Republic of the Philippines
Department of Finance
Securities and Exchange Commission
COMMISSION EN BANC

IN THE MATTER OF THE PETITION FOR DECLARATION OF A STATE OF SUSPENSION OF PAYMENT; FOR THE APPROVAL OF A REHABILITATION PLAN; AND THE APPOINTMENT OF A MANAGEMENT COMMITTEE,

VICTORIAS MILLING COMPANY, INC.,
Appellant,

SEC En Banc Case No. 11-17-433

-versus-

THE SECURITIES AND EXCHANGE COMMISSION SPECIAL HEARING PANEL 1 and GERARDO B. JAVELLANA,
Appellees.

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DECISION

This resolves the *Memorandum on Appeal*[1] (the "Appeal") filed on November 16, 2017, by Victorias Milling Company, Inc. ("VMC") seeking to reverse and set aside the *Order* dated October 18, 2017 ("Assailed Order") of the Special Hearing Panel 1 ("SHP1") for lack of jurisdiction and merit, the dispositive portion of which reads:

> "WHEREFORE, finding merit in the claim, Petitioner is **ORDERED** to **COMPUTE** and **PAY** the retirement benefits of Claimant, in accordance with the "Pension Plan for Certain Employees of Victorias Milling Company, Inc. (now the Miguel J. Osorio Pension Foundation, Inc.)" and "Victorias Milling Company, Inc. Supplementary Retirement Plan". Concomitantly, the Rehabilitation Receiver is **ORDERED** to **ALLOW**, **MONITOR** and **IMPLEMENT** the computation and payment of Claimant's retirement benefit."

[1] Notice of Appeal and Memorandum on Appeal dated November 10, 2017.
Supplement to the Memorandum on Appeal dated December 13, 2017, filed on December 15, 2017.

STATEMENT OF RELEVANT FACTS

Gerardo B. Javellana ("Claimant") was employed by VMC on June 16, 1971, and served the corporation in various positions until his resignation on May 31, 1997. During the Special Meeting of the VMC Board of Directors ("BOD") held on May 14, 1997, Claimant tendered his resignation to be effective on May 31, 1997, which was accepted by the VMC BOD[2]. At the time of his resignation, Claimant was VMC's President, holding said position since September 1, 1991.

On July 4, 1997, a little more than a month after Claimant's resignation, VMC filed with the Securities and Exchange Commission ("Commission") a *Petition for the Declaration of a State of Suspension of Payments, for the Approval of a Rehabilitation Plan and the Appointment of a Management Committee*[3] (the "VMC Petition"), alleging that although it has sufficient properties to cover all of its debts, it foresees its inability to pay them as they become due because of financial difficulties.

Acting on the VMC Petition, the Commission, in an *Order* dated July 8, 1997 (the "Suspension Order"), directing the suspension of all actions and claims against VMC pending before any court, tribunal, office, board, body and/or commission.

In an *Order* dated June 2, 1999, the Commission approved VMC's Rehabilitation Plan which was subsequently modified by and subjected to the terms of the First Addendum to the Updated Rehabilitation Plan dated February 5, 1999 and the Second Amendment to the Rehabilitation Plan dated July 22, 1999 (collectively, the "Approved Rehabilitation Plan").[4]

On January 27, 2003, Atty. Luis Ma. G. Uranza was appointed as the Rehabilitation Receiver of VMC.

In a letter dated April 8, 2008, Claimant requested from VMC for a computation of his pension benefits under and based on the Pension Plan for Certain Employees of VMC, as amended by the Miguel Osorio Pension Plan and the Supplementary Retirement Plan (collectively, the "Pension Plans").[5] The request was made by Claimant in anticipation of his 60th birthday on October 3, 2008 when he will allegedly qualify and become eligible to receive

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[2] Annex "2" of Annex "R" of the Memorandum on Appeal.
[3] Docketed as SEC Case No. 07-97-5693.
[4] Approved by the Commission on June 2, 1999, August 17, 1999, and August 19, 1999, respectively.
[5] Annex "C" of the Memorandum on Appeal.

the pension under the Pension Plans. Claimant made a number of follow-ups on his request in his letters dated September 8, 2008[6] and May 9, 2009[7].

