPFC agreed to lease out unoccupied units of the Sunshine Plaza Mall to the CGT, and apply accruing rentals to the realty tax credit due to the CGT “until the credit is fully consumed.” Additionally, Section 2 of the MOA provided for an automatic renewal clause whereby, notwithstanding expiry of the lease, the terms thereof would continue to operate if the CGT remains in possession and SPFC allows the same.<sup>11</sup> Accordingly, the CGT leased portions of the Sunshine Plaza Mall to operate the Pamantasan ng Lungsod ng Taguig (PLT) and its canteen.

Through a Clarificatory Letter/Addendum dated December 5, 2007 (Addendum), sent by the Mayor of the CGT to the President of SPFC who placed his *conforme*, the above arrangement was amended, whereby the term of the lease was shortened, and the area expanded.<sup>12</sup>

Besides PLT and its canteen, the CGT leased additional areas of the Sunshine Plaza Mall in order to establish and operate a government satellite office. Pursuant to Executive Order No. 032, Series of 2005 (EO 32), the CGT institutionalized the One-Stop Local Government Centers (OSLGC) to carry out its Simplified Revenue and Tax Generation and Collection Program. Under Section 1(C) of EO 32, the CGT created an OSLGC in the FTI Compound in Taguig City, which would cater to a cluster of areas denominated as “Area III” or “FTI Area”. The last paragraph of Section 1 of EO 32 empowered the CGT Mayor to assign area managers, tasked with monitoring and reporting on the operations of their respective OSLGCs.<sup>13</sup>

Unlike the MOA, which served as basis for the lease of areas where the PLT and its canteen operate, the records disclose no similar definitive agreement whereby the CGT agreed to lease additional portions of the Sunshine Plaza Mall in order to operate the Area III OSLGC. Still, there exists a Booking Term Sheet dated February 27, 2009 (BTS), signed by an Ana Esperanza A. Pagsisihan, designated therein as the “Area 3 Manager,” which provides terms and conditions for the lease of an area of the Sunshine Plaza Mall for the operation of a “Satellite Office”.<sup>14</sup>

In a Letter dated November 13, 2008, signed by the President of SPFC and to which the Mayor of the CGT placed his *conforme*, SPFC alerted a Nancy Pagsisihan, identified as “Manager, Area 3 Satellite Office,” to the “mutual agreement” regarding offsetting of PLT’s common use service area

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<sup>11</sup> *Id.* at 103-115.

<sup>12</sup> *Id.* at 208.

<sup>13</sup> *Id.* at 119-122.

<sup>14</sup> *Id.* at 153-154.

(CUSA) fees against SPFC's realty tax delinquencies.<sup>15</sup> Although unsigned, SPFC also prepared a Letter dated September 5, 2009, again apprising Nancy Pagsisihan, identified as "Manager, Area 3 Satellite Office," of the offsetting of the CUSA fees incurred by PLT, its canteen and the Satellite Office, against unpaid realty taxes.<sup>16</sup>

Additionally, the Officer-in-Charge (OIC) of the CGT City Treasurer issued an Internal Memorandum dated May 5, 2015, notifying a certain Elvira Villar, the "Accountable Officer, Area 3," of the closure of the Area 3 Satellite Office, and directing the preparation and submission of a final statement of account of any outstanding payables "arising out of the bilateral contract between the City Government of Taguig and Sunshine Plaza Mall."<sup>17</sup> Subsequently, the SPGC sent a Letter dated May 6, 2015 to Elvira Villar, denoted therein as "Accountable Officer, Area 3 Taguig Satellite", acknowledging receipt of a letter communicating the intention not to renew the lease, and advising the settlement of obligations such as rentals and utilities before vacating the Sunshine Plaza Mall.<sup>18</sup>

*Circumstances leading up to the filing  
of the Urgent Motion for Collection*

Believing its realty tax delinquencies had already been offset by accrued rentals from the above arrangements, the SPGC sent a Letter dated August 28, 2015 to the OIC of the CGT City Treasurer, invoking the MOA's stipulations on such offset.<sup>19</sup> The OIC of the CGT City Treasurer responded in a Letter dated September 7, 2015, claiming that the offset features apply to unpaid realty taxes as of December 31, 2006, but not those incurred beyond such date; that SPGC's claim for unpaid rentals is at best based on the BTS, but disavowed the authority of Ana Esperanza Pagsisihan to execute such BTS, and that the same does not mention any offsetting scheme; ultimately, requiring SPGC to pay its realty tax delinquencies.<sup>20</sup>

