RUBY SHELTER BUILDERS AND REALTY DEVELOPMENT CORPORATION, PETITIONER, VS. HON. PABLO C. FORMARAN III, PRESIDING JUDGE OF REGIONAL TRIAL COURT BRANCH 21, NAGA CITY, AS PAIRING JU...

G.R. No. 175914. February 10, 2009

Ponente: CHICO-NAZARIO, J.

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CHICO-NAZARIO, J.:

Before this Court is a Petition for Review on Certiorari under Rule 45 of the Rules of Court seeking the reversal of the Decision[1] dated 22 November 2006 of the Court of Appeals in CA-G.R. SP No. 94800. The Court of Appeals, in its assailed Decision, affirmed the Order[2] dated 24 March 2006 of the Regional Trial Court (RTC), Branch 22, of Naga City, in Civil Case No. RTC-2006-0030, ordering petitioner Ruby Shelter Builders and Realty Development Corporation to pay additional docket/filing fees, computed based on Section 7(a) of Rule 141 of the Rules of Court, as amended.

The present Petition arose from the following facts:

Petitioner obtained a loan[3] in the total amount of P95,700,620.00 from respondents Romeo Y. Tan (Tan) and Roberto L. Obiedo (Obiedo), secured by real estate mortgages over five parcels of land, all located in Triangulo, Naga City, covered by Transfer Certificates of Title (TCTs) No. 38376,[4] No. 29918,[5] No. 38374,[6] No. 39232,[7] and No. 39225,[8] issued by the Registry of Deeds for Naga City, in the name of petitioner. When petitioner was unable to pay the loan when it became due and demandable, respondents Tan and Obiedo agreed to an extension of the same.

In a Memorandum of Agreement[9] dated 17 March 2005, respondents Tan and Obiedo granted petitioner until 31 December 2005 to settle its indebtedness, and condoned the interests, penalties and surcharges accruing thereon from 1 October 2004 to 31 December 2005 which amounted to P74,678,647.00. The Memorandum of Agreement required, in turn, that petitioner execute simultaneously with the said Memorandum, "by way of dacion en pago," Deeds of Absolute Sale in favor of respondents Tan and Obiedo, covering the same parcels of land subject of the mortgages. The Deeds of Absolute Sale would be uniformly dated 2 January 2006, and state that petitioner sold to respondents Tan and Obiedo the parcels of land for the following purchase prices:

TCT No.

Purchase Price

38376

P 9,340,000.00

29918

P 28,000,000.00

38374

P 12,000,000.00

39232

P 1,600,000.00

39225

P 1,600,000.00

Petitioner could choose to pay off its indebtedness with individual or all five parcels of land; or it could redeem said properties by paying respondents Tan and Obiedo the following prices for the same, inclusive of interest and penalties:

TCT No.

Redemption Price

38376

P 25,328,939.00

29918

P 35,660,800.00

38374

P 28,477,600.00

39232

P 6,233,381.00

39225

P 6,233,381.00

In the event that petitioner is able to redeem any of the afore-mentioned parcels of land, the Deed of Absolute Sale covering the said property shall be nullified and have no force and effect; and respondents Tan and Obiedo shall then return the owner's duplicate of the corresponding TCT to petitioner and also execute a Deed of Discharge of Mortgage. However, if petitioner is unable to redeem the parcels of land within the period agreed upon, respondents Tan and Obiedo could already present the Deeds of Absolute Sale covering the same to the Office of the Register of Deeds for Naga City so respondents Tan and Obiedo could acquire TCTs to the said properties in their names.

The Memorandum of Agreement further provided that should petitioner contest, judicially or otherwise, any act, transaction, or event related to or necessarily connected with the said Memorandum and the Deeds of Absolute Sale involving the five parcels of land, it would pay respondents Tan and Obiedo P10,000,000.00 as liquidated damages inclusive of costs and attorney's fees. Petitioner would likewise pay respondents Tan and Obiedo the condoned interests, surcharges and penalties.[10] Finally, should a contest arise from the Memorandum of Agreement, Mr. Ruben Sia (Sia), President of petitioner corporation, personally assumes, jointly and severally with petitioner, the latter's monetary obligation to respondent Tan and Obiedo.

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Respondent Atty. Tomas A. Reyes (Reyes) was the Notary Public who notarized the Memorandum of Agreement dated 17 March 2005 between respondent Tan and Obiedo, on one hand, and petitioner, on the other.

Pursuant to the Memorandum of Agreement, petitioner, represented by Mr. Sia, executed separate Deeds of Absolute Sale,[11] over the five parcels of land, in favor of respondents Tan and Obiedo. On the blank spaces provided for in the said Deeds, somebody wrote the 3[rd] of January 2006 as the date of their execution. The Deeds were again notarized by respondent Atty. Reyes also on 3 January 2006.

Without payment having been made by petitioner on 31 December 2005, respondents Tan and Obiedo presented the Deeds of Absolute Sale dated 3 January 2006 before the Register of Deeds of Naga City on 8 March 2006, as a result of which, they were able to secure TCTs over the five parcels of land in their names.

