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Davide, Jr., C.J., Romero, Bellosillo, Melo, Puno, Vitug, Kapunan, Mendoza, Panganiban, Quisumbing, Purisima, Pardo, Buena, and *Gonzaga-Reyes, JJ.,* concur.

EN BANC

[G.R. No. 123910. April 5, 1999]

GODOFREDO UNILONGO, ZENAIDA TIPACE, MERLYN ARAOJO, YOLANDA GUPILAN, ARTURO PATULAN, DAVID VILLAR, GLEN ARIOLA, MAXIMO GONZALES, ANGIE NAVARRO, RUEL DIVINA, ARON INFANTE, LIZA CORPUZ, and STO. NIÑO DE CUL DE SAC HOMEOWNERS' ASSOCIATION, INC., *petitioners, vs.* **THE HON. COURT OF APPEALS, HON. RUBEN A. MENDIOLA, Presiding Judge, Br. 63, Makati, BIENVENIDO R. DINO, RUBEN DINO, EDGARDO S. FERRY, WILFREDO E. NERY, IMELDA P. NIEVA, JOB E. FERNANDEZ, ZAIDE B. ABDULLAH, JOSELITO F. FLOR, FRANCISCO C. QUINQUERO, ANGELES C. TAMAYO, ROGELIO B. UY, EMILIO L. ESPINIDA, MARIANITA L. DE GUZMAN, NOEL ODENA and STO. NIÑO DE CUL DE SAC NEIGHBORHOOD ASSOCIATION, INC., and JULIAN GO,** *respondents.*

SYNOPSIS

Private respondents filed a complaint for *Quo Warranto* with Damages against petitioners before the Regional Trial Court of Makati alleging that they were the duly elected trustees and officers of the Sto. Niño de Cul de Sac Neighborhood Association, Inc. (SNSNAI). However, their offices, powers and functions were usurped by petitioners by amending the by-laws and changing the term of office of the Board of Trustees and officers and by establishing another neighborhood association, Sto. Niño del Cul de Sac Neighborhood Association, Inc.

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(SNSNAI). and registering the same with the Home Insurance and Guarantee Corporation (HIGC). Petitioners, on the other hand, filed a motion to dismiss on the ground, among others, that regular courts lack jurisdiction over intra-corporate matters. Petitioners contended, among others, that disputes involving homeowners associations fall under the exclusive jurisdiction of the HIGC as expressly provided by EO Nos. 90 and 535 amending RA No. 580. The trial court, however, denied petitioners' motion to dismiss as well as their motion for reconsideration. Hence, petitioners filed a petition for *certiorari* and prohibition with the Court of Appeals. The appellate court, in its *decision,* denied the petition. Hence, this recourse.

The controversy between the parties is intra-corporate and, therefore, not cognizable by the ordinary courts of justice.

P.D. 902-A vests in the SEC absolute jurisdiction, supervision and control over all corporations, partnerships or associations. While the regular courts are granted jurisdiction over involuntary dissolution of corporations through *quo warranto* proceedings, P.D. 902-A is explicit in its mandate that in all matters within its jurisdiction, the SEC has original and exclusive authority. However, the jurisdiction of the SEC over intra-corporate matters involving homeowners associations, including their dissolution, has now been transferred to the HIGC. Further, the intent to remove from the regular courts jurisdiction over actions against persons who usurp corporate offices and *quo warranto* actions against corporations is crystallized in the 1997 Rules of Civil Procedure, as amended. *Quo warranto* actions against corporations or persons usurping corporate offices fall under the jurisdiction of the SEC, unless otherwise provided for by law, as in the instant case where the corporate entities involved are homeowners associations, in which case jurisdiction is lodged with the HIGC. Accordingly, the Court granted the petition and the trial court is enjoined from further proceeding with the trial in Civil Case No. 92-3431.

SYLLABUS

1. **REMEDIAL LAW; CIVIL PROCEDURE; ACTIONS; JURISDICTION; CANNOT BE MADE TO DEPEND UPON PLEAS AND DEFENSES SET UP BY DEFENDANT IN A MOTION TO DISMISS OR ANSWER.**— It is a settled rule

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that jurisdiction over the subject matter is determined by the allegations in the complaint. Jurisdiction cannot be made to depend upon the pleas and defenses set up by the defendant in a motion to dismiss or answer otherwise jurisdiction would become dependent almost entirely upon the defendant.

