Supreme Court E-Library

WHEREFORE, the complaint against respondent Judge Leandro C. Catalo, Presiding Judge, Regional Trial Court, Branch 256, Muntinlupa City, is **DISMISSED**.

SO ORDERED.

Carpio (Chairperson), Brion, del Castillo, and *Leonen, JJ.*, concur.

THIRD DIVISION

[G.R. No. 181381. July 20, 2015]

SECURITIES AND EXCHANGE COMMISSION, *petitioner*, *vs.* **UNIVERSAL RIGHTFIELD PROPERTY HOLDINGS, INC.,** *respondent*.

SYLLABUS

1. MERCANTILE LAW; CORPORATION LAW; REPUBLIC ACT NO. 8799 (THE SECURITIES REGULATION CODE); REGISTRATION OF SECURITIES; MAY BE SUSPENDED OR REVOKED ONLY AFTER DUE NOTICE AND HEARING FOR VIOLATION OF THE REPORTORIAL REQUIREMENTS.— There is no dispute that violation of the reportorial requirements under Section 17.1 of the Amended Implementing Rules and Regulation of the SRC is a ground for suspension or revocation of registration of securities pursuant to Sections 13.1 and 54.1 of the SRC. However, contrary to the CA ruling that separate notices and hearings for suspension and revocation of registration of securities and permit to sell them to the public are required, Sections 13.1 and 54.1 of the SRC expressly provide that the SEC may suspend or revoke such registration only after due notice and hearing x x x. In the present case, due notice of revocation was given to URPHI through the SEC Order dated

Supreme Court E-Library

July 27, 2004 x x x. Contrary to the view that a separate notice of hearing to revoke is necessary to initiate the revocation proceeding, the Court holds that such notice would be a superfluity since the Order dated July 27, 2004 already states that such proceeding shall ensue if URPHI would still fail to submit the reportorial requirements after the lapse of the 60-day suspension period. After all, "due notice" simply means the information that must be given or made to a particular person or to the public within a legally mandated period of time so that its recipient will have the opportunity to respond to a situation or to allegations that affect the individual's or public's legal rights or duties. x x x Aside from having been given the opportunity to be heard before the SEC issued the Order of Revocation, URPHI was likewise able to seek reconsideration of such action complained of. After the issuance of the said Order, URPHI filed a Notice of Appeal and a Memorandum, asserting that it was issued without due notice and hearing, and that the revocation is inequitable under the circumstances. x x x Verily, URPHI was given the opportunity to be heard before the Order of Revocation was issued, as well as the opportunity to seek the reconsideration of such order.

2. **POLITICAL LAW; ADMINISTRATIVE LAW; ADMINISTRATIVE PROCEEDINGS; DUE PROCESS; THE ESSENCE IS SIMPLY THE OPPORTUNITY TO EXPLAIN ONE'S SIDE OR AN OPPORTUNITY TO SEEK A RECONSIDERATION OF THE RULING COMPLAINED OF, FOR WHAT THE LAW PROHIBITS IS NOT THE ABSENCE OF PREVIOUS NOTICE, BUT THE ABSOLUTE ABSENCE THEREOF AND THE LACK OF OPPORTUNITY TO BE HEARD.—** The Court has consistently held that the essence of due process is simply an opportunity to be heard, or as applied to administrative proceedings, an opportunity to explain one's side or an opportunity to seek a reconsideration of the action or ruling complained of. Any seeming defect in its observance is cured by the filing of a motion for reconsideration, and denial of due process cannot be successfully invoked by a party who has had the opportunity to be heard on such motion. What the law prohibits is not the absence of previous notice, but the absolute absence thereof and the lack of opportunity to be heard.

Supreme Court E-Library

3. ID.; ID.; ID.; ID.; DOES NOT ALWAYS REQUIRE A TRIAL-TYPE PROCEEDING, SUCH THAT AN ADMINISTRATIVE AGENCY MAY RESOLVE A CASE BASED SOLELY ON POSITION PAPERS, AFFIDAVITS OR DOCUMENTARY EVIDENCE SUBMITTED BY THE PARTIES.— Granted that no formal hearing was held before the issuance of the Order of Revocation, the Court finds that there was substantial compliance with the requirements of due process when URPHI was given opportunity to be heard. x x x In *A.Z. Arnaiz, Realty, Inc. v. Office of the President*, the Court held that due process, as a constitutional precept, does not always, and in all situations, require a trial-type proceeding. Litigants may be heard through pleadings, written explanations, position papers, memoranda or oral arguments. The standard of due process that must be met in administrative tribunals allows a certain degree of latitude as long as fairness is not ignored. It is, therefore, not legally objectionable for being violative of due process for an administrative agency to resolve a case based solely on position papers, affidavits or documentary evidence submitted by the parties. Guided by the foregoing principle, the Court rules that URPHI was afforded opportunity to be heard when the SEC took into account in its Order of Revocation URPHI's September 13 and 28, 2004 letters, explaining its failure to submit the reportorial requirements, as well as its request for final extension within which to comply.

