

**PAULINO ZAMORA, LAURENTINO MEJORADA, PLACIDO JOSON,  
AGAPITO MEJORADA, EZPERANZA ALAMBAN, CELEDONIO RINAN,  
POLICARUSO T. BUSIG, FRANCISCO T. PILAPIL, JR., CELSO  
CABUNGCAG, RICARD...**

*G.R. NO. 78206. March 19, 1990*

Ponente: CRUZ, J.

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**CRUZ, J.:**

This case involves a conflict of jurisdiction between the Regional Trial Court and the Securities and Exchange Commission. The petitioners claim they are suing as members of an unregistered association and so come under the jurisdiction of the regular courts. The private respondents disagree, insisting that they are being sued in an intra-corporate dispute covered by P.D. No. 902-A. The issue was resolved by the respondent court in favor of the private respondents. We are now asked by the petitioners to review its decision and to find that it has erred.

It is not disputed that sometime in 1966 the petitioners and the private respondents organized an unregistered partnership called the Medina People's Cockpit Association, with its funds coming from the contributions of its members. Such funds were used in 1975 for the purchase of a lot and the construction of a building in the name of the association. Subsequently, in 1976, a corporation called the Medina Recreation Center, Inc. was created, with respondent Felomino Delegencia and three of his relatives among the incorporators. The properties of the association were transferred to the corporation in 1977. The petitioners, alleging irregularities in the transfer, then filed a complaint against the private respondents, first with the Securities and Exchange Commission in 1979 and later with the Court of First Instance of Misamis Oriental in 1980. It is the propriety of these complaints that is now before us.

We do not deal here with the merits of the questioned transfer of properties from the association to the corporation. That will be resolved by the proper body. What we are examining here is which as between the Regional Trial Court and the Securities and Exchange Commission has the appropriate jurisdiction.

The record shows that after having filed their complaint with the Securities and Exchange Commission on December 8, 1979,[1] the petitioners either withdrew or did not pursue it and instead filed a similar complaint five months later, on April 22, 1980, with the Court of First Instance.[2] Here they also alleged that they should be regarded as stockholders of the corporation, prompting the defendants to move for a bill of particulars on May 2, 1980, to determine in what capacity the plaintiffs were suing. This was followed on May 7, 1980, by a motion to dismiss for lack of jurisdiction,[3] but the plaintiffs amended their complaint on May 13, 1980, to delete therefrom the allegation that they were suing as stockholders of the corporation.[4] The defendants then moved to strike out the amended complaint and also to dismiss the original complaint for lack of jurisdiction.[5] These motions were denied on January 2, 1981,[6] and the defendants filed their answer on January 28, 1981, where they reiterated their motion to dismiss and reserved the right to question the jurisdiction of the court.[7] Trial followed. On January 23, 1985, the court placed the disputed properties under receivership.[8] On March 13, 1985,

the defendants reiterated their motions for reconsideration and to dismiss, and upon their denial on June 17, 1985, filed with this Court a petition for certiorari, prohibition and preliminary injunction.[9] We issued a temporary restraining order on October 7, 1985, enjoining the trial court from further proceeding with the case and then referred the petition to the respondent court.[10] In its decision dated November 13, 1986, the dispositive portion read as follows:

WHEREFORE, premises considered, the Writ of Certiorari and Prohibition with preliminary injunction is hereby granted.

The Order dated January 2, 1981, denying the motion to strike-out amended complaint with supplemental motion to dismiss; as well as the Order dated June 17, 1985, denying reconsideration thereof, are hereby annulled.

The Order dated January 23, 1985, granting the motion for appointment of receiver is likewise reversed.

Finally, respondent judge is commanded to desist from taking further proceedings in Civil Case No. 516-M.

SO ORDERED.

Jurisdiction is defined as the power and authority of a court to hear, try and decide a case.[11] Jurisdiction over the subject matter is conferred by the Constitution or by law while jurisdiction over the person is acquired by his voluntary submission to the authority of the court or through the exercise of its coercive processes. Jurisdiction over the res is obtained by actual or constructive seizure placing the property under the orders of the court.[12]

We are concerned here only with the first kind of jurisdiction, to wit, jurisdiction over the subject matter.

