FIRST DIVISION

[G.R. No. 165025, August 31, 2011]

FEDMAN DEVELOPMENT CORPORATION, PETITIONER, VS. FEDERICO AGCAOILI, RESPONDENT.

D E C I S I O N

BERSAMIN, J.:

The non-payment of the prescribed filing fees at the time of the filing of the complaint or other initiatory pleading fails to vest jurisdiction over the case in the trial court. Yet, where the plaintiff has paid the amount of filing fees assessed by the clerk of court, and the amount paid turns out to be deficient, the trial court still acquires jurisdiction over the case, subject to the payment by the plaintiff of the deficiency assessment.

Fedman Development Corporation (FDC) appeals the decision promulgated on August 20, 2004, [1] whereby the Court of Appeals (CA) affirmed the judgment rendered on August 28, 1998 by the Regional Trial Court (RTC), Branch 150, Makati City, in favor of the respondent.[2]

Antecedents

FDC was the owner and developer of a condominium project known as Fedman Suites Building (FSB) located on Salcedo Street, Legazpi Village, Makati City. On June 18, 1975, Interchem Laboratories Incorporated (Interchem) purchased FSB's Unit 411 under a contract to sell. On March 31, 1977, FDC executed a *Master Deed with Declaration of Restrictions*,[3] and formed the Fedman Suite Condominium Corporation (FSCC) to manage FSB and hold title over its common areas.[4]

On October 10, 1980, Interchem, with FDC's consent, transferred all its rights in Unit 411 to respondent Federico Agcaoili (Agcaoili), a practicing attorney who was then also a member of the Provincial Board of Quezon Province.[5] As consideration for the transfer, Agcaoili agreed: (*a*) to pay Interchem ?150,000.00 upon signing of the deed of transfer; (*b*) to update the account by paying to FDC the amount of ?15,473.17 through a 90 day-postdated check; and (*c*) to deliver to FDC the balance of ?137,286.83 in 135 equal monthly installments of ?1,857.24 effective October 1980, inclusive of 12% interest *per annum* on the diminishing balance. The obligations Agcaoili assumed totaled ?302,760.00.[6]

In December 1983, the centralized air-conditioning unit of FSB's fourth floor broke down.[7] On January 3, 1984, Agcaoili, being thereby adversely affected, wrote to Eduardo X. Genato (Genato), vice-president and board member of FSCC, demanding the repair of the air-conditioning unit.[8] Not getting any immediate response, Agcaoili sent follow-up letters to FSCC reiterating the demand, but the letters went unheeded. He then informed FDC and FSCC that he was suspending the payment of his condominium dues and monthly amortizations.[9]

On August 30, 1984, FDC cancelled the contract to sell involving Unit 411 and cut off the electric supply to the unit. Agcaoili was thus prompted to sue FDC and FSCC in the RTC, Makati City, Branch 144 for injunction and damages.[10] The parties later executed a compromise agreement that the RTC approved through its decision of August 26, 1985. As stipulated in the compromise agreement, Agcaoili paid FDC the sum of ?39,002.04 as amortizations for the period from November 1983 to July 1985; and also paid FSCC an amount of ?17,858.37 for accrued condominium dues, realty taxes, electric bills, and surcharges as of March 1985. As a result, FDC reinstated the contract to sell and allowed Agcaoili to temporarily install two window-type air-conditioners in Unit 411.[11]

On April 22, 1986, FDC again disconnected the electric supply of Unit 411.[12] Agcaoili thus moved for the execution of the RTC decision dated August 26, 1985.[13] On July 17, 1986, the RTC issued an order temporarily allowing Agcaoili to obtain his electric supply from the other units in the fourth floor of FSB until the main meter was restored.[14]

On March 6, 1987, Agcaoili lodged a complaint for damages against FDC and FSCC in the RTC, which was raffled to Branch 150 in Makati City. He alleged that the disconnection of the electric supply of Unit 411 on April 22, 1986 had unjustly deprived him of the use and enjoyment of the unit; that the disconnection had seriously affected his law practice and had caused him sufferings, inconvenience and embarrassment; that FDC and FSCC violated the compromise agreement; that he was entitled to actual damages amounting to ?21,626.60, as well as to moral and exemplary damages, and attorney's fees as might be proven during the trial; that the payment of interest sought by FDC and FSCC under the contract to sell was illegal; and that FDC and FSCC were one and the same corporation. He also prayed that FDC and FSCC be directed to return the excessive amounts collected for real estate taxes.[15]