In response to Claimant's request, VMC, through its Chief Finance Officer, Atty. Jerry T. Opinion, informed Claimant in a letter dated September 29, 2010, that his request for computation and payment of the retirement benefits under the Pension Plans cannot be favorably acted upon since VMC is under corporate rehabilitation, to wit:

> "Please be informed that since VMC is under corporate rehabilitation, it is the opinion of our Rehabilitation Receiver that VMC cannot make an outright payment to satisfy any claims for retirement benefit as this would give you undue preference to the disadvantage and detriment of VMC's other creditors.
>
> Our Rehabilitation Receiver also cited the Stay Order dated 08 July 1997 issued by the Securities and Exchange Commission suspending all actions or claims against VMC pending before any court, tribunal, office, board, body or the Commission itself as reaffirmed by the Supreme Court x x x ".[8]

In a letter dated October 18, 2010 addressed to VMC's Rehabilitation Receiver, Claimant sought for a reconsideration of the Rehabilitation Receiver's opinion which was used as basis by VMC in denying his request for payment of his retirement benefits. Claimant argues that the Rehabilitation Receiver's opinion discriminates against him and violates his constitutionally guaranteed right to equal protection of law[8]. In support thereof, Claimant informed the Rehabilitation Receiver of the alleged fact that VMC was paying the retirement benefits of other retirees.

In a letter dated November 26, 2010, the Rehabilitation Receiver informed Claimant that he was confirming and affirming the position of VMC that Claimant's request for payment of retirement benefits is a claim covered by the Suspension Order and cannot thus be granted[10]. The Rehabilitation Receiver also informed Claimant that his claim for retirement benefits is not an exception provided under the First Addendum to the Updated Rehabilitation Plan[9], because the clear tenor of the latter is to include only retirement benefits of the remaining employees and retirees at the time of the effectivity of the rehabilitation plan.

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[6] Annex "F" of the Memorandum on Appeal.
[7] Annex "F" of Annex "N" of the Memorandum on Appeal.
[8] Annex "G" of the Memorandum on Appeal.
[8] Annex "H" of the Memorandum on Appeal.
[10] Annex "J" of the Memorandum on Appeal.
[9] Annex "FF" of the Memorandum on Appeal.

On February 17, 2011, Claimant filed a *Motion for Leave to File Complaint-in-Intervention*[10] with the Commission praying that he be allowed to intervene in the proceedings on and relating to the VMC Petition, alleging therein that he has a legal interest in the rehabilitation of VMC on the basis of his claim for retirement benefits, including monthly pension, which VMC and its Rehabilitation Receiver, have refused to pay.

In an *Order* dated April 28, 2011,[11] the SHP1 denied Claimant's Motion for having been made without prior leave from the Commission, in violation of the Rules of Procedure on Corporate Recovery (the "Rules").

On June 16, 2011, Claimant filed a *Motion for Leave to File Claim*[12] ("Motion to File Claim"), with the attached *Claim for Payment of Retirement Benefits*[13] ("Claim for Payment"), praying that the Commission notes of and admits the same. In his Claim for Payment, Claimant prayed that the Commission renders a judgment declaring that his retirement benefits are excluded from the Suspension Order, and directing VMC to pay his retirement benefits consisting of a partial lump sum of Twenty Five Million Pesos (P25,000,000) and an monthly pension of One Hundred Twenty Five Thousand (P125,000)[14]. The Motion to File Claim was granted by the SHP1 in its *Order* dated June 21, 2011.[15]

On July 5, 2011, VMC filed an *Urgent Manifestation and Motion*[16], praying that an order be issued recalling its June 21, 2011 *Order* on the ground that VMC was not furnished copy of the Motion to File Claim, and that the same was granted despite the absence of a hearing thus depriving VMC of the opportunity to comment. The foregoing was however denied by the SHP1 in its *Order* dated July 15, 2011[17] for want of merit.

