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THIRD DIVISION

[G.R. No. 223637. August 28, 2019]

ERIC STO. TOMAS, ROLAND CABIGAS, ARCH. JOJO CENTENO, RET. COL. LARRY ZUBIA, GEORGE BADULIS, JOSE DE BELEN, LARRY GALANG, CARMEN DIMAGIBA, ELVIS BASAS, BRANDON WHISENHUNT, TONY TURINGAN, ARMANDO YANGA, ALEX DANDAN and VERMONT ROYALE HOMEOWNERS ASSOCIATION, INC. (VRHAI), *petitioners, vs.* **ADORACION I. DEL VALLE, JO-ANNE I. DEL VALLE, ARCH. ROBERTO R. CAMACHO and NELSON Z. OCHOA,** *respondents.*

SYLLABUS

1. POLITICAL LAW; ADMINISTRATIVE LAW; MAGNA CARTA FOR HOMEOWNERS AND HOMEOWNERS' ASSOCIATIONS (RA NO. 9904); HOUSING AND LAND USE REGULATORY BOARD (HLURB) ON DUTY TO HEAR AND DECIDE INTRA-/INTER- ASSOCIATION CONTROVERSIES; CIVIL AND CRIMINAL CASES THAT MAY BE FILED INDEPENDENTLY BEFORE THE REGULAR COURTS REFER TO THOSE RELATED BUT NOT INCIDENTAL TO THE MAIN CASE BROUGHT BEFORE THE HLURB. — As a general rule, the extent to which an administrative agency may exercise its powers depends largely, if not wholly, on the provisions of the statute creating or empowering such agency. There is no dispute that the present case is an intra-association dispute since the complaint was filed by respondents as homeowners' association members against petitioner VRHAI, its officers and board members. Accordingly, crucial to the resolution of the case is the proper construction of Section 20 (d) of R.A. No. 9904 or the *"Magna Carta for Homeowners and Homeowners' Associations"*, which states: SECTION 20. *Duties and Responsibilities of the HLURB.* — x x x (d) Hear and decide intra-association and/or inter-association controversies and/or conflicts, *without prejudice to filing civil and criminal cases by the parties concerned before the regular courts: Provided,* That all decisions of the HLURB

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are appealable directly to the Court of Appeals[.] To this Court, the civil and criminal cases contemplated in the foregoing provision are those that should proceed independently of the intra-association or inter-association dispute. These civil and criminal cases pertain to actions cognizable by the regular courts which arise from, or are related to, the same act or acts complained of but are not incidental to, or a necessary consequence of the main case brought before the HLURB. As opposed thereto, the claim for moral and exemplary damages, attorney's fees and litigation expenses in the case at bar is purely an incident to the principal relief sought by respondents, namely, injunction and annulment or revocation of the construction rules, fees, fines, penalties, as well as the June 21, 2009 Board Resolution of petitioner VRHAI insofar as it prohibited the construction of multiple dwelling units on single lots. Thus, on whether respondents should have filed a separate civil action for damages before a regular court, the Court answers in the negative. Statutes conferring powers on administrative agencies must be liberally construed to enable them to discharge their assigned duties in accordance with the legislative purpose. In addition, it is settled in jurisprudence that when an administrative agency or body is conferred quasi-judicial functions, all controversies relating to the subject matter pertaining to its specialization are deemed to be included within the jurisdiction of said administrative agency or body. Split jurisdiction is not favored.

2. ID.; ID.; ID.; ID.; COMPETENCE OF THE HLURB TO AWARD DAMAGES. — The competence of the HLURB to award damages should not be limited to cases filed by subdivision lot or condominium unit buyers against the project owners, developers, brokers or salesmen pursuant to P.D. No. 1344 or P.D. No. 957, x x x rather, such power should likewise apply to other cases within the agency's jurisdiction, including inter-association and intra-association controversies pursuant to R.A. No. 9904, like the one at bar.

