RIDGEWOOD ESTATE, INC. (ERRONEOUSLY SUED AS CAMELLA HOMES), PETITIONER, VS. EXPEDITO BELAOS, RESPONDENT.

G.R. NO. 166751. June 08, 2006

Ponente: PUNO, J.

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PUNO, J.:

This is a petition for review of the decision of the Court of Appeals dated July 28, 2004 and its resolution dated January 19, 2005 in CA-G.R. SP No. 77836. The Court of Appeals affirmed the order of the Regional Trial Court of Manila in Civil Case No. 02-103764 denying the motion to dismiss filed by herein petitioner Ridgewood Estate, Inc.

Petitioner is a subdivision developer that sells properties under the trade name "Camella Homes." Respondent Expedito Belaos entered into a contract to sell with petitioner for the purchase of a house and lot at Tierra Nevada, Gen. Trias, Cavite. Pursuant thereto, respondent issued several postdated checks in favor of petitioner as amortization for the property. Petitioner, however, failed to construct the house. Thus, respondent, in a letter dated April 16, 2000, rescinded the contract to sell and demanded the return of the amounts he had paid to petitioner, as well as the postdated checks. Petitioner remitted to respondent the sum of P299,908.00, equivalent to the down payment and six monthly amortizations previously paid by respondent, but it nonetheless continued to encash the other postdated checks, to the prejudice of respondent.

Respondent filed before the Regional Trial Court of Manila a complaint for damages against Camella Homes for encashing the postdated checks despite repeated demands to return them and refrain from encashing them in view of the recission of the contract to sell.

Petitioner filed a motion to dismiss. It argued that Camella Homes is not a real party-in-interest and the complaint states no cause of action as the contract to sell was entered into by and between Expedito L. Belaos and Ridgewood Estate, Inc. It further argued that the complaint was defective since Camella Homes is not a natural or juridical person, hence, it is not an entity authorized by law to be a party to a civil suit.

The trial court denied the motion to dismiss. It applied the doctrine on corporation by estoppel under Section 21 of the Corporation Code which states:

> Section 21. Corporation by estoppel.-All persons who assume to act as a corporation knowing it to be without authority to do so shall be liable as general partners for all debts, liabilities and damages incurred or arising as a result thereof: Provided, however, That when any such ostensible corporation is sued on any transaction entered by it as a corporation or on any tort committed by it as such, it shall not be allowed to use as a defense its lack of corporate personality.
>
> One who assumes an obligation to an ostensible corporation as such, cannot resist performance thereof on the ground that there was in fact no corporation.

Petitioner filed a petition for certiorari before the Court of Appeals. In addition to its contention that Camella

Homes was not a real party-in-interest, petitioner also raised the argument that the trial court had no jurisdiction over the suit, as the subject matter of the complaint was within the exclusive jurisdiction of the Housing and Land Use Regulatory Board (HLURB).

In its decision dated July 28, 2004, the Court of Appeals dismissed the petition. It held:

> Private respondent's complaint contains allegations that Ridgewood Estate's (sic) deliberately and intentionally encashed the postdated checks despite knowledge of the contract's recission. Respondent prayed for the award of actual, moral and exemplary damages due to his humiliation and loss of credibility with the banking community and among his colleagues caused by petitioner's alleged malicious acts.
>
> Respondent Belaos is not claiming refund or any other claim from a subdivision developer. He does not demand for specific performance of contractual and statutory obligations of delivering the property to him. In the cases that reached the Supreme Court, the ruling has consistently been that the NHA or the HLURB has jurisdiction over complaints arising from contracts between the subdivision developer and the lot buyer or those aimed at compelling the subdivision developer to comply with its contractual and statutory obligations to make the subdivision a better place to live in. It has already been admitted by both parties that the contract has already been rescinded and that Ridgewood returned the downpayment [sic] and some of the postdated checks. Hence, the Court a quo has jurisdiction over the action for damages.[1]

Petitioner filed a motion for reconsideration which was denied by the Court of Appeals in its resolution dated January 19, 2005.

