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THIRD DIVISION

[G.R. No. 211780. November 21, 2018]

CEZAR YATCO REAL ESTATE SERVICES, INC., GRD PROPERTY RESOURCES, INC., GAMALIEL PASCUAL, JR., MA. LOURDES LIMJAP PASCUAL, and AURORA PIJUAN, *petitioners, vs.* **BEL-AIR VILLAGE ASSOCIATION, INC., represented by its President ANTONIO GUERRERO, and THE REGISTER OF DEEDS,** *respondents.*

SYLLABUS

1. CIVIL LAW; CONTRACTS; INTERPRETATION OF CONTRACTS; ABSENT ANY AMBIGUITY, OR WHEN THE TERMS OF THE CONTRACT ARE FOUND TO CLEARLY REFLECT THE INTENTIONS OF THE CONTRACTING PARTIES, THE STIPULATION WILL BE INTERPRETED AS IT WRITTEN, AND WILL BE TREATED AS THE BINDING LAW BETWEEN THE CONTRACTING PARTIES.— The cardinal rule in contract interpretation is found in Article 1370 of the Civil Code, x x x As held in *Abad*, courts must first determine whether or not a stipulation in a contract is ambiguous or susceptible of multiple interpretations. Absent any ambiguity, or when the terms of the contract are found to clearly reflect the intentions of the contracting parties, the stipulation will be interpreted as it is written, and will be treated as the binding law between the contracting parties.

2. MERCANTILE LAW; CORPORATION CODE; RIGHT TO VOTE BY PROXY, THE LAW REQUIRES THAT A PROXY SHALL BE IN WRITING, SIGNED BY THE MEMBER, AND FILED WITH THE CORPORATE SECRETARY BEFORE THE SCHEDULED MEETING.— A proxy is a form of agency created in instances when a person is unable to personally cast his or her vote; hence, the act of voting is delegated to another person. Section 89 of Batas Pambansa Blg. 68, or the Corporation Code of the Philippines, recognizes a member's right to vote by proxy. Section 58 then provides that a proxy shall be in writing, signed by the member,

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and filed with the corporate secretary before the scheduled meeting: x x x However, the Corporation Code also empowers the members to provide for their own proxy requirements in their by-laws, as seen in Section 47(4), x x x Nonetheless, in the absence of additional formal requirements for proxies in the by-laws, the basic requirements for a written proxy submitted prior to the scheduled meeting under Section 58 govern.

3. POLITICAL LAW; BILL OF RIGHTS; FREEDOM OF ASSOCIATION; THE CONSTITUTIONAL GUARANTEE OF FREEEDOM OF ASSOCIATION CAN ONLY BE INVOKED AGAINST THE STATE, AND DOES NOT APPLY TO PRIVATE TRANSACTIONS, LIKE SALE, WHERE A CONDITION IS VALIDLY IMPOSED BY THE VENDOR.— The issue of compulsory membership in a homeowners' association like private respondent was discussed at length in *Bel-Air Village Association, Inc.*, which explained that compulsory membership is an annotation on a lot owner's certificate of title. x x x *Bel-Air Village Association, Inc.* also underscored that the constitutional guarantee of freedom of association can only be invoked against the State, and does not apply to private transactions, like a sale, where a condition was validly imposed by the vendor. Finally, *PADCOM Condominium Corporation v. Ortigas Center Association, Inc.* reiterated that automatic membership in a homeowners' association does not violate lot owners' right to freedom of association because they were not forced to buy their lots from the developer.

APPEARANCES OF COUNSEL

Valenton Loseriaga Law Offices for petitioners.
Angara Abello Concepcion Regala & Cruz for private respondent.

D E C I S I O N

LEONEN, *J.*:

In contract interpretation, courts must first determine whether a stipulation is ambiguous or susceptible of multiple interpretations. If no ambiguity is found and the terms of the contract clearly reflect the intentions of the contracting parties, the stipulation will be interpreted as it is written.

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This resolves the Verified Petition for Review on Certiorari[1] filed by Cezar Yatco Real Estate Services, Inc. (Cezar Yatco Real Estate Services), GRD Property Resources, Inc. (GRD Property Resources), Gamaliel Pascual, Jr. (Gamaliel), Ma. Lourdes Limjap Pascual (Lourdes), and Aurora Pijuan (Pijuan) assailing the Court of Appeals September 5, 2013 Decision[2] and March 17, 2014 Resolution[3] in CA-G.R. SP. No. 122954, which upheld the Office of the President's May 19, 2011 Resolution,[4] declaring the validity of the term extension of Bel-Air Village's Deed Restrictions.[5]

Sometime in the 1950s, Makati Development Corporation developed Bel-Air Village, a residential subdivision in Makati City, and sold lots to interested buyers.[6] The contracts of sale between Makati Development Corporation and the lot buyers in Bel-Air Village were subjected to specific conditions and easements embodied in the Deed Restrictions, which had a lifetime of 50 years, or from January 15, 1957 to January 15, 2007.[7]

Bel-Air Village Association, Inc. (Association), Bel-Air Village's homeowners' association, was constituted as a non-stock, non-profit association to promote its members' best interests. Under its by-laws, all lot owners of Bel-Air Village automatically became members of the Association.[8]

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[1] *Rollo*, pp. 14-59.

[2] *Id.* at 61-75. The Decision was penned by Associate Justice Noel G. Tijam and concurred in by Associate Justices Romeo F. Barza and Ramon A. Cruz of the Seventh Division, Court of Appeals, Manila.

[3] *Id*. at 77-80. The Resolution was penned by Associate Justice Noel G. Tijam and concurred in by Associate Justices Romeo F. Barza and Ramon A. Cruz of the Former Seventh Division, Court of Appeals, Manila.

