



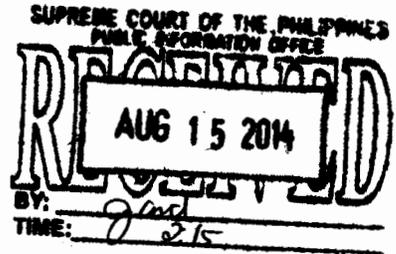
Republic of the Philippines

Supreme Court

Manila

THIRD DIVISION

NOTICE



Sirs/Mesdames:

Please take notice that the Court, Third Division, issued a Resolution dated **August 6, 2014**, which reads as follows:

**“G.R. No. 193033 (*College Assurance Plan Philippines, Inc. v. Spouses Gertrudo Lao and Susan Gothong Lao.*)** – Assailed in this petition for review on *certiorari* under Rule 45 of the 1997 Rules of Civil Procedure is the July 7, 2010 Decision<sup>1</sup> of the Court of Appeals (CA) in CA-G.R. CV No. 78592, the dispositive portion of which reads:

**WHEREFORE**, the decision dated February 28, 2003 of the Regional Trial Court, Cebu City, Branch 11, in Civil Case No. CEB-25921-SRC is **AFFIRMED** insofar as it ordered defendant-appellant 1) to reimburse plaintiffs-appellees the sum of Three Hundred Fifty-Four Thousand Two Hundred Fifty Pesos (₱354,250.00) with legal interest from date of filing of the complaint until the same is fully paid; and 2) to faithfully comply with its contractual obligations to plaintiffs-appellees under the Agreement. The award of attorney’s fees and expenses of litigation is deleted.

**SO ORDERED.**

The facts extant from the records are as follows:

On October 30, 1987, respondent Gertrudo Lao (*Gertrudo*) subscribed to Scholarship Funding Agreement (*SFA*) Account No. 1-9-09-01-01829<sup>2</sup> of petitioner College Assurance Plan Philippines, Inc., a pre-need corporation engaged in the business of selling educational plans. Pursuant thereto, he named his son, Lyndon Gothong Lao (*Lyndon*), as the beneficiary of the educational plan. Petitioner accepted the same by issuing a Certificate of Nomination.<sup>3</sup>

<sup>1</sup> Penned by Associate Justice Myra V. Garcia-Fernandez, with Associate Justices Pampio A. Abarintos and Ramon A. Cruz, concurring; *rollo*, pp. 7-18.

<sup>2</sup> Exhibit “B” and “12”; records, pp. 9-12, 165-168.

<sup>3</sup> Exhibit “C”; *id.* at 13.

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When respondents fully paid all instalments due on October 7, 1991, petitioner issued a Certificate of Full Payment<sup>4</sup> and a letter<sup>5</sup> to inform that Lyndon may now avail of the scholarship benefits.

Respondents decided to enrol Lyndon at the Center for International Education (CIE) in Cebu City for the course of Bachelor of Science in Business Management (BSBM). On March 25, 1999, they submitted an Availment Confirmation Slip to petitioner's Servicing Center.<sup>6</sup> However, it appears that petitioner's Contract Benefits Administration failed to process the application.

On May 17, 1999, respondents, through counsel, made a demand on petitioner to reimburse the assessed tuition and school fees that they paid in advance.<sup>7</sup> In its reply dated May 26, 1999, petitioner refused on the ground that CIE is not covered by respondents' education plan, contending thus:

**1. Inapplicability of Commission on Higher Education (CHED)**

**Permit to CIE** - It appears that CIE is not licensed to offer the business management course (BSBM) for the School Year 1998-1999. The permit from the CHED (Temporary Permit No. 123 dated [December 15, 1998]) was issued in favor of the Global Foundation for International Education (GFIE). The CHED permit does not extend to any branch of GFIE, whether located in the same place or elsewhere. Since CIE is only a division of GFIE, we believe that CIE is not covered by the permit. x x x.

