

UNITED BF HOMEOWNER'S ASSOCIATION, AND HOME INSURANCE AND GUARANTY CORPORATION, PETITIONERS, VS. BF HOMES, INC., RESPONDENTS.

G.R. No. 124873. July 14, 1999

Ponente: PARDO, J.

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PARDO, J.

Assailed in this petition for review on certiorari is the decision[1] and resolution[2] of the Court of Appeals granting respondent BFHI's petition for prohibition, and ordering Atty. Roberto C. Abrajano, hearing officer of the Home Insurance and Guaranty Corporation, to refrain from hearing HIGC CASE NO. HOA-95-027 and to dismiss it for lack of jurisdiction.

The antecedent facts are as follows:

Petitioner United BF Homeowners' Association, Inc. (UBFHAI) is the umbrella organization and sole representative of all homeowners in the BF Homes Parañaque Subdivision, a seven hundred sixty five (765) hectare subdivision located in the south of Manila. Respondent BF Homes, Inc. (BFHI) is the owner-developer of the said subdivision, which first opened in 1968.[3]

In 1988, because of financial difficulties, the Securities and Exchange Commission (SEC) placed respondent BFHI under receivership to undergo a ten-year (10) rehabilitation program, and appointed Atty. Florencio B. Orendain receiver. The program was composed of two stages: (1) payment of obligations to external creditors; and (2) payment of obligations to Banco Filipino.[4]

When Atty. Florencio B. Orendain took over management of respondent BFHI in 1988, several things were not in order in the subdivision.[5] Preliminary to the rehabilitation, Atty. Orendain entered into an agreement with the two major homeowners' associations, the BF Parañaque Homeowners Association, Inc. (BFPHAI) and the Confederation of BF Homeowners Association, Inc. (CBFHAI), for the creation of a single, representative homeowners' association and the setting up of an integrated security program that would cover the eight (8) entry and exit points to and from the subdivision. On December 20, 1988, this tripartite agreement was reduced into a memorandum of agreement, and amended on March 1989.

Pursuant to these agreements, on May 18, 1989, petitioner UBFHAI was created and registered with the Home Insurance and Guaranty Corporation (HIGC),[6] and recognized as the sole representative of all the homeowners' association inside the subdivision.

Respondent BFHI, through its receiver, turned over to petitioner UBFHAI the administration and operation of the subdivision's clubhouse at #37 Pilar Banzon Street,[7] and a strip of open space in Concha Cruz Garden Row,[8] on June 23, 1989 and May, 1993, respectively.

On November 7, 1994, the first receiver was relieved and a new committee of receivers, composed of respondent

BFHI's eleven (11) members of the board of directors was appointed.[9]

On April 7, 1995, based on BFHI's title to the main roads, the newly appointed committee of receivers sent a letter to the different homeowners' association in the subdivision informing them that as a basic requirement for BFHI's rehabilitation, respondent BFHI would be responsible for the security of the subdivision in order to centralize it and abate the continuing proliferation of squatters.[10]

On the same day, petitioner UBFHAI filed with the HIGC a petition for mandamus with preliminary injunction against respondent BFHI.[11] In substance, petitioner UBFHAI alleged that the committee of receivers illegally revoked their security agreement with the previous receiver. They complained that even prior to said date, the new committee of receivers committed the following acts: (1) deferred petitioner UBFHAI's purchase of additional pumps; (2) terminated the collection agreement for the community assessment forged by the petitioner UBFHAI with the first receiver; (3) terminated the administration and maintenance of the Concha Cruz Garden Row; (4) sent a letter to petitioner UBFHAI stating that it recognized BFPHAI[12] only, and that the subdivision's clubhouse was to be administered by it only; and (5) took over the administration of security in the main avenues in the subdivision.

