

SOCIAL SECURITY SYSTEM, Petitioner, VS. ATLANTIC GULF AND PACIFIC COMPANY OF MANILA, INC. and SEMIRARA COAL CORPORATION, Respondents.

G.R. No. 175952. April 30, 2008

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TINGA, J.:

In this Petition for Review on Certiorari[1] under Rule 45 of the 1997 Rules of Civil Procedure, petitioner Republic of the Philippines represented by the Social Security System (SSS) assails the Decision[2] dated 31 August 2006 of the Eleventh Division of the Court of Appeals and its Resolution[3] dated 19 December 2006 denying petitioner's Motion for Reconsideration.

Following are the antecedents culled from the decision of the Court of Appeals:

On 13 February 2004, Atlantic Gulf and Pacific Company of Manila, Inc. (AG & P) and Semirara Coal Corporation (SEMIRARA) (collectively referred to as private respondents) filed a complaint for specific performance and damages against SSS before the Regional Trial Court of Batangas City, Branch 3, docketed as Civil Case No. 7441. The complaint alleged that:

x x x

- Sometime in 2000, plaintiff informed the SSS in writing of its premiums and loan amortization delinquencies covering the period from January 2000 to May 2000 amounting to P7.3 Million. AG&P proposed to pay its said arrears by end of 2000, but requested for the condonation of all penalties;

- In turn, the defendant suggested two (2) options to AG&P, either to pay by installment or through "dacion en pago";

- AG&P chose to settle its obligation with the SSS under the second option, that is through dacion en pago of its 5,999 sq. m. property situated in Baguio City covered by TCT No. 3941 with an appraised value of about P80.0 Million. SSS proposes to carve-out from the said property an area sufficient to cover plaintiffs' delinquencies. AG&P, however, is not amenable to subdivide its Baguio property;

- AG&P then made another proposal to SSS. This time, offering as payment a portion of its 58,153 square meter-lot, situated in F.S. Sebastian, Sto. Niño, San Pascual, Batangas. In addition, SSS informed AG&P of its decision to include other companies within the umbrella of DMCI group with arrearages with the SSS. In the process of elimination of the companies belonging to the DMCI group with possible outstanding obligation with the SSS, it was only SEMIRARA which was left with outstanding delinquencies with the SSS. Thus, SEMIRARA's inclusion in the proposed settlement through dacion en pago;

- AG&P was, thereafter, directed by the defendant to submit certain documents, such as Transfer Certificate of Title, Tax Declaration covering the subject lot, and the proposed subdivision plan, which requirements AG&P immediately complied;

- On April 4, 2001, SSS, in its Resolution No. 270, finally approved AG&P's proposal to settle its and

SEMIRARA's delinquencies through dacion en pago, which as of March 31, 2001 amounted to P29,261,902.45. Approval of AG&P's proposal was communicated to it by Ms. Aurora E.L. Ortega, Vice-President, NCR-Group of the SSS in a letter dated April 23, 2001. ... ;

- As a result of the approval of the dacion en pago, posting of contributions and loan amortization to individual member accounts, both for AG&P and SEMIRARA employees, was effected immediately thereafter. Thus, the benefits of the member-employees of both companies were restored;

- From the time of the approval of AG&P's proposal up to the present, AG&P is (sic) religiously remitting the premium contributions and loan amortization of its member-employees to the defendant;

- To effect the property transfer, a Deed of Assignment has to be executed between the plaintiffs and the defendant. Because of SSS failure to come up with the required Deed of Assignment to effect said transfer, AG&P prepared the draft and submitted it to the Office of the Vice-President - NCR thru SSS Baclaran Branch in July 2001. Unfortunately, the defendant failed to take any action on said Deed of Assignment causing AG&P to re-submit it to the same office of the Vice-President - NCR in December 2001. From its original submission of the Deed of Assignment in July 2001 to its re-submission in December 2001, and SSS returning of the revised draft in February 28, 2003 AG&P was consistent in its regular follow ups with SSS as to the status of its submitted Deed of Assignment;

- On February 28, 2003, or more than a year after the approval of AG&P's proposal, defendant sent the revised copy of the Deed of Assignment to AG&P. However, the amount of the plaintiffs' obligation appearing in the approved Deed of Assignment has ballooned from P29,261,902.45 to P40,846,610.64 allegedly because of the additional interests and penalty charges assessed on plaintiffs' outstanding obligation from April 2001, the date of approval of the proposal, up to January 2003;

