

RAMON T. TORRES, PETITIONER, VS. THE HONORABLE COURT OF APPEALS, HON. JUDGE ANDRES E. MATIAS, THE MANILA YACHT CLUB, INC., JOSE M. ZALDARRIAGA AND DONALD JONES, RESPONDENTS.

G.R. No. 91934. May 27, 1991

Ponente: DAVIDE, JR., J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-91934/>

DAVIDE, JR., J.:

The issue in this case is whether the respondent Court of Appeals decided correctly in sustaining a dismissal by the trial court of the complaint of petitioner for reimbursement of the amount he paid for alleged mooring and yard space charges imposed upon him by private respondent Manila Yacht Club, Inc. (hereafter referred to as MYC), which was paid under protest solely to avoid embarrassment since his name was posted in the bulletin board as a delinquent member pursuant to its By-Laws, and for the companion claims for moral and exemplary damages and attorney's fees. Both courts ruled that the claims fall within the exclusive jurisdiction of the Securities and Exchange Commission.

As culled from the pleadings of the parties, the following are the material operative facts in this case:

Sometime in April 1984, when he was the Commodore of the MYC and a member of its Board of Directors, petitioner lent, "for free," his speedboat ALLEGRO to MYC for its use in connection with the on-going China Sea Race. It was used to ferry the guests and competitors of the race. Petitioner learned later that the transom of the ALLEGRO was damaged when MYC decided, without his prior consent, to change and remove the original engine and to fit it with a more economical engine. Upon his request, MYC repaired it in its premises. After the repair petitioner could not still bring it to his residence, where he kept it before, because the trailer had also been damaged. This was also repaired. At the meeting of the Board of Directors of MYC on 10 March 1986, after his term as Commodore had already expired, petitioner's attention was called by private respondent Zaldarriaga, the Rear Commodore and Port Captain of MYC, to alleged mooring and yard charges for the ALLEGRO for the period from May 1984 to February 28, 1986 in the total amount of P91,390.00. Forthwith, petitioner informed the Directors and the others who were present, especially Zaldarriaga, that MYC has no legal right to demand and collect the charges for the reason that he allowed MYC to use the ALLEGRO "for free" and if he was not able to bring it home, it was because MYC had to repair it. Despite his subsequent letter protesting the charges, MYC still included the amount of P91,390.00 in his statement of account for the period ending 31 March 1986. He referred the matter to counsel who wrote a letter to Zaldarriaga, copy furnished the Treasurer, herein private respondent Jones, reiterating petitioner's stand that he cannot be properly charged for mooring and yard charges. On 12 May 1986 petitioner came to know that his name was prominently posted in the big bulletin board at the main hall of the MYC office at Roxas Blvd., Manila. It was made to appear therein that he had an outstanding account of P19,300.00. To avoid embarrassment and prejudice to his name and to have his name removed from the bulletin board, petitioner paid this amount under protest per Far East Bank and Trust Co. Check No. 910620 dated 27 May 1986. In his letter regarding this payment petitioner expressly reserved his right to recover the amount in an

appropriate legal action.[1]

The inclusion of petitioner's name in the bulletin board is authorized under Section 6, Article I-B of the By-Laws of MYC which provides:

"Sec. 6. Indebtedness to the Club. -- All indebtedness of members to the Club incurred during any given month shall be due and payable on the first day of the following month. The corresponding bill for said indebtedness shall be sent to the member at the last address on record in the Club. If the member concerned fails to pay his bill at the end of the month following the month during which it was incurred, said member shall be considered delinquent and shall be informed accordingly by the Treasurer. If such indebtedness still remains unpaid by the 10th day of the month following said delinquency, same shall be posted at the Clubhouse by the Treasurer in which even the posted member may no longer be allowed to incur further indebtedness to the Club.

For any calendar year, any member being not posted as delinquent a second time shall be automatically charged a ten percent (10%) surcharged for a third time, the surcharged shall be twenty percent (20%) and it shall increase by ten percent (10%) for each such posting for the calendar year.

If notwithstanding said posting, the indebtedness still remains unpaid on the 1st day of the month wherein the posting was made, the member concerned shall be automatically suspended from membership and shall not be entitled to the privileges of the Club. If notwithstanding said suspension, the indebtedness is not paid totally on or before the end of the month following that during which the suspension was made, the delinquent member shall automatically cease to be a member of the Club and shall be considered as having forfeited all rights and interest therein without any further notice, the Board of Directors, however, having first being notified. The Board of Directors, may, in its discretion and for adequate reasons, reinstate any such ex-member."[2]

On 8 July 1986 petitioner filed with the Regional Trial Court of Manila (Branch 45), National Capital Judicial Region, a complaint[3] for reimbursement of P19,300.00 and for moral and exemplary damages and attorney's fees against MYC, Zalzarriaga and Jones. This was docketed as Civil Case No. 86-36586.

