

Republic of the Philippines
Supreme Court
Baguio City

SECOND DIVISION

**DEUTSCHE BANK AG LONDON,
substituted by A & L FISHPOND and
HATCHERY, INC.,**

Petitioner,

- versus -

KORMASINC, INC.,

Respondent.

X-----X

**METROPOLITAN BANK &
TRUST COMPANY, substituted by
KORMASINC, INC.,**

Petitioner,

- versus -

VITARICH CORPORATION,

Respondent.

X-----X

G.R. No. 201700

Present:

PERLAS-BERNABE, S.A.J.,
Chairperson,

HERNANDO,

ROSARIO,

DIMAAMPAO,* and

MARQUEZ, JJ.

G.R. No. 201777

Promulgated:

APR 18 2022

DECISION

HERNANDO, J.:

Challenged in these Petitions¹ are the February 3, 2012 Decision² of the Court of Appeals (CA) in CA-G.R. SP No. 119169 which held that the rehabilitation receiver should have the possession, custody and control over

* Designated additional Member per April 12, 2022 raffle vice J. Zalameda who concurred in the assailed Decision.

¹ Rollo (G.R. No. 201700), Vol. 1, pp. 47-94 and rollo (G.R. No. 201777), p. 3-34.

² Rollo (G.R. No. 201777), pp. 35-52. Penned by Associate Justice Isaias P. Dicdican and concurred in by Associate Justices Jane Aurora C. Lantion and Rodil V. Zalameda (now a Member of the Court).

Vitarich Corporation's (Vitarich) properties subject of the Mortgage Trust Indenture (MTI), including all the documents related thereto. The appellate court's April 24, 2012 Resolution³ denied the Motions for Reconsideration thereof.

Vitarich, formerly known as the Philippine American Milling Co., Inc. is a corporation engaged in the business of poultry breeding, broiler production, chicken dressing, meat processing, animal and aqua feed milling, and veterinary medications in different parts of the country, particularly in Marilao, Bulacan, Davao, Cagayan de Oro City, Iloilo City, and Bacolod City.⁴ In the course of its operations, Vitarich availed of several credit and financing facilities from various creditors in long term and current liabilities.⁵

On January 30, 1998, Vitarich entered into an MTI with several banks, namely, (1) Bank of Commerce, (2) Bank of the Philippine Islands (BPI), (3) Far East Bank and Trust Company, (4) Land Bank of the Philippines (LBP), (5) Metropolitan Bank & Trust Company (Metrobank), (6) Philippine Commercial International Bank (PCIB), (7) Philippine Banking Corporation, (8) Philippine National Bank (PNB), (9) Rizal Commercial Banking Corporation (RCBC), (10) Solidbank Corporation, (11) Standard Chartered Bank (Standard Chartered), and (12) Union Bank of the Philippines (Union Bank). In accordance with the provisions of the MTI, PCIB was appointed as trustee.⁶

The MTI was primarily executed for the purpose of securing the repayment of certain loans and other obligations obtained, or to be obtained by Vitarich from various creditors. As security for the payment and performance of its obligations to the creditors with respect to loans, and such other obligations that it had incurred, Vitarich mortgaged a number of its properties, as enumerated in the agreement, in favor of the trustee, in such capacity, for the *pari-passu* and pro rata benefit of its creditors. The creditors were issued mortgage participation certificates which evidenced their respective interests in the mortgage.⁷

Eventually, Vitarich incurred several liabilities which it could no longer meet. Thus, on September 15, 2006, it filed a petition for corporate rehabilitation with the Regional Trial Court (RTC) in Malolos, Bulacan. It listed the following as its secured creditors: (1) Metrobank; (2) Equitable PCIB/Barclays Bank; (3) PNB; (4) Standard Chartered; (5) RCBC/Asian Pacific Recoveries Corporation; (6) LBP /Philippine Opportunities for Growth and Income; (7) BPI; (8) Bank of Commerce; and (9) Union Bank.⁸

³ Id. at 53-54.

