

## SECOND DIVISION

[ G.R. No. 171763, June 05, 2009 ]

**MARIA LUISA PARK ASSOCIATION, INC., PETITIONER, VS.  
SAMANTHA MARIE T. ALMENDRAS AND PIA ANGELA T.  
ALMENDRAS, RESPONDENTS.**

### DECISION

**QUISUMBING, J.:**

This petition for review on certiorari assails the Decision<sup>[1]</sup> dated August 31, 2005 and the Resolution<sup>[2]</sup> dated February 13, 2006 of the Court of Appeals in CA-G.R. SP No. 81069.

The facts, culled from the records, are as follows:

On February 6, 2002, respondents Samantha Marie T. Almendras and Pia Angela T. Almendras purchased from MRO Development Corporation a residential lot located in Maria Luisa Estate Park, Banilad, Cebu City. After some time, respondents filed with petitioner Maria Luisa Park Association, Incorporated (MLPAI) an application to construct a residential house, which was approved in February 10, 2002. Thus, respondents commenced the construction of their house.

Upon ocular inspection of the house, MLPAI found out that respondents violated the prohibition against multi-dwelling<sup>[3]</sup> stated in MLPAI's Deed of Restriction. Consequently, on April 28, 2003, MLPAI sent a letter to the respondents, demanding that they rectify the structure; otherwise, it will be constrained to forfeit respondents' construction bond and impose stiffer penalties.

In a Letter<sup>[4]</sup> dated April 29, 2003, respondents, as represented by their father Ruben D. Almendras denied having violated MLPAI's Deed of Restriction.

On May 5, 2003, MLPAI, in its reply, pointed out respondents' specific violations of the subdivision rules, to wit: (a) installation of a second water meter and tapping the subdivision's main water pipeline, and (b) construction of "two separate entrances that are mutually exclusive of each other." It likewise reiterated its warning that failure to comply with its demand will result in its exercise of more stringent measures.

In view of these, respondents filed with the Regional Trial Court of Cebu City, Branch 7, a Complaint<sup>[5]</sup> on June 2, 2003 for Injunction, Declaratory Relief, Annulment of Provisions of Articles and By-Laws with Prayer for Issuance of a Temporary Restraining Order (TRO)/Preliminary Injunction.

MLPAI moved for the dismissal of the complaint on the ground of lack of jurisdiction

and failure to comply with the arbitration clause<sup>[6]</sup> provided for in MLPAI's by-laws.

In an Order<sup>[7]</sup> dated July 31, 2003, the trial court dismissed the complaint for lack of jurisdiction, holding that it was the Housing and Land Use Regulatory Board (HLURB) that has original and exclusive jurisdiction over the case. Respondents moved for reconsideration but their motion was denied.

Aggrieved, the respondents questioned the dismissal of their complaint in a petition for certiorari and prohibition before the Court of Appeals.

The Court of Appeals granted the petition in its Decision dated August 31, 2005, the dispositive portion of which reads:

**WHEREFORE**, in view of all the foregoing, the petition is **GRANTED** and the assailed orders of the respondent trial court are declared **NULL AND VOID**, and **SET ASIDE**. Respondent RTC is hereby ordered to take jurisdiction of Civil Case No. CEB-29002.

SO ORDERED.<sup>[8]</sup>

MLPAI filed a motion for reconsideration but it was denied by the Court of Appeals in its Resolution dated February 13, 2006.

Hence, this petition raising the following issues:

I.

WHETHER THE HONORABLE COURT OF APPEALS HAS DISREGARDED LAWS AND WELL-SETTLED JURISPRUDENCE IN HOLDING THAT JURISDICTION OVER [THE] DISPUTE BETWEEN HOMEOWNERS AND HOMEOWNERS' ASSOCIATION LIES WITH THE REGULAR COURTS AND NOT WITH HLURB.

II.

WHETHER THERE IS NO OTHER RELIEF AND REMEDY AVAILABLE TO PETITIONER TO AVERT THE CONDUCT OF A VOID [PROCEEDING] THAN THE PRESENT RECOURSE.<sup>[9]</sup>

Simply stated, the issue is whether the appellate court erred in ruling that it was the trial court and not the HLURB that has jurisdiction over the case.

Petitioner MLPAI contends that the HLURB<sup>[10]</sup> has exclusive jurisdiction over the present controversy, it being a dispute between a subdivision lot owner and a subdivision association, where the latter aimed to compel respondents to comply with the MLPAI's Deed of Restriction, specifically the provision prohibiting multi-

dwelling.

Respondents, on the other hand, counter that the case they filed against MLPAI is one for declaratory relief and annulment of the provisions of the by-laws; hence, it is outside the competence of the HLURB to resolve. They likewise stated that MLPAI's rules and regulations are discriminatory and violative of their basic rights as members of the association. They also argued that MLPAI's acts are illegal, immoral and against public policy and that they did not commit any violation of the MLPAI's Deed of Restriction.

We agree with the trial court that the instant controversy falls squarely within the exclusive and original jurisdiction of the Home Insurance and Guaranty Corporation (HIGC),<sup>[11]</sup> now HLURB.