On 16 March 2006, petitioner filed before the RTC a Complaint[12] against respondents Tan, Obiedo, and Atty. Reyes, for declaration of nullity of deeds of sales and damages, with prayer for the issuance of a writ of preliminary injunction and/or temporary restraining order (TRO). The Complaint was docketed as Civil Case No. 2006-0030.

On the basis of the facts already recounted above, petitioner raised two causes of action in its Complaint.

As for the first cause of action, petitioner alleged that as early as 27 December 2005, its President already wrote a letter informing respondents Tan and Obiedo of the intention of petitioner to pay its loan and requesting a meeting to compute the final amount due. The parties held meetings on 3 and 4 January 2006 but they failed to arrive at a mutually acceptable computation of the final amount of loan payable. Respondents Tan and Obiedo then refused the request of petitioner for further dialogues. Unbeknownst to petitioner, despite the ongoing meetings, respondents Tan and Obiedo, in evident bad faith, already had the pre-executed Deeds of Absolute Sale notarized on 3 January 2006 by respondent Atty. Reyes. Atty. Reyes, in connivance with respondents Tan and Obiedo, falsely made it appear in the Deeds of Absolute Sale that Mr. Sia had personally acknowledged/ratified the said Deeds before Atty. Reyes.

Asserting that the Deeds of Absolute Sale over the five parcels of land were executed merely as security for the payment of its loan to respondents Tan and Obiedo; that the Deeds of Absolute Sale, executed in accordance with the Memorandum of Agreement, constituted pactum commisorium and as such, were null and void; and that the acknowledgment in the Deeds of Absolute Sale were falsified, petitioner averred:

> 13. That by reason of the fraudulent actions by the [herein respondents], [herein petitioner] is prejudiced and is now in danger of being deprived, physically and legally, of the mortgaged properties without benefit of legal processes such as the remedy of foreclosure and its attendant procedures, solemnities and remedies available to a mortgagor, while [petitioner] is desirous and willing to pay its obligation and have the mortgaged properties released.[13]

In support of its second cause of action, petitioner narrated in its Complaint that on 18 January 2006, respondents Tan and Obiedo forcibly took over, with the use of armed men, possession of the five parcels of land subject of the falsified Deeds of Absolute Sale and fenced the said properties with barbed wire. Beginning 3 March 2006, respondents Tan and Obiedo started demolishing some of the commercial spaces standing on the parcels of land in question which were being rented out by petitioner. Respondents Tan and Obiedo were also about to tear down a principal improvement on the properties consisting of a steel-and-concrete structure housing a motor vehicle terminal operated by petitioner. The actions of respondents Tan and Obiedo were to the damage and prejudice of petitioner and its tenants/lessees. Petitioner, alone, claimed to have suffered at least P300,000.00 in actual damages by reason of the physical invasion by respondents Tan and Obiedo and their armed goons of the five parcels of land.

Ultimately, petitioner's prayer in its Complaint reads:

> WHEREFORE, premises considered, it is most respectfully prayed of this Honorable Court that upon the filing of this complaint, a 72-hour temporary restraining order be forthwith issued ex parte:
>
> (a) Restraining [herein respondents] Tan and Obiedo, their agents, privies or representatives, from committing act/s tending to alienate the mortgaged properties from the [herein petitioner] pending the resolution of the case, including but not limited to the acts complained of in paragraph "14", above;
>
> (b) Restraining the Register of Deeds of Naga City from entertaining moves by the [respondents] to have [petitioner's] certificates of title to the mortgaged properties cancelled and changed/registered in [respondents] Tan's and Obiedo's names, and/or released to them;
>
> (c) After notice and hearing, that a writ of preliminary injunction be issued imposing the same restraints indicated in the next preceding two paragraphs of this prayer; and
>
> (d) After trial, judgment be rendered:
>
> - Making the injunction permanent;
>
> - Declaring the provision in the Memorandum of Agreement requiring the [petitioner] to execute deed of sales (sic) in favor of the [respondents Tan and Obiedo] as dacion en pago in the event of non-payment of the debt as pactum commissorium;
>
> - Annulling the Deed[s] of Sale for TCT Nos. 29918, 38374, 38376, 39225 and 39232, all dated January 3, 2006, the same being in contravention of law;
>
> - Ordering the [respondents] jointly and solidarily to pay the [petitioner] actual damages of at least P300,000.00; attorney's fees in the amount of P100,000.00 plus P1,000.00 per court attendance of counsel as appearance fee; litigation expenses in the amount of at least P10,000.00 and exemplary damages in the amount of P300,000.00, plus the costs.
>
> [Petitioner] further prays for such other reliefs as may be proper, just and equitable under the premises.[14]

Upon filing its Complaint with the RTC on 16 March 2006, petitioner paid the sum of P13,644.25 for docket and other legal fees, as assessed by the Office of the Clerk of Court. The Clerk of Court initially considered Civil Case No. 2006-0030 as an action incapable of pecuniary estimation and computed the docket and other legal fees due thereon according to Section 7(b)(1), Rule 141 of the Rules of Court.