On August 16, 2011, VMC filed its Opposition[18], praying for the denial of Claimant's Claim for Payment on the ground, among others, that the payment of Claimant's retirement benefits is covered by the Suspension Order, and that Claimant's reliance on Section 4-21 of the Rules is misplaced in the light of the doctrine that all actions for claims against a corporation which under rehabilitation receiver or management committee are suspended

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[10] Annex "K" of the Memorandum on Appeal.
[11] Annex "L" of the Memorandum on Appeal.
[12] Annex "M" of the Memorandum on Appeal.
[13] Annex "N" of the Memorandum on Appeal.
[14] Ibid, p. 6.
[15] Annex "O" of the Memorandum on Appeal.
[16] Annex "P" of the Memorandum on Appeal.
[17] Annex "Q" of the Memorandum on Appeal.
[18] Annex "R" of the Memorandum on Appeal.

and the date when the claim arose or when the action was filed is of no moment.[19]

On September 5, 2011, the Rehabilitation Receiver filed his Comment dated August 31, 2011[20] praying for the denial of the Claimant's Claim for Payment on the ground of laches, and for his failure comply with Section 4-8 of the Rules[21]. The Rehabilitation Receiver supported and reiterated the position of VMC that Claimant is not entitled to receive retirement benefits.

On separate dates[22], the Claimant filed his Comment to VMC's Opposition and the Rehabilitation Receiver's Comment, praying for the issuance of judgment excluding from the Suspension Order his retirement benefits and directing VMC to pay his retirement benefits.

In compliance with the *Order*[23] dated November 11, 2011 of the SHP1, VMC, Claimant and Rehabilitation Receiver filed their Position Papers on March 30[24], April 30[25], and May 4, 2012[26], respectively. VMC also filed a Reply Position Paper on May 21, 2012. All parties reiterated their respective positions and allegations in their previous pleadings.

In an *Order* dated September 11, 2012, the SHP1 directed the parties to submit a Draft Decision pursuant to Section 7-2[27], Rule VII of the Rules. Consequently, Claimant, VMC and Rehabilitation Receiver filed a Draft Decision dated October 24, 2012[30], November 13, 2012[31], and January 4, 2013[32], respectively. Other than VMC's new argument that Claimant's Claim for Payment should be denied on the basis of laches, all parties reiterated their respective positions and allegations in their previous pleadings.

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[19] Citing Castillo v. Uniwide Warehouse Club Inc. et. al., G.R. No. 169725, April 30, 2010, 619 SCRA 641 and Malayan Insurance Company, Inc. v. Victorias Milling Company, Inc., G.R. No. 167768, April 17, 2009, 586 SCRA 45.
[20] Annex "S" of the Memorandum on Appeal.
[21] "Claims against the debtor of parties not included in the Schedule of Debts and Liabilities submitted by the debtor may be filed in the rehabilitation proceedings without need of a motion for intervention. When such a claim, however, is denied or disputed by the debtor, Interim Receiver or any creditor, proof thereof as a valid claim shall be heard as a separate incident of the rehabilitation proceedings and shall not delay the approval or implementation of the rehabilitation plan. The amounts of such claim shall be included in the total liabilities of the debtor only when the Commission is convinced that there is a prima facie proof of the validity thereof after conducting summary proceedings for the purpose."
[22] Annexes "T" and "U" of the Memorandum on Appeal.
[23] Annex "V" of the Memorandum on Appeal.
[24] Annex "X" of the Memorandum on Appeal.
[27] Annex "Y" of the Memorandum on Appeal.
[28] Annex "Z" of the Memorandum on Appeal.
[29] "Draft decision or orders. – Any party applying for or opposing the issuance of an order, resolution, ruling or decision shall attach to his last pleading a draft of the order, ruling, resolution or decision which he desires of the Commission to issue."
[30] Annex "CC" of the Memorandum on Appeal.
[31] Annex "BB" of the Memorandum on Appeal.
[32] Annex "DD" of the Memorandum on Appeal.