Meanwhile, in SP Proc. No. M-6075, the Rehabilitation Receiver submitted a Special Report dated September 22, 2015, submitting before the RTC-Makati the issue of whether the CGT may disavow the offset claimed by SPGC.<sup>21</sup> This was followed by a Supplemental Special Report dated October 7, 2015, where the Rehabilitation Receiver recommended that (1) the CGT acknowledge its use and occupation of areas in the Sunshine Plaza Mall for the PLT, its canteen, and the OSLGC; and (2) the CGT and the SPGC confer and reconcile the rentals, CUSA fees, and utilities, as well as

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<sup>15</sup> *Id.* at 196.

<sup>16</sup> *Id.* at 205-206.

<sup>17</sup> *Id.* at 123.

<sup>18</sup> *Id.* at 124.

<sup>19</sup> *Id.* at 151-152.

<sup>20</sup> *Id.* at 156-157.

<sup>21</sup> *Id.* at 159-164.

unpaid rentals due between them.<sup>22</sup> Acting on the recommendations, the RTC-Makati issued an Order dated October 13, 2015, directing the court-appointed Controller to meet with the CGT City Treasurer for reconciliation.<sup>23</sup>

In a Report dated October 30, 2015, the Controller informed the RTC-Makati that said Controller met with a representative of the CGT City Treasurer, but no reconciliation was accomplished due to the CGT City Treasurer's non-cooperation.<sup>24</sup> Meanwhile, SPFC was constrained to pay the realty tax delinquencies under protest on October 27, 2015.<sup>25</sup>

Thus, SPFC was motivated to file the Urgent Motion for Collection, praying that the CGT be directed to pay its unpaid rentals, CUSA fees, and utilities over the areas it leased in the Sunshine Plaza Mall.<sup>26</sup> The CGT submitted its Comment and Opposition dated November 25, 2015, faulting SPFC for flip-flopping on the amounts supposedly due it, that the Urgent Motion for Collection contained perjurious statements, and arguing that the RTC-Makati had no jurisdiction to act on said motion.<sup>27</sup> SPFC filed a Reply dated December 7, 2015, arguing that the amounts it claimed are well-supported by documentary evidence, that the CGT could not disclaim its use and occupancy of various areas in the Sunshine Plaza Mall, and insisting that the RTC-Makati could very well act on its Urgent Motion for Collection.<sup>28</sup> SPFC adjusted the amounts claimed from the CGT, broken down as follows:

|                                                                                                    |               |
|----------------------------------------------------------------------------------------------------|---------------|
| 1. Pamantasan ng Lungsod ng Taguig                                                                 |               |
| a. Remaining payable for the rental covering the period Dec. 2007 to June 2010 after offsetting    | ₱457,864.31   |
| b. Remaining payable for the utilities covering the period Dec. 2007 to Nov. 2008 after offsetting | ₱887,093.20   |
| c. Utilities covering the period Dec. 2008 to June 2010                                            | ₱4,074,451.20 |
| 2. Canteen                                                                                         |               |
| a. Utilities covering the period Dec. 2008 to June 2010                                            | ₱225,842.40   |
| 3. Area 3 - Satellite Office                                                                       |               |

<sup>22</sup> *Id.* at 165-173.

<sup>23</sup> *Id.* at 322.

<sup>24</sup> *Id.* at 174-179.

<sup>25</sup> *Id.* at 329.

<sup>26</sup> *Id.* at 95-102.

<sup>27</sup> *Id.* at 212-223.

<sup>28</sup> *Id.* at 224-247.

|                                                         |                                    |
|---------------------------------------------------------|------------------------------------|
| a. Rental covering the period June 2010 to May 2015     | ₱1,611,802.15                      |
| b. Utilities covering the period June 2009 to June 2010 | ₱93,514.20                         |
| c. Utilities covering the period July 2010 to May 2015  | ₱529,282.38                        |
| SUBTOTAL                                                | ₱7,879,849.84                      |
| 4. Others                                               |                                    |
| a. Interest and penalties for unpaid rentals            | ₱1,933,922.74                      |
| b. Interest and penalties for unpaid utilities          | ₱521,436.26                        |
| SUBTOTAL                                                | ₱2,455,359.00                      |
| <b>GRAND TOTAL</b>                                      | <b>₱10,335,208.84<sup>29</sup></b> |

