



Republic of the Philippines  
Supreme Court  
Manila

CERTIFIED TRUE COPY  
*Wilfredo V. Lapid*  
WILFREDO V. LAPID  
Division Clerk of Court  
Third Division

OCT 30 2018

THIRD DIVISION

STEPHEN Y. KU,

Petitioner,

G.R. No. 219491

Present:

PERALTA, J., Chairperson,  
LEONEN,  
GESMUNDO,\*  
REYES, J.C., JR., and  
HERNANDO, JJ.

- versus -

RCBC SECURITIES, INC.,

Respondent.

Promulgated:

October 17, 2018

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*Wilfredo V. Lapid*  
-----X

DECISION

PERALTA, J.:

Before the Court is a petition for review on *certiorari* under Rule 45 of the Rules of Court seeking the reversal and setting aside of the Decision<sup>1</sup> and Resolution<sup>2</sup> of the Court of Appeals (CA), promulgated on October 9, 2014 and July 14, 2015, respectively, in CA-G.R. SP No. 132816. The assailed CA Decision reversed and set aside the: (1) September 12, 2013 Order<sup>3</sup> of the Regional Trial Court (RTC) of Makati City, Branch 63 which directed the re-affle of the Complaint filed by petitioner Stephen Y. Ku; and (2) October 25, 2013 Order<sup>4</sup> of the RTC of Makati City, Branch 149, which denied respondent RCBC Securities, Inc.'s Motion to Dismiss and ordered petitioner to pay the docket fees based on the value of the shares of stocks which he prays to be returned to him.

\* On vacation leave.

<sup>1</sup> Penned by Associate Justice Marlene Gonzales-Sison, with Associate Justices Mario V. Lopez and Ramon A. Cruz, concurring; Annex "B" to Petition, *rollo*, pp. 47-58.

<sup>2</sup> Annex "A" to Petition; *id.* at 45-46.

<sup>3</sup> Penned by Judge Tranquil P. Salvador, Jr.; *id.* at 89.

<sup>4</sup> Penned by Judge Cesar O. Untalan; *id.* at 90-94.

*AV*

The facts are as follows:

Respondent RCBC Securities, Inc. is a corporation duly organized and existing under the laws of the Philippines. It is primarily engaged in the brokerage business, specifically for the purpose of buying and selling any and all kinds of shares, bonds, debentures, securities, products, commodities, gold bullion, monetary exchange, and any and all other kinds of properties in the Philippines or in any foreign country. Petitioner Stephen Y. Ku, on the other hand, opened an account with respondent on June 5, 2007, for the purchase and sale of securities.

On February 22, 2013, petitioner filed with the RTC of Makati a Complaint for Sum of Money and Specific Performance with Damages against respondent. Pertinent portions of his allegations read as follows:

x x x x

3. Sometime in June 2007, plaintiff [herein petitioner] opened a trade account with RSEC [herein respondent] for the purpose of buying and selling securities as evidenced by the Customer Account Information Form and Agreement dated 05 June 2007.

x x x x

4. Unknown to plaintiff, the name of M.G. Valbuena ("MGV") was deliberately inserted beside the name of Ivan L. Zalameda as one of the agents **after** plaintiff completed and signed the Agreement.

5. As to when the fraudulent insertion was made, plaintiff has no idea. Plaintiff only discovered this anomaly when plaintiff recently requested for a copy of his Account Information.

6. In the course of plaintiff's trading transactions with RSEC, MGV represented herself as a Sales Director of RSEC, duly authorized to transact business on behalf of the latter.

x x x x

7. With this representation, plaintiff continued to transact business with RSEC through MGV, on the honest belief that the latter **was acting for and in behalf of RSEC**.

8. In the beginning, plaintiff's dealings with RSEC through MGV went on smoothly.

9. Every time plaintiff authorized a trade, plaintiff would be furnished with a Trade Confirmation by RSEC. Having successfully and profitably managed plaintiff's account, or as so represented to plaintiff, MGV was able to gain the trust and confidence of plaintiff.

10. In addition to acting as broker for plaintiff's trading account, investment in ARPO was also successfully solicited by plaintiff.

11. ARPO, as represented to plaintiff, is an investment arm of RSEC that offers considerably higher interest rate of return as compared to any other financing company.

