

PILAR DEVELOPMENT CORPORATION, PETITIONER, VS. SPS. CESAR VILLAR AND CHARLOTTE VILLAR AND JOHN DOES, RESPONDENTS.

G.R. NO. 158840. October 27, 2006

Ponente: GARCIA, J.

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GARCIA, J.:

An ejectment suit originating from the Metropolitan Trial Court (MeTC) of Las Piñas City, Branch 79, therein docketed as Civil Case No. 5397, was decided in favor of herein petitioner Pilar Development Corporation (PDC). However, on appeal, the Regional Trial Court (RTC) of Las Piñas City, Branch 253, in its decision of April 25, 2002, reversed and set aside that of the MeTC and ordered the dismissal of the case, allegedly for want of jurisdiction thereon on the part of the MeTC. The RTC held that it is the Housing and Land Use Regulatory Board (HLURB), not the regular courts, which has jurisdiction over the suit. Directly elevating the issue to this Court on pure question of law, this petition for review on certiorari seeks the reversal of the RTC decision and the reinstatement of that of the MeTC.

We GRANT.

But first, the undisputed facts as narrated by the RTC:

On December 28, 1994, a Contract to Sell (subject contract/contract) was executed by and between the [petitioner] and the [respondents] whereby the former sold to the latter a house and lot located at Block 4, Lot 15, B.F. Resort Village Subdivision, Las Piñas City with an area of 253 square meters (subject property) for a consideration of P960,750.00 payable on installment with a downpayment of P288,255.00 and the balance of P672,525.00 in one hundred twenty (120) monthly amortizations at P13,446.00 a month. Parenthetically, the certificate of title over the subject property, which is Transfer Certificate of Title (TCT) No. T-51834 of the Registry of Deeds of Las Piñas City, was issued in the name of the [petitioner] only after the execution of the subject contract and the consolidation and re-subdivision of a number of parcels of land enumerated in the contract.

[Respondents] paid the required downpayment and some monthly amortizations up to October 1997 after which they defaulted in the payment of the succeeding monthly amortizations. For this reason, the [petitioner] cancelled the subject contract thru a Notice of Cancellation dated August 31, 1997 (sic)[1] personally delivered and received by a certain Corita Villar on September 5, 1998 and by Cathy Villar, daughter of the [respondents] on September 7, 1998. The [petitioner], however, did not refund the cash surrender value to the [respondents].

Despite demands to vacate, the [respondents] still refused to surrender possession of subject premises to the [petitioner].

In their Answer, the [respondents] primarily assailed the jurisdiction of the court a quo over the subject matter and the propriety of the cancellation of the subject contract. Further, the [respondents] put in issue the identity of the property covered by TCT No. T-518314, alleging that there was no showing that the residential lot stated therein subject of the complaint is similar to that provided in the contract.

On January 28, 2000, the court a quo issued an Order requiring the parties to submit their respective position papers and thereafter, the case was deemed submitted for decision.

On June 21, 2000, the court a quo rendered the decision subject of the appeal, the dispositive portion of which is herein quoted as follows: WHEREFORE, PREMISES CONSIDERED, the Court renders judgment for the plaintiff [now petitioner PDC] and against the defendants and John Does [now respondents], as follows:

- Ordering defendants spouses, John Does, and all persons claiming rights under them to vacate the subject premises and deliver possession thereof to the plaintiff;
- Ordering defendants spouses, jointly and severally, to pay plaintiff the sum of P7,000.00 by way of rental for their use and occupation of the subject property from the date of execution of the Contract to sell on December 28, 1994 and every month thereafter until the subject property is finally vacated and possession thereof turned over to the plaintiff;
- Ordering defendants spouses, jointly and severally, to pay plaintiff by way of attorney's fees, the amount of P30,000.00;
- Ordering defendants spouses to pay the costs of this case.

SO ORDERED.

On August 12, 2000, the [respondents] filed a Notice of Appeal xxx. (Bracketed words supplied.)