3. CIVIL LAW; DAMAGES; AWARD OF MORAL AND EXEMPLARY DAMAGES AND ATTORNEY'S FEES IN CASE AT BAR, UPHELD. — Moral damages may be awarded when there is willful injury to property if the court should find that, under the circumstances, such damages are justly due. Further, exemplary damages may be awarded by way of example or correction for the public good, in addition to the moral

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damages. In this case, the CA aptly observed that petitioners violated respondents' property rights and acted with discrimination and bad faith when they passed the June 21, 2009 Board Resolution restricting the construction of duplexes in Vermont after respondents were able to secure a building permit, and despite the fact that some duplexes already existed therein prior to the issuance of the resolution. Verily, the award of moral and exemplary damages in favor of respondents was proper. Moreover, the award of attorney's fees and litigation expenses was in order. Recovery of attorney's fees and expenses of litigation, other than judicial costs, may be allowed in cases where "*the defendant's act or omission has compelled the plaintiff x x x to incur expenses to protect his interest.*" Here, due to petitioners' prolonged refusal to allow respondents to construct the proposed duplex on their own lot, respondents were compelled to litigate their claim before the HLURB and to incur expenses to protect their rights and interests. Consequently, respondents' entitlement to the recovery of attorney's fees and litigation expenses cannot be denied**.**

APPEARANCES OF COUNSEL

Gaudencio J. Tuliao, Jr. for petitioners.
Aquino Go Lorbes and Associates Law Offices for respondents.

D E C I S I O N

INTING, *J.*:

This resolves the Petition for Review on *Certiorari*[1] under Rule 45 of the Rules of Court, seeking the reversal of the Decision[2] dated March 21, 2016 rendered by the Court of Appeals (CA) in CA-G.R. SP No. 125846. The assailed CA Decision affirmed *in toto* the Decision[3] dated June 28, 2012

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[1] *Rollo*, pp. 48-82.

[2] *Id.* at 84-96. Penned by Associate Justice Elihu A. Ybañez, and concurred in by Associate Justices Magdangal M. De Leon (ret.) and Danton Q. Bueser of the Special Seventh Division, Court of Appeals, Manila.

[3] *Id.* at 317-320.

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issued by the Housing and Land Use Regulatory Board (HLURB), Fourth Division, in HLURB Case No. HOA-A-110822-0390 (HOA-081409-1199).

Pertinent to the case are the antecedents:

The case stemmed from the Complaint[4] dated August 8, 2009 filed before the HLURB by Adoracion I. Del Valle, Jo-Anne I. Del Valle, Jowel I. Del Valle, Arch. Roberto R. Camacho, and Nelson Z. Ochoa (respondents) against Vermont Royale Homeowners Association, Inc. (VRHAI), Eric Sto. Tomas, Roland Cabigas, Arch. Jojo Centeno, Ret. Col. Larry Zubia, George Badulis, Jose De Belen, Larry Galang, Carmen Dimagiba, Elvis Basas, Brandon Whisenhunt, Tony Turingan, Armando Yanga, and Alex Dandan (petitioners). The Complaint sought the following: (1) injunction; (2) annulment or revocation of construction rules, fees, fines, penalties, and the Board Resolution[5] dated June 21, 2009 prohibiting the construction of multiple dwelling units on single lots; (3) damages; and (4) issuance of a temporary restraining order (TRO) and/or preliminary injunction.

The individual petitioners were, at the material time, officers and members of the board of petitioner VRHAI, the association of residents in Vermont Royale Village (Vermont) duly registered with the HLURB. On the other hand, respondents were members of VRHAI.

In the Complaint, respondents alleged that in February 2009, they requested a VRHAI clearance for the construction in Vermont of a duplex, such clearance being required for the issuance of a building permit. The application, however, was denied in view of the Construction Rules and Regulations[6] that petitioner VRHAI passed in February 2008. These rules were issued in conformity with the Deed of Restrictions[7] annotated

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[4] *Id.* at 113-127.

[5] *Id.* at 151.

[6] *Id.* at 130-140.

[7] *Id.* at 156-159.

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on the certificates of title of Vermont lots stating that only one family dwelling can be built per lot.

Despite the absence of a clearance from petitioner VRHAI for the construction of a duplex, respondents managed to secure a building permit. However, petitioner VRHAI still refused to issue a clearance and reaffirmed its construction rules through its Board Resolution[8] dated June 21, 2009.