2. **COMMERCIAL LAW; SECURITIES AND EXCHANGE COMMISSION; HAS JURISDICTION OVER *QUO WARRANTO* ACTIONS AGAINST CORPORATION OR PERSON USURPING CORPORATE OFFICES.—** On the basis of the foregoing undisputed facts, the controversy between the parties is intra-corporate and, therefore, not cognizable by the ordinary courts of justice. P.D. 902-A, vests in the SEC absolute jurisdiction, supervision and control over all corporations, partnerships or associations. It can readily be observed that the grounds enumerated in Sec. 2, Rule 66 of the Rules of Court are similar to those provided in P.D. No. 902-A, particularly "the first and fourth grounds are also enumerated under Section 144 of the Corporation Code; the second and third grounds are also enumerated under Sec. 22 of the Code and Sec. 6(1) subpar. (4) of P.D. 902-A." While the regular courts are granted jurisdiction over involuntary dissolution of corporations through *quo warranto* proceedings, as previously discussed, P.D. No. 902-A is explicit in its mandate that in all matters within its jurisdiction, the SEC has original and exclusive authority. Furthermore, the intent to remove from the regular courts jurisdiction over actions against persons who usurp corporate offices and *quo warranto* actions against corporations is crystallized in the 1997 Rules of Civil Procedure, as amended. Section 2, Rule 66 of the old rules is deleted in its entirety, Section 1 (a), Rule 66 of the amended rules no longer contains the phrase "or an office in a corporation created by authority of law" found in the old section.

3. **ID.; ID.; JURISDICTION THEREOF OVER INTRA-CORPORATE MATTERS CONCERNING HOME-OWNERS ASSOCIATIONS HAS BEEN TRANSFERRED TO THE HOME INSURANCE AND GUARANTEE CORPORATION.—** The jurisdiction of the SEC over homeowners associations has been transferred to the Home Insurance and Guarantee Corporation (HIGC), the new name given by Executive Order No. 90, Section 1(d) to what was formerly the Home Financing Corporation (HFC) created under R.A. No. 580. In this case, the entities involved are homeowners

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associations. Although the SNSNAI is registered with the SEC as a non-stock, non-profit corporation, the purposes for which this neighborhood association was established correspond to the requirements laid down in the HIGC rules, hence, whatever ambiguities may arise regarding jurisdiction over *quo warranto* actions against corporations or persons usurping corporate offices are now clarified and resolved by the 1977 Rules of Civil Procedure. *Quo warranto* actions against corporations or persons using corporate offices fall under the jurisdiction of the SEC, unless otherwise provided for by law, as in the instant case, where the corporate entities involved are homeowners associations, in which case jurisdiction is lodge with the Home Insurance and Guarantee Corporation (HIGC).

4. **CIVIL LAW; ESTOPPEL; PETITIONERS ARE NOT ESTOPPED FROM ASSAILING THE TRIAL COURT'S JURISDICTION OVER INTRA-CORPORATE CONTROVERSY IN CASE AT BAR.**— Private respondents have also raised the issue that petitioners are now estopped from assailing the jurisdiction of the courts over the intra-corporate controversy because the trial of the case before the regional trial court was already half-way through when the latter raised the issue of jurisdiction. This is not true. Records bear out that the individual petitioners through their counsel had in fact filed a motion to dismiss in the regional trial court on the ground, among others, that the regular courts lack jurisdiction over intra-corporate matters. The trial court, however, did not act on the motion. Instead, it proceeded to trial. In fact, the allegations in the petition for *certiorari* and prohibitions filed by petitioners in the Court of Appeals were substantially a reiteration of those contained in the said motion to dismiss.

APPEARANCES OF COUNSEL

Solis Medina & Magno Law Offices for petitioners.
Benjamin G. Dadios for private respondents.

DECISION

KAPUNAN, *J.:*

This special civil action for *certiorari* under Rule 65 of the Rules of Court was instituted by petitioners to set aside the

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decision of the Court of Appeals dated 13 October 1995 dismissing their petition for *certiorari* and prohibition for lack of merit. Similarly assailed is the Court of Appeals' resolution dated 2 January 1996 denying petitioners' motion for reconsideration of said decision.

The issue to be resolved in this case is whether it is the ordinary courts or the Home Insurance and Guarantee Corporation which has jurisdiction over the corporate controversy between the contending groups both of which claim to be the rightful officers of a homeowners association.

On 24 November 1992, private respondents filed a complaint for *quo warranto* with Damages against petitioners before the Regional Trial Court of Makati (Branch 63).