12. Thus, sometime in November 2007, plaintiff agreed to invest in ARPO funds, which continued to run for more than two (2) years, the total of which amounted to Php38,300,205.00. x x x.

13. Sometime in January 2012, it came to the knowledge of plaintiff that his account with RSEC was subject of mismanagement. MGV was blacklisted by RSEC due to numerous fraudulent and unauthorized transactions committed by the former. Worse, MGV allegedly was able to divert investments made by "high networth" clients of RSEC into some other accounts.

14. On 17 January 2012, plaintiff was furnished by RSEC of a copy of an undated audit report (sometimes referred to as "ledger") principally showing that the total claim of plaintiff with RSEC amounts to Php77,561,602.75

x x x x

15. On 18 January 2012, plaintiff wrote RSEC informing the latter that simultaneous to RSEC's audit, plaintiff likewise is in the process of conducting an independent audit of his own account in order to validate the amount claimed by RSEC.

16. In the same letter, plaintiff made clear to RSEC that it has never authorized a discretionary account with MGV and requested for all documents relative to plaintiff's audit.

x x x x

17. After audit, plaintiff has conclusively determined that there were FOUR HUNDRED SIXTY-SEVEN (467) unauthorized transactions in his account. A review of the said transactions would show that multiple buying and selling transactions on the same day were repeatedly done over a period of four (4) years.

18. Being unauthorized, plaintiff also never received any document confirming any of the said transactions. Worse, plaintiff was given and is in the possession of fabricated confirmation statements for trades he actually authorized, but were not, in reality executed.

19. After evaluation and audit, and after exclusion of all the unauthorized trades, plaintiff should have remaining cash in his trade account in the amount of Php992,970.78 and the following stock position under his trade account to date:

Stock symbol	Qty
AGI	500,000
COL	50,000
EG	57,940
GERI	400,000

IP	50,000
KPP	400,000
LC	3,000,000
LR	100,000
MA	50,000,000
MEG	2,215,000
PA	3,100,000
SHNG	143
SLI	1,000,000

X X X X

38. In summary, plaintiff's audit report would show that RSEC owes plaintiff the total amount of Php70,064,426.88 as of 31 October 2012, broken down as follows:

- a. Php992,970.78, representing remaining cash in plaintiff's trade account;
- b. Php15,166,251.10, representing unaccounted for and/or wrongfully credited payments to plaintiff's trade account;
- c. Php38,300,205.00 representing total principal investment in ARPO; and
- d. Php15,605,000.00 as unpaid ARPO interests as of 31 October 2012.

X X X X

39. Deeply bothered by the turn of events, plaintiff wrote RSEC on 10 May 2012 and demanded payment for the said amounts. Plaintiff also demanded return of the shares of stocks identified in Paragraph 16 hereof.

X X X X

40. However, despite the detailed presentation of plaintiff's payments to RSEC, RSEC, in its letter-reply dated 29 May 2012, only made categorical denials of its relationship with ARPO and failed to sufficiently explain what happened to plaintiff's account or where did all of plaintiff's money intended for ARPO go.

X X X X

41. Not satisfied, plaintiff again wrote RSEC to reiterate its (sic) request for documents in support of RSEC's defense. Plaintiff also made it clear to RSEC that dealings of plaintiff with MGCV were all made in trust and confidence and on honest belief that MGCV was vested with apparent authority from RSEC to transact business on the latter's behalf.

X X X X

42. After completing the audit report x x x, plaintiff sent a demand letter dated 11 January 2013 to RSEC, x x x.

43. Without any valid and justifiable reason, however, RSEC refused and still continues to refuse to heed plaintiff's demand.

x x x.<sup>5</sup>

Petitioner prayed for the payment of the amounts mentioned in Paragraph 38 of the Complaint as well as the shares of stocks enumerated in Paragraph 19 of the said Complaint. Petitioner also sought the recovery of treble damages, exemplary damages and attorney's fees.

The Complaint, docketed as Civil Case No. 13-171, was raffled-off to Branch 63, RTC of Makati.