**2. Inapplicability of the CHED Permit to CIE double-degree course**

- In her letter dated [February 10, 1999] to the CHED, Dr. Judith R. Raagas, CIE Vice-President and Dean of Colleges, stated that under the twinning program with Staffordshire University of the United Kingdom, CIE will be conferring two (2) diplomas: first, the CIE diploma for the degrees of Bachelor of [Science in] Business Management and Bachelor of [Science in] Information Technology and second, the Staffordshire diploma for the same degrees. x x x.

Considering that the CHED Permit was limited to the grant of a permit to operate the first year of a four-year course in Bachelor of Science in Business Management (BSBM), then the double degree program falls outside of this authority.

**3. Incompatibility of plan provisions to CIE double-degree course**

- Whereas the CIE program involves the conferment of two degrees (Bachelor of Science in Business Management and Bachelor of Science in Information Technology) upon completion of the course, the CAP plan of your client only provides a

<sup>4</sup> Exhibit "B-1"; *id.* at 26.

<sup>5</sup> Exhibit "D"; *id.* at 14.

<sup>6</sup> Exhibit "E"; *id.* at 15.

<sup>7</sup> Exhibit "K"; *id.* at 19-20.

scholarship for a single-degree program. The CIE academic program is therefore incompatible with the terms and conditions of your client's plan.<sup>8</sup>

With the denial of the claim, respondents filed on October 11, 1999 before the Securities and Exchange Commission (SEC) a case for Specific Performance and Damages, which was docketed as SEC Case No. 10-99-6431.<sup>9</sup> Meantime, they enrolled Lyndon in CIE at their own expense, paying his tuition and other school fees.<sup>10</sup>

On November 15, 1999, the SEC Securities Investigation and Clearing Department in Mandaluyong City granted respondents' motion to transfer the venue of the case to the SEC Cebu Extension Office. SEC Case No. 10-99-6431 was subsequently docketed as SEC Case No. C-00331.<sup>11</sup>

During the preliminary conference held on July 4, 2000, the parties identified the issues for trial, to wit:

1. Whether petitioner is liable to pay the tuition and other applicable fees of respondents' nominee enrolled at GFIE/CIE, based on the valid and subsisting SFA;
2. Whether petitioner is liable to pay moral and exemplary damages, attorney's fees, and litigation expenses for its unjustified and malicious refusal to comply with its contractual obligations;
3. Whether respondents' cause of action is premature; and
4. Whether the SFA entered into by respondents is applicable to the business course covered by the twinning program between GFIE and Staffordshire University Offshore Learning Center of the United Kingdom.<sup>12</sup>

The parties likewise made the following stipulations of fact:

- a. the validity and existence of the SFA entered into by [respondents] and [petitioner];
- b. the filing of [respondents'] claim on March 25, 1999 at the CAP, Cebu City Branch;
- c. the absence of any pronouncement from CHED or from any government agency finding or declaring GFIE/CIE to have violated any law, rule or regulation pertaining to its existence as an educational institution, or their offering of a four (4) year course in Bachelor of Science in Business Management or in relation to the tuition fees imposed to the students;

<sup>8</sup> Exhibit "L"; *id.* at 21-22.

<sup>9</sup> Records, pp. 1-8.

<sup>10</sup> Exhibits "I," "J," "N," "O," "P," "Q," "R," and "S"; *id.* at 24-25, 112, 345-351.

<sup>11</sup> Records, pp. 96-98.

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

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- d. the use of GFIE, Inc. of the business name CIE;
- e. the use of the name Child Development Center Foundation-Cebu, aside from CIE and GFIE;
- f. operation of the school on the strength of a temporary permit with the qualification that the issuance of a temporary permit is done every school year up to the present;
- g. the offering of GFIE/CIE of its business course on a trimestral basis; and
- h. the ₱2,500.00 per unit of tuition fee imposed by GFIE/CIE to its students.<sup>13</sup>

On December 15, 2000, in view of the transfer of cases for rehabilitation from the SEC to the Regional Trial Court (RTC) pursuant to Republic Act No. 8799, otherwise known as The Securities Regulation Code, the case was transferred to the Cebu City RTC, Branch 11, and was docketed as CEB-25921-SRC.<sup>14</sup>

Trial ensued. Respondent Susan G. Lao solely testified for the prosecution, while Jaime B. Dizon and John Austria, petitioner's Senior Vice-President and Vice-President/Actuary, respectively, testified for the defense.