On the basis of the foregoing, the SHP1 issued the *Assailed Order*[28] affirming Claimant's entitlement to Retirement Benefits under the Pension Plans, and holding that the payment of which is not suspended under the Approved Rehabilitation Plan or Suspension Order. The SHP1 thus ordered VMC to compute and pay the retirement benefits of Claimant.

Hence, this *Appeal*.

In its Appeal[29], VMC posits that the SHP1 committed reversible error in directing the computation and payment of retirement benefits on the ground that the same is not within the jurisdiction of the Commission. VMC also argued that the SHP1 committed reversible error in finding that Claimant is entitled to receive retirement benefits, and that the same is not covered by the Suspension Order.

ISSUES

The issues presented for the resolution of the Commission are as follows:

(1) Whether or not the Commission has jurisdiction over Claimant's Claim for Payment;
(2) Whether or not Claimant is entitled to retirement benefits pursuant to the Pension Plans; and
(3) Whether or not the Claim for Payment is covered by the Suspension Order.

RULING

We find the Petition meritorious.

In considering and passing upon the jurisdictional issue, the other issues will necessarily be discussed considering that they relate to the very subject matter of the instant case, and the determination of whether this Commission has jurisdiction is essentially anchored on the same.

In its Appeal, VMC argues that SHP1 has no jurisdiction to adjudicate and award Claimant's Claim for Payment on the ground that rehabilitation proceedings are summary and non-adversarial in nature and do not contemplate adjudication of claims. In support thereof, VMC posits that the matter subject of Claimant's Claim for Payment is disputed because it calls

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[28] Annex "A" of the Memorandum on Appeal.
[29] Note 1, Supra.

for an interpretation of the provisions of the Pension Plans, hence, the determination and resolution of which is vested in the proper courts after the presentation of the parties' respective evidence.

We agree with Appellant VMC.

It is well-settled that jurisdiction over the subject matter is conferred by the Constitution or law. It cannot be fixed by the will of the parties; it cannot be acquired through, or waived, enlarged or diminished by, any act or omission of the parties. Neither is it conferred by acquiescence of the court.[30]

The Commission was granted jurisdiction over matters on corporate rehabilitation, and was empowered to create and/or appoint receivers and/or management committee under P.D. No. 902-A, as amended by P.D. No. 1653, 1758 and 1799, for the purpose of preserving the rights of parties-litigants and/or to protect the interests of the investing public.[31] The Securities Regulation Code likewise granted the Commission the authority to "*exercise such powers as may be provided by law as well as those which may be implied from, or which are necessary or incidental to the carrying out of, the express powers granted to the Commission to achieve the objectives and purposes of the Decree.*"[32] In the exercise of its jurisdiction over corporate rehabilitation cases, the Commission is guided by the Rules of Procedure on Corporate Recovery (the "Rules")[33].

In relation to the scope of and the exercise of its jurisdiction over corporate rehabilitation cases, the Commission was consistently guided by laws and established doctrines on jurisdiction, ruling that:

> "It is axiomatic that the jurisdiction of a tribunal, including a quasi-judicial officer or government agency, over the nature and subject matter of a petition or complaint is determined by the material allegations therein and the character of the relief prayed for, irrespective of whether the petitioner or complainant is entitled to any or all such relief.
>
> In this case, <u>the Commission's exclusive and original jurisdiction over the petition for suspension of payments or rehabilitation of corporations</u>, as well as incidents thereof, <u>is clearly provided in sections 5(d) and 6(c) and 6(d) of P.D. 902-A, as amended by P.D. No. 1758</u>.
>
> Thus, <u>the Commission, prior to the enactment of R.A. No. 8799 or the Securities Regulation Code (SRC) is empowered to hear and determine all claims by creditors against the distressed corporation</u>. Indeed,

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[30] De Jesus. v. Garcia, G.R. No. L-26816, February 28, 1967.
[31] Covers petitions filed by corporations for the suspension of claims and actions filed on or before June 30, 2000.
[32] Section 5.1(n) of RA 8799.
[33] December 21, 1999.

