SPOUSES EDMUNDO T. OSEA AND LIGAYA R. OSEA, PETITIONERS, VS. ANTONIO G. AMBROSIO AND RODOLFO C. PEREZ, RESPONDENTS.

G.R. NO. 162774. April 07, 2006

Ponente: CARPIO MORALES, J.

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CARPIO MORALES, J.:

The issue raised in the present case is one of jurisdiction over the subject matter.

On June 8, 1991, petitioner Edmundo T. Osea and respondent Antonio G. Ambrosio (Ambrosio) who is the owner and developer of the Villa San Agustin Subdivision located at Novaliches, Quezon City entered into a Contract to Sell[1] a "House and Lot Unit" in the said subdivision. The lot subject of the contract was identified as Lot 6, Block 4 with an area of 146 sq. m. and covered by Transfer Certificate of Title No. RT-18303. The house also subject of the contract was particularly described therein.

In November 1991, petitioner Edmundo Osea and Ambrosio forged a Deed of Sale whereby the former agreed to buy through "the Unified Lending Program" a lot identified as Lot 6, Block 4 of the Villa San Agustin Subdivision, containing 146 sq. m. covered by another title (the lot).

In accordance with the "package deal" under the above-stated Contract to Sell, Ambrosio contracted his co-respondent Rodolfo C. Perez (Perez) to construct, as the latter did, petitioners spouses" house in accordance with the Specifications in the Contract to Sell, the Bill of Materials, and Approved Building Plan by the Building Official of Quezon City.

Upon completion of the house or on August 5, 1991, petitioner Ligaya Osea executed a Certificate of Lot and House Acceptance and she and her co-petitioner spouse occupied it.

A month after occupying the house, its front and back walls cracked. Ambrosio, claiming that the cracks were mere hairline defects in the "palitada," filled them up with cement.

Ligaya just the same lodged a complaint against respondents with the Office of the Building Official of Quezon City for violation of the National Building Code.

Petitioners subsequently filed on July 16, 1993 a complaint for damages against respondents before the Regional Trial Court (RTC) of Quezon City.

Respondent questioned the jurisdiction of the RTC over the complaint for damages, contending that it is within the exclusive jurisdiction of the Housing and Land Use Regulatory Board (HLURB).[2]

In the meantime, the Office of the Building Official of Quezon City, by Resolution of November 15, 1993,[3] found that the building and occupancy permits were validly issued and that "'minor and insignificant deviation [sic] pertaining to installed girt and rafters at the roof framing of subject unit-house' would not in any way affect the structural strength of the one-storey residence in question" and "substantial compliance with the approved plans and specifications are allowable under the code, as long as the safety of the occupants are assured."

Accordingly, the said office dismissed the complaint of petitioners lodged with it.

On April 8, 1999,[4] Branch 79 of the Quezon City RTC promulgated its decision in petitioners' complaint for damages, finding for petitioners and granting their prayer for actual, moral, and exemplary damages and attorney's fees, it holding that respondents deviated from the approved plan and "committed serious violations of the construction contract as well as the laws and regulations required by the State."

On respondents' appeal, the Court of Appeals, by Decision of September 30, 2003[5] which is being challenged in the present petition for review on certiorari, declared null and void the trial court's Decision of April 8, 1999 for lack of jurisdiction as it is the Housing and Land Use Regulatory Board (HLURB) which has jurisdiction over the complaint.

> x x x [A]ppellees' action for damages is based on the alleged violation or deviation of appellants from the approved subdivision plan which, as correctly pointed out by appellants is under the exclusive jurisdiction of the HLURB. The case for Damages before the RTC initiated by plaintiffs is therefore just a necessary offshoot of the alleged violation. x x x The mere fact that plaintiffs have chosen to institute a separate and independent action for damages rather than simply including it as an ancillary claim does not divest the HLURB of its jurisdiction and bring it within the province of the regular courts. To do so is to indirectly permit what could not be done directly. It would likewise encourage splitting a cause of action.
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> x x x x
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> Before us is not a simple violation of the Civil Code which would consequently arise to a right to damages. This is a case which in its disposal necessarily needs a determination of facts, circumstances and incidental matters which the law has specifically bestowed to the HLURB.[6] (Emphasis and underscoring supplied)

Petitioners' Motion for Reconsideration[7] of the Court of Appeals' decision having been denied by Resolution of March 10, 2004,[8] the present petition was filed raising the sole issue of jurisdiction.

