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The proprietary interest of petitioners in the levied and auctioned property is different from and adverse to that of their mother. Petitioners became co-owners of the property not because of their mother but through their own right as children of their deceased father. Therefore, petitioners are not barred in any way from instituting the action to annul the auction sale to protect their own interest.

WHEREFORE, the decision of the Court of Appeals dated July 27, 1990 as well as its Resolution of August 28, 1990 are hereby REVERSED and set aside; and Civil Case No. 51203 is reinstated only to determine that portion which belongs to petitioners and to annul the sale with regard to said portion.

SO ORDERED.

Narvasa, C. J. (Chairperson), Padilla and *Regalado, JJ.*, concur.

Melo, J., no part.

SECOND DIVISION

[G.R. No. 95249. September 2, 1992]

REPUBLIC PLANTERS BANK, *petitioner, vs.* **COURT OF APPEALS, HON. WILLIAM M. BAYHON, as Judge RTC of Manila, Branch XXIII, RAMON MONFORT and others whose names are listed in Annex "B" of this *Rollo,*** *respondents*.

SYLLABUS

REMEDIAL LAW; SUPREME COURT; NOT A TRIER OF FACTS; PARTIES IN THE COURT BELOW ALLOWED TO PRESENT EVIDENCE.— From the voluminous comment

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> of private respondents there are indications that private respondents have built a *prima facie* case against petitioner in its allegation of fraud. Since this Court is not a trier of facts, We deny petitioner's petition to enable the trial court to fully examine the evidence to be presented by the parties in what promises to be the trial of the 1990's. It is of paramount national interest, that We allow the trial court to proceed with dispatch to allow the parties below to present their evidence. The records of this case are hereby returned to the trial court with orders to try this case with dispatch leaving no stone unturned in the presentation of all the parties' evidence.

APPEARANCES OF COUNSEL

Government Corporate Counsel for petitioner.

Mildred Aguilar Pfleider and *Nepomuceno, Hofileña & Guinto* for private respondents.

D E C I S I O N

NOCON, *J.*:

Petitioner Republic Planters Bank (RPB) runs to Us complaining that the Court of Appeals denied due course to its petition for *certiorari* filed therein[1] questioning the actuations of public respondent Judge William M. Bayhon. Manila Regional Trial Court, Branch XXIII, ordering the issuance of the questioned writs of injunction in favor of private respondents, Monfort, *et al.*, which orders were given June 16, 1989,[2] and February 8, 1990[3] and also asks Us now to give due course to its petition and to annul the assailed orders of public respondent Judge solely on the basis that it is a government financial institution which cannot be enjoined from foreclosing on its delinquent accounts as mandated by P.D. No. 385.

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[1] *Ponente*, Justice Jose C. Campos, Jr., concurred in by Justices Oscar M. Herrera and Asaali S. Isnani; *Rollo*, pp. 24-31.

[2] *Rollo*, pp. 109-118.

[3] Court of Appeals Records, pp. 168-169.

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The antecedent facts of the case as summarized by the trial court are as follows:

"Filed with this Court is a complaint with prayer for the issuance of a writ of preliminary injunction.

Plaintiffs, in their complaint seek to enjoin one of the defendants, Republic Planters Bank from foreclosing the real estate and Chattel Mortgages and otherwise from enforcing any Deed of Collateral or undertaking executed by plaintiffs as securities for the loans secured by them from defendant Republic Planters Bank.

As basis for the issuance of a writ of preliminary injunction, plaintiffs' complaint alleged among others, relevant to the prayer for the issuance of injunction, that as matter of common knowledge, Ferdinand Marcos as then President after the imposition of Martial Rule through and in conspiracy with a few and selected individuals (commonly known as cronies) initiated the wanton plunder of the Philippine economy for his and their personal and mutual benefit by assuming and consolidating absolute and exclusive control of the country's basic and primary industry among them the sugar industry through the use and abuse of the absolute dictatorial powers of the Office of the President.