While the respondents raised four (4) issues in their appeal before the RTC, the said appellate court deemed it proper to limit its decision in favor of the respondents on the issue of jurisdiction. Thus, after the denial of its motion for reconsideration, the petitioner came directly to this Court via this petition for review on certiorari on the sole legal question of whether it is the HLURB or the regular courts that has jurisdiction over the subject matter of the case. It is the petitioner's submission that the MeTC correctly assumed jurisdiction over the suit.

In holding that jurisdiction lies on the HLURB and not on the MeTC, the RTC explained:

[A]s borne out by the facts aforesaid, the present controversy is not a simple unlawful detainer case albeit denominated as such. This Court takes cognizance of the fact that there are pending issues on the validity of the cancellation of the subject contract based on the non-payment of the cash surrender value and the right of the [respondents] to refund thereof, the determination of which are exclusively lodged with the Housing and Land Use Regulatory Board (HLURB) under Presidential Decree Nos. 957 and 1344.

The RTC cited Presidential Decree (P.D.) No. 1344, which defines the jurisdiction of the HLURB (formerly National Housing Authority), as follows:

Section 1. In the exercise of its functions to regulate the real estate trade and business and in addition to its powers provided for in Presidential Decree No. 957, the National Housing Authority shall have exclusive jurisdiction to hear and decide cases of the following nature:

- (a) Unsound real estate business practices;
- (b) Claims involving refund and any other claims filed by subdivision lot or condominium unit buyer against the project owner, developer, dealer, broker or salesman; and
- (c) Cases involving specific performance of contractual and statutory obligations filed by buyers of subdivision lot or condominium unit against the owner, developer, dealer, broker or salesman.

The issue of whether an action filed by a subdivision owner against a lot buyer involving their contract to sell is within the jurisdiction of the HLURB is not one of first impression. That issue had been previously resolved by

this Court in *Roxas vs. Court of Appeals*, 439 Phil. 966 (2002), citing earlier cases, to wit:

In our view, the mere relationship between the parties, i.e., that of being subdivision owner/developer and subdivision lot buyer, does not automatically vest jurisdiction in the HLURB. For an action to fall within the exclusive jurisdiction of the HLURB, the decisive element is the nature of the action as enumerated in Section 1 of P.D. 1344. On this matter, we have consistently held that the concerned administrative agency, the National Housing Authority (NHA) before and now the HLURB, has jurisdiction over complaints aimed at compelling the subdivision developer to comply with its contractual and statutory obligations.

Thus, in *Arranza vs. B.F. Homes, Inc.*, we sustained the HLURB's jurisdiction over petitioners' complaint for specific performance to enforce their rights as purchasers of subdivision lots as regards rights of way, water, open spaces, road and perimeter wall repairs, and security. Also, in *Que vs. CA*, we noted that:... the complaint against Que is distinct from the complaint against GDREC and its officers before the HLURB. The first basically pertains to non-performance by the buyer of her obligations to Klaver, whereas the second deals with non-performance by the seller of its own obligations to the buyer, such that Klaver properly sued them before different fora.

Accordingly, the second complaint by Klaver against GDREC and its officers for unsound real estate practices consisting in their unwarranted delay in the delivery of Unit No. 1902-A to him was properly lodged with the HLURB. Moreover, in *Siasoco vs. Narvaja*, we ruled that it is the HLURB, not the trial court that has jurisdiction over complaints for specific performance filed against subdivision developers to compel the latter to execute deeds of absolute sale and to deliver the certificates of titles to buyers.

But the antecedent circumstances to the present petition are in stark contrast to those in the cited cases of *Arranza* and *Que*. Perusal of paragraphs (a), (b), and (c) of Sec. 1, P.D. 1344 abovesited, vis-à-vis the allegations of the complaint for ejectment filed by Manotok Realty, Inc. with the MeTC, shows clearly that the HLURB has no jurisdiction over the complaint. Note particularly pars. (b) and (c) as worded, where the HLURB's jurisdiction concerns cases commenced by subdivision lot or condominium unit buyers. As to par. (a), concerning "unsound real estate practices," it would appear that the logical complainant would be the buyers and customers against the sellers (subdivision owners and developers or condominium builders and realtors), and not vice versa. (Emphasis supplied.)