On February 28, 2003, the RTC ruled in favor of respondents. The dispositive portion of the Decision reads:

WHEREFORE, in view of the foregoing premises, judgment is hereby rendered by this Court in this case:

(a) Ordering [petitioner] to reimburse to [respondents] the sum of ₱354,250.00 representing the tuition fees and other standard school fees paid by the latter to CIE for their son, Lyndon Gothong Lao, which, under the SFA entered into by and between [respondents] and [petitioner], the latter is bound to pay, and this should be paid together with legal interest thereon to be reckoned from the date of the filing of the complaint in this case until the same shall have paid in full;

(b) Ordering [petitioner] to faithfully comply with its contractual obligations to [respondents] under the SFA entered into by and between them; and

(c) Ordering [petitioner] to pay to [respondents] the sum of ₱20,000.00 as attorney's fee and the sum of ₱1,110.00 as expenses of litigation.

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<sup>13</sup> *Id.*

<sup>14</sup> *Id.* at 223.

No pronouncement is hereby made as to costs.

SO ORDERED.<sup>15</sup>

Upon petitioner's appeal, the CA affirmed with modification the trial court's judgment by deleting the award of attorney's fees and litigation expenses due to lack of testimonial and documentary support. In sustaining the liability of petitioner under the SFA, the appellate court quoted with approval the findings of the trial court:

"First, by way of a statement of principle, the nature of the rights conferred by an educational plan depends upon the provisions of such particular plan. The following provisions of the Scholarship Funding Agreement entered into by and between the [respondents] and [petitioner] relative to the educational plan for [respondents'] son-nominee are of primary importance in resolving the issues involved in this case:

**'5. [PURPOSE AND GUARANTEE]**

**'In consideration of the full payment of the Gross Price and the fulfilment of the [other] terms and conditions of this SFA, the [Company], on or after the maturity date, and upon its proper notification by the Subscriber or Nominee of the acceptance and enrollment of the Nominee by a duly accredited Philippine college or university in the school category chosen shall:**

'5.1 Pay direct to said college or university the due semester's tuition fees and other standard school fees for a basic four-year college course leading to a Bachelor's degree. Standard school [fees] shall exclude expenses for board and lodging, personal effects, bus service, book rentals, costs of books, school supplies, [uniforms], membership in any student organization, donations, entrance test, graduation or such other similar or related expenses. Furthermore, additional fees charged to foreign students shall also be excluded.

X X X                      X X X                      X X X

**'6. SCHOOL CATEGORY**

'The School Category chosen by the Subscriber arranged from a lower to a higher category based on cost, shall be indicated as either STATE COLLEGE/UNIVERSITY (SCU); NON-EXCLUSIVE COLLEGE/UNIVERSITY (NECU); or EXCLUSIVE COLLEGE/UNIVERSITY (ECU). The corresponding gross price per category shall depend on whether the Subscriber chooses Full or Part Scholarship. State Colleges/Universities refer to institution directly subsidized by and are under the control of the Philippine Government. Non-exclusive

<sup>15</sup> *Id.* at 460.

colleges and universities refer to Philippine schools not listed under exclusive college/universities. Exclusive colleges/universities refer to the following [institutions], viz, Ateneo University, De La Salle University, San Beda College, San Sebastian College, St. Paul's College, Maryknoll Foundation, College of the Holy Spirit, Sta. Isabel College, St. Scholastica's College, St. Theresa's College, St. Joseph's College, Colegio de San Agustin, Letran College, Assumption College, all their respective religious order related schools in the Philippines, and such other schools in the future that may be so classified as exclusive by the Ministry of Education, Culture and Sports.[']