In implementation of the aforesaid criminal and (im)moral plan and design and with the objective of obtaining the absolute monopoly of the Philippine sugar trade, Ferdinand E. Marcos, through various dictatorial issuances and decrees created a network of government agencies, government-owned, government-controlled or crony-controlled corporations (one of those defendant the Republic Planters Bank) appointing as heads and managing directors therein his cronies . . . who are the defendants herein.

Sometime in early 1978, thru the use and investment of the fees and charges collected from the plaintiffs and other sugar producers pursuant to Presidential Decree No. 388, the Philippine Sugar Commission, also a defendant herein (thereafter referred to as Philsucom for short), vested with powers to levy and collect charges. fees, . . . to act as the single buying and selling agency of sugar . . . to determine the floor ceiling price of sugar acquired control of defendant Republic Planters Bank (hereafter referred to as RPB for short), converting the latter into a commodity bank for sugar.

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During the crop year material to this case, the directors of the RPB nominated by and elected through the vote of PHILSUCOM, thereafter, became the effective and absolute controlling majority in the Board of Directors of the RPB and the RPB therefrom, acted as and became the principal conduct and depository of the funds generated and received by PHILSUCOM and defendant National Sugar Trading Corporation (hereafter referred to as NASUTRA) from the marketing of the sugar of plaintiffs' and other sugar producers as well as the said defendants instrumentality, conduit and agent in the payment and liquidation thereof.

During the crop years material to the present complaint, the said corporate defendants were under the effective, absolute, interlocking and common control of the directors and management of the individual defendants (natural persons).

With the foregoing network, defendants in conspiracy with Ferdinand Marcos obtained absolute and complete control of the sugar industry by compulsory appropriating all the sugar produced in the Philippines during the crop year 1979-1980 to 1984-1985 selling or trading the same without the knowledge or consent of plaintiffs and other sugar producers, paying the latter only such prices as defendants unilaterally and arbitrarily determined.

After the February revolution, on the basis of documents collated and information gathered, it was discovered that defendants with malice and bad faith defrauded plaintiffs and other sugar producers by resorting to various schemes and devices.

As alleged in paragraph 13 of the complaint, defendant Republic Planters Bank was constituted as a commodity bank for the plaintiffs allegedly for the benefits of the sugar planters. Defendant RPB campaigned for clients among sugar planters and the plaintiffs, transferred their accounts to said defendant RPB and depended on its crop loans and other type of loans to finance their sugar cane operation — said loans were secured by real estate mortgages and Chattel Mortgages on their standing crops. Plaintiffs further assigned their sugar produced to defendant RPB and constituted the latter as their attorney's-in-fact for the purpose of selling the same, collecting the proceeds therefrom and applying the same to their outstanding loans.

In the latter years, defendant RPB imposed exorbitant, excessive and usurious and unconscionable interest rates on the loan . . ..

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During said period, defendant PHILSUCOM/NASUTRA unduly delayed its payment of plaintiffs' sugar and defendant RPB preferring its own interest over that of the plaintiffs, took no step to effect collection from the co-defendants for application to plaintiffs' account at the same time collecting its excessive and usurious interest and penalties which caused plaintiffs' account to balloon to proportions beyond their capacities to liquidate.

As a result of the scheme and devices resorted by defendants in which defendants participated and conspired in derogation of its role as attorneys-in-fact of its clients, the plaintiffs have been unable to liquidate their accounts with defendant RPB and are now in the danger of having their properties foreclosed.

Thus, plaintiffs now come to Court praying for the Issuance of a writ of injunction to prohibit and enjoin defendant RPB from foreclosing the Real and Chattel Mortgages executed by the plaintiffs.

Defendant RPB in a Manifestation dated November 25, 1988 filed with this Court manifested that it is waiving presentation of its evidence on the incident for the application for a writ of preliminary injunction submitting the incident for resolution on the basis of the opposition it had submitted together with a decision of the Court of Appeals holding that the RPB is within the coverage of P.D. 385.

