

**HOUSE INTERNATIONAL BUILDING TENANTS ASSOCIATION, INC.,
PETITIONER-PLAINTIFF, VS. INTERMEDIATE APPELLATE COURT,
CENTERTOWN MARKETING CORP. MANILA TOWERS
DEVELOPMENT CORP., AND T...***G.R. No. 75287. June 30, 1987*

Ponente: CORTES, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-75287/>**CORTES, J.:**

Petitioner House International Building Tenants Association, Inc. (ASSOCIATION, for short) is a domestic non-stock, non-profit civic corporation, whose incorporators, directors and members constitute the great majority of more than a hundred heads of families who are tenants of long and good standing of the 14-storey House International Building located at 777 Ongpin Street, Binondo, Manila. The land and the improvements thereon were formerly owned by Atty. Felipe Ang who mortgaged the same to the Government Service Insurance System (hereinafter referred to as GSIS) to secure payment of an obligation. After foreclosure of the mortgage and for failure of Ang to exercise his right of redemption over the foreclosed property, the ownership thereof was consolidated with the GSIS which subsequently sold it to Centertown Marketing Corporation (CENTERTOWN, for short) in a deed of conditional sale, without notice to the tenants of the building and without securing the prior clearance of the then Ministry or Human Settlements.

As CENTERTOWN was not authorized by its Articles of Incorporation to engage in the real estate business, it organized a sister corporation, with almost all the same incorporators and stockholders, as CENTERTOWN's under the corporate name of Manila Towers Development Corporation (TOWERS, for short) for the primary purpose of engaging in the real estate business. Subsequently, CENTERTOWN assigned to its sister corporation TOWERS all its rights and obligations under the Deed of Conditional Sale, with the consent and approval of the GSIS.

Thereafter, herein petitioner filed a complaint with the Regional Trial Court of Manila against CENTERTOWN TOWERS and GSIS for annulment of the deed of conditional sale and the subsequent assignment thereof by CENTERTOWN to TOWERS. The complaint alleged in part that the Deed of Conditional Sale is null and void ab initio for being ultra vires, since defendant CENTERTOWN is not qualified to acquire real estate property or to engage in real estate transactions.

The court a quo* dismissed the complaint. Petitioner appealed to the Court of Appeals after its motion for reconsideration was denied by the trial court. The order of dismissal was affirmed by the appellate court in a decision dated 4 February 1986 in AC-GR CV No. 02691.** Petitioner filed a motion for reconsideration, which was denied in a resolution dated 26 June 1986. Hence, this petition for review on certiorari.

The main issues raised in the petition are: (1) whether petitioner has the personality to sue on its own as a corporation representing its members who are tenants of the House International Building, and (2) whether petitioner has a cause of action against respondents GSIS CENTERTOWN and TOWERS.

Section 2. Rule 3 of the Rules of Court provides:

Sec. 2. Parties in interest. - Every action must be prosecuted and defended in the name of the real party in interest. All persons having an interest in the subject of the action and in obtaining the relief demanded shall be joined as plaintiffs.

The real party in interest is the party who stands to be benefited or injured by the judgment or the party entitled to the avails of the suit. "Interest within the meaning of the rule means material interest, an interest in issue and to be affected by the decree, as distinguished from mere interest in the question involved, or a mere incidental interest. Consequently, a person who is not a party to a contract and for whose benefit it was not expressly made cannot maintain an action thereon, notwithstanding that the contract, if performed by the parties to it, would incidentally inure to his benefit. (Francisco, the Revised Rules of Court in the Phil., Vol. I, p. 126).

In the present case, the real parties in interest are the tenants of the House International Building and not the petitioner ASSOCIATION, which has a personality separate and distinct from that of its members and therefore it has the capacity to sue and be sued although it is composed of the tenants. Petitioner has not shown any real, actual, material, or substantial interest in the subject matter of the action. In this connection, the Court of Appeals properly observed:

Appellant has sued in its name, but has not alleged any right belonging to it that was violated or any wrong that was committed. The reason is obvious, the benefits are not really meant for appellant but for the unnamed great majority" of its members who have allegedly been tenants of long standing of the building in question. (Decision of Court of Appeals, p. 2).

And, quoting from the Brief for the respondent-defendant GSIS, the Court of Appeals further said:

Assuming arguendo, that the tenants have the alleged right, such rights of the tenants are personal and individual rights which can only be claimed by the tenants who must necessarily be the indispensable and real parties in interest and certainly not the plaintiff-appellant organization. (Ibid., p. 2.)