A careful scrutiny of the aforequoted provisions of the SFA will at once reveal that, in order that the benefits of the agreement may be availed of, there should be full payment of the gross price for the plan and the acceptance and enrollment of the nominee by a duly accredited Philippine college or university. In the case at bench, there is no dispute as to the fact that the [respondents] had indeed fully paid for the gross price for the educational plan covered by the scholarship funding agreement (SFA). As a matter of fact, the [petitioner] had sent a notification to the [respondents] that they may already avail of the benefits under the SFA. This means that the [petitioner] had undertaken to pay the tuition fees and other standard school fees for [respondents'] son when he would enrol in an EXCLUSIVE COLLEGE/UNIVERSITY taking up a four-year course that would lead to a Bachelor's degree. **The core issue then actually boils down to the question of whether or not the Center For International Education or CIE, where the nominee or beneficiary of the [respondents] chose to enrol, is a duly accredited Philippine college or university, such that the tuition fees charged by the said school fall within the coverage of the SFA. From the evidence adduced by the parties, the Court finds that the CIE is a duly accredited Philippine College. This is evidenced by the certification of Dr. Isabela Mahler of the CHED, Region 7 (Exhibit T). While the CIE is into a twinning program with the Staffordshire University, it cannot be said that it is not a duly accredited school. Since the only conditions for the availment of the benefits under the SFA are full payment of the price for the plan and that the nominee be enrolled in a duly accredited Philippine university or college, then the [petitioner] cannot legally withhold what is due to the [respondents] who have ably shown that the said conditions had been duly complied with.**

Of course, the [petitioner] asserts that it denied [respondents'] claim for reimbursement of expenses for tuition fees and other standard school fees because of the unique features of the twinning program that CIE has with Staffordshire University of the United Kingdom. However, this is of no moment. While a twinning program may not have been contemplated by the parties at the time when the SFA was entered into by and between the [respondents] and the [petitioner], that is of no consequence. *Dura lex sed lex*: the law is hard but it is the law. The following pronouncements in *Vales vs. Villa*, 35 Phil. 769 (1919) cited in *Delfin A. Brion v. South Phil. Union Mission of the Seventh Day Adventist Church, et al.*, G.R. No. 135136, May 19, 1999, seem particularly apropos:

'Courts cannot follow [a person] every step of his life and extricate him from bad bargains, protect him from unwise

investments, relieve him from one-sided contracts, or annul the effects of foolish acts. Courts cannot constitute themselves as guardians [of] persons who are not legally incompetent. Courts operate, not because one person has been defeated or overcome by another, but because he has been defeated or overcome illegally. Men may do foolish things, make ridiculous contracts, use miserable judgment, and lose money by them – indeed, all they have in the world; but not for that alone can the law intervene and restore. There must be, in addition, a violation of law, the commission of what the law knows as an actionable wrong, before the courts are authorized to lay hold of the situation and remedy it.’

For its lack of foresight, the [petitioner] CAP now seeks to extricate itself from a messy situation. This Court will not countenance it. There is no doubt that the [respondents] have the right to exact now the performance of [petitioner’s] contractual obligations to them under the SFA entered into by and between them. Obligations arise, among others, from contract (Article 1157 of the New Civil Code of the Philippines), and obligations arising from contract have the force of law between the contracting parties and should be complied with in good faith (Article 1159 of the same Civil Code). Then Article 1306, also of the New Civil Code of the Philippines, provides that the contracting parties may establish such stipulations, clauses, terms and conditions as they may deem convenient, provided they are not contrary to law, morals, good customs, public order or public policy. In the case at bench, the parties acknowledged the validity of the SFA entered into by and between them. Consequently, the [petitioner] is liable to comply with the obligations arising therefrom which it has thus far failed to comply with. This means that it has to reimburse the [respondents] the tuition fees and other standard school fees in the aggregate sum of P354,250.00 which the latter had paid to CIE for the school years 1999 up to 2001 for their son, Lyndon Gothong Lao, together with legal interest thereon.” (Emphasis supplied)

Hence, this petition raising the following issues for resolution:

I

WHETHER OR NOT PETITIONER IS BOUND BY THE DECISION OF THE HONORABLE COURT OF APPEALS WHEN THERE EXISTS AN ORDER FOR THE SUSPENSION OF ALL PAYMENTS AND CLAIMS AGAINST PETITIONER BY VIRTUE OF THE REHABILITATION PROCEEDINGS

