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THIRD DIVISION

[G.R. No. 167702. March 20, 2009]

LOURDES L. ERISTINGCOL, *petitioner, vs.* **COURT OF APPEALS and RANDOLPH C. LIMJOCO,** *respondents.*

SYLLABUS

1. REMEDIAL LAW; JURISDICTION; RULES IN DETERMINING WHICH BODY HAS JURISDICTION; APPLICATION.— Well-settled in jurisprudence is the rule that in determining which body has jurisdiction over a case, we should consider not only the status or relationship of the parties, but also the nature of the question that is the subject of their controversy. To determine the nature of an action and which court has jurisdiction, courts must look at the averments of the complaint or petition and the essence of the relief prayed for. Thus, we examine the pertinent allegations in Eristingcol's complaint, specifically her amended complaint. x x x [W]e note that the relationship between the parties is not in dispute and is, in fact, admitted by Eristingcol in her complaint. Nonetheless, Eristingcol is adamant that the subject matter of her complaint is properly cognizable by the regular courts and need not be filed before a specialized body or commission. Eristingcol's contention is wrong. Ostensibly, Eristingcol's complaint, designated as one for declaration of nullity, falls within the regular courts' jurisdiction. However, we have, on more than one occasion, held that the caption of the complaint is not determinative of the nature of the action. A scrutiny of the allegations contained in Eristingcol's complaint reveals that the nature of the question subject of this controversy only superficially delves into the validity of UVAI's Construction Rules. The complaint actually goes into the proper interpretation and application of UVAI's by-laws, specifically its construction rules. Essentially, the conflict between the parties arose as Eristingcol, admittedly a member of UVAI, now wishes to be exempt from the application of the canopy requirement set forth in UVAI's Construction Rules. Significantly, Eristingcol does not assail the height restriction of UVAI's Construction Rules, as she has readily complied therewith.

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2. ID.; ID.; HIGC'S (NOW HLURB) JURISDICTION OVER HOMEOWNERS ASSOCIATION, DISCUSSED.— Executive Order (E.O.) No. 535, which amended Republic Act No. 580 creating the HIGC, transferred to the HIGC the regulatory and administrative functions over homeowners' associations originally vested with the SEC. Section 2 of E.O. No. 535 provides in pertinent part: 2. In addition to the powers and functions vested under the Home Financing Act, the Corporation, shall have among others, the following additional powers: (a) x x x; 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 houseowners association registered in accordance therewith. By virtue thereof, the HIGC likewise assumed the SEC's original and exclusive jurisdiction to hear and decide cases involving controversies arising from intra-corporate or partnership relations. Thereafter, with the advent of Republic Act No. 8763, the foregoing powers and responsibilities vested in the HIGC, with respect to homeowners' associations, were transferred to the HLURB.

3. ID.; ID.; DOCTRINE IN *TIJAM VS. SIBONGHANOY* WHICH WAS BARRED BY LACHES FROM QUESTIONING THE COURT'S JURISDICTION, NOT APPLICABLE.— [T]he invocation of the doctrine in *Tijam, et al. v. Sibonghanoy, et al.* is quite a long stretch. The factual milieu obtaining in *Tijam* and in the case at bench are worlds apart. As found by the CA, defendants' appearance before the RTC was pursuant to, and in compliance with, a subpoena issued by that court in connection with Eristingcol's application for a Temporary Restraining Order (TRO). On defendants' supposed agreement to sign the Undertaking allowing Eristingcol's workers, contractors, and suppliers to enter and exit the village, this temporary settlement cannot be equated with full acceptance of the RTC's authority, as what actually transpired in *Tijam*. The landmark case of *Tijam* is, in fact, only an exception to the general rule that an objection to the court's jurisdiction over a case may be raised at any stage of the proceedings, as the lack of jurisdiction affects the very authority of the court to take cognizance of a case. In that case, the Surety filed a Motion to Dismiss before the CA, raising the question of lack of jurisdiction for the first

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time—fifteen years after the action was commenced in the Court of First Instance (CFI) of Cebu. Indeed, in several stages of the proceedings in the CFI, as well as in the CA, the Surety invoked the jurisdiction of said courts to obtain affirmative relief, and even submitted its case for a final adjudication on the merits. Consequently, it was barred by *laches* from invoking the CFI's lack of jurisdiction. To further highlight the distinction in this case, the TRO hearing was held on February 9, 1999, a day after the filing of the complaint. On even date, the parties reached a temporary settlement reflected in the Undertaking. Fifteen days thereafter, defendants, including Limjoco, filed a Motion to Dismiss. Certainly, this successive and continuous chain of events cannot be characterized as *laches* as would bar defendants from questioning the RTC's jurisdiction.