In their Answer with Counter-Claims,[9] petitioners alleged, among others, that the reason for the disapproval of respondents' request for clearance was the disallowance of construction of multiple dwellings on a single lot under the Construction Rules and Regulations, and the Deed of Restrictions. Petitioners admitted the presence of some duplexes in Vermont, but alleged that this was due to the misfeasance of past officers that Vermont homeowners were complaining about.

On January 14, 2010, the HLURB Board of Commissioners (Special Division) issued a TRO/Cease and Desist Order (CDO) enjoining petitioners from preventing respondents from constructing their proposed residential dwelling in accordance with the plan previously submitted to petitioner VRHAI and approved by the City Building Official, subject to compliance with all other rules and requirements of petitioner VRHAI.[10]

On June 29, 2011, the Housing and Land Use Arbiter, Joselito F. Melchor (Arbiter Melchor), rendered a Decision[11] favoring respondents. He observed that under the Zoning Ordinance of Antipolo City, per Resolution No. 19-2000 dated February 9, 2000 and the *Sanggunian Panlalawigan* Resolution No. 00-195 dated September 11, 2000, Vermont had been classified as a Medium Density Residential Zone (R-2).[12] Under Section 3,

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[8] *Supra* note 5.

[9] *Rollo*, pp. 231-243.

[10] See Housing and Land Use Arbiter's Decision dated June 29, 2011; *id.* at 285.

[11] *Id.* at 282-285.

[12] *Id.* at 283.

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Article 6 of the aforesaid zoning ordinance, *two-family dwellings, apartment houses,* and *multi-family dwellings* are among the principal uses of a medium density residential zone.[13]

Accordingly, Arbiter Melchor declared permanent the TRO/CDO issued by the HLURB Board of Commissioners (Special Division) on January 14, 2010. He declared void the June 21, 2009 Board Resolution, as well as the restriction appearing on the transfer certificate of title of respondents insofar as it is contrary to the zoning ordinance of Antipolo City. He also ordered the immediate issuance of the necessary permits and clearances to respondents to effectively allow them to build the proposed two-storey duplex on their lot located in Vermont. Furthermore, he ordered petitioners to solidarily pay respondents ₱50,000.00 as moral damages, ₱50,000.00 as exemplary damages, and ₱50,000.00 as attorney's fees and litigation expenses.

Petitioners appealed Arbiter Melchor's Decision to the HLURB. They argued that the purported zoning ordinance was not properly raised and substantiated, and its admittance violated their right to due process as they had no opportunity to controvert it. Moreover, they questioned the moral and exemplary damages and attorney's fees awarded in favor of respondents, arguing that the HLURB has no jurisdiction to order the award thereof in intra-association controversies. They added that, even assuming that the HLURB has such jurisdiction, the awards have no basis.

In its Decision[14] dated June 28, 2012, the HLURB denied the appeal for lack of merit. Hence, petitioners filed a petition for review with the CA.

On March 21, 2016, the CA rendered the herein assailed Decision,[15] the dispositive portion of which reads:

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[13] *Id.* at 283-284.

[14] *Supra* note 3.

[15] *Supra* note 2.

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FOR THESE REASONS, the instant petition is DISMISSED for lack of merit, and the Decision dated 28 June 2012 rendered by the Housing and Land Use Regulatory Board (HLURB) in HLURB Case No. HOA-081409-1199 is AFFIRMED *in toto*.

SO ORDERED.[16]

The CA found no cogent reason to reverse the HLURB's Decision dated June 28, 2012. It found that petitioners acted with discrimination and bad faith, defied public authority and, without due process of law, violated respondents' property rights when they passed a resolution to enforce the restriction against the construction of duplexes after respondents were issued a building permit. It further noted petitioners' prolonged refusal to allow respondents to construct the duplex on their own lot. For these reasons, the CA found that the HLURB's award of moral and exemplary damages and attorney's fees was proper.

Hence, the present petition.

Notably, the TRO/CDO issued on January 14, 2010, which became permanent by virtue of Arbiter Melchor's Decision dated June 29, 2011, enabled respondents to complete the construction of the duplex. In view thereof, petitioners allege that the duplex and the existence of the zoning ordinance are *fait accompli*. Hence, they only question before this Court the validity of the award of moral and exemplary damages and attorney's fees in favor of respondents.

