

PADCOM CONDOMINIUM CORPORATION, PETITIONER, VS. ORTIGAS CENTER ASSOCIATION, INC., RESPONDENT.*G.R. No. 146807. May 09, 2002*

Ponente: DAVIDE JR., C.J.

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Challenged in this case is the 30 June 2000 decision[1] of the Court of Appeals in CA-G.R. CV No. 60099, reversing and setting aside the 1 September 1997 decision[2] of the Regional Trial Court of Pasig City, Branch 264, in Civil Case No. 63801.[3]

Petitioner Padcom Condominium Corporation (hereafter PADCOM) owns and manages the Padilla Office Condominium Building (PADCOM Building) located at Emerald Avenue, Ortigas Center, Pasig City. The land on which the building stands was originally acquired from the Ortigas & Company, Limited Partnership (OCLP), by Tierra Development Corporation (TDC) under a Deed of Sale dated 4 September 1974. Among the terms and conditions in the deed of sale was the requirement that the transferee and its successor-in-interest must become members of an association for realty owners and long-term lessees in the area later known as the Ortigas Center. Subsequently, the said lot, together with improvements thereon, was conveyed by TDC in favor of PADCOM in a Deed of Transfer dated 25 February 1975.[4]

In 1982, respondent Ortigas Center Association, Inc. (hereafter the Association) was organized to advance the interests and promote the general welfare of the real estate owners and long-term lessees of lots in the Ortigas Center. It sought the collection of membership dues in the amount of two thousand seven hundred twenty-four pesos and forty centavos (P2,724.40) per month from PADCOM. The corporate books showed that PADCOM owed the Association P639,961.47, representing membership dues, interests and penalty charges from April 1983 to June 1993.[5] The letters exchanged between the parties through the years showed repeated demands for payment, requests for extensions of payment, and even a settlement scheme proposed by PADCOM in September 1990.

In view of PADCOM's failure and refusal to pay its arrears in monthly dues, including interests and penalties thereon, the Association filed a complaint for collection of sum of money before the trial court below, which was docketed as Civil Case No. 63801. The Association averred that purchasers of lands within the Ortigas Center complex from OCLP are obligated under their contracts of sale to become members of the Association. This obligation was allegedly passed on to PADCOM when it bought the lot from TDC, its predecessor-in-interest.[6]

In its answer, PADCOM contended that it is a non-stock, non-profit association, and for it to become a special member of the Association, it should first apply for and be accepted for membership by the latter's Board of Directors. No automatic membership was apparently contemplated in the Association's By-laws. PADCOM added that it could not be compelled to become a member without violating its right to freedom of association. And since it was not a member of the Association, it was not liable for membership dues, interests and penalties.[7]

During the trial, the Association presented its accountant as lone witness to prove that PADCOM was, indeed, one of its members and, as such, did not pay its membership dues.

PADCOM, on the other hand, did not present its evidence; instead it filed a motion to dismiss by way of demurrer to evidence. It alleged that the facts established by the Association showed no right to the relief prayed for. It claimed that the provisions of the Association's By-laws and the Deed of Transfer did not contemplate automatic membership. Rather, the owner or long-term lessee becomes a member of the Association only after applying with and being accepted by its Board of Directors. Assuming further that PADCOM was a member of the Association, the latter failed to show that the collection of monthly dues was a valid corporate act duly authorized by a proper resolution of the Association's Board of Directors.[8]

After due consideration of the issues raised in the motion to dismiss, the trial court rendered a decision dismissing the complaint.[9]

The Association appealed the case to the Court of Appeals, which docketed the appeal as CA-G.R. CV No. 60099. In its decision[10] of 30 June 2000, the Court of Appeals reversed and set aside the trial court's dismissal of Civil Case No. 63801, and decreed as follows:

WHEREFORE, the appealed decision dated September 1, 1997 is REVERSED and SET ASIDE and, in lieu thereof, a new one is entered ordering the appellee (PADCOM) to pay the appellant (the Association) the following:

- 1) P639,961.47 as and for membership dues in arrears inclusive of earned interests and penalties; and
- 2) P25,000.00 as and for attorney's fees.

Costs against the appellees.

SO ORDERED.

The Court of Appeals justified its ruling by declaring that PADCOM automatically became a member of the Association when the land was sold to TDC. The intent to pass the obligation to prospective transferees was evident from the annotation of the same clause at the back of the Transfer Certificate of Title covering the lot. Despite disavowal of membership, PADCOM's membership in the Association was evident from these facts: (1) PADCOM was included in the Association's list of bona fide members as of 30 March 1995; (2) Narciso Padilla, PADCOM's President, was one of the Association's incorporators; and (3) having received the demands for payment, PADCOM not only acknowledged them, but asked for and was granted repeated extensions, and even proposed a scheme for the settlement of its obligation. The Court of Appeals also ruled that PADCOM cannot evade payment of its obligation to the Association without violating equitable principles underlying quasi-contracts. Being covered by the Association's avowed purpose to promote the interests and welfare of its members, PADCOM cannot be allowed to expediently deny and avoid the obligation arising from such membership.