[4] *Id.* at 175-192. The Resolution, docketed as OP CASE NO. 09-B-088, was penned by Executive Secretary Paquito N. Ochoa, Jr. of the Office of the President.

[5] *Id.* at 271.

[6] *Id.* at 62.

[7] *Id.* at 271.

[8] *Id.* at 62-63.

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Sometime in 1998, the Association created the 2007 Committee to assess and propose amendments to the Deed Restrictions, in anticipation of its impending expiration. The 2007 Committee circulated questionnaires among the homeowners and held meetings to gather input on the proposed amendments.[9]

In June 2006, the Association had its annual meeting and discussed the proposed amendments and revisions to the Deed Restrictions.[10]

In September 2006, the Association circulated copies of the proposed amendments and revisions to the homeowners.[11]

In October 2006, in a special board meeting, the Association passed a board resolution calling for the Deed Restrictions' amendment.[12] The first of the 10 proposed amendments suggested extending the Deed Restrictions' term to August 23, 2032. The proposed amendment read:

> Association's deed of restrictions shall remain in force from January 15, 2007 and the term thereof shall be concurrent with the life of the Bel-Air Village Association, Inc. (Association) or up to August 23, 2032, unless sooner cancelled in their entirety by a two-thirds vote of members in good standing of the Association. However, the Association may, from time to time, add new ones, amend or abolish particular restrictions or parts thereof by majority rule; provided, however, that the deed of restrictions can be extended by amendment only if done so concurrently with an extension of the life of the Association.[13]

The Association agreed to set on December 12, 2006 a special membership meeting to submit the board resolution to the homeowners for their ratification.[14]

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[9] *Id.* at 65.

[10] *Id.*

[11] *Id.*

[12] *Id.*

[13] *Id.* at 65-66.

[14] *Id.*

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On December 12, 2006, 718 members out of a total of 934 members in good standing and eligible to vote, attended the special membership meeting. Of the votes cast, 72% chose to extend the period of the Deed Restrictions, 3% rejected the extension, and 25% abstained.[15]

On February 8, 2007, Cezar Yatco Real Estate Services, GRD Property Resources, Masterman Land Corporation (Masterman), Gamaliel, Lourdes, Sofia Limjap (Sofia), and Pijuan (collectively, the complainants), who had all voted against the Deed Restrictions' extension, filed a Verified Complaint[16] before the Housing and Land Use Regulatory Board.

In their Verified Complaint, the complainants alleged that the Deed Restrictions was only effective for 50 years, or from January 15, 1957 to January 15, 2007, as it did not provide for its extension. Thus, the complainants contended that the Association's resolution extending the Deed Restrictions' effectivity was illegally and arbitrarily approved.[17] They also averred that no quorum was reached in the December 12, 2006 special membership meeting.[18]

Finally, the complainants claimed that they had individually resigned from the Association; however, they feared that the latter would force them to keep their membership, abide by its illegal regulations, and extract assessments, which would be considered as liens on their properties.[19]

In its Opposition,[20] the Association maintained that the period of effectivity was an integral part of the Deed Restrictions as showed by its plain wording. Thus, it may be extended upon a majority vote of the Association's members.[21] It further denied

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[15] *Id*. at 66 and 332.

[16] *Id*. at 231-264.

[17] *Id*. at 236.

[18] *Id*. at 240.

[19] *Id*. at 240-241.

[20] *Id*. at 307-330.

[21] *Id*. at 314-315.

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that the special membership meeting lacked quorum, pointing out that proxies need not be notarized to be valid.[22]

In its May 21, 2008 Decision,[23] the Housing and Land Use Regulatory Board Expanded National Capital Region Field Office (Regional Field Office) declared the extension of the Deed Restrictions as null and void.

The Regional Field Office held that the 50-year term of the Deed Restrictions could not be classified as a restriction since it merely stated the Deed's effectivity; hence, the Association's members could not validly amend the term of effectivity.[24]

The Regional Field Office also declared that the proxies submitted for the special membership meeting involved the creation of real rights; thus, they should have been notarized.[25]

The dispositive portion of the Regional Field Office May 21, 2008 Decision read:

WHEREFORE, the foregoing premises considered, the meetings held by the Board of Directors held on 10 October 2006, of the Special Membership meeting held on 12 December 2006, both of respondent Bel- Air Village Association, Inc. (BAVA) in relation to the extension of the effectivity of the Deed Restrictions annotated on the Transfer Certificates of Title covering the properties of the complainants, and the imposition of new ones are declared **NULL AND VOID**.

The Resolutions passed during said meetings in relation to said extension of the Deed Restrictions and the imposition of new restrictions are likewise declared NULL AND VOID.

Respondent Bel-Air Village Association, Inc., its agent, and representatives are hereby ordered to cease and desist from implementing the Resolutions passed during said meetings. The Registry of Deeds of Makati is likewise ordered to cease and desist

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[22] *Id*. at 324-328.

[23] *Id*. at 617-624. The Decision, docketed as HLURB Case No. HOA-020807-824, was penned by Housing and Land Use Arbiter Atty. Michelle Jan B. Babiano.

[24] *Id*. at 621-622.

[25] *Id*. at 623.

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from causing or allowing the annotation of Restrictions on [t]he Titles covering the properties of the Complainants.

SO ORDERED.[26] (Emphasis in the original)

The Association appealed[27] this Decision to the Board of Commissioners of the Housing and Land Use Regulatory Board, to which the complainants filed their Counter-Memorandum.[28]

In its December 9, 2008 Decision,[29] the Board of Commissioners granted the appeal, reversing the Regional Field Office May 21, 2008 Decision. It declared that the Association may extend the Deed Restrictions by a majority vote:

> The first sentence of par. 6 established the fact that the deed shall have a period of fifty years. The second sentence starts with the word "However", implying that while the deed has a duration of fifty years, the same may be extended by a majority vote of the members.[30]

The dispositive portion of its Decision read:

> **Wherefore**, the instant appeal is granted. The decision of the Regional Office dated May 21, 2008 is set aside and a new decision is entered declaring the special meeting of December 12, 2006 as valid, and declaring that the term subject deed of restrictions was validly extended until August 23, 2032.
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> So ordered.[31]

Complainants moved for reconsideration,[32] but their motion was denied in the Board of Commissioners' January 28, 2009

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[26] *Id*. at 623-624.