Only respondent Tan filed an Answer[15] to the Complaint of petitioner. Respondent Tan did admit that meetings were held with Mr. Sia, as the representative of petitioner, to thresh out Mr. Sia's charge that the computation by respondents Tan and Obiedo of the interests, surcharges and penalties accruing on the loan of petitioner was replete with errors and uncertainties. However, Mr. Sia failed to back up his accusation of errors and uncertainties and to present his own final computation of the amount due. Disappointed and exasperated, respondents Tan and Obiedo informed Mr. Sia that they had already asked respondent Atty. Reyes to come over to notarize the Deeds of Absolute Sale. Respondent Atty. Reyes asked Mr. Sia whether it was his signature appearing above his printed name on the Deeds of Absolute Sale, to which Mr. Sia replied yes. On 4 January 2006, Mr. Sia still failed to establish his claim of errors and uncertainties in the computation of the total amount which petitioner must pay respondent Tan and Obiedo. Mr. Sia, instead, sought a nine-month extension for paying the loan obligation of petitioner and the reduction of the interest rate thereon to only one percent (1%) per month. Respondents Tan and Obiedo rejected both demands.

Respondent Tan maintained that the Deeds of Absolute Sale were not executed merely as securities for the loan of

petitioner. The Deeds of Absolute Sale over the five parcels of land were the consideration for the payment of the total indebtedness of petitioner to respondents Tan and Obiedo, and the condonation of the 15-month interest which already accrued on the loan, while providing petitioner with the golden opportunity to still redeem all or even portions of the properties covered by said Deeds. Unfortunately, petitioner failed to exercise its right to redeem any of the said properties.

Belying that they forcibly took possession of the five parcels of land, respondent Tan alleged that it was Mr. Sia who, with the aid of armed men, on board a Sports Utility Vehicle and a truck, rammed into the personnel of respondents Tan and Obiedo causing melee and disturbance. Moreover, by the execution of the Deeds of Absolute Sale, the properties subject thereof were, ipso jure, delivered to respondents Tan and Obiedo. The demolition of the existing structures on the properties was nothing but an exercise of dominion by respondents Tan and Obiedo.

Respondent Tan, thus, sought not just the dismissal of the Complaint of petitioner, but also the grant of his counterclaim. The prayer in his Answer is faithfully reproduced below:

> Wherefore, premises considered, it is most respectfully prayed that, after due hearing, judgment be rendered dismissing the complaint, and on the counterclaim, [herein petitioner] and Ruben Sia, be ordered to indemnify, jointly and severally [herein respondents Tan and Obiedo] the amounts of not less than P10,000,000.00 as liquidated damages and the further sum of not less than P500,000.00 as attorney's fees. In the alternative, and should it become necessary, it is hereby prayed that [petitioner] be ordered to pay herein [respondents Tan and Obiedo] the entire principal loan of P95,700,620.00, plus interests, surcharges and penalties computed from March 17, 2005 until the entire sum is fully paid, including the amount of P74,678,647.00 foregone interest covering the period from October 1, 2004 to December 31, 2005 or for a total of fifteen (15) months, plus incidental expenses as may be proved in court, in the event that Annexes "G" to "L" be nullified. Other relief and remedies as are just and equitable under the premises are hereby prayed for.[16]

Thereafter, respondent Tan filed before the RTC an Omnibus Motion in which he contended that Civil Case No. 2006-0030 involved real properties, the docket fees for which should be computed in accordance with Section 7(a), not Section 7(b)(1), of Rule 141 of the Rules of Court, as amended by A.M. No. 04-2-04-SC which took effect on 16 August 2004. Since petitioner did not pay the appropriate docket fees for Civil Case No. 2006-0030, the RTC did not acquire jurisdiction over the said case. Hence, respondent Tan asked the RTC to issue an order requiring petitioner to pay the correct and accurate docket fees pursuant to Section 7(a), Rule 141 of the Rules of Court, as amended; and should petitioner fail to do so, to deny and dismiss the prayer of petitioner for the annulment of the Deeds of Absolute Sale for having been executed in contravention of the law or of the Memorandum of Agreement as pactum commisorium.

As required by the RTC, the parties submitted their Position Papers on the matter. On 24 March 2006, the RTC issued an Order[17] granting respondent Tan's Omnibus Motion. In holding that both petitioner and respondent Tan must pay docket fees in accordance with Section 7(a), Rule 141 of the Rules of Court, as amended, the RTC reasoned:

> It must be noted that under paragraph (b) 2. of the said Section 7, it is provided that QUIETING OF TITLE which is an action classified as beyond pecuniary estimation "shall be governed by paragraph (a)". Hence, the filing fee in an action for Declaration of Nullity of Deed which is also classified as beyond pecuniary estimation, must be computed based on the provision of Section 7(A) herein-above, in part, quoted.
>
> Since [herein respondent], Romeo Tan in his Answer has a counterclaim against the plaintiff, the former must likewise pay the necessary filling (sic) fees as provided for under Section 7 (A) of Amended Administrative Circular No. 35-2004 issued by the Supreme Court.[18]

Consequently, the RTC decreed on the matter of docket/filing fees:

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> WHEREFORE, premises considered, the [herein petitioner] is hereby ordered to pay additional filing fee and the [herein respondent], Romeo Tan is also ordered to pay docket and filing fees on his counterclaim, both computed based on Section 7(a) of the Supreme Court Amended Administrative Circular No. 35-2004 within fifteen (15) days from receipt of this Order to the Clerk of Court, Regional Trial Court, Naga City and for the latter to compute and to collect the said fees accordingly.[19]

Petitioner moved[20] for the partial reconsideration of the 24 March 2006 Order of the RTC, arguing that Civil Case No. 2006-0030 was principally for the annulment of the Deeds of Absolute Sale and, as such, incapable of pecuniary estimation. Petitioner submitted that the RTC erred in applying Section 7(a), Rule 141 of the Rules of Court, as amended, to petitioner's first cause of action in its Complaint in Civil Case No. 2006-0030.