*The Contentious Order dated  
December 8, 2015*

Stemming the instant controversy, the RTC-Makati issued the Order dated December 8, 2015, granting the Urgent Motion for Collection dated November 5, 2015, the dispositive of which reads:

WHEREFORE, the City Government of Taguig is hereby ordered to pay the petitioner, Shoppers Paradise FTI Corporation, in the sum of ₱10,335,208.84 within fifteen (15) days from receipt of this Order.<sup>30</sup>

The RTC-Makati found the amounts claimed to be reasonable and sustainable. The CGT cannot denounce the court's jurisdiction as it had voluntarily submitted itself to the same and it cannot unjustly enrich itself by occupying portions of the Sunshine Plaza Mall without paying its obligations, and that contracts have the force of law between the parties.<sup>31</sup>

Hence, the CGT filed a Petition for *Certiorari* before the Court of Appeals, docketed as CA-G.R. SP No. 143723, assailing the Order dated December 8, 2015 for being issued without jurisdiction since, relying on *Steel Corporation of the Philippines v. Mapfre Insular Insurance Corporation*<sup>32</sup> (*Steel Corporation*), a rehabilitation court has no authority to resolve claims of such nature. In a Decision dated August 28, 2018, the Court of Appeals denied the Petition for *Certiorari*, disposing as follows:

FOR THE STATED REASONS, the instant Petition for *Certiorari* is DISMISSED. The December 8, 2015 Order of the Regional Trial Court

<sup>29</sup> *Id.* at 242.

<sup>30</sup> *Id.* at 78.

<sup>31</sup> *Id.* at 77-78.

<sup>32</sup> *Id.* at 67.

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of Makati City, Branch 149, in S.P. PROC CASE NO. M-6075 is AFFIRMED. The petitioner's application for the issuance of Temporary Restraining Order and Writ of Preliminary Injunction is consequently DENIED.<sup>33</sup>

The Court of Appeals ruled that the claims of SPFC were based on transactions entered into pursuant to the rehabilitation proceedings, hence, well within the power of the RTC-Makati as a rehabilitation court. Moreover, the Court of Appeals held *Steel Corporation* inapplicable considering material differences in the facts and issues with that of the instant proceedings. Despite the CGT moving for reconsideration, the Court of Appeals denied the same in a Resolution dated March 18, 2019.<sup>34</sup>

Finally, the CGT came to the Court via the instant Petition for Review on *Certiorari* dated May 14, 2019, reiterating that the RTC-Makati had no jurisdiction to act on the Urgent Motion for Collection.<sup>35</sup> SPRDC and SPFC submitted their Comment dated August 30, 2019, pointing out that the CGT raised factual issues inappropriate for a Petition for Review on *Certiorari* under Rule 45 of the Revised Rules of Court, and that the RTC-Makati possessed the authority to rule on the Urgent Motion for Collection.<sup>36</sup> In its Reply dated January 23, 2020, the CGT countered that it raised purely legal issues, and rehashed its arguments regarding the jurisdiction of the RTC-Makati as rehabilitation court.<sup>37</sup>

## ISSUE

Raised in the instant Petition for Review on *Certiorari* is the issue of whether the Court of Appeals committed reversible error in finding that the RTC-Makati committed no grave abuse of discretion in issuing the Order dated December 8, 2015. At the core of this issue is the legal question concerning the authority of the RTC-Makati, acting as a rehabilitation court, to act on matters subject of the Urgent Motion for Collection.

## RULING

The Court resolves to deny the Petition for Review on *Certiorari*.

*A Rehabilitation Court is empowered to issue orders necessary to carry out the Rehabilitation of the Insolvent Debtor*

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<sup>33</sup> *Supra* note 2, at 72.

<sup>34</sup> *Supra*, note 3.

<sup>35</sup> *Id.* at 26-50.

<sup>36</sup> *Id.* at 267-291.

<sup>37</sup> *Id.* at 368-378.

