

**MARIA LUISA PARK ASSOCIATION, INC., PETITIONER, VS.
SAMANTHA MARIE T. ALMENDRAS AND PIA ANGELA T.
ALMENDRAS, RESPONDENTS.**

G.R. No. 171763. June 05, 2009

Ponente: QUISUMBING, J.

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QUISUMBING, J.:

This petition for review on certiorari assails the Decision[1] dated August 31, 2005 and the Resolution[2] dated February 13, 2006 of the Court of Appeals in CA-G.R. SP No. 81069.

The facts, culled from the records, are as follows:

On February 6, 2002, respondents Samantha Marie T. Almendras and Pia Angela T. Almendras purchased from MRO Development Corporation a residential lot located in Maria Luisa Estate Park, Banilad, Cebu City. After some time, respondents filed with petitioner Maria Luisa Park Association, Incorporated (MLPAI) an application to construct a residential house, which was approved in February 10, 2002. Thus, respondents commenced the construction of their house.

Upon ocular inspection of the house, MLPAI found out that respondents violated the prohibition against multi-dwelling[3] stated in MLPAI's Deed of Restriction. Consequently, on April 28, 2003, MLPAI sent a letter to the respondents, demanding that they rectify the structure; otherwise, it will be constrained to forfeit respondents' construction bond and impose stiffer penalties.

In a Letter[4] dated April 29, 2003, respondents, as represented by their father Ruben D. Almendras denied having violated MLPAI's Deed of Restriction.

On May 5, 2003, MLPAI, in its reply, pointed out respondents' specific violations of the subdivision rules, to wit: (a) installation of a second water meter and tapping the subdivision's main water pipeline, and (b) construction of "two separate entrances that are mutually exclusive of each other." It likewise reiterated its warning that failure to comply with its demand will result in its exercise of more stringent measures.

In view of these, respondents filed with the Regional Trial Court of Cebu City, Branch 7, a Complaint[5] on June 2, 2003 for Injunction, Declaratory Relief, Annulment of Provisions of Articles and By-Laws with Prayer for Issuance of a Temporary Restraining Order (TRO)/Preliminary Injunction.

MLPAI moved for the dismissal of the complaint on the ground of lack of jurisdiction and failure to comply with the arbitration clause[6] provided for in MLPAI's by-laws.

In an Order[7] dated July 31, 2003, the trial court dismissed the complaint for lack of jurisdiction, holding that it was the Housing and Land Use Regulatory Board (HLURB) that has original and exclusive jurisdiction over the case. Respondents moved for reconsideration but their motion was denied.

Aggrieved, the respondents questioned the dismissal of their complaint in a petition for certiorari and prohibition

before the Court of Appeals.

The Court of Appeals granted the petition in its Decision dated August 31, 2005, the dispositive portion of which reads:

WHEREFORE, in view of all the foregoing, the petition is GRANTED and the assailed orders of the respondent trial court are declared NULL AND VOID, and SET ASIDE. Respondent RTC is hereby ordered to take jurisdiction of Civil Case No. CEB-29002.

SO ORDERED.[8]

MLPAI filed a motion for reconsideration but it was denied by the Court of Appeals in its Resolution dated February 13, 2006.

Hence, this petition raising the following issues:

I.

WHETHER THE HONORABLE COURT OF APPEALS HAS DISREGARDED LAWS AND WELL-SETTLED JURISPRUDENCE IN HOLDING THAT JURISDICTION OVER [THE] DISPUTE BETWEEN HOMEOWNERS AND HOMEOWNERS' ASSOCIATION LIES WITH THE REGULAR COURTS AND NOT WITH HLURB.

II.

WHETHER THERE IS NO OTHER RELIEF AND REMEDY AVAILABLE TO PETITIONER TO AVERT THE CONDUCT OF A VOID [PROCEEDING] THAN THE PRESENT RECOURSE.[9]

Simply stated, the issue is whether the appellate court erred in ruling that it was the trial court and not the HLURB that has jurisdiction over the case.

Petitioner MLPAI contends that the HLURB[10] has exclusive jurisdiction over the present controversy, it being a dispute between a subdivision lot owner and a subdivision association, where the latter aimed to compel respondents to comply with the MLPAI's Deed of Restriction, specifically the provision prohibiting multi-dwelling.