In its Order[21] dated 29 March 2006, the RTC refused to reconsider its 24 March 2006 Order, based on the following ratiocination:

> Analyzing, the action herein pertains to real property, for as admitted by the [herein petitioner], "the deeds of sale in question pertain to real property" x x x. The Deeds of Sale subject of the instant case have already been transferred in the name of the [herein respondents Tan and Obiedo].
>
> Compared with Quieting of Title, the latter action is brought when there is cloud on the title to real property or any interest therein or to prevent a cloud from being cast upon title to the real property (Art. 476, Civil Code of the Philippines) and the plaintiff must have legal or equitable title to or interest in the real property which is the subject matter of the action (Art. 447, ibid.), and yet plaintiff in QUIETING OF TITLE is required to pay the fees in accordance with paragraph (a) of Section 7 of the said Amended Administrative Circular No. 35-2004, hence, with more reason that the [petitioner] who no longer has title to the real properties subject of the instant case must be required to pay the required fees in accordance with Section 7(a) of the Amended Administrative Circular No. 35-2004 afore-mentioned.
>
> Furthermore, while [petitioner] claims that the action for declaration of nullity of deed of sale and memorandum of agreement is one incapable of pecuniary estimation, however, as argued by the [respondent Tan], the issue as to how much filing and docket fees should be paid was never raised as an issue in the case of Russell vs. Vestil, 304 SCRA 738.
>
> x x x x
>
> WHEREFORE, the Motion for Partial Reconsideration is hereby DENIED.[22]

In a letter dated 19 April 2006, the RTC Clerk of Court computed, upon the request of counsel for the petitioner, the additional docket fees petitioner must pay for in Civil Case No. 2006-0030 as directed in the afore-mentioned RTC Orders. Per the computation of the RTC Clerk of Court, after excluding the amount petitioner previously paid on 16 March 2006, petitioner must still pay the amount of P720,392.60 as docket fees.[23]

Petitioner, however, had not yet conceded, and it filed a Petition for Certiorari with the Court of Appeals; the petition was docketed as CA-G.R. SP No. 94800. According to petitioner, the RTC[24] acted with grave abuse of discretion, amounting to lack or excess of jurisdiction, when it issued its Orders dated 24 March 2006 and 29 March 2006 mandating that the docket/filing fees for Civil Case No. 2006-0030, an action for annulment of deeds of sale, be assessed under Section 7(a), Rule 141 of the Rules of Court, as amended. If the Orders would not be revoked, corrected, or rectified, petitioner would suffer grave injustice and irreparable damage.

On 22 November 2006, the Court of Appeals promulgated its Decision wherein it held that:

> Clearly, the petitioner's complaint involves not only the annulment of the deeds of sale, but also the recovery of the real properties identified in the said documents. In other words, the objectives of the petitioner in filing the complaint were to cancel the deeds of sale and ultimately, to recover possession of the same. It is therefore a

> real action.
>
> Consequently, the additional docket fees that must be paid cannot be assessed in accordance with Section 7(b). As a real action, Section 7(a) must be applied in the assessment and payment of the proper docket fee.
>
> Resultantly, there is no grave abuse of discretion amounting to lack or excess of jurisdiction on the part of the court a quo. By grave abuse of discretion is meant capricious and whimsical exercise of judgment as is equivalent to lack of jurisdiction, and mere abuse of discretion is not enough - it must be grave. The abuse must be grave and patent, and it must be shown that the discretion was exercised arbitrarily and despotically.
>
> Such a situation does not exist in this particular case. The evidence is insufficient to prove that the court a quo acted despotically in rendering the assailed orders. It acted properly and in accordance with law. Hence, error cannot be attributed to it.[25]

Hence, the fallo of the Decision of the appellate court reads:

> WHEREFORE, the petition for certiorari is DENIED. The assailed Orders of the court a quo are AFFIRMED.[26]

Without seeking reconsideration of the foregoing Decision with the Court of Appeals, petitioner filed its Petition for Review on Certiorari before this Court, with a lone assignment of error, to wit:

> 18. The herein petitioner most respectfully submits that the Court of Appeals committed a grave and serious reversible error in affirming the assailed Orders of the Regional Trial Court which are clearly contrary to the pronouncement of this Honorable Court in the case of Spouses De Leon v. Court of Appeals, G.R. No. 104796, March 6, 1998, not to mention the fact that if the said judgment is allowed to stand and not rectified, the same would result in grave injustice and irreparable damage to herein petitioner in view of the prohibitive amount assessed as a consequence of said Orders.[27]

In Manchester Development Corporation v. Court of Appeals,[28] the Court explicitly pronounced that "[t]he court acquires jurisdiction over any case only upon the payment of the prescribed docket fee." Hence, the payment of docket fees is not only mandatory, but also jurisdictional.

