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THIRD DIVISION

[G.R. No. L-38354. June 30, 1989]

BEL AIR VILLAGE ASSOCIATION, INC., *plaintiff-appellee, vs.* **VIRGILIO V. DIONISIO,** *defendant-appellant.*

SYLLABUS

1. **CIVIL LAW; LAND REGISTRATION; CERTIFICATE OF TITLE; ANNOTATION THEREON; PURCHASER BOUND BY THE ANNOTATION FOUND AT THE BACK OF THE CERTIFICATE OF TITLE.** — Purchasers of a registered land are bound by the annotations found at the back of the certificate of title covering the subject parcel of land.

2. **ID.; ID.; ID.; ID.; CASE AT BAR.** — When the petitioner voluntarily bought the subject parcel of land it was understood that he took the same free of all encumbrances except notations at the back of the certificate of title, among them, that he automatically becomes a member of the respondent association. One of the obligations of a member of the respondent association is to pay certain amounts for the operation and activities of the association which is being collected by the Board of Governors. The dues collected are intended for garbage collection, salary of security guards, cleaning and maintenance of streets and street lights and establishments of parks. The amount to be paid by each lot owner is computed on the basis of the area per square meter of the lot owned by every member.

3. **TAXATION; PROPERTY TAX; NOT CONSIDERED IN CASE OF PAYMENT OF DUES TO A VILLAGE ASSOCIATION.** — The mode of payment as well as the purposes for which the dues are intended clearly indicate that the dues are not in the concept of a property tax as claimed by the petitioner. They are shares in the common expenses for necessary services. A property tax is assessed according to the value of the property but the basis of the sharing in this case is the area of the lot. The basis appears reasonable. The dues are fees which a member of the respondent association is required to pay as his contribution to the expenses incurred by the respondent association in hiring security guards,

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cleaning and maintaining streets, street lights and other community projects for the benefit of all residents within the Bel-Air Village. These expenses are necessary, valid, and reasonable for the particular community involved.

4. **CONSTITUTIONAL LAW; BILL OF RIGHTS; FREEDOM OF ASSOCIATION; DOES NOT APPLY TO A PRIVATE TRANSACTION SUCH AS SALE WITH CONDITIONS VALIDLY IMPOSED BY THE VENDOR.** — The contention that the lien collides with the constitutional guarantee of freedom of association is not tenable. The transaction between the defendants and the original seller (defendant's immediate predecessor) of the land covered by TCT No. 81136 is a sale and the conditions have been validly imposed by the said vendor/the same not being contrary to law, morals and good customs and public policy. The fact that it has been approved by the Land Registration Commission did not make it a governmental act subject to the constitutional restriction against infringement of the right of association. The constitutional proscription that no person can be compelled to be a member of an association against his will applies only to government acts and not to private transactions like the one in question.

DECISION

GUTIERREZ, JR., *J.*:

This case was certified to us by the Court of Appeals pursuant to Section 31 of the Judiciary Act on the ground that only questions of law are involved.

The antecedent facts are summarized in the decision of the then Court of First Instance of Rizal. Seventh Judicial District, Branch 20, Pasig, Rizal in Civil Case No. 16980 to wit:

"On January 22, 1972, plaintiff filed a complaint against the defendant in the municipal court of Makati, Rizal, for the collection of the amount of ₱2,100 plus penalty of 12% per annum and ₱751.30 as attorney's fees and expenses of litigation. The sum of ₱2,100 represents the association dues assessed on the lot owned by the defendant as member of the plaintiff association. On February 16, 1972, defendant filed an answer traversing all the material allegations

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of the complaint and set up the following special defenses; 1) That there is no privity of contract between the plaintiff and the defendant; 2) that the collection of alleged dues from its members is in reality an unlawful exercise of the power of taxation which is beyond the corporate power of the plaintiff, 3) that the amount sought to be collected is unreasonable and oppressive, 4) that the assessment of the dues upon the defendant in so far as he has not voluntarily affiliated with plaintiff is illegal, immoral, contrary to law and public policy, and 5) that the acts of plaintiff in compelling the defendant to be a member is unconstitutional and outside the scope of its corporate power. Defendant therefore sets up the counterclaim of ₱2,000 as attorney's fees and expenses of litigation. On May 19, 1972, the parties submitted the following stipulation of facts and prayed for judgment to be rendered therein in accordance with said stipulation of facts:

STIPULATION OF FACTS

"'COME NOW the undersigned attorneys for the plaintiff and the defendant in the above-entitled case, and to this Honorable Court respectfully submit the following stipulation of facts:

1. That plaintiff was incorporated as corporation way back in August 25, 1957 for the purposes stated in its Articles of Incorporation, copy of which as amended is attached hereto as Annex 'A';

