GOVERNMENT SERVICE INSURANCE SYSTEM (GSIS), PETITIONER, VS. HEIRS OF FERNANDO F. CABALLERO, REPRESENTED BY HIS DAUGHTER, JOCELYN G. CABALLERO, RESPONDENTS.

G.R. No. 158090. October 04, 2010

Ponente: PERALTA, J.

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PERALTA, J.:

Before this Court is a petition for review on certiorari under Rule 45 of the Rules of Court seeking to set aside the Decision[1] and the Resolution,[2] dated December 17, 2002 and April 29, 2003, respectively, of the Court of Appeals (CA) in CA-G.R. CV. No. 49300.

The antecedents are as follows:

Respondent Fernando C. Caballero (Fernando) was the registered owner of a residential lot designated as Lot No. 3355, Ts-268, covered by TCT No. T-16035 of the Register of Deeds of Cotabato, containing an area of 800 square meters and situated at Rizal Street, Mlang, Cotabato. On the said lot, respondent built a residential/commercial building consisting of two (2) stories.

On March 7, 1968, Fernando and his wife, Sylvia Caballero, secured a loan from petitioner Government Service Insurance System (GSIS) in the amount of P20,000.00, as evidenced by a promissory note. Fernando and his wife likewise executed a real estate mortgage on the same date, mortgaging the afore-stated property as security.

Fernando defaulted on the payment of his loan with the GSIS. Hence, on January 20, 1973, the mortgage covering the subject property was foreclosed, and on March 26, 1973, the same was sold at a public auction where the petitioner was the only bidder in the amount of P36,283.00. For failure of Fernando to redeem the said property within the designated period, petitioner executed an Affidavit of Consolidation of Ownership on September 5, 1975. Consequently, TCT No. T-16035 was cancelled and TCT No. T-45874 was issued in the name of petitioner.

On November 26, 1975, petitioner wrote a letter to Fernando, informing him of the consolidation of title in its favor, and requesting payment of monthly rental in view of Fernando's continued occupancy of the subject property. In reply, Fernando requested that he be allowed to repurchase the same through partial payments. Negotiation as to the repurchase by Fernando of the subject property went on for several years, but no agreement was reached between the parties.

On January 16, 1989, petitioner scheduled the subject property for public bidding. On the scheduled date of bidding, Fernando's daughter, Jocelyn Caballero, submitted a bid in the amount of P350,000.00, while Carmelita Mercantile Trading Corporation (CMTC) submitted a bid in the amount of P450,000.00. Since CMTC was the highest bidder, it was awarded the subject property. On May 16, 1989, the Board of Trustees of the GSIS issued Resolution No. 199 confirming the award of the subject property to CMTC for a total consideration of P450,000.00. Thereafter, a Deed of Absolute Sale was executed between petitioner and CMTC on July 27, 1989, transferring the subject property to CMTC. Consequently, TCT No. T-45874 in the name of GSIS was cancelled,

and TCT No. T-76183 was issued in the name of CMTC.

Due to the foregoing, Fernando, represented by his daughter and attorney-in-fact, Jocelyn Caballero, filed with the Regional Trial Court (RTC) of Kabacan, Cotabato a Complaint[3] against CMTC, the GSIS and its responsible officers, and the Register of Deeds of Kidapawan, Cotabato. Fernando prayed, among others, that judgment be rendered: declaring GSIS Board of Trustees Resolution No. 199, dated May 16, 1989, null and void; declaring the Deed of Absolute Sale between petitioner and CMTC null and void ab initio; declaring TCT No. 76183 of the Register of Deeds of Kidapawan, Cotabato, likewise, null and void ab initio; declaring the bid made by Fernando in the amount of P350,000.00 for the repurchase of his property as the winning bid; and ordering petitioner to execute the corresponding Deed of Sale of the subject property in favor of Fernando. He also prayed for payment of moral damages, exemplary damages, attorney's fees and litigation expenses.

