

**JOSE A. BELTRAN, ET AL., PLAINTIFFS-APPELLANTS, VS.
PEOPLE'S HOMESITE & HOUSING CORPORATION,
DEFENDANTS-APPELLEES.**

G.R. No. L-25138. August 28, 1969

Ponente: TEEHANKEE, J.

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TEEHANKEE, J.:

Appeal on purely questions of law from an order of dismissal of the complaint for interpleader, on the ground that it does not state a cause of action, as certified to this Court by the Court of Appeals. We affirm the dismissal on the ground that where the defendants sought to be interpleaded as conflicting claimants have no conflicting claims against plaintiff, as correctly found by the trial court, the special civil action of interpleader will not lie.

This interpleader suit was filed on August 21, 1962, by plaintiffs in their own behalf and in behalf of all residents of Project 4 in Quezon City, praying that the two defendant-government corporations be compelled to litigate and interplead between them-selves their alleged conflicting claims involving said Project 4.

Plaintiffs' principal allegations in their complaint were as follows: Since they first occupied in 1953 their respective housing units at Project 4, under lease from the People's Home-site & Housing Corporation (PHHC) and paying monthly rentals therefor, they were assured by competent authority that after five years of continuous occupancy, they would be entitled to purchase said units. On February 21, 1961, the PHHC announced to the tenants that the management, administration and ownership of Project 4 would be transferred by the PHHC to the Government Service Insurance System (GSIS) in payment of PHHC debts to the GSIS. In the same announcement, the PHHC also asked the tenants to signify their conformity to buy the housing units at the selling price indicated on the back thereof, agreeing to credit the tenants, as down payment on the selling price, thirty (30%) percent of what had been paid by them as rentals. The tenants accepted the PHHC offer, and on March 27, 1961, the PHHC announced in another circular that all payments made by the tenants after March 31, 1961 would be considered as amortizations or installment-payments. The PHHC furthermore instructed the Project Housing Manager in a memorandum of May 16, 1961 to accept as installments on the selling price the payments made after March 31, 1961 by tenants who were up-to-date in their accounts as of said date. In September, 1961, pursuant to the PHHC--GSIS arrangement, collections from tenants on rentals and/or installment payments were delivered by the PHHC to the GSIS. On December 27, 1961, the agreement of turn-over of administration and ownership of PHHC properties, including Project 4, was executed by PHHC in favor of GSIS, pursuant to the release of mortgage and amicable settlement of the extra-judicial foreclosure proceedings instituted in May, 1960 by GSIS against PHHC. Subsequently, however, PHHC through its new Chairman-General Manager, Esmeraldo Eco, refused to recognize all agreements and undertakings previously entered into with GSIS, while GSIS insisted on its legal rights to enforce the said agreements and was upheld in its contention by both the Government Corporate Counsel and the Secretary of Justice. Plaintiffs thus claimed that these conflicting claims between the defendants-corporations caused them great inconvenience and incalculable moral and material damage, as they did not know to whom they should pay the monthly amortizations or payments. They further

alleged that as the majority of them were GSIS policy holders, they preferred to have the implementation of the outright sale in their favor effected by the GSIS, since the GSIS was "legally entitled to the management, administration and ownership of the PHHC properties in question." [1]

Upon urgent ex-parte motion of plaintiffs, the trial Court issued on August 23, 1962 its Order designating the People's First Savings Bank at Quezon City "to receive in trust the payments from the plaintiffs on their monthly amortizations on PHHC lots and to be released only upon proper authority of the Court." [2]

On August 29, 1962, the two defendant corporations represented by the Government Corporate Counsel filed a Motion to Dismiss the complaint for failure to state a cause of action as well as to lift the Court's order designating the People's First Savings Bank as trustee to receive the tenants' payments on the PHHC lots.