Respondents, on the other hand, counter that the case they filed against MLPAI is one for declaratory relief and annulment of the provisions of the by-laws; hence, it is outside the competence of the HLURB to resolve. They likewise stated that MLPAI's rules and regulations are discriminatory and violative of their basic rights as members of the association. They also argued that MLPAI's acts are illegal, immoral and against public policy and that they did not commit any violation of the MLPAI's Deed of Restriction.

We agree with the trial court that the instant controversy falls squarely within the exclusive and original jurisdiction of the Home Insurance and Guaranty Corporation (HIGC),[11] now HLURB.

Originally, administrative supervision over homeowners' associations was vested by law with the Securities and Exchange Commission (SEC). However, pursuant to Executive Order No. 535,[12] the HIGC assumed the regulatory and adjudicative functions of the SEC over homeowners' associations. Section 2 of E.O. No. 535 provides:

2. In addition to the powers and functions vested under the Home Financing Act, the Corporation, shall have among others, the following additional powers:

(a) . . . and exercise all the powers, authorities and responsibilities that are vested on the Securities and Exchange Commission with respect to homeowners associations, the provision of Act 1459, as amended by

P.D. 902-A, to the contrary notwithstanding;

(b) To regulate and supervise the activities and operations of all homeowners associations registered in accordance therewith;

x x x x

Moreover, by virtue of this amendatory law, the HIGC also assumed the SEC's original and exclusive jurisdiction under Section 5 of Presidential Decree No. 902-A to hear and decide cases involving:

b) Controversies arising out of intra-corporate or partnership relations, between and among stockholders, members, or associates; between any and/or all of them and the corporation, partnership or association of which they are stockholders, members or associates, respectively; and between such corporation, partnership or association and the state insofar as it concerns their individual franchise or right to exist as such entity;[13] (Emphasis supplied.)

x x x x

Consequently, in *Sta. Clara Homeowners' Association v. Gaston*[14] and *Metro Properties, Inc. v. Magallanes Village Association, Inc.*,[15] the Court recognized HIGC's "Revised Rules of Procedure in the Hearing of Home Owner's Disputes," pertinent portions of which are reproduced below:

RULE II

Disputes Triable by HIGC/Nature of Proceedings

Section 1. Types of Disputes - The HIGC or any person, officer, body, board or committee duly designated or created by it shall have jurisdiction to hear and decide cases involving the following:

x x x x

(b) Controversies arising out of intra-corporate relations between and among members of the association, between any or all of them and the association of which they are members, and between such association and the state/general public or other entity in so far as it concerns its right to exist as a corporate entity.[16] (Emphasis supplied.)

x x x x

Later on, the above-mentioned powers and responsibilities, which had been vested in the HIGC with respect to homeowners' associations, were transferred to the HLURB pursuant to Republic Act No. 8763,[17] entitled "Home Guaranty Corporation Act of 2000."

In the present case, there is no question that respondents are members of MLPAI as they have even admitted it.[18] Therefore, as correctly ruled by the trial court, the case involves a controversy between the homeowners' association and some of its members. Thus, the exclusive and original jurisdiction lies with the HLURB.

Indeed, in *Sta. Clara Homeowners' Association v. Gaston*, we held:

. . . the HIGC exercises limited jurisdiction over homeowners' disputes. The law confines its authority to controversies that arise from any of the following intra-corporate relations: (1) between and among members of the association; (2) between any and/or all of them and the association of which they are members; and (3) between the association and the state insofar as the controversy concerns its right to exist as a corporate entity.[19] (Emphasis supplied.)

The extent to which the HLURB has been vested with quasi-judicial authority must also be determined by referring to Section 3 of P.D. No. 957,[20] which provides:

SEC. 3. National Housing Authority. - 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 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.[21] 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.[22]

It is apparent that although the complaint was denominated as one for declaratory relief/annulment of contracts, the allegations therein reveal otherwise. It should be stressed that respondents neither asked for the interpretation of the questioned by-laws nor did they allege that the same is doubtful or ambiguous and require judicial construction. In fact, what respondents really seek to accomplish is to have a particular provision of the MLPAI's by-laws nullified and thereafter absolve them from any violations of the same.[23] In *Kawasaki Port Service Corporation v. Amores*,[24] the rule was stated:

. . . where a declaratory judgment as to a disputed fact would be determinative of issues rather than a construction of definite stated rights, status and other relations, commonly expressed in written instrument, the case is not one for declaratory judgment.[25]

Contrary to the observation of the Court of Appeals, jurisdiction cannot be made to depend on the exclusive characterization of the case by one of the parties.[26] While respondents are questioning the validity or legality of the MLPAI's articles of incorporation and its by-laws, they did not, however, raise any legal ground to support its nullification. The legality of the by-laws in its entirety was never an issue in the instant controversy but merely the provision prohibiting multi-dwelling which respondents assert they did not violate.[27] So to speak, there is no justiciable controversy here that would warrant declaratory relief, or even an annulment of contracts.