Petitioner raises the following arguments in the case at bar:

> - That the honorable court failed to consider that the lower court acted with grave abuse of discretion when the latter assumed jurisdiction over a matter which the law already vests with the Housing and Land Use Regulatory Board.
>
> - That a perusal of the order of the lower court reveals that it committed grave abuse of discretion when it anchored itself on an erroneous finding that Camella Homes allegedly is a corporation by estoppel.
>
> - That the Honorable Court of Appeals failed to consider that the lower court committed grave abuse of discretion when it failed to consider that the complaint filed by private respondent has no cause of action for failure to implead the real party in interest.
>
> - That the Honorable Court of Appeals failed to consider that the lower court committed grave abuse of discretion when it ordered Camella Homes, which has no legal capacity to be sued[,] to submit an answer.[2]

We affirm the decision of the Court of Appeals.

First, the trial court correctly assumed jurisdiction over the complaint filed by respondent against petitioner.

Section 1 of Presidential Decree No. 1344 provides for the jurisdiction of HLURB (then National Housing Authority), thus:

> Sec. 1. In the exercise of its function 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 the cases of the following nature:
>
> - Unsound real estate business practices;
>
> - 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
>
> - Cases involving specific performance of contractual and statutory obligations filed by buyers of subdivision

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> lot or condominium unit against the owner, developer, dealer, broker or salesman.

The Court held in Roxas v. Court of Appeals[3] that 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. No. 1344. The HLURB has jurisdiction over complaints aimed at compelling the subdivision developer to comply with its contractual and statutory obligations.

The complaint filed by respondent against petitioner was one for damages. It prayed for the payment of moral, actual and exemplary damages by reason of petitioner's malicious encashment of the checks even after the rescission of the contract to sell between them. Respondent claimed that because of petitioner's malicious and fraudulent acts, he suffered humiliation and embarrassment in several banks, causing him to lose his credibility and good standing among his colleagues.[4] Such action falls within the jurisdiction of regular courts, not the HLURB.

Second, we observe that respondent's complaint was actually directed against herein petitioner, Ridgewood Estate, Inc., although it named Camella Homes as respondent therein. The complaint itself referred to Ridgewood Estate, Inc. as the authorized representative of Camella Homes. Petitioner cannot use the lack of juridical personality by Camella Homes as reason to evade its liability, if any, to petitioner. Petitioner admittedly uses the name "Camella Homes" as its business name. Hence, to the buyers, Camella Homes and Ridgewood Estate, Inc. are one and the same. A reading of the complaint would show that respondent was essentially suing petitioner, it being the seller of the house and lot he intended to purchase. We agree with the Court of Appeals' ruling that the remedy in this case is not the dismissal of the case but the joinder of the proper party.[5] The appellate court correctly explained:

> Dismissal of the complaint is not the remedy since the Court a quo properly acquired jurisdiction [over] the action for damages. In its pleadings before the trial court, defendant Camella Homes alleges that it is not a juridical entity, not the real party in interest and pointed to Ridgewood Estates [sic], Inc. as the party liable to Belaos. In its petition before [u]s, "Ridgewood Estates [sic], Inc. erroneously sued as Camella Homes" presented itself as one of the developers of Camella Homes, specifically that of Tierra Nevada Subdivision of which respondent Belaos is a buyer, then it claims to be the real party in interest in the controversy by admitting it entered into a Contract to Sell with Belaos, [then] tries to exculpate Camella Homes by alleging that the latter is not a juridical entity and alleges that it is the HLURB which has jurisdiction over the controversy.
>
> The Regional Trial Court did not commit grave abuse of discretion in denying the motion to dismiss and ordering defendant Camella Homes to file an answer. Assuming arguendo that petitioner Ridgewood is a separate entity from Camella Homes, defendant Camella Homes may implead the former. Private respondent Belaos may file a motion to amend his complaint so as to implead the real party in interest. Parties may be dropped or added by order of the court on motion of any party or on its own initiative at any stage of the action and on such terms as are just. (Sec. 11, Rule 3 of the 1997 Rules of Civil Procedure)[6]

We, therefore, find that the trial court did not err in denying petitioner's motion to dismiss.

IN VIEW WHEREOF, the petition is DENIED.

SO ORDERED.

Sandoval-Gutierrez, Corona, Azcuna, and Garcia, JJ., concur.

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[1] Rollo, p. 120.[2] Rollo, pp. 66-68.[3] G.R. No. 138955, October 29, 2002, 391 SCRA 351.[4] CA rollo, pp. 30-34.[5] Section 11, Rule 3, 1997 Rules of Civil Procedure.[6] Rollo, p. 113.

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