4. ID.; ID.; ADMINISTRATIVE AGENCIES; SECURITIES AND EXCHANGE COMMISSION (SEC); THE REVOCATION OF REGISTRATION OF SECURITIES AND PERMIT TO SELL THEM TO THE PUBLIC IS AN EXERCISE OF THE SEC'S REGULATORY POWER, AND NOT AN EXERCISE OF ITS QUASI-JUDICIAL POWER, ALTHOUGH DUE NOTICE AND HEARING ARE REQUIRED BEFORE ISSUING THE ORDER OF REVOCATION.— [T]he Court disagrees with URPHI's claim that the *Globe Telecom, Inc.* ruling – that notice and hearing are indispensable when an administrative agency exercises quasi-judicial functions and that such requirements become even more imperative if the statute itself demands it – is applicable to the present case. In *Gamboa v. Finance Secretary*, the Court has held that the SEC has both regulatory and adjudicative functions x x x. [T]he revocation of registration of securities and permit to sell them to the public is not an exercise of the SEC's quasi-judicial

Supreme Court E-Library

power, but of its regulatory power. A "quasi-judicial function" is a term which applies to the action, discretion, etc., of public administrative officers or bodies, who are required to investigate facts, or ascertain the existence of facts, hold hearings, and draw conclusions from them, as a basis for their official action and to exercise discretion of a judicial nature. Although Section 13.1 of the SRC requires due notice and hearing before issuing an order of revocation, the SEC does not perform such quasi-judicial functions and exercise discretion of a judicial nature in the exercise of such regulatory power. It neither settles actual controversies involving rights which are legally demandable and enforceable, nor adjudicates private rights and obligations in cases of adversarial nature. Rather, when the SEC exercises its incidental power to conduct administrative hearings and make decisions, it does so in the course of the performance of its regulatory and law enforcement function. Significantly, unlike in *Globe Telecom, Inc*. where the Court ruled that the fine imposed by the NTC without notice and hearing, was null and void due to the denial of petitioner's right to due process, the revocation of URPHI's registration of securities and permit to sell them to the public cannot be considered a penalty but a withdrawal of a privilege, which regulatory power the SEC validly exercised after giving it due notice and opportunity to be heard.

APPEARANCES OF COUNSEL

The Solicitor General for petitioner.
Castillo Laman Tan Pantaleon & San Jose for respondent.

D E C I S I O N

PERALTA, *J.*:

Before the Court is a petition for review under Rule 45 of the Rules of Court, which seeks to reverse and set aside the Decision[1] dated January 21, 2008 of the Court of Appeals (*CA*)

[1] Penned by Associate Justice Romeo F. Barza, with Associate Justices Mariano C. Del Castillo (now Supreme Court Associate Justice) and Arcangelita M. Romilla-Lontok, concurring; *rollo*, pp. 28-42.

Supreme Court E-Library

in CA-G.R. SP No. 93337, the dispositive portion of which reads:

WHEREFORE, in view of the foregoing, the petition is **GRANTED**. The assailed Resolution, dated December 15, 2005, of the Securities and Exchange Commission, as well as its Order of Revocation dated December 8, 2004, are hereby **SET ASIDE**.

SO ORDERED.[2]

The facts are as follows:

Respondent Universal Rightfield Property Holdings, Inc. (*URPHI*) is a corporation duly registered and existing under the Philippine Laws, and is engaged in the business of providing residential and leisure-related needs and wants of the middle and upper middle-income market.

On May 29, 2003, petitioner Securities and Exchange Commission (*SEC*), through its Corporate Finance Department, issued an Order revoking URPHI's Registration of Securities and Permit to Sell Securities to the Public for its failure to timely file its Year 2001 Annual Report and Year 2002 1st, 2nd and 3rd Quarterly Reports pursuant to Section 17[3] of the Securities Regulation Code (*SRC*), Republic Act No. 8799.

On October 16, 2003, URPHI filed with the SEC a Manifestation/Urgent Motion to Set Aside Revocation Order

---

[2] *Id*. at 41-42. (Emphasis in the original)

[3] SEC. 17. *Periodic and Other Reports of Issuers.*

17.1. Every issuer satisfying the requirements in Subsection 17.2 hereof shall file with the Commission:

a) Within one hundred thirty-five (135) days, after the end of the issuer's fiscal year, or such other time as the Commission may prescribe, an annual report which shall include, among others, a balance sheet, profit and loss statement and statement of cash flows, for such last fiscal year, certified by an independent certified public accountant, and a management discussion and analysis of results of operations; and

b) Such other periodical reports for interim fiscal periods and current reports on significant developments of the issuer as the Commission may prescribe as necessary to keep current information on the operation of the business and financial condition of the issuer.

Supreme Court E-Library

and Reinstate Registration after complying with its reportorial requirements.

On October 24, 2003, the SEC granted URPHI's motion to lift the revocation order, considering the current economic situation, URPHI's belated filing of the required annual and quarterly reports, and its payment of the reduced fine of ₱82,000.00.

Thereafter, URPHI failed again to comply with the same reportorial requirements.

In a Notice of Hearing dated June 25, 2004, the SEC directed URPHI to show cause why its Registration of Securities and Certificate of Permit to Sell Securities to the Public should not be suspended for failure to submit the said requirements. Pertinent portion of the notice reads:

> Records show that the corporation has failed to submit the following reports in violation of SRC Rule 17.1:
>
> (1) 2003 Annual Report (SEC Form 17-A); and
>
> (2) 2004 1st Quarter Report (SEC Form 17-Q)
>
> The company has been allowed a non-extendible period until May 31, 2004 within which to file its 2003 Annual Report but to date the said report has not been submitted.
>
> In view of the foregoing and considering the inadequate information available to the public, the corporation is hereby directed to show cause why the Registration of its Securities and Certificate of Permit to Sell Securities should not be suspended, in a hearing scheduled before Atty. Francia A. Tiuseco-Manlapaz on July 6, 2004, at the Securities Registration Division, Corporation Finance Department of the Commission, 6th Floor, SEC Building, EDA, Greenhills, Mandaluyong, Metro Manila at 10:00 o'clock in the morning. Failure of the company to appear, through its representative, at the said hearing shall be deemed a waiver on its part to be heard with regard to the suspension of its Certificate of Permit to Sell Securities to the Public.
>
> SO ORDERED.[4]

---

[4] *Id*. at 49.