Petitioners raise the following issues for resolution:

1. WHETHER OR NOT THE CA ACTED CORRECTLY IN HOLDING THAT THE HLURB HAS JURISDICTION TO AWARD DAMAGES AND ATTORNEY'S FEES IN INTRA-ASSOCIATION DISPUTES LIKE THE ONE AT BAR;[17] and

2. WHETHER OR NOT THE HLURB, ASSUMING IT POSSESSES SUCH JURISDICTION, HAD PROPER LEGAL BASIS

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[16] *Id.* at 96.

[17] *Rollo*, p. 21.

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TO AWARD MORAL AND EXEMPLARY DAMAGES AND ATTORNEY'S FEES IN FAVOR OF RESPONDENTS.[18]

Petitioners maintain that the HLURB has no jurisdiction to award moral and exemplary damages and attorney's fees in intra-association cases. They argue that the CA misread and misapplied, if not distorted, this Court's rulings in *Spouses Osea v. Ambrosio*[19] and *C.T. Torres Enterprises, Inc. v. Hon. Hibionada*,[20] which it used to justify the award of damages and attorney's fees in the present intra-association dispute.[21] They assert that *Osea* and *C.T. Torres Enterprises* apply only in cases filed by the subdivision lot or condominium unit buyer against the project owner, developer, broker or salesman pursuant to P.D. No. 1344,[22] but not in intra-association cases which, as they claim, are governed by other laws.[23]

Petitioners also contend that R.A. No. 9904[24] confirms HLURB's *lack of authority* to award damages in intra-association and inter-association disputes. They assert that the HLURB's jurisdiction in these cases is "*without prejudice to the filing [of] civil and criminal cases x x x before the regular courts[.]*"[25]

Furthermore, petitioners maintain that the HLURB, assuming it is clothed with jurisdiction to award damages in intra-association cases, had no basis to grant moral and exemplary

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[18] *Id.*

[19] 521 Phil. 92 (2006).

[20] 269 Phil. 280 (1990).

[21] *Rollo*, p. 31.

[22] Empowering the National Housing Authority to Issue Writ of Execution in the Enforcement of Its Decision under Presidential Decree No. 957, Presidential Decree No. 1344, Section 1(b) (April 2, 1978).

[23] *Rollo*, p. 29.

[24] Magna Carta for Homeowners and Homeowners' Association (January 7, 2010).

[25] *Rollo*, p. 70; *see also* Sec. 20(d) of R.A. No. 9904.

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damages and attorney's fees in favor of respondents.[26] They aver that the record fails to show that they willfully caused unjustifiable loss or injury to respondents or to their properties.[27]

On the other hand, respondents, in their Comment (To the Petition for Review),[28] argue that Section 20 of R.A. No. 9904 only confirmed the jurisdiction of the HLURB to award damages and attorney's fees as an incident of its principal power to hear and resolve intra-association controversies.[29] Respondents aver that the HLURB already exercises this jurisdiction by virtue of previous legislations and existing jurisprudence long before the passage of R.A. No. 9904.[30] For respondents, R.A. No. 9904 did not intend to confer the jurisdiction to award damages and attorney's fees in association disputes as exclusive to the regular courts.[31] In addition, respondents argue that the CA correctly sustained the factual and legal bases of both Arbiter Melchor and the HLURB in awarding damages and attorney's fees in their favor.[32]

In their Reply to the Comment to the Petition for Review,[33] petitioners assert that respondents failed to cite any law or case to prove that HLURB has the authority to award damages in intra-association controversies.[34] Petitioners reiterate that the HLURB's authority to award damages applies to cases filed, under P.D. No. 1344 or P.D. No. 957,[35] by the subdivision lot

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[26] *Id.* at 34.

[27] *Id.* at 38.

[28] *Id.* at 365-368.

[29] *Id.* at 365-366.

[30] *Id.*

[31] *Id.* at 366.

[32] *Id.*

[33] *Id.* at 379-396.

[34] *Id.* at 381.

[35] The Subdivision and Condominium Buyers' Protective Decree (July 12, 1976).