We reiterate that in jurisdictional issues, what determines the nature of an action for the purpose of ascertaining whether a court has jurisdiction over a case are the allegations in the complaint and the nature of the relief sought.[28]

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.[29]

In the instant case, the HLURB has the expertise to resolve the basic technical issue of whether the house built by the respondents violated the Deed of Restriction, specifically the prohibition against multi-dwelling.

As observed in *C.T. Torres Enterprises, Inc. v. Hibionada*: [30]

The argument that only courts of justice can adjudicate claims resolvable 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.

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.[31]

We also note that the parties failed to abide by the arbitration agreement in the MLPAI by-laws. Article XII of the MLPAI by-laws entered into by the parties provide:

Mode of Dispute Resolution

Mode of Dispute Resolution. Should any member of the Association have any grievance, dispute or claim against the Association or any of the officers and governors thereof in connection with their function and/or position in the Association, the parties shall endeavor to settle the same amicably. In the event that efforts at amicable settlement fail, such dispute, difference or disagreement shall be brought by the member to an arbitration panel composed of three (3) arbitrators for final settlement, to the exclusion of all other fora. Such arbitration may be initiated by giving notice to the other party, such notice designating one (1) independent arbitrator. Within thirty (30) from the receipt of said notice, the other party shall designate a second independent arbitrator by written notice to the first party. Both arbitrators shall within fifteen (15) days thereafter select a third independent arbitrator, who shall be the chairman of the Arbitration Tribunal. In the event that the two (2) arbitrators respectively nominated by the parties fail to select the third independent arbitrator within the fifteen-day period, the third arbitrator shall be jointly selected by the parties. In the event that the other party does not nominate an arbitrator, the Arbitration Tribunal shall be composed of one (1) arbitrator nominated by the party initiating the proceedings. The Arbitration Tribunal shall render its decision within forty-five (45) days from the selection of the third arbitrator, which decision shall be valid and binding between the parties unless repudiated within five (5) days from receipt thereof on grounds that the same was procured through fraud or violence, or that there are patent or gross errors in facts made basis of the decision. The award of the Tribunal shall be enforced by a court of competent jurisdiction. Venue of action covered by this Article shall be in the courts of justice of Cebu City only.

Under the said provision of the by-laws, any dispute or claim against the Association or any of its officers and governors shall first be settled amicably. If amicable settlement fails, such dispute shall be brought by the member to an arbitration panel for final settlement. The arbitral award shall be valid and binding between the parties unless repudiated on grounds that the same was procured through fraud or violence, or that there are patent or gross errors in the tribunal's findings of facts upon which the decision was based.

The terms of Article XII of the MLPAI by-laws clearly express the intention of the parties to bring first to the arbitration process all disputes between them before a party can file the appropriate action. The agreement to submit all disputes to arbitration is a contract. As such, the arbitration agreement binds the parties thereto, as well as their assigns and heirs.[32] Respondents, being members of MLPAI, are bound by its by-laws, and are expected to abide by it in good faith.[33]

In the instant case, we observed that while both parties exchanged correspondence pertaining to the alleged violation of the Deed of Restriction, they, however, made no earnest effort to resolve their differences in accordance with the arbitration clause provided for in their by-laws. Mere exchange of correspondence will not suffice much less satisfy the requirement of arbitration. Arbitration being the mode of settlement between the parties expressly provided for in their by-laws, the same should be respected. Unless an arbitration agreement is such as absolutely to close the doors of the courts against the parties, the courts should look with favor upon such amicable arrangements.[34]

Arbitration is one of the alternative methods of dispute resolution that is now rightfully vaunted as "the wave of

the future" in international relations, and is recognized worldwide. To brush aside a contractual agreement calling for arbitration in case of disagreement between the parties would therefore be a step backward.[35]

WHEREFORE, the instant petition is GRANTED. The Decision dated August 31, 2005 and Resolution dated February 13, 2006 of the Court of Appeals in CA-G.R. SP No. 81069 are SET ASIDE. The Order dated July 31, 2003 of the Regional Trial Court of Cebu City, Branch 7, is hereby REINSTATED.