The allegations of the 22-page complaint may be summarized as follows:

1. On 4 July 1989, the Sto. Niño de Cul de Sac Neighborhood Association, Inc. (SNSNAI), was incorporated and registered by petitioners (hereafter referred to as the Unilongo group) as a non-stock corporation with the Securities and Exchange Commission (SEC). Petitioners comprised SNSNAI's original Board of Trustees.

2. However, since no elections for a new Board of Trustees and for a new set of corporate officers were held from the time of its incorporation, private respondents (hereafter referred to as the Diño group) aired their complaints and sought the intervention of the Office of the Mayor of Parañaque and the SEC.

3. On 29 April 1991, the Unilongo group amended the SNSNAI's By-Laws by changing the term of office of the Board of Trustees from 1 year to 2 years.

4. Despite the above amendment, elections were held on 5 May 1991 and the Diño group emerged as the new Board of Trustees of the SNSNAI.

5. On 21 May 1991, in order to perpetuate themselves in office, the Unilongo group established the Sto. Niño de Cul de Sac Homeowners Association, Inc. (CDSHA) and registered it with the Home Insurance Guarantee Corporation (HIGC).

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6. On 27 June 1991, the CDSHA filed a complaint for injunction and damages with the HIGC against the Diño group. The case was docketed as HIGC Case No. 155.

7. On 25 October 1992, elections were conducted for the 1992-1993 SNSNAI Board of Trustees. The Diño group was re-elected as members of the Board of Trustees.

8. Thereafter the CDSHA filed a "Motion to Cite for Contempt (private respondents) and To Annul Elections of 25 October 1992" in HIGC Case No. 155.

9. By forming a separate and distinct corporation (CDSHA) the Unilongo group is "unlawfully, maliciously, unwarrantedly and capriciously, whimsically and oppressively, holding and exercising in bad faith and under unlawful pretenses, and ultimately performing the functions of the offices and/or positions of PRIVATE PETITIONERS [private respondents] in their capacities as duly and legally elected members of the BOARD OF TRUSTEES and OFFICERS of the Sto. Niño de Cul de Sac Neighborhood Association, Inc. (for short, "SNSNAI") in their individual respective positions, but likewise, in their duplicated-personalized capacities as OFFICERS and/or Incorporators of the Sto. Niño de Cul de Sac Homeowners' Association, Inc. (for short, "CDSHA"), performing in their corporate images the functions of SNSNAI, and therefore, *usurping* and *depriving* the named PETITIONERS [private respondents] and SNSNAI all the rights, offices and privileges, public image and reputations as a registered non-stock corporation in the purview of the New Corporation Code of the Philippines, otherwise known as *Batas Pambansa Blg. 68* as to cause irreparable injury and continuing prejudice to all herein PETITIONERS [private respondents] and SNSNAI in their private and corporate capacities in law as to further work damage and injustice to public interest.[1]

Private respondents prayed, among others, for judgment against petitioners:

1. Declaring the respondents (petitioners) in their individual capacities or in their corporate positions/offices they presently hold and represent with the STO. NIÑO DE CUL DE SAC NEIGHBORHOOD ASSOCIATION, INC. (SNSNAI) not entitled to such offices and positions and ousting them therefrom;

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[1] *Rollo,* pp. 55-67.

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2. Declaring herein petitioners (private respondents), instead, to be the legal persons entitled to said offices or positions entitled to hold and exercise the same, and restoring and/or placing them to the possessions thereof;

3. Declaring the creation and registration of the STO. NIÑO DE CUL DE SAC HOMEOWNERS ASSOCIATION, INC. (CDSHA) by respondents (petitioners) under its Reg. No. 04-1750 with the Home Insurance Guarantee Corporation (HIGC) null and void being in contravention of law and illegally formed;

4. Dissolving the corporate personality of the CDSHA or its corporate fiction being a phantom corporation or a "ghost corporation" as it illegally usurps the corporate functions for which SNSNAI, the mother-corporation was established under its S.E.C. Reg. No. 165450 and registered originally with the Securities and Exchange Commission, respondents (petitioners) being incorporators on both corporations on records;

5. Ordering the respondents to turn over the books, records of assets and liabilities, and financial book of accounts, including its financial status, fees and dues collected from the membership for both constituents of SNSNAI and CDSHA from the years of control and management from the years 1989 to 1992, inclusive, for accounting purposes and auditing;[2]

In response, two pleadings were filed by petitioners: (1) An Answer with Counterclaim on 28 December 1992 by Atty. Herminegildo A. Delgado, who represented all the defendants in the case; and (2) A Motion to Dismiss on 4 January 1993 on grounds of lack of jurisdiction over the subject matter, *litis pendencia* and lack of cause of action, by Atty. Jose Gerardo A. Medina without specifying whom among the defendants he represented.[3]

On 15 January 1993, the trial court issued an order clarifying that the Motion to Dismiss would pertain only to the individual petitioners and the Answer to the petitioner corporation (CDSHA).[4]

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[2] *Id.*, at 74-75.

