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**SUPREME COURT
FIRST DIVISION**

**PHILIPPINE VETERANS BANK
EMPLOYEES UNION-N.U.B.E. and
PERFECTO V. FERNANDEZ,**
Petitioners,

-versus-

**G.R. No. 105364
June 28, 2001**

**HONORABLE BENJAMIN VEGA,
Presiding Judge of Branch 39 of the
REGIONAL TRIAL COURT of Manila,
the CENTRAL BANK OF THE
PHILIPPINES and THE LIQUIDATOR
OF THE PHILIPPINE VETERANS
BANK,**

Respondents.

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DECISION

KAPUNAN, J.:

May a liquidation court continue with liquidation proceedings of the Philippine Veterans Bank (PVB) when Congress had mandated its rehabilitation and reopening?

This is the sole issue raised in the instant Petition for Prohibition with Petition for Preliminary Injunction and application for Ex Parte Temporary Restraining Order.

The antecedent facts of the case are as follows:

Sometime in 1985, the Central Bank of the Philippines (Central Bank, for brevity) filed with Branch 39 of the Regional Trial Court of Manila a Petition for Assistance in the Liquidation of the Philippine Veterans Bank, the same docketed as Case No. SP-32311. Thereafter, the Philippine Veterans Bank Employees Union-N.U.B.E., herein petitioner, represented by petitioner Perfecto V. Fernandez, filed claims for accrued and unpaid employee wages and benefits with said court in SP-3231.^[1]

After lengthy proceedings, partial payment of the sums due to the employees were made. However, due to the piecemeal hearings on the benefits, many remain unpaid.^[2]

On March 8, 1991, petitioners moved to disqualify the respondent judge from hearing the above case on grounds of bias and hostility towards petitioners.^[3]

On January 2, 1992, the Congress enacted Republic Act No. 7169 providing for the rehabilitation of the Philippine Veterans Bank.^[4]

Thereafter, petitioners filed with the labor tribunals their residual claims for benefits and for reinstatement upon reopening of the bank.^[5]

Sometime in May 1992, the Central Bank issued a certificate of authority allowing the PVB to reopen.^[6]

Despite the legislative mandate for rehabilitation and reopening of PVB, respondent judge continued with the liquidation proceedings of the bank. Moreover, petitioners learned that respondents were set to order the payment and release of employee benefits upon motion of another lawyer, while petitioners' claims have been frozen to their prejudice.

Hence, the instant petition.

Petitioners argue that with the passage of R.A. 7169, the liquidation court became *functus officio*, and no longer had the authority to continue with liquidation proceedings.

In a Resolution, dated June 8, 1992, the Supreme Court resolved to issue a Temporary Restraining Order enjoining the trial court from further proceeding with the case.

On June 22, 1992, MOP Security & Detective Agency (VOPSDA) and its 162 security guards filed a Motion for Intervention with prayer that they be excluded from the operation of the Temporary Restraining Order issued by the Court. They alleged that they had filed a motion before Branch 39 of the RTC of Manila, in SP-No. 32311, praying that said court order PVB to pay their backwages and salary differentials by authority of R.A. No 6727, Wage Orders No. NCR-01 and NCR-01-Ad and Wage Orders No. NCR-02 and NCR-02-A; and, that said court, in an Order dated June 5, 1992, approved therein movants' case and directed the bank liquidator or PVB itself to pay the backwages and differentials in accordance with the computation incorporated in the order. Said intervenors likewise manifested that there was an error in the computation of the monetary benefits due them.

On August 18, 1992, petitioners, pursuant to the Resolution of this court, dated July 6, 1992, filed their Comment opposing the Motion for Leave to File Intervention and for exclusion from the operation of the T.R.O. on the grounds that the movants have no legal interest in the subject matter of the pending action; that allowing intervention would only cause delay in the proceedings; and that the motion to exclude the movants from the T.R.O. is without legal basis and would render moot the relief sought in the petition.

On September 3, 1992, the PVB filed a Petition-In-Intervention praying for the issuance of the writs of certiorari and prohibition under Rule 65 of the Rules of Court in connection with the issuance by respondent judge of several orders involving acts of liquidation of PVB even after the effectivity of R.A. No. 7169. PVB further alleges

that respondent judge clearly acted in excess of or without jurisdiction when he issued the questioned orders.

We find for the petitioners.