II

WHETHER OR NOT THE COURT A QUO ERRONEOUSLY INTERPRETED THE CONTRACT IN QUESTION AS TO THE TRUE AND CORRECT INTENT OF THE PARTIES CONCERNED

III

WHETHER OR NOT PETITIONER IS LIABLE TO REIMBURSE THE RESPONDENT AS A MATTER OF CONTRACTUAL OBLIGATION<sup>16</sup>

<sup>16</sup> Rollo, p. 26.

We shall defer the final determination of the second and third issues. The Court is constrained to suspend the progress, development, and other proceedings in this case.

Petitioner noted that on September 13, 2005, the Makati City RTC, Branch 61 issued a Stay Order<sup>17</sup> relative to the Petition for Rehabilitation filed by petitioner on September 8, 2005; that on November 8, 2006, the Makati City RTC, Branch 149 issued a Resolution<sup>18</sup> approving petitioner's Revised Rehabilitation Plan, which is good for two (2) years; and that on December 15, 2008, the Makati City RTC, Branch 149 issued an Order<sup>19</sup> extending the rehabilitation of petitioner for three (3) years, or until 2011, under the same terms and conditions of the November 8, 2006 Resolution. To date, however, this Court has not received any manifestation from the parties that petitioner's rehabilitation is already terminated.

The pertinent provisions of the law dealing with the suspension of actions for claims against corporations are Sections 5 and 6(c) of Presidential Decree (*P.D.*) No. 902-A, as amended, which read:

SECTION 5. In addition to the regulatory 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 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.

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

x x x x

c) To appoint one or more receivers of the property, real or 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

<sup>17</sup> *Id.* at. 48-49.

<sup>18</sup> *Id.* at 50-65.

<sup>19</sup> *Id.* at 66-68.

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parties-litigants and /or protect the interest of the investing public and creditors:.. Provided, finally, That upon appointment of a management committee, the 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.

In A.M. No. 00-8-10-SC,<sup>20</sup> which was the rule applicable at the time the September 13, 2005 Stay Order was issued, the Supreme Court adopted the Interim Rules of Procedure on Corporate Rehabilitation (Interim Rules). It directed the transfer from the SEC to the RTC of all petitions for rehabilitation filed by corporations, partnerships, and associations under P.D. 902-A in accordance with the amendatory provisions of R.A. 8799. The Interim Rules require trial courts to issue, among other things, a stay order in the “enforcement of all claims, whether for money or otherwise and whether such enforcement is by court action or otherwise” against the corporation under rehabilitation, its guarantors and sureties not solidarily liable with it, and prohibiting the debtor corporation from making any payment of its liabilities outstanding as at the date of filing of the petition.” Specifically, Section 6, Rule 4 of the Interim Rules, provides:

**SEC. 6. Stay Order.**— If the court finds the petition to be sufficient in form and substance, it shall, not later than five (5) days from the filing of the petition, issue an Order (a) appointing a Rehabilitation Receiver and fixing his bond; (b) staying enforcement of all claims, whether for money or otherwise and whether such enforcement is by court action or otherwise, against the debtor, its guarantors and sureties not solidarily liable with the debtor; (c) prohibiting the debtor from selling, encumbering, transferring, or disposing in any manner any of its properties except in the ordinary course of business; (d) prohibiting the debtor from making any payment of its liabilities outstanding as at the date of filing of the petition; (e) prohibiting the debtor's suppliers of goods or services from withholding supply of goods and services in the ordinary course of business for as long as the debtor makes payments for the services and goods supplied after the issuance of the stay order; (f) directing the payment in full of all administrative expenses incurred after the issuance of the stay order; (g) fixing the initial hearing on the petition not earlier than forty five (45) days but not later than sixty (60) days from the filing thereof; (h) directing the petitioner to publish the Order in a newspaper of general circulation in the Philippines once a week for two (2) consecutive weeks; (i) directing all creditors and all interested parties (including the Securities and Exchange Commission) to file and serve on the debtor a verified comment on or opposition to the petition, with supporting affidavits and documents, not later than ten (10) days before the date of the initial hearing and putting them on notice that their failure to do so will bar them from participating in the proceedings; and (j) directing the creditors and interested parties to secure from the court copies of the

<sup>20</sup> Effective December 15, 2000.