With regard to the second main issue, the petitioner asserts that the Court of Appeals erred in ignoring the provisions of Art. 1409 of the Civil Code on void or inexistent contracts, the contract at bar being void, inexistent and absolutely wanting in civil effects because "its consideration is illicit and/or the object violates some mandatory provisions of the laws."

Cited to support this assertion are provisions of the 1973 constitution on eminent domain (Art. IV, sec. 2. also Art. XIV, sec. 3) agrarian reform (Art. XIV, sec. 12) and the Declaration of Principles and State Policies particularly those emphasizing the "stewardship concept, under which property is supposed to be held by the individual only as trustee for the people in general, who are its real owners." (Art. II, secs. 6 and 7).

As bases for a declaration that the conditional sale between GSIS and CENTERTOWN is null and void for being contrary to law or public policy, the constitutional provisions are inapposite. Not one of those provisions render unlawful the contract in question. Except for the prohibition against the taking of private property for public use without just compensation, the other provisions require implementing legislation to confer a legal right and impose a legal duty which can be judicially invoked.

P.D. 1517 which confers a preferential right to tenants of long standing to acquire leased land on which they have constructed, their houses. This has no application to the present case where the property involved is land and building belonging to the lessor.

The petitioners likewise invoke our ruling in *Mataas na Lupa Tenants Association, Inc. et al. vs. Dimayuga, et. al.* (G.R. L-32049, June 25, 1984, 130 SCRA 30) where we upheld the petitioners' right of first refusal over land they

had leased and occupied for more than ten (10) years and on which they had constructed their houses, a right given them under P.D. No. 1517 (and Proclamation No. 1967 of May 14, 1980). For two reasons this case gives the petitioners' case no support. In *Mataas na Lupa* the members of the ASSOCIATION were also plaintiffs in their individual capacity. This is not so in the present case. Furthermore, it is not the first time this issue has come before Us. In the case of *Santos vs. Court of Appeals*, G.R. L-60210, March 27, 1984, 128 SCRA 428. We laid down the following doctrine.

P.D. 1517 in referring to the pre-emptive or redemptive right of a lessee speaks only of urban land under lease on which a tenant has built a home and on which he has resided for ten years or more. If both the land and the building belong to the lessor, the right referred to hereinabove does not apply.

The main thrust of the petitioner's challenge on the validity of the conditional sale is that the contract is *ultra vires* because the respondent CENTERTOWN is not qualified to acquire properties under its Articles of Incorporation. The petitioner has confused a void contract with an *ultra vires* contract which is merely voidable.

We agree with the Court of Appeals that on this issue the provision of Art. 1397 of the Civil Code is in point, thus:

Art. 1397. The action for the annulment of contracts may be instituted by all who are thereby obliged principally or subsidiarily.

Petitioner is neither a party nor a privy to the Deed of Conditional Sale and the assignment thereof; thus, it cannot assail the validity of the said contracts. In *Ibanez vs. Hongkong and Shanghai Bank*, we said:

From these legal provisions it is deduced that it is the interest had in a given contract, that is the determining reason of the right which lies in favor or the party obligated principally or subsidiarily to enable him to bring an action for the nullity of the contract in which he intervened and, therefore, he who has no right in a contract is not entitled to prosecute an action for nullity, for, according to the precedents established by the courts, the person who is not a party to a contract, nor has any cause of action or representation from those who intervened therein, is manifestly without right of action and personality such as to enable him to assail the validity of the contract. (Decisions of the supreme court of Spain, of April 18, 1901, and November 23, 1903, pronounced in cases requiring an application of the preinserted article 1302 of the Civil Code.) (22 Phil. 572; 584).

In the decision sought to be reviewed We agree with the Court of Appeals that:

The corollary issue is whether appellant has the personality to assail the validity of the conditional sale and its assignment. The answer is partly supplied by the above discussion; further arguments against the appellant are the provisions of the Civil Code which say that contracts take effect only between parties (Art. 1311) hence the action for their annulment may be instituted only by those who are thereby obliged principally or subsidiarily (Art. 1397). Appellant is not privy to either the deed of conditional sale or the assignment. (Decision of Court of Appeals, p. 3).

WHEREFORE, the petition is DENIED, with costs against the petitioner.

SO ORDERED.

Fernan, (Chairman), Gutierrez, Jr., Paras, and Padilla, JJ., concur.

Bidin, J., no part. I participated in another case involving the same parties and same subject matter while still a member of the Court of Appeals.

* Hon. Hector C. Fule, presiding

** Penned by Justice Serafin Camillon with the concurrence of Justices Crisolito Pascual, Jose C. Campos, Jr., and Desiderio P. Jurado: Rollo, pp. 80-84.

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