Dissatisfied with the adverse judgment of the Court of Appeals, PADCOM filed the petition for review in this case. It raises the sole issue of whether it can be compelled to join the association pursuant to the provision on automatic membership appearing as a condition in the Deed of Sale of 04 September 1974 and the annotation thereof on Transfer Certificate of Title No. 457308.

PADCOM contends that it cannot be compelled to be a member of the Association solely by virtue of the "automatic membership" clause that appears on the title of the property and the Deed of Transfer. In 1975, when it bought the land, the Association was still nonexistent. Therefore, the provision on automatic membership was

anticipatory in nature, subject to the actual formation of the Association and the subsequent formulation of its implementing rules.

PADCOM likewise maintains that the Association's By-laws requires an application for membership. Since it never sought membership, the Court of Appeals erred in concluding that it was a member of the Association by implication. Aside from the lack of evidence proving such membership, the Association has no basis to collect monthly dues since there is no board resolution defining and prescribing how much should be paid.

For its part, the Association claims that the Deed of Sale between OCLP and TDC clearly stipulates automatic membership for the owners of lots in the Ortigas Center, including their successors-in-interest. The filing of applications and acceptance thereof by the Board of Directors of the Association are, therefore, mere formalities that can be dispensed with or waived. The provisions of the Association's By-laws cannot in any manner alter or modify the automatic membership clause imposed on a property owner by virtue of an annotation of encumbrance on his title.

The Association likewise asserts that membership therein requires the payment of certain amounts for its operations and activities, as may be authorized by its Board of Directors. The membership dues are for the common expenses of the homeowners for necessary services.

After a careful examination of the records of this case, the Court sees no reason to disturb the assailed decision. The petition should be denied.

Section 44 of Presidential Decree No. 1529[11] mandates that:

SEC. 44. Statutory liens affecting title. – Every registered owner receiving a certificate of title in pursuance of a decree of registration, and every subsequent purchaser of registered land taking a certificate of title for value and in good faith, shall hold the same free from all encumbrances except those noted on said certificate and any of the following encumbrances which may be subsisting, namely: xxx

Under the Torrens system of registration, claims and liens of whatever character, except those mentioned by law, existing against the land binds the holder of the title and the whole world.[12]

It is undisputed that when the land in question was bought by PADCOM's predecessor-in-interest, TDC, from OCLP, the sale bound TDC to comply with paragraph (G) of the covenants, conditions and restrictions of the Deed of Sale, which reads as follows:[13]

G. AUTOMATIC MEMBERSHIP WITH THE ASSOCIATION:

The owner of this lot, its successor-in-interest hereby binds himself to become a member of the ASSOCIATION which will be formed by and among purchasers, fully paid up Lot BUYERS, Building Owners and the COMPANY in respect to COMPANY OWNED LOTS.

The OWNER of this lot shall abide by such rules and regulations that shall be laid down by the ASSOCIATION in the interest of security, maintenance, beautification and general welfare of the OFFICE BUILDING zone. The ASSOCIATION when organized shall also, among others, provide for and collect assessments which shall constitute a lien on the property, junior only to liens of the Government for taxes.

Evidently, it was agreed by the parties that dues shall be collected from an automatic member and such fees or assessments shall be a lien on the property.

This stipulation was likewise annotated at the back of Transfer Certificate of Title No. 457308 issued to TDC.[14] And when the latter sold the lot to PADCOM on 25 February 1975, the Deed of Transfer expressly stated:[15]

NOW, THEREFORE, for and in consideration of the foregoing premises, the DEVELOPER, by these presents,

cedes, transfers and conveys unto the CORPORATION the above-described parcel of land evidenced by Transfer Certificate of Title No. 457308, as well as the Common and Limited Common Areas of the Condominium project mentioned and described in the Master Deed with Declaration of Restrictions (Annex “A” hereof), free from all liens and encumbrances, except those already annotated at the back of said Transfer Certificate of Title No. 457308, xxx

This is so because any lien annotated on previous certificates of title should be incorporated in or carried over to the new transfer certificates of title. Such lien is inseparable from the property as it is a right in rem, a burden on the property whoever its owner may be. It subsists notwithstanding a change in ownership; in short, the personality of the owner is disregarded.[16] As emphasized earlier, the provision on automatic membership was annotated in the Certificate of Title and made a condition in the Deed of Transfer in favor of PADCOM. Consequently, it is bound by and must comply with the covenant.

Moreover, Article 1311 of the Civil Code provides that contracts take effect between the parties, their assigns and heirs. Since PADCOM is the successor-in-interest of TDC, it follows that the stipulation on automatic membership with the Association is also binding on the former.

We are not persuaded by PADCOM’s contention that the By-laws of the Association requires application for membership and acceptance thereof by the Board of Directors. Section 2 of the By-laws[17] reads:

Section 2. Regular Members. – Upon acceptance by the Board of Directors of Ortigas Center Association, Inc., all real estate owners, or long-term lessees of lots within the boundaries of the Association as defined in the Articles of Incorporation become regular members, provided, however that the long-term lessees of a lot or lots in said area shall be considered as the regular members in lieu of the owners of the same. Likewise, regular membership in the Association automatically ceases upon the cessation of a member to be an owner or long-term lessee of real estate in the area.