Supreme Court E-Library

During the scheduled hearing on July 6, 2004, URPHI, through its Chief Accountant, Rhodora Lahaylahay, informed the SEC why it failed to submit the reportorial requirements, *viz*.: (1) it was constrained to reduce its accounting staff due to cost-cutting measures; thus, some of the audit requirements were not completed within the original timetable; and (2) its audited financial statements for the period ending December 31, 2003 could not be finalized by reason of the delay in the completion of some of its audit requirements.

In an Order dated July 27, 2004, the SEC suspended URPHI's Registration of Securities and Permit to Sell Securities to the Public for failure to submit its reportorial requirements despite the lapse of the extension period, and due to lack of sufficient justification for its inability to comply with the said requirements.

On August 23, 2004, the SEC, through its Corporation Finance Department, informed URPHI that it failed to submit its 2004 2nd Quarter Report (SEC Form 17-Q) in violation of the Amended Implementing Rules and Regulations of the SRC Rule 17.1(1)(A)(ii).[5] It also directed URPHI to file the said report,

---

[5] 1. Reporting and Public Companies

The reportorial provisions of this paragraph shall apply to reporting and public companies, as defined under SRC Rule 3. However, the obligation of a company, which has sold a class of its securities pursuant to a registration under Section 12 of the Code shall be suspended for any fiscal year if as of the first day of any such fiscal year, it has less than one hundred (100) holders of such class of securities and the Commission is duly notified of the same. Such suspension shall only be availed of after the year of said registration becomes effective.

A. Every issuer set forth in paragraph 1 hereof, shall file with the Commission:

i . x x x

ii. A quarterly report on SEC Form 17-Q, within forty-five (45) days after the end of each of the first three (3) quarters of each fiscal year. The first quarterly report of the issuer shall be filed either within forty-five (45) days after the effective date of the registration statement or on or before the date on which such report would have been required to be filed if the issuer had been required previously to file reports on SEC Form 17-Q, whichever is later.

Supreme Court E-Library

and to show cause why it should not be held liable for violation of the said rule.

In a letter dated September 28, 2004, URPHI requested for a final extension, or until November 15, 2004, within which to submit its reportorial requirements. Pertinent portions of the letter read:

> We refer to your Order dated 27 July 2004, wherein the Commission resolved to SUSPEND the Corporation's Registration of Securities and Permit to Sell Securities to the Public due to non-filing of the Corporation's reportorial requirements under SRC Rule 17 effective for sixty (60) days or until the reporting requirements are complied [with]; otherwise, the Commission shall proceed with the revocation of the Corporation's registration [of] securities. To date, the Corporation has not filed with the Commission its 2003 Annual Report in SEC Form 17-A and 2004 1st and 2nd Quarterly reports in SEC Form 17-Q. The non-submission of these reportorial requirements, as we have already disclosed to you per our letter dated 13 September 2004, was due to the non-finalization of the Corporation's audited financial statement for the fiscal year ended December 31, 2003.
>
> During our meeting with our external auditor, SGV & Co. last 8 September 2004, SGV agreed to facilitate the finalization of our financial statements within two (2) weeks. Notwithstanding the same, the Corporation foresees the impossibility of complying with its submission until the end of the month, as the partners of SGV are still reviewing the final draft of the financial statements.
>
> The Corporation intends to comply with its reportorial requirements. However, due to the foregoing circumstances, the finalization of our financial statement has again been delayed. In this regard, may we request for the last time until November 15, 2004 within which to submit said reportorial requirements.[6]

On December 1, 2004, URPHI filed with the SEC its 2003 Annual Report.

---

[6] *Rollo,* p. 53.

Supreme Court E-Library

In an Order of Revocation[7] dated December 8, 2004, the SEC revoked URPHI's Registration of Securities and Permit to Sell Securities to the Public for its failure to submit its reportorial requirements within the final extension period.

On December 9, 10, and 14, 2004, URPHI finally submitted to the SEC its 1st Quarterly Report for 2004, 2nd Quarterly Report for 2004, and 3rd Quarterly Report for 2004, respectively.

Meantime, URPHI appealed the SEC Order of Revocation dated December 8, 2004 by filing a Notice of Appeal and a Memorandum both dated January 3, 2005.

In a Resolution dated December 15, 2005, the SEC denied URPHI's appeal, thus:

WHEREFORE, premises considered, the Memorandum dated 03 January 2005 of Universal Rightfield Property Holdings, Inc. praying for the reversal of the Order of Revocation dated 08 December 2004 is **DENIED** for lack of merit.

SO ORDERED.[8]

Aggrieved, URPHI filed a petition for review with the CA.

In a Decision dated January 21, 2008, the CA granted the petition and set aside the SEC Order of Revocation after finding that URPHI was not afforded due process because no due notice was given and no hearing was conducted before its registration of securities and permit to sell them to the public was revoked. The CA noted that the hearing conducted on July 6, 2004 was only for the purpose of determining whether URPHI's registration and permit to sell should be suspended and not whether said registration should be revoked.

