369 Phil. 568

FIRST DIVISION

[G.R. No. 124873, July 14, 1999]

UNITED BF HOMEOWNER'S ASSOCIATION, AND HOME INSURANCE AND GUARANTY CORPORATION, PETITIONERS, VS. BF HOMES, INC., RESPONDENTS.

D E C I S I O N

PARDO, J.

Assailed in this petition for review on *certiorari* is the decision[1] and resolution[2] of the Court of Appeals granting respondent BFHI's petition for prohibition, and ordering Atty. Roberto C. Abrajano, hearing officer of the Home Insurance and Guaranty Corporation, to refrain from hearing HIGC CASE NO. HOA-95-027 and to dismiss it for lack of jurisdiction.

The antecedent facts are as follows:

Petitioner United BF Homeowners' Association, Inc. (UBFHAI) is the umbrella organization and sole representative of all homeowners in the BF Homes Parañaque Subdivision, a seven hundred sixty five (765) hectare subdivision located in the south of Manila. Respondent BF Homes, Inc. (BFHI) is the owner-developer of the said subdivision, which first opened in 1968.[3]

In 1988, because of financial difficulties, the Securities and Exchange Commission (SEC) placed respondent BFHI under receivership to undergo a ten-year (10) rehabilitation program, and appointed Atty. Florencio B. Orendain receiver. The program was composed of two stages: (1) payment of obligations to external creditors; and (2) payment of obligations to Banco Filipino.[4]

When Atty. Florencio B. Orendain took over management of respondent BFHI in 1988, several things were not in order in the subdivision.[5] Preliminary to the rehabilitation, Atty. Orendain entered into an agreement with the two major homeowners' associations, the BF Parañaque Homeowners Association, Inc. (BFPHAI) and the Confederation of BF Homeowners Association, Inc. (CBFHAI), for the creation of a single, representative homeowners' association and the setting up of an integrated security program that would cover the eight (8) entry and exit points to and from the subdivision. On December 20, 1988, this tripartite agreement was reduced into a memorandum of agreement, and amended on March 1989.

Pursuant to these agreements, on May 18, 1989, petitioner UBFHAI was created and registered with the Home Insurance and Guaranty Corporation (HIGC),[6] and recognized as the sole representative of all the homeowners' association inside the subdivision.

Respondent BFHI, through its receiver, turned over to petitioner UBFHAI the administration and operation of the subdivision's clubhouse at #37 Pilar Banzon Street,[7] and a strip of open space in Concha Cruz Garden Row,[8] on June 23, 1989 and May, 1993, respectively.

On November 7, 1994, the first receiver was relieved and a new committee of receivers, composed of respondent BFHI's eleven (11) members of the board of directors was appointed.[9]

On April 7, 1995, based on BFHI's title to the main roads, the newly appointed committee of receivers sent a letter to the different homeowners' association in the subdivision informing them that as a basic requirement for BFHI's rehabilitation, respondent BFHI would be responsible for the security of the subdivision in order to centralize it and abate the continuing proliferation of squatters.[10]

On the same day, petitioner UBFHAI filed with the HIGC a petition for *mandamus* with preliminary injunction against respondent BFHI.[11] In substance, petitioner UBFHAI alleged that the committee of receivers illegally revoked their security agreement with the previous receiver. They complained that even prior to said date, the new committee of receivers committed the following acts: (1) deferred petitioner UBFHAI's purchase of additional pumps; (2) terminated the collection agreement for the community assessment forged by the petitioner UBFHAI with the first receiver; (3) terminated the administration and maintenance of the Concha Cruz Garden Row; (4) sent a letter to petitioner UBFHAI stating that it recognized BFPHAI[12] only, and that the subdivision's clubhouse was to be administered by it only; and (5) took over the administration of security in the main avenues in the subdivision.

On April 11, 1995, the HIGC issued *ex parte* a temporary restraining order. Particularly, respondent BFHI was enjoined from:

> "...taking over the Clubhouse located at 37 Pilar Banzon St., BF Homes Parañaque, Metro Manila, taking over security in all the entry and exit points and main avenues of BF Homes Parañaque Subdivision, impeding or preventing the execution and sale at auction of the properties of BF Parañaque Homeowners Association, Inc., in HIGC HOA-90-138 and otherwise repudiating or invalidating any contract or agreement of petitioner with the former receiver/BFHI concerning funding or delivery of community services to the homeowners represented by the latter."[13]