On April 11, 1995, the HIGC issued ex parte a temporary restraining order. Particularly, respondent BFHI was enjoined from:

"...taking over the Clubhouse located at 37 Pilar Banzon St., BF Homes Parañaque, Metro Manila, taking over security in all the entry and exit points and main avenues of BF Homes Parañaque Subdivision, impeding or preventing the execution and sale at auction of the properties of BF Parañaque Homeowners Association, Inc., in HIGC HOA-90-138 and otherwise repudiating or invalidating any contract or agreement of petitioner with the former receiver/BFHI concerning funding or delivery of community services to the homeowners represented by the latter."[13]

On April 24, 1995, without filing an answer to petitioner UBFHAI's petition with the HIGC, respondent BFHI filed with the Court of Appeals a petition for prohibition for the issuance of preliminary injunction and temporary restraining order, to enjoin HIGC from proceeding with the case.[14]

On May 2, 1995, the HIGC issued an order deferring the resolution of petitioner UBFHAI's application for preliminary injunction, until such time that respondent BFHI's application for prohibition with the appellate court has been resolved. When the twenty-day (20) effectivity of the temporary restraining order had lapsed, the HIGC ordered the parties to maintain the status quo.[15]

Meanwhile, on November 27, 1995, the Court of Appeals promulgated its decision[16] granting respondent BFHI's petition for prohibition, as follows:

"WHEREFORE, premises considered, the petition is hereby GRANTED, prohibiting the public respondent Roberto C. Abrajano from proceeding with the hearing of HIGC CASE NO. HOA-95-027. Consequently, the public respondent is hereby ordered to DISMISS HIGC CASE NO. HOA-95-027 for lack of jurisdiction."

"SO ORDERED."[17]

On April 24, 1996, the appellate court denied petitioner's motion for reconsideration.[18]

Hence, this petition for review on certiorari.

Petitioner UBFHAI raises two issues: (1) whether or not the Rules of procedure promulgated by the HIGC, specifically Section 1(b), Rule II of the "Rules of Procedure in the Settlement of Homeowners' Disputes" is valid; (2) whether or not the acts committed by the respondent constitute an attack on petitioner's corporate

existence.[19] Corollary to these, petitioner questions the appellate court's jurisdiction over the subject case.

Originally, administrative supervision over homeowners' associations was vested by law with the Securities and Exchange Commission. On May 3, 1979, pursuant to Executive Order 535,[20] this function was delegated to the Home Insurance and Guaranty Corporation (HIGC).[21] Section 2 of Executive Order 535 provides:

"2. In addition to the powers and functions vested under the Home Financing Act, the Corporation, shall have among others, the following additional powers;

(a) To require submission of and register articles of incorporation of homeowners associations and issue certificates of incorporation/registration, upon compliance by the registering associations with the duly promulgated rules and regulations thereon; maintain a registry thereof; and exercise all the powers, authorities and responsibilities that are vested on the Securities and Exchange Commission with respect to homeowners association, the provision of Act 1459, as amended by P. D. 902-A, to the contrary notwithstanding;"

By virtue of this amendatory law, the HIGC not only assumed the regulatory and adjudicative functions of the SEC over homeowners' associations, but also the original and exclusive jurisdiction to hear and decide cases involving:

"(b) Controversies arising out of intra-corporate or partnership relations, between and among stockholders, members or associates; between any or all of them and the corporation, partnership or association of which they are stockholders, members or associates respectively; and between such corporation, partnership or association and the state insofar as it concerns their individual franchise or right to exist as such entity." [22]

On December 21, 1989, the HIGC adopted its rules of procedure in the hearing of homeowners' disputes. Section 1(b), Rule II enumerated the types of disputes over which the HIGC has jurisdiction, and these include:

"Section 1. Types of Disputes- The HIGC or any person, officer, body, board, or committee duly designated or created by it shall have jurisdiction to hear and decide cases involving the following:

x x x

(b) Controversies arising out of intra-corporate relations between and among members of the association, between any and/or all of them and the association of which they are members, and insofar as it concerns its right to exist as a corporate entity, between the association and the state/general public or other entity."
[emphasis supplied]

Therefore, in relation to Section 5 (b), Presidential Decree 902-A, the HIGC's jurisdiction over homeowners' disputes is limited to controversies that arise out of the following intra-corporate relations: (1) between and among members of the association; (2) between any or all of them and the association of which they are members or associates; and (3) between such association and the state, insofar as it concerns their individual franchise or right to exist as such entity. (Emphasis supplied.)

Though it would seem that Section 1(b), Rule II of the HIGC's revised rules of procedure is just a reproduction of Section 5 (b), Presidential Decree 902-A, the rules deviated from the provisions of the latter. If the provisions of the law would be followed to the letter, the third type of dispute over which the HIGC has jurisdiction should be limited only to a dispute between the state and the association, insofar as it concerns the association's franchise or corporate existence. However, under the HIGC's revised rules of procedure, the phrase "general public or other entity"[23] was added.