In its answer, FDC contended that it had a personality separate from that of FSCC; that it had no obligation or liability in favor of Agcaoili; that FSCC, being the manager of FSB and the title-holder over its common areas, was in charge of maintaining all central and appurtenant equipment and installations for utility services (like air-conditioning unit, elevator, light and others); that Agcaoili failed to comply with the terms of the contract to sell; that despite demands, Agcaoili did not pay the amortizations due from November 1983 to March 1985 and the surcharges, the total amount of which was ?376,539.09; that due to the non-payment, FDC cancelled the contract to sell and forfeited the amount of ?219,063.97 paid by Agcaoili, applying the amount to the payment of liquidated damages, agent's commission, and interest; that it demanded that Agcaoili vacate Unit 411, but its demand was not heeded; that Agcaoili did not pay his monthly amortizations of ?1,883.84 from October 1985 to May 1986, resulting in FSCC being unable to pay the electric bills on time to the Manila Electric Company resulting in the disconnection of the electric supply of FSB; that it allowed Agcaoili to obtain electric supply from other units because Agcaoili promised to settle his accounts but he reneged on his promise; that Agcaoili's total obligation was ?55,106.40; that Agcaoili's complaint for damages was baseless and was intended to cover up his delinquencies; that the interest increase from 12% to 24% *per annum* was authorized under the contract to sell in view of the adverse economic conditions then prevailing in the country; and that the complaint for damages was barred by the principle of *res judicata* because the issues raised therein were covered by the RTC decision dated August 26, 1985.

As compulsory counterclaim, FDC prayed for an award of moral and exemplary damages each amounting to ?1,000,000.00, attorney's fees amounting to ?100,000.00 and costs of suit.[16]

On its part, FSCC filed an answer, admitting that the electric supply of Unit 411 was disconnected for the second time on April 22, 1986, but averring that the disconnection was justified because of Agcaoili's failure to pay the monthly amortizations and condominium dues despite repeated demands. It averred that it did not repair the air-conditioning unit because of dwindling collections caused by the failure of some unit holders to pay their obligations on time; that the unit holders were notified of the electricity disconnection; and that the electric supply of Unit 411 could not be restored until Agcaoili paid his condominium dues totaling ?14,701.16 as of April 1987. [17]

By way of counterclaim, FSCC sought moral damages and attorney's fees of ?100,000.00 and ?50,000.00, respectively, and cost of suit.[18]

On August 28, 1998, the RTC rendered judgment in favor of Agcaoili, holding that his complaint for damages was not barred by *res judicata*; that he was justified in suspending the payment of his monthly amortizations; that FDC's cancellation of the contract to sell was improper; that FDC and FSCC had no separate personalities; and that Agcaoili was entitled to damages. The RTC disposed thuswise:

> WHEREFORE, judgment is hereby rendered in favor of the plaintiff and as against both defendants, declaring the increased rates sought by defendants to be illegal, and ordering defendant FDC/FSCC to reinstate the contract to sell, as well as to provide/restore the air-conditioning services/electric supply to plaintiff's unit. Both defendants are likewise ordered to pay plaintiff:
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> > a. The amount of P21,626.60 as actual damages;
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> > b. P500,000.00 as moral damages;
> >
> > c. P50,000.00 as exemplary damages; and
> >
> > d. P50,000.00 as and for attorney's fees.
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> and to return to plaintiff the excess amount collected from him for real estate taxes.
>
> SO ORDERED.[19]

FDC appealed, but the CA affirmed the RTC.[20] Hence, FDC comes to us on further appeal.[21]

Issues

FDC claims that there was a failure to pay the correct amount of docket fee herein because the complaint did not specify the amounts of moral damages, exemplary damages, and attorney's fees; that the payment of the prescribed docket fee by Agcaoili was necessary for the RTC to acquire jurisdiction over the case; and that, consequently, the RTC did not acquire jurisdiction over this case.

FDC also claims that the proceedings in the RTC were void because the jurisdiction over the subject matter of the action pertained to the Housing and Land Use Regulatory Board (HLURB); and that both the RTC and the CA erred in ruling: (*a*) that Agcaoili had the right to suspend payment of his monthly amortizations; (*b*) that FDC had no right to cancel the contract to sell; and (*c*) that FDC and FSCC were one and same corporation, and as such were solidarily liable to Agcaoili for damages.[22]

Ruling

The petition has no merit.