Through amendments<sup>38</sup> to Presidential Decree No. 902-A,<sup>39</sup> the Securities and Exchange Commission (SEC) was vested with jurisdiction to hear and decide petitions for rehabilitation.<sup>40</sup> To effectively exercise such jurisdiction, the SEC was empowered to appoint rehabilitation receivers and management committees, suspend claims against insolvent debtors, and order dissolution in case rehabilitation is infeasible.<sup>41</sup> The foregoing

<sup>38</sup> Presidential Decree (PD) No. 1758 (1981), Amending Further Sections 2, 3, 5, 6, and 8 of Presidential Decree No. 902-A, Sections 3 & 4; PD No. 1799 (1981), Amending Further Section 6 of Presidential Decree No. 902-A, Section 1.

<sup>39</sup> Securities and Exchange Commission Reorganization Act.

<sup>40</sup> PD 902-A, Section 5(d), as amended, reads:

SECTION 5. In addition to the regulatory and adjudicative functions of the Securities and Exchange Commission over corporations, partnerships and other forms of associations registered with it as expressly granted under existing laws and decrees, it shall have original and exclusive jurisdiction to hear and decide cases involving:

x x x

d) Petitions of corporations, partnerships or associations to be declared in the state of suspension of payments in cases where the corporation, partnership or association possesses sufficient property to cover all its debts but foresees the impossibility of meeting them when they respectively fall due or in cases where the corporation, partnership or association has no sufficient assets to cover its liabilities, but is under the management of a Rehabilitation Receiver or Management Committee created pursuant to this Decree.”

<sup>41</sup> PD 902-A, Section 6(c) and (d), as amended, reads:

SECTION 6. In order to effectively exercise such jurisdiction, the Commission shall possess the following powers:

x x x

c) To appoint one or more receivers of the property, real and personal, which is the subject of the action pending before the Commission in accordance with the pertinent provisions of the Rules of Court in such other cases whenever necessary in order to preserve the rights of the parties-litigants and/or protect the interest of the investing public and creditors: Provided, however, That the Commission may, in appropriate cases, appoint a rehabilitation receiver of corporations, partnerships or other associations not supervised or regulated by other government agencies who shall have, in addition to the powers of a regular receiver under the provisions of the Rules of Court, such functions and powers as are provided for in the succeeding paragraph d) hereof: Provided, further, That the Commission may appoint a rehabilitation receiver of corporations, partnerships or other associations supervised or regulated by other government agencies, such as banks and insurance companies, upon request of the government agency concerned: Provided, finally, That upon appointment of a management committee, rehabilitation receiver, board or body, pursuant to this Decree, all actions for claims against corporations, partnerships or associations under management or receivership pending before any court, tribunal, board or body shall be suspended accordingly.

d) To create and appoint a management committee, board, or body upon petition or *motu proprio* to undertake the management of corporations, partnerships or other associations not supervised or regulated by other government agencies in appropriate cases when there is imminent danger of dissipation, loss, wastage or destruction of assets or other properties of paralyzation of business operations of such corporations or entities which may be prejudicial to the interest of minority stockholders, parties-litigants or the general public: Provided, further, That the Commission may create or appoint a management committee, board or body to undertake the management of corporations, partnerships or other associations supervised or regulated by other government agencies, such as banks and insurance companies, upon request of the government agency concerned.

The management committee or rehabilitation receiver, board or body shall have the power to take custody of, and control over, all the existing assets and property of such entities under management; to evaluate the existing assets and liabilities, earnings and operations of such corporations, partnerships or other associations; to determine the best way to salvage and protect the interest of the investors and

jurisdiction and functions were transferred to the Regional Trial Courts, over which the Court reserved the prerogative to designate which branches would hear such cases.<sup>42</sup> Presently, the governing statute on rehabilitation is Republic Act No. 10142, or the Financial Rehabilitation and Insolvency Act of 2010 (FRIA), and the procedural rules embodied in A.M. No. 12-12-11-SC, or the Financial Rehabilitation Rules of Procedure (2013).

