

Title: **Philippine National Bank vs. Lilian S. Soriano**

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**Facts:**

Philippine National Bank (PNB) extended a credit facility of Thirty Million Pesos (₱30,000,000) to Lisam Enterprises, Inc., a corporation chaired and presided by Lilian S. Soriano. Altogether, Lisam availed ₱29,645,944.55 through 52 Trust Receipts (TRs), promising to sell the motor vehicles received under these TRs and to turn over the sales proceeds to PNB. A physical inventory revealed that the vast majority of these vehicles had been sold but Soriano failed to remit the proceeds despite several demands.

Soriano contended that her obligation was purely civil in nature, highlighting an approved restructuring proposal that reclassified these availments under an Omnibus Line, apparently waiving criminal liabilities under the Trust Receipts Law. Despite PNB's objections and insistence on Soriano's criminal liability, the Naga City Prosecutor initially found probable cause to charge Soriano with estafa, leading to the filing of criminal charges.

However, upon review, the DOJ reversed this resolution, directing the withdrawal of the charges, which the RTC subsequently obliged. PNB's motion for reconsideration was denied, prompting an appeal to the Court of Appeals, which upheld the DOJ's decision, leading to PNB's further appeal to the Supreme Court.

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**Issues:**

1. Whether the Court of Appeals erred in affirming the DOJ's ruling that the restructuring of LISAM's loan secured by trust receipts extinguished Soriano's criminal liability therefor.
  2. Whether the DOJ's directive for the withdrawal of the criminal cases against Soriano divested the RTC of its jurisdiction, thereby infringing established rules.
  3. Whether the reinstatement of the 51 counts of criminal cases against Soriano would violate her constitutional right against double jeopardy.
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**Court's Decision:**

The Supreme Court granted PNB's petition, reversing the Court of Appeals' decision and the DOJ's resolutions. The Court clarified that the purported loan restructuring did not constitute novation thus, did not extinguish Soriano's liability under the Trust Receipts Law. It established that novation is never presumed and must be clearly established, which was not the case here. Therefore, LISAM's restructuring proposal did not convert the nature of Soriano's obligation from criminal to purely civil. Additionally, regarding the issues on jurisdiction and double jeopardy, the Court found that the withdrawal of charges by the RTC upon DOJ's directive did not strip the court of its jurisdiction, and reinstating the charges did not infringe on Soriano's right against double jeopardy since the essential requirement of a valid termination of the first jeopardy was not met.

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**\*\*Doctrine:\*\***

The restructuring of a loan obligation secured by trust receipts does not automatically constitute novation that would extinguish criminal liability under the Trust Receipts Law. Novation must be clearly and unmistakably established by the consenting parties or through their unequivocal acts. Additionally, the withdrawal of criminal charges upon the directive of the Department of Justice does not oust the trial court of its jurisdiction nor does reinstatement of such charges after withdrawal contravene the constitutional protection against double jeopardy.

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**\*\*Class Notes:\*\***

- **\*\*Novation\*\***: For novation to extinguish an obligation, it must be unmistakably declared or the old and new obligations must be completely incompatible.
- **\*\*Doctrine of Double Jeopardy\*\***: Requires (a) a valid indictment, (b) before a competent court, (c) valid arraignment and plea, (d) conviction, acquittal, or dismissal without the accused's consent.
- **\*\*Grave Abuse of Discretion\*\***: A whimsical, capricious exercise of judgment equivalent to lack or excess of jurisdiction.

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**\*\*Historical Background:\*\***

This case delves into the complicated interplay between criminal liability under the Trust Receipts Law and the civil aspects of loan restructuring. The Trust Receipts Law was designed to facilitate financial transactions involving movable goods while imposing criminal sanctions for misuse or misappropriation of entrustment. The challenge in cases like PNB vs. Soriano arises when corporate debt restructuring efforts intersect with obligations under trust receipts, prompting a legal examination of whether such restructuring efforts can alter the nature of the entrustee's liability from criminal to civil. This case reaffirms the principle that criminal liability for offenses under the Trust Receipts Law is not easily extinguished by mere loan restructuring or novation, emphasizing the need for clear and express terms to effectuate such a change.