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or condominium unit buyer against the project developer, but not to intra-association controversies which are governed by laws that do not grant HLURB the power to award damages.[36]

The Court's Ruling

The petition lacks merit.

As a general rule, the extent to which an administrative agency may exercise its powers depends largely, if not wholly, on the provisions of the statute creating or empowering such agency.[37] There is no dispute that the present case is an intra-association dispute since the complaint was filed by respondents as homeowners' association members against petitioner VRHAI, its officers and board members. Accordingly, crucial to the resolution of the case is the proper construction of Section 20 (d) of R.A. No. 9904 or the "*Magna Carta for Homeowners and Homeowners' Associations*", which states:

SECTION 20. *Duties and Responsibilities of the HLURB*. — In addition to the powers, authorities and responsibilities vested in it by Republic Act No. 8763,[38] Presidential Decree No. 902-A,[39] *Batas Pambansa [Blg.]* 68[40] and Executive Order No. 535,[41] Series of 1981, as amended, the HLURB shall:

x x x x x x x x x

(d) Hear and decide intra-association and/or inter- association controversies and/or conflicts, *without prejudice to filing civil and criminal cases by the parties concerned before the regular*

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[36] *Rollo*, p. 388.

[37] *Christian General Assembly, Inc v. Spouses Ignacio*, 613 Phil. 629, 638, citing *Spouses Osea v. Ambrosio*, *supra* note 19, at 98.

[38] Home Guaranty Corporation Act of 2000 (March 7, 2000).

[39] Reorganization of the Securities and Exchange Commission with Additional Powers and Placing the Said Agency under the Administrative Supervision of the Office of the President (March 11, 1976).

[40] The Corporation Code of the Philippines (May 1, 1980).

[41] Renaming the Home Financing Commission as Home Financing Corporation (May 3, 1979).

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> *courts: Provided,* That all decisions of the HLURB are appealable directly to the Court of Appeals[.] (Italics Ours)

To this Court, the civil and criminal cases contemplated in the foregoing provision are those that should proceed independently of the intra-association or inter-association dispute. These civil and criminal cases pertain to actions cognizable by the regular courts which arise from, or are related to, the same act or acts complained of but are not incidental to, or a necessary consequence of the main case brought before the HLURB. As opposed thereto, the claim for moral and exemplary damages, attorney's fees and litigation expenses in the case at bar is purely an incident to the principal relief sought by respondents, namely, injunction and annulment or revocation of the construction rules, fees, fines, penalties, as well as the June 21, 2009 Board Resolution of petitioner VRHAI insofar as it prohibited the construction of multiple dwelling units on single lots.

Thus, on whether respondents should have filed a separate civil action for damages before a regular court, the Court answers in the negative.

Statutes conferring powers on administrative agencies must be liberally construed to enable them to discharge their assigned duties in accordance with the legislative purpose.[42] In addition, it is settled in jurisprudence that when an administrative agency or body is conferred quasi-judicial functions, all controversies relating to the subject matter pertaining to its specialization are deemed to be included within the jurisdiction of said administrative agency or body.[43] Split jurisdiction is not favored.[44]

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[42] *Solid Homes, Inc. v. Payawal*, 257 Phil. 914, 921 (1989).

[43] *Geronimo, et al. v. Sps. Calderon*, 749 Phil. 371, 882 (2014): See *Calara, et al. v. Francisco, et al.*, 646 Phil. 122, 142 (2010); See also *Badillo, et al. v. Court of Appeals, et al.*, 578 Phil. 404, 415 (2008), citing *Peña v. GSIS*, 533 Phil. 670 (2006).

[44] *Id.*

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The Court thus finds absurd petitioners' insistence that the HLURB has no jurisdiction to rule on respondents' claim for damages in the instant intra-association case. The competence of the HLURB to award damages should not be limited to cases filed by subdivision lot or condominium unit buyers against the project owners, developers, brokers or salesmen pursuant to P.D. No. 1344 or P.D. No. 957, as petitioners would want to impress upon this Court; rather, such power should likewise apply to other cases within the agency's jurisdiction, including inter-association and intra-association controversies pursuant to R.A. No. 9904, like the one at bar.