The private respondents point to the undenied fact that the petitioners first filed their complaint with the Securities and Exchange Commission where they averred that they were stockholders of the Medina Recreation Center, Inc. Later, the petitioners filed with the Court of First Instance of Misamis Oriental a similar complaint, which they later amended to remove therefrom the allegation that they were suing as stockholders of the said corporation. The private respondents argue that by such acts, the petitioners are now estopped from denying such allegation. The amendment of the complaint did not do the petitioners any good either because they were bound by their original averments, let alone the fact that the said amendment was not made with leave of court.

The petitioners belittle these arguments, contending that the complaint filed with the Securities and Exchange Commission was only one of several recourses taken by them, which included complaints with the NBI and the PC. They were exhausting all possible remedies available to them against the frauds perpetrated by the private respondents. Moreover, they later withdrew their complaint from the SEC and amended their original complaint in the Court of First Instance, as allowed by the trial judge, to make it clear that they were suing not as stockholders of the corporation but as members of the association. The amendment was in fact proper even without prior leave of court because this was done before the filing of responsive pleadings by the defendants.

The petitioners further stress that the motion to dismiss their complaint was denied in 1981, and it was only in 1985 that the denial was questioned in the petition filed by the private respondents with this Court and referred by us to the Court of Appeals. That petition having been clearly filed after more than four years, it should not have been given due course by the respondent court.

It is settled that jurisdiction over the subject matter cannot be changed by agreement of the parties or by the act of either of them that will contravene the legislative will. As this Court has repeatedly held:

Nothing can change the jurisdiction of the court over the subject matter. None of the parties to the litigation can enlarge or diminish it or dictate when it shall attach or when it shall be removed. That power is a matter of

legislative enactment which none but the legislature may change. Thus, the (Congress) has the sole power to define, prescribe and apportion the jurisdiction of the various courts.[13]

It follows that as a rule the filing of a complaint with one court which has no jurisdiction over it does not prevent the plaintiff from filing the same complaint later with the competent court. The plaintiff is not estopped from doing so simply because it made a mistake before in the choice of the proper forum. In such a situation, the only authority the first court can exercise is to dismiss the case for lack of jurisdiction. This has to be so as a contrary conclusion would allow a party to divest the competent court of its jurisdiction, whether erroneously or even deliberately, in derogation of the law.

Applying these principles, we hold that the mere fact that the petitioners first filed their complaint with the Securities and Exchange Commission did not have the effect of precluding them from filing the same complaint with the Court of First Instance if this was the court that was vested with the appropriate jurisdiction. They would then be only rectifying their error. However, this is only on the assumption that it is really the Court of First Instance and not the Securities and Exchange Commission that should hear the petitioners' claims against the private respondents. The question is, Which as between the two bodies is the competent court?

We affirm the finding of the respondent court that the petitioners are actually suing as stockholders of the corporation and not as members of the association. This is clear from their opening statement in the letter-complaint they filed with the Securities and Exchange Commission where they categorically declared:

The undersigned PETITIONERS are bonafide Stockholders of the Medina Recreation Center, Inc., situated in Medina, Misamis Oriental, who are constrained to file this petition to your Office to compel the Management of our Recreation Center, under the leadership of Mr. Felomino Delegencia, to render and furnish every bonafide stockholder, the following:

- An annual or periodic financial report;
- Statement of Assets and Liabilities;
- Declaration of dividends, if any; and
- Holding of annual stockholders' meeting.[14]

and from the testimony of several of them as cited in the private respondent's memorandum, which the petitioners have not successfully refuted.[15] Moreover, there is the Deed of Transfer in Exchange of Shares of Stocks dated February 1, 1977, by virtue of which the 484 members of the association became stockholders of the corporation and in effect abolished the association.[16] It has also been shown that they received stock and even cash dividends from the corporation, although they said they later tried to return these.

From these findings, we conclude that it is really the Securities and Exchange Commission and not the Regional Trial Court of Misamis Oriental that has jurisdiction over the case in question. And as it has been established that the petitioners are suing as stockholders of the Medina Recreation Center, Inc., there should also be no question that their claim against the private respondents, as the officers of such corporation, comes under the concept of an intra-corporate dispute. In their complaint, they allege that the private respondents fraudulently transferred their properties to the corporation and are now managing them to the detriment of the petitioners' interests. This is undoubtedly a matter falling under Section 5 of P.D. No. 902-A, which provides:

Sec. 5. – In addition to the regulatory and adjudicative functions of the Securities and Exchange Commission over corporation, partnerships and other forms of associations registered with it as expressly granted under existing laws and decrees, it shall have original and exclusive jurisdiction to hear and decide cases involving:

(a) Devices or schemes employed by, or any acts of, the Board of Directors, business associations, its officers or partners, amounting to fraud and misrepresentation which may be detrimental to the interest of the public and/or of the stockholder, partners, members of associations or organizations registered with the Commission.