APPEARANCES OF COUNSEL

Law Firm of Anacleto M. Diaz and Associates for petitioner.
Fornier Fornier Lagumbay & Domado for private respondent.

D E C I S I O N

NACHURA, *J.*:

This is a petition for review on *certiorari* under Rule 45 of the Rules of Court which assails the Court of Appeals (CA) Decision[1] in CA-G.R. SP. No. 64642 dismissing Civil Case No. 99-297 before the Regional Trial Court (RTC) for lack of jurisdiction.

The facts, as narrated by the CA, are simple.

[Petitioner Lourdes] Eristingcol is an owner of a residential lot in Urdaneta Village (or "village"), Makati City and covered by Transfer Certificate of Title No. 208586. On the other hand, [respondent Randolph] Limjoco, [Lorenzo] Tan and [June] Vilvestre were the former president and chairman of the board of governors (or "board"), construction committee chairman and village manager of [Urdaneta

[1] Penned by Associate Justice Edgardo P. Cruz, with Associate Justices Ruben T. Reyes (now a retired member of this Court) and Noel G. Tijam, concurring; *rollo*, pp. 33-40.

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Village Association Inc.] UVAI, respectively. UVAI is an association of homeowners at Urdaneta Village.

[Eristingcol's] action [against UVAI, Limjoco, Tan and Vilvestre] is founded on the allegations that in compliance with the National Building Code and after UVAI's approval of her building plans and acceptance of the construction bond and architect's fee, Eristingcol started constructing a house on her lot with "concrete canopy directly above the main door and highway"; that for alleged violation of its Construction Rules and Regulations (or "CRR") on "Set Back Line" *vis-a-vis* the canopy easement, UVAI imposed on her a penalty of ₱400,000.00 and barred her workers and contractors from entering the village and working on her property; that the CRR, particularly on "Set Back Line," is contrary to law; and that the penalty is unwarranted and excessive.

On February 9, 1999, or a day after the filing of the complaint, the parties reached a temporary settlement whereby UVAI, Limjoco, Tan and Vilvestre executed an undertaking which allowed Eristingcol's workers, contractors and suppliers to leave and enter the village, subject only to normal security regulations of UVAI.

On February 26, 1999, UVAI, Limjoco, Tan and Vilvestre filed a motion to dismiss on ground of lack of jurisdiction over the subject matter of the action. They argued that it is the Home Insurance Guaranty Corporation (or "HIGC")[2] which has jurisdiction over intra-corporate disputes involving homeowners associations, pursuant to Exec. Order No. 535, Series of 1979, as amended by Exec. Order No. 90, Series of 1986.

Opposing the motion, Eristingcol alleged, among others, that UVAI, Limjoco, Tan and Vilvestre did not comply with the mandatory provisions of Secs. 4 and 6, Rule 15 of the 1997 Rules of Civil Procedure and are estopped from questioning the jurisdiction of the [RTC] after they voluntarily appeared therein "and embraced its authority by agreeing to sign an Undertaking."

On May 20, 1999, Eristingcol filed an amended complaint by (i) impleading Manuel Carmona (or "Carmona") and Rene Cristobal (or "Cristobal"), UVAI's newly-elected president and chairman of the board and newly-designated construction committee chairman,

[2] Transferred to the Housing and Land Use Regulatory Board by virtue of Republic Act No. 8763.

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respectively, as additional defendants and (ii) increasing her claim for moral damages against each petitioner from ₱500,000.00 to ₱1,000,000.00.

On May 25, 1999, Eristingcol filed a motion for production and inspection of documents, which UVAI, Limjoco, Tan, Vilvestre, Carmona and Cristobal opposed. The motion sought to compel [UVAI and its officers] to produce the documents used by UVAI as basis for the imposition of the ₱400,000.00 penalty on Eristingcol as well as letters and documents showing that UVAI had informed the other homeowners of their violations of the CRR.

On May 26, 1999, the [RTC] issued an order which pertinently reads:

> IN VIEW OF THE FOREGOING, for lack of merit, the defendants' Motion to Dismiss is Denied, and plaintiff's motion to declare defendants in default and for contempt are also Denied."

The [RTC] ratiocinated that [UVAI, Limjoco, Tan and Vilvestre] may not assail its jurisdiction "after they voluntarily entered their appearance, sought reliefs therein, and embraced its authority by agreeing to sign an undertaking to desist from prohibiting (Eristingcol's) workers from entering the village." In so ruling, it applied the doctrine enunciated in *Tijam v. Sibonghanoy*.