The trial Court heard the motion on September 1, 1962 in the presence of all the parties, and thereafter issued its Order of September 6, 1962, dismissing the Complaint, ruling that: "During the hearing of the said motion and opposition thereto, the counsel for the defendants ratified the allegations in his motion and made of record that the defendant Government Service Insurance System has no objection that payments on the monthly amortizations from the residents of Project 4 be made directly to the defendant People's Homesite and Housing Corporation. From what appears in said motion and the statement made in open court by the counsel for the defendants that there is no dispute as to whom the residents of Project 4 should make their monthly amortizations payments, there is, therefore, no cause of action for interpleading and that the order of August 23, 1962 is not warranted by the circumstances surrounding the case. In so far as payments are concerned, defendant GSIS has expressed its conformity that they be made directly to defendant PHHC. Counsel for defendants went further to say that whatever dispute, if any, may exist between the two corporations over the lots and buildings in Project 4, payments made to the PHHC will not and cannot in any way affect or prejudice the rights of the residents thereof as they will be credited by either of the two defendants." [3]

Plaintiffs subsequently filed their motion for reconsideration and the trial court, "with a view to thresh out the matter once and for all", called the Managers of the two defendants-corporations and the counsels for the parties to appear before it for a conference on October 24, 1962. "During the conference," the trial court related in its Order of November 20, 1962, denying plaintiffs' Motion for Reconsideration, "Manager Diaz of the GSIS made of record that he has no objection that payments be made to the PHHC. On the other hand Manager Eco of the PHHC made of record that at present there is a standing arrangement between the GSIS and the PHHC that as long as there is showing that the PHHC has remitted 100% of the total purchase price of a given lot to the GSIS, the latter corporation shall authorize the issuance of title to the corresponding lot. It was also brought out in said conference that there is a new arrangement being negotiated between the two corporations that only 50% of the purchase price be remitted to the GSIS by the PHHC, instead of the 100%. At any rate the two Managers have assured counsel for the plaintiffs that upon payment of the whole purchase price of a given lot, the title corresponding to said lot will be issued." [4]

On appeal, plaintiffs claim that the trial Court erred in dismissing their suit, contending the allegations in their complaint "raise questions of fact that can be established only by answer and trial on the merits and not by a motion to dismiss heard by mere oral manifestations in open court," and that they "do not know who, as between the GSIS and the PHHC, is the right and lawful party to receive their monthly amortizations as would eventually entitle them to a clear title to their dwelling units." [5]

Plaintiffs entirely miss the vital element of an action of interpleader. Rule 63 section 1 of the Revised Rules of Court (formerly Rule 14) requires as an indispensable element that "conflicting claims upon the same subject matter are or may be made" against the plaintiff-in-interpleader "who claims no interest whatever in the subject

matter or an interest which in whole or in part is not disputed by the claimants." While the two defendant corporations may have conflicting claims between themselves with regard to the management, administration and ownership of Project 4, such conflicting claims are not against the plaintiffs nor do they involve or affect the plaintiffs. No allegation is made in their complaint that any corporation other than the PHHC which was the only entity privy to their lease-purchase agreement, ever made on them any claim or demand for payment of the rentals or amortization payments. The questions of fact raised in their complaint concerning the enforceability," and recognition or non-enforceability and non-recognition of the turn-over agreement of December 27, 1961 between the two defendant corporations are irrelevant to their action of interpleader, for these conflicting claims, loosely so-called, are between the two corporations and not against plaintiffs. Both defendant corporations were in conformity and had no dispute, as pointed out by the trial court that the monthly payments and amortizations should be made directly to the PHHC alone.

The record rejects plaintiffs' claim that the trial court's order was based on "mere oral manifestations in court." The Reply to Opposition of September 11, 1962 filed by the Government Corporate Counsel expressly "reiterates his manifestation in open court that no possible injustice or prejudice would result to plaintiffs by continuing to make payments of such rentals or amortizations to defendant PHHC because any such payments will be recognized as long as they are proper, legal and in due course by anybody who might take over the property. Specifically, any such payments will be recognized by the GSIS in the event that whatever conflict there might be (and this is only on the hypothetical assumption that such conflict exists) between the PHHC and the GSIS should finally be resolved in favor of the GSIS." [6] The assurances and undertakings to the same effect given by the Managers of the defendant corporations at the conference held by the trial Court are expressly embodied in the Court's Order of November 20, 1962 quoted above. The GSIS' undertaking to recognize and respect the previous commitments of PHHC towards its tenants is expressly set forth in Par. III, section M of the turn-over agreement, Annex "F" of plaintiffs' complaint, wherein it is provided that "GSIS shall recognize and respect all awards, contracts of sale, lease agreements and transfer of rights of lots and housing units made and approved by PHHC, subsisting as of the signing of this agreement, and PHHC commitment to sell its housing projects 4, 6 and 8-A at the selling prices less rental credits fixed by PHHC and as finally approved by the OEC., PHHC, however, shall be liable and answerable for any and all claims and consequences arising from double or multiple awards or in the case of awards of non-existing houses and/or lots." [7]