[27] *Id*. at 625-654.

[28] *Id*. at 665-706.

[29] *Id*. at 707-709. The Decision, docketed as HLURB Case No. HOA-A-080722-0175, was signed by Commissioner and Chief Executive Officer Romulo Q. Fabul and Commissioner Jesus Yap Pang.

[30] *Id*. at 708.

[31] *Id*. at 709.

[32] *Id*. at 711-722.

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Resolution.[33] Undaunted, they filed an Appeal[34] before the Office of the President, to which the Association filed a Reply.[35]

In its December 29, 2009 Decision,[36] the Office of the President reversed the Board of Commissioners' December 9, 2008 Decision and January 28, 2009 Resolution, and reinstated the Regional Field Office May 21, 2008 Decision. It held that the Term of Restrictions of the Deed Restrictions may not be increased, as the 50-year term was not one of the restrictions that may be amended by a majority vote of the Association's members:

> This Office does not agree with the HLURB Board of Commissioners. The findings of Arbiter Babiano are based on sturdier legal foundation. In fact, to any ordinary mind, the interpretation of the Term of Restrictions is not even ambiguous. It is quite clear and unequivocal, to wit:
>
> "VI — Term of Restrictions
>
> > The foregoing restrictions shall remain in force for fifty years from January 15, 1957, unless sooner cancelled in its entirety by two-thirds vote of members in good standing of the Bel-Air Association. However, the Association may, from time to time, add new ones, amend or abolish particular restrictions or parts thereof by majority rule."
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> It is very clear from the above-quoted provision that the restrictions are given a term of 50 years. The word "However" in the second sentence does not mean that the term may be extended, otherwise the framers could easily have stated the same in wording the provision ("unless sooner cancelled or extended in its entirety") just like it

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[33] *Id.* at 743-746. The Resolution, docketed as HLURB CASE NO. HOA-A-080722-0175, was penned by Commissioner and Chief Executive Officer Romulo Q. Fabul, Commissioner Jesus Yap Pang and *Ex-Officio* Commissioner Joel I. Jacob.

[34] *Id*. at 751-794.

[35] *Id*. at 816-864.

[36] *Id*. at 132-141. The Decision, docketed as in O.P. Case No. 09-B-088, was penned by Executive Secretary Eduardo R. Ermita of the Office of the President.

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was done in the Forbes Park Deed of Restrictions (p. 12, HLURB records). The word "However" only means that while the restrictions have a term limit of 50 years, the said restrictions may be increased, amended, or abolished FROM TIME TO TIME; meaning, within the 50[-]year term. The 50[-]year term is not to be construed as one of the restrictions[;] otherwise[,] it would be absurd to have a set of restrictions restricting each other.[37]

On the issue of proxies, the Office of the President ruled that the Civil Code should be applied suppletorily to the Corporation Code; thus, the proxy should be in a public document when the proxy issued is for the conveyance of real rights over immovable property. In addition, it declared that the complainants could not be compelled to continue with their membership in the Association.[38]

The dispositive portion of the Office of the President's December 29, 2009 Decision read:

WHEREFORE, the Decision dated December 9, 2008, and Resolution dated January 28, 2009, of the HLURB Board of Commissioners are hereby **REVERSED** and **SET ASIDE**. The Decision of Housing and Land Use Arbiter Michelle Jan B. Babiano dated May 21, 2008, is hereby **REINSTATED**.

SO ORDERED.[39] (Emphasis in the original)

The Association moved for reconsideration,[40] which was granted by the Office of the President in its May 19, 2011 Resolution.[41]

In reversing itself, the Office of the President conceded that the 50- year term was also subject to the Association's amendment upon a majority vote of its members, as it was an essential element of the Deed Restrictions.[42]

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[37] *Id*. at 139-140.

[38] *Id*. at 140-141.

[39] *Id*. at 141.

[40] *Id*. at 142-174.

[41] *Id*. at 175-192.

[42] *Id*. at 177-178.

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The Office of the President also noted that Ayala Land, Inc. (Ayala Land), Makati Development Corporation's successor-in-interest, confirmed that the 50-year term was part of the Deed Restrictions.[43]

The Office of the President swept aside complainants' argument that their forced membership in the Association violated their right to freedom of association. It proclaimed that the liberties guaranteed under the Bill of Rights may only be invoked against the State, not against private individuals.[44]

The Office of the President cited *Bel-Air Village Association, Inc. v. Dionisio*,[45] which upheld the terms of the Deed Restrictions against objections based on the right to freedom of association, since the limitation was not on the individual, but on property ownership.[46]

Finally, the Office of the President also reversed its earlier ruling that the lack of notarization of proxies meant that no quorum had been reached in the special membership meeting. It held that the Corporation Code, a special law, prevailed over the Civil Code, a general law, and that the former states that private corporations' by-laws may provide "the form of proxies of stockholders and members and the manner of voting them."[47]

The Office of the President declared that the Association's by-laws did not provide a proxy form; thus, the Corporation Code should be applied suppletorily.[48] Its May 19, 2011 Resolution read:

Evidently, the Corporation Code only prescribes three (3) requisites for the proxy to be valid, namely: (a) the proxy must be in writing; (b) the proxy must be signed by the stockholder; and (c) the proxy

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[43] *Id.* at 180-181.

[44] *Id.* at 181.

