

Title: Ortigas & Company, Limited Partnership v. Feati Bank and Trust Co.

Facts:

Ortigas & Company, Limited Partnership (plaintiff-appellant) is a real estate business that developed and sold lots in Highway Hills Subdivision along Epifanio de los Santos Avenue (EDSA) in Mandaluyong, Rizal. On March 4, 1952, plaintiff sold lots to Augusto Padilla y Angeles and Natividad Angeles (vendees). These lots were later transferred to Emma Chavez, who eventually received the titles (TCT Nos. 101509 and 101511) with building restrictions for residential use. Feati Bank and Trust Co. (defendant-appellee) bought Lots Nos. 5 and 6 from Emma Chavez and Republic Flour Mills, respectively—with corresponding TCT Nos. 101613 and 106092 indicating the same residential restrictions.

Defendant-appellee, citing a Municipal Resolution (No. 27) that designated the area along EDSA from Shaw Boulevard to Pasig River as a commercial and industrial zone, started constructing a commercial building for banking purposes on the lots in question. Plaintiff-appellant contested this construction, arguing that it violated the building restrictions annotated on the title, which designated the properties for exclusive residential use. Plaintiff-appellant filed a complaint (Civil Case No. 7706) and moved for a preliminary injunction to stop the construction.

Procedural Posture:

The Court of First Instance of Rizal dismissed the complaint for lack of merit, holding that the municipal resolution overrode the private building restrictions. Plaintiff-appellant filed a motion for reconsideration, which was denied. Subsequently, plaintiff-appellant filed an appeal with the Supreme Court, claiming the trial court erred by considering the municipal resolution as a valid exercise of police power and by failing to consider if such a council had the authority to nullify contractual obligations assumed by defendant-appellee.

Issues:

1. Whether Resolution No. 27 s-1960 of the Municipal Council of Mandaluyong declaring the area in question a commercial and industrial zone is a valid exercise of police power.
2. Whether said resolution can nullify or supersede the building restrictions annotated in the corresponding Transfer Certificates of Title.

Court's Decision:

The Supreme Court upheld the trial court's decision and affirmed the dismissal of the complaint. It maintained the validity of the municipal resolution as a legitimate exercise of

police power. Additionally, it ruled that the resolution could supersede the building restrictions, indicating that while the non-impairment of contracts is constitutionally guaranteed, it must be reconciled with the legitimate exercise of police power.

**Doctrine:**

Police power may supersede private contractual agreements when it is exercised to promote the health, safety, peace, good order, and general welfare of the people. Restrictions in private deeds cannot limit the exercise of the state's police power when such power is legitimately invoked.

**Class Notes:**

1. Non-impairment clause (Constitution of the Philippines, Article III, Section 10): Contracts cannot be impaired except in the exercise of police power for public welfare.
2. Police power: The state's inherent power to regulate conduct to protect the public's health, safety, morals, and general welfare, sometimes superseding private contractual arrangements.
3. Resolution of conflicts: When contractual rights and police power are in conflict, the courts must balance individual rights against the public interest.
4. Vested rights vs. public welfare: The legitimate exercise of police power may modify or set aside vested contractual rights to promote the societal welfare.

**Historical Background:**

This case underscores the evolution of the doctrine that the exercise of police power by the government can alter or supersede private agreements when necessary to serve the public interest. It highlights the inherent tension and necessary reconciliation between individual property rights and broader social welfare. The emergence of this case is set against the backdrop of urban development and the growing complexity of balancing private interests with community growth in the Philippines, particularly within the context of the expansion and commercialization of Metro Manila during the mid-20th century.