On April 24, 1995, without filing an answer to petitioner UBFHAI's petition with the HIGC, respondent BFHI filed with the Court of Appeals a petition for prohibition for the issuance of preliminary injunction and temporary restraining order, to enjoin HIGC from proceeding with the case.[14]

On May 2, 1995, the HIGC issued an order deferring the resolution of petitioner UBFHAI's application for preliminary injunction, until such time that respondent BFHI's application for prohibition with the appellate court has been resolved. When the twenty-day (20) effectivity of the temporary restraining order had lapsed, the HIGC ordered the parties to maintain the *status quo.*[15]

Meanwhile, on November 27, 1995, the Court of Appeals promulgated its decision[16] granting respondent BFHI's petition for prohibition, as follows:

> "WHEREFORE, premises considered, the petition is hereby GRANTED, prohibiting the public respondent Roberto C. Abrajano from proceeding with the hearing of HIGC CASE NO. HOA-95-027. Consequently, the public respondent is hereby ordered to DISMISS HIGC CASE NO. HOA-95-027 for lack of jurisdiction."
>
> "SO ORDERED."[17]

On April 24, 1996, the appellate court denied petitioner's motion for reconsideration. [18]

Hence, this petition for review on *certiorari*.

Petitioner UBFHAI raises two issues: (1) whether or not the Rules of procedure promulgated by the HIGC, specifically Section 1(b), Rule II of the "Rules of Procedure in the Settlement of Homeowners' Disputes" is valid; (2) whether or not the acts committed by the respondent constitute an attack on petitioner's corporate existence.[19] Corollary to these, petitioner questions the appellate court's jurisdiction over the subject case.

Originally, administrative supervision over homeowners' associations was vested by law with the Securities and Exchange Commission. On May 3, 1979, pursuant to Executive Order 535,[20] this function was delegated to the Home Insurance and Guaranty Corporation (HIGC).[21] Section 2 of Executive Order 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) To require submission of and register articles of incorporation of homeowners associations and issue certificates of incorporation/registration, upon compliance by the registering associations with the duly promulgated rules and regulations 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 homeowners association, the provision of Act 1459, as amended by P. D. 902-A, to the contrary notwithstanding;"

By virtue of this amendatory law, the HIGC not only assumed the regulatory and adjudicative functions of the SEC over homeowners' associations, but also the original and exclusive jurisdiction 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 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."[22]

On December 21, 1989, the HIGC adopted its rules of procedure in the hearing of homeowners' disputes. Section 1(b), Rule II enumerated the types of disputes over which the HIGC has jurisdiction, and these include:

> "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
>
> (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.*" [emphasis supplied]

Therefore, in relation to Section 5 (b), Presidential Decree 902-A, the HIGC's jurisdiction over homeowners' disputes is limited to controversies that arise out of the following intra-corporate relations: (1) between and among members of the association; (2) between any or all of them and the association of which they are members or associates; and (3) *between such association and the state,* insofar as it concerns their individual franchise or right to exist as such entity. (Emphasis supplied.)

Though it would seem that Section 1(b), Rule II of the HIGC's revised rules of procedure is just a reproduction of Section 5 (b), Presidential Decree 902-A, the rules deviated from the provisions of the latter. If the provisions of the law would be followed to the letter, the third type of dispute over which the HIGC has jurisdiction should be limited only to a dispute between the state and the association, insofar as it concerns the association's franchise or corporate existence. However, under the HIGC's revised rules of procedure, the phrase *"general public or other entity"*[23] was added.

It was on this third type of dispute, as provided in Section 1 (b), Rule II of the HIGC's revised rules of procedure that petitioner UBFHAI anchors its claim that the HIGC has original and exclusive jurisdiction over the case. In the comment filed by the HIGC with the appellate court, it maintained that it has original and exclusive jurisdiction over the dispute pursuant to the power and authority granted it in the revised rules of procedure. Respondent BFHI disputes this, contending that the rules of procedure relied upon by petitioner are not valid implementation of Executive Order No. 535, as amended, in relation to Presidential Decree 902-A.

The question now is whether HIGC, in promulgating the above-mentioned rules of procedure, went beyond the authority delegated to it and unduly expanded the provisions of the delegating law. In relation to this, the question is whether or not the revised rules of procedure are valid.

As early as 1970, in the case of *Teoxon vs. Members of the Board of Administrators (PVA)*,[24] we ruled that the power to promulgate rules in the implementation of a statute is necessarily limited to what is provided for in the legislative enactment. Its terms must be followed for an administrative agency cannot amend an Act of Congress.[25] "The rule-making power must be confined to details for regulating the