[45] 256 Phil. 343 (1989) [Per J. Gutierrez, Jr., Third Division].

[46] *Rollo*, pp. 182-183.

[47] *Id.* at 186.

[48] *Id.* at 186-187.

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must be filed before the scheduled meeting with the corporate secretary. Significantly, all these requirements have been complied with in this case.[49]

Its dispositive portion read:

WHEREFORE, premises considered, the Appellee's Motion for Reconsideration is hereby **GRANTED** and the Decision dated 29 December 2009 of this Office is **REVERSED** and **SET ASIDE**. Further, the appeal is hereby **DISMISSED** and the Decision dated 9 December 2008 and Resolution dated 28 January 2009 both rendered by the Board of Commissioners of the HLURB are **REINSTATED**.

SO ORDERED.[50] (Emphasis in the original)

Complainants moved for reconsideration,[51] but their motion was denied by the Office of the President's August 9, 2011 Resolution.[52]

They filed an Appeal;[53] however, it was denied by the Court of Appeals.[54]

In its September 5, 2013 Decision, the Court of Appeals confirmed that the Association had the power to extend the Deed Restriction's effectivity, as the 50-year term was an integral part of the Deed Restrictions and was included among the restrictions that may be amended by majority vote of the Association members.[55]

The Court of Appeals also adopted the Office of the President's disquisition on proxies. It held that the by-laws governed the required formality of a proxy, and that proxies need not be embodied in a public document for their validity. It further

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[49] *Id*. at 187.

[50] *Id*. at 192.

[51] *Id*. at 193-206 and 207-229.

[52] *Id*. at 230. The Resolution was penned by Executive Secretary Paquito N. Ochoa, Jr. of the Office of the President.

[53] *Id*. at 81-130.

[54] *Id*. at 61-75.

[55] *Id*. at 70-71.

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affirmed that a quorum of the Association's members voted for the extension of the term of restrictions.[56]

The dispositive portion of its Decision read:

> **WHEREFORE**, the instant petition for review is **DENIED**. The Resolution, dated May 19, 2011 of the Office of the President through Executive Secretary Paquito N. Ochoa, Jr. reinstating the Decision of the Board of Commissioners of the HLURB, and the Resolution, dated August 9, 2011, denying petitioners' motion for reconsideration, are hereby **AFFIRMED**.
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> **SO ORDERED.**[57] (Emphasis in the original)

Undaunted, complainants filed a Motion for Reconsideration,[58] but it was denied in the Court of Appeals March 17, 2014 Resolution.[59]

Hence, this Petition.

In their Verified Petition for Review on Certiorari,[60] petitioners Cezar Yatco Real Estate Services, Inc., GRD Property Resources, Inc., Gamaliel Pascual, Jr., Ma. Lourdes Limjap Pascual, and Aurora Pijuan maintain that although private respondent Bel-Air Village Association has power to shorten the Deed Restrictions' period through its members' majority vote, it has no power to extend its effectivity beyond 50 years.[61]

Petitioners contend that "a term is not in itself a restriction,"[62] as it sets the period of the Deed Restrictions' effectivity, and is not a limitation on the use of property.[63] They also assert

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[56] *Id*. at 72-73.

[57] *Id*. at 74-75.

[58] *Id*. at 919-931.

[59] *Id*. at 77-80.

[60] *Id*. at 14-59. Sofia Limjap and Masterman Land Corporation, though two of the complainants, are not petitioners.

[61] *Id*. at 31-32.

[62] *Id*. at 35.

[63] *Id*. at 37.

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that the power to extend the Deed Restrictions' term was neither expressly nor impliedly granted to private respondent.[64]

Additionally, petitioners underscore that their compulsory membership with private respondent violates their constitutional right to association, which includes the freedom to resign or withdraw.[65] They add that homeowners' associations are not indispensable for the upkeep and safety of gated communities like Bel-Air Village, since the barangay is mandated to provide the same services that private respondent claims to have been supplying its members. They highlight that Barangay Bel-Air has been providing these services to Bel-Air Village, and has more than enough funds for it.[66]

Finally, petitioners assert that in the December 12, 2007 special membership meeting, when the term extension was voted upon, the proxies were invalid as they were not notarized:

> 80. Petitioners respectfully assert that the subject of such meeting was the extension of the effectivity of the Deed. Further, said meetings involved real rights over real properties, insofar as restrictions are "***real rights constituted on the corporeal immovable property***".
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> 80.1. It bears noting further that a proxy is an agency or authority to perform a specific act in representation of the principal. The rules on agency are, therefore, applicable, and are worth considering in determining whether the aforesaid proxies are defective or not.
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> 80.2. It is provided that, "**The power to administer property, or any other power which has for its object an act appearing or which should appear in a public document, or should prejudice a third person must appear in a public document**".
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> 80.3. Inasmuch as the power of the representatives who attended the special meeting involved the creation of real rights, such power or authorization held by such representatives, should not only have been in writing. It should also have been in public

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[64] *Id*. at 38-39.

[65] *Id*. at 41.

[66] *Id*. at 44-45.

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documents. Unfortunately, the above-mentioned proxies were not executed in compliance with the afore-cited law.[67] (Emphasis in the original, citations omitted)

In its Comment,[68] private respondent stresses that contrary to petitioners' "legally untenable, erroneously narrow, and, illogical"[69] interpretation, the 50-year term of the Deed Restrictions could be extended. Its Comment read:

3.4. A plain reading of [Article VI — Term of Restrictions], without having to go into semantics and statutory construction, readily shows that the fifty-year term can be amended. The first sentence states that the restrictions have a period of fifty (50) years, and the second sentence qualifies that while the restrictions have a duration of fifty (50) years, the same may be amended (either shortened or extended), by majority vote of the members.[70]

Private respondent states that the Deed Restrictions' term is a necessary element of the restrictive covenant between lot buyers and sellers. Hence, it may be validly amended through a majority vote of its members.[71]

Likewise, private respondent asserts that the primary consideration in interpreting a restrictive covenant like the Deed Restrictions is the intention of the parties. It points out that the Makati Development Corporation, through its successor-in-interest Ayala Land, confirmed that the 50-year term is part of the Deed Restrictions, and thus, may be amended.[72]

Private respondent maintains that it did not violate petitioners' constitutional right to freedom of association since the Bill of Rights could only be invoked against the State, not private individuals.[73]

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[67] *Id*. at 49-50.