In Sun Insurance Office, Ltd. (SIOL) v. Asuncion,[29] the Court laid down guidelines for the implementation of its previous pronouncement in Manchester under particular circumstances, to wit:

- It is not simply the filing of the complaint or appropriate initiatory pleading, but the payment of the prescribed docket fee, that vests a trial court with jurisdiction over the subject matter or nature of the action. Where the filing of the initiatory pleading is not accompanied by payment of the docket fee, the court may allow payment of the fee within a reasonable time but in no case beyond the applicable prescriptive or reglementary period.

- The same rule applies to permissive counterclaims, third-party claims and similar pleadings, which shall not be considered filed until and unless the filing fee prescribed therefor is paid. The court may also allow payment of said fee within a reasonable time but also in no case beyond its applicable prescriptive or reglementary period.

- Where the trial court acquires jurisdiction over a claim by the filing of the appropriate pleading and payment of the prescribed filing fee but, subsequently, the judgment awards a claim not specified in the pleading, or if specified the same has been left for determination by the court, the additional filing fee therefor shall constitute a lien on the judgment. It shall be the responsibility of the Clerk of Court or his duly authorized deputy to enforce said lien and assess and collect the additional fee.

In the Petition at bar, the RTC found, and the Court of Appeals affirmed, that petitioner did not pay the correct amount of docket fees for Civil Case No. 2006-0030. According to both the trial and appellate courts, petitioner

should pay docket fees in accordance with Section 7(a), Rule 141 of the Rules of Court, as amended. Consistent with the liberal tenor of Sun Insurance, the RTC, instead of dismissing outright petitioner's Complaint in Civil Case No. 2006-0030, granted petitioner time to pay the additional docket fees. Despite the seeming munificence of the RTC, petitioner refused to pay the additional docket fees assessed against it, believing that it had already paid the correct amount before, pursuant to Section 7(b)(1), Rule 141 of the Rules of Court, as amended.

Relevant to the present controversy are the following provisions under Rule 141 of the Rules of Court, as amended by A.M. No. 04-2-04-SC[30] and Supreme Court Amended Administrative Circular No. 35-2004[31]:

> SEC. 7. Clerks of Regional Trial Courts. -
>
> (a) For filing an action or a permissive OR COMPULSORY counterclaim, CROSS-CLAIM, or money claim against an estate not based on judgment, or for filing a third-party, fourth-party, etc. complaint, or a complaint-in-intervention, if the total sum claimed, INCLUSIVE OF INTERESTS, PENALTIES, SURCHARGES, DAMAGES OF WHATEVER KIND, AND ATTORNEY'S FEES, LITIGATIO NEXPENSES AND COSTS and/or in cases involving property, the FAIR MARKET value of the REAL property in litigation STATED IN THE CURRENT TAX DECLARATION OR CURRENT ZONAL VALUATION OF THE BUREAU OF INTERNAL REVENUE, WHICHEVER IS HIGHER, OR IF THERE IS NONE, THE STATED VALUE OF THE PROPERTY IN LITIGATION OR THE VALUE OF THE PERSONAL PROPERTY IN LITIGATION OR THE VALUE OF THE PERSONAL PROPERTY IN LITIGATION AS ALLEGED BY THE CLAIMANT, is:
>
> [Table of fees omitted.]
>
> If the action involves both a money claim and relief pertaining to property, then THE fees will be charged on both the amounts claimed and value of property based on the formula prescribed in this paragraph a.
>
> (b) For filing:
>
> - Actions where the value of the subject matter cannot be estimated
>
> - Special civil actions, except judicial foreclosure of mortgage, EXPROPRIATION PROCEEDINGS, PARTITION AND QUIETING OF TITLE which will
>
> - All other actions not involving property
>
> [Table of fees omitted.]

The docket fees under Section 7(a), Rule 141, in cases involving real property depend on the fair market value of the same: the higher the value of the real property, the higher the docket fees due. In contrast, Section 7(b)(1), Rule 141 imposes a fixed or flat rate of docket fees on actions incapable of pecuniary estimation.

In order to resolve the issue of whether petitioner paid the correct amount of docket fees, it is necessary to determine the true nature of its Complaint. The dictum adhered to in this jurisdiction is that the nature of an action is determined by the allegations in the body of the pleading or Complaint itself, rather than by its title or heading.[32] However, the Court finds it necessary, in ascertaining the true nature of Civil Case No. 2006-0030, to take into account significant facts and circumstances beyond the Complaint of petitioner, facts and circumstances which petitioner failed to state in its Complaint but were disclosed in the preliminary proceedings before the court a quo.

Petitioner persistently avers that its Complaint in Civil Case No. 2006-0030 is primarily for the annulment of the Deeds of Absolute Sale. Based on the allegations and reliefs in the Complaint alone, one would get the impression that the titles to the subject real properties still rest with petitioner; and that the interest of respondents Tan and

Obiedo in the same lies only in the Deeds of Absolute Sale sought to be annulled.