⁴ Id. at 36.

⁵ Id.

⁶ Id.

⁷ Id. at 36-37.

⁸ Id. at 39-40.

Pursuant to a Receiver's Report dated April 27, 2007, a rehabilitation plan was executed and Melito S. Salazar was appointed as rehabilitation receiver.⁹

Kormasinc, Inc. (Kormasinc) was the successor-in-interest of RCBC, one of Vitarich's secured creditors. It bought the promissory notes issued by Vitarich in favor of RCBC from Asia Pacific Recoveries (SPV-AMC).¹⁰

On September 17, 2010, a meeting of Vitarich's creditors was allegedly held, which discussed the appointment of a new MTI trustee, and the provision for trustee fees and other expenses subject to reimbursement from Vitarich.¹¹ However, Kormasinc objected to the foregoing appointment. It asserted that the appointment of an MTI trustee was unnecessary since its duties were redundant to that of the appointed receiver. Furthermore, it argued that the reimbursement of the trustee fees was unlikely since these amounts were not included in the rehabilitation plan.¹²

In view of the foregoing disagreement among Kormasinc and the other creditors, the former was no longer invited to any of the meetings of the MTI creditors.¹³ As a consequence, Kormasinc filed a Motion for the Rehabilitation Receiver to Take Possession, Custody and Control of the Mortgage Trust Indenture Properties with the RTC in Malolos, Bulacan.¹⁴

In the motion, Kormasinc averred that: (i) all versions of corporate rehabilitation rules mandate that the rehabilitation receiver shall take possession, custody and control, and shall preserve the value of all the properties of the debtor. Thus, the MTI trustee and the rehabilitation receiver had overlapping functions in terms of the MTI properties and, to such extent, the MTI was inconsistent with the rehabilitation plan; (ii) the function of the rehabilitation receiver to take possession, custody and control of the debtor's assets already prevailed over the MTI trustee's functions; and (iii) to require the rehabilitation receiver to perform the functions of the MTI trustee would save Vitarich money which could be used to augment the payments to be made to all its creditors.¹⁵

On the other hand, in arguing otherwise, creditor Metrobank pointed to the provisions of Section 31 of Republic Act No. (RA) 10142,¹⁶ otherwise known as Financial Rehabilitation and Insolvency Act (FRIA) of 2010, which partly reads:

⁹ Id. at 40.

¹⁰ Id.; SPV-AMC, *otherwise known as* Special Purpose Vehicle-Asset Management Company.

¹¹ Id.

¹² Id.

¹³ Id.

¹⁴ Id. at 41.

¹⁵ Id.

¹⁶ Entitled "AN ACT PROVIDING FOR THE REHABILITATION OF FINANCIALLY DISTRESSED ENTERPRISES AND INDIVIDUALS," approved on July 18, 2010.

Section 31. *Powers, Duties and Responsibilities of the Rehabilitation Receiver.* - The rehabilitation receiver shall be deemed an officer of the court with the principal duty of preserving and maximizing the value of the assets of the debtor during the rehabilitation proceedings, determining the viability of the rehabilitation of the debtor, preparing and recommending a Rehabilitation Plan to the court, and implementing the approved Rehabilitation Plan. To this end, and without limiting the generality of the foregoing, the rehabilitation receiver shall have the following powers, duties and responsibilities:

x x x x

(e) To take possession, custody and control, and to preserve the value of all the property of the debtor.¹⁷

Metrobank argued that based on the foregoing provision which relates to the duties of a rehabilitation receiver, the “possession, custody and control over the properties of the debtor” only referred to actual physical possession of the properties, and did not intend to include possession of the documents of ownership or titles to such properties itself.¹⁸

Ruling of the Regional Trial Court

In its March 16, 2011 Order,¹⁹ the RTC denied Kormasinc’s motion. The trial court held:

As pointed out by creditor Metrobank in its Comment/Opposition, the grant to the Rehabilitation Receiver under Section 31 of the Financial Rehabilitation and Insolvency Act (FRIA) of 2010 of the powers ‘*to take possession, custody and control, and to preserve the value of all the property of the debtor*’ is premised on his principal duty of preserving and maximizing the value of the assets of the debtor, which could only pertain to the physical possession of the assets themselves and not to the titles and other documents evidencing ownership ‘as obviously said titles and other documents cannot be more preserved and maximized in value if their possession, custody and control were to be taken from the trustee and given to the rehabilitation receiver.’ This argument holds true as regards the other rules cited by movant.

In view of the foregoing, and for lack of merit, the motion under consideration is hereby denied.

SO ORDERED.²⁰

Aggrieved, Kormasinc filed a Petition for Review under Rule 43 of the Rules of Court with the CA.²¹

¹⁷ *Rollo* (G.R. No. 201777), p. 47.

¹⁸ *Id.*

¹⁹ *Id.* at 119-120. Penned by Judge Danilo A. Manalastas.

²⁰ *Id.* at 120.

²¹ The petition was filed both as an appeal under Rule 43 of the Revised Rules of Court in compliance with A.M. No. 04-9-07-SC and a petition for *certiorari* under Rule 65 of the same rules, as mandated by Rule

Ruling of the Court of Appeals

In its February 3, 2012 Decision,²² the CA found merit in Kormasinc's petition. It pointed out that:

[T]he appointment of an MTI Trustee was unnecessary as its duties were similar to that mandated by law to be performed by a court appointed rehabilitation receiver. Furthermore, the transfer of the possession, custody and control of the titles to the MTI properties in favor of the rehabilitation receiver was necessary to give the latter more leeway and opportunity to utilize the said properties for the rehabilitation of Vitarich.²³

The dispositive portion of the appellate court's decision reads:

WHEREFORE, in view of the foregoing premises, the instant petition is hereby **GRANTED**. The Order dated March 16, 2011 issued by Branch 7 of the Regional Trial Court of the Third Judicial Region in Malolos, Bulacan in Civil Case No. 592-M-06 is **ANNULLED** and **SET ASIDE**. Accordingly, the MTI Trustee is ordered to transfer the possession, custody and control over the MTI properties to the rehabilitation receiver, including all the documents related thereto.

SO ORDERED. (Emphasis in the original).²⁴

Metrobank, Barclays Bank PLC and Deutsche Bank AG London (collectively, Banks), which are among the creditors of Vitarich, filed their respective Motions for Reconsideration, which the CA denied in its April 24, 2012 Resolution.²⁵

Aggrieved, Barclays Bank PLC and Deutsche Bank AG London filed before Us their respective Petition for Review on *Certiorari* under Rule 45 of the Rules of Court, docketed as G.R. No. 201700.²⁶

Likewise, Metrobank filed before Us a Petition for Review on *Certiorari* under Rule 45 of the Rules of Court, docketed as G.R. No. 201777.²⁷

Both petitions assail the CA's February 3, 2012 Decision and April 24, 2012 Resolution in CA-G.R. SP No. 119169. Petitioners mainly argue that the appellate court erred in finding that the rehabilitation receiver is entitled to the possession of the titles and other documents relating to the MTI Properties.²⁸

146 of RA 10142, otherwise known as Financial Rehabilitation and Insolvency Act (FRIA) of 2010; See also *rollo* (G.R. No. 201777), p. 43.

²² *Rollo* (G.R. No. 201777), pp. 35-52. Penned by Associate Justice Isaias P. Dicedican and concurred in by Associate Justices Jane Aurora C. Lantion and Rodil V. Zalameda (now a Member of the Court).

²³ *Id.* at 45.

²⁴ *Id.* at 51.

²⁵ *Id.* at 53-54.

²⁶ *Rollo* (G.R. No. 201700), Volume 1, p. 47.

²⁷ *Rollo* (G.R. 201777), pp. 3-34.