Petitioners contend that the Court of Appeals erred in holding that their action for damages is based on the violation or deviation by respondents from the approved subdivision plan to thus fall within the exclusive jurisdiction of the HLURB; the complaint before the trial court clearly alleged a breach of contract in view of respondents' failure to comply with the building plans and technical specifications of the residential dwelling; and the breach involves a violation of the Civil Code which is within the jurisdiction of regular courts, and not with the HLURB whose jurisdiction covers only cases of unsound real estate business practice and those that may be included within, or is incidental to, or is a necessary consequence of its jurisdiction.

Respondents argue, on the other hand, that the HLURB has exclusive jurisdiction over the present controversy, it arising from contracts between the subdivision developer and the house and lot buyer or those aimed at compelling the subdivision developer to comply with its contractual and statutory obligations. They stress that even if the issue of jurisdiction was not among the issues introduced at the pre-trial, it was later raised in their memorandum and subsequently in their motion for reconsideration in the trial court, hence, seasonably raised. They thus conclude that since the trial court had no jurisdiction over the subject matter, the nullification by the Court of Appeals of its decision was in order.

The petition fails.

Generally, the extent to which an administrative agency may exercise its powers depends largely, if not wholly, on the provisions of the statute creating or empowering such agency.[9] Presidential Decree (P.D.) No. 1344, "EMPOWERING THE NATIONAL HOUSING AUTHORITY TO ISSUE WRIT OF EXECUTION IN THE ENFORCEMENT OF ITS DECISION UNDER PRESIDENTIAL DECREE NO. 957," clarifies and spells out the

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quasi-judicial dimensions of the grant of jurisdiction to the HLURB[10] in the following specific terms:

> SEC. 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:
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> A. Unsound real estate business practices;
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> 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
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> C. Cases involving specific performance of contractual and statutory obligations filed by buyers of subdivision lots or condominium units against the owner, developer, dealer, broker or salesman. (Emphasis supplied)

The extent to which the HLURB has been vested with quasi-judicial authority must also be determined by referring to the terms of P.D. No. 957, "THE SUBDIVISION AND CONDOMINIUM BUYERS' PROTECTIVE DECREE."[11] Section 3 of this statute provides:

> x x x National Housing Authority [now HLURB]. - The National Housing Authority shall have exclusive jurisdiction to regulate the real estate trade and business in accordance with the provisions of this Decree. (Emphasis and supplement supplied)

The need for the scope of the regulatory authority thus lodged in the HLURB is indicated in the second, third and fourth preambular paragraphs of P.D. 957 which provide:

> WHEREAS, numerous reports reveal that many real estate subdivision owners, developers, operators, and/or sellers have reneged on their representations and obligations to provide and maintain properly subdivision roads, drainage, sewerage, water systems, lighting systems, and other similar basic requirements, thus endangering the health and safety of home and lot buyers;
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> WHEREAS, reports of alarming magnitude also show cases of swindling and fraudulent manipulations perpetrated by unscrupulous subdivision and condominium sellers and operators, such as failure to deliver titles to the buyers or titles free from liens and encumbrances, and to pay real estate taxes, and fraudulent sales of the same subdivision lots to different innocent purchasers for value;
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> x x x x
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> WHEREAS, this state of affairs has rendered it imperative that the real estate subdivision and condominium businesses be closely supervised and regulated, and that penalties be imposed on fraudulent practices and manipulations committed in connection therewith. (Emphasis supplied)

The provisions of P.D No. 957 were intended to encompass all questions regarding subdivisions and condominiums. The intention was aimed at providing for an appropriate government agency, the HLURB, to which all parties aggrieved in the implementation of provisions and the enforcement of contractual rights with respect to said category of real estate may take recourse. The business of developing subdivisions and corporations being imbued with public interest and welfare, any question arising from the exercise of that prerogative should be brought to the HLURB which has the technical know-how on the matter.[12] In the exercise of its powers, the HLURB must commonly interpret and apply contracts and determine the rights of private parties under such contracts. This ancillary power is no longer a uniquely judicial function, exercisable only by the regular courts.[13]