[68] *Id*. at 1007-1054.

[69] *Id*. at 1020.

[70] *Id*. at 1021.

[71] *Id*. at 1021-1022.

[72] *Id*. at 1025-1026.

[73] *Id*. at 1029-1030.

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It points out that in *Bel-Air Village Association Inc.*, this Court has already ruled on the validity of the limitations contained in the Deed Restrictions, and found that they were not contrary to "provisions of laws, morals, good customs, public order[,] or public policy."[74]

Private respondent likewise disputes petitioners' claim that the proxies in the December 12, 2007 special membership meeting should have been notarized. It says that petitioners were mistaken to insist that a proxy's validity depends on the subject matter to be taken up in the special membership meeting.[75] Its Comment read:

> 3.53. The subject matter of the members' meeting is **irrelevant** for purposes of determining the validity of a proxy. The rule on proxies, *i.e.*Section 58 of the Corporation Code, makes no qualification on the subject matter of the members' meeting, such that, regardless of the subject matter, the same requirements apply. Had it been the intention of the law to inquire into the subject matter of a members' meeting, it could have easily qualified it in the law.
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> 3.54. Even R.A. 9904 (*Magna Carta for Homeowners and Homeowners' Associations*) does not impose this requirement. It only states that "Association members may vote in person or by proxy in all meetings of members. Proxies shall be in writing, signed by the member and filed before the scheduled meeting with the association secretary." Thus, R.A. 9904 it (*sic*) even confirms the consistent SEC ruling and the principles laid down in the Corporation Code.
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> 3.55. Furthermore, a proxy to vote shares of stock is an authority given by the holder of the stock, who has the right to vote, to another to exercise his voting rights. Clearly, the object of a proxy is the transfer of the personal right of a stockholder or member to vote in a designated stockholders' or members' meeting, and cannot in any manner be construed as a creation of real rights.
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> 3.56. Considering that the object of a proxy is the transfer of a **personal right**, Articles 1358 and 1878 of the Civil Code on the

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[74] *Id*. at 1031-1032.

[75] *Id*. at 1041.

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necessity of a public document and a special power of attorney, do not apply.[76] (Emphasis in the original, citations omitted)

Private respondent further points out that Article 1358 of the Civil Code does not require that acts or contracts be notarized for their validity, but only for their efficacy, "so that after the existence of said contract has been admitted, the party bound may be compelled to execute the proper document."[77] Assuming that the proxies in the special membership meeting were notarized, it further opines that the remedy is not to void their votes or the meeting, but to demand that the assignor issue notarized proxies.[78]

Finally, private respondent states that while Article 1878 of the Civil Code requires a special power of attorney in specific cases, the lack of authority does not automatically void a contract entered into, since the principal can still expressly or impliedly ratify the acts executed by its agent. It adds that its members' continued silence means that they never disputed the authority of the proxy holders to act on their behalf.[79]

In their Reply,[80] petitioners continue to insist that the Deed Restrictions' term of effectivity, while part of the covenant between the parties, is not a restriction per se.[81] They stated:

4. Petitioners respectfully posit the difference between the term and the restriction. The term is that part of the *Deed* which sets the period within which the restrictions shall be effective. But a term is not in itself a restriction. Apart from said restrictions, such term or period cannot stand alone. It loses its significance if there is no restriction to speak of. Its relevance is solely dependent upon the existence of the restrictions.

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[76] *Id*. at 1041-1042.

[77] *Id*. at 1044.

[78] *Id*.

[79] *Id*. at 1049-1050.

[80] *Id*. at 1297-1322.

[81] *Id*. at 1298.

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> 4.1. A restriction carries a technical definition. A restriction, or more often referred to as a servitude or easement, is defined by Spanish Civilist Sanchez Roman as a "real right constituted on the corporeal immovable property of another, by virtue of which the owner of the latter has to refrain from doing or to allow that someone do something on his property, for the benefit of another thing or person."[82] (Citation omitted)

Petitioners then question Ayala Land's personality to issue the opinion on the contracting parties' intention since it was not the original seller. They also maintain that under the parol evidence rule, when an agreement has been reduced to writing, the parties cannot present evidence that will change the terms of the written agreement.[83]

The issues for this Court's resolution are as follows:

First, whether or not private respondent Bel-Air Village Association, Inc.'s members can, by majority vote, extend the Deed Restrictions' term of effectivity;

Second, whether or not the extension of the Deed Restrictions' term of effectivity was validly voted upon by a majority of private respondent Bel- Air Village Association, Inc.'s members; and

Finally, whether or not petitioners Cezar Yatco Real Estate Services, Inc., GRD Property Resources, Inc., Gamaliel Pascual, Jr., Ma. Lourdes Limjap Pascual, and Aurora Pijuan can be compelled to maintain their membership with respondent Bel-Air Village Association, Inc.

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The cardinal rule[84] in contract interpretation is found in Article 1370 of the Civil Code,[85] which provides:

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[82] *Id.* at 1298.

[83] *Id.* at 1310-1311.

[84] *Abad v. Goldloop Properties, Inc.*, 549 Phil. 641, 654 (2007) [Per *J.* Callejo, Sr., Third Division].

[85] Republic Act No. 386 (1949).