What petitioner failed to mention in its Complaint was that respondents Tan and Obiedo already had the Memorandum of Agreement, which clearly provided for the execution of the Deeds of Absolute Sale, registered on the TCTs over the five parcels of land, then still in the name of petitioner. After respondents Tan and Obiedo had the Deeds of Absolute Sale notarized on 3 January 2006 and presented the same to Register of Deeds for Naga City on 8 March 2006, they were already issued TCTs over the real properties in question, in their own names. Respondents Tan and Obiedo have also acquired possession of the said properties, enabling them, by petitioner's own admission, to demolish the improvements thereon.

It is, thus, suspect that petitioner kept mum about the afore-mentioned facts and circumstances when they had already taken place before it filed its Complaint before the RTC on 16 March 2006. Petitioner never expressed surprise when such facts and circumstances were established before the RTC, nor moved to amend its Complaint accordingly. Even though the Memorandum of Agreement was supposed to have long been registered on its TCTs over the five parcels of land, petitioner did not pray for the removal of the same as a cloud on its title. In the same vein, although petitioner alleged that respondents Tan and Obiedo forcibly took physical possession of the subject real properties, petitioner did not seek the restoration of such possession to itself. And despite learning that respondents Tan and Obiedo already secured TCTs over the subject properties in their names, petitioner did not ask for the cancellation of said titles. The only logical and reasonable explanation is that petitioner is reluctant to bring to the attention of the Court certain facts and circumstances, keeping its Complaint safely worded, so as to institute only an action for annulment of Deeds of Absolute Sale. Petitioner deliberately avoided raising issues on the title and possession of the real properties that may lead the Court to classify its case as a real action.

No matter how fastidiously petitioner attempts to conceal them, the allegations and reliefs it sought in its Complaint in Civil Case No. 2006-0030 appears to be ultimately a real action, involving as they do the recovery by petitioner of its title to and possession of the five parcels of land from respondents Tan and Obiedo.

A real action is one in which the plaintiff seeks the recovery of real property; or, as indicated in what is now Section 1, Rule 4 of the Rules of Court, a real action is an action affecting title to or recovery of possession of real property.[33]

Section 7, Rule 141 of the Rules of Court, prior to its amendment by A.M. No. 04-2-04-SC, had a specific paragraph governing the assessment of the docket fees for real action, to wit:

> In a real action, the assessed value of the property, or if there is none, the estimated value thereof shall be alleged by the claimant and shall be the basis in computing the fees.

It was in accordance with the afore-quoted provision that the Court, in Gochan v. Gochan,[34] held that although the caption of the complaint filed by therein respondents Mercedes Gochan, et al. with the RTC was denominated as one for "specific performance and damages," the relief sought was the conveyance or transfer of real property, or ultimately, the execution of deeds of conveyance in their favor of the real properties enumerated in the provisional memorandum of agreement. Under these circumstances, the case before the RTC was actually a real action, affecting as it did title to or possession of real property. Consequently, the basis for determining the correct docket fees shall be the assessed value of the property, or the estimated value thereof as alleged in the complaint. But since Mercedes Gochan failed to allege in their complaint the value of the real properties, the Court found that the RTC did not acquire jurisdiction over the same for non-payment of the correct docket fees.

Likewise, in Siapno v. Manalo,[35] the Court disregarded the title/denomination of therein plaintiff Manalo's amended petition as one for Mandamus with Revocation of Title and Damages; and adjudged the same to be a real action, the filing fees for which should have been computed based on the assessed value of the subject

property or, if there was none, the estimated value thereof. The Court expounded in Siapno that:

> In his amended petition, respondent Manalo prayed that NTA's sale of the property in dispute to Standford East Realty Corporation and the title issued to the latter on the basis thereof, be declared null and void. In a very realsense, albeit the amended petition is styled as one for "Mandamus with Revocation of Title and Damages," it is, at bottom,a suit to recover from Standford the realtyin question and to vest in respondent the ownership and possession thereof. In short, the amended petition is in reality an action in res or a real action. Our pronouncement in Fortune Motors (Phils.), Inc. vs. Court of Appeals is instructive. There, we said:
> A prayer for annulment or rescission of contract does not operate to efface the true objectives and nature of the action which is to recover real property. (Inton, et al., v. Quintan, 81 Phil. 97, 1948)
>
> An action for the annulment or rescission of a sale of real property is a real action. Its prime objective is to recover said real property. (Gavieres v. Sanchez, 94 Phil. 760, 1954)
>
> An action to annul a real estate mortgage foreclosure sale is no different from an action to annul a private sale of real property. (Muñoz v. Llamas, 87 Phil. 737, 1950).
>
> While it is true that petitioner does not directly seek the recovery of title or possession of the property in question, his action for annulment of sale and his claim for damages are closely intertwined with the issue of ownership of the building which, under the law, is considered immovable property, the recovery of which is petitioner's primary objective. The prevalent doctrine is that an action for the annulment or rescission of a sale of real property does not operate to efface the fundamental and prime objective and nature of the case, which is to recover said real property. It is a real action.

Unfortunately, and evidently to evade payment of the correct amount of filing fee, respondent Manalo never alleged in the body of his amended petition, much less in the prayer portion thereof, the assessed value of the subject res, or, if there is none, the estimated value thereof, to serve as basis for the receiving clerk in computing and arriving at the proper amount of filing fee due thereon, as required under Section 7 of this Court's en banc resolution of 04 September 1990 (Re: Proposed Amendments to Rule 141 on Legal Fees).