- AG&P demanded for the waiver and deletion of the additional interests on the ground that delay in the approval of the deed and the subsequent delay in conveyance of the property in defendant's name was solely attributable to the defendant; hence, to charge plaintiffs with additional interests and penalties amounting to more than P10,000,000.00, would be unreasonable....;

- AG&P and SEMIRARA maintain their willingness to settle their alleged obligation of P29,261,902.45 to SSS. Defendant, however, refused to accept the payment through dacion en pago, unless plaintiffs also pay the additional interests and penalties being charged;

x x x

Instead of filing an answer, SSS moved for the dismissal of the complaint for lack of jurisdiction and non-exhaustion of administrative remedies. In an order dated 28 July 2004, the trial court granted SSS's motion and dismissed private respondents' complaint. The pertinent portions of the assailed order are as follows:

Clearly, the motion is triggered on the issue of the court's jurisdiction over the subject matter and the nature of the instant complaint. The length and breadth of the complaint as perused, boils down to the questions of premium and loan amortization delinquencies of the plaintiff, the option taken for the payment of the same in favor of the defendant and the disagreement between the parties as to the amount of the unpaid contributions and salary loan repayments. In other words, said questions are directly related to the collection of contributions due the defendant. Republic Act No. 1161 as amended by R.A. No. 8282, specifically provides that any dispute arising under the said Act shall be cognizable by the Commission and any case filed with respect thereto shall be heard by the Commission. Hence, a procedural process mandated by a special law.

Observingly, the running dispute between plaintiffs and defendant originated from the disagreement as to the amount of unpaid contributions and the amount of the penalties imposed appurtenant thereto. The alleged dacion en pago is crystal clear manifestation of offering a special form of payment which to the mind of the court will produce effect only upon acceptance by the offeree and the observance and compliance of the

required formalities by the parties. No matter in what form it may be, still the court believes that the subject matter is the payment of contributions and the corresponding penalties which are within the ambit of Sec. 5 (a) of R.A. No. 1161, as amended by R.A. No. 8282.

WHEREFORE, the Court having no jurisdiction over the subject matter of the instant complaint, the motion is granted and this case is hereby ordered DISMISSED.

SO ORDERED.[4]

Private respondents moved for the reconsideration of the order but the same was denied in an Order dated 15 September 2004.

Consequently, private respondents filed an appeal before the Court of Appeals alleging that the trial court erred in its pronouncement that it had no jurisdiction over the subject matter of the complaint and in granting the motion to dismiss.

The Court of Appeals reversed and set aside the trial court's challenged order, granted private respondents' appeal and ordered the trial court to proceed with the civil case with dispatch. From the averments in their complaint, the appellate court observed that private respondents are seeking to implement the Deed of Assignment which they had drafted and submitted to SSS sometime in July 2001, pursuant to SSS's letter addressed to AG& P dated 23 April 2001 approving AG&P and SEMIRARA'S delinquencies through dacion en pago, which as of 31 March 2001, amounted to P29,261,902.45. The appellate court thus held that the subject of the complaint is no longer the payment of the premium and loan amortization delinquencies, as well as the penalties appurtenant thereto, but the enforcement of the dacion en pago pursuant to SSS Resolution No. 270. The action then is one for specific performance which case law holds is an action incapable of pecuniary estimation falling under the jurisdiction of the Regional Trial Court.[5]

SSS filed a motion for reconsideration of the appellate court's decision but the same was denied in a Resolution dated 19 December 2006.

Now before the Court, SSS insists on the Social Security Commission's (the Commission) jurisdiction over the complaint pursuant to Section 5 (a) of Republic Act (R.A.) No. 8282. SSS maintains the Commission's jurisdiction over all disputes arising from the provisions of R.A. No. 1161, amended by R.A. No. 8282 to the exclusion of trial courts.[6]

The main issue in this case pertains to which body has jurisdiction to entertain a controversy arising from the non-implementation of a dacion en pago agreed upon by the parties as a means of settlement of private respondents' liabilities.

At the outset, it is well to restate the rule that what determines the nature of the action as well as the tribunal or body which has jurisdiction over the case are the allegations in the complaint.[7]

The pertinent provision of law detailing the jurisdiction of the Commission is Section 5(a) of R.A. No. 1161, as amended by R.A. No. 8282, otherwise known as the Social Security Act of 1997, to wit:

SEC. 5. Settlement of Disputes.- (a) Any dispute arising under this Act with respect to coverage, benefits, contributions and penalties thereon or any other matter related thereto, shall be cognizable by the Commission, and any case filed with respect thereto shall be heard by the Commission, or any of its members, or by hearing officers duly authorized by the Commission and decided within the mandatory period of twenty (20) days after the submission of the evidence. The filing, determination and settlement of disputes shall be governed by the rules and regulations promulgated by the Commission.

