

FIFTEENTH DIVISION

[CA-G.R. SP NO. 131705, March 21, 2014]

**L & R CORPORATION, PETITIONER, VS. PRESIDING JUDGE
MAXIMO M. DE LEON OF REGIONAL TRIAL COURT, BRANCH 143,
MAKATI CITY AND HERMINIA GARCIA GONZALES,
RESPONDENTS.**

DECISION

CORALES, J.:

This is a Petition for *Certiorari*^[1] under Rule 65 of the Rules of Court with application for the issuance of temporary restraining order (TRO) and/or writ of preliminary injunction (WPI) assailing the May 8, 2013 Order^[2] and the July 3, 2013 Resolution^[3] of the Regional Trial Court (RTC), Branch 143, Makati City in Civil Case No. 11-759. The assailed Order denied petitioner L & R Corporation's (L & R) Motion to Dismiss^[4] while the challenged Resolution similarly denied the Urgent Motion for Reconsideration^[5] and the Manifestation with Partial Motion for Reconsideration respectively filed by L & R and private respondent Herminia Garcia Gonzales^[6] (Gonzales).

The Antecedents

On August 2, 2011, Gonzales filed a Complaint^[7] for "*Accounting, Declaration of Nullity of Promissory Note, Real Estate Mortgage, Foreclosure Proceedings, Auction Sale, Certificate of Sale, Annulment of Titles, Writ of Possession and other Related Documents with Damages*" against L & R praying for the following reliefs:

WHEREFORE, it is respectfully prayed that upon the filing of this Complaint, Plaintiff be placed to her properly covered by Transfer Certificate of Title No. 216643 as the same was not covered by the subject writ of possession issued by the Regional Trial Court, Branch 1478, (*sic*) Makati City and after proper proceedings, judgment be rendered:

(i) nullifying the foreclosure proceedings and subsequent sale of the Properties of the Plaintiff which were unlawfully undertaken by Defendant L & R Corporation and those who illegally acted on its behalf for having been done in violation of Act No. 3135 and related laws and jurisprudence;

(ii) ordering Defendants Register of Deeds of Makati City to cancel Transfer Certificate of Title Nos. 226344, 226345 and 226346 in the name of L & R Corporation and reinstate and/or revert back the same to Transfer Certificate of Title Nos. 216640, 216641 and 216642 in the name of Herminia Garcia Gonzalez married to Antonio Gonzalez;

(iii) directing Defendant L & R Corporation to render an accounting as regards the subject One Million Pesos (P1,000,000.00) loan of Spouses Gonzalez vis a vis their payments with Defendant L & R Corporation by applying the legal interest provided for by law and well-settled jurisprudence on the matter;

(iv) Ordering Defendant L & R Corporation to pay Plaintiff the amount of at least:

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Other equitable reliefs are likewise prayed for.

In the course of the proceedings, L & R filed a Motion to Dismiss^[8] insisting that the RTC never acquired jurisdiction over the case due to Gonzales' insufficient payment of docket fees. Gonzales opposed^[9] the motion arguing that her case is incapable of pecuniary estimation with corresponding docket fees in the flat rate of P5,425.00 which she tendered upon computation of the Office of the Clerk of Court, RTC, Makati City.

The Ruling of the RTC

In its May 8, 2013 Order, the RTC denied L & R's Motion to Dismiss based on the following ratiocination:

Upon consideration of the arguments stated by defendant L&R in its motion and plaintiff's opposition thereto, the Court finds the *Motion to Dismiss* specious. In the case of *David Lu v. Paterno LU YM*, the Supreme Court cited the case of *Sun Insurance Office, Ltd v. Asuncion* and ruled that the filing of the complaint or appropriate initiatory pleading and the payment of the prescribed docket fee vest a trial court with jurisdiction over the subject matter or nature of the action. If the amount of docket fee paid is insufficient considering the amount of the claim, the clerk of court of the lower court involved or his duly authorized deputy has the responsibility of making a deficiency assessment. The party filing the case will be required to pay the deficiency, but jurisdiction is not automatically lost.