---

[7] *Id*. at 54-55.

[8] *Id*. at 47.

Supreme Court E-Library

The CA ruled that based on how Sections 5.1 (m)[9] and 13.1[10] of the SRC are worded, suspension and revocation of URPHI's registration of securities each requires separate notices and hearings. It also held that the ruling[11] in *Globe Telecom, Inc. v. The National Telecommunications Commission*[12] (*Globe Telecom, Inc.*) applies squarely to this case since the Section 13.1 of the SRC itself provides that due notice and hearing are required before revocation may be ordered by the SEC. In view of such specific mandate of the SRC in cases of revocation, the

---

[9] 5.1. The Commission shall act with transparency and shall have the powers and functions provided by this Code, Presidential Decree No. 902-A, the Corporation Code, the Investment Houses Law, the Financing Company Act and other existing laws. Pursuant thereto the Commission shall have, among others, the following powers and functions:

xxx xxx xxx

(m) Suspend, or revoke, after proper notice and hearing the franchise or certificate of registration of corporations, partnerships or associations, upon any of the grounds provided by law; and

[10] 13.1. The Commission may reject a registration statement and refuse registration of the security thereunder, or revoke the effectivity of a registration statement and the registration of the security thereunder after due notice and hearing by issuing an order to such effect, setting forth its findings in respect thereto, if it finds that:

a) The issuer:

xxx xxx xxx

(ii) Has violated any of the provisions of this Code, the rules promulgated pursuant thereto, or any order of the Commission of which the issuer has notice in connection with the offering for which a registration statement has been filed;

[11] The necessity of notice and hearing in an administrative proceeding depends on the character of the proceeding and the circumstances involved. In so far as generalization is possible in view of the great variety of administrative proceedings, it may be stated as a general rule that notice and hearing are not essential to the validity of administrative action where the administrative body acts in the exercise of executive, administrative, or legislative functions; but where a public administrative body acts in a judicial or quasi-judicial matter, and its acts are particular and immediate rather than general and prospective, the person whose rights or property may be affected by the action is entitled to notice and hearing.

[12] 479 Phil. 1, 39 (2004).

CA rejected the SEC's argument that the hearing conducted for the suspension of URPHI's registration can already be considered as the hearing for revocation.

The CA also held that the SEC cannot brush aside the specific mandate of Section 13.1 of the SRC by merely invoking the doctrine that administrative due process is satisfied when the party is given the opportunity to explain one's side or the opportunity to seek a reconsideration of the action or ruling taken. Citing *Globe Telecom, Inc.*[13] the CA explained that while such doctrine remains valid and has been applied in numerous instances, it must give way in instances when the statute itself, such as Section 13.1, demands prior notice and hearing. It added that the imperativeness for a hearing in cases of revocation of registration of securities assumes greater significance, considering that revocation is a measure punitive in character undertaken by an administrative agency in the exercise of its quasi-judicial functions.

Dissatisfied with the CA Decision, the SEC filed the instant petition for review on *certiorari*, raising the sole issue that:

THE COURT OF APPEALS DECIDED A QUESTION OF SUBSTANCE WHICH IS NOT IN ACCORD WITH THE LAW AND PREVAILING JURISPRUDENCE.[14]

On the one hand, the SEC contends that URPHI was accorded all the opportunity to be heard and comply with all the reportorial requirements before the Order of Revocation was issued.

Specifically, in the Order dated July 27, 2004 suspending URPHI's registration of securities for 60 days, the SEC expressly warned that such registration would be revoked should it persistently fail to comply with the said requirements. Still, URPHI continuously failed to submit the required reports. On August 23, 2004, the SEC directed again URPHI to submit the required report and to show cause why it should not be held liable for violation of the law. Instead of submitting the required

---

[13] *Id.*

[14] *Rollo*, p. 17.

Supreme Court E-Library

reports, URPHI requested for a final extension, or until November 15, 2004, within which to comply with its reportorial requirements. For URPHI's failure to submit the said reports, the SEC issued the Order of Revocation dated December 8, 2004. URPHI immediately filed a motion for reconsideration thereof through a Notice of Appeal and a Memorandum both dated January 3, 2005, which the SEC later denied in the Resolution dated December 15, 2005. Hence, URPHI was amply accorded its guaranteed right to due process.

The SEC also submits that the factual milieu of *Globe Telecom, Inc.*[15] cited by the CA in its Decision is starkly different from this case. Unlike in the former case where the Court ruled that the fine imposed by the National Telecommunications Commission without notice and hearing, was null and void due to the denial of petitioner's right to due process, the SEC points out that URPHI was duly notified of its violations and the corresponding penalty that may be imposed should it fail to submit the required reports, and was given more than enough time to comply before the Order of Revocation was issued. The SEC adds that a hearing was conducted on July 6, 2004 as to URPHI's repeated failure to submit the reportorial requirements as mandated by the SRC and its implementing rules and regulations, which was the basis in issuing the said Order.

On the other hand, URPHI insists that the CA was correct in ruling that the SRC requires separate notices and hearings for revocation and suspension of registration of securities and permit to sell them to the public. It then asserts that the warning contained in the SEC's suspension Order dated July 27, 2004 does not meet the requirement of notice under the SRC. It stresses that while the SEC issued a separate notice of hearing for such suspension, no similar notice was issued as regards such revocation. It also notes that the July 6, 2004 hearing was with regard to the suspension of its registration of securities, and that no hearing was ever conducted for purposes of revocation of such registration.