A hearing was conducted in connection with the prayer for the issuance of the preliminary injunction whereby plaintiffs submitted the affidavit of Guillermo Araneta narrating how the corporate defendants whose officers are also the Defendants herein conspired and devised a scheme to manipulate and control the price of sugar together with defendant RPB whose officers are one and the same as that of the corporate and natural persons Exhibit "B" — a primer on NASUTRA export sugar marketing and policies and programs of PHILSUCOM Exhibit "B", the Affidavit of Enrique Olmedo to the fact that RPB sent letters to plaintiffs threatening drastic measures - which can only be interpreted as foreclosures; Exhibit "B-2" sample copies of the real estate mortgage contracts of the RPB; Exhibit "B-3" copy of the Chattel Mortgage Contract letter of defendant RPB to plaintiffs regarding settlement of their account with threats of legal action, audit reports of the COA on the audit conducted against defendants government corporation.

All documentary exhibits were admitted by defendant RPB. However, defendant RPB did not present any evidence but opposed

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the issuance of the injunction 1. invoking the provisions of P.D. 385 which prohibits courts from enjoining government financial institutions from foreclosing the collaterals and/or securities of delinquent loans and 2. Plaintiffs are clearly not entitled to the issuance of the writ as they are not entitled to the main reliefs 3. RPB has not threatened to foreclose the collaterals of the loans of the plaintiffs 4. The issuance of a writ of preliminary injunction would cause great damages to the defendant RPB and defendant RPB is willing to post a counterbond in accordance with Section 6, Rule 58 of the Revised Penal Code (sic).

As to whether plaintiffs are entitled to the writ or not, defendants presented the above four issues for the Court to be resolved."

The respondent judge then ordered the issuance of a writ of preliminary injunction against RPB on June 16, 1989 and consequently, the writ was so issued on July 10, 1989. The Motion for Reconsideration of RPB was denied in an Order dated May 21, 1990.

During the pendency of the application for a writ of preliminary injunction, and later on, RPB's Motion for Reconsideration, various parties who moved for intervention in the case below were allowed by the court. And a writ of preliminary injunction was issued in favor of said intervenors on January 30, 1990 and March 20, 1990.

Not satisfied with the decision of the trial court, RPB filed a petition for *certiorari* before the Court of Appeals, docketed as CA-G.R. SP No. 22269, assailing the Orders of the trial Judge granting the application of private respondents for the issuance of a writ of preliminary injunction and denying their Motion for Reconsideration. The petition was, however, denied due course and dismissed on September 11, 1990.

Hence, this petition for review on *certiorari*.

Petitioner submits for Our resolution the following question of law — whether or not Petitioner may be considered as a government financial institution within the contemplation and coverage of P.D. No. 385.

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Private respondents submit that under the unique circumstances prevailing in private respondents' case, similar to that in *Filipinas Marble Corporation v. Intermediate Appellate Court*,[4] even if petitioner were to be considered a government financial institution, "the provisions of P.D. No. 385 cannot and should not be slavishly applied and enforced by the courts where to do so would contravene the basic constitutional precepts of equity, fairness and due process."[5]

These circumstances are:

1. That petitioner RPB constituted itself as private respondents' irrevocable Attorney-in-Fact for the purpose of selling the latter's sugar produce and collecting the proceeds thereof from PHILSUCOM and NASUTRA. In turn PHILSUCOM held the absolute control of petitioner RPB as the "single buying and selling agency of Philippine sugar" with absolute authority "to determine the floor-ceiling price" thereof.[6]

Given the common ownership and interlocking officership and directorate of Petitioner RPB, PHILSUCOM and NASUTRA, the effective and total control of the trading and marketing operations of Respondent's businesses, had been taken over by petitioner RPB in combination with the two other corporate Defendants;

2. What had been extended to private respondents by way of loans, petitioner with its corporate-defendants in the trial court below, had in effect wholly or partially taken back and recovered in advance through the fraud it committed in the liquidation of the sale of private respondents' sugar;[7]

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[4] 142 SCRA 180.

[5] Comment, p. 19; *Rollo*, p. 56.

[6] Sections 4(d) & (e), P.D. No. 388.

[7] See Par. 44, Respondent's Complaint, p. 120, *Rollo*.