92.

petition and its annexes within such time as to enable themselves to file their comment on or opposition to the petition and to prepare for the initial hearing of the petition.

The Interim Rules must likewise be read and applied along with Section 6(c) of P.D. 902-A, as amended, directing that upon the appointment of a management committee, rehabilitation receiver, board or body pursuant to the decree, "all actions" for claims against the distressed corporation "pending before any court, tribunal, board or body shall be suspended accordingly."<sup>21</sup> Paragraph (c) of Section 6 of the law reads:

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

x x x x

c) To appoint one or more receivers of the property, real or 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: x x x Provided, finally, That upon appointment of a management committee, the 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.

The stay order is effective from the date of its issuance until the dismissal of the petition or the termination of the rehabilitation proceedings.<sup>22</sup>

x x x [Upon] the appointment by the SEC of a management committee or a rehabilitation receiver, all actions for claims against a corporation pending before any court, tribunal or board shall *ipso jure* be suspended in whatever stage such actions may be found. No other action may be taken, including the rendition of judgment during the state of suspension. It must be stressed that what are automatically stayed or suspended are the proceedings of a suit and not just the payment of claims during the execution stage after the case had become final and executory. Our

<sup>21</sup> *Philippine Airlines v. Kurangking*, 438 Phil. 375, 381 (2002).

<sup>22</sup> SEC. 11. Period of the Stay Order. - The stay order shall be effective from the date of its issuance until the dismissal of the petition or the termination of the rehabilitation proceedings. The petition shall be dismissed if no rehabilitation plan is approved by the court upon the lapse of one hundred eighty (180) days from the date of the initial hearing. The court may grant an extension beyond this period only if it appears by convincing and compelling evidence that the debtor may successfully be rehabilitated. In no instance, however, shall the period for approving or disapproving a rehabilitation plan exceed eighteen (18) months from the date of filing of the petition.

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adherence to this rule has been unswerving and tenacious as evidenced by its application in a plenitude of cases.

The suspension of action for claims against a corporation under rehabilitation receiver or management committee embraces all phases of the suit, be it before the trial court or any tribunal or before this Court. Furthermore, the actions that are suspended cover all claims against a distressed corporation whether for damages founded on a breach of contract of carriage, labor cases, collection suits or any other claims of a pecuniary nature.<sup>23</sup>

Fairly recently, the Court reiterated in *Castillo v. Uniwide Warehouse Club, Inc.*:<sup>24</sup>

Jurisprudence is settled that the suspension of proceedings referred to in the law uniformly applies to "all actions for claims" filed against a corporation, partnership or association under management or receivership, without distinction, except only those expenses incurred in the ordinary course of business. In the oft-cited case of *Rubberworld (Phils.) Inc. v. NLRC*, the Court noted that aside from the given exception, the law is clear and makes no distinction as to the claims that are suspended once a management committee is created or a rehabilitation receiver is appointed. Since the law makes no distinction or exemptions, neither should this Court. *Ubi lex non distinguit nec nos distinguere debemos. Philippine Airlines, Inc. v. Zamora* declares that the automatic suspension of an action for claims against a corporation under a rehabilitation receiver or management committee embraces all phases of the suit, that is, the entire proceedings of an action or suit and not just the payment of claims.

