

Title: Loyola Grand Villas Homeowners (South) Association, Inc. v. Hon. Court of Appeals, Home Insurance and Guaranty Corporation, Emden Encarnacion and Horatio Aycardo

Facts:

The Loyola Grand Villas Homeowners Association Inc. (LGVHAI) was organized on February 8, 1983, for the Loyola Grand Villas subdivision and was registered with the Home Financing Corporation, later known as the Home Insurance and Guaranty Corporation (HIGC). However, LGVHAI failed to file its by-laws within the mandated period. In 1988, it attempted to register its by-laws but was surprised to find the existence of two other associations—Loyola Grand Villas Homeowners (North) and (South) Associations—both registered with HIGC and with their own by-laws filed.

Claiming to be the sole homeowners' association, LGVHAI complained to the HIGC regarding the revocation of its certificate without notice and hearing, and the registration of the two other associations contravening its earlier issued certificate. The HIGC Hearing Officer ruled in favor of LGVHAI, revoking the registration of the North and South Associations.

The South Association appealed to the HIGC Appeals Board and was dismissed. It further appealed to the Court of Appeals, raising questions about the effects of the failure to file by-laws and the possibility of two associations in one subdivision. The CA affirmed HIGC's decision, citing that the filing of by-laws being delayed does not entail automatic dissolution as per Corporation Code and P.D. 902-A, and approval of LGVHAI continued.

The South Association then elevated the case to the Supreme Court, arguing that the mandatory nature of Section 46 of the Corporation Code on filing by-laws should have automatically dissolved LGVHAI for non-compliance.

Issues:

The primary legal issue was whether the failure of a corporation to file its by-laws within one month from incorporation as mandated by Section 46 of the Corporation Code results in its automatic dissolution.

Court's Decision:

The Supreme Court denied the petition for review on certiorari and affirmed the CA decision, holding that the word "must" in Section 46 of the Corporation Code is directory rather than mandatory. The Court turned to the legislative intent and indicated that the failure to file the by-laws does not imply an automatic dissolution of the corporation. By-laws

are not essential to the existence of a corporation but are necessary for its governance. The Supreme Court emphasized due process, which requires proper notice and hearing before any revocation, and referred to P.D. 902-A, which provides that non-filing of by-laws is merely a ground for suspension or revocation of the certificate of registration. Accordingly, LGVHAI remained the duly registered homeowners' association for Loyola Grand Villas.

**Doctrine:**

The failure to file by-laws within the mandated period per Section 46 of the Corporation Code does not result in the automatic dissolution of a corporation but serves only as a ground for potential suspension or revocation upon proper notice and hearing as prescribed in P.D. 902-A.

**Class Notes:**

1. The mandatory nature of statutory terms can be directory if legislative intent and reasonable construction demand.
2. Conditions subsequent in corporate development such as the filing of by-laws are not prerequisites to corporate existence but are essential for orderly management and governance.
3. Proper notice and hearing are required in administrative due process before the SEC can exercise its power to suspend or revoke a corporation's franchise or certificate of registration for failure to file by-laws.
4. P.D. 902-A Section 6(I) prescribes the actual remedy for non-filing of by-laws, filling a legislative gap in the Corporation Code.

**Historical Background:**

The case contextualizes how a legislative gap in the Corporation Code regarding penalties for non-compliance in the filing of by-laws was addressed by Presidential Decree 902-A, thus influencing the interpretation and application of Section 46 by the courts. This case represents a legal development pivoting from automatic implications of certain actions or inactions to procedural due process requirements and the promotion of corporate existence within the bounds of the law.