2. That the By-laws of the association, copy of which as amended is attached hereto as Annex 'B', provides for automatic membership in the association for every owner and purchaser of lots located inside the Bel Air Village as defined and bounded in the Articles of Incorporation;

3. That without applying for membership in plaintiff association, defendant in this case, like the other members, automatically became a member because he is the registered owner of a lot located inside the Bel Air Village;

4. That in accordance with the By-Laws of the plaintiff, the association is run and managed by a Board of Governors who (*sic*) exercises, among other things, the power to assess and collect against every owner of the lot inside the Bel Air Village, certain amounts for the operation and activities of the association;

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5. That pursuant to the powers granted under the By-laws, the Board of Governors have assessed the owners of the lots inside the Bel Air Village, a sum to be paid either quarterly, semi-annually or annually, computed on the basis of the area per square meter of the lot owned by every member as follows:

a. During the period from 1962-1964, the basis of the assessment is ₱0.30 for every square meter of lot owned by the members inside the Bel Air Village compound;

b. From 1965-1968, the assessment was increased to ₱0.35 for every square meter;

c. From 1969-1971, the assessment was further increased to ₱0.40 for every square meter;

d. Starting 1972, the assessment was changed to ₱0.50 for every square meter of the lot owned by the members;

6. That under the By-laws, the foregoing assessments if not paid when due, constitute a lien on the lots of the owners inside the Bel Air Village;

7. That defendant is the owner of a lot located inside the Bel Air Village with an area of 525 square meters under Transfer Certificate of Title No. 81136 of the Register of Deeds of Rizal;

8. That pursuant to the powers granted under the By-laws of the association, the Board of Governors has made the following assessment on defendant's property on the basis of the area per square meter of the lot owned by him as follows:

1962	– –	525	sq. meters	x	₱0.30	–	₱ 157.50
1963	– –	525	sq. meters	x	₱0.30	–	₱ 157.50
1964	– –	525	sq. meters	x	₱0.30	–	₱ 157.50
1965	– –	525	sq. meters	x	₱0.35	–	₱ 183.75
1966	– –	525	sq. meters	x	₱0.35	–	₱ 183.75
1967	– –	525	sq. meters	x	₱0.35	–	₱ 183.75
1968	– –	525	sq. meters	x	₱0.35	–	₱ 183.75
1969	– –	525	sq. meters	x	₱0.40	–	₱ 210.00
1970	– –	525	sq. meters	x	₱0.40	–	₱ 210.00
1971	– –	525	sq. meters	x	₱0.40	–	₱ 210.00
1972	– –	525	sq. meters	x	₱0.50	–	₱ 262.50
				TOTAL			₱2,100.00

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9. That the total amount of ₱2,100 alleged in paragraph 4 of the complaint represents the assessments of the plaintiff on the defendant in accordance with the computation stated in paragraph 8 above;

10. That defendant protested the above assessments and refused to pay the same inspite of repeated demands;

11. That as per Resolution No. 2-65 of the Board of Governors, copy hereof is attached as Annex 'C', all annual association dues not paid on or before September 30 are considered delinquent and imposed an interest of 12% per annum until fully paid;

12. That they are attaching to this stipulation as Annex 'D', the brochure of the association which embodies the deed of restriction and rules & regulations governing the lot owners inside the Bel Air Village.

WHEREFORE, it is respectfully prayed that judgment be rendered in accordance with the foregoing stipulation of facts.

Manila for Makati, Rizal

May 18th, 1972

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Suite 311 ABC Building
Escolta, Manila

(SGD.) F. R. ARGUELLES, JR.
Counsel for Plaintiff
517 Federation Center Bldg.
Binondo, Manila

The parties submitted an addendum to stipulation of facts as follows:

ADDENDUM TO STIPULATION OF
FACTS DATED MAY 18, 1972

COME NOW the undersigned attorneys for plaintiff and defendant in the above-entitled case, and to this Honorable Court hereby respectfully submit the following additional stipulation by incorporating to the Stipulation of Facts, dated May 18, 1972, the Bel Air Village Association, Inc. 1971 Annual Report, to be marked as Annex 'E' and made an integral part thereof.

Manila for Makati, Rizal
June 3, 1972

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Binondo, Manila

The parties having filed their respective memoranda, the inferior court rendered its decision dated July 31, 1972 in favor of the plaintiff pertinent portion of which reads as follows:

xxx xxx xxx

> WHEREFORE, judgment is hereby rendered ordering defendant to pay plaintiff the principal amount of ₱2,100.00 plus interest thereon at the rate of 12% annually from the year 1962 until the aforesaid amount is fully paid and to pay plaintiff the amount of ₱300.00 as and for attorney's fees and to pay the costs of suit.
>
> SO ORDERED.

Appeal was perfected pursuant to Republic Act No. 6031.