²⁸ *Id.* at 11. See also *rollo* (G.R. No. 201700), Volume 1, p. 58

In a July 11, 2012 Resolution, the Court ordered the consolidation of the foregoing petitions.²⁹

Meanwhile, in an Order³⁰ dated September 8, 2016, the RTC granted Vitarich's Motion for Successful Exit from Corporate Rehabilitation. Thus, Vitarich was released from rehabilitation, and the rehabilitation proceeding was terminated. Accordingly, as a consequence, the trial court also ruled the discharge of the rehabilitation receiver from his duties.³¹

On May 30, 2019, Kormasinc filed a Manifestation for Withdrawal or Dismissal of the Instant Case with this Court on the ground that it has been rendered moot and academic in view of the successful termination of Vitarich's corporate rehabilitation.³² In said Manifestation, Kormasinc stated that:

Considering the termination of the Corporation Rehabilitation of Vitarich Corporation, and the discharge of the Rehabilitation Receiver, there is no longer any Receiver who is tasked to take custody, possession and control of the debtor's assets. Hence the instant petition is now moot and academic.³³

Our Ruling

In view of the successful rehabilitation of Vitarich, and the termination of the rehabilitation proceedings, as well as the discharge of the rehabilitation receiver from his duties, this Court holds that the instant petitions are now moot and, accordingly, their dismissal are in order.

A moot and academic case is one that ceases to present a justiciable controversy by virtue of supervening events, so that a declaration thereon would be of no practical value. As a rule, courts decline jurisdiction over such a case, or dismiss it on ground of mootness.³⁴

The rehabilitation court's September 16, 2016 Order which terminated Vitarich's rehabilitation proceedings effectively put an end to the judicial controversy between the parties.

WHEREFORE, the instant Petitions for Review are **DISMISSED** for being moot.

²⁹ *Rollo* (G.R. No. 201777), p. 122.

³⁰ *Id.* at 528-533. Penned by Presiding Judge Isidra A. Argañosa-Maniego.

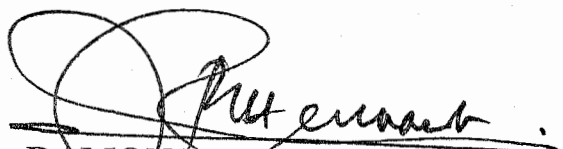
³¹ *Id.* at 532.

³² *Id.* at 523-527.

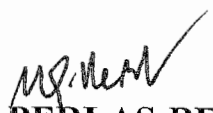
³³ *Id.* at 524.

³⁴ *Deutsche Bank AG v. Court of Appeals*, G.R. No. 193065, 683 Phil. 80, 88 (2012); See also *Dumarpa v. Commission on Elections*, 707 Phil. 382, 393-394 (2013).

SO ORDERED.

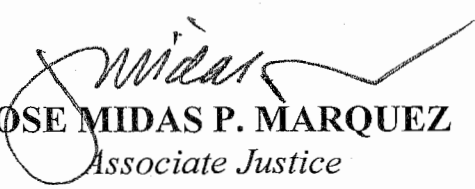

RAMON PAUL L. HERNANDO
Associate Justice

WE CONCUR:


ESTELA M. PERLAS-BERNABE
Senior Associate Justice
Chairperson


RICARDO R. ROSARIO
Associate Justice


JAPAR B. DIMAAMPAO
Associate Justice


JOSE MIDAS P. MARQUEZ
Associate Justice

ATTESTATION

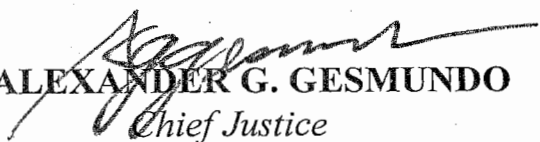
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



ESTELA M. PERLAS-BERNABE
Senior 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.



ALEXANDER G. GESMUNDO
Chief Justice