A lessee shall be considered a long-term lessee if his lease is in writing and for a period of two (2) years or more. Membership of a long-term lessee in the Association shall be co-terminus with his legal possession (or his lease) of the lot/s in the area. Upon the lessee’s cessation of membership in the Association, the owner shall automatically succeed the lessee as member thereat.

As lot owner, PADCOM is a regular member of the Association. No application for membership is necessary. If at all, acceptance by the Board of Directors is a ministerial function considering that PADCOM is deemed to be a regular member upon the acquisition of the lot pursuant to the automatic membership clause annotated in the Certificate of Title of the property and the Deed of Transfer.

Neither are we convinced by PADCOM’s contention that the automatic membership clause is a violation of its freedom of association. PADCOM was never forced to join the association. It could have avoided such membership by not buying the land from TDC. Nobody forced it to buy the land when it bought the building with the annotation of the condition or lien on the Certificate of Title thereof and accepted the Deed. PADCOM voluntarily agreed to be bound by and respect the condition, and thus to join the Association.

In addition, under the principle of estoppel, PADCOM is barred from disclaiming membership in the Association. In estoppel, a person, who by his act or conduct has induced another to act in a particular manner, is barred from adopting an inconsistent position, attitude or course of conduct that thereby causes loss or injury to another.[18]

We agree with the Court of Appeals’ conclusion from the facts or circumstances it enumerated in its decision and enumerated above that PADCOM is, indeed, a regular member of the Association. These facts and circumstances are sufficient grounds to apply the doctrine of estoppel against PADCOM.

Having ruled that PADCOM is a member of the Association, it is obligated to pay its dues incidental thereto.

Article 1159 of the Civil Code mandates:

Art. 1159. Obligations arising from contracts have the force of law between the contracting parties and should be complied with in good faith.

Assuming in gratis argumenti that PADCOM is not a member of the Association, it cannot evade payment without violating the equitable principles underlying quasi-contracts. Article 2142 of the Civil Code provides:

Art. 2142. Certain lawful, voluntary and unilateral acts give rise to the juridical relation of quasi-contract to the end that no one shall be unjustly enriched or benefited at the expense of another.

Generally, it may be said that a quasi-contract is based on the presumed will or intent of the obligor dictated by equity and by the principles of absolute justice. Examples of these principles are: (1) it is presumed that a person agrees to that which will benefit him; (2) nobody wants to enrich himself unjustly at the expense of another; or (3) one must do unto others what he would want others to do unto him under the same circumstances.[19]

As resident and lot owner in the Ortigas area, PADCOM was definitely benefited by the Association's acts and activities to promote the interests and welfare of those who acquire property therein or benefit from the acts or activities of the Association.

Finally, PADCOM's argument that the collection of monthly dues has no basis since there was no board resolution defining how much fees are to be imposed deserves scant consideration. Suffice it is to say that PADCOM never protested upon receipt of the earlier demands for payment of membership dues. In fact, by proposing a scheme to pay its obligation, PADCOM cannot belatedly question the Association's authority to assess and collect the fees in accordance with the total land area owned or occupied by the members, which finds support in a resolution dated 6 November 1982 of the Association's incorporating directors[20] and Section 2 of its By-laws.[21]

WHEREFORE, the petition is hereby DENIED for lack of merit.

Costs against petitioner.

SO ORDERED.

Puno, Kapunan, Ynares-Santiago, and Austria-Martinez, JJ., concur.

[1] Rollo, 29. Per Martin, Jr., F., J., ponente, with Valdez, Jr., S. and Fernando, S., JJ., concurring.

[2] Id., 95-106, Per Judge Leoncio M. Janolo, Jr.

[3] Entitled Ortigas Center Association, Inc. v. Padcom Condominium Corporation.

[4] Rollo, 115-118.

[5] Annex "G"; Rollo, 74.

[6] Rollo, 50-54.

[7] Rollo, 55-59.

[8] Id., 80-93.

[9] Id., 106.

[10] Supra note 1.

[11] Amending and Codifying the Laws Relative to Registration of Property and for Other Purposes.

[12] See Narciso Peña, Narciso Peña, Jr., and Nestor N. Peña, Registration of Land Titles and Deeds, 1988 ed., 162.

[13] Rollo, 111.

[14] CA Decision, 4; Rollo, 32.

[15] Rollo, 117.

[16] See Ligon v. Court of Appeals, 244 SCRA 693 [1995].

[17] Rollo, 62-63.

[18] Cruz v. Court of Appeals, 293 SCRA 239, 255-256 [1998].

[19] Tolentino, CIVIL CODE OF THE PHILIPPINES, VOL. V, 1992 ed., 575 citing 5 Gutierrez 596.

[20] Rollo, 125.

[21] Id., 66-67.

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