X X X

X X X

X X X

At this juncture, it must be conceded that the date when the claim arose, or when the action was filed, has no bearing at all in deciding whether the given action or claim is covered by the stay or suspension order. What matters is that as long as the corporation is under a management committee or a rehabilitation receiver, all actions for claims against it, whether for money or otherwise, must yield to the greater imperative of corporate revival, excepting only, as already mentioned, claims for payment of obligations incurred by the corporation in the ordinary course of business.<sup>25</sup>

“The purpose for the suspension of the proceedings is to prevent a creditor from obtaining an advantage or preference over another and to protect and preserve the rights of party litigants as well as the interest of the investing public or creditors. Such suspension is intended to give enough breathing space for the management committee or rehabilitation receiver to make the business viable again, without having to divert attention and

<sup>23</sup> *Philippine Airlines, Inc. v. Court of Appeals*, G.R. No. 123238, July 11, 2005 (2<sup>nd</sup> Division Resolution)

<sup>24</sup> G.R. No. 169725, April 30, 2010, 619 SCRA 641.

<sup>25</sup> *Castillo v. Uniwide Warehouse Club, Inc.*, *supra*, at 648-650.

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resources to litigations in various fora.”<sup>26</sup> The reason for suspending actions for claims against the corporation is “to enable the management committee or rehabilitation receiver to effectively exercise its/his powers free from any judicial or extra judicial interference that might unduly hinder or prevent the ‘rescue’ of the debtor company. To allow such other action to continue would only add to the burden of the management committee or rehabilitation receiver, whose time, effort and resources would be wasted in defending claims against the corporation instead of being directed toward its restructuring and rehabilitation.”<sup>27</sup>

In this case, if We allow the reimbursement action against petitioner to proceed, and if respondents’ claim is granted, the latter would be in a position to assert a preference over other creditors. Certainly, respondents’ claim for reimbursement cannot be considered as an ordinary expense of petitioner for the conduct of its usual business operations.

**WHEREFORE**, the proceedings herein are heretofore **SUSPENDED** until further notice from this Court. Petitioner College Assurance Plan Philippines, Inc. is hereby **ORDERED** to update the Court within fifteen (15) days from receipt of this Resolution as to the status of its ongoing rehabilitation, and, thereafter, to make an update within ten (10) days from the beginning of every quarter of the year. Petitioner is hereby **WARNED** that non-compliance will merit disciplinary sanctions. No costs. (*Villarama, Jr., J., designated Acting Member, per Special Order No. 1691 dated May 22, 2014, in view of the vacancy in the Third Division*)

**SO ORDERED.”**

Very truly yours,

  
**WILFREDO V. LAPITAN**  
 Division Clerk of Court  
 8/8/14

<sup>26</sup> *Phil. Islands Corp. for Tourism Dev’t, Inc. v. Victorias Milling Company, Inc.*, 577 Phil. 431, 440 (2008) and *Sps. Sobrejuanite v. ASB Dev’t Corp.*, 508 Phil. 715, 721 (2005).

<sup>27</sup> *B.F. Homes, Inc. vs. Court of Appeals*, G.R. Nos. 76879 & 77143, October 3, 1990, 190 SCRA 262, 269, as cited in *Philippine Airlines v. Kurangking*, 438 Phil. 375, 382-383 (2002), *Sps. Sobrejuanite v. ASB Dev’t Corp.*, 508 Phil. 715, 721 (2005), *Philippine Airlines, Inc. v. Court of Appeals*, G.R. No. 123238, July 11, 2005 (2<sup>nd</sup> Division Resolution), *Philippine Airlines, Incorporated v. Philippine Airlines Employees Association (PALEA)*, G.R. No. 142399, June 19, 2007 (3<sup>rd</sup> Division Resolution), *Philippine Airlines, Incorporated v. Zamora*, G.R. No. 166996, February 6, 2007 (3<sup>rd</sup> Division Resolution), *Phil. Islands Corp. for Tourism Dev’t, Inc. v. Victorias Milling Company, Inc.*, 577 Phil. 431, 440 (2008), *Negros Navigation Co., Inc. v. Court of Appeals (Special 12<sup>th</sup> Div.)*, et al., 594 Phil. 96, 112 (2008), and *Phil. Airlines, Inc. v. Court of Appeals, et al.*, 596 Phil. 500, 508 (2009). 22

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The Presiding Judge  
REGIONAL TRIAL COURT  
Branch 11, Cebu City  
(Civil Case No. CEB-25921-SRC)

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