WHEREFORE, in view of all the foregoing, the *Motion to Dismiss* is hereby **DENIED**. The Office of the Clerk of Court is hereby ordered to make a reassessment of the docket fees within five (5) days from receipt hereof and for Plaintiff to immediately pay thereafter the correct docket fees if necessary.

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Upon compliance of the Office of the Clerk of Court, the court *a quo* issued its May 17, 2013 Order requiring Gonzales to pay the computed deficiency in the filing fees amounting to P159,075.00.^[10]

L & R sought the reconsideration of the May 8, 2013 Order while Gonzales filed a Manifestation and Partial Motion for Reconsideration of the May 17, 2013 Order. Both motions were denied by the RTC through its July 3, 2013 Resolution, the pertinent portions of which read as follows:

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As regards Plaintiff's partial motion for reconsideration, the Court finds no cogent reason to overturn its previous Order dated 17 May 2013. A perusal of the entire complaint, including the prayer stated therein, shows that one of its causes of action is the nullification of foreclosure sale. Annulment of foreclosure sale is a real action, thus, the computation of the docket fees includes or based on the assessed or estimated value of the property.

The Court reiterates the long established principle laid down by the Supreme Court in the leading case of *Sun Insurance Office, Ltd. v. Asuncion* that the filing of the complaint or appropriate initiatory pleading and the payment of the prescribed docket fee vest a trial court with jurisdiction over the subject matter or nature of the action. If the amount of docket fees paid is insufficient considering the amount of the claim, the clerk of court of the lower court involved or his duly authorized deputy has the responsibility of making a deficiency assessment. The party filing the case will be required to pay the deficiency, but jurisdiction is not automatically lost. It also bears stressing that Plaintiff only paid the docket fees as assessed by the Office of the Clerk of Court and she cannot be faulted for the alleged error committed by a government office. Moreover, the Supreme Court, consistent with the principle of liberality in the interpretation of the Rules, in the interest of substantial justice, had repeatedly refrained from dismissing the case on that ground payment of insufficient docket fee. Instead, it considered the deficiency in the payment of the docket fees as a lien on the judgment which must be remitted to the Clerk of Court of the court *a quo* upon the execution of the judgment.

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Unfazed, L&R interposed the instant petition for certiorari based on this issue:

Whether or not the Honorable Presiding Judge Maximo M. De Leon committed grave abuse of discretion amounting to excess of jurisdiction when he denied Petitioner's Motion to Dismiss and Motion for Reconsideration notwithstanding clear rules and prevailing jurisprudence that non-payment of the correct and complete docket fee based on the initiatory pleading is a jurisdictional defect in the complaint that would merit its dismissal.

L & R argues that the RTC never acquired jurisdiction over the case from the very beginning because Gonzales has failed and continuously refuses to pay the prescribed fees amounting to P159,075.00. It contends that the present case does not fall squarely with *Sun Insurance Office Ltd. v. Asuncion*^[11] because the latter presupposes that the prescribed filing fee was paid but subsequently the judgment awards a claim not specified in the initiatory pleading. According to L & R, the rules were relaxed in the *Sun Insurance case* due to plaintiff's willingness to comply with the court's order and considering the series of amended complaints which brought about the additional filing fees, but these circumstances are not attendant in this case. It also insists that the deficiency of the docket fees were not caused by any judgment award, thus, it is not among the instances enumerated in Section 2 of

A.M. No. 04-2-04-SC where payment of docket fees could be considered as lien.^[12] L & R further points out that the doctrine in *Manchester Development Corporation v. Court of Appeals*^[13] and *Gochan v. Gochan*^[14] should be applied instead.

On the other hand, Gonzales maintains that she believed in good faith that the prescribed docket fees were properly assessed by the Office of the Clerk of Court and it would be grave injustice on her part if the case be dismissed after a finding that the computed docket fees were insufficient.^[15]

This Court's Ruling

The petition is bereft of merit.