On June 7, 1999, Eristingcol filed a motion reiterating her earlier motion for production and inspection of documents.

On June 8, 1999, [UVAI, Limjoco, Tan and Vilvestre] moved for partial reconsideration of the order dated May 26, 1999. Eristingcol opposed the motion.

On March 24, 2001, the [RTC] issued an order granting Eristingcol's motion for production and inspection of documents, while on March 26, 2001, it issued an order denying [UVAI's, Limjoco's, Tan's and Vilvestre's] motion for partial reconsideration.

On May 10, 2001, [UVAI, Limjoco, Tan and Vilvestre] elevated the dispute before [the CA] *via* [a] petition for *certiorari* alleging that the [RTC] acted without jurisdiction in issuing the orders of May 26, 1999 and March 24 and 26, 2001.[3]

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[3] *Rollo*, pp. 33-36.

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The CA issued the herein assailed Decision reversing the RTC Order[4] and dismissing Eristingcol's complaint for lack of jurisdiction.

Hence, this appeal positing a sole issue for our resolution:

Whether it is the RTC or the Housing and Land Use Regulatory Board (HLURB) which has jurisdiction over the subject matter of Eristingcol's complaint.

Before anything else, we note that the instant petition impleads only Limjoco as private respondent. The rest of the defendants sued by Eristingcol before the RTC, who then collectively filed the petition for *certiorari* before the CA assailing the RTC's Order, were, curiously, not included as private respondents in this particular petition.

Eristingcol explains that only respondent Limjoco was retained in the instant petition as her discussions with UVAI and the other defendants revealed their lack of participation in the work-stoppage order which was supposedly single-handedly thought of and implemented by Limjoco.

The foregoing clarification notwithstanding, the rest of the defendants should have been impleaded as respondents in this petition considering that the complaint before the RTC, where the petition before the CA and the instant petition originated, has yet to be amended. Furthermore, the present petition maintains that it was serious error for the CA to have ruled that the RTC did not have jurisdiction over a complaint for declaration of nullity of UVAI's Construction Rules. Clearly, UVAI and the rest of the defendants should have been impleaded herein as respondents.

Section 4(a), Rule 45 of the Rules of Court, requires that the petition shall "state the full name of the appealing party as petitioner and the adverse party as respondent, without impleading the lower courts or judges thereof either as petitioners or respondents." As the losing party in defendants' petition for *certiorari* before the CA, Eristingcol should have impleaded all petitioners, the winning and adverse parties therein.

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[4] *Id.* at 79-82.

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On this score alone, the present petition could have been dismissed outright.[5] However, to settle the issue of jurisdiction, we have opted to dispose of this case on the merits.

Despite her having dropped UVAI, Lorenzo Tan (Tan) and June Vilvestre (Vilvestre) from this suit, Eristingcol insists that her complaint against UVAI and the defendants was properly filed before the RTC as it prays for the declaration of nullity of UVAI's Construction Rules and asks that damages be paid by Limjoco and the other UVAI officers who had inflicted injury upon her. Eristingcol asseverates that since the case before the RTC is one for declaration of nullity, the nature of the question that is the subject of controversy, not just the status or relationship of the parties, should determine which body has jurisdiction. In any event, Eristingcol submits that the RTC's jurisdiction over the case was foreclosed by the prayer of UVAI and its officers, including Limjoco, for affirmative relief from that court.

Well-settled in jurisprudence is the rule that in determining which body has jurisdiction over a case, we should consider not only the status or relationship of the parties, but also the nature of the question that is the subject of their controversy.[6] To determine the nature of an action and which court has jurisdiction, courts must look at the averments of the complaint or petition and the essence of the relief prayed for.[7] Thus, we examine the pertinent allegations in Eristingcol's complaint, specifically her amended complaint, to wit:

Allegations Common to All Causes of Action

3. In 1958 and upon its incorporation, [UVAI] adopted a set of By-laws and Rules and Regulations, x x x. Item 5 of [UVAI's] Construction Rules pertinently provides:

> "Set back line: All Buildings, including garage servants' quarters, or parts thereof (covered terraces, *portes cocheres*)

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[5] See RULES OF COURT, Rule 45, Sec. 5.

[6] *Viray v. Court of Appeals*, G.R. No. 92481, November 9, 1990, 191 SCRA 308, 323; *Citibank v. CA*, 359 Phil. 719 (1998).

[7] *Id.*

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must be constructed at a distance of not less than *three (3) meters from the boundary fronting a street* and not less than four (4) meters fronting the drainage creek or underground culvert and two (2) meters from other boundaries of a lot. Distance will be measured from the vertical projection of the roof nearest the property line. Completely open and unroofed terraces are not included in these restrictions."