Thus, rehabilitation is “the restoration of the debtor to a condition of successful operation and solvency, if it is shown that its continuance of operation is economically feasible and its creditors can recover by way of the present value of payments projected in the plan, more if the debtor continues as a going concern than if it is immediately liquidated.”<sup>43</sup> Rehabilitation proceedings are *in rem* in nature, and conducted in a summary and non-adversarial manner.<sup>44</sup> Due to its commercial nature, rehabilitation proceedings must be resolved expeditiously for the benefit of all the parties concerned and the economy in general.<sup>45</sup>

That the RTC-Makati could very well act on the Urgent Motion for Collection, and grant the motion in the Order dated December 8, 2015, is well-entrenched in jurisprudence. As the Court held in *Bureau of Internal Revenue v. Lepanto Ceramics, Inc.*,<sup>46</sup> the “inherent purpose of rehabilitation is to find ways and means to minimize the expenses of the distressed corporation during the rehabilitation period by providing the best possible framework for the corporation to gradually regain or achieve a sustainable

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creditors: to study, review and evaluate the feasibility of continuing operations and restructure and rehabilitate such entities if determined to be feasible by the Commission. It shall report and be responsible to the Commission until dissolved by order of the Commission: Provided, however, That the Commission may, on the basis of the findings and recommendation of the management committee, or rehabilitation receiver, board or body, or on its own findings, determine that the continuance in business of such corporation or entity would not be feasible or profitable nor work to the best interest of the stockholders, parties-litigants, creditors, or the general public, order the dissolution of such corporation entity and its remaining assets liquidated accordingly. The management committee or rehabilitation receiver, board or body may overrule or revoke the actions of the previous management and board of directors of the entity or entities under management notwithstanding any provision of law, articles of incorporation or by-laws to the contrary.

The management committee, or rehabilitation receiver, board or body shall not be subject to any action, claim or demand for, or in connection with, any act done or omitted to be done by it in good faith in the exercise of its functions, or in connection with the exercise of its power herein conferred.”

<sup>42</sup> Republic Act (R.A.) No. 8799, Section 5.2: *La Savoie Development Corporation v. Buenavista Properties, Inc.*, G.R. Nos. 200934-25, June 19, 2019; *Dela Torre v. Primetown Property Group, Inc.*, 826 Phil. 153 (2018); *Express Investments III Private Ltd. v. Bayan Telecommunications, Inc.*, 700 Phil. 225 (2012); *Negros Navigation Co., Inc. v. Court of Appeals*, 594 Phil. 96 (2008).

<sup>43</sup> Republic Act (R.A.) No. 10142, or the Financial Rehabilitation and Insolvency Act of 2010 (FRIA), Section 4(gg).

<sup>44</sup> FRIA, Section 3; A.M. No. 12-12-11-SC, or the Financial Rehabilitation Rules of Procedure (2013), Rule 1, Section 4.

<sup>45</sup> *New Frontier Sugar Corp. v. Regional Trial Court*, 542 Phil. 587, 595 (2007); *North Bulacan Corp. v. Philippine Bank of Communications*, 640 Phil. 301, 302 (2010).

<sup>46</sup> 809 Phil. 278 (2017).

operating form.”<sup>47</sup> Further, the Court emphasized in *Allied Banking Corporation v. Equitable PCI Bank, Inc.*,<sup>48</sup> that “once jurisdiction is acquired, the court can subject all those affected to orders consistent with the rehabilitation of the insolvent debtor, including the reversal of any transfer, payment, or sale made after the filing of the petition.”<sup>49</sup>

The Urgent Motion for Collection sought payment for accrued rentals and utilities over the CGT’s use of the PLT, its canteen, and the OSLGC Area 3 Satellite Office. These are arrangements entered into between the CGT and SPGC precisely to effect an offsetting arrangement, sanctioned by the Revised Rehabilitation Plan so that the latter may satisfy its unpaid realty taxes.

Occupancy by the PLT and canteen is embodied in the MOA, which directly referenced the Resolution dated November 7, 2006, approving the Revised Rehabilitation Plan, which “plan envisioned to source its funds to pay those financial obligations from lease rentals of available units” in SPFC’s Sunshine Plaza Mall. The subsequent Addendum, modifying the MOA by shortening the term of the lease and expanding the area, acknowledged and confirmed such arrangement.