In his complaint, Fernando alleged that there were irregularities in the conduct of the bidding. CMTC misrepresented itself to be wholly owned by Filipino citizens. It misrepresented its working capital. Its representative Carmelita Ang Hao had no prior authority from its board of directors in an appropriate board resolution to participate in the bidding. The corporation is not authorized to acquire real estate or invest its funds for purposes other than its primary purpose. Fernando further alleged that the GSIS allowed CMTC to bid despite knowledge that said corporation has no authority to do so. The GSIS also disregarded Fernando's prior right to buy back his family home and lot in violation of the laws. The Register of Deeds of Cotabato acted with abuse of power and authority when it issued the TCT in favor of CMTC without requiring the CMTC to submit its supporting papers as required by the law.

Petitioner and its officers filed their Answer with Affirmative Defenses and Counterclaim.[4] The GSIS alleged that Fernando lost his right of redemption. He was given the chance to repurchase the property; however, he did not avail of such option compelling the GSIS to dispose of the property by public bidding as mandated by law. There is also no "prior right to buy back" that can be exercised by Fernando. Further, it averred that the articles of incorporation and other papers of CMTC were all in order. In its counterclaim, petitioner alleged that Fernando owed petitioner the sum of P130,365.81, representing back rentals, including additional interests from January 1973 to February 1987, and the additional amount of P249,800.00, excluding applicable interests, representing rentals Fernando unlawfully collected from Carmelita Ang Hao from January 1973 to February 1988.

After trial, the RTC, in its Decision[5] dated September 27, 1994, ruled in favor of petitioner and dismissed the complaint. In the same decision, the trial court granted petitioner's counterclaim and directed Fernando to pay petitioner the rentals paid by CMTC in the amount of P249,800.00. The foregoing amount was collected by Fernando from the CMTC and represents payment which was not turned over to petitioner, which was entitled to receive the rent from the date of the consolidation of its ownership over the subject property.

Fernando filed a motion for reconsideration, which was denied by the RTC in an Order dated March 27, 1995.

Aggrieved by the Decision, respondent filed a Notice of Appeal.[6] The CA, in its Decision dated December 17, 2002, affirmed the decision of the RTC with the modification that the portion of the judgment ordering Fernando to pay rentals in the amount of P249,800.00, in favor of petitioner, be deleted. Petitioner filed a motion for reconsideration, which the CA denied in a Resolution dated April 29, 2003. Hence, the instant petition.

An Ex Parte Motion for Substitution of Party,[7] dated July 18, 2003, was filed by the surviving heirs of Fernando, who died on February 12, 2002. They prayed that they be allowed to be substituted for the deceased, as respondents in this case.

Petitioner enumerated the following grounds in support of its petition:

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I

THE HONORABLE COURT OF APPEALS COMMITTED AN ERROR OF LAW IN HOLDING THAT GSIS' COUNTERCLAIM, AMONG OTHERS, OF P249,800.00 REPRESENTING RENTALS COLLECTED BY PRIVATE RESPONDENT FROM CARMELITA MERCANTILE TRADING CORPORATION IS IN THE NATURE OF A PERMISSIVE COUNTERCLAIM WHICH REQUIRED THE PAYMENT BY GSIS OF DOCKET FEES BEFORE THE TRIAL COURT CAN ACQUIRE JURISDICTION OVER SAID COUNTERCLAIM.

II

THE HONORABLE COURT OF APPEALS COMMITTED AN ERROR OF LAW IN HOLDING THAT GSIS' DOCUMENTARY EVIDENCE SUPPORTING ITS CLAIM OF P249,800.00 LACKS PROPER IDENTIFICATION.[8]

The petition of the GSIS seeks the review of the CA's Decision insofar as it deleted the trial court's award of P249,800.00 in its favor representing rentals collected by Fernando from the CMTC.

In their Memorandum, respondents' claim that CMTC cannot purchase real estate or invest its funds in any purpose other than its primary purpose for which it was organized in the absence of a corporate board resolution; the bid award, deed of absolute sale and TCT No. T-76183, issued in favor of the CMTC, should be nullified; the trial court erred in concluding that GSIS personnel have regularly performed their official duty when they conducted the public bidding; Fernando, as former owner of the subject property and former member of the GSIS, has the preemptive right to repurchase the foreclosed property.

These additional averments cannot be taken cognizance by the Court, because they were substantially respondents' arguments in their petition for review on certiorari earlier filed before Us and docketed as G.R. No. 156609. Records show that said petition was denied by the Court in a Resolution[9] dated April 23, 2003, for petitioners' (respondents herein) failure to sufficiently show that the Court of Appeals committed any reversible error in the challenged decision as to warrant the exercise by this Court of its discretionary appellate jurisdiction.[10] Said resolution became final and executory on June 9, 2003.[11] Respondents' attempt to re-litigate claims already passed upon and resolved with finality by the Court in G.R. No. 156609 cannot be allowed.