Suffice it to state that there is nothing in the same By-laws which deals explicitly with canopies or marquees which extend outward from the main building.

4. [Eristingcol] has been a resident of Urdaneta Village for eleven (11) years. In February 1997, she purchased a parcel of land in the Village, located at the corner of Urdaneta Avenue and Cerrada Street. x x x.

5. In considering the design for the house (the "Cerrada property") which she intended to construct on Cerrada Street, [Eristingcol] referred to the National Building Code of the Philippines. After assuring herself that the said law does not expressly provide any restrictions in respect thereof, and after noting that *other houses* owned by prominent families had similar structures without being cited by the Village's Construction Committee, [Eristingcol] decided that the Cerrada property would have a concrete canopy directly above the main door and driveway.

6. In compliance with [UVAI's] rules, [Eristingcol] submitted to [UVAI] copies of her building plans in respect of the Cerrada property and the building plans were duly approved by [UVAI]. x x x.

7. [Eristingcol] submitted and/or paid the "cash bond/construction bond deposit and architect's inspection fee" of ₱200,000.00 and the architect's inspection fee of ₱500.00 as required under Construction Rules x x x.

8. In the latter part of 1997, and while the construction of the Cerrada property was ongoing, [Eristingcol] received a notice from [UVAI], charging her with alleged violations of the Construction Rules, *i.e.*, those on the height restriction of eleven (11.0) meters, and the canopy extension into the easement. On 22nd January 1998, [Eristingcol] (through her representatives) met with, among others, defendant Limjoco. In said meeting, and after deliberation on the

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definition of the phrase "original ground elevation" as a reference point, [Eristingcol's] representatives agreed to revise the building plan by removing what was intended to be a parapet or roof railing, and thereby reduce the height of the structure by 40 centimeters, which proposal was accepted by the Board through defendant Limjoco, Gov. Catalino Macaraig Jr. ([UVAI's] Construction Committee chairman), and the Village's Architect. However, the issue of the alleged violation in respect of the canopy/extension remained unresolved.

x x x x x x x x x

9. In compliance with the agreement reached at the 22nd January 1998 meeting, [Eristingcol] caused the revision of her building plans such that, as it now stands, the Cerrada property has a vertical height of 10.96 meters and, thus, was within the Village's allowed maximum height of 11 meters.

10. Sometime in June 1998, [Eristingcol] was surprised to receive another letter from [UVAI], this time from the Construction Committee chairman (defendant Tan), again calling her attention to alleged violations of the Construction Rules. On 15th June 1998, [UVAI] barred [Eristingcol's] construction workers from entering the Village. Thus, [Eristingcol's] Construction Manager (Mr. Jaime M. Hidalgo) wrote defendant Tan to explain her position, and attached photographs of similar "violations" by other property owners which have not merited the same scrutiny and sanction from [UVAI].

x x x x x x x x x

11. On 26th October 1998, and for reasons known only to him, defendant Vilvestre sent a letter to Mr. Geronimo delos Reyes, demanding for an "idea of how [Mr. delos Reyes] can demonstrate in concrete terms [his] good faith as a *quid pro quo* for compromise to" [UVAI's] continued insistence that [Eristingcol] had violated [UVAI's] Construction Rules. x x x.

x x x x x x x x x

12. [Eristingcol] through Mr. Hidalgo sent a letter dated 24th November 1998 to defendant Tan, copies of which were furnished defendants Limjoco, Vilvestre and the Board, reiterating that, among others: (i) the alleged height restriction violation is untrue, since the Cerrada property now has a height within the limits imposed by

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[UVAI]; and (ii) the demand to reduce the canopy by ninety (90) centimeters is without basis, in light of the existence of thirty-five (35) similar "violations" of the same nature by other homeowners. [Eristingcol] through Mr. Hidalgo further mentioned that she had done nothing to deserve the crude and coercive Village letters and the Board's threats of work stoppage, and she cited instances when she dealt with [UVAI] and her fellow homeowners in good faith and goodwill such as in 1997, when she very discreetly spent substantial amounts to landscape the entire Village Park, concrete the Park track oval which was being used as a jogging path, and donate to the Association molave benches used as Park benches.

x x x x x x x x x

13. On the same date (24th November 1998), defendant Vilvestre sent another letter addressed to [Eristingcol's] construction manager Hidalgo, again threatening to enjoin all construction activity on the Cerrada property as well as ban entry of all workers and construction deliveries effective 1st December 1998 unless Mr. delos Reyes met with defendants. x x x.

x x x x x x x x x

14. On 2nd December 1998, [Eristingcol's] representatives met with defendants Limjoco, Tan, and Vilvestre. During that meeting, defendants were shown copies of the architectural plans for the Cerrada property. [Eristingcol's] representatives agreed to allow [UVAI's] Construction Committee's architect to validate the measurements given. However, on the issue of the canopy extension, the defendants informed [Eristingcol's] representatives that the Board would impose a penalty of Four Hundred Thousand Pesos (₱400,000.00) for violation of [UVAI's] "set back" or easement rule. Defendants cited the Board's imposition of similar fines to previous homeowners who had violated the same rule, and they undertook to furnish [Eristingcol] with a list of past penalties imposed and paid by homeowners found by the Board to have violated the Village's "set back" provision.