> section 5.2 of the SRC further declared that the Commission shall retain jurisdiction over pending suspension of payments/rehabilitation cases filed as of June 30, 2000 until finally disposed. This is the reason why the Commission should retain jurisdiction over the instant case, and any incidents thereof.[34] (Emphasis ours)

In *Philippine Asset Growth Two, Inc., et. al., vs. Fastech Synergy Philippines, Inc. et. al.,*[35] the Court explained the purpose of corporate rehabilitation, to wit:

> "Case law explains that corporate rehabilitation contemplates a continuance of corporate life and activities in an effort to restore and reinstate the corporation to its former position of successful operation and solvency, the purpose being to enable the company to gain a new lease on life and allow its creditors to be paid their claims out of its earnings. Thus, the basic issues in rehabilitation proceedings concern the viability and desirability of continuing the business operations of the distressed corporation, all with a view of effectively restoring it to a state of solvency or to its former healthy financial condition through the adoption of a rehabilitation plan." (Emphasis ours)

The rationale behind corporate rehabilitation was also discussed and explained by the Court in *Viva Shipping Lines, Inc. vs. Keppel Philippines Mining, Inc. et. al.,*[36], thus:

> "Corporate rehabilitation is to resuscitate businesses in financial distress because "assets . . . are often more valuable when so maintained than they would be when liquidated." Rehabilitation assumes that assets are still serviceable to meet the purposes of the business. The corporation receives assistance from the court and a disinterested rehabilitation receiver to balance the interest to recover and continue ordinary business, all the while attending to the interest of its creditors to be paid equitably. These interests are also referred to as the *rehabilitative* and the *equitable* purposes of corporate rehabilitation."

It bears emphasis that a corporate rehabilitation case is a special proceeding *in rem* wherein the petitioner seeks to establish the status of a party or a particular fact, *i.e.*, the inability of the corporate debtor to pay its debts when they fall due. It is summary and non-adversarial in nature. Its end goal is to secure the approval of a rehabilitation plan to facilitate the successful recovery of the corporate debtor. **It does not seek relief from an injury caused by another party**.[37] In *Advent Capital and Finance Corporation*

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[34] See Victorias Milling Company, Inc. v. Special Hearing Panel 1 and Dao Heng Bank, Inc. (SEC *En Banc* Case No. 01-15-353) and Victorias Milling Company, Inc. v. Special Hearing Panel 1 and Land Bank of the Philippines (SEC *En Banc* Case No. 04-16-399).
[35] G.R. No. 206528, June 28, 2016.
[36] G.R. No. 177382, February 17, 2016.
[37] Golden Cane Furniture Manufacturing Corporation v. Steelpro Philippines, Inc. et. al, G.R. No. 198222, April 4, 2016.

vs. Alcantara[38], the Court categorically defined the nature of the proceedings in corporate rehabilitation, thus:

> "Rehabilitation proceedings are summary and non-adversarial in nature, and do not contemplate adjudication of claims that must be threshed out in ordinary court proceedings. Adversarial proceedings similar to that in ordinary courts are inconsistent with the commercial nature of a rehabilitation case. The latter must be resolved quickly and expeditiously for the sake of the corporate debtor, its creditors and other interested parties. Thus, the Interim Rules "incorporate the concept of prohibited pleadings, affidavit evidence in lieu of oral testimony, clarificatory hearings instead of the traditional approach of receiving evidence, and the grant of authority to the court to decide the case, or any incident, on the basis of affidavits and documentary evidence." (Emphasis ours)

In the instant case, VMC filed its *Petition for the Declaration of a State of Suspension of Payments, for the Approval of a Rehabilitation Plan and the Appointment of a Management Committee* in 1997. On the basis of the laws and jurisprudence earlier cited, the Commission, through the SHP1, correctly took cognizance of the said Petition at the time when it was filed, the same being within its exclusive jurisdiction.

The next logical question is whether the acquisition of jurisdiction by the Commission over the Petition automatically included the acquisition of jurisdiction over the Claimant's Claim for Payment.

The SHP1 answered the foregoing in the affirmative when it ordered VMC to compute and pay the retirement benefits of Claimant in accordance with the Pension Plans, and directed the Rehabilitation Receiver to allow, monitor and implement the computation of Claimant's retirement benefits.