On the other hand, the occupancy by OSLGC Area 3 Satellite Office was premised on EO 32, which created the “Area III” or “FTI Area” OSLGC in the FTI Compound, where the Sunshine Plaza Mall is situated; and the BTS, signed by “Area 3 Manager” Ana Esperanza Pagsisihan, providing the terms and conditions of the lease for operating a “Satellite Office.” Such arrangement was confirmed, and tellingly at that, by the CGT City Treasurer’s Internal Memorandum dated May 5, 2015, wherein the OIC City Treasurer apprised Elvira Villar, the “Accountable Officer, Area 3,” of the closure of the Area 3 Satellite Office, and directed the preparation and submission of a final statement of account of any outstanding payables “arising out of the bilateral contract between the City Government of Taguig and Sunshine Plaza Mall.” Corroborating the same is SPGC’s Letter dated May 6, 2015 to Elvira Villar, denoted therein as “Accountable Officer, Area 3 Taguig Satellite,” acknowledging receipt of a letter communicating the intention not to renew the lease and advising the settlement of obligations such as rentals and utilities before vacating the Sunshine Plaza Mall. These instruments sufficiently establish the fact of the CGT’s occupancy over additional areas of the Sunshine Plaza Mall to operate the OSLGC Area 3 Satellite Office.

True, as pointed out by the CGT, none of the foregoing documents explicitly declare that occupancy for the OSLGC Area 3 Satellite Office was

<sup>47</sup> *Id.* at 279. (Underscoring supplied)

<sup>48</sup> 828 Phil. 64 (2018).

<sup>49</sup> *Id.* at 67. (Underscoring supplied)

for the purpose of offsetting SPGC's unpaid realty taxes. Yet, the fact remains that such arrangement was entered into during the course of rehabilitation proceedings, no less under the auspices of the controlling Revised Rehabilitation Plan, which was "envisioned to source its funds to pay those financial obligations from lease rentals of available units" in SPGC's malls. The CGT attempts to disavow the authority of Ana Esperanza Pagsisihan to enter into the BTS on behalf of the CGT. But such denial is incompatible with the otherwise consistent mosaic of references to the Satellite Office, overseen by the Area 3 Manager, most revealing of all is the Internal Memorandum dated May 5, 2015.

Hence, the foregoing transactions are but specific elements of the overarching Revised Rehabilitation Plan, implementation of which the RTC-Makati had jurisdiction over. Consistently, the Urgent Motion for Collection sought an incidental relief towards the successful rehabilitation of the SPGC. After all, a motion is a "necessary incident"<sup>50</sup> designed "to bring a material but incidental matter arising in the progress of the case" as "[i]t relates to some question that is collateral to the main object of the action and is connected with and dependent upon the principal remedy."<sup>51</sup> Thus, the RTC-Makati possessed the jurisdiction to act on the Urgent Motion for Collection and grant the same in the Order dated December 8, 2015.

To rule as the CGT insists would thwart the intricate framework consisting of the rehabilitation court, the receiver, and the rehabilitation plan, that the legislators so carefully and deliberately designed. Significantly, the rehabilitation receiver is authorized "[t]o sue and recover, with the approval of the court, all amounts owed to, and all properties pertaining to the debtor[.]"<sup>52</sup> But such duty must be circumscribed in that it must be done with the approval of the rehabilitation court, which perforce can only resolve incidents relative to the rehabilitation proceedings. Moreover, the receiver is tasked with implementing the rehabilitation plan,<sup>53</sup> which embodies the various means<sup>54</sup> indicating how the insolvent debtor will be rehabilitated.<sup>55</sup> Once approved by the rehabilitation court, the rehabilitation plan is binding upon all affected persons<sup>56</sup> and must be carried out by the debtor<sup>57</sup> with the assistance of the receiver.<sup>58</sup>

Consistent with the foregoing configuration, the RTC-Makati issued the Resolution dated November 7, 2006, approving the Revised Rehabilitation Plan, noting therein that the SPGC intended to lease out portions of its malls so that income therefrom would offset its realty tax

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<sup>50</sup> See *WT Construction, Inc. v. Judge Cañete, et al.*, 568 Phil. 420, 431 (2008).

<sup>51</sup> *Spouses Arquiza v. Court of Appeals*, 498 Phil. 793 (2005).

<sup>52</sup> FRIA, Section 31(f).

<sup>53</sup> *Id.*, Section 31(l).

<sup>54</sup> *Id.*, Section 4(ii).

<sup>55</sup> *Id.*, Section 62(f).

<sup>56</sup> *Id.*, Section 69(a).

<sup>57</sup> *Id.*, Section 69(b).

<sup>58</sup> *Id.*, Section 31(l).

delinquencies. Consonantly, the Rehabilitation Receiver submitted Special Report dated September 22, 2015 and Supplemental Special Report dated October 7, 2015, proffering as issues the offsetting scheme *vis-à-vis* the occupied portions of the Sunshine Plaza Mall, and recommending ways how the parties might resolve such matters. These Reports were what prompted SPFC to file the Urgent Motion for Collection to begin with. These incidents would be rendered meaningless if the Court were to rule that the RTC-Makati had no jurisdiction to act on the Urgent Motion for Collection and grant the same in the Order dated December 8, 2015.