Application of Ruling in Manchester and Sun Insurance Case

Indeed, the *Manchester*^[16] and *Sun Insurance*^[17] cases provide a different rule in cases of insufficient payment of docket fees. The *Manchester* case stresses that the court acquires jurisdiction over any case only upon the payment of prescribed docket fees while the *Sun Insurance* case adheres to a more liberal interpretation of the rule. The application of these cases has already been clarified by the Supreme Court in a catena of cases including *Metropolitan Bank and Trust Co. and Solidbank Corporation v. Perez*,^[18] thus:

In *Manchester Development Corporation v. Court of Appeals*, the Court held that a pleading which does not specify in the prayer the amount sought shall not be admitted or shall be expunged, and that a court acquires jurisdiction only upon payment of the prescribed docket fee. This rule was relaxed in *Sun Insurance Office, Ltd. v. Asuncion* which was echoed in the 2005 case of *Heirs of Bertuldo Hinog v. Melico*, the pertinent portion of the decision in the latter case reads:

Plainly, while the payment of prescribed docket fee is a jurisdictional requirement, even its non-payment at the time of filing does not automatically cause the dismissal of the case, as long as the fee is **paid within the applicable prescriptive or reglementary period**, more so when the party involved demonstrates a willingness to abide by the rules prescribing such payment. Thus, when insufficient filing fees were **initially paid by the plaintiffs and there was no intention to defraud the government**, the Manchester rule does not apply. (Emphasis and underscoring appear in the original text of the decision)

From the foregoing disquisition, it appears that the primary consideration in determining whether the case should be dismissed due to insufficient filing or docket fees is the absence or presence of bad faith and intent to defraud the government.

The ruling in *Ayala Land, Inc. v. Spouses Carpo*^[19] is also instructive:

xxx As early as 1946, in the case of *Segovia v. Barrios*, we ruled that **where an appellant in good faith paid less than the correct amount for the docket fee because that was the amount he was required to pay by the clerk of court, xxx it is error to dismiss his appeal** because -

every citizen has the right to assume and trust that a public officer charged by law with certain duties knows his duties and performs them in accordance with law. To penalize such citizen for relying upon said officer in all good faith is repugnant to justice.

Despite the passage of time, the ruling in Segovia is still good law which courts, in the exercise of its discretion, can still apply. (Emphasis supplied)

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No Bad Faith and Intent to Defraud Government on Part of Gonzales

Contrary to the position taken by L & R, We do not find any indicium of bad faith on the part of Gonzales. She had stated the complete factual backdrop of her case, from the time her parcels of land were mortgaged to L & R up to the foreclosure of the mortgage and eventual consolidation of the titles in the name of the latter until the issuance of the writs of possession. She also alleged the present value of the subject lands which could have been the basis of the Office of the Clerk of Court in computing the correct docket fees. Despite this full disclosure, the docket fees were assessed based on the fixed or flat rate for actions incapable of pecuniary estimation as provided in Section 7 (b) of A.M. No. 04-2-04 SC^[20] and the Office of the Clerk of Court required Gonzales to pay P5,425.00. Lest it be misunderstood, the determination of the nature of an action depends on the allegations in the complaint. If the action for nullification of foreclosure sale is intimately related to the recovery of possession and title, as in this case, it is considered as a real action and the docket fees thereof should be computed based on the fair market value of the involved parcels of land pursuant to the mandate of Section 7 (a) of A.M. No. 04-2-04-SC. The ruling in *Ruby Shelter Builders and Realty Development Corporation v. Formaran III*,^[21] is enlightening:

A real action is one in which the plaintiff seeks the recovery of real property; or, as indicated in what is now Section 1, Rule 4 of the Rules of Court, a real action is an action affecting title to or recovery of possession of real property.

Section 7, Rule 141 of the Rules of Court, prior to its amendment by A.M. No. 04-2-04-SC, had a specific paragraph governing the assessment of the docket fees for real action, to wit:

In a real action, the assessed value of the property, or if there is none, the estimated value thereof shall be alleged by the claimant and shall be the basis in computing the fees.

It was in accordance with the afore-quoted provision that the Court, in *Gochan v. Gochan*, held that although the caption of the complaint filed by therein respondents Mercedes Gochan, *et al.* with the RTC was denominated as one for "specific performance and damages," the relief sought was the conveyance or transfer of real property, or ultimately, the execution of deeds of conveyance in their favor of the real properties enumerated in the provisional memorandum of agreement. Under these circumstances, the case before the