We hold that the SHP1 committed reversible error in taking cognizance of, and arrogating unto itself the jurisdiction over Claimant's Claim for Payment notwithstanding the fact as borne in the records of the case, that the same is highly contested and involves the interpretation of the provisions of the Pension Plans.

In the Assailed Decision, the SHP1 found that the principle on suspension of all claims and actions in corporate rehabilitation do not apply to Claimant's Claim for Payment, and considered the payment of Claimant's retirement benefits as a claim which is exempted from the operation of the Suspension Order, and payable by VMC during the period of rehabilitation. The SHP1 held that pursuant to Paragraph 3 of the First Addendum to the

[38] G.R. No. 183050, January 25, 2012.

Updated Rehabilitation Plan[39], VMC intended and agreed to pay the retirement benefits under the Retirement Plan during the period of rehabilitation. Applying Section 4-21 of the Rules[40], the SHP1 concluded that VMC was under obligation to pay the retirement benefits since it was incurred in 2008 after the approval of the Rehabilitation Plan, and eventually ordered its computation and payment.

We do not agree.

A careful examination of the records will readily show that the matter relating to the Claimant's retirement benefits, including his entitlement thereto under the Pension Plans is highly contested.

In his Position Paper dated 30 April 2012, Claimant argued that he is entitled to the retirement benefits provided under the Pension Plans[41], and presented his interpretation of the relevant provisions in support thereof. Claimant alleged that VMC and the Rehabilitation Receiver admitted the same. VMC disagrees with Claimant. In its Position Paper dated 20 March 2012[42], VMC vigorously maintained that Claimant is not entitled to his retirement benefits for his failure to fulfill his duties and responsibilities as President of the company. The position of VMC was fully supported by the Rehabilitation Receiver who likewise argued that Claimant is not entitled to payment of retirement benefits on the alleged ground that his employment was terminated for cause.[43]

The matter relating to Claimants entitlement to retirement benefits is provided for and can be determined in the Pension Plans. Considering that under the foregoing, the parties hold and maintain positions that are totally in conflict with each other on Claimant's entitlement to retirement benefits, it is thus clear that Claimant's claim is contested since it requires a determination and adjudication on the proper interpretation of the relevant provisions of the Pension Plans. We agree with VMC and the Rehabilitation Receiver that this is a matter which is outside the jurisdiction of the Commission.

It bears emphasis that the enactment of Republic Act No. 10142, otherwise known as the Financial Rehabilitation and Insolvency Act (FRIA)

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[39] "VMC shall continue to recognize existing benefits granted to remaining employees, pay for all retirement benefits, including those past due, and shall continuously fund the VMC Pension Plan and to pay for the cost of administering the same."

[40] "The approval of the Rehabilitation Plan shall suspend the creditors' claims against the debtor in accordance therewith. Payments to the creditors shall be allowed to the extent called for by the plan. Contracts and other arrangements between the debtor and its creditors shall be interpreted as continuing insofar as they are not in conflict with the provisions of the Plan. Claims incurred after the approval of the Plan and in the implementation thereof are not subject to any suspension order."

[41] See pages 17-20.

[42] See pages 23-31.

[43] See pages 5-8 of the Position Paper dated May 4, 2012 of the Rehabilitation Receiver.

of 2010, which eventually transferred to the regular courts the jurisdiction over rehabilitation cases, did not alter the basic principle and purpose of corporate rehabilitation. Section 3 of FRIA provides:

> "The proceedings under this Act shall be in rem. Jurisdiction over all persons affected by the proceedings shall be considered as acquired upon publication of the notice of the commencement of the proceedings in any newspaper of general circulation in the Philippines in the manner prescribed by the rules of procedure to be promulgated by the Supreme Court.
>
> The proceedings shall be conducted in a summary and non-adversarial manner consistent with the declared policies of this Act and in accordance with the rules of procedure that the Supreme Court may promulgate." (Emphasis ours)

In *Allied Banking Corporation vs. Equitable PCI Bank, Inc*.[44], the Court, quoting with approval the disquisition of the Court of Appeals, emphasized the fundamental tenet in corporate rehabilitation embodied in the afore-quoted provision, thus:

> "It should be stressed that the Interim Rules was enacted to provide for a summary and non-adversarial rehabilitation proceedings. This is in consonance with the commercial nature of a rehabilitation case, which is aimed to be resolved expeditiously for the benefit of all the parties concerned and the economy in general." (Emphasis ours)

The importance of the foregoing cannot be overemphasized considering that it justifies the exclusion from the jurisdiction of the rehabilitation courts, including this Commission in so far as it relates to the instant case, claims which are contested.