This Court after examining the pleadings doubted its appellate jurisdiction because issues not capable for pecuniary estimation were raised and decided in said inferior court. Upon suggestion of the Court the parties on May 30, 1973 agreed in a joint manifestation for this Court to decide the case in its original jurisdiction in order to cure the defect. They likewise agreed to submit the case for decision based on the stipulation of facts, heretofore quoted and the memoranda filed in the inferior court. Upon suggestion of the Court the plaintiff filed its supplemental memorandum on June 20, 1973." (At pp. 31-37, *Rollo*)

The decision of the Municipal Court of Makati was affirmed.

Defendant Dionisio then filed a petition for review of the Court of First Instance decision with the Court of Appeals. As stated earlier, the appellate court elevated the case to us the issues raised being purely questions of law.

The resolution of the petition hinges on whether or not the respondent association can lawfully collect the questioned dues from the petitioner.

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The petitioner insists that he is not liable to pay the dues on the following grounds:

1) The questioned assessment is a property tax outside the corporate power of respondent association to impose.

2) Respondent association has no power to compel the petitioner to pay the assessment for lack of privity of contract.

3) The questioned assessment should not be enforced for being unreasonable, arbitrary, oppressive, confiscatory and discriminatory.

4) Respondent association is exercising governmental powers which should not be sanctioned.

There is no dispute that Transfer Certificate of Title No. 81136 covering the subject parcel of land issued in the name of the petitioner contains an *annotation* to the effect that the lot owner becomes an automatic member of the respondent Bel-Air Association and must abide by such rules and regulations laid down by the Association in the interest of the sanitation, security and the general welfare of the community. It is likewise not disputed that the provision on automatic membership was expressly annotated on the petitioner's Transfer Certificate of Title and on the title of his predecessor-in-interest.

The question, therefore, boils down to whether or not the petitioner is bound by such *annotation*.

Section 39 of Art. 496 (The Land Registration Act) states:

"Sec. 39. Every person receiving a certificate of title in pursuance of a decree of registration, and *every subsequent purchaser of registered land who takes a certificate of title for value in good faith shall hold the same free of all encumbrances except those noted on said certificate* x x x (Itlaics supplied.)

Thus, in the case of *Tanchoco v. Aquino*, (154 SCRA 1[1987]), we ruled that purchasers of a registered land are bound by the annotations found at the back of the certificate of title covering the subject parcel of land. We stated:

"x x x that when petitioners purchased on April 6, 1964 from Rafael Viola an undivided (½) portion of Lot 314 and then on January 5,

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1965 a 6/7 portion of the other half of Lot 314 there was at the back of TCT No. 11682 covering Lot 314 an annotation of a notice of *lis pendens* in favor of Donato Lajom, under Entry No. 19553/T-14707 (Rollo, p. 23), as follows:

> "'Entry No. 19553/T-14707; Kind — *Lis pendens* in favor of — Donato Lajom; Conditions — ½ of the properties described in this title is the object of a complaint filed in Civil Case No. 8077 of the C.F.I. of N.E.; date of instrument — Dec. 16, 1949; Date of Inscription — Jan. 11, 1950 at 2:00 p.m.'"

"Petitioner Pastor Tanchoco who holds office as Asst. Provincial Fiscal of Nueva Ecija (*Rollo*, p. 30) could not have missed the import of such annotation. It was an announcement to the whole world that a particular real property is in litigation, serving as a warning that one who acquires an interest over said property does so at his own risk, or that he gambles on the result of the litigation over said property. Since petitioners herein bought the land in question with the knowledge of the existing encumbrances thereon, they cannot invoke the right of purchasers in good faith, and they cannot likewise have acquired better rights than those of their predecessors in interest (*Constantino v. Espiritu*, 45 SCRA 557 [1972])"

In effect, the petitioner's contention that he has no privity of contract with the respondent association is not persuasive. When the petitioner voluntarily bought the subject parcel of land it was understood that he took the same free of all encumbrances except notations at the back of the certificate of title, among them, that he automatically becomes a member of the respondent association.

One of the obligations of a member of the respondent association is to pay certain amounts for the operation and activities of the association which is being collected by the Board of Governors. The dues collected are intended for garbage collection, salary of security guards, cleaning and maintenance of streets and street lights and establishments of parks. The amount to be paid by each lot owner is computed on the basis of the area per square meter of the lot owned by every member.

The mode of payment as well as the purposes for which the dues are intended clearly indicate that the dues are not in the concept of a property tax as claimed by the petitioner. They

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are shares in the common expenses for necessary services. A property tax is assessed according to the value of the property (*Philippine Transit Association v. Treasurer of the City of Manila, et al.*, 83 Phil. 722[1949]) but the basis of the sharing in this case is the area of the lot. The basis appears reasonable. The dues are fees which a member of the respondent association is required to pay as his contribution to the expenses incurred by the respondent association in hiring security guards, cleaning and maintaining streets, street lights and other community projects for the benefit of all residents within the Bel-Air Village. These expenses are necessary, valid, and reasonable for the particular community involved.