15. On 22nd December 1998, defendant Vilvestre sent [Eristingcol] a letter dated 18th December 1998 formally imposing a penalty of ₱400,000.00 for the "canopy easement violation." x x x.

16. On 29th December 1998, x x x, Vilvestre sent a letter to [Eristingcol], stating that "as far as [his] administration is concerned,

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there has been no past penalties executed by [UVAI], similar to the one we are presently demanding on your on going construction. x x x

17. On 4th January 1999, [Eristingcol's] representative sent a letter to the Board, asking for a reconsideration of the imposition of the ₱400,000.00 penalty on the ground that the same is unwarranted and excessive. On 6th January 1999, [Eristingcol] herself sent a letter to the Board, expounding on the reasons for opposing the Board's action. On 18th January 1999, [Eristingcol] sent another letter in compliance with defendants' request for a breakdown of her expenditures in respect of her donations relative to the Village park.

18. On 3rd February 1999, [Eristingcol] through her lawyers sent defendants a letter, requesting that her letters of 4th and 6th January 1999 be acted upon.

19. On 4th February 1999, x x x, defendant Limjoco gave a verbal order to [UVAI's] guards to bar the entry of workers working on the Cerrada property.

20. In the morning of 5th February 1999, defendants physically barred [Eristingcol's] workers and contractors from entering the Village and working at the Cerrada property.[8]

Eristingcol then lists the following causes of action:

1. Item 5 of UVAI's Construction Rules constitutes an illegal and unwarranted intrusion upon Eristingcol's proprietary rights as it imposes a set-back or horizontal easement of 3.0 meters from the property line greater than the specification in Section 1005(b) of the Building Code that "the horizontal clearance between the outermost edge of the marquee and the curb line shall be not less than 300 millimeters." As such, Eristingcol prays for the declaration of nullity of this provision in UVAI's Construction Rules insofar as she is concerned.

2. UVAI's imposition of a ₱400,000.00 penalty on Eristingcol has no factual basis, is arbitrary, whimsical and capricious as rampant violations of the set-back rule by other homeowners in the Village were not penalized by UVAI. Eristingcol

[8] *Rollo*, pp. 65-69. (Citations omitted.)

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prays to put a stop to defendants' arbitrary exercise of power pursuant to UVAI's by-laws.

3. Absent any factual or legal bases for the imposition of a ₱400,000.00 penalty, defendants and all persons working under their control should be permanently barred or restrained from imposing and/or enforcing any penalty upon Eristingcol for an alleged violation of UVAI's Construction Rules, specifically the provision on set-back.

4. Defendants Limjoco, Tan, and Vilvestre, in violation of Article 19 of the Civil Code, demonstrated bias against Eristingcol by zeroing in on her alone and her supposed violation, while other homeowners, who had likewise violated UVAI's Construction Rules, were not cited or penalized therefor. Defendants' actuations were in clear violation of their duty to give all homeowners, including Eristingcol, their due.

5. Defendants' actuations have seriously affected Eristingcol's mental disposition and have caused her to suffer sleepless nights, mental anguish and serious anxiety. Eristingcol's reputation has likewise been besmirched by UVAI's and defendants' arbitrary charge that she had violated UVAI's Construction Rules. In this regard, individual defendants should each pay Eristingcol moral damages in the amount of ₱1,000,000.00.

6. Lastly, defendants should pay Eristingcol ₱1,000.000.00 for litigation expenses she incurred in instituting this suit and for attorney's fees.

At the outset, we note that the relationship between the parties is not in dispute and is, in fact, admitted by Eristingcol in her complaint. Nonetheless, Eristingcol is adamant that the subject matter of her complaint is properly cognizable by the regular courts and need not be filed before a specialized body or commission.

Eristingcol's contention is wrong.

Ostensibly, Eristingcol's complaint, designated as one for declaration of nullity, falls within the regular courts' jurisdiction.

