

FIRST DIVISION

[G.R. No. 136159, September 01, 1999]

**MACRINA S. SAURA, AMELITA S. SAURA, ROMEO S. SAURA, AND
VILLA GOVERNOR FORBES, INC., PETITIONERS, VS. RAMON G.
SAURA, JR., AND CARMENCITA S. MILLAN, RESPONDENTS.**

DECISION

PARDO, J.:

The petition for review on certiorari seeks to annul and set aside the decision of the Court of Appeals^[1] and the resolution denying reconsideration of said decision.^[2] The Court of Appeals upheld the jurisdiction of the regional trial court over the case pending between the parties.^[3]

The antecedent facts are undisputed. They may be related as follows:

The parties in this case are related to one another by blood. They were the children of the late Ramon E. Saura, Sr. Petitioner Macrina Saura is Ramon Sr.'s third wife. She was joined by co-petitioners, her children by Ramon Sr., Amelita Saura-Vergara and Romeo S. Saura, and Villa Governor Forbes, Inc, (VGFI) a corporation duly organized and existing under Philippine laws.^[4] On the other hand, respondents Ramon G. Saura, Jr. and Carmencita S. Millan are the legitimate children of Ramon Sr. by his first and second wife, respectively.

Respondents Ramon G. Saura, Jr., and Carmencita S. Millan were the absolute owners of two parcels of land located at Governor Forbes, Sampaloc, Manila, each containing an area of seven hundred (700) square meters, evidenced by Transfer Certificate of Title (TCT) Nos. 135148 and 135149.

In 1979, respondents' father, Ramon E. Saura, Sr., initiated the incorporation of Villa Governor Forbes, Inc., with his children, and third wife as stockholders.^[5] On August 8, 1979, respondents executed a deed of exchange of the two parcels of land for 23,750 shares of stocks of VGFI, valued at P237,500.00. Though the property was appraised by bank examiners to have a value of about P2,000,000.00, respondents' father gave it a valuation of only P310,000.00. Of this amount, respondents Ramon, Jr. and Carmencita were credited with P73,625.00 each as paid shares of stock. The balance was made to appear as the contribution of petitioners in the corporation: P42,625.00 for Amelita, P42,635.00 for Romeo, and P19,375.00 for Macrina. Their other siblings, namely, Norma T. Saura, Helen G. Saura and Raymundo Y. Saura, were also assigned shares in the amount of P19,375.00 each.

On August 29, 1979, the deed of exchange was registered with the Register of Deeds of Manila resulting in the cancellation of respondents' certificates of title and the issuance of TCT No. 135150 in the name of VGFI.

On March 25, 1986, respondents Ramon, Jr. and Carmencita^[6] filed a complaint with the Securities and Exchange Commission (SEC) against their father Ramon E. Saura, Sr., his wife Macrina and their children Amelita and Romeo, for annulment of subscription, recovery of corporate assets and funds. During the pendency of the proceedings, on May 15, 1992, Ramon, Sr. died.

On October 29, 1990, the SEC panel of hearing officers^[7] promulgated a decision approving a compromise agreement between respondent Carmencita S. Millan and petitioners. With respect to respondent Ramon G. Saura, Jr., the panel of hearing officers dismissed the case upon finding that his shares had been declared delinquent and subsequently sold at public auction, making him not a stockholder of the corporation. However, the SEC *en banc* reversed such finding and remanded the case to the hearing panel for the immediate resolution of the case.

Despite the pendency of the SEC case, on April 11, 1995, petitioners sold the disputed real property to Sandalwood Realty Development Corporation (Sandalwood) for a consideration of P15,000,000.00. The sale was done without the knowledge and consent of respondents Ramon, Jr., and Carmencita. Eventually, the Register of Deeds of Manila issued TCT No. 221008 to Sandalwood.

On May 11, 1995, respondents Ramon Jr. and Carmencita filed with the Regional Trial Court, Manila, a civil case for annulment of sale, declaration of nullity of deed of exchange, recovery of possession, cancellation of title, accounting, damages, with prayer for receivership *ex parte*.^[8]

On August 26, 1995, petitioners Macrina, Amelita and Romeo filed with the trial court a motion to dismiss the complaint based on: (1) forum shopping; (2) *res judicata*; (3) prescription; (4) lack of jurisdiction; (5) lack of cause of action; (6) estoppel; and (7) *litis pendentia*.^[9]

On September 8, 1995, the trial court denied the motion to dismiss and held that: (1) there was no forum shopping because the cases pending with the SEC and with the regional trial court involved different issues; (2) the civil case was not barred by *res judicata* since the judgment on compromise of the SEC did not result in a complete and final settlement of the claims which the parties may have against each other; (3) there was no *litis pendentia* because no identity of parties and issues exists; and (4) Sandalwood Realty Development Corporation's claim that respondents were not the real party in interest was without basis because they stand to benefit or be injured by the result of the suit. However, the court deferred the resolution of the issue of prescription and lack of cause of action until after trial.