[3] *Id.*, at 67.

[4] *Id.*, at 44.

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After private respondents completed the presentation of their evidence, Atty. Delgado, counsel for CDSHA, withdrew from the case. Atty. Medina consequently replaced him and promptly filed on 10 November 1994 a manifestation[5] adopting and reiterating the motion to dismiss filed by the individual petitioners.

In their motion to dismiss,[6] petitioners contended that:

1. Disputes involving homeowners associations fall under the exclusive jurisdiction of the Home Insurance Guarantee Corporation (HIGC) as expressly provided by E.O. Nos. 90 and 535 amending R.A. No. 580;

2. Pending before the HIGC is a case (HIGC Case No. 155) which involves the same parties and issues and seeks primarily the same reliefs; and

3. The CDSHA is a separate and distinct corporation from the SNSNAI and, hence, they could not be accused of usurping the functions and operations of the latter.

On 3 January 1995, the trial court issued an Order denying petitioners' motion to dismiss, ruling that:

> x x x notwithstanding the provision of R.A. 580 as amended, this Court believes that it can take cognizance of the case to determine who between the two associations is the proper corporate body to represent the homeowners of Sto. Niño de Cul de Sac, under the provisions of B.P. 129.[7]

On 12 February 1995, petitoners moved for reconsideration of the aforequoted order. This, the trial court denied in an Order dated 28 April 1995 on the ground that "no new issues had been raised to reconsider the Order of January 3, 1995."[8]

Not satisfied with the trial court's order, petitioners filed a petition for *certiorari* and prohibition with the Court of Appeals raising practically the same issues set forth in their motion to dismiss.

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[5] *Id.*, at 178-181.

[6] *Id.*, at 167-176.

[7] *Id.*, at 182.

[8] *Id.*, at 183.

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The Court of Appeals dismissed the above petition for lack of merit in its decision dated 13 October 1995.[9] Said court expressed the view that the grounds alleged in petitioners' motion to dismiss before the trial court did not appear to be indubitable and, moreover, the trial court's order of denial was merely interlocutory. Petitioners' motion for reconsideration met the same fate and was denied by the Court of Appeals in its resolution dated 2 January 1996.[10]

Hence, the instant petition, with the following assignment of errors:

A. IT BEING ESTABLISHED BY LAW AND JURISPRUDENCE THAT REGULAR COURTS HAVE NO JURISDICTION OVER INTRA-CORPORATE CONTROVERSIES, THE COURT *A QUO* COMMITTED GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OF JURISDICTION IN DENYING DUE COURSE TO PETITIONERS' PETITION;

B. THE COURT *A QUO* COMMITTED GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OF JURISDICTION CONSIDERING THAT PETITIONERS HAVE CLEARLY ESTABLISHED THE PROPRIETY OF THE PETITION AND THEIR RIGHT TO THE INJUNCTIVE RELIEFS PRAYED FOR;

C. PETITIONERS HAVE NO APPEAL OR OTHER PLAIN, SPEEDY, AND ADEQUATE REMEDY IN THE ORDINARY COURSE OF THE LAW.[11]

The petition is impressed with merit.

Petitioners maintain the view that private respondents' complaint primarily concerns matters pertaining to their homeowners association, so that it is the Home Insurance and Guarantee Corporation (HIGC) which has jurisdiction over the dispute and not the regular courts pursuant to Republic Act No. 580, as amended by Executive Order Nos. 535 and 90, conferring upon the said administrative agency, among others, the power to regulate and supervise the activities and operations of homeowners associations.

[9] *Id.*, at 42-52.

[10] *Id.*, at 54.

[11] *Id.*, at 12.

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Private respondents, on the other hand, claim that the regional trial court properly took cognizance of their *quo warranto* complaint in accordance with Rule 66[12] of the Rules of Court and Sec. 21(1) of B.P. No. 129[13] which vests the regional trial courts with original jurisdiction to issue writs of *quo warranto*.