In *Steel Corporation of the Philippines vs. Mapfre Insular Insurance Corporation, et. al.*[45], the Court dismissed the argument of the RTC that acting as a court of general jurisdiction, it has competence to take cognizance of the disputed insurance claims which was denied by the insurer for alleged violation of the insurance policies, and categorically ruled that it is contrary to the very nature of rehabilitation proceedings which are summary and non-adversarial, thus:

> "The RTC, acting as rehabilitation court, has no jurisdiction over the subject matter of the insurance claim of SCP against respondent insurers. SCP must file a separate action for collection where respondent insurers can properly thresh out their defenses. SCP cannot simply file with the RTC a motion to direct respondent insurers to pay insurance proceeds. Section 3 of Republic Act No. 10142 states that rehabilitation proceedings are "summary and non-adversarial" in nature. They do not include adjudication of claims that require full trial on the merits, like SCP's insurance claim against respondent insurers. In Advent Capital and Finance Corporation v. Alcantara, the Court held that:

[44] G.R. No. 191939, March 14, 2018.
[45] G.R. No. 201199, October 16, 2013.

> Ultimately, the issue is what court has jurisdiction to hear and adjudicate the conflicting claims of the parties over the dividends that Belson held in trust for their owners. Certainly, not the rehabilitation court which has not been given the power to resolve ownership disputes between Advent Capital and third parties. xxx.

> Rehabilitation proceedings are summary and non-adversarial in nature, and do not contemplate adjudication of claims that must be threshed out in ordinary court proceedings. Adversarial proceedings similar to that in ordinary courts are inconsistent with the commercial nature of a rehabilitation case. The latter must be resolved quickly and expeditiously for the sake of the corporate debtor, its creditors and other interested parties. Thus, the Interim Rules "incorporate the concept of prohibited pleadings, affidavit evidence in lieu of oral testimony, clarificatory hearings instead of the traditional approach of receiving evidence, and the grant of authority to the court to decide the case, or any incident, on the basis of affidavits and documentary evidence.

> Here, Advent Capital's claim is disputed and requires a full trial on the merits. It must be resolved in a separate action where the Alcantaras' claim and defenses may also be presented and heard." (Emphases ours)

Applying the foregoing doctrine to the instant case, the SHP1 was clearly devoid of jurisdiction to take cognizance of Claimant's Claim for Payment because the same involves the interpretation of the provisions of the Pension Plans, which is contractual in nature, and requires from the parties the presentation of evidence in support of their respective conflicting positions and claims. These are matters that have been ordained by law to be under the exclusive jurisdiction of the courts, and not by the Commission sitting as rehabilitation tribunal, because they are by nature, civil actions when filed in court.

In *Rombe Eximtrade (Phils.), Inc. et. al. vs. Asiatrust Development Bank*[46], the Court had the occasion to explain the difference between a civil action and a petition for rehabilitation, to wit:

> "A civil action is one by which a party sues another for the enforcement or protection of a right or the prevention or redress of a wrong. On the other hand, a petition for rehabilitation, the procedure for which is provided in the Interim Rules of Procedure on Corporate Recovery, should be considered as a special proceeding. It is one that seeks to establish the status of a party or a particular fact. As provided in section 1, Rule 4 of the Interim Rules on Corporate Recovery, the status or fact sought to be established is the inability of the corporate debtor to pay its debts when they fall due so that a rehabilitation plan, containing the formula for the successful recovery of the corporation, may be approved in the end. It does not seek a relief from an injury caused by another party."