On 8 August 1986 defendant MYC filed a Motion to Dismiss[4] the complaint on two grounds:

"I.

THAT THIS HONORABLE COURT, SPEAKING WITH DUE RESPECT, HAS NO JURISDICTION OVER THE NATURE AND SUBJECT MATTER OF THE PRESENT ACTION.

II.

THAT ANSWERING HYPOTHETICALLY THAT THIS HONORABLE COURT HAS JURISDICTION OVER THIS CASE, THE ALLEGATIONS IN THE COMPLAINT FAIL TO ESTABLISH VALID AND SUFFICIENT CAUSE OF ACTION.

The meat of MYC's arguments in said motion is that it is the Securities and Exchange Commission (SEC) which has original and exclusive jurisdiction over petitioner's claim since what is involved is an intra-corporate matter or controversy.

On 25 August 1986 petitioner filed an Opposition[5] to the motion to dismiss to which private respondents filed a Reply.[6]

On 4 September 1986 respondent Judge issued an Order[7] granting the motion to dismiss on the ground that the SEC has jurisdiction over the case, thus:

"A judicious study of, the allegations of the COMPLAINT would readily show that the same revolves about an intra-corporate controversy - specifically, as to the right of the defendant club to collect mooring and yard

charges from the plaintiff, a member of its Board of Directors and its former Commodore. Thus, in the mind of the court, the right to the damages claimed by him hinges on the resolution of the intra-corporate controversy, already alluded to - that his right to recovery is inextricably intertwined with the issue on the latter.

As the plaintiff, a member director of the MANILA YACHT CLUB, is now suing the same MANILA YACHT CLUB and its officers on an intra-corporate controversy, the Court finds itself persuaded to agree with the defendants that this case comes 'within the original and exclusive jurisdiction of the Securities and Exchange Commission' by authority of Sec. 5, P.D. 902-A, as amended."

On 23 September 1986 petitioner filed a motion to reconsider[8] the above order.

On 13 October 1986 respondent trial judge issued an Order[9] granting the Motion for reconsideration on the ground that in view of the Counterclaims in the Answer of Jones and Zaldarriaga which would necessarily call for judicious inquiry into the facts averred and relied upon in the Complaint, and considering that the introduction of evidence on said counterclaims would unavoidably entitle the petitioner to adduce evidence in support of his complaint, it would be more consistent with the ends of justice to allow plaintiffs to adduce evidence to support the factual matters averred in the complaint "to enable the court to determine if the present action involves intra-corporate controversies, solely in the interest of justice, and in order that the issue on jurisdiction and the other issues raised in the pleadings may be fully tried and ventilated in this action."

Thereafter, petitioner presented his evidence and rested his case. On 15 August 1986 MYC filed a motion reiterating the motion to dismiss on jurisdictional grounds,[10] stating therein that it is already clear that the issues involved are intra-corporate in nature, hence the court has no jurisdiction over the case. Over the long opposition filed by petitioner,[11] which merited a reply by MYC,[12] to which petitioner filed a rejoinder,[13] respondent trial court judge issued on 21 November 1988 an Order dismissing the case, thus:

"It is the thinking of the court that the plaintiff's right to recover damages hinges on, and is intimately intertwined with, an intra-corporate controversy - that the question of damages cannot be adjudicated without necessarily inquiring into intra-corporate matters and disputes.

In UNION GLASS & CONTAINER CORPORATION vs. SECURITIES & EXCHANGE COMMISSION and CAROLINA HOFILÉÑA, 126 SCRA 31, 38, the Supreme Court observed -

'Otherwise stated, in order that the SEC can take cognizance of a case, the controversy must pertain to any of the following relationships: (a) between the corporation . . . and the public; (b) between the corporation . . . and its stockholders . . . or officers; (c) between the corporation and the state in so far as its franchise, permit or license to operate is concerned; and (d) among the stockholders . . . themselves.'

ACCORDINGLY, as this Court has no jurisdiction over the instant action, the above-entitled complaint and the counter-claim interposed in connection therewith are hereby dismissed."

Petitioner appealed from the dismissal order to the Court of Appeals which docketed it as C.A.-G.R. CV No. 20299.

On 26 January 1990 the Court of Appeals, Fifth Division, promulgated its Decision in C.A.-G.R. CV No. 20299[14] AFFIRMING the Order of respondent Judge of 21 November 1988 on the ground that what is involved is an inter-corporate matter which falls within the jurisdiction of the Securities and Exchange Commission. The pertinent portion of its disquisitions, after quoting Section 6, Article I-B of MYC's By-Laws, reads:

.....