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Article 1370. If the terms of a contract are clear and leave no doubt upon the intention of the contracting parties, the literal meaning of its stipulations shall control.

If the words appear to be contrary to the evident intention of the parties, the latter shall prevail over the former.[86]

In *Abad v. Goldloop Properties, Inc.*,[87] this Court ruled:

The cardinal rule in the interpretation of contracts is embodied in the first paragraph of Article 1370 of the Civil Code: "*[i]f the terms of a contract are clear and leave no doubt upon the intention of the contracting parties, the literal meaning of its stipulations shall control.*" This provision is akin to the "plain meaning rule" applied by Pennsylvania courts, which assumes that the intent of the parties to an instrument is "embodied in the writing itself, and when the words are clear and unambiguous the intent is to be discovered only from the express language of the agreement." It also resembles the "four corners" rule, a principle which allows courts in some cases to search beneath the semantic surface for clues to meaning. A court's purpose in examining a contract is to interpret the intent of the contracting parties, as objectively manifested by them. The process of interpreting a contract requires the court to make a preliminary inquiry as to whether the contract before it is ambiguous. A contract provision is ambiguous if it is susceptible of two reasonable alternative interpretations. Where the written terms of the contract are not ambiguous and can only be read one way, the court will interpret the contract as a matter of law. If the contract is determined to be ambiguous, then the interpretation of the contract is left to the court, to resolve the ambiguity in the light of the intrinsic evidence.[88] (Emphasis in the original, citation omitted)

As held in *Abad*, courts must first determine whether or not a stipulation in a contract is ambiguous or susceptible of multiple interpretations. Absent any ambiguity, or when the terms of the contract are found to clearly reflect the intentions of the contracting parties, the stipulation will be interpreted as it is

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[86] Rep. Act No. 386 (1949), Art. 1370.

[87] 549 Phil. 641 (2007) [Per *J.* Callejo, Sr., Third Division].

[88] *Id.* at 654.

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written, and will be treated as the binding law between the contracting parties.[89]

The Deed Restrictions annotated on the land title issued to the lot buyers in Bel-Air Subdivision stated:

BEL-AIR SUBDIVISION
DEED RESTRICTIONS

I — BEL-AIR ASSOCIATION

The owner of this lot/s or his successors[-]in[-]interest is required to be and is automatically a member of the 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. The Association will also provide for and collect assessments, which will constitute as a lien on the property junior only to liens of the government for taxes and to voluntary mortgages for sufficient consideration entered into in good faith.

II — USE OF LOTS

Subject to such amendments, and additional restrictions, reservations, servitudes, etc., as the Bel-Air Association may from time to time adopt and prescribe this lot is subject to the following restrictions:

a. This lot/s shall not be subdivided. However, three or more lots may be consolidated and subdivided into a lesser number of lots provided that none of the resulting lots be smaller in area than the smallest lot before the consolidation and that the consolidation and subdivision plan be duly approved by the governing body of the Bel-Air Association.
b. This lot/s shall only be used for residential purposes.
c. Only one single family house may be constructed on a single lot, although separate servant's quarters or garage may be built.
d. Commercial or advertising signs shall not be placed, constructed, or erected on this lot. Name plates and professional signs of home-owners are permitted so long as they do not exceed 80 x 40 centimeters in size.
e. No cattle, pigs, sheep, goats, ducks, geese, roosters[,] or rabbits shall be maintained on the lot, except that pets may

[89] *The Wellex Group, Inc. v. U-Land Airlines, Co., Ltd.*, 750 Phil. 530, 568 (2015) [Per *J.* Leonen, Second Division].

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be maintained but must be controlled in accordance with the rulings of the Association. The term "pets" includes chickens not in commercial quantities.

f. The property is subject to an easement of two (2) meters within the lot and adjacent to the rear and sides thereof not fronting a street for the purpose of drainage, sewage, water[,] and other public facilities as may be necessary and desirable, and the owner, lessee[,] or his representative shall permit access thereto by authorized representatives of the Bel-Air Association or public utility entities for the purposes for which the easement is created.

g. This lot/s shall not be used for any immoral or illegal trade or activity.

h. The owner and/or lessee of this lot/s shall at all times keep the grass cut and trimmed to reduce the fire hazard of the property.

III — BUILDINGS AND ARCHITECTURE

a. All buildings on this lot/s must be of strong materials.

b. Building/s shall not be higher than 9 meters above the ground directly beneath the point in question.

c. All building plans must be approved by the Association *before* construction begins.

d. Minimum cost of the main residence of this lot shall not be less than ₱15,000 but this figure may be adjusted by the Association from time to time.

e. All buildings, including garage, servant's quarters, or parts thereof (covered terraces, porte cocheres) must be constructed at a distance of not less than from (*sic*) 3 meters from boundary fronting a street/s (not including pedestrian paths) and not less than 2 meters from the other boundaries of this lot. Completely open and unroofed terraces are not included in these restrictions.

IV — SEWAGE DISPOSAL

Sewage disposal must be by means of septic tanks or into a sewage system. If septic tanks are used, they must be maintained in sanitary condition at all times.

V — WALLS

Walls on the perimeter of this property shall not exceed 2 meters in height, except that no restriction as to height applies to walls made of live vegetation.

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VI — TERM OF RESTRICTIONS

The foregoing restrictions shall remain in force for fifty years from January 15, 1957, unless sooner cancelled in its entirety by two-thirds vote of members in good standing of the Bel-Air Association. However, the Association may, from time to time, add new ones, amend or abolish particular restrictions [or] parts thereof by majority rule.