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However, we have, on more than one occasion, held that the caption of the complaint is not determinative of the nature of the action.[9]

A scrutiny of the allegations contained in Eristingcol's complaint reveals that the nature of the question subject of this controversy only superficially delves into the validity of UVAI's Construction Rules. The complaint actually goes into the proper interpretation and application of UVAI's by-laws, specifically its construction rules. Essentially, the conflict between the parties arose as Eristingcol, admittedly a member of UVAI, now wishes to be exempt from the application of the canopy requirement set forth in UVAI's Construction Rules. Significantly, Eristingcol does not assail the height restriction of UVAI's Construction Rules, as she has readily complied therewith.

Distinctly in point is *China Banking Corp. v. Court of Appeals*,[10] which upheld the jurisdiction of the Securities and Exchange Commission (SEC) over the suit and recognized its special competence to interpret and apply Valley Golf and Country Club, Inc.'s (VGCCI's) by-laws. We ruled, thus:

> Applying the foregoing principles in the case at bar, to ascertain which tribunal has jurisdiction we have to determine therefore whether or not petitioner is a stockholder of VGCCI and whether or not the nature of the controversy between petitioner and private respondent corporation is intra-corporate.
>
> As to the first query, there is no question that the purchase of the subject share or membership certificate at public auction by petitioner (and the issuance to it of the corresponding Certificate of Sale) transferred ownership of the same to the latter and thus entitled petitioner to have the said share registered in its name as a member of VGCCI. x x x.
>
> By virtue of the aforementioned sale, petitioner became a *bona fide* stockholder of VGCCI and, therefore, the conflict that arose between petitioner and VGCCI aptly exemplifies an intra-corporate

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[9] *Bokingo v. Court of Appeals*, G.R. No. 161739, May 4, 2006, 489 SCRA 521, 530.

[10] 337 Phil. 223 (1997).

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controversy between a corporation and its stockholder under Sec. 5(b) of P.D. 902-A.

An important consideration, moreover, is the nature of the controversy between petitioner and private respondent corporation. VGCCI claims a prior right over the subject share anchored mainly on Sec. 3, Art. VIII of its by-laws which provides that "after a member shall have been posted as delinquent, the Board may order his/her/its share sold to satisfy the claims of the Club…" It is pursuant to this provision that VGCCI also sold the subject share at public auction, of which it was the highest bidder. VGCCI caps its argument by asserting that its corporate by-laws should prevail. The bone of contention, thus, is the proper interpretation and application of VGCCI's aforequoted by-laws, a subject which irrefutably calls for the special competence of the SEC.

We reiterate herein the sound policy enunciated by the Court in *Abejo v. De la Cruz*:

> 6. In the fifties, the Court taking cognizance of the move to vest jurisdiction in administrative commissions and boards the power to resolve specialized disputes in the field of labor (as in corporations, public transportation and public utilities) ruled that Congress in requiring the Industrial Court's intervention in the resolution of labor-management controversies likely to cause strikes or lockouts meant such jurisdiction to be exclusive, although it did not so expressly state in the law. The Court held that under the "sense-making and expeditious doctrine of primary jurisdiction … the courts cannot or will not determine a controversy involving a question which is within the jurisdiction of an administrative tribunal, where the question demands the exercise of sound administrative discretion requiring *the special knowledge, experience, and services of the administrative tribunal to determine technical and intricate matters of fact, and a uniformity of ruling is essential to comply with the purposes of the regulatory statute administered*.
>
> x x x x x x x x x

In this case, the need for the SEC's technical expertise cannot be over-emphasized involving as it does the meticulous analysis and correct interpretation of a corporation's by-laws as well

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as the applicable provisions of the Corporation Code in order to determine the validity of VGCCI's claims. The SEC, therefore, took proper cognizance of the instant case.[11]

Likewise in point is our illuminating ruling in *Sta. Clara Homeowners' Association v. Sps. Gaston*,[12] although it ultimately held that the question of subject matter jurisdiction over the complaint of respondent- spouses Gaston for declaration of nullity of a board resolution issued by Sta. Clara Homeowners' Association (SCHA) was vested in the regular courts. In *Sta. Clara*, the main issue raised by SCHA reads: "Whether [the CA] erred in upholding the jurisdiction of the [RTC], 'to declare as null and void the resolution of the Board of SCHA, decreeing that only members [in] good standing of the said association were to be issued stickers for use in their vehicles.'" In holding that the regular courts had jurisdiction over respondent-spouses Gaston's complaint for declaration of nullity, we stressed the absence of relationship and the consequent lack of privity of contract between the parties, thus:

Are [Respondent-Spouses Gaston] SCHA Members?