In fine, the record shows clearly that there were no conflicting claims by defendant corporations as against plaintiffs' tenants, which they may properly be compelled in an interpleader suit to interplead and litigate among themselves. Both defendant corporations were agreed that PHHC should continue receiving the tenants' payments, and that such payments would be duly recognized even if the GSIS should eventually take over Project 4 by virtue of their turn-over agreement of December 27, 1961. As held by this Court in an early case, the action of interpleader is a remedy whereby a person who has property in his possession or has an obligation to render wholly or partially, without claiming any right in both, comes to court and asks that the defendants who have made upon him conflicting claims upon the same property or who consider themselves entitled to demand compliance with the obligation be required to litigate among themselves in order to determine who is entitled to the property or payment of the obligation. "The remedy afforded not to protect a person against a double liability but to protect him against a double vexation in respect of one liability." [8] Thus, in another case, where the occupants of two different parcels of land adjoining each other belonging to two separate plaintiffs, but on which the occupants had constructed a building encroaching upon both parcels of land, faced two ejectment suits from the plaintiffs, each plaintiff claiming the right of possession and recovery over his respective portion of the lands encroached upon, this Court held that the occupants could not properly file an interpleader suit against the plaintiffs to litigate their alleged conflicting claims; for evidently, the two plaintiffs did not have any conflicting

claims upon the same subject matter against the occupants, but were enforcing separate and distinct claims on their respective properties.[9]

Plaintiffs' other contention in their appeal is that notwithstanding that the issue as to which of the defendants is authorized to receive the tenants' payments was resolved in favor of the PHHC, they had raised other issues that were not resolved and would require rendition of judgment after trial on the merits, such as "the issue of the right of ownership over the houses and lots in Project 4 (and) the issue of the status of the commitments, agreements and undertakings made by the previous PHHC Administration, particularly those of the then PHHC General Manager Bernardo Torres." [10] This contention is without merit, for no conflicting claims have been made with regard to such issues upon plaintiffs by defendant corporations, who both bound themselves to recognize and respect the rights of plaintiffs-tenants. The resolution of such issues affecting the defendant corporations exclusively may not properly be sought through the special civil action of interpleader. Should there be a breach of the PHHC undertakings towards plaintiffs, plaintiffs' recourse would be an ordinary action of specific performance or other appropriate suit against either the PHHC or GSIS or both, as the circumstances warrant.

We find no error, therefore, in the trial court's order of dismissal of the complaint for interpleader and the lifting, as a consequence, of its other order designating the People's First Savings Bank as trustee to receive the tenants' payments on the PHHC lots.

ACCORDINGLY, the trial Court's order of dismissal is hereby affirmed. Without costs.

Concepcion, C.J., Dizon, Makalintal, Sanchez, Castro, Fernando, Capistrano, and Barredo, JJ., concur.
Reyes, J.B.L., and Zaldivar, JJ., are on official leave.

[1] Rec. on App. pp. 2 -10.

[2] Id, pp. 48-49.

[3] Rec. on App., pp. 65-66; emphasis supplied.

[4] Rec. on App., pp. 95-96; emphasis supplied.

[5] Appellants' Brief, pp. 6-7.

[6] Appellants' Brief, p. 69.

[7] Id., pp. 34-35.

[8] Alvarez vs. Commonwealth of the Philippines, et al., 65 Phil., 302, 311-312 (1938); Emphasis supplied.

[9] Camilo vs. Arcamo, 3 SCRA, 146 (1961).

[10] Appellants' Brief, p. 12.

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