Even the amended petition, therefore, should have been expunged from the records.

In fine, we rule and so hold that the trial court never acquired jurisdictionoveritsCivilCaseNo. Q-95-24791.[36]

It was in Serrano v. Delica,[37] however, that the Court dealt with a complaint that bore the most similarity to the one at bar. Therein respondent Delica averred that undue influence, coercion, and intimidation were exerted upon him by therein petitioners Serrano, et al. to effect transfer of his properties. Thus, Delica filed a complaint before the RTC against Serrano, et al., praying that the special power of attorney, the affidavit, the new titles issued in the names of Serrano, et al., and the contracts of sale of the disputed properties be cancelled; that Serrano, et al. be ordered to pay Delica, jointly and severally, actual, moral and exemplary damages in the amount of P200,000.00, as well as attorney's fee of P200,000.00 and costs of litigation; that a TRO and a writ of preliminary injunction be issued ordering Serrano, et al. to immediately restore him to his possession of the parcels of land in question; and that after trial, the writ of injunction be made permanent. The Court dismissed Delica's complaint for the following reasons:

> A careful examination of respondent's complaint is that it is a real action. In Paderanga vs. Buissan, we held that "in a real action, the plaintiff seeks the recovery of real property, or, as stated in Section 2(a), Rule 4 of the Revised Rules of Court, a real action is one `affecting title to real property or for the recovery of possession of, or for partition or condemnation of, or foreclosure of a mortgage on a real property.'"
>
> Obviously, respondent's complaint is a real action involving not only the recovery of real properties, but likewise the cancellation of the titles thereto.

> Considering that respondent's complaint is a real action, the Rule requires that "the assessed value of the property, or if there is none, the estimated value thereof shall be alleged by the claimant and shall be the basis in computing the fees."
>
> We note, however, that neither the "assessed value" nor the "estimated value" of the questioned parcels of land were alleged by respondent in both his original and amended complaint. What he stated in his amended complaint is that the disputed realties have a "BIR zonal valuation" of P1,200.00 per square meter. However, the alleged "BIR zonal valuation" is not the kind of valuation required by the Rule. It is the assessed value of the realty. Having utterly failed to comply with the requirement of the Rule that he shall allege in his complaint the assessed value of his real properties in controversy, the correct docket fee cannot be computed. As such, his complaint should not have been accepted by the trial court. We thus rule that it has not acquired jurisdiction over the present case for failure of herein respondent to pay the required docket fee. On this ground alone, respondent's complaint is vulnerable to dismissal.[38]

Brushing aside the significance of Serrano, petitioner argues that said decision, rendered by the Third Division of the Court, and not by the Court en banc, cannot modify or reverse the doctrine laid down in Spouses De Leon v. Court of Appeals.[39] Petitioner relies heavily on the declaration of this Court in Spouses De Leon that an action for annulment or rescission of a contract of sale of real property is incapable of pecuniary estimation.

The Court, however, does not perceive a contradiction between Serrano and the Spouses De Leon. The Court calls attention to the following statement in Spouses De Leon: "A review of the jurisprudence of this Court indicates that in determining whether an action is one the subject matter of which is not capable of pecuniary estimation, this Court has adopted the criterion of first ascertaining the nature of the principal action or remedy sought." Necessarily, the determination must be done on a case-to-case basis, depending on the facts and circumstances of each. What petitioner conveniently ignores is that in Spouses De Leon, the action therein that private respondents instituted before the RTC was "solely for annulment or rescission" of the contract of sale over a real property.[40] There appeared to be no transfer of title or possession to the adverse party. Their complaint simply prayed for:

> - Ordering the nullification or rescission of the Contract of Conditional Sale (Supplementary Agreement) for having violated the rights of plaintiffs (private respondents) guaranteed to them under Article 886 of the Civil Code and/or violation of the terms and conditions of the said contract.
>
> - Declaring void ab initio the Deed of Absolute Sale for being absolutely simulated; and
>
> - Ordering defendants (petitioners) to pay plaintiffs (private respondents) attorney's fees in the amount of P100,000.00.[41]

As this Court has previously discussed herein, the nature of Civil Case No. 2006-0030 instituted by petitioner before the RTC is closer to that of Serrano, rather than of Spouses De Leon, hence, calling for the application of the ruling of the Court in the former, rather than in the latter.

It is also important to note that, with the amendments introduced by A.M. No. 04-2-04-SC, which became effective on 16 August 2004, the paragraph in Section 7, Rule 141 of the Rules of Court, pertaining specifically to the basis for computation of docket fees for real actions was deleted. Instead, Section 7(1) of Rule 141, as amended, provides that "in cases involving real property, the FAIR MARKET value of the REAL property in litigation STATED IN THE CURRENT TAX DECLARATION OR CURRENT ZONAL VALUATION OF THE BUREAU OF INTERNAL REVENUE, WHICH IS HIGHER, OR IF THERE IS NONE, THE STATED VALUE OF THE PROPERTY IN LITIGATION x x x" shall be the basis for the computation of the docket fees. Would such an amendment have an impact on Gochan, Siapno, and Serrano? The Court rules in the negative.