On May 29, 2013, respondent filed a Motion to Dismiss<sup>6</sup> contending that: (1) the RTC of Makati did not acquire jurisdiction over the subject matter of the case because petitioner deliberately evaded the payment of the correct docket fees; (2) the Complaint stated no cause of action for its failure to state with particularity the circumstances constituting fraud, in violation of the Rules of Court, as well as for failing to allege the basis of petitioner's cause of action for the amounts claimed as principal investment and unpaid interest in ARPO, an investment arm owned and managed by respondent; and (3) petitioner has waived, abandoned or otherwise extinguished his claims after he failed to raise any objection, with respect to his statements of account, within the prescriptive period to do so under the parties' agreement.

Petitioner filed his Comment/Opposition to the Motion to Dismiss.<sup>7</sup> Subsequently, respondent filed its Reply.<sup>8</sup>

After conducting several hearings on the Motion to Dismiss, the RTC of Makati, Branch 63, issued its questioned Order dated September 12, 2013, to wit:

x x x x

After going over plaintiff's [herein petitioner's] Complaint and defendant's [herein respondent's] Motion to Dismiss and the Reply that followed, the Court is of the considered view that this case involves trading of securities. Consequently, the case should be heard and tried before a Special Commercial Court.

Accordingly, the Court's Branch Clerk of Court is forthwith directed to forward the entire record of the case to the Office of the Clerk of Court for re-affle.

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<sup>5</sup> *Rollo*, pp. 111-118.

<sup>6</sup> *Id.* at 241-273.

<sup>7</sup> *Id.* at 297-306.

<sup>8</sup> *Id.* at 307-339.

SO ORDERED.

x x x.<sup>9</sup>

The case was, subsequently, re-raffled to Branch 149 of the RTC of Makati.

Thereafter, in its Order<sup>10</sup> dated October 25, 2013, the RTC of Makati, Branch 149, denied the Motion to Dismiss for lack of merit. It held that petitioner's payment of insufficient docket fees does not warrant the dismissal of the Complaint and that the trial court still acquires jurisdiction over the case subject to the payment of the deficiency assessment. The RTC, thus, ordered petitioner "to pay the docket fees on the value of the shares of stocks being prayed to be returned to him, within thirty (30) days from receipt" of the said Order. As to petitioner's alleged failure to state a cause of action, Branch 149 ruled that an examination of the Complaint would show that "certain allegations of fraud therein [are] sufficiently pleaded x x x." With respect to the alleged waiver, abandonment or extinguishment of petitioner's claims, Branch 149 held that the parties presented conflicting assertions, the resolution of which should be properly made in a full-blown trial.

Aggrieved, respondent filed with the CA a petition for *certiorari* under Rule 65 of the Rules of Court, imputing grave abuse of discretion upon Judges Tranquil P. Salvador, Jr. and Cesar O. Untalan by reason of their issuance of the said Orders in their respective capacities as Presiding Judges of the RTC of Makati City, Branches 63 and 149.

On October 9, 2014, the CA promulgated its assailed Decision by disposing as follows:

**WHEREFORE**, premises considered, the instant Petition for *Certiorari* is **GRANTED** and the assailed Orders dated 12 September 2013 and 25 October 2013 issued by the Regional Trial Court of Makati City, Branches 63 and 149, respectively, are hereby **REVERSED** and **SET ASIDE**. Concomitantly, Civil Case No. 13-171, entitled *Stephen K. Yu (sic) v. RCBC Securities, Inc.* is **DISMISSED** for lack of jurisdiction. Finally, the Urgent Verified Motion for Issuance of Temporary Restraining Order and/or Writ of Preliminary Injunction is **DENIED** for being moot and academic.

SO ORDERED.<sup>11</sup>



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<sup>9</sup> *Id.* at 89.

<sup>10</sup> *Id.* at 90-94.

<sup>11</sup> *Id.* at 47-58. (Emphasis in the original)

The CA held that, based on the language of the Order of September 12, 2013, the RTC of Makati, Branch 63, has acknowledged that it has no jurisdiction over the subject matter of the case; and having acknowledged its lack of jurisdiction, Branch 63 should have dismissed the Complaint, instead of having it re-raffled to another Branch. Thus, the CA ruled that Judge Salvador, Jr. of Branch 63 committed grave abuse of discretion amounting to lack or excess of jurisdiction in ordering the re-affle of the case. The CA further ruled that, as a consequence, “all the proceedings undertaken [by Branch 149 of the same RTC] under Judge Untalan, who received the case after the questionable re-affle, are utterly null and void, including, but not limited to, the issuance of the [Order dated October 25, 2013].”