It is a settled rule that jurisdiction over the subject matter is determined by the allegations in the complaint. Jurisdiction cannot be made to depend upon the pleas and defenses set up by the defendant in a motion to dismiss or answer otherwise jurisdiction would become dependent almost entirely upon the defendant.[14]

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[12] Section 1. Action by Government against individuals. — An action for the usurpation of office or franchise may be brought in the name of the Republic of the Philippines against:

(a) A person who usurps, intrudes into, or unlawfully holds or exercises a public office, or a franchise, or an office in a corporation created by authority of law;

(b) A public officer, who does or suffers an act which by the provisions of law, works a forfeiture of his office;

(c) An association of persons who act as a corporation within the Philippines without being legally incorporated or without lawful authority to act.

Sec. 2. Like actions against corporations. — A like action may be brought against a corporation:

(a) When it has offended against a provision of an Act for its creation or renewal;

(b) When it has forfeited its privileges and franchises by non-user;

(c) When it has committed or omitted an act which amounts to a surrender of its corporate rights, privileges, or franchises;

(d) When it has misused a right, privilege, or franchise conferred upon it by law, or when it has exercised a right, privilege, or franchise in contravention of law. x x x.

Sec. 6. When an individual may commence such an action. — A person claiming to be entitled to a public office or position usurped or unlawfully held or exercised by another may bring an action therefor in his own name.

[13] Sec. 21 states: *Original jurisdiction in other cases.*— Regional Trial Courts shall exercise original jurisdiction: (1) In the issuance of writs of *certiorari,* prohibition, *mandamus, quo warranto, habeas corpus* and injunction which may be enforced in any part of their respective regions; and x x x.

[14] *Commart Phil. v. SEC,* 198 SCRA 73 (1991).

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In their complaint for *quo warranto* with damages, private respondents (Diño group) alleged that they were the duly elected trustees and officers of the Sto. Niño de Cul de Sac Neighborhood Association, Inc. (SNSNAI). However, their offices, powers and functions were usurped by petitioners (Unilongo group), first, by amending the SNSNAI by-laws and changing the term of office of the Board of Trustees and officers from one (1) year to two (2) years and, second, by establishing another association called the Sto. Niño de Cul de Sac Homeowners Association (CDSHA) and registering the same with the HIGC.[15]

The reliefs sought by private respondents in its *quo warranto* complaint may be summed as follows: 1) The ouster of the Unilongo group from the Board of Trustees of the SNSNAI and from holding corporate officers therein and for the declaration of the Diño group as the rightful officers and members of the Board; and 2) The dissolution of the CDSHA and the declaration of its registration with the HIGC null and void for being "in contravention of law and illegally formed."[16]

On the basis of the foregoing undisputed facts, the controversy between the parties is intra-corporate and, therefore, not cognizable by the ordinary courts of justice.

Thus, Section 5 of P.D. 902-A provides:

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

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

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

[15] *Rollo,* pp. 66-70.

[16] *Id.,* at 74-75.

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associates; between any or all of them and the corporation, partnership or association of which they are stockholders, members or associates, respectively; and between such corporation, partnership or association and the state insofar as it concerns their individual franchise or right to exist as such entity;

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

P.D. 902-A, likewise, vests in the SEC absolute jurisdiction, supervision and control over all corporations, partnerships or associations, to wit:

SEC. 3. The Commission shall have absolute jurisdiction, supervision and control over all corporations, partnerships of associations, who are the grantees of primary franchise and/or a license or permit issued by the government to operate in the Philippines; and in the exercise of its authority, it shall have the power to enlist the aid or support or any and all enforcement agencies of the government, civil or military.

x x x x x x x x x

SEC. 6. In order to effectively exercise such jurisdiction, the Commission shall possess the following powers:

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i) To suspend, or revoke, after proper notice and hearing, the franchise or certificate of registration of corporations, partnerships or association, upon any of the grounds provided by law, including the following:

1) Fraud in procuring its certificate of registration;

2) Serious misrepresentation as to what the corporation can do or is doing to the great prejudice of or damage to the general public;

3) Refusal to comply or defiance of any lawful order of the Commission restraining commission of acts which would amount to a grave violation of its franchise;

4) Continuous inoperation for a period of at least five (5) years;

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5) Failure to file by-laws within the required period;

6) Failure to file required reports in appropriate forms as determined by the Commission within the prescribed period;

x x x x x x x x x

The authority of the SEC to dissolve a corporation is similarly found in Section 121 of the Corporation Code:

SEC. 121. *Involuntary dissolution.*— A corporation may be dissolved by the Securities and Exchange Commission upon filing of a verified complaint and after proper notice and hearing on the grounds provided by existing laws, rules and regulations.