A real action indisputably involves real property. The docket fees for a real action would still be determined in

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accordance with the value of the real property involved therein; the only difference is in what constitutes the acceptable value. In computing the docket fees for cases involving real properties, the courts, instead of relying on the assessed or estimated value, would now be using the fair market value of the real properties (as stated in the Tax Declaration or the Zonal Valuation of the Bureau of Internal Revenue, whichever is higher) or, in the absence thereof, the stated value of the same.

In sum, the Court finds that the true nature of the action instituted by petitioner against respondents is the recovery of title to and possession of real property. It is a real action necessarily involving real property, the docket fees for which must be computed in accordance with Section 7(1), Rule 141 of the Rules of Court, as amended. The Court of Appeals, therefore, did not commit any error in affirming the RTC Orders requiring petitioner to pay additional docket fees for its Complaint in Civil Case No. 2006-0030.

The Court does not give much credence to the allegation of petitioner that if the judgment of the Court of Appeals is allowed to stand and not rectified, it would result in grave injustice and irreparable injury to petitioner in view of the prohibitive amount assessed against it. It is a sweeping assertion which lacks evidentiary support. Undeniably, before the Court can conclude that the amount of docket fees is indeed prohibitive for a party, it would have to look into the financial capacity of said party. It baffles this Court that herein petitioner, having the capacity to enter into multi-million transactions, now stalls at paying P720,392.60 additional docket fees so it could champion before the courts its rights over the disputed real properties. Moreover, even though the Court exempts individuals, as indigent or pauper litigants, from paying docket fees, it has never extended such an exemption to a corporate entity.

WHEREFORE, premises considered, the instant Petition for Review is hereby DENIED. The Decision, dated 22 November 2006, of the Court of Appeals in CA-G.R. SP No. 94800, which affirmed the Orders dated 24 March 2006 and 29 March 2006 of the RTC, Branch 22, of Naga City, in Civil Case No. RTC-2006-0030, ordering petitioner Ruby Shelter Builders and Realty Development Corporation to pay additional docket/filing fees, computed based on Section 7(a), Rule 141 of the Rules of Court, as amended, is hereby AFFIRMED. Costs against the petitioner.

SO ORDERED.

Ynares-Santiago, (Chairperson), Austria-Martinez, Nachura, and Peralta, JJ., concur.

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[1] Penned by Associate Justice Mariano C. del Castillo with Associate Justices Conrado M. Vasquez, Jr. and Ramon R. Garcia, concurring; rollo, pp. 109-120.

[2] Penned by Judge Novelita Villegas-Llaguno; id. at 74-79.

[3] Records do not disclose other details regarding the said loan, i.e., when it was obtained, if it was reduced to writing, and when it exactly became due and demandable.

[4] With an area of 4,343 square meters.

[5] With an area of 17,183 square meters.

[6] With an area of 8,203 square meters.

[7] With an area of 1,043 square meters.

[8] With an area of 616 square meters.

[9] Rollo, pp. 39-42.

[10] According to paragraph 7 of the Memorandum of Agreement, the condoned interests, surcharges and penalties amounted to "P55,167,000.00 (as stated in paragraph 2 hereof);" but paragraph 2 of the said Memorandum computed the interests, penalties and surcharges from 1 October 2004 to 31 December 2005 condoned or written-off by respondents Tan and Obiedo to be P74,678,647.00.

[11] Rollo, pp. 43-52.

[12] Id. at 53-62.

[13] Id. at 58.

[14] Id. at 60-62.

[15] Id. at 65-71.

[16] Id. at 69-70.

[17] Id. at 74-79.

[18] Id. at 75.

[19] Id. at 78.

[20] Id. at 80-84.

[21] Penned by Judge Novelita Villegas-Llaguno; id. at 85-88.

[22] Id.at 86-88.

[23] Id. at 89.

[24] Judge Pablo C. Fomaran, Presiding Judge of RTC Branch 21, Naga City, was named as a respondent in CA-G.R. SP No. 94800 in his capacity as the Pairing Judge for RTC Branch 22, Naga City, which was formerly presided by Judge Novelita Villegas-Llaguno, who retired on 1 May 2006.

[25] Rollo, pp. 118-119.

[26] Id.

[27] Id. at 27.

[28] G.R. No. L-75919, 7 May 1987, 149 SCRA 562, 569.

[29] G.R. Nos. 79937-38, 13 February 1989, 170 SCRA 274, 285.

[30] Re: Proposed Revision of Rule 141, Revised Rules of Court

[31] Guidelines in the Allocation of Legal Fees Collected Under Rule 141 of the Rules of Court, as Amended, between the Special Allowance for the Judiciary Fund and the Judiciary Development Fund.

[32] Gochan v. Gochan, 423 Phil. 491, 501 (2001).

[33] Id.; Serrano v. Delica, G.R. No. 136325, 29 July 2005, 465 SCRA 82, 88.

[34] Gochan v. Gochan, id.

[35] G.R. No. 132260, 30 August 2005, 468 SCRA 330.

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[36] Id. at 340.

[37] Supra note 33.

[38] Rollo, pp. 88-89.

[39] 350 Phil. 535 (1998).

[40] Id. at 541-543.

[41] Id. at 537.

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