Finally, to rule as the CGT would have, when the subject of the SPGC's Urgent Motion for Collection dated November 5, 2015 is clearly within the RTC-Makati's jurisdiction as a rehabilitation court, will encourage multiplicity of suits, and defeat the summary and expeditious nature of rehabilitation proceedings.

*The Steel Corporation case is inapplicable to the present controversy*

The CGT banks on *Steel Corporation*<sup>59</sup> in arguing that the Urgent Motion for Collection was beyond the RTC-Makati's jurisdiction. As correctly pointed out by the Court of Appeals, the facts of *Steel Corporation* differ materially with that of the instant controversy.

In *Steel Corporation*, after the Steel Corporation of the Philippines (SCP) was placed under rehabilitation, fire broke out in one of its plants, entitling it to insurance proceeds. Notably, SCP had an existing Mortgage Trust Indenture with the Bank of the Philippines Islands (BPI), acting as the trustee of SCP's creditors, under which proceeds from SCP's insurance policies were made payable to BPI. SCP filed a motion before the rehabilitation court asking that the insurer directly pay the proceeds to it. Resolving the issue of whether the rehabilitation court could act on such motion, the Court held 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," pointing out that a "claim" as defined under Section 4(c) of the FRIA refers to claims by the creditors against the debtor under rehabilitation, ultimately directing SCP to file a separate action against the insurer as the claim was disputed.

Clearly, the claim against the insurer in *Steel Corporation* was beyond the rehabilitation court's limited jurisdiction as the claim did not relate to SCP's rehabilitation proceedings, nor was the insurer a participant therein.

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<sup>59</sup> 719 Phil. 638 (2013).

In contrast, the CGT voluntarily appeared as a creditor in SP Case No. M-6075 before the RTC-Makati, and its realty tax claims were to be addressed by the offsetting scheme in the Revised Rehabilitation Plan. Moreover, SPC's claim against the insurer in *Steel Corporation* was disputed, necessitating a full-blown trial, while the SPGC's claim against the CGT is duly established by evidence. Finally, in ruling that the rehabilitation court could not resolve "claims" of the debtor against its own debtors, the Court was simply confining the technical definition of the term "claim" as defined under Section 4(c) of the FRIA. This interpretation by no means precludes claims by the debtor, which, as illustrated above, are incidental to the rehabilitation plan and proceedings. As also pointed out above, the rehabilitation receiver is authorized "[t]o sue and recover, with the approval of the court, all amounts owed to, and all properties pertaining to the debtor[.]"<sup>60</sup>

Furthermore, *Steel Corporation* cited as authority *Advent Capital and Finance Corporation v. Alcantara*<sup>61</sup> (*Advent Capital*), the facts of which are also distinct from the instant controversy. In *Advent Capital*, Advent Capital and Finance Corporation (Advent Capital) filed a motion before the rehabilitation court asking that Belson Securities, Inc. (Belson), a trustee of Advent Capital's debtors but not its own debtor, be ordered to deliver cash dividends that the debtors held in a trust account with Belson. In resolving the question of which court could act on such motion, the Court answered: "Certainly, not the rehabilitation court, which has not been given the power to resolve ownership disputes between Advent Capital and third parties. Neither Belson nor the Alcantaras are its debtors or creditors with interest in the rehabilitation." The Court observed that, like in *Steel Corporation*, Advent Capital's claim against Belson was disputed and required a full-blown trial, a detail wholly inconsistent with the non-adversarial nature of rehabilitation proceedings. In contrast, the claims subject of the Urgent Motion for Collection had been sufficiently established, find basis in the Revised Rehabilitation Plan, and were filed against the CGT, which is a party bound by the implementation of such plan.

Before concluding, the Court notes that a considerable amount of time has elapsed since the filing of the Urgent Motion for Collection, such that the interest and penalties components of the PhP10,335,208.84 requires adjustment, conformably with *Nacar v. Gallery Frames*.<sup>62</sup> Such matter is a factual issue beyond the Court's scope of review in the instant Petition for Review on *Certiorari*.<sup>63</sup> Thus, the Court sees fit to remand the case to the RTC-Makati for proper recomputation of the CGT's liability.