"... From the facts and pertinent corporate By-Laws applicable to the case at bar, the only issue which is presented before Us is wheter (sic) the enforcement of a by-law against a member of a non-stock corporation 'a

controversy arising out of intracorporate relations between the member and the corporation' of which he is a member. After taking into consideration the lengthy memorandum of the plaintiff, We find the plaintiff's arguments untenable. We are not convinced that the case at bar should be construed as a plain and simple case of an action by the creditor (corporate) against the debtor (member) to recover a debt (unpaid dues or fees for exercise of privilege as a member); nor an ordinary action by a debtor to recover from the creditor an amount paid under protest plus damages for besmirch (sic) reputation, social humiliation, mental suffering or what not.

.....

The enforcement of Corporate By-Laws and the use of administrative, disciplinary or civil sanctions against erring members or stockholders strictly involve controversies arising from intracorporate relations between the corporate (sic) and its stockholders and/or members. The plaintiff's claim for damages originated from the attempt of the corporation to enforce a by-laws against the plaintiff and collect unpaid mooring and yard space charges, as a result of which plaintiff's name was prominently listed in the Club's bulletin board as a delinquent member . . . The trial court actually conducted a trial and received evidence from both parties. In the course of this proceeding, it became apparent that the issue or issues raised in the plaintiff's complaint can not be resolved without delving into the intra-corporate relation of plaintiff and the defendant Manila Yacht Club."

.....

Unable to accept the foregoing Decision, petitioner filed on 21 March 1990 the instant appeal by certiorari[15] under Rule 45 of the Rules of Court for the review of said Decision assigning therein the following alleged errors:

"I

THE APPELLATE COURT ERRED IN NOT APPLYING THE CONTROLLING CASE OF "DMRC ENTERPRISES VS. ESTE DEL SOL MOUNTAIN RESERVE, INC., (132 SCRA pp. 293 to 301) AND INSTEAD DECLARING THAT THIS IS A CASE OF FIRST IMPRESSION.

II

EVEN ASSUMING ARGUENDO THAT THIS IS A CASE OF FIRST IMPRESSION, STILL THE APPELLATE COURT ERRED IN HOLDING THAT THE SEC HAS EXCLUSIVE AND ORIGINAL JURISDICTION OVER THE INSTANT CASE."

In compliance with Our resolution of 2 April 1990,[16] which required respondents to comment on the petition, private respondents Zaldarriaga and Jones filed their Comment on 16 May 1990[17] while respondent MYC filed its Comment on 18 May 1990.[18]

In Our resolution of 28 May 1990 petitioner was required to file a consolidated Comment, which he complied with on 23 July 1990.[19]

On 1 August 1990 We resolved[20] to give due course to the petition and to require the parties to submit their respective memoranda, which they complied with.

After due deliberation, We find no ground to justify a reversal of the questioned decision of respondent Court of Appeals. It committed no reversible error. The instant petition must perforce fall.

Section 5 of P.D. No. 902-A provides in part as follows:

"Sec. 5. In addition to the regulatory and adjudicative functions of the Securities and Exchange Commission over corporations, 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,

.....

(b) Controversies arising out of intra-corporate or partnership relations, between and among stockholders, members or associates; between any 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;"

.....

In *Philex Mining Corp. vs. Hon. Reyes, et al.*,^[21] We held:

"Evident from the foregoing is that an intra-corporate controversy is one which arises between a stockholder and the corporation. There is no distinction, qualification, nor any exemption whatsoever. The provision is broad and covers all kinds of controversies between stockholders and corporations. The issue of whether or not a corporation is bound to replace a stockholder's lost certificate of stock is a matter purely between a stockholder and the corporation. It is a typical intracorporate dispute. The question of damages raised is merely incidental to that main issue."

When a controversy is intracorporate, the Securities and Exchange Commission, and not the regular courts, has jurisdiction thereon.^[22] The practical justification for this is well expounded in *Saavedra, et al. vs. Securities and Exchange Commission, et al.*,^[23] thus:

"In cases involving specialized disputes, the trend has been to refer the same to an administrative agency of special competence. As early as 1954, the Court in *Pambujan Sur United Mine Workers vs. Samar Mining Co., Inc.* [94 Phil. 932, 941] held that under the sense-making and expeditious doctrine of primary jurisdiction, ' . . . the courts cannot or will not determine a controversy involving a question which is within the jurisdiction of an administrative tribunal prior to the decision of that question by the administrative tribunal, where the question demands the exercise of sound administrative discretion requiring the special knowledge, experience and services of the administrative tribunal to determine technical and intricate matters of fact, and a uniformity of ruling is essential to comply with the purpose of the regulatory statute administered.' Recently, this Court speaking through Mr. Chief Justice Claudio Teehankee said:

'In this era of clogged court dockets, the need for specialized administrative boards or commissions with the special knowledge, experience and capability to hear and determine promptly disputes on technical matters or essentially factual matters, subject to judicial review in case of grave abuse of discretion, has become well nigh indispensable.' [*Abejo vs. de la Cruz*, 149 SCRA 654, 675]."