It was on this third type of dispute, as provided in Section 1 (b), Rule II of the HIGC's revised rules of procedure that petitioner UBFHAI anchors its claim that the HIGC has original and exclusive jurisdiction over the case. In the comment filed by the HIGC with the appellate court, it maintained that it has original and exclusive

jurisdiction over the dispute pursuant to the power and authority granted it in the revised rules of procedure. Respondent BFHI disputes this, contending that the rules of procedure relied upon by petitioner are not valid implementation of Executive Order No. 535, as amended, in relation to Presidential Decree 902-A.

The question now is whether HIGC, in promulgating the above-mentioned rules of procedure, went beyond the authority delegated to it and unduly expanded the provisions of the delegating law. In relation to this, the question is whether or not the revised rules of procedure are valid.

As early as 1970, in the case of *Teoxon vs. Members of the Board of Administrators (PVA)*,^[24] we ruled that the power to promulgate rules in the implementation of a statute is necessarily limited to what is provided for in the legislative enactment. Its terms must be followed for an administrative agency cannot amend an Act of Congress.^[25] "The rule-making power must be confined to details for regulating the mode or proceedings to carry into effect the law as it has been enacted, and it cannot be extended to amend or expand the statutory requirements or to embrace matters not covered by the statute."^[26] If a discrepancy occurs between the basic law and an implementing rule or regulation, it is the former that prevails.^[27]

In the present case, the HIGC went beyond the authority provided by the law when it promulgated the revised rules of procedure. There was a clear attempt to unduly expand the provisions of Presidential Decree 902-A. As provided in the law, insofar as the association's franchise or corporate existence is involved, it is only the State, not the "general public or other entity" that could question this. The appellate court correctly held that: "The inclusion of the phrase GENERAL PUBLIC OR OTHER ENTITY is a matter which HIGC cannot legally do x x x."^[28] The rule-making power of a public administrative body is a delegated legislative power, which it may not use either to abridge the authority given it by Congress or the Constitution or to enlarge its power beyond the scope intended. Constitutional and statutory provisions control what rules and regulations may be promulgated by such a body, as well as with respect to what fields are subject to regulation by it. It may not make rules and regulations which are inconsistent with the provisions of the Constitution or a statute, particularly the statute it is administering or which created it, or which are in derogation of, or defeat, the purpose of a statute.^[29]

Moreover, where the legislature has delegated to an executive or administrative officers and boards authority to promulgate rules to carry out an express legislative purpose, the rules of administrative officers and boards, which have the effect of extending, or which conflict with the authority-granting statute, do not represent a valid exercise of the rule-making power but constitute an attempt by an administrative body to legislate.^[30] "A statutory grant of powers should not be extended by implication beyond what may be necessary for their just and reasonable execution."^[31] It is axiomatic that a rule or regulation must bear upon, and be consistent with, the provisions of the enabling statute if such rule or regulation is to be valid.^[32]

Thus, we hold that Rule II, Section 1(b) of HIGC's "Revised Rules of Procedure in the Hearing of Homeowners' Disputes" is void, without ruling on the validity of the rest of the rules.

Neither can the HIGC claim original and exclusive jurisdiction over the petition for mandamus under the two other types of disputes enumerated in Presidential Decree 902-A and in the revised rules. The dispute is not one involving the members of the homeowners' association nor it is one between any and/or all of the members and the associations of which they are members. The parties are the homeowners' association and the owner-developer, acting at the same time as the corporation's committee of receivers.

To reiterate, the HIGC exercises a very limited jurisdiction over homeowners' disputes. The law confined this authority to controversies that arise out of the following intra-corporate relations: (1) between and among members of the association; (2) between any and/or all of them and the association of which they are members; and (3) insofar as it concerns its right to exist as a corporate entity, between the association and the state. None of

the parties to the litigation can enlarge or diminish it or dictate when it shall attach or when it shall be removed.[33]

Jurisdiction is defined as the power and authority of a court to hear, try and decide a case. Jurisdiction over the subject matter is conferred by the Constitution or by law. Nothing can change the jurisdiction of the court over the subject matter. That power is a matter of legislative enactment which none by the legislature may change.[34]

In light of the foregoing, we do not see the need to discuss the second issue. Whether or not the acts committed or threatened to be committed by the respondent against the petitioner would constitute an attack on the latter's corporate existence would be immaterial. The HIGC has no jurisdiction to hear and resolve the dispute.