In order to determine if the HIGC has jurisdiction over the dispute, it is necessary to resolve preliminarily—on the basis of the allegations in the Complaint—whether [respondent-spouses Gaston] are members of the SCHA.

[SCHA] contend[s] that because the Complaint arose from intra-corporate relations between the SCHA and its members, the HIGC therefore has jurisdiction over the dispute. To support their contention that [respondent-spouses Gaston] are members of the association, [SCHA] cite[s] the SCHA's Articles of Incorporation and By-laws which provide that all landowners of the Sta. Clara Subdivision are automatically members of the SCHA.

We are not persuaded. The constitutionally guaranteed freedom of association includes the freedom *not* to associate. The right to choose with whom one will associate oneself is the very foundation and essence of that partnership. It should be noted that the provision

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[11] *Id.* at 233-235. (Citations omitted, emphasis supplied.)

[12] 425 Phil. 221 (2002).

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guarantees the right to form an association. It does not include the right to compel others to form or join one.

More to the point, [respondent-spouses Gaston] cannot be compelled to become members of the SCHA by the simple expedient of including them in its Articles of Incorporation and By-laws without their express or implied consent. x x x. In the present case, however, other than the said Articles of Incorporation and By-laws, there is no showing that [respondent-spouses Gaston] have agreed to be SCHA members.

x x x x x x x x x

No privity of Contract

Clearly then, no privity of contract exists between [SCHA] and [respondent-spouses Gaston]. As a general rule, a contract is a meeting of minds between two persons. The Civil Code upholds the spirit over the form; thus, it deems an agreement to exist, provided the essential requisites are present. x x x. From the moment there is a meeting of minds between the parties, it is perfected.

As already adverted to, there are cases in which a party who enters into a contract of sale is also bound by a lien annotated on the certificate of title. We recognized this in *Bel Air Village Association, Inc. v. Dionisio*, in which we ruled:

> There is no dispute that Transfer Certificate of Title No. 81136 covering the subject parcel of land issued in the name of the petitioner contains an *annotation* to the effect that the lot owner becomes an automatic member of the respondent Bel-Air Association and must abide by such rules and regulations laid down by the Association in the interest of the sanitation, security and the general welfare of the community. It is likewise not disputed that the provision on automatic membership was expressly annotated on the petitioner's Transfer Certificate of Title and on the title of his predecessor-in-interest.
>
> The question, therefore, boils down to whether or not the petitioner is bound by such *annotation*.
>
> Section 39 of Art. 496 (The Land Registration Act) states:
>
> Sec. 39. Every person receiving a certificate of title in pursuance of a decree of registration, and *every subsequent*

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> *purchaser of registered land who takes a certificate of title for value in good faith shall hold the same free of all encumbrances except those noted on said certificate* x x x. (Italics supplied)

The above ruling, however, does not apply to the case at bar. When [respondent-spouses Gaston] purchased their property in 1974 and obtained Transfer Certificates of Title Nos. T-126542 and T-127462 for Lots 11 and 12 of Block 37 along San Jose Avenue in Sta. Clara Subdivision, there was no annotation showing their automatic membership in the SCHA. Thus, no privity of contract arising from the title certificate exists between [SCHA] and [respondent-spouses Gaston].

Further, the records are bereft of any evidence that would indicate that private respondents intended to become members of the SCHA. Prior to the implementation of the aforesaid Resolution, they and the other homeowners who were not members of the association were issued non-member gate pass stickers for their vehicles. This fact has not been disputed by [SCHA]. Thus, the SCHA recognized that there were subdivision landowners who were not members thereof, notwithstanding the provisions of its Articles of Incorporation and By-laws.

Jurisdiction Determined by Allegations in the Complaint

It is a settled rule that jurisdiction over the subject matter is determined by the allegations in the complaint. Jurisdiction is not affected by the pleas or the theories set up by the defendant in an answer or a motion to dismiss. Otherwise, jurisdiction would become dependent almost entirely upon the whims of the defendant.

The Complaint does not allege that [respondent-spouses Gaston] are members of the SCHA. In point of fact, they deny such membership. Thus, the HIGC has no jurisdiction over the dispute.[13]

In stark contrast, the relationship between the parties in the instant case is well-established. Given this admitted relationship, the privity of contract between UVAI and Eristingcol is palpable, despite the latter's deft phraseology of its primary cause of action as a declaration of nullity of UVAI's Construction Rules. In short, the crux of Eristingcol's complaint is UVAI's supposed

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[13] *Id.* at 234-238. (Citations omitted.)

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arbitrary implementation of its construction rules against Eristingcol, a member thereof.