SO ORDERED.

Ynares-Santiago,[*] Velasco, Jr., Leonardo-De Castro,**] and Brion, JJ., concur.

[*] Designated member of the Second Division per Special Order No. 645 in place of Associate Justice Conchita Carpio Morales who is on official leave.

**] Designated member of the Second Division per Special Order No. 635 in view of the retirement of Associate Dante O. Tinga.

[1] Rollo, pp. 70-77. Penned by Associate Justice Sesinando E. Villon, with Associate Justices Enrico A. Lanzanas and Ramon M. Bato, Jr. concurring.

[2] Id. at 83-84. Penned by Associate Justice Enrico A. Lanzanas, with Associate Justices Isaias P. Dicedican and Ramon M. Bato, Jr. concurring.

[3] Id. at 35-52.

[4] Records, p. 46.

[5] Id. at 1-9.

[6] Rollo, p. 34 (Article XII-Mode of Dispute Resolution).

[7] Id. at 53-56. Penned by Judge Simeon P. Dumdum, Jr.

[8] Id. at 76.

[9] Id. at 126.

[10] Executive Order No. 90 dated December 17, 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.

x x x x

c) 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.

x x x x

[11] RULES AND REGULATIONS IMPLEMENTING THE HOME GUARANTY CORPORATION ACT OF

2000, approved on October 13, 2000.

ART. 6. Re-Naming of the Corporation. The Home Insurance and Guaranty Corporation is renamed as the Home Guaranty Corporation. It shall have its principal office in Metropolitan Manila.

[12] AMENDING THE CHARTER OF THE HOME FINANCING COMMISSION, RENAMING IT AS HOME FINANCING CORPORATION, ENLARGING ITS POWERS, AND FOR OTHER PURPOSES, done on May 3, 1979.

[13] PRESIDENTIAL DECREE NO. 902-A, done on March 11, 1976.

[14] G.R. No. 141961, January 23, 2002, 374 SCRA 396.

[15] G.R. No. 146987, October 19, 2005, 473 SCRA 312.

[16] *Id.* at 320.

[17] AN ACT CONSOLIDATING AND AMENDING REPUBLIC ACT NOS. 580, 1557, 5488, AND 7835 AND EXECUTIVE ORDER NOS. 535 AND 90, AS THEY APPLY TO THE HOME INSURANCE AND GUARANTY CORPORATION WHICH SHALL BE RENAMED AS HOME GUARANTY CORPORATION, AND FOR OTHER PURPOSES, approved on March 7, 2000.

[18] Rollo, p. 19.

[19] *Sta. Clara Homeowners' Association v. Gaston*, *supra* at 410.

[20] THE SUBDIVISION AND CONDOMINIUM BUYERS' PROTECTIVE DECREE, done on July 12, 1976.

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

[22] See *Antipolo Realty Corp. v. National Housing Authority*, No. L-50444, August 31, 1987, 153 SCRA 399, 407.

[23] Rollo, p. 21.

[24] G.R. No. 58340, July 16, 1991, 199 SCRA 230.

[25] *Id.* at 236.

[26] *Pilipinas Bank v. Court of Appeals*, G.R. No. 117079, February 22, 2000, 326 SCRA 147, 154.

[27] Rollo, p. 19.

[28] *Capiral v. Valenzuela*, G.R. No. 152886, November 15, 2002, 391 SCRA 759, 765.

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

[30] G.R. No. 80916, November 9, 1990, 191 SCRA 268.

[31] *Id.* at 272-273.

[32] *Heirs of Augusto L. Salas, Jr. v. Laperal Realty Corporation*, G.R. No. 135362, December 13, 1999, 320 SCRA 610, 614.

[33] *Fiesta World Mall Corporation v. Linberg Philippines, Inc.*, G.R. No. 152471, August 18, 2006, 499 SCRA 332, 338, citing *LM Power Engineering Corporation v. Capitol Industrial Construction Groups, Inc.*, G.R. No. 141833, March 26, 2003, 399 SCRA 562, 571-572.

[34] Manila Electric Co. v. Pasay Transportation Co., 57 Phil. 600, 603 (1932).

[35] Sea-Land Service, Inc. v. Court of Appeals, G.R. No. 126212, March 2, 2000, 327 SCRA 135, 143-144, citing BF Corporation v. Court of Appeals, G.R. No. 120105, March 27, 1998, 288 SCRA 267, 286.

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