Petitioner's reliance on *DMRC Enterprises vs. Este Del Sol Mountain Reserve, Inc.*^[24] is completely misplaced. That case did not involve an intracorporate controversy. DMRC Enterprises was a stranger to the respondent corporation: it was not a shareholder, no transfer or registration of shares having been made in its name yet, although under the contract of lease of heavy equipment it entered into with said respondent, an amount equivalent to 30% of the payments due DMRC was to be invested in the purchase of shares of stocks of the former.

Undoubtedly, at the root of the controversy in the instant case, or the real culprit for the insisted cause of action, is the By-Laws of MYC which authorizes the posting - and, therefore, the publicity - in its bulletin board of the names of delinquent members.

Irretrievably linked to it is the assessment against petitioner, as then Commodore and Director of MYC, for mooring and yard charges on his speedboat ALLEGRO. It can be assumed, quite safely, that assessments of such charges are made upon officers, directors or shareholders of MYC for their use of the mooring facilities and yard

of MYC; and that non-payment thereof can subject the delinquent member to the sanctions of Section 6, Article I-B, above-quoted, of the By-Laws. These are inferentially admitted by petitioner; however, he maintains that, under the circumstances obtaining in this case where he allowed MYC "free" use of the speedboat for the China Sea Race and it was kept within MYC's property for repair due to damage caused by it, he should not be made to pay for the charges which otherwise may have been due and demandable. Ultimately, to avoid the sanction, he even paid the charges - although under protest.

Both the assessment and the posting above-stated were made by MYC against the petitioner in his capacity as a member thereof or by reason or as a consequence of such membership. It has not been shown that similar assessments of charges are made on non-members of MYC or that names of its non-member debtors are posted in its bulletin board. The validity or propriety of the defense he interposed was also a matter which MYC has the first duty to resolve principally because petitioner is its member and the resolution would precisely involve the above provisions of the By-Laws.

Accordingly, the controversy between the petitioner and the MYC and its officers, respondents Zaldarriaga and Jones, which is the subject matter of the complaint petitioner filed with the trial court, is unquestionably intracorporate.

WHEREFORE, for lack of merit, the instant Petition is hereby DENIED with costs against petitioner.

SO ORDERED.

Fernan, C.J., Gutierrez, Jr., Feliciano, and Bidin, JJ., concur.

[1] Complaint in Civil Case No. 86-36586.

[2] Decision of the Court of Appeals (Annex "R" of Petition), pp. 4-5; Rollo, 244-245; Motion to Dismiss (Annex "B" of Petition); Rollo, 63-69.

[3] Annex "A" of Petition; Id., 47-54.

[4] Annex "B" of Petition; Id., 63-69.

[5] Annex "C" of Petition; Rollo, 70-73.

[6] Annex "D" of Petition; Id., 74-76.

[7] Annex "E" of Petition; Id., 77-79.

[8] Annex "F" of Petition; Id., 80-82.

[9] Annex "G" of Petition; Rollo, 83.

[10] Annex "H" of Petition; Id., 84-86.

[11] Annex "I" of Petition; Id., 87-98.

[12] Annex "J" of Petition; Id., 99-104.

[13] Annex "K" of Petition; Id., 105-111.

[14] Annex "R" of Petition; Rollo, 240-247; Per Justice Campos, Jr., concurred in by Justices O. Herrera and F. Santiago.

[15] Rollo, 8-46.

[16] Rollo, 251.

[17] Id., 260-267.

[18] Id., 268-275.

[19] Id., 280-293.

[20] Id., 293.

[21] 118 SCRA 602, 605-606.

[22] Rivera, et al. vs. Hon. Florendo, et al., 144 SCRA 643, 656. See also Abejo, et al. vs. Hon. Rafael de la Cruz, et al., 149 SCRA 654; Rivilla, et al. vs. Hon. Intermediate Appellate Court, et al., 175 SCRA 773.

[23] 159 SCRA 57, 62.

[24] 132 SCRA 293.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.