Republic Act No. 7169 entitled “An Act To Rehabilitate The Philippine Veterans Bank Created Under Republic Act No. 3518, Providing The Mechanisms Therefor, And For Other Purposes”, which was signed into law by President Corazon C. Aquino on January 2, 1992 and which was published in the Official Gazette on February 24, 1992, provides in part for the reopening of the Philippine Veterans Bank together with all its branches within the period of three (3) years from the date of the reopening of the head office.^[7] The law likewise provides for the creation of a rehabilitation committee in order to facilitate the implementation of the provisions of the same.^[8]

Pursuant to said R.A. No. 7169, the Rehabilitation Committee submitted the proposed Rehabilitation Plan of the PVB to the Monetary Board for its approval. Meanwhile, PVB filed a Motion to Terminate Liquidation of Philippine Veterans Bank dated March 13, 1992 with the respondent judge praying that the liquidation proceedings be immediately terminated in view of the passage of R.A. No. 7169.

On April 10, 1992, the Monetary Board issued Monetary Board Resolution No. 348 which approved the Rehabilitation Plan submitted by the Rehabilitation Committee.

Thereafter, the Monetary Board issued a Certificate of Authority allowing PVB to reopen.

On June 3, 1992, the liquidator filed A Motion for the Termination of the Liquidation Proceedings of the Philippine Veterans Bank with the respondent judge.

As stated above, the Court, in a Resolution dated June 8, 1992, issued a temporary restraining order in the instant case restraining respondent judge from further proceeding with the liquidation of PVB.

On August 3, 1992, the Philippine Veterans Bank opened its doors to the public and started regular banking operations.

Clearly, the enactment of Republic Act No. 7169, as well as the subsequent developments has rendered the liquidation court functus officio. Consequently, respondent judge has been stripped of the authority to issue orders involving acts of liquidation.

Liquidation, in corporation law, connotes a winding up or settling with creditors and debtors.^[9] It is the winding up of a corporation so that assets are distributed to those entitled to receive them. It is the process of reducing assets to cash, discharging liabilities and dividing surplus or loss.

On the opposite end of the spectrum is rehabilitation which connotes a reopening or reorganization. Rehabilitation contemplates a continuance of corporate life and activities in an effort to restore and reinstate the corporation to its former position of successful operation and solvency.^[10]

It is crystal clear that the concept of liquidation is diametrically opposed or contrary to the concept of rehabilitation, such that both cannot be undertaken at the same time. To allow the liquidation proceedings to continue would seriously hinder the rehabilitation of the subject bank.

Anent the claim of respondents Central Bank and Liquidator of PVB that R.A. No. 7169 became effective only on March 10, 1992 or fifteen (15) days after its publication in the Official Gazette; and, the contention of intervenors VOP Security, et. al. that the effectivity of said law is conditioned on the approval of a rehabilitation plan by the Monetary Board, among others, the Court is of the view that both contentions are bereft of merit.

While as a rule, laws take effect after fifteen (15) days following the completion of their publication in the Official Gazette or in a newspaper of general circulation in the Philippines, the legislature has the authority to provide for exceptions, as indicated in the clause “unless otherwise provided.”

In the case at bar, Section 10 of R.A. No. 7169 provides:

SECTION 10. Effectivity. — This Act shall take effect upon its approval.

Hence, it is clear that the legislature intended to make the law effective immediately upon its approval. It is undisputed that R.A. No. 7169 was signed into law by President Corazon C. Aquino on January 2, 1992. Therefore, said law became effective on said date.

Assuming for the sake of argument that publication is necessary for the effectivity of R.A. No. 7169, then it became legally effective on February 24, 1992, the date when the same was published in the Official Gazette and not on March 10, 1992, as erroneously claimed by respondents Central Bank and Liquidator.

WHEREFORE, in view of the foregoing, the instant petition is hereby **GIVEN DUE COURSE** and **GRANTED**. Respondent Judge is hereby **PERMANENTLY ENJOINED** from further proceeding with Civil Case No. SP- 32311.

SO ORDERED.

Davide, Jr., C.J., Puno, Pardo and Ynares-Santiago, JJ., concur.

[1] Rollo, p. 5

[2] Ibid.

[3] Id.

[4] Id., at 6.

[5] Id.

[6] Id.

[7] Sec. 5, Republic Act No. 7169, Official Gazette, February 24, 1992, p. 963.

[8] Sec. 7, Ibid.

[9] Wilson vs. Superior Court in and for Santa Clara County, 2 Cal. 2d 632, 43 P.2d 286, 288.

[10] Ruby Industrial Corporation vs. Court of Appeals, 284 SCRA 445 (1998).