

****Title:****

First Sarmiento Property Holdings, Inc. v. Philippine Bank of Communications, G.R. No. 204420 (2018)

****Facts:****

1. ****Loan Agreements:****

- On June 19, 2002, First Sarmiento Property Holdings, Inc. (First Sarmiento) obtained a P40,000,000.00 loan from Philippine Bank of Communications (PBCOM), secured by a real estate mortgage over 1,076 parcels of land.

- Amendments:

- March 15, 2003: Increase to P51,200,000.00.

- September 15, 2003: Increase to P100,000,000.00.

2. ****Foreclosure Initiation:****

- January 2, 2006: PBCOM filed a Petition for Extrajudicial Foreclosure of the real estate mortgage due to non-payment by First Sarmiento.

- PBCOM claimed that it sent demand letters which were allegedly ignored by First Sarmiento.

3. ****Initial Complaint and Court Interaction:****

- December 27, 2011: First Sarmiento attempted to file a Complaint to annul the real estate mortgage but the Clerk of Court refused due to lack of tax declarations for the mortgaged properties (necessary for docket fee assessment).

- December 29, 2011:

- First Sarmiento files an Urgent Motion to consider their complaint incapable of pecuniary estimation, granted by the Regional Trial Court (RTC).

- Auction of properties took place with PBCOM as highest bidder.

4. ****Subsequent Legal Actions:****

- January 2, 2012: First Sarmiento properly files the Complaint to annul the real estate mortgage, paying P5,545.00 in filing fees.

- Executive Judge issues an ex-parte 72-hour temporary restraining order (TRO).

- January 4, 2012: RTC orders a status quo ante.

- PBCOM contests lack of jurisdiction due to First Sarmiento's failure to pay appropriate filing fees based on the value of the properties.

- April 3, 2012: RTC dismisses the Complaint for lack of jurisdiction.

- July 25, 2012: RTC denies motion for reconsideration.

5. **Petition to the Supreme Court:**

- August 17, 2012: First Sarmiento files a Petition for Review under Rule 45, maintaining that their action was incapable of pecuniary estimation.

- PBCOM responded, arguing substantial real property interest and jurisdictional issues.

6. **Deliberations by the Supreme Court:**

- Supreme Court examines jurisdiction over docket fees, nature of action as incapable of pecuniary estimation.

- February 1, 2013, and May 30, 2013: Parties submit their respective Replies and Memoranda.

Issues:

1. **Jurisdiction of the RTC:**

- Whether the RTC correctly assessed that the action for annulment of the mortgage was a real action, requiring the payment of docket fees based on the value of the properties.

- Whether the RTC improperly dismissed the Complaint due to an insufficient filing fee based on the contested nature of the action.

2. **Nature of the Action:**

- Whether the Complaint's principal relief sought by First Sarmiento is incapable of pecuniary estimation, thus fitting within the RTC's jurisdiction absent the value-based filing fee.

3. **Validity of TRO Extension:**

- Whether the continued status quo ante issued by the RTC indefinitely extending the initial 72-hour TRO was legally valid.

Court's Decision:

1. **Jurisdiction & Nature of the Action:**

- RTC erred in treating the action as a real action based primarily on recovery of real property. The principal action was for the annulment of the mortgage contract, asserting that they received no loan proceeds.

- The Supreme Court upheld that the action, primarily challenging the legitimacy and existence of contractual obligations, was incapable of pecuniary estimation.

- The Supreme Court noted that since First Sarmiento still held legal ownership at the filing time, it did not seek reconveyance of property, validating the filing fee based on incapable pecuniary estimation.

2. **Invalid TRO Extension:**

- The Supreme Court criticized the RTC's process of indefinitely extending the TRO without appropriate hearings to evaluate the need for a preliminary injunction.

3. **Ruling Decision:**

- The Supreme Court reversed the RTC's dismissal, ruling in favor of appropriate jurisdiction over the case, and remanded the case back to the RTC for trial on merits.

Doctrine:

- **Determination of Nature:** The nature of the principal action must be ascertained to rule whether an action is capable or incapable of pecuniary estimation.

- **Principal Relief Sought:** If principal relief is not for monetary or real property recovery, the action is incapable of pecuniary estimation.

- **Filing Fees Assessment:** Compliance with fee assessment doctrine, indicating the absence of jurisdiction for strict adherence without derogation of good faith or fraudulent intentions.

- **TRO Limitations:** Courts cannot extend TROs indefinitely; they must observe procedural limitations and ensure hearings are conducted.

Class Notes:

- **Jurisdiction:** Determined by principal action or relief in the complaint.

- **Pecuniary Estimation:** Actions clearly not aiming to recover monetary amounts or property but annulling contracts fall under incapable pecuniary estimation.

- **Filing Fees:** Computed based on jurisdictional classification (capable/incapable of pecuniary estimation). Miscomputation does not invalidate jurisdiction if no bad faith.

- **Temporary Restraining Orders:** Strictly limited to 72 hours (urgent), renewable within procedures to maximum of 20 days without indefinite practices.

Historical Background:

This case illustrates the evolving judicial interpretation to clearly demarcate real actions versus actions incapable of pecuniary estimation within the Philippine judicial system. The

case reaffirms jurisprudential consistency in handling fee structures aligned with rightful jurisdiction assertions, emphasizing the necessity of comprehensive determination of main action causes amid contractual disputes. This decision also underscores systemic clarifications eliminating inherited ambiguities for ensuing jurisdictional reviews.