---

[15] *Supra* note 12.

Supreme Court E-Library

On the SEC's claim that URPHI was afforded due process because it was already given the opportunity to seek a reconsideration of the Order of Revocation by filing its Notice of Appeal and Memorandum, URPHI argues that the filing of such appeal did not cure the violation of its right to due process. In support of its argument, URPHI cites the *Globe Telecom, Inc*.[16] ruling that notice and hearing are indispensable when an administrative agency exercises quasi-judicial functions and that such requirements become even more imperative if the statute itself demands it.

URPHI further cites the ruling[17] in *BLTB*, *Co. v. Cadiao, et al.*,[18] to support its view that a motion for reconsideration is curative of a defect in procedural due process only if a party is given sufficient opportunity to explain his side of the controversy. It claims that the controversy referred to is the underlying substantive controversy of which the procedural due process controversy is but an offshoot. Noting that the only issue raised in its appeal was procedural, *i.e*., whether it was denied prior notice and hearing under the SRC, URPHI contends that it cannot be said that by appealing to the SEC, it had the opportunity to explain its side on substantive controversy which pertains to its alleged violation of the SRC and failure to comply with the reportorial requirements that prompted the SEC to issue the Order of Revocation. Hence, such appeal cannot be considered curative of the defect in procedural due process which attended the issuance of the said Order.

URPHI further submits that the prior revocation of its registration on May 29, 2003 did not cure the lack of due process which attended the revocation of its registration on December 8, 2004. Since the SEC deemed it proper to lift the prior

---

[16] *Id.*

[17] x x x There is then no occasion to impute deprivation of property without due process where the adverse party was heard on a motion for reconsideration constituting as it does sufficient opportunity for him to inform the Tribunal concerned of his side of the controversy. x x x

[18] 131 Phil. 81, 88 (1968).

Supreme Court E-Library

revocation, such can no longer be used to sustain another revocation order, much less one issued without prior notice and hearing.

Granted that it was accorded due process, URPHI asserts that the revocation of its registration of securities and permit to sell them to the public is inequitable under the circumstances. It calls attention to the severe and certain consequences of such revocation, *i.e.*, termination of the public offering of its securities, return of payments received from purchasers thereof, and its delisting from the PSE, which will cause financial ruin and jeopardize its efforts to recover from its current financial distress. Claiming that it exerted best effort and exercised good faith in complying with the reportorial requirements, URPHI avers that the interest of the investing public will be better served if, instead of revoking its registration of securities, the SEC will merely impose penalties and allow it to continue as a going concern in the hope that it may later return to profitability.

The petition is meritorious.

There is no dispute that violation of the reportorial requirements under Section 17.1[19] of the Amended Implementing Rules and

---

[19] 2. Reporting and Public Companies

The reportorial provisions of this paragraph shall apply to reporting and public companies, as defined under SRC Rule 3. However, the obligation of a company, which has sold a class of its securities pursuant to a registration under Section 12 of the Code shall be suspended for any fiscal year if as of the first day of any such fiscal year, it has less than one hundred (100) holders of such class of securities and the Commission is duly notified of the same. Such suspension shall only be availed of after the year said registration becomes effective.

A. Every issuer set forth in paragraph 1 hereof, shall file with the Commission:

i. An annual report on SEC Form 17-A for the fiscal year in which the registration statement was rendered effective by the Commission, and for each fiscal year thereafter, within one hundred five (105) days after the end of the fiscal year.

ii. A quarterly report on SEC Form 17-Q, within forty-five (45) days after the end of each of the first three quarters (3) of each fiscal year. The first quarterly report of the issuer shall be filed either within forty-five

Supreme Court E-Library

Regulation[20] of the SRC is a ground for suspension or revocation of registration of securities pursuant to Sections 13.1 and 54.1 of the SRC. However, contrary to the CA ruling that separate notices and hearings for suspension and revocation of registration of securities and permit to sell them to the public are required, Sections 13.1 and 54.1 of the SRC expressly provide that the SEC may suspend or revoke such registration only after due notice and hearing, to wit:

13.1. **The Commission may** reject a registration statement and refuse registration of the security thereunder, or **revoke the effectivity of** a registration statement and **the registration of the security** thereunder **after due notice and hearing** by issuing an order to such effect, setting forth its findings in respect thereto, if it finds that:

a) The issuer:

xxx xxx xxx

(ii) **Has violated any of the provisions of this Code, the rules promulgated pursuant thereto**, or any order of the Commission of which the issuer has notice in connection with the offering for which a registration statement has been filed;[21]

xxx xxx xxx

54.1. **If, after due notice and hearing**, **the Commission finds that**: (a) **There is a violation of this Code, its rules, or its orders**; (b) Any registered broker or dealer, associated person thereof has failed reasonably to supervise, with a view to preventing violations, another person subject to supervision who commits any such violation; (c) Any registrant or other person has, in a registration statement or in other reports, applications, accounts, records or documents required by law or rules to be filed with the Commission, made any

---

(45) days after the effective date of the registration statement or on or before the date on which such report would have been required to be filed if the issuer had been required previously to file reports on SEC Form 17-Q, whichever is later.

xxx xxx xxx

[20] Amended IRR published on February 13, 2004.

[21] Emphasis added.