In *Abejo v. De la Cruz*[17] we held:

In this era of clogged court dockets, the need for specialized administrative boards or commissions with the special knowledge, experience and capability to hear and determine promptly disputes on technical matters or essentially factual matters, subject to judicial review in case of grave abuse of discretion, has become well nigh indispensable. Thus, in 1984, the Court noted that "between the power lodged in an administrative body and a court, the unmistakable trend has been to refer it to the former. 'Increasingly, this Court has been committed to the view that unless the law speaks clearly and unequivocably, the choice should fall on [an administrative agency.]'" x x x.

The dispute between the contending parties for control of the corporation manifestly falls within the primary and exclusive jurisdiction of the SEC in whom the law has reserved such jurisdiction as an administrative agency of special competence to deal promptly and expeditiously therewith.

As the Court stressed in *Union Glass and Container Corporation v. SEC*, "This grant of jurisdiction [in Section 5] must be viewed in the light of the nature and functions of the SEC under the law. Section 3 of P.D. 902-A confers upon the latter 'absolute jurisdiction, supervision, and control over all corporations, partnerships or associations, who are grantees of primary franchise and/or license or permit issued by the government to operate in the Philippines x x x.' The principal functions of the SEC is the supervision and control over corporations, partnerships and associations with the end in view

[17] 149 SCRA 654, 669-671 (1987).

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that investment in these entities may be encouraged and protected, and their activities pursued for the promotion of economic development."

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The SEC's jurisdiction to decide the issue of which of the contending Board of Directors of a corporation is legitimate, was affirmed by the Court in *Islamic Directorate of the Phils. v. CA,*[18] thus:

There can be no question as to the authority of the SEC to pass upon the issue as to who among the different contending groups is the legitimate Board of Trustees of the IDP since this is a matter properly falling within the original and exclusive jurisdiction of the SEC by virtue of Sections 3 and 5(c) of Presidential Decree No. 902-A:

x x x x x x x x x

If the SEC can declare who is the legitimate IDP Board, then by parity of reasoning, it can also declare who is not the legitimate IDP Board. This is precisely what the SEC did in SEC Case No. 4012 when it adjudged the election of the Carpizo Group to the IDP Board of Trustees to be null and void. By this ruling, the SEC in effect made the unequivocal finding that the IDP-Carpizo Group is a bogus Board of Trustees. Consequently, the Carpizo Group is bereft of any authority whatsoever to bind IDP in any kind of transaction including the sale or disposition of IDP property.

It can readily be observed that the grounds enumerated in Sec 2, Rule 66 of the Rules of Court are similar to those provided in P.D. No. 902-A. Particularly "the first and fourth grounds are also enumerated under Section 144 of the Corporation Code; the second and third grounds are also enumerated under Sec. 22 of the Code and Sec. 6(1) subpar. (4) of P.D. 902-A."[19] While the regular courts are granted jurisdiction over involuntary dissolution of corporations through *quo warranto* proceedings, as previously discussed, P.D. No. 902-A is explicit in its mandate

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[18] 272 SCRA 454 (1997).

[19] Aguedo F. Agbayani, *Commentaries and Jurisprudence on the Commercial Laws of the Phils.*, Vol. III, 1990 ed., p. 637.

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that in all matters within its jurisdiction, the SEC has original and exclusive authority. An author's commentary on the point is instructive:

x x x x x x x x x

(2) *Quo Warranto* proceeding.

Presidential Decree 902-A grants *exclusive* jurisdiction to the SEC over any controversy between the corporation and the state insofar as it concerns its individual franchise or right to exist as such entity. However, under the Rules of Court, *quo warranto* proceedings questioning the right of the corporation to continue existing as such is filed by the Solicitor General or fiscal before the proper Court of First Instance, now the Regional Trial Court. Does Presidential Decree 902-A replace and repeal the Rules of Court on this matter, thus depriving the Regional Trial Courts of *any* jurisdiction in *quo warranto* proceedings against corporations? The Corporation Code in providing for involuntary dissolution in Section 121 mentions only the SEC but not the Regional Trial Court. Both the Corporation Code and Presidential Decree 912-A have a clause repealing all laws inconsistent with their respective provisions. Although Section 121 of the Code is not necessarily inconsistent with the Rules of Court, since together they can be reasonably interpreted to mean that the SEC and Regional Trial Court have *concurrent* jurisdiction over cases of involuntary dissolution, the language of Presidential Decree 902-A is quite specific when it grants *exclusive* jurisdiction to the SEC in questions between the corporation and the state concerning the corporation's "individual franchise or right to exist as such entity."[20]