Moreover, as in *Sta. Clara* (had respondent-spouses Gaston been members of SCHA), the controversy which arose between the parties in this case partook of the nature of an intra-corporate dispute. Executive Order (E.O.) No. 535,[14] which amended Republic Act No. 580 creating the HIGC, transferred to the HIGC the regulatory and administrative functions over homeowners' associations originally vested with the SEC. Section 2 of E.O. No. 535 provides in pertinent part:

> 2. In addition to the powers and functions vested under the Home Financing Act, the Corporation, shall have among others, the following additional powers:
>
> (a) x x x; 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 houseowners association registered in accordance therewith.

By virtue thereof, the HIGC likewise assumed the SEC's original and exclusive jurisdiction to hear and decide cases involving controversies arising from intra-corporate or partnership relations.[15] Thereafter, with the advent of Republic Act No. 8763, the foregoing powers and responsibilities vested in the HIGC, with respect to homeowners' associations, were transferred to the HLURB.

As regards the defendants' supposed embrace of the RTC's jurisdiction by appearing thereat and undertaking to desist from prohibiting Eristingcol's workers from entering the village, suffice

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[14] Entitled "Amending the Charter of the Home Financing Commission, renaming it as Home Financing Corporation, enlarging its powers, and for other purposes."

[15] *See* Presidential Decree 902-A, Sec. 5(b).

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it to state that the invocation of the doctrine in *Tijam, et al. v. Sibonghanoy, et al.*[16] is quite a long stretch.

The factual milieu obtaining in *Tijam* and in the case at bench are worlds apart. As found by the CA, defendants' appearance before the RTC was pursuant to, and in compliance with, a subpoena issued by that court in connection with Eristingcol's application for a Temporary Restraining Order (TRO). On defendants' supposed agreement to sign the Undertaking allowing Eristingcol's workers, contractors, and suppliers to enter and exit the village, this temporary settlement cannot be equated with full acceptance of the RTC's authority, as what actually transpired in *Tijam*.

The landmark case of *Tijam* is, in fact, only an exception to the general rule that an objection to the court's jurisdiction over a case may be raised at any stage of the proceedings, as the lack of jurisdiction affects the very authority of the court to take cognizance of a case.[17] In that case, the Surety filed a Motion to Dismiss before the CA, raising the question of lack of jurisdiction for the first time—fifteen years after the action was commenced in the Court of First Instance (CFI) of Cebu. Indeed, in several stages of the proceedings in the CFI, as well as in the CA, the Surety invoked the jurisdiction of said courts to obtain affirmative relief, and even submitted its case for a final adjudication on the merits. Consequently, it was barred by *laches* from invoking the CFI's lack of jurisdiction.

To further highlight the distinction in this case, the TRO hearing was held on February 9, 1999, a day after the filing of the complaint. On even date, the parties reached a temporary settlement reflected in the Undertaking. Fifteen days thereafter, defendants, including Limjoco, filed a Motion to Dismiss. Certainly, this successive and continuous chain of events cannot be characterized as *laches* as would bar defendants from questioning the RTC's jurisdiction.

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[16] 131 Phil. 556 (1968).

[17] *Id.* at 562.

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In fine, based on the allegations contained in Eristingcol's complaint, it is the HLURB, not the RTC, which has jurisdiction over this case.

WHEREFORE, premises considered, the petition is *DENIED*. The Decision of the Court of Appeals in CA-G.R. SP. No. 64642 is hereby *AFFIRMED*. Costs against petitioner.

SO ORDERED.

*Ynares-Santiago (Chairperson), Austria-Martinez, Tinga,** and *Peralta, JJ.,* concur.

SECOND DIVISION

[G.R. No. 175829. March 20, 2009]

PEOPLE OF THE PHILIPPINES, *appellee, vs.* **DOLORICO GUILLERA *y* ALGORDO and GARY GUILLERA *y* ALGORDO,** *appellants.*

SYLLABUS

1. REMEDIAL LAW; EVIDENCE; CREDIBILITY OF WITNESSES; FINALITY OF THE FACTUAL FINDINGS OF THE TRIAL COURT THEREON.— [W]e have consistently adhered to the rule that where the culpability or innocence of an accused hinges on the issue of the credibility of witnesses, the findings of fact of the Court of Appeals affirming those of the trial court, when duly supported by sufficient and convincing evidence, must be accorded the highest respect, even finality, by this Court and are not to be disturbed on appeal. Appellants have not shown any cogent reason why we should reverse the findings of both courts below. Their petition must, therefore, fail. This Court has no reason to doubt Geraldine's testimony. She

* Additional member in lieu of Associate Justice Minita V. Chico-Nazario per Special Order No. 590 dated March 17, 2009.