Having dispensed with the question of jurisdiction, there is no need for the HIGC to proceed with the hearing of HIGC-HOA 95-027. It would just be an exercise in futility since it has no jurisdiction.

Furthermore, it was apparent that the board of directors of respondent BFHI, acting as the committee of receivers, was only trying to find ways and means to rehabilitate the corporation so that it can pay off its creditors. The revocation of the security agreements and the removal of administration and maintenance of certain property that are still under the name of respondent BFHI, were acts done in pursuance of the rehabilitation program. All the security agreements and undertakings were contractual in nature, which respondent BFHI, acting as a committee of receivers and being the successor of the former receiver, could very well alter or modify.

WHEREFORE, the Court DENIES the petition for review on certiorari, for lack of merit. The decision and resolution appealed from in CA-G. R. SP. NO. 37072 are AFFIRMED.

No costs.

SO ORDERED.

Davide, C.J., (Chairman), Melo, Kapunan, and Ynares-Santiago, JJ., concur.

[1] Associate Justice B.A. Adefuin-De la Cruz, ponente, concurred in by Associate Justices Jorge S. Imperial and Lourdes K. Tayao-Jaguros, Rollo, pp. 30-36.

[2] In CA-G. R. SP No. 37072, Ninth Division, promulgated on April 24, 1996; Resolution, Rollo, p. 9.

[3] Rollo, pp. 11-26.

[4] The same group of people who own BFHI owned this corporation.

[5] There was no centralized security system for the whole village; there were sixty five (65) satellite homeowners' associations averaging 130 homeowners per association, and two major associations, BF Parañaque Homeowners Association, Inc. and the Confederation of BF Homeowners Association, Inc.; no zoning guidelines to regulate the construction and proliferation of business establishments inside the subdivision; nine (9) of the eighteen (18) water wells were not functioning and water supply was becoming scarce; Rollo, p. 97.

[6] Rollo, p. 75.

[7] Rollo, p. 98.

[8] Rollo, p. 100.

[9] Rollo, p. 15.

[10] Rollo, pp. 127-128.

[11] Docketed as United BF Homeowners' Association, Inc. vs. BF Homes, Inc. HIGC Case No. HOA 95-027.

[12] This is the original homeowners association and stands for BF Parañaque Homeowners Association, Inc. It is one of the two major homeowners' association within the BF Homes Parañaque Subdivision under the umbrella organization of the United BF Homeowners' Associations, Inc.; Rollo, pp. 167-173.

[13] Rollo, p. 114.

[14] Docketed as BF Homes, Inc. vs. Home Insurance and Guaranty Corporation, et. al., CA- G. R. SP No. 37072.

[15] Rollo, pp. 221-223.

[16] Rollo, pp. 30-36

[17] Rollo, p. 36.

[18] Rollo, p. 9.

[19] Petition for Review by Certiorari, Rollo, p. 11.

[20] Amending the Charter of the Home Financing Commission, Renaming it as Home Financing Corporation, Enlarging its Powers, and for other Purposes, May 3, 1979.

[21] The Home Insurance and Guaranty Corporation was created pursuant to Republic Act 580, as amended by Executive Order 535. It was initially called Home Financing Commission and renamed as Home Financing Corporation, until it came to be known as Home Insurance and Guaranty Corporation.

[22] Section 5 (b), Presidential Decree 902-A.

[23] Emphasis supplied.

[24] 33 SCRA 585, 588 [1970].

[25] Supra.

[26] Land Bank of the Philippines vs. Court of Appeals, 285 SCRA 404, 407 [1996].

[27] Nasipit Lumber Company, Inc. vs. National Wages and Productivity Commission, 289 SCRA 667, 681 [1998].

[28] Court of Appeals Decision, CA-G.R. SP NO. 37072, Rollo, p. 35.

[29] Conte vs. Commission on Audit, 264 SCRA 19, 30-31 [1996].

[30] People vs. Maceren, 79 SCRA 450, 462 [1977].

[31] Nasipit Lumber Company, Inc. vs. National Wages and Productivity Commission, 289 SCRA 667, 681.

[32] Lina, Jr. vs. Cariño, 221 SCRA 515, 531 [1993].

[33] Zamora vs. Court of Appeals, 183 SCRA 279 [1990].

[34] Zamora vs. Court of Appeals, supra.

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