Supreme Court E-Library

untrue statement of a material fact, or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading; or, in the case of an underwriter, has failed to conduct an inquiry with reasonable diligence to insure that a registration statement is accurate and complete in all material respects; or (d) Any person has refused to permit any lawful examinations into its affairs, it shall, in its discretion, and subject only to the limitations hereinafter prescribed, impose any or all of the following sanctions as may be appropriate in light of the facts and circumstances:

(i) **Suspension, or revocation of any registration** for the offering of securities;[22]

The Court has consistently held that the essence of due process is simply an opportunity to be heard, or as applied to administrative proceedings, an opportunity to explain one's side or an opportunity to seek a reconsideration of the action or ruling complained of.[23] Any seeming defect in its observance is cured by the filing of a motion for reconsideration, and denial of due process cannot be successfully invoked by a party who has had the opportunity to be heard on such motion.[24] What the law prohibits is not the absence of previous notice, but the absolute absence thereof and the lack of opportunity to be heard.[25]

In the present case, due notice of revocation was given to URPHI through the SEC Order dated July 27, 2004 which reads:

Considering that the company is under rehabilitation, the request was granted and it was given a non-extendible period until May 31, 2004 within which to comply.

---

[22] *Id*. (Emphasis added)

[23] *A.Z. Arnaiz Realty, Inc. v. Office of the President*, 638 Phil. 481, 491 (2010), citing *Zacarias v. National Police Commission*, 460 Phil. 555, 563 (2003); *Stayfast Philippines Corp. v. National Labor Relations Commission*, G.R. No. 81480, February 9, 1993, 218 SCRA 596; *Villareal v. Court of Appeals*, G.R. No. 97505, March 1, 1993, 219 SCRA 293; and *Philippine Phosphate Fertilizer Corp. v. Torres*, G.R. No. 98050, March 17, 1994, 231 SCRA 335.

[24] *A.Z. Arnaiz Realty, Inc. v. Office of the President*, *supra*.

[25] *Arroyo v. Rosal Homeowners Association, Inc.*, G.R. No. 175155, October 22, 2012, 684 SCRA 297, 305.

Supreme Court E-Library

Despite the extension[,] however, it failed to submit said reports. Hence, a hearing was held on July 6, 2004 wherein the company's representative, its Chief Accountant and a Researcher appeared. No sufficient reason or justification for the company's inability to comply with its reporting obligation was presented.

In view thereof, the Commission[,] in its meeting held on July 22, 2004, resolved to SUSPEND the Registration of Securities and Permit to Sell Securities to the Public issued to UNIVERSAL RIGHTFIELD PROPERTY HOLDINGS, INC., in accordance with Section 54 of the Securities Regulation Code.

This said Suspension shall be effective for sixty (60) days or until the reporting requirements are complied [with,] otherwise the Commission shall proceed with the revocation of the company's registration of securities.

Let this Order be published in a newspaper of general circulation in the Philippines or on the Commission's web page.

SO ORDERED.[26]

Contrary to the view that a separate notice of hearing to revoke is necessary to initiate the revocation proceeding, the Court holds that such notice would be a superfluity since the Order dated July 27, 2004 already states that such proceeding shall ensue if URPHI would still fail to submit the reportorial requirements after the lapse of the 60-day suspension period. After all, "due notice" simply means the information that must be given or made to a particular person or to the public within a legally mandated period of time so that its recipient will have the opportunity to respond to a situation or to allegations that affect the individual's or public's legal rights or duties.[27]

Granted that no formal hearing was held before the issuance of the Order of Revocation, the Court finds that there was substantial compliance with the requirements of due process when URPHI was given opportunity to be heard. Upon receipt

---

[26] *Rollo*, pp. 50-51. (Emphasis ours)

[27] Due Notice. (n.d.) West's Encyclopedia of American Law, 2nd ed. (2008). Retrieved July 22, 2015 from http://legal.dictionary.thefreedictionary.com/DueNotice.

Supreme Court E-Library

of the SEC Order dated July 27, 2004, URPHI filed the letters dated September 13 and 28, 2004, seeking a final extension to submit the reportorial requirements, and admitting that its failure to submit its 2nd Quarterly Report for 2004 was due to the same reasons that it was unable to submit its 2003 Annual Report and 1st Quarterly Report for 2004. Notably, in its Order of Revocation, the SEC considered URPHI's letters and stated that it still failed to submit the required reports, despite the lapse of the final extension requested.

In *A.Z. Arnaiz, Realty, Inc. v. Office of the President*,[28] the Court held that due process, as a constitutional precept, does not always, and in all situations, require a trial-type proceeding. Litigants may be heard through pleadings, written explanations, position papers, memoranda or oral arguments. The standard of due process that must be met in administrative tribunals allows a certain degree of latitude as long as fairness is not ignored. It is, therefore, not legally objectionable for being violative of due process for an administrative agency to resolve a case based solely on position papers, affidavits or documentary evidence submitted by the parties. Guided by the foregoing principle, the Court rules that URPHI was afforded opportunity to be heard when the SEC took into account in its Order of Revocation URPHI's September 13 and 28, 2004 letters, explaining its failure to submit the reportorial requirements, as well as its request for final extension within which to comply. Pertinent portions of the said Order read:

> The Commission in its meeting held on July 22, 2004 resolved to suspend its Registration of Securities and Permit to Sell Securities to the Public. The Order of Suspension stated that it was to be effective for sixty (60) days or until the reporting requirements were complied with by the company; otherwise, the Commission shall proceed with the revocation of the company's registration of securities.
>
> The sixty (60)-day period had elapsed on September 25, 2004 but the Commission received a letter on September 29, 2004 from the President of the company, Mr. Jose L. Merin. In the said letter,

[28] *Supra* note 23, citing *Orbase v. Office of the Ombudsman*, 623 Phil. 764, 778 (2009); and *Marcelo v. Bungubung*, 575 Phil. 538, 553 (2008).