(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.

(c) Controversies in the election or appointments of directors, trustees, officers or managers of such corporations, partnerships, or associations.

(d) Petitions of corporations, partner-ships or associations to be declared in the state of suspension of payments in cases where the corporation, partnership or association possesses sufficient property to cover all its debts but foresees the impossibility of meeting them when they respectively fall due or in cases where the corporation, partnership or association has no sufficient assets to cover its liabilities but is under the management of a Rehabilitation Receiver or Management Committee created pursuant to this Decree.

The petitioners can no longer deny that they are suing as stockholders of the corporation. It is thus immaterial that the petitioners amended their original complaint in the Court of First Instance to delete their allegation that they were suing in that capacity. Although they had a right to make that amendment because the defendants had not yet filed their answer, the fact is that the statement made by the petitioners in their complaint with the SEC was still binding on them as to estop them from alleging otherwise.

Finally, it should be remembered that the question of jurisdiction may be raised at any time, even on appeal, as by the petition for certiorari, prohibition and preliminary injunction,[17] filed by the private respondents in 1985. The record shows that when the original complaint was filed in the Court of First Instance of Misamis Oriental in 1980, the defendants immediately moved to dismiss on the ground of lack of jurisdiction. While it is true that the defendants did not pursue this ground until after four years later, such failure did not constitute laches and prevent them from raising the question again in the said petition. As we have held:

The jurisdiction over the subject matter of a case may be objected to at any stage of the proceedings, for such jurisdiction is conferred only by law and cannot be acquired through, or waived by, any act or omission of the parties. Hence, it may be alleged, for the first time, on appeal, or considered by the Court *motu proprio*.<sup>[18]</sup>

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If the lower court had no jurisdiction, but the case was tried and decided upon the theory that it had jurisdiction, the parties are not barred, on appeal, from assailing such jurisdiction, for the same must exist as a matter of law, and may not be conferred by consent of the parties or by estoppel.<sup>[19]</sup>

The reason for the rule is that a court without jurisdiction cannot render a valid judgment. The exception announced in *Tijam v. Sibonghanoy*[20] does not apply here because the private respondents had from the very start questioned the jurisdiction of the Court of First Instance of Misamis Oriental.

We reiterate as we conclude this opinion that we are not ruling now on the validity of the transfer of the properties of the Medina People's Cockpit Association to the Medina Recreation Center, Inc. That is a factual question that has yet to be resolved by the proper body. We merely declare here that the competent forum for the resolution of that dispute is not the Regional Trial Court of Misamis Oriental but the Securities and Exchange Commission. It is before this agency that the petitioners may still prosecute their complaint against the private respondents in accordance with P.D. No. 902-A.

WHEREFORE, the appealed decision is AFFIRMED in toto, with costs against the petitioners. It is so ordered.

Narvasa, (Chairman), Gancayco, Griño-Aquino, and Medialdea, JJ., concur.

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[1] Rollo, p. 127.

[2] Ibid., p. 130.

[3] Id., p. 242.

[4] Id., p. 47.

[5] Id., p. 248.

[6] Id., p. 66.

[7] Id., p. 262.

[8] Id., p. 274.

[9] Id., pp. 256, 272; Records, p. 2.

[10] Decision penned by Fule, J.; Mendoza and Bellosillo, JJ., concurring.

[11] Herrera v. Barreto, 25 Phil. 245; Conchada v. Director of Prisons, 31 Phil. 94; U.S. v. Limsiangco, 41 Phil. 94.

[12] Banco Español Filipino v. Palanca, 37 Phil. 921.

[13] Molina v. de la Riva, 6 Phil. 12; Manila Railroad Company v. Attorney-General, 20 Phil. 523; De Jesus, et al. v. Garcia, et al., 19 SCRA 554.

[14] Rollo, p. 127.

[15] Ibid., pp. 203-205.

[16] Records, p. 78.

[17] Vda. de Roxas v. Rafferty, 37 Phil. 957; People v. Que Po Lay, 94 Phil. 640; Rulona-Al Awadhi v. Astih, 165 SCRA 771.

[18] Lagman v. Court of Appeals, 44 SCRA 228.

[19] People v. Casiano, 1 SCRA 478.

**[20] 23 SCRA 29.**

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