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3. Private respondents have charged petitioner and its corporate-defendants in the trial court with defrauding them in the liquidation and payment of their sugar.[8]

From the voluminous comment of private respondents (328 pages, including annexes), there are indications that private respondents have built a *prima facie* case against petitioner in its allegation of fraud. Since this Court is not a trier of facts, We deny petitioner's petition to enable the trial court to fully examine the evidence to be presented by the parties in what promises to be the trial of the 1990's.

The historical circumstances surrounding private respondents' plight were best summarized by the late Chief Justice Teehankee as follows:

"[I]n the recent past, we saw how the martial law rule imposed by a president turned dictator so weakened and emasculated the Judicial system to the point of impotence that it failed to shield the people against the whims of the authoritarian ruler who, without compunction, assaulted human rights and the rule of law.

It reached a point where it was held that one single clause, the Commander-in-Chief clause, allowed the president-dictator to take absolute command of the nation and that the people could only trust and pray that he would not fail them. This was a return to the *lese majeste* when the voice of the King was the voice of God so that those touched by his absolute powers could only pray that the King acted prudently and wisely. This was a rejection of the rule of law

[8] "(a) The fraudulent use, during the crop years 1979-80 to 1984-85, of erroneous Peso-Dollar conversation rates in the computation of the peso equivalent of the export sales prices of their sugar. "(b) The collection and imposition of improper trading cost charges. "(c) Unlawful and improper deductions from the liquidation of their sugar, for the reimbursement of the corporate Defendants supposed advances in the handling and trading of their sugar, some of which were officially verified to be inexistent; "(d) The fraudulent waiver of rights under long-term contracts for the sale of Philippine sugar, to the prejudice and damage of the sugar planters and producers, including Respondents, in the amount of approximately $350 Million; and, "(e) The withholding of the share of sugar planters and producers in other income realized from the sale of their sugar, such as Polarization Premiums, *etc*." (*Rollo*, pp. 62-63)

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and constitutionalism which mean the existence and efficacy of legal institutions, particularly the courts of justice, to protect and defend the rights and liberties of the people who would not have to resign themselves with prayers for the purpose . . ."[9]

For example, the affidavit of Mr. Guillermo Araneta[10] is very revealing, to wit:

"I, GUILLERMO ARANETA, after being duly sworn in accordance with law, hereby depose and state THAT;

1. I am one of the plaintiffs in the case entitled '*Ramon Monfort, et al. vs. Philippine Sugar Commission, et al*.,' Civil Case No. 88-46368, Regional Trial Court of Manila;

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3. Late in 1974 and early in 1975, by means of PDs 579 and 659, ex-President Ferdinand E. Marcos imposed a monopoly on the sugar export industry by constituting the Philippine Exchange Co., Inc. (PHILEX), as the sole buying and selling agency for export sugar. PHILEX was the subsidiary of the Philippine National Bank, which remained under the control of its immediate past President Roberto S. Benedicto, who was an intimate friend and former classmate of Mr. Marcos.

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6. Though PHILSUCOM was created in 1974, pursuant to PD 388 however it only became involved in sugar trading in 1977. President Marcos appointed his close friend Roberto S. Benedicto as Chairman, and Jaime C. Dacanay, Jose A. Unson, Fred Elizalde and Armando C. Gustillo as Commissioners thereof.

7. Immediately after their appointments as such Chairman and Commissioners, the above named persons organized the NATIONAL SUGAR TRADING CORPORATION (NASUTRA) under the Corporation Code, for the purpose of acting as the sole marketing arm of PHILSUCOM. The Chairman and Directors of NASUTRA are the same as the Chairman and Commissioners of PHILSUCOM.

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[9] Foreword by Chief Justice Teehankee to SCRA Second Series, 142 SCRA vii, viii.

[10] *Rollo*, pp. 172-178.

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8. Thereafter, PHILSUCOM acquired control of the REPUBLIC PLANTERS BANK (RPB), and the said bank was used as the conduit of their export sales and liquidation of planters proceeds.

9. NASUTRA never rendered an accounting of their export sales and RPB allowed itself to be utilized as the instrument in concealing the actual export price by agreeing to negotiate the sale of the sugar not thru regular letters of credit but thru an arrangement of Cash payment abroad against presentation of documents.