Here, it must be noted that the case was filed by the subdivision owner and not the buyer of a subdivision lot, and the cause of action is one for recovery of possession of the property on account of the cancellation of the parties' contract to sell for nonpayment by the respondent spouses of the monthly amortizations pursuant to the terms and conditions stated in their written contract. The respondent spouses, as buyers of the subdivision lot in question, had no cause of action against petitioner PDC as subdivision owner, which may possibly give rise to or constitute any actionable act under the aforequoted paragraphs (a), (b) and (c) of Section 1, P.D. No. 1344. No jurisdiction could, therefore, be possibly vested upon the HLURB.

In fine, the RTC erred in applying to this case the ruling in *Francel Realty Corporation vs. Court of Appeals*,^[2] where therein defendant buyers of the subdivision lot had previously filed a case against therein plaintiff subdivision owner for incomplete development of the subdivision, which infraction on the part of therein plaintiff subdivision owner became the basis of the buyers to discontinue their payment of the monthly amortization. Reliance on *Francel* is, therefore, misplaced considering that the nonpayment by the spouses Villar as subdivision lot buyers of the monthly amortization was not caused or preceded by any breach on the part of the herein petitioner as subdivision owner. Consequently, jurisdiction on the legal issue involving the right of possession over the subject lot rightfully belongs to the regular courts, in this case the MeTC of Las Piñas City.

The MeTC correctly ruled that petitioner PDC has the right to possess the subject property upon the effectivity of

the cancellation of the contract to sell, pursuant to the terms and conditions specified therein, insofar as those terms and conditions are not contrary to the pertinent provisions of Republic Act (R.A.) No. 6552, otherwise known as "Realty Installment Buyer Act."

According to R.A. 6552, [3] the cash surrender value, which in this case is equivalent to fifty percent (50%) of the total payment made by the respondent spouses, should be returned to them by the petitioner upon the cancellation of the contract to sell on August 31, 1998 for the cancellation to take effect. Admittedly, no such return was ever made by the petitioner. Thus, the said cash surrender value is hereby ordered deducted from the award owing to the petitioner based on the MeTC judgment, and cancellation takes effect by virtue of this judgment.

Finally, as regards the award of P7,000.00/month as rental payment decreed by the MeTC for the use of the property in question from the time the respondent spouses obtained possession thereof up to the time that its actual possession is surrendered or restored to the petitioner, the Court finds the same just and equitable to prevent the respondent spouses, who breached their contract to sell, from unjustly enriching themselves at the expense of the petitioner which, for all legal intents and purposes, never ceased to be the owner of the same property because of the respondents' non-fulfillment of the indispensable condition of full payment of the purchase price, as embodied in the parties' contract to sell. However, as earlier explained, this sum is to be reduced by the cash surrender value of the payments so far made by the spouses, and the resulting net amount still owing as accrued rentals shall be subject to legal interest from finality of this Decision up to the time of actual payment thereof.

WHEREFORE, the assailed RTC decision dated April 25, 2002 is REVERSED and SET ASIDE and that of the MeTC dated June 26, 2000, as herein MODIFIED, is REINSTATED.

No pronouncement as to costs.

SO ORDERED.

Puno, (Chairperson), Sandoval-Gutierrez, Corona, and Azcuna, JJ., concur.

[1] This should be 1998 instead of 1997. See: Notice of Cancellation, Rollo, p. 34.

[2] 322 Phil. 138 (1996).

[3] SEC. 3. In all transactions or contracts involving the sale or financing of real estate on installment payments, including residential condominium apartments but excluding industrial lots, commercial buildings and sales to tenants under Republic Act Numbered Thirty-eight hundred forty-four as amended by Republic Act Numbered Sixty-three hundred eighty-nine, where the buyer has paid at least two years of installments, the buyer is entitled to the following rights in case he defaults in the payment of succeeding installments:

x x x x x x x x

(b)

If the contract is cancelled, the seller shall refund to the buyer the cash surrender value of the payments on the property equivalent to fifty per cent of the payments made and, after five years of installments an additional five per cent every year but not to exceed ninety per cent of the total payments made: Provided, That the actual cancellation of the contract shall take place after thirty days from receipt by the buyer of the notice of cancellation or the demand for rescission of the contract by a notarial act and upon full payment of the cash surrender value, to the buyer.

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