VII — ENFORCEMENT OF RESTRICTIONS

The foregoing restrictions may be enjoined and/or enforced by court action by the Bel-Air Association or by the Makati Development Corporation or its assigns, or by any registered owner of land[.][90]

Unsurprisingly, the parties present differing interpretations on the Deed Restrictions' term of effectivity. Petitioners claim that a plain reading of the Deed Restrictions would show that the term is not a restriction which can be validly amended by private respondent's members, as it is not a limitation on the use of property. They also assert that the Deed Restrictions never expressly or impliedly authorized private respondent to extend its term of effectivity.[91]

In contrast, private respondent insists that a plain reading of the Deed Restrictions would show that the term of restrictions may be amended by a majority vote of the members. It emphasizes that the term of effectivity is a necessary element of the Deed Restrictions; thus, its members may validly extend its effectivity.[92]

The Deed Restrictions is a restrictive covenant that governs how lot owners can use or enjoy their properties. It was annotated on the land titles issued to the lot owners and it is not disputed that lot owners are bound by these annotations under Section 39 of Act 496, or the Land Registration Act, which provides:

Section 39. Every applicant receiving a certificate of title in pursuance of a decree of registration, and every subsequent purchaser of registered

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[90] *Rollo*, p. 271.

[91] *Id*. at 37-39.

[92] *Id*. at 1021.

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land who takes a certificate of title for value in good faith, *shall hold the same free of all encumbrance except those noted on said certificate*, and any of the following incumbrances which may be subsisting, namely:

First. Liens, claims, or rights arising or existing under the laws or Constitution of the United States or of the Philippine Islands which the statutes of the Philippine Islands can not require to appear of record in the registry.

Second. Taxes within two years after the same have become due and payable.

Third. Any public highway, way, or private way established by law, where the certificate of title does not state that the boundaries of such highway or way have been determined. But if there are easements or other rights appurtenant to a parcel of registered land which for any reason have failed to be registered, such easements or rights shall remain so appurtenant notwithstanding such failure, and shall be held to pass with the land. until cut off or extinguished by the registration of the servient estate, or in any other manner.[93] (Emphasis supplied)

Petitioners admit that the Deed Restrictions may be canceled by a majority vote of private respondent's members. Nonetheless, they claim that private respondent had no authority to extend the Deed Restrictions' term of effectivity.

Petitioners are mistaken.

The Deed Restrictions is divided into seven (7) parts, with its term of effectivity provided for as follows:

VI — TERM OF RESTRICTIONS

The foregoing restrictions shall remain in force for fifty years from January 15, 1957, unless sooner cancelled in its entirety by two thirds vote of members in good standing of the Bel-Air Association. However, the Association may, from time to time, add new ones, amend or abolish particular restrictions [or] parts thereof by majority rule.[94]

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[93] Act No. 496 (1902), Sec. 39.

[94] *Id.* at 271.

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Read as a whole, the Deed Restrictions as a restrictive covenant was intended for the "sanitation, security and the general welfare of the community,"[95] providing the rules and regulations for the lot owners' privacy and continued enjoyment of their property.

Petitioners' interpretation of limiting amendments to so-called restrictions, then declaring that the term is not a restriction, cannot be upheld. A plain reading of Part VI, or the Term of Restrictions, would show that the term of effectivity was not set in stone, and that private respondent was empowered to cancel it altogether, through its members' majority vote. The contracting parties' clear intention was to give the lot owners freedom to establish rules and regulations, under which they could best use their properties and protect their interests. This is apparent from the second sentence: "However, the Association may, from time to time, add new ones, amend or abolish particular restrictions [or] parts thereof by majority rule."[96]

This freedom granted to private respondent was confirmed by Ayala Land, Makati Development Corporation's successor-in-interest, when it stated that it was never its intention to prohibit the lot owners from extending the term of the Deed Restrictions:

> The current controversy in Bel-Air Village Association, Inc. (BAVA) concerning the extension of the Deed Restrictions has come to our attention. More particularly, we understand that there is a claim by some quarters that it was the intention of the Makati Development Corporation, the original seller of lots in Bel-Air Village, "to withhold the power to extend the Deed of Restrictions beyond the fifty years annotated in the owner's title."
>
> As successor[-]in[-]interest of the former Makati Development Corporation (MDC), we wish to clarify that *it was never the intention to deny the lot-owners/homeowners the right to extend the Deed Restrictions*, nor was this situation contemplated with the preparation of the Deed Restrictions or the original deeds of sale between MDC and the original buyers of lots in Bel-Air Village. This is evident in

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[95] *Id*.

[96] *Id*.

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the fact that Section VI, the provision on amendment, states that "the association may, from time to time, . . . amend . . . particular restrictions or parts thereof by majority rule." *Clearly, the term of restrictions is part of the restrictions and could therefore, be amended.*[97] (Emphasis supplied)

The Court of Appeals thus correctly ruled that the term of restrictions was also subject to amendment by a majority vote of private respondent's members:

> Reading Article VI in its entirety will show that the restrictions embodied in the Deed shall be enforceable for 50 years. This is immediately followed by the following *proviso,* "**However, the Association may, from time to time, add new ones, amend or abolish particular restrictions or parts thereof by majority rule.**" The *proviso* clearly states that [the Association] is empowered under a specific provision in the Deed Restrictions to amend or abolish particular restrictions or parts thereof by **majority rule**. Note that the term of restrictions is an integral part of the Deed. Necessarily, when Article VI states that the restrictions may be amended, the amendment can go as far as amending the entire Deed Restrictions including the term or duration of the restrictions, which is part and parcel of the Deed.
>
> Corollarily, when [the Association] extended the effectivity of the Deed Restrictions, it did so in the context of amending particular restrictions as provided in Article VI.
>
> The import of Article VI is so clear that it precludes the Court from giving a different interpretation. In many instances, the Supreme Court underscored that, as a rule, if the statute is clear, plain and free from ambiguity, it must be given its literal meaning and applied without interpretation.[98] (Emphasis in the original)

II

A proxy is a form of agency created in instances when a person is unable to personally cast his or her vote; hence, the act of voting is delegated to another person.