Going now to the first assigned error, petitioner submits that its counterclaim for the rentals collected by Fernando from the CMTC is in the nature of a compulsory counterclaim in the original action of Fernando against petitioner for annulment of bid award, deed of absolute sale and TCT No. 76183. Respondents, on the other hand, alleged that petitioner's counterclaim is permissive and its failure to pay the prescribed docket fees results into the dismissal of its claim.

To determine whether a counterclaim is compulsory or not, the Court has devised the following tests: (a) Are the issues of fact and law raised by the claim and by the counterclaim largely the same? (b) Would res judicata bar a subsequent suit on defendant's claims, absent the compulsory counterclaim rule? (c) Will substantially the same evidence support or refute plaintiff's claim as well as the defendant's counterclaim? and (d) Is there any logical relation between the claim and the counterclaim? A positive answer to all four questions would indicate that the counterclaim is compulsory.[12]

Tested against the above-mentioned criteria, this Court agrees with the CA's view that petitioner's counterclaim for the recovery of the amount representing rentals collected by Fernando from the CMTC is permissive.The evidence needed by Fernando to cause the annulment of the bid award, deed of absolute sale and TCT is different from that required to establish petitioner's claim for the recovery of rentals.

The issue in the main action, i.e., the nullity or validity of the bid award, deed of absolute sale and TCT in favor of CMTC, is entirely different from the issue in the counterclaim, i.e., whether petitioner is entitled to receive the CMTC's rent payments over the subject property when petitioner became the owner of the subject property by virtue of the consolidation of ownership of the property in its favor.

The rule in permissive counterclaims is that for the trial court to acquire jurisdiction, the counterclaimant is bound to pay the prescribed docket fees.[13] This, petitioner did not do, because it asserted that its claim for the collection of rental payments was a compulsory counterclaim. Since petitioner failed to pay the docket fees, the RTC did not acquire jurisdiction over its permissive counterclaim. The judgment rendered by the RTC, insofar as it ordered Fernando to pay petitioner the rentals which he collected from CMTC, is considered null and void. Any decision rendered without jurisdiction is a total nullity and may be struck down at any time, even on appeal before this Court.[14]

Petitioner further argues that assuming that its counterclaim is permissive, the trial court has jurisdiction to try and decide the same, considering petitioner's exemption from all kinds of fees.

In In Re: Petition for Recognition of the Exemption of the Government Service Insurance System from Payment of Legal Fees,[15] the Court ruled that the provision in the Charter of the GSIS, i.e., Section 39 of Republic Act No. 8291, which exempts it from "all taxes, assessments, fees, charges or duties of all kinds," cannot operate to exempt it from the payment of legal fees. This was because, unlike the 1935 and 1973 Constitutions, which empowered Congress to repeal, alter or supplement the rules of the Supreme Court concerning pleading, practice and procedure, the 1987 Constitution removed this power from Congress. Hence, the Supreme Court now has the sole authority to promulgate rules concerning pleading, practice and procedure in all courts.

In said case, the Court ruled that:

> The separation of powers among the three co-equal branches of our government has erected an impregnable wall that keeps the power to promulgate rules of pleading, practice and procedure within the sole province of this Court. The other branches trespass upon this prerogative if they enact laws or issue orders that effectively repeal, alter or modify any of the procedural rules promulgated by this Court. Viewed from this perspective, the claim of a legislative grant of exemption from the payment of legal fees under Section 39 of RA 8291 necessarily fails.
>
> Congress could not have carved out an exemption for the GSIS from the payment of legal fees without transgressing another equally important institutional safeguard of the Court's independence – fiscal autonomy. Fiscal autonomy recognizes the power and authority of the Court to levy, assess and collect fees, including legal fees. Moreover, legal fees under Rule 141 have two basic components, the Judiciary Development Fund (JDF) and the Special Allowance for the Judiciary Fund (SAJF). The laws which established the JDF and the SAJF expressly declare the identical purpose of these funds to "guarantee the independence of the Judiciary as mandated by the Constitution and public policy." Legal fees therefore do not only constitute a vital source of the Court's financial resources but also comprise an essential element of the Court's fiscal independence. Any exemption from the payment of legal fees granted by Congress to government-owned or controlled corporations and local government units will necessarily reduce the JDF and the SAJF. Undoubtedly, such situation is constitutionally infirm for it impairs the Court's guaranteed fiscal autonomy and erodes its independence.