Furthermore, the intent to remove from the regular courts jurisdiction over actions against persons who usurp corporate offices and *quo warranto* actions against corporations is crystallized in the 1997 Rules of Civil Procedure, as amended. Section 2, Rule 66 of the old rules is deleted in its entirety, Section 1 (a), Rule 66 of the amended rules no longer contains the phrase "or an office in a corporation created by authority of law" found in the old section. Section 1, Rule 66 of the new rules now reads:

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[20] Jose C. Campos, Jr. and Maria Clara Lopez-Campos. *The Corporation Code, Comments, Notes and Selected Cases,* Volume II, 1990, pp. 388-389.

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RULE 66

QUO WARRANTO

SECTION 1. *Action by Government against individuals.*— An action for the usurpation of a public office, position or franchise may be commenced by a verified petition brought in the name of the Republic of the Philippines against:

(a) A person who usurps, intrudes into, or unlawfully holds or exercises a public office, position or franchise;

(b) A public officer who does or suffers an act which, by the provision of law, constitutes a ground for the forfeiture of his office; or

(c) An association which acts as a corporation within the Philippines without being legally incorporated or without lawful authority so to act.

Explaining the changes in the aforequoted provision, Justice Jose Y. Feria states:

This rule is now limited to actions of *quo warranto* against persons who usurp a public office, position or franchise; public officers who forfeit their office; and associations which act as corporations without being legally incorporated.

Actions of *quo warranto* against corporations, or against persons who usurp an office in a corporation, fall under the jurisdiction of the Securities and Exchange Commission and are governed by its rules. (PD 902-A as amended).

The petition is now required to be verified.[21]

However, the jurisdiction of the SEC over homeowners associations has been transferred to the Home Insurance and Guarantee Corporation (HIGC), the new name given by Executive Order No. 90, Section 1(d) to what was formerly the Home Financing Corporation (HFC) created under R.A. No. 580.

Section 2 of EO No. 535 states:

x x x x x x x x x

2. In addition to the powers and functions vested under the Financing Act, the Corporation, shall have among others, the following additional powers:

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[21] Jose Y. Feria, 1997 *Rules of Civil Procedure,* p. 253.

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a) To require submission of and register articles of incorporation of homeowners associations and issue certificates of incorporation/registration, upon compliance by the registering associations thereon; maintain a registry thereof; *and exercise all the powers, authorities and responsibilities that are vested on the Securities and Exchange Commission with respect to home owners association,* the provision of Act 1459, as amended by P.D. 902-A, to the contrary notwithstanding;

b) To regulate and supervise the activities and operations of all homeowners association registered in accordance therewith; (Italics ours.)

x x x x x x x x x.

Implementing E.O. No. 535, the HIGC issued the Revised Rules of Procedure in the Hearing of Homeowners' Disputes, thus:

Rule II

Disputes Triable by HIGC/ Nature of Proceedings

SECTION 1. Types of Disputes — The HIGC or any person, officer, body, board, or committee duly designated or created by it shall have jurisdiction to hear and decide cases involving the following:

a) Devices or schemes employed by or any acts of the Board of Directors or officers of the association amounting to fraud and misrepresentation which may be detrimental to the interest of the public or of the members of the association or the association registered with HIGC.

b) Controversies arising out of intra-corporate relations between and among members of the association, between any and/or all of them and the association of which they are members, and insofar as it concerns its right to exist as a corporate entity, between the association and the state/general public or other entity.

c) Controversies in the election, appointment, or selection of directors, officers, or members of the association, including, the regularity thereof and eligibilities of such directors, officers or members.

d) Suspension or revocation of the certificate of registration of any homeowners association duly registered by HIGC upon any of the grounds provided by law, rules and regulations of HIGC, including but not limited to the following:

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1. Fraud or misrepresentation in procuring its certificate of registration;
2. Serious misrepresentation as to what the association can do or is doing;
3. Refusal to comply with or defiance of any lawful order of HIGC or its hearing officers;
4. Misuse of a right, privilege, or franchise conferred upon it by law, or exercise of a right, privilege, or franchise in contravention of law;
5. Commission or omission of an act which amounts to a surrender of its corporate rights, privileges, or franchise;
6. Violation of any provision of HIGC rules and regulations and those of the Corporation Code whenever the same is applicable;
7. Continuous inoperation or inactivity for a period of at least five (5) years; and
8. Failure to file required reports in appropriate forms as determined by HIGC within the prescribed period.