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11. Moreover, in translating its average selling price of export sugar, which is expressed in U.S. cents per pound, to Philippine pesos per picul, NASUTRA defrauded the sugar planters further. Thus, in the 1979-80 crop year, when NASUTRA reported an average selling price of 20 US cents per pound, it converted the same to only ₱200 a picul, and after deducting alleged trading costs and loan obligations, paid and/or credited the planters with a net export price or ₱135.00 per picul only.

This computation is misleading because one picul is equivalent to 139.44 pounds, and the average rate or exchange in the said crop year was ₱7.461-$1.00. Hence, based on the alleged selling price of $0.20 per pound, the computation should have been:

$0.20 x 139.44 x ₱7.461 = ₱207.76 per picul.

Thus, on this score alone, the planters were shortchanged by at least ₱7.76 per picul for crop year 1979-80, assuming but not admitting that NASUTRA's deductions for trading costs and loan obligations are correct.

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14. PHILSUCOM/NASUTRA likewise failed to account to the planters for the polarization premiums, insurance rebates and bag rebates which they received in the course of the sale of Philippine export sugar.

15. In 1980, when the price of sugar in the World Market rose to as high as $0.41 a pound, PHILSUCOM/NASUTRA entered into longterm contracts with favored foreign buyers covering 572,381 metric tons of Philippine export sugar a year for four consecutive years at prices ranging from $0.22 to $0.28 a pound only. PHILSUCOM justified these contracts by saying that they assured

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Philippine sugar producers of stable prices in the face of fluctuating World Market prices. However, when prices of World Market sugar started dropping below the contracted prices, PHILSUCOM/ NASUTRA unaccountably refrained from enforcing the said contracts, thereby favoring the buyers at the expense of the sugar planters who were deprived of at least $350 million in revenue.

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17. In addition to defrauding the sugar planters which already crippled them and disabled them from paying their financial obligations, PHILSUCOM/NASUTRA inexplicably incurred delays in the liquidation of their sugar proceeds thereby further disabling them from meeting their loan obligations with RPB on time, just when such payments were badly needed due to the higher interests charged by RPB."

A second example would be two (2) sets of NASUTRA invoices for the same quantity of sugar, 7,540. metric tons, which sugar was declared as export sugar under Export Declaration No. 133-50-0279/81.[11] The first invoice for 7,540 metric tons of sugar with a price of US$0.155/lb. has a total amount of US$2,621,605.05.[12] The second invoice also for the same 7,540 metric tons of sugar with a price of US$0.27/lb. has a total amount of US$4,566,666.86.[13] On the reverse side of the Export Declaration, one Luisito Andres certified that US$2,621,605.05 had been received as payment for the first invoice,[14] while private respondents were able to secure a copy of petitioner's bank draft dated May 8, 1981 drawn by NASUTRA on Philipp Brothers Oceanic, Inc., the buyer of the sugar, for $4,566,666.86,[15] which is the value of the second invoice. The difference between the two invoices is US$1,945,061.81. That multiplied by only God-knows-how-many invoices for the sugar crop years 1979-1980 to 1984-1985 will give an inkling into the sudden unexplained

[11] *Rollo*, p. 358.

[12] *Rollo*, p. 360.

[13] *Rollo*, p. 362.

[14] *Rollo*, p. 366.

[15] *Rollo*, p. 364.

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wealth of petitioner's Chairman. Roberto S. Benedicto, who happens to be also Chairman of both PHILSUCOM and NASUTRA.[16]

To get an indication of the amounts involved, the total amount of sugar exported for the crop years 1979-80 up to 1984-85 which came ONLY FROM private respondents and intervenors (in the lower court) was 2,352,648.20 metric tons.[17] Dividing said figure by 7,450 metric tons, assuming that this will be the amount sold per invoice, We arrive at 315 invoices covering all the above sugar exported. Three hundred fifteen (315) invoices multiplied by the UNREPORTED differential income of US$1,945,061.81 will give Us SIX HUNDRED TWELVE MILLION, SIX HUNDRED NINETY FOUR THOUSAND, FOUR HUNDRED SIXTY (US$612,694,460) UNITED STATES DOLLARS.