Originally, administrative supervision over homeowners' associations was vested by law with the Securities and Exchange Commission (SEC). However, pursuant to Executive Order No. 535,<sup>[12]</sup> the HIGC assumed the regulatory and adjudicative functions of the SEC over homeowners' associations. Section 2 of E.O. No. 535 provides:

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) . . . and exercise all the powers, authorities and responsibilities that are vested on the Securities and Exchange Commission with respect to homeowners associations, 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 associations registered in accordance therewith;

x x x x

Moreover, by virtue of this amendatory law, the HIGC also assumed the SEC's original and exclusive jurisdiction under Section 5 of Presidential Decree No. 902-A to hear and decide cases involving:

b) Controversies arising out of intra-corporate or partnership relations, between and among stockholders, members, or associates; **between any and/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;<sup>[13]</sup> (Emphasis supplied.)

x x x x

Consequently, in *Sta. Clara Homeowners' Association v. Gaston*<sup>[14]</sup> and *Metro Properties, Inc. v. Magallanes Village Association, Inc.*,<sup>[15]</sup> the Court recognized HIGC's "Revised Rules of Procedure in the Hearing of Home Owner's Disputes," pertinent portions of which are reproduced below:

## 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:

x x x x

(b) Controversies arising out of intra-corporate relations between and among members of the association, **between any or all of them and the association of which they are members**, and between such association and the state/general public or other entity in so far as it concerns its right to exist as a corporate entity.<sup>[16]</sup> (Emphasis supplied.)

x x x x

Later on, the above-mentioned powers and responsibilities, which had been vested in the HIGC with respect to homeowners' associations, were transferred to the HLURB pursuant to Republic Act No. 8763,<sup>[17]</sup> entitled "Home Guaranty Corporation Act of 2000."

In the present case, there is no question that respondents are members of MLPAI as they have even admitted it.<sup>[18]</sup> Therefore, as correctly ruled by the trial court, the case involves a controversy between the homeowners' association and some of its members. Thus, the exclusive and original jurisdiction lies with the HLURB.

Indeed, in *Sta. Clara Homeowners' Association v. Gaston*, we held:

. . . the **HIGC exercises limited jurisdiction over homeowners' disputes. The law confines its authority to controversies that arise from any of the following intra-corporate relations:** (1) between and among members of the association; (2) **between any and/or all of them and the association of which they are members**; and (3) between the association and the *state* insofar as the controversy concerns its right to exist as a corporate entity.<sup>[19]</sup> (Emphasis supplied.)

The extent to which the HLURB has been vested with quasi-judicial authority must also be determined by referring to Section 3 of P.D. No. 957,<sup>[20]</sup> which provides:

SEC. 3. *National Housing Authority*. - The National Housing Authority shall have exclusive jurisdiction **to regulate the real estate trade and business** in accordance with the provisions of this Decree. (Emphasis supplied.)

The provisions of P.D. No. 957 were intended to encompass all questions regarding subdivisions and condominiums. The intention was aimed at providing for an appropriate government agency, the HLURB, to which all parties aggrieved in the implementation of provisions and the enforcement of contractual rights with respect to said category of real estate may take recourse. The business of developing subdivisions and corporations being imbued with public interest and welfare, any question arising from the exercise of that prerogative should be brought to the HLURB which has the technical know-how on the matter.<sup>[21]</sup> In the exercise of its powers, the HLURB must commonly interpret and apply contracts and determine the rights of private parties under such contracts. This ancillary power is no longer a uniquely judicial function, exercisable only by the regular courts.<sup>[22]</sup>

It is apparent that although the complaint was denominated as one for declaratory relief/annulment of contracts, the allegations therein reveal otherwise. It should be stressed that respondents neither asked for the interpretation of the questioned by-laws nor did they allege that the same is doubtful or ambiguous and require judicial construction. In fact, what respondents really seek to accomplish is to have a particular provision of the MLPAI's by-laws nullified and thereafter absolve them from any violations of the same.<sup>[23]</sup> In *Kawasaki Port Service Corporation v. Amores*,<sup>[24]</sup> the rule was stated:

. . . where a declaratory judgment as to a disputed fact would be determinative of issues rather than a construction of definite stated rights, status and other relations, commonly expressed in written instrument, the case is not one for declaratory judgment.<sup>[25]</sup>

Contrary to the observation of the Court of Appeals, jurisdiction cannot be made to depend on the exclusive characterization of the case by one of the parties.<sup>[26]</sup> While respondents are questioning the validity or legality of the MLPAI's articles of incorporation and its by-laws, they did not, however, raise any legal ground to support its nullification. The legality of the by-laws in its entirety was never an issue in the instant controversy but merely the provision prohibiting multi-dwelling which respondents assert they did not violate.<sup>[27]</sup> So to speak, there is no justiciable controversy here that would warrant declaratory relief, or even an annulment of contracts.

We reiterate that in jurisdictional issues, what determines the nature of an action for the purpose of ascertaining whether a court has jurisdiction over a case are the allegations in the complaint and the nature of the relief sought.<sup>[28]</sup>

Moreover, under the doctrine of primary administrative jurisdiction, courts cannot or will not determine a controversy where the issues for resolution demand the exercise of sound administrative discretion requiring the special knowledge,