As observed in C.T. Torres Enterprises, Inc. v. Hibionada:[14]

> The argument that only courts of justice can adjudicate claims resoluble under the provisions of the Civil Code

> is out of step with the fast-changing times. There are hundreds of administrative bodies now performing this function by virtue of a valid authorization from the legislature. This quasi-judicial function, as it is called, is exercised by them as an incident of the principal power entrusted to them of regulating certain activities falling under their particular expertise.
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> In the Solid Homes case for example the Court affirmed the competence of the Housing and Land Use Regulatory Board to award damages although this is an essentially judicial power exercisable ordinarily only by the courts of justice. This departure from the traditional allocation of governmental powers is justified by expediency, or the need of the government to respond swiftly and competently to the pressing problems of the modern world. (Emphasis and underscoring supplied)

Furthermore, Executive Order (EO) No. 90 series of 1986, "IDENTIFYING THE GOVERNMENT AGENCIES ESSENTIAL FOR THE NATIONAL SHELTER PROGRAM AND DEFINING THEIR MANDATES, CREATING THE HOUSING AND URBAN DEVELOPMENT COORDINATING COUNCIL, RATIONALIZING FUNDING SOURCES AND LENDING MECHANISMS FOR HOME MORTGAGES AND FOR OTHER PURPOSES," so named the HLURB to recognize its mandate and authority over the development of housing in general and low-cost housing in particular. Thus Section 1 (c) of said EO provides:

> Human Settlements Regulatory Commission - The Human Settlements Regulatory Commission; renamed as the Housing and Land Use Regulatory Board, shall be the sole regulatory body for housing and land development. It is charged with encouraging greater private sector participation in low-cost housing through liberalization of development standards, simplification of regulations and decentralization of approvals for permits and licenses. (Emphasis and underscoring supplied)

This Court has thus consistently held that complaints for breach of contract or specific performance with damages filed by a subdivision lot or condominium unit buyer against the owner or developer fall under the exclusive jurisdiction of the HLURB[15]

Moreover, under the doctrine of primary administrative jurisdiction, courts cannot or will not determine a controversy where the issues for resolution demand the exercise of sound administrative discretion requiring the special knowledge, experience, and services of the administrative tribunal to determine technical and intricate matters of fact.[16]

Under the circumstances attendant to the case, the HLURB has the expertise to determine the basic technical issue of whether the alleged deviations from the building plans and the technical specifications affect the soundness and structural strength of the house.

Petitioners' position that an action for damages is not incidental to or a necessary consequence of the cases within the purview of the HLURB's jurisdiction does not lie. Being the sole regulatory body for housing and land development, the HLURB will be reduced to a functionally sterile entity if, as petitioners contend, it lacks the power to settle disputes concerning land use and housing development and acquisition, including the imposition of damages if the evidence so warrants.

The appellate court did not thus err when it characterized petitioners' complaint for damages as based on the violation or deviation from the "approved subdivision plan." "Sale" and "purchase" of subdivision lots under P.D. 957 explicitly include the sale and purchase of buildings and other improvements thereon which form an integral part of the approved subdivision plan. Section 2 of said P.D. provides:

> b) Sale or sell. - "Sale" or "sell" shall include every disposition, or attempt to dispose, for a valuable consideration, of a subdivision lot, including the building and other improvements thereof, if any, in a subdivision project or a condominium unit in a condominium project. "Sale" and "sell" shall also include a

> contract to sell, a contract of purchase and sale, an exchange, an attempt to sell, an option of sale or purchase, a solicitation of a sale, or an offer to sell, directly or by an agent, or by a circular, letter, advertisement or otherwise.
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> c) Buy and purchase. - The "buy" and "purchase" shall include any contract to buy, purchase, or otherwise acquire for a valuable consideration a subdivision lot, including the building and other improvements, if any, in a subdivision project or a condominium unit in a condominium project.
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> d) Subdivision project. - "Subdivision project" shall mean a tract or a parcel of land registered under Act No. 496 which is partitioned primarily for residential purposes into individual lots with or without improvements thereon, and offered to the public for sale, in cash or in installment terms. It shall include all residential, commercial, industrial and recreational areas as well as open spaces and other community and public areas in the project. (Emphasis supplied)