Private respondents have good reason indeed to complain that they were not able to pay their loans with petitioner because of some financial manipulations by highly placed persons during the Marcos martial law years who, coincidentally(?) happened to be petitioner's chairman of the board and members of its board of Directors.[18]

On the assumption that petitioner is one of the government financial institutions alluded to in P.D. 385, although We do not see the need for Us right now to declare whether or not petitioner is indeed a government financial institution included in the coverage of said P.D., Our ruling in the above-cited *Filipinas Marble* case, that:

"Precisely, what the petitioner is trying to point out is that the DBP and Bancom people who managed Filipinas Marble misspent the proceeds of the loan by taking advantage of the positions that they were occupying in the corporation which resulted in the latter's devastation instead of its rehabilitation. The petitioner does not

[16] *Rollo*, pp. 204 and 327.

[17] *Rollo*, pp. 143-156.

[18] *Rollo*, pp. 327, 346.

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question the authority under which the loan was delivered but stresses that it is precisely this authority which enabled the DBP and Bancom people to misspend and misappropriate the proceeds of the loan thereby defeating its very purpose, that is, to develop the projects of the corporation. Therefore, it is as if the loan was never delivered to it and thus, there was failure on the part of the respondent DBP to deliver the consideration for which the mortgage and the assignment of deed were executed.

We cannot, at this point, conclude that respondent DBP together with the Bancom people actually misappropriated and misspent the $5 million loan in whole or in part although the trial court found that there is 'persuasive' evidence that such acts were committed by the respondent. This matter should rightfully be litigated below in the main action. Pending the outcome of such litigation, P.D. 385 cannot automatically be applied for if it is really proven that respondent DBP is responsible for the misappropriation of the loan, even if only in part, then the foreclosure of the petitioner's properties under the provisions of P.D. 385 to satisfy the whole amount of the loan would be a gross mistake. It would unduly prejudice the petitioner, its employees and their families."

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"Under the admitted circumstances of this petition, we, therefore, hold that until the trial on the merits of the main case, P.D. 385 cannot be applied and thus, this Court can restrain the respondents from foreclosing on petitioner's properties pending such litigation."

finds relevant, if not, more pressing, application in private respondents' case.

The enforcement of P.D. 385 will "sweep under the rug" this iceberg of a scandal in the sugar industry during the Marcos martial law years. This We can not allow to happen. For the benefit of future generations, all the dirty linen in the PHILSUCOM/NASUTRA/RPB closets have to be exposed in public so that the same may NEVER be repeated.

It is of paramount national interest, that We allow the trial court to proceed with dispatch to allow the parties below to present their evidence.

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WHEREFORE, the petition for review and *certiorari* is denied for lack of merit. The Court of Appeals' decision denying due course to petitioner's petition therein is hereby AFFIRMED. The records of this case are hereby returned to the trial court with orders to try this case with dispatch leaving no stone unturned in the presentation of all the parties' evidence. Let a copy of this Decision be given to the Ombudsman for its information. Cost against petitioner.

SO ORDERED.

Narvasa, C.J. (Chairperson), Padilla, Regalado, and *Melo, JJ.,* concur.

SECOND DIVISION

[G.R. No. 95843. September 2, 1992]

EDILBERTO C. ABARQUEZ and HELEN C. ABARQUEZ, *petitioners, vs.* **HON. COURT OF APPEALS, MR. & MRS. LEONARDO SAGRADO, MR. & MRS. ALBERTO JUMAO-AS, MR. & MRS. NORBERTO ISRAEL,** *respondents*.

SYLLABUS

1. CIVIL LAW; DOUBLE SALE; PURCHASER IN BAD FAITH; EFFECT OF A PURCHASE IN BAD FAITH. — We agree with the appellate court's finding that petitioners are purchasers in bad faith. Article 1544 of the New Civil Code provides that: "If the same thing should have been sold to different vendees, the ownership shall be transferred to the person who may have first taken possession thereof in good faith, if it should be movable property. "Should it be immovable property, the