The petitioner also objects to the assessment on the ground that it is unreasonable, arbitrary, discriminatory, oppressive and confiscatory. According to him the assessment is oppressive because the amount assessed is not based on benefits but on the size of the area of the lot, discriminatory and unreasonable because only the owners of the lots are required to pay the questioned assessment and not the residents who are only renting inside the village; and confiscatory because under the by-Laws of the respondent association, the latter holds a lien on the property assessed if the amount is not paid.

We agree with the lower court's findings, to wit:

"The limitations upon the ownership of the defendant as clearly imposed in the annotations of TCT No. 81136 do not contravene provisions of laws, morals, good customs, public order or public policy. Since these limitations have been imposed upon the contract of sale as admitted in the stipulation of facts, it is obvious that the annotation of said lien and encumbrance that the defendant automatically becomes a member of the plaintiff association and subject to its rules, regulations or resolutions is valid, binding and enforceable.

"The contention that this lien collides with the constitutional guarantee of freedom of association is not tenable. The transaction between the defendants and the original seller (defendant's immediate predecessor) of the land covered by TCT No. 81136 is a sale and the conditions have been validly imposed by the said vendor/the same not being contrary to law, morals and good customs and public

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policy. The fact that it has been approved by the Land Registration Commission did not make it a governmental act subject to the constitutional restriction against infringement of the right of association. The constitutional proscription that no person can be compelled to be a member of an association against his will applies only to government acts and not to private transactions like the one in question.

"The defendant cannot legally maintain that he is compelled to be a member of the association against his will because the limitation is imposed upon his ownership of property. If he does not desire to comply with the annotation or lien in question he can at any time exercise his inviolable freedom of disposing of the property and free himself from the burden of becoming a member of the plaintiff association. After all, it is not imposed upon him personally but upon his ownership of the property. The limitation and restriction is a limitation that follows the land whoever is its owner. It does not inhere in the person of the defendant.

"The Court therefore holds that the lien or encumbrance or limitation imposed upon TCT No. 81136 is valid.

"The second question has reference to the reasonableness of the resolution assessing the monthly dues in question upon the defendant. The exhibits annexed to the stipulation of facts describe the purpose or goals for which these monthly dues assessed upon the members of the plaintiff including the defendant are to be disbursed. They are intended for garbage collection, salary of security guards, cleaning and maintenance of streets, establishment of parks, *etc*. Living in this modern, complex society has raised complex problems of security, sanitation, communitarian comfort and convenience and it is now a recognized necessity that members of the community must organize themselves for the successful solution of these problems. Goals intended for the promotion of their safety and security, peace, comfort, and general welfare cannot be categorized as unreasonable. Indeed, the essence of community life is association and cooperation for without these such broader welfare goals cannot be attained. It is for these reasons that modern subdivisions are imposing encumbrance upon titles of prospective lot buyers a limitation upon ownership of the said buyers that they automatically become members of homeowners' association living within the community of the subdivision.

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"Even assuming that defendant's ownership and enjoyment of the lot covered by TCT No. 81136 is limited because of the burden of being a member of plaintiff association the goals and objectives of the association are far greater because they apply to and affect the community at large. It can be justified on legal grounds that a person's enjoyment of ownership may be restricted and limited if to do so the welfare of the community of which he is a member is promoted and attained. These benefits in which the defendant participates more than offset the burden and inconvenience that he may suffer.

It is contended that the dues are assessed not only upon owners who have residences and houses on their lots but even upon those owners whose lots are vacant or are being leased to others. It is therefore argued that this is discriminatory. The Court disagrees. When the defendant bought the lot in question, it is assumed that he is going to reside in this place. The limitation or encumbrance assailed in the case at bar is for the assurance that the buyer of the lot will build his house and live in the Bel Air Village. Otherwise, the defendant can just speculate and sell his lot a higher price and defeat the very purposes for which the encumbrance is imposed.

"The Court holds that the limitation or lien imposed upon TCT No. 81136 is reasonable." (pp. 38-42, *Rollo*)

The lower court states that the defendant has occupied the lot for ten years up to the time of the rendition of judgment. On grounds of equity alone, he should contribute his share in the community expenses for security, street lights, maintenance of streets, and other services.

WHEREFORE, the instant petition is hereby *DISMISSED* for lack of merit. The questioned decision of the trial court is *AFFIRMED*.

SO ORDERED.

Fernan, C.J. (Chairman), Bidin, and *Cortes, JJ.*, concur.

Feliciano, J., No part. He is a member of the BAVA.