Surely, to allow petitioners' posturing would be to defeat expediency. Also, if possible, conflicting findings and conclusions by two tribunals on the same act or acts complained of were to be avoided, then respondents, before they could institute their claim for damages in a separate civil action before a regular court, would first have to await the outcome of the intra-association case before the HLURB. Only after attaining a favorable decision by the HLURB can respondents then proceed with the filing of their action for damages. This, undoubtedly, not only causes inconvenience to the parties but also violates the rule against multiplicity of suits.

Accordingly, the Court does not subscribe to petitioners' stance that the CA misread or misapplied the rulings in *Spouses Osea v. Ambrosio*[45] and *C.T. Torres Enterprises, Inc. v. Hon. Hibionada*.[46] In *Osea*, the Court only reaffirmed *C.T. Torres Enterprises* in upholding the power of administrative bodies to perform quasi-judicial functions and adjudicate claims recoverable under the provisions of the Civil Code. Thus, to iterate:

> The argument that only courts of justice can adjudicate claims resoluble under the provisions of the Civil Code is out of step with the fast-changing times. There are hundreds of administrative bodies now performing this function by virtue of a valid authorization from

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[45] *Supra* note 19.

[46] *Supra* note 20.

the legislature. This quasi-judicial function, as it is called, is exercised by them as an incident of the principal power entrusted to them of regulating certain activities falling under their particular expertise.

In the Solid Homes case, for example, the Court affirmed the competence of the Housing and Land Use Regulatory Board to award damages although this is an essentially judicial power exercisable ordinarily only by the courts of justice. This departure from the traditional allocation of governmental powers is justified by expediency, or the need or the government to respond swiftly and competently to the pressing problems of the modern world.[47]

On the question of whether or not the HLURB had basis to award moral and exemplary damages and attorney's fees in favor of respondents, the Court finds no reason to depart from the findings of Arbiter Melchor and the HLURB, as affirmed by the CA.

Moral damages may be awarded when there is willful injury to property if the court should find that, under the circumstances, such damages are justly due.[48] Further, exemplary damages may be awarded by way of example or correction for the public good, in addition to the moral damages.[49] In this case, the CA aptly observed that petitioners violated respondents' property rights and acted with discrimination and bad faith when they passed the June 21, 2009 Board Resolution[50] restricting the construction of duplexes in Vermont after respondents were able to secure a building permit, and despite the fact that some duplexes already existed therein prior to the issuance of the resolution. Verily, the award of moral and exemplary damages in favor of respondents was proper.

Moreover, the award of attorney's fees and litigation expenses was in order. Recovery of attorney's fees and expenses of litigation, other than judicial costs, may be allowed in cases

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[47] *Id.* at 285.

[48] See Civil Code, Art. 2220.

[49] See Civil Code, Art. 2229.

[50] *Supra* note 5.

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where "*the defendant's act or omission has compelled the plaintiff x x x to incur expenses to protect his interest*."[51] Here, due to petitioners' prolonged refusal to allow respondents to construct the proposed duplex on their own lot, respondents were compelled to litigate their claim before the HLURB and to incur expenses to protect their rights and interests. Consequently, respondents' entitlement to the recovery of attorney's fees and litigation expenses cannot be denied.

WHEREFORE, the Petition for Review on *Certiorari* is **DENIED.** The assailed Decision dated March 21, 2016 rendered by the Court of Appeals in CA-G.R. SP No. 125846 is **AFFIRMED.**

SO ORDERED.

Peralta (Chairperson), *Leonen*, and *Reyes, A. Jr., JJ.*, concur.

Hernando, J., on leave.

SPECIAL THIRD DIVISION

[G.R. Nos. 224648 & 224806-07. August 28, 2019]

PSUPT. HENRY YLARDE DUQUE, *petitioner, vs.* **HON. OMBUDSMAN and FACT-FINDING INVESTIGATION BUREAU, DEPUTY OMBUDSMAN FOR THE MILITARY AND OTHER LAW ENFORCEMENT OFFICES, PSSUPT. JOB F. MARASIGAN, and PSSUPT. JOEL NAPOLEON CORONEL,** *respondents.*

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[51] See Civil Code, Art. 2208 (2).