Supreme Court E-Library

it was admitted that the corporation had failed to submit its 2003 Annual Report (SEC Form 17-A) and its 2004 1st and 2nd Quarterly Reports (SEC Form 17-Q) but explained that the reason for its inability to submit said reports was due to the non-finalization of the company's audited financial statements for the fiscal year ended December 31, 2003. It further stated that during its meeting with its external auditor, SGV & Co., last September 8, 2004, SGV agreed to facilitate the finalization of its financial statements within two (2) weeks. The corporation foresaw the impossibility of complying with its submission until the end of the month as the partners of SGV were still reviewing the final draft of the financial statements, thus, the request for extension FOR THE LAST TIME until November 15, 2004 within which to comply.

SEC Form 17-A (for 2003) was finally submitted on December 1, 2004.

IN VIEW THEREOF, the Commission, in its meeting held on December 2, 2004, resolved to **REVOKE** the Registration of Securities and Permit to Sell Securities to the Public issued to **UNIVERSAL RIGHTFIELD PROPERTY HOLDINGS, INC**.[29]

Aside from having been given the opportunity to be heard before the SEC issued the Order of Revocation, URPHI was likewise able to seek reconsideration of such action complained of. After the issuance of the said Order, URPHI filed a Notice of Appeal and a Memorandum, asserting that it was issued without due notice and hearing, and that the revocation is inequitable under the circumstances. In the Resolution dated December 15, 2004, the SEC denied URPHI's appeal in this wise:

In the instant case, URPHI was accorded due process when its Chief Financial Officer gave its side on the imputed violation and informed the Commission that it will not be able to submit its Annual Report (SEC Form 17-A) for the fiscal year ending on 31 December 2003 and requested for additional time to comply with the said requirements. The Commission granted URPHI a non-extendible period of forty-seven (47) calendar days or until 15 November 2004 within which to comply.

---

[29] *Rollo*, pp. 54-55. (Emphasis in the original)

Supreme Court E-Library

In spite of the extension of time given, URPHI still failed to submit the said reports. During the 06 July 2004 hearing where the Chief Accountant and researcher of URPHI were present, both failed to present sufficient justifications for URPHI's inability to comply with its reporting obligations.

It is also noteworthy to mention that URPHI's Registration of Securities and Permit to Sell Securities to the Public had been revoked on several occasions on account of the same deficiency. URPHI is aware of the SRC Rules and must suffer the consequences of its reported violations.[30]

Verily, URPHI was given the opportunity to be heard before the Order of Revocation was issued, as well as the opportunity to seek the reconsideration of such order.

Meanwhile, the Court disagrees with URPHI's claim that the *Globe Telecom, Inc*.[31] ruling – that notice and hearing are indispensable when an administrative agency exercises quasi-judicial functions and that such requirements become even more imperative if the statute itself demands it – is applicable to the present case.

In *Gamboa v. Finance Secretary*,[32] the Court has held that the SEC has both regulatory and adjudicative functions, thus:

Under its regulatory responsibilities, the SEC may pass upon applications for, **or may suspend or revoke (after due notice and hearing)**, **certificates of registration** of corporations, partnerships and associations (excluding cooperatives, homeowners associations, and labor unions); compel legal and regulatory compliances; conduct inspections; and **impose fines or other penalties for violations of the Revised Securities Act, as well as implementing rules and directives of the SEC**, such as may be warranted.

Relative to its adjudicative authority, the SEC has original and exclusive jurisdiction to hear and decide controversies and cases involving –

---

[30] *Id.* at 47.

[31] *Supra* note 12.

[32] 668 Phil. 1, 67 (2011), citing *Securities and Exchange Commission v. Court of Appeals, et al.*, 316 Phil. 903, 907 (1995). (Emphasis added)

Supreme Court E-Library

a. Intra-corporate and partnership relations between or among the corporation, officers and stockholders and partners, including their elections or appointments;

b. State and corporate affairs in relation to the legal existence of corporations, partnerships and associations or to their franchises; and

c. Investors and corporate affairs particularly in respect of devices and schemes, such as fraudulent practices, employed by directors, officers, business associates, and/or other stockholders, partners, or members of registered firms; x x x

As can be gleaned from the aforequoted ruling, the revocation of registration of securities and permit to sell them to the public is not an exercise of the SEC's quasi-judicial power, but of its regulatory power. A "quasi-judicial function" is a term which applies to the action, discretion, etc., of public administrative officers or bodies, who are required to investigate facts, or ascertain the existence of facts, hold hearings, and draw conclusions from them, as a basis for their official action and to exercise discretion of a judicial nature.[33] Although Section 13.1 of the SRC requires due notice and hearing before issuing an order of revocation, the SEC does not perform such quasi-judicial functions and exercise discretion of a judicial nature in the exercise of such regulatory power. It neither settles actual controversies involving rights which are legally demandable and enforceable, nor adjudicates private rights and obligations in cases of adversarial nature. Rather, when the SEC exercises its incidental power to conduct administrative hearings and make decisions, it does so in the course of the performance of its regulatory and law enforcement function.