I

The filing of the complaint or other initiatory pleading *and* the payment of the prescribed docket fee are the acts that vest a trial court with jurisdiction over the claim.[23] In an action where the reliefs sought are purely for sums of money and damages, the docket fees are assessed on the basis of the aggregate amount being claimed.[24] Ideally, therefore, the complaint or similar pleading must specify the sums of money to be recovered and the damages being sought in order that the clerk of court may be put in a position to compute the correct amount of docket fees.

If the amount of docket fees paid is insufficient in relation to the amounts being sought, the clerk of court or his duly authorized deputy has the responsibility of making a deficiency assessment, and the plaintiff will be required to pay the deficiency.[25] The non-specification of the amounts of damages does not immediately divest the trial court of its jurisdiction over the case, provided there is no bad faith or intent to defraud the Government on the part of the plaintiff.[26]

The prevailing rule is that if the correct amount of docket fees are not paid *at the time of filing*, the trial court still acquires jurisdiction upon full payment of the fees *within a reasonable time* as the court may grant, *barring prescription*.[27] The "prescriptive period" that bars the payment of the docket fees refers to the period in which a specific action must be filed, so that in every case the docket fees must be paid before the lapse of the prescriptive period, as provided in the applicable laws, particularly Chapter 3, Title V, Book III, of the *Civil Code*, the principal law on prescription of actions.[28]

In *Rivera v. Del Rosario,*[29] the Court, resolving the issue of the failure to pay the correct amount of docket fees due to the inadequate assessment by the clerk of court, ruled that jurisdiction over the complaint was still validly acquired upon the full payment of the docket fees assessed by the Clerk of Court. Relying on *Sun Insurance Office, Ltd., (SIOL) v. Asuncion*,[30] the Court opined that the filing of the complaint or appropriate initiatory pleading *and* the payment of the prescribed docket fees vested a trial court with jurisdiction over the claim, and although the docket fees paid were insufficient in relation to the amount of the claim, the clerk of court or his duly authorized deputy retained the responsibility of making a *deficiency* assessment, and the party filing the action could be required to pay the deficiency, *without jurisdiction being automatically lost*.

Even where the clerk of court fails to make a *deficiency assessment*, and the deficiency is not paid as a result, the trial court nonetheless *continues* to have jurisdiction over the complaint, unless the party liable is guilty of a fraud in that regard, considering that the deficiency will be collected as a fee in lien within the contemplation of Section 2,[31] Rule 141 (as revised by A.M. No. 00-2-01-SC).[32] The reason is that to penalize the party for the omission of the clerk of court is not fair if the party has acted in good faith.

Herein, the docket fees paid by Agcaoili were insufficient considering that the complaint did not specify the amounts of moral damages, exemplary damages and attorney's fees. Nonetheless, it is not disputed that Agcaoili paid the *assessed* docket fees. Such payment negated bad faith or intent to defraud the Government.[33] Nonetheless, Agcaoili must remit any docket fee deficiency to the RTC's clerk of court.

II

FDC is now barred from asserting that the HLURB, not the RTC, had jurisdiction over the case. As already stated, Agcaoili filed a complaint against FDC in the RTC on February 28, 1985 after FDC disconnected the electric supply of Unit 411. Agcaoili and FDC executed a compromise agreement on August 16, 1985. The RTC approved the compromise agreement through its decision of August 26, 1985. In all that time, FDC never challenged the RTC's jurisdiction nor invoked the HLURB's authority. On the contrary, FDC apparently recognized the RTC's jurisdiction by its voluntary submission of the compromise agreement to the RTC for approval. Also, FDC did not assert the HLURB's jurisdiction in its answer to Agcaoili's second complaint (filed on March 6, 1987). Instead, it even averred in that answer that the decision of August 26, 1985 approving the compromise agreement already barred Agcaoili from filing the second complaint under the doctrine of *res judicata*. FDC also thereby sought affirmative relief from the RTC through its counterclaim.

FDC invoked HLURB's authority only on September 10, 1990,[34] or more than five years from the time the prior case was commenced on February 28, 1985, and after the RTC granted Agcaoili's motion to enjoin FDC from cancelling the contract to sell.[35]

The principle of estoppel, which is based on equity and public policy,[36] dictates that FDC's active participation in both RTC proceedings and its seeking therein