Petitioner also invoked our ruling in Sun Insurance Office, Ltd. v. Judge Asuncion,[16] where the Court held that:

> x x x x
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> 3. Where the trial court acquires jurisdiction over a claim by the filing of the appropriate pleading and payment of the prescribed filing fee but, subsequently, the judgment awards a claim not specified in the pleading, or if

> specified the same has been left for determination by the court, the additional filing fee therefor shall constitute a lien on the judgment. It shall be the responsibility of the Clerk of Court or his duly authorized deputy to enforce said lien and assess and collect the additional fee.

In Ayala Corporation v. Madayag,[17] the Court, in interpreting the third rule laid down in Sun Insurance Office, Ltd. v. Judge Asuncion regarding awards of claims not specified in the pleading, held that the same refers only to damages arising after the filing of the complaint or similar pleading as to which the additional filing fee therefor shall constitute a lien on the judgment.

> The amount of any claim for damages, therefore, arising on or before the filing of the complaint or any pleading should be specified. While it is true that the determination of certain damages as exemplary or corrective damages is left to the sound discretion of the court, it is the duty of the parties claiming such damages to specify the amount sought on the basis of which the court may make a proper determination, and for the proper assessment of the appropriate docket fees. The exception contemplated as to claims not specified or to claims although specified are left for determination of the court is limited only to any damages that may arise after the filing of the complaint or similar pleading for then it will not be possible for the claimant to specify nor speculate as to the amount thereof. (Emphasis supplied.)

Petitioner's claim for payment of rentals collected by Fernando from the CMTC did not arise after the filing of the complaint; hence, the rule laid down in Sun Insurance finds no application in the present case.

Due to the non-payment of docket fees on petitioner's counterclaim, the trial court never acquired jurisdiction over it and, thus, there is no need to discuss the second issue raised by petitioner.

WHEREFORE, the petition is DENIED. The Decision and the Resolution, dated December 17, 2002 and April 29, 2003, respectively, of the Court of Appeals in CA-G.R. CV. No. 49300, are AFFIRMED.

SO ORDERED.

Velasco, Jr.,[*]Nachura,[**](Acting Chairperson), Mendoza, and Sereno,[***] JJ., concur.

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[*] Designated as an additional member in lieu of Senior Associate Justice Antonio T. Carpio, per Special Order No. 897, dated September 28, 2010.

[**] Per Special Order No. 898, dated September 28, 2010.

[***] Designated as an additional member in lieu of Associate Justice Roberto A. Abad, per Special Order No. 903, dated September 28, 2010.

[1] Penned by Associate Justice Delilah Vidallon-Magtolis, with Associate Justices Andres B. Reyes, Jr. and Regalado E. Maambong, concurring; rollo, pp. 162-172.

[2] Id. at 173.

[3] Rollo, pp. 200-207.

[4] Id. at 72-77.

[5] Id. at 190-199.

[6] Records, p. 416.

[7] Rollo, pp. 234-285.

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[8] Id. at 152.

[9] CA rollo, pp. 190-191.

[10] The petition was also denied for lack of proof of the petition on the adverse party and its failure to attach the affidavit of service of copy of the petition on the adverse parties. (Id. at 190.)

[11] CA rollo, p. 193.

[12] Manuel C. Bungcayao , Sr., represented in this case by his Attorney-in-fact Romel R. Bungcayao, v. Fort Ilocandia Property Holdings and Development Corporation, G.R. No. 170483, April 19, 2010.

[13] Id.

[14] Id.

[15] A.M. No. 08-2-01-0, February 11, 2010.

[16] 252 Phil. 280 (1989).

[17] G.R No. 88421, January 30, 1990, 181 SCRA 687, cited in Proton Pilipinas Corporation v. Banque Nationale De Paris, G.R. No. 151242, June 15, 2005, 460 SCRA 260, 278.

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