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[97] *Id.* at 331.

[98] *Id.* at 70-71.

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Section 89 of Batas Pambansa Blg. 68, or the Corporation Code of the Philippines,[99] recognizes a member's right to vote by proxy. Section 58 then provides that a proxy shall be in writing, signed by the member, and filed with the corporate secretary before the scheduled meeting:

> Section 58. *Proxies*. — Stockholders and members may vote in person or by proxy in all meetings of stockholders or members. Proxies shall be in writing, signed by the stockholder or member and filed before the scheduled meeting with the corporate secretary. Unless otherwise provided in the proxy, it shall be valid only for the meeting for which it is intended. No proxy shall be valid and effective for a period longer than five (5) years at any one time.[100]

However, the Corporation Code also empowers the members to provide for their own proxy requirements in their by-laws, as seen in Section 47(4), which provides:

> Section 47. *Contents of by-laws*. — Subject to the provisions of the Constitution, this Code, other special laws, and the articles of incorporation, a private corporation may provide in its by-laws for:
>
> . . . . . .
>
> 4. The form for proxies of stockholders and members and the manner of voting them[.]

Nonetheless, in the absence of additional formal requirements for proxies in the by-laws, the basic requirements for a written proxy submitted prior to the scheduled meeting under Section 58 govern.

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[99] Batas Pambansa Blg. 68, Sec. 89 provides:

> Section 89. *Right to vote*. — The right of the members of any class or classes to vote may be limited, broadened or denied to the extent specified in the articles of incorporation or the by-laws. Unless so limited, broadened or denied, each member, regardless of class, shall be entitled to one vote.
>
> Unless otherwise provided by the articles of incorporation or the by-laws, a member may vote by proxy in accordance with the provisions of this Code.
>
> Voting by mail or other similar means by members of non-stock corporations may be authorized by the by-laws of non-stock corporations with the approval of, and under such conditions which may be prescribed by, the Securities and Exchange Commission.

[100] Batas Pambansa Blg. 68, Sec. 58.

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Again, the Court of Appeals did not err when it upheld the validity of the submitted proxies and the overwhelming vote to extend the Deed Restrictions term of effectivity, thus:

> The Court therefore finds it whimsical for [petitioners] to insist that the special BAVA membership meeting did not constitute a quorum solely based on its lame excuse that the proxy letters during said meeting were not notarized and lacking in authority or specific grant of power to approve the extension of the effectivity of the term of restrictions. The adjudication of this matter by the Office of the President through Executive Secretary Paquito N. Ochoa, Jr. is worthy of respect by the Court, thus:
>
> > "In this regard, Section 47 (4) of the Corporation Code categorically states that private corporations may provide in their by-laws for the 'form of proxies of stockholders and members and the manner of voting them.' Consistent therewith, Section 89 of the same Code provides: '[u]nless otherwise provided by the articles of incorporation or by-laws, a member may vote by proxy in accordance with the provisions of the Code.' In addition, Section 30 of Resolution No. 770 of the HLURB Board of Commissioners (Framework for Governance of Homeowners Associations) states that (P)roxies shall be in writing and signed by the member. . . . **There is no requirement that the same be notarized. Thus, the recognized rule and practice on proxy form is summarized as follows . . . the formalities of a proxy may be provided for in the [b]y-[l]aws. In the absence of any provision in the [b]y-laws, the proxy need not comply with the minimum requirements provided for in Section 58 . . .** Hence the by-laws of BAVA is controlling insofar as execution of proxies is concerned . . . **the entire [b]y-laws of BAVA readily reveals that nowhere therein is it required that the proxy forms be in any particular form, much less be in a public document or through a special power of attorney**."[101] (Emphasis in the original)

III

The issue of compulsory membership in a homeowners' association like private respondent was discussed at length in

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[101] *Rollo*, p. 72.

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Bel-Air Village Association, Inc.,[102] which explained that compulsory membership is an annotation on a lot owner's certificate of title. Hence, petitioners were bound by this annotation:

> 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 Act 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* . . . ["]
>
> 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. . . .
>
> . . . . . .
>
> 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.[103]

Bel-Air Village Association, Inc.[104] also underscored that the constitutional guarantee of freedom of association can only be

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[102] 256 Phil. 343 (1989) [Per *J*. Gutierrez, Jr., Third Division].

[103] *Id*. at 349-350.

[104] 256 Phil. 343 (1989) [Per *J*. Gutierrez, Jr., Third Division].

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invoked against the State, and does not apply to private transactions, like a sale, where a condition was validly imposed by the vendor.[105]

Finally, *PADCOM Condominium Corporation v. Ortigas Center Association, Inc.*[106] reiterated that automatic membership in a homeowners' association does not violate lot owners' right to freedom of association because they were not forced to buy their lots from the developer:

> Neither are we convinced by PADCOM's contention that the automatic membership clause is a violation of its freedom of association. PADCOM was never forced to join the association. It could have avoided such membership by not buying the land from TDC. Nobody forced it to buy the land when it bought the building with the annotation of the condition or lien on the Certificate of Title thereof and accepted the Deed. PADCOM voluntarily agreed to be bound by and respect the condition, and thus to join the Association.[107]

WHEREFORE, premises considered, the Petition is **DENIED**. The assailed Court of Appeals September 5, 2013 Decision and March 17, 2014 Resolution in CA-G.R. SP. No. 122954 are **AFFIRMED**.

SO ORDERED.

Peralta (Chairperson), Gesmundo, and *Reyes, J. Jr., JJ.,* concur.

Hernando, J., on wellness leave.

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[105] *Id*. at 351-352.

[106] 431 Phil. 830 (2002) [Per *C.J.* Davide, Jr., First Division].

[107] *Id*. at 841.