The law clearly vests upon the Commission jurisdiction over "disputes arising under this Act with respect to coverage, benefits, contributions and penalties thereon or any matter related thereto..." Dispute is defined as "a conflict or controversy."^[8]

From the allegations of respondents' complaint, it readily appears that there is no longer any dispute with respect to respondents' accountability to the SSS. Respondents had, in fact, admitted their delinquency and offered to settle them by way of dacion en pago subsequently approved by the SSS in Resolution No. 270-s. 2001. SSS stated in said resolution that "the dacion en pago proposal of AG&P Co. of Manila and Semirara Coals Corporation to pay their liabilities in the total amount of P30,652,710.71 as of 31 March 2001 by offering their 5.8 ha. property located in San Pascual, Batangas, be, as it is hereby, approved..^[9] This statement unequivocally evinces its consent to the dacion en pago. In *Vda. de Jayme v. Court of Appeals*,^[10] the Court ruled significantly as follows:

Dacion en pago is the delivery and transmission of ownership of a thing by the debtor to the creditor as an accepted equivalent of the performance of the obligation. It is a special mode of payment where the debtor offers another thing to the creditor who accepts it as equivalent of payment of an outstanding debt. The undertaking really partakes in one sense of the nature of sale, that is the creditor is really buying the thing or property of the debtor, payment for which is to be charged against the debtor's debt. As such, the essential elements of a contract of sale, namely, consent, object certain, and cause or consideration must be present. In its modern concept, what actually takes place in dacion en pago is an objective novation of the obligation where the thing offered as an accepted equivalent of the performance of an obligation is considered as the object of the contract of sale, while the debt is considered as the purchase price. In any case, common consent is an essential prerequisite, be it sale or novation, to have the effect of totally extinguishing the debt or obligation.^[11]

The controversy, instead, lies in the non-implementation of the approved and agreed dacion en pago on the part of the SSS. As such, respondents filed a suit to obtain its enforcement which is, doubtless, a suit for specific performance and one incapable of pecuniary estimation beyond the competence of the Commission.^[12] Pertinently, the Court ruled in *Singson v. Isabela Sawmill*,^[13] as follows:

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. If it is primarily for the recovery of a sum of money, the claim is considered capable of pecuniary estimation, and whether jurisdiction in the municipal courts or in the courts of first instance would depend on the amount of the claim. However, where the basic issue is something other than the right to recover a sum of money, where the money claim is purely incidental to, or a consequence of, the principal relief sought, this Court has considered such actions as cases where the subject of the litigation may not be estimated in terms of money, and are cognizable exclusively by courts of first instance (now Regional Trial Courts).^[14]

In fine, the Court finds the decision of the Court of Appeals in accord with law and jurisprudence.

WHEREFORE, the petition is DENIED. The Decision dated 31 August 2006 of the Court of Appeals Eleventh Division in CA-G.R. CV No. 83775 AFFIRMED.

Let the case be remanded to the trial court for further proceedings.

SO ORDERED.

LEONARDO A. QUISUMBING

Associate Justice

Chairperson

CONCHITA CARPIO MORALES

Associate Justice

MINITA V. CHICO-NAZARIO

Associate Justice

PRESBITERO J. VELASCO, JR.

Associate Justice

[*]As replacement of Justice Arturo D. Brion who inhibited himself per Administrative Circular No. 84-2007.

[1] Rollo, pp. 20-49; Dated 12 February 2007.

[2] Id. at 55- 60; Penned by Associate Justice Elvi John S. Asuncion with the concurrence of Associate Justices Jose Catral Mendoza and Sesinando E. Villon.

[3] Id. at 79.

[4] Id. at 108-109.

[5] Id. at 59-60.

[6] Id. at 33, 41.

[7] Domalsin v. Valenciano, G.R. No. 158687, 25 January 2006, 480 SCRA 114, 133.

[8] Black's Law Dictionary (6[th] ed., 1990) at 472.

[9] Rollo, p. 80.

[10] G.R. No. 128669, 4 October 2002, 390 SCRA 380.

[11] Vda. de Jayme v. Court of Appeals, G.R. No. 128669, 4 October 2002, 390 SCRA 380, 392-393.

[12] See Russell v. Vestil, G.R. No. 119347, 17 March 1999, 304 SCRA 738, 744-745.

[13] No. L-27343, 28 February 1979, 88 SCRA 623.

[14] Id. at 637-638.

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