In sum, the jurisdiction of the SEC over intra-corporate matters concerning homeowners associations, including their dissolution has now been transferred to the HIGC.

In this case, the entities involved are homeowners associations. Although the SNSNAI is registered with the SEC as a non-stock, non-profit corporation, the purposes[22] for which this neighborhood association was established correspond to the requirements laid down in the HIGC rules:

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[22] 1. To join coordinate, affiliate, or in whatever or in any manner cooperate with any religion, religious organization, sect or church as may be decided upon by the members;

2. To establish, erect, put up, build, or construct any structure, building, edifice, or any architectural or sculptural design in the pursuit or in the furtherance of any of the foregoing purposes;

3. To foster close and harmonious relationships, develop the art of leadership, & promote economic, social and civic consciousness among the members;

4. To take active & direct role in the formulation of local or national policies of the government;

5. To actively participate in community projects and motivate the people toward community development;

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RULE 1

Definition of Terms/Construction of Rules.

SECTION 1. *Definition of Terms.*— For purposes of these Rules, and as far as practicable, the following terms shall mean:

x x x x x x x x x.

b) Homeowners Association — an association composed of members who are either present or future homeowners/awardees/occupants of private or government housing projects, subdivisions or urban estates, organized primarily for the purpose of facilitating the delivery of adequate housing and related services designed to improve the quality of life of its members and the community/subdivision concerned.

Hence, whatever ambiguities may arise regarding jurisdiction over *quo warranto* actions against corporations or persons usurping corporate offices are now clarified and resolved by the 1977 Rules of Civil Procedure. *Quo warranto* actions against corporations or persons using corporate offices fall under the jurisdiction of the SEC, unless otherwise provided for by law, as in the instant case where the corporate entities involved are homeowners associations, in which case jurisdiction is lodge with the Home Insurance and Guarantee Corporation (HIGC).

Finally, private respondents have also raised the issue that petitioners are now estopped from assailing the jurisdiction of the courts over the intra-corporate controversy because the trial of the case before the regional trial court was already half-way through when the latter raised the issue of jurisdiction.

This is not true. Records bear out that the individual petitioners through their counsel had in fact filed a motion to dismiss in the regional trial court on the ground, among others, that the regular courts lack jurisdiction over intra-corporate matters. The trial court, however, did not act on the motion. Instead, it proceeded to trial. In fact, the allegations in the petition for *certiorari* and prohibitions

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6. To conduct meetings, seminars, studies or researches in any field of interest which will promote, enhance or develop the attitude, habits, inclinations, or talents of every member or any individual;

7. To encourage self-discipline, industry, and concern for the common good and general welfare. (Rollo, p. 78.)

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filed by petitioners in the Court of Appeals were substantially a reiteration of those contained in the said motion to dismiss.

WHEREFORE, premises considered, the petition is *GRANTED.* The Regional Trial Court of Makati, Branch 63 is hereby *ENJOINED* from further proceeding with the trial in Civil Case No. 92-3431.

SO ORDERED.

Davide, Jr., C.J., Romero, Bellosillo, Melo, Puno, Vitug, Mendoza, Panganiban, Quisumbing, Purisima, Pardo, Buena, and *Gonzaga-Reyes, JJ.,* concur.

SECOND DIVISION

[G.R. No. 96202. April 13, 1999]

ROSELLA D. CANQUE, *petitioner, vs.* **THE COURT OF APPEALS and SOCOR CONSTRUCTION CORPORATION,** *respondents.*

SYNOPSIS

This is a petition for review on *certiorari* filed by Rosella D. Canque seeking the reversal of the decision of the Court of Appeals affirming the judgment of the Regional Trial Court of Cebu City ordering petitioner to pay private respondents the principal sum of P299,717.75 plus interest thereon at 12% per annum from September 22, 1986, the date of the filing of the complaint until fully paid: to pay private respondents the sum of P10,000.00 for reasonable attorney's fees; to pay the sum of P552.86 for filing fees and to pay the costs of suit. The Court of Appeals upheld the trial court's reliance on private respondent's Book of Collectible Accounts on the basis of Rule 130, Section 37 of the Rules of Court. In this petition, Canque contended that the appellate court erred in admitting in evidence as entries in the course of business the entries in private respondent's book of collectible accounts considering that the person who made said entries actually testified in this case but unfortunately had no knowledge of said entries. Also, the decision of the respondent court should be reversed as it has only inadmissible evidence to support it.