MARY JOY ANNE GUSTILO AND BONIFACIO M. PEÑA, PETITIONERS, VS. JOSE VICENTE GUSTILO III AND TERESITA YOUNG ALSO KNOWN AS TITA SY YOUNG, RESPONDENTS.

G.R. No. 175497. October 19, 2011

Ponente: ABAD, J.

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ABAD, J.:

This case is about the proper characterization of a dispute between the president of a corporation and a stockholder, both heirs to the corporation's controlling shares of stock, over the lease of a property that the president agreed to assign to the stockholder as her inheritance.

The Facts and the Case

Petitioner Mary Joy Anne Gustilo and respondent Jose Vicente Gustilo III are heirs of their natural father, the late Atty. Armando Gustilo (they have different mothers), who owned several properties and was, prior to his death, the president of A.G. Agro-Industrial Corporation (A.G. Agro) in Cadiz City, Negros Occidental. Petitioner Bonifacio Peña is Mary Joy's attorney-in-fact whom she authorized to exercise general control and supervision of her real properties.

On August 31, 1993, following their father's death, Mary Joy and Jose Vicente entered into a Memorandum of Agreement (MOA), adjudicating between themselves their father's properties. One of these was Hacienda Imelda which the MOA assigned to Mary Joy. As it happened, however, the hacienda's title remained in the name of A.G. Agro. Mary Joy immediately took possession of the land through Mila Barco, her mother and natural guardian, and planted sugarcane on it.

Over three years later or in 1997 Jose Vicente, as president of A.G. Agro, leased Hacienda Imelda and its farm implements to respondent Tita Sy Young for five agricultural crop years from 1997-1998 to 2001-2002. Being financially hard up, Mary Joy and her mother were pained to watch Young take over the land.

When the lease contract was about to expire, however, Mary Joy had her lawyer advise Young to surrender the land to her. But the latter refused to yield possession and continued to cultivate the same for sugarcane. This prompted Mary Joy to file an action against Jose Vicente and Young for recovery of possession of the hacienda, cancellation of the lease contract, and damages before the Regional Trial Court (RTC) of Cadiz City. Jose Vicente filed a motion to dismiss mainly on the ground that the Cadiz RTC had no jurisdiction to hear and decide intra-corporate disputes, the proper forum being a specially designated commercial court.

On June 15, 2004 the RTC granted Jose Vicente's motion and dismissed the complaint for lack of jurisdiction, without prejudice to its re-filing in the proper court. On August 11, 2006 the Court of Appeals (CA) affirmed the RTC decision, prompting Mary Joy to file the present petition.

The Issue Presented

The only issue presented in this case is whether or not Mary Joy's action presents an intra-corporate dispute that belongs to the jurisdiction of a specially designated commercial court.

The Ruling of the Court

It is a basic rule that jurisdiction over the subject matter is determined by the allegations in the complaint.[1] It can be gleaned from Mary Joy's allegations in her complaint that her case is principally one for recovery of possession. Immediately upon the execution of the MOA in 1993, Mary Joy took possession of Hacienda Imelda, through her mother, and started planting sugarcane on it. In 1997 Young, with the use of force, took over the property with the farm equipment and implements. Despite several demands to vacate and surrender Hacienda Imelda, Young continued to cultivate and plant sugarcanes on the property up to 2002, and even entered into a new lease contract with Jose Vicente. It must be stated that regardless of the actual condition of the title to the property, the party in peaceable quiet possession shall not be turned out by a strong hand, violence or terror. Thus, a party who can prove prior possession, can recover such possession even against the owner himself. Whatever may be the character of his prior possession, if he has in his favor priority in time, he is entitled to remain on the property until he is lawfully ejected by a person having a better right.[2]

Here, Jose Vicente and Young mainly argued in their Motion to Dismiss that inasmuch as the subject property is in the name of A.G. Agro, the nature of the claim or controversy is one of intra-corporate. The Court has ruled in the past that an action to recover possession is a plenary action in an ordinary civil proceeding to determine the better and legal right to possess, independently of title.[3] But where the parties raise the issue of ownership, as in this case, the courts may pass upon such issue to determine who between the parties has the right to possess the property. This adjudication, however, is not final and binding as regards the issue of ownership; it is merely for the purpose of resolving the issue of possession when it is inseparably connected to the issue of ownership. The adjudication on the issue of ownership, being provisional, is not a bar to an action between the same parties involving title to the property.[4] Also, any intra-corporate issues that may be involved in determining the real owner of the property may be threshed out in a separate proceeding in the proper commercial court.

WHEREFORE, the Court GRANTS the petition and REVERSES and SETS ASIDE the Decision of the Court of Appeals in CA-G.R. SP 85887 dated August 11, 2006. The Court likewise ORDERS Jose Vicente Gustilo III and Teresita Young to answer the complaint in Civil Case 723-C, Regional Trial Court Negros Occidental, Branch 60.

SO ORDERED.

Velasco, Jr., (Chairperson), Peralta, Mendoza, and Perlas-Bernabe, JJ., concur.

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[1] Mendoza v. Germino, G.R. No. 165676, November 22, 2010, 635 SCRA 537, 544.

[2] German Management & Services, Inc. v. Court of Appeals, 258 Phil. 289, 293 (1989).

[3] Bejar v. Caluag, G.R. No. 171277, February 17, 2007, 516 SCRA 84, 90.

[4] Urieta Vda. de Aguilar v. Alfaro, G.R. No. 164402, July 5, 2010, 623 SCRA 130, 140-141.

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