The Contract to Sell executed by petitioners and Ambrosio, it must be emphasized, involves the sale and purchase of a "house and lot unit" in Villa San Agustin Subdivision, a low-cost housing and lot project. In fact, even after signing the Deed of Sale on the lot, petitioners stipulated that the house would be constructed in accordance with, inter alia, the terms of the Contract to Sell. These documents show a clear intent by the parties to treat the lot and the house as the single object of their contract.

The Court thus finds lacking in substance petitioners' attempt to separate their rights to the lot, which they admit to be under the jurisdiction of the HLURB,[17] and their rights to the house built thereon which they allege to be enforceable only in the regular courts. To allow this unwarranted posturing would only result in duplicity of suits, splitting of a single cause of action and possible conflicting findings and conclusions by two tribunals on one and the same claim. These are precisely what P.D. 1344 and P.D. 957 seek to avoid.

Finally, the Court sustains the appellate court's finding that respondents seasonably raised the issue of want of jurisdiction in their Memorandum dated July 23, 1997 filed before the trial court when no judgment had yet been rendered, which issue they reiterated in their Motion for Reconsideration dated April 23, 1999.
WHEREFORE, the petition is DENIED. The assailed Court of Appeals Decision of September 30, 2003 and Resolution dated March 10, 2004 are AFFIRMED.

Costs against petitioners.

SO ORDERED.

Quisumbing, (Chairperson), Carpio, and Tinga, JJ., concur.

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[1] Exhibit "11," records, pp. 355-357.

[2] Vide Memorandum (For Defendants), records, pp. 253-255.

[3] Exhibit "12," records, pp. 358-359

[4] Annex "F," rollo, pp. 54-70.

[5] Penned by Justice Arsenio J. Magpale, with the concurrence of Justices Conrado M. Vasquez and Bienvenido L. Reyes, CA rollo, pp. 0192-0200.

[6] Annex "A," rollo, pp. 32 to 34.

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[7] Dated October 28, 2003, CA rollo, pp. 0201-0212.

[8] Rollo, p. 36.

[9] Vide DMRC Enterprises v. Este del Sol Mountain Reserve, Inc., 217 Phil. 280, 286 (1984) and Union Glass and Container Corporation v. Securities and Exchange Commission, 211 Phil. 222, 229-231 (1983) [on the scope of jurisdiction of the Securities and Exchange Commission under P.D. 902-A].

[10] Jurisdiction was originally vested in the National Housing Authority (NHA) under P.D. No. 957, later clarified by P.D. No. 1344. Under E.O. No. 648 of February 7, 1981, this jurisdiction was transferred to the Human Settlements Regulatory Commission (HSRC) which, pursuant to E.O. No. 90 of December 17, 1986, was renamed as the Housing and Land Use Regulatory Board (HLURB).

[11] Dated July 12, 1976.

[12] Arranza v. B. F. Homes, Inc., 389 Phil. 318, 336 (2000).

[13] Vide Antipolo Realty Corporation v. National Housing Authority, G.R. No. L-50444, August 31, 1987, 153 SCRA 399, 407.

[14] G.R. No. 80916, November 9, 1990, 191 SCRA 268, 272-273.

[15] Vide Manila Bankers Life Insurance Corporation v. Ng Kok Wei, G.R. No. 139791, December 12, 2003, 418 SCRA 454, 458; Fajardo v. Bautista, G.R. Nos. 102193-97, May 10, 1994, 232 SCRA 291, 299-300; Alcasid v. Court of Appeals, G.R. No. 94927, January 22, 1993, 217 SCRA 437, 440-442; Solid Homes, Inc. v. Payawal, G.R. No. 84811, August 29, 1989, 177 SCRA 72, 76-79.

[16] Pambujan Sur United Mine Workers v. Samar Mining Co., Inc., 94 Phil. 932, 941 (1954).

[17] Rollo, pp. 18-19.

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