[46] G.R. No. 164479, February 13, 2008.

In the instant case, Claimant's Claim for Payment became an action for payment cognizable by the courts after VMC and the Rehabilitation Received denied the same on the alleged ground that he is not entitled to payment of retirement benefits. The foregoing is supported by the allegations of Claimant that he has been discriminated against and has been deprived of his constitutional right to property without due process of law i.e. "*by their very acts of withholding the payment of and seizing the CLAIMANT's retirement benefits, VMC and the Rehabilitation Receiver violate the Constitution, the Labor Code and RA 7641 of the Retirement Law, and RA 4917*."[47] Claimant is clearly seeking the enforcement or protection of his alleged right to receive retirement benefits and/or the redress of a wrong consisting of VMC's alleged act of denying payment of and/or seizing his retirement benefits. This is clearly a civil action which is beyond the power or authority of the SHP1 to take cognizance of.

On the basis thereof, we rule that the determination of Claimant's alleged rights and VMC's obligations pursuant to the Pension Plans is an issue that could be resolved by applying pertinent provisions of the Civil Code. Thus, the instant case falls outside the statutory and limited jurisdiction of rehabilitation tribunals and is within the jurisdiction of ordinary civil courts. While the existence and validity of the Pension Plans and the Approved Rehabilitation Plan are undisputed, the parties have conflicting interpretation and views on their provisions that define parties' rights and/or obligations, which should be decided by the ordinary courts as they belong to the realm of general civil law which is not within the expertise or training of members of the Commission to interpret and apply.

We thus agree with VMC that the SHP1 committed reversible error in taking cognizance of Claimant's Claim for Payment, and in ordering the computation and payment thereof based on its interpretation of the Pension Plans in relation to the Approved Rehabilitation Plans.

Finally, in the context of the finding that the Claimant's Claim for Payment is a disputed claim, We do not see the need to pass upon the issue of whether the same is exempt from the operation of the Suspension Order. It is clear though that until the matter is resolved by a proper court of competent jurisdiction, the retirement benefits which Claimant claims to be due and demandable, cannot and should not be recognized by the Rehabilitation Receiver as part of the obligations of VMC. If at all, it is an inchoate obligation or liability on the part of VMC which is subject to the confirmation of the court based on the appreciation of the evidence presented by the parties.

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[47] See page 26 of Claimant's Position Paper dated April 20, 2012.

While jurisprudence has leaned in favor of recognizing the jurisdiction of quasi-judicial bodies, this jurisdiction must always be viewed within the context of its grant. The law vests quasi-judicial powers to administrative bodies over matters that require their particular competence and specialized expertise. This grant of jurisdiction is not and should not be justification to deprive courts of law of their jurisdiction as determined by law and the Constitution. Courts of law are the instruments for the adjudication of legal disputes. In a system of government where courts of law exist alongside quasi-judicial bodies, the need to harmonize apparent conflicts in jurisdiction require a determination of whether the matter to be resolved pertains to a general question of law which belongs to ordinary courts or whether it refers to a highly specialized question that can be better resolved by a quasi-judicial body in accordance with its power vested by law[48]. Otherwise, the creeping take-over by the administrative agencies of the judicial power in the courts would render the judiciary virtually impotent in the discharge of the duties assigned to it by the Constitution[49]. (Emphasis ours)

WHEREFORE, premises considered, the instant Appeal is hereby **GRANTED.** The October 18, 2017 *Order* of the Special Hearing Panel 1 is hereby **REVERSED** and **SET ASIDE**.

SO ORDERED.

Pasay City, Philippines, 02 August 2020.

EMILIO B. AQUINO
Chairperson

EPHYRO LUIS B. AMATONG
Commissioner

JAVEY PAUL D. FRANCISCO
Commissioner

KELVIN LESTER K. LEE
Commissioner

KARLO S. BELLO
Commissioner

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[48] Rene H. Imperial, et. al. v. Hon. Edgar L. Armes et. al., G.R. No. 178842, January 30, 2017.
[49] Macapalan v. Katalbas-Moscardon, G.R. 101711, October 1, 1993.