To recapitulate, though of limited and special jurisdiction, when the

<sup>60</sup> *Id.*, Section 31(f).

<sup>61</sup> 680 Phil. 238 (2012).

<sup>62</sup> 716 Phil. 267 (2013).

<sup>63</sup> *Pascual v. Burgos, et al.*, 776 Phil. 167, 168 (2016).

law conferred jurisdiction over rehabilitation courts, the latter were vested with all the powers necessary to exercise such jurisdiction to make it effective.<sup>64</sup> Recognizing the volatile nature of every business, the rules on corporate rehabilitation have been crafted in order to give companies sufficient leeway to deal with debilitating financial predicaments in the hope of restoring or reaching a sustainable operating form if only to best accommodate the various interests of all its stakeholders, may it be the corporation's stockholders, its creditors, and even the general public.<sup>65</sup> Thus, rehabilitation may call for creative solutions to grapple with the problem of how best to salvage and protect the interests of investors and creditors and to restructure and rehabilitate the faltering company.<sup>66</sup>

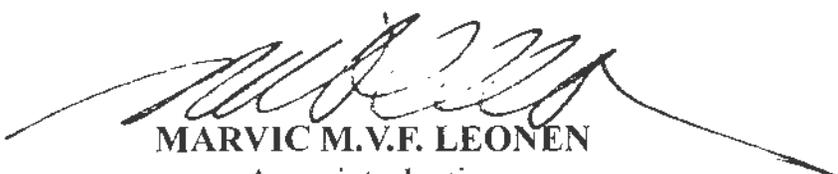
**WHEREFORE**, the Petition for Review on *Certiorari* is **DENIED**. The Decision dated August 28, 2018 and Resolution dated March 18, 2019 of the Court of Appeals Special Sixteenth Division in CA-G.R. SP No. 143723 are **AFFIRMED** with the **MODIFICATION** that the City Government of Taguig's outstanding obligations be recomputed conformably with the guidelines in *Nacar v. Gallery Frames*.

Let the records of this case be **REMANDED** to Branch 149 of the Regional Trial Court of Makati in SP Proc. Case No. M-6075 for recomputation and disposition.

**SO ORDERED.**

  
**JHOSEP V. LOPEZ**  
Associate Justice

**WE CONCUR:**

  
**MARVIC M.V.F. LEONEN**  
Associate Justice

<sup>64</sup> See *Pio Barretto Realty Development, Inc. v. Court of Appeals, et al.*, 216 Phil. 563, 565 (1984).

<sup>65</sup> *Bank of the Philippine Islands v. Sarabia Manor Hotel Corp.*, 715 Phil. 420, 421-422 (2013).

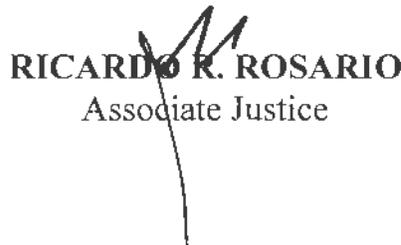
<sup>66</sup> Laurence Arroyo, *Rehabilitating the Law on Corporate Rehabilitation*, 53 *Ateneo Law Journal* 1, 6 (2008).



**RAMON PAUL E. HERNANDO**  
Associate Justice



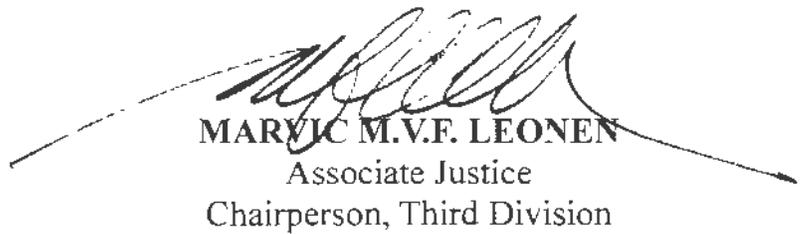
**HENRI JEAN PAUL B. INTING**  
Associate Justice



**RICARDO R. ROSARIO**  
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.



**MARVIC M.V.F. LEONEN**  
Associate Justice  
Chairperson, Third Division

**CERTIFICATION**

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



**ALEXANDER G. GESMUNDO**  
Chief Justice