Significantly, unlike in *Globe Telecom, Inc*.[34] where the Court ruled that the fine imposed by the NTC without notice and hearing, was null and void due to the denial of petitioner's right to due

---

[33] *United Coconut Planters Bank v. E Ganzon, Inc.*, 609 Phil. 104, 122 (2009).

[34] *Supra* note 12.

Supreme Court E-Library

process, the revocation of URPHI's registration of securities and permit to sell them to the public cannot be considered a penalty but a withdrawal of a privilege, which regulatory power the SEC validly exercised after giving it due notice and opportunity to be heard.

While URPHI correctly relied in *BLTB Co., Inc. v. Cadiao*[35] to support its view that a motion for reconsideration is curative of a defect in procedural due process only if a party is given sufficient opportunity to explain his side of the controversy, the Court rejects URPHI's claim that it did not have the opportunity to explain the substantive controversy of its violation of the SRC reportorial requirements.[36] Contrary to the claim that only the issue of procedural due process was raised in its appeal with the SEC, URPHI also raised in its Memorandum dated January 3, 2005 the reasons why it failed to comply with the said requirements, and why revocation is inequitable under the circumstances.[37]

For the late filing of annual report and quarterly report, SEC Memorandum Circular No. 6, Series of 2005, the Consolidated Scale of Fines in effect at the time the offenses were committed, provides for the following administrative penalties:

SRC/IRR Provisions	Description	First Offense	Second Offense	Third Offense
Section 17.1; SRC Rule 17.1	Late Filing of Quarterly Report (SEC Form 17-Q) Late Filing	Reprimand/ Warning	₱50,000.00 plus ₱300.00 per day of delay	₱60,000.00 plus ₱600.00 per day of delay
	of Annual Report (SEC Form 17-A)	Reprimand/ Warning	₱100,000.00 plus ₱500.00 per day of delay	₱200,000.00 plus ₱1,000.00 per day of delay

[35] *Supra* note 18.

[36] *Rollo*, p. 145.

[37] *Id*. at 68-71.

Supreme Court E-Library

It bears emphasis that URPHI had committed several offenses for failure to comply with the reportorial requirements for which it was fined and its registration of securities revoked. On May 29, 2003, the SEC issued an Order revoking URPHI's Registration of Securities and Permit to Sell Securities to the Public for its failure to timely file its Year 2001 Annual Report and Year 2002 1st, 2nd and 3rd Quarterly Reports. Then, on October 24, 2003, the SEC granted URPHI's petition to lift the revocation, considering the current economic situation, its belated filing of the required annual and quarterly reports, and its payment of the reduced fine of ₱82,000.00. Despite the foregoing, URPHI failed again to submit its 2003 Annual Report, and Year 2004 1st, 2nd and 3rd Quarterly Reports within the requested extension periods.

Therefore, notwithstanding the belated filing of the said reports, as well as the claim that public interest would be better served if the SEC will merely impose penalties and allow it to continue in order to become profitable again, the SEC cannot be faulted for revoking once again URPHI's registration of securities and permit to sell them to the public due to its repeated failure to timely submit such reports. Needless to state, such continuing reportorial requirements are pursuant to the state policies declared in Section 2[38] of the SRC of protecting investors and ensuring full and fair disclosure of information about securities and their issuer.

All told, the CA erred in ruling that the SEC revoked URPHI's registration of securities and permit to sell them to the public without due process of law. Quite the contrary, the requirements of due notice and hearing under Sections 13.1 and 54.1 of the SRC were substantially complied with. Due notice was made through the Order dated July 27, 2004 stating that revocation

---

[38] SEC. 2. *Declaration of State Policy.* – The State shall establish a socially conscious, free market that regulates itself, encourage the widest participation of ownership in enterprises, enhance the democratization of wealth, promote the development of the capital market, protect investors, ensure full and fair disclosure about securities, minimize if not totally eliminate insider trading and other fraudulent or manipulative devices and practices which create distortions in the free market.

To achieve these ends, this Securities Regulation Code is hereby enacted.

Supreme Court E-Library

proceeding shall ensue if URPHI would still fail to submit the reportorial requirements after the lapse of the 60-day suspension period. Though no formal hearing was held, URPHI was still given an opportunity to be heard through the letters dated September 13 and 18, 2004 before the Order of Revocation was issued, as well as through its Notice of Appeal and Memorandum when it moved to reconsider the said order.

WHEREFORE, the petition is **GRANTED** and the Decision dated January 21, 2008 of the Court of Appeals in CA-G.R. SP No. 93337, is **REVERSED** and **SET ASIDE**. In lieu thereof, the Resolution dated December 15, 2005 of the Securities and Exchange Commission and its Order of Revocation dated December 8, 2004 are **REINSTATED**.

SO ORDERED.

Velasco, Jr. (Chairperson), Villarama, Jr., Perez,[*] and *Jardeleza, JJ.,* concur.

THIRD DIVISION

[G.R. No. 190998. July 20, 2015]

SPOUSES ROBERT C. PADERANGA and JOVITA M. PADERANGA, *petitioners, vs.* **SPOUSES PENDATUN A. BOGABONG and NORMA P. BOGABONG; STALIN GEORGE PADERANGA and THE REGISTER OF DEEDS OF ILIGAN CITY; CIPRIANO RATUNIL; ANTONIO MIÑOZA; HEIRS OF TOMAS TAN SR., LOURDES TAN and LIBEN GO MEDINA,** *respondents*.

---

[*] Designated Acting Member in lieu of Associate Justice Bienvenido L. Reyes, per Special Order No. 2112 dated July 16, 2015.