On December 11, 1995, the trial court denied petitioners' separate motions for reconsideration. On January 26, 1996, petitioners elevated the case to the Court of Appeals *via* certiorari contending that the trial court gravely erred when it denied the motion to dismiss. They insist that the Securities and Exchange Commission has original and exclusive jurisdiction over the subject matter and nature of the complaint.

In its decision promulgated on November 28, 1997, the Court of Appeals upheld the order of the trial court and dismissed the petition for lack of merit. Though it agreed with petitioners that the trial court had no jurisdiction insofar as the deed of

exchange was concerned for being an agreement between VGFI and the respondents who are stockholders of the corporation, the appellate court maintained that the SEC has no jurisdiction over the subject matter of the civil action for annulment of the sale. This was because the validity of the deed of exchange was not the only matter brought before the trial court. The validity of the deed of exchange is "intricately connected with the sale" of the real property to Sandalwood by petitioners Amelita and Romeo, acting in their capacities as president and vice president, respectively, of VGFI. Sandalwood has no intra-corporate relationship with petitioners or respondents. Hence, there was no intra-corporate dispute.

Specifically, the Court of Appeals held that:

" Such sale purportedly made by the VGFI to Sandalwood Real Estate & Development Corporation is entirely a different matter. The Deed of Sale (Annex "E," Petition) indicates that the sale was signed for VGFI by petitioner Amelita S. Saura as President and Romeo S. Saura as Vice President, in favor of another corporation. There is no showing that Sandalwood has any intra-corporate relationship with the petitioners or the private respondents. Hence the questioned sale between VGFI and Sandalwood is beyond the adjudicative power of the SEC."^[10]

Hence, this petition for review on certiorari.

In essence, petitioners Macrina, Amelita and Romeo, claim that the Court of Appeals gravely abused its discretion when it upheld the jurisdiction of the trial court and dismissed their petition. They contend that the main issue involved in the complaint filed with the trial court is the validity of the deed of exchange executed between petitioner VGFI and respondents, which is an intra-corporate matter falling within the original and exclusive jurisdiction of the SEC. Petitioners allege that this issue poses a prejudicial question to the case pending with the trial court, justifying the suspension of the civil case with the trial court. In this petition, petitioners advance the same assignment of errors they made in their petition with the appellate court.

In the present case, we shall not deal with the merits of the questioned sale of real property from VGFI to Sandalwood. That will be resolved by the proper court. What we are examining here is which as between the Regional Trial Court and the Securities and Exchange Commission has the competent jurisdiction over the questioned sale.

The resolution of the petition hinges on the determination of the validity of the sale of realty to a third party not involved in the intra-corporate dispute. Petitioners contend that the main issue to be resolved is the validity of the deed of exchange, one that is intra-corporate in nature since it involved a transaction between the respondents-stockholders and the corporation. On the other hand, respondents do not dispute that the validity of the deed of exchange is in issue; however, they contend that this issue is "intricately connected with the sale of the realty to Sandalwood." It is their position that this complexity removed the dispute from the ambit of SEC's jurisdiction and vested it on the trial court.

"To determine which body has jurisdiction over the present controversy, we rely on the sound judicial principle that jurisdiction over the subject matter is conferred by law and is determined by the allegations of the complaint irrespective of whether

the plaintiff is entitled to all or some of the claims asserted therein.”^[11]

Section 5 of Presidential Decree 902-A sets forth the jurisdiction of the SEC as follows:

“ 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 associates, its officers or partners, amounting to fraud and misrepresentation which may be detrimental to the interest of the public and/or of stockholders, 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 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 appointment of directors, trustees, officers or managers of such corporations, partnerships or associations;

“(d) Petitions of corporations, partnerships or associations to be declared in the state of suspension of payments in cases where the corporation, partnership or association possesses sufficient property to cover all its debts but foresees the impossibility of meeting them when they fall due or in cases where the corporation, partnership or association has no sufficient assets to cover its liabilities but is under the management of a rehabilitation receiver or management committee created pursuant to this Decree.”

“The grant of jurisdiction to the SEC must be viewed in the light of its nature and function under the law. This jurisdiction is determined by a concurrence of two elements: (1) the status or relationship of the parties; and (2) the nature of the question that is the subject of their controversy.” ^[12]

“The first element requires that the controversy must arise 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 in so far as it concerns their individual franchises. The second element requires that the dispute among the parties be intrinsically connected with the regulation of the corporation, partnership or association.”^[13]

In the complaint filed with the trial court, respondents Ramon, Jr. and Carmencita seek the annulment of the sale to Sandalwood. Ultimately, the civil case with the