Petitioner filed a Motion for Reconsideration, but the CA denied it in its Resolution dated July 14, 2015.

Hence, the present petition based on the following Assignment of Errors:

**A.**

**THE HONORABLE COURT OF APPEALS GRIEVOUSLY ERRED WHEN IT FOUND THAT THE ORDERS WERE ISSUED WITH GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OR EXCESS [OF] JURISDICTION.**

**B.**

**THE HONORABLE COURT OF APPEALS GRIEVOUSLY ERRED WHEN IT FOUND THAT THE HONORABLE JUDGE TRANQUIL SALVADOR, JR. ACKNOWLEDGED THE ABSENCE OF JURISDICTION OF HIS REGULAR COURT OVER THE CASE.**

**C.**

**THE HONORABLE COURT OF APPEALS GRIEVOUSLY ERRED WHEN IT FOUND THAT BOTH HONORABLE TRIAL COURTS, BRANCHES 63 AND 149, HAVE NO JURISDICTION OVER THE INSTANT CASE DUE TO THE INSUFFICIENT PAYMENT OF DOCKET FEES.**

**D.**

**THE HONORABLE COURT OF APPEALS GRIEVOUSLY ERRED WHEN IT FOUND THAT A MOTION FOR RECONSIDERATION BEFORE THE FILING OF THIS PETITION CAN BE DISPENSED WITH.<sup>12</sup>**

The issue which confronts this Court in the instant case is whether the CA erred in granting herein respondent’s petition for *certiorari*, and reversing and setting aside the September 12, 2013 and October 25, 2013 Orders of the RTC of Makati City, Branches 63 and 149, respectively.

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<sup>12</sup> *Id.* at 16-17.

The petition is meritorious.

The basic question that should be resolved is: which court has jurisdiction over the complaint filed by petitioner?

The settled rule is that jurisdiction over the subject matter of a case is conferred by law and determined by the allegations in the complaint, which comprise a concise statement of the ultimate facts constituting the plaintiff's cause of action.<sup>13</sup> The nature of an action, as well as which court or body has jurisdiction over it, is determined based on the allegations contained in the complaint of the plaintiff.<sup>14</sup> The averments in the complaint and the character of the relief sought are the ones to be consulted.<sup>15</sup> Once vested by the allegations in the complaint, jurisdiction also remains vested, irrespective of whether or not the plaintiff is entitled to recover upon all or some of the claims asserted therein.<sup>16</sup>

In the present case, the provisions of law which need to be examined are Republic Act No. 8799<sup>17</sup> (*RA 8799*), Presidential Decree No. 902-A<sup>18</sup> (*PD 902-A*) and Batas Pambansa Blg. 129<sup>19</sup> (*BP 129*), as amended by Republic Act No. 7691 (*RA 7691*).

Section 5.2 of RA 8799 provides:

The Commission's jurisdiction over all cases enumerated under Section 5 of Presidential Decree No. 902-A is hereby transferred to the Courts of general jurisdiction or the appropriate Regional Trial Court: *Provided*, That the Supreme Court in the exercise of its authority may designate the Regional Trial Court branches that shall exercise jurisdiction over the cases. The Commission shall retain jurisdiction over pending cases involving intra-corporate disputes submitted for final resolution which should be resolved within one (1) year from the enactment of this Code. The Commission shall retain jurisdiction over pending suspension of payment/rehabilitation cases filed as of 30 June 2000 until finally disposed.

In relation to the above provision, Section 5 of PD 902-A states that:

In addition to the regulatory and adjudicative functions of the Securities and Exchange Commission over corporations, partnerships and

<sup>13</sup> *Padlan v. Sps. Dinglasan*, 707 Phil. 83, 91 (2013); *De Vera, et. al. v. Santiago, et al.*, 761 Phil. 90, 101 (2015).

<sup>14</sup> *Id.*; *Id.*

<sup>15</sup> *Id.*; *Id.*

<sup>16</sup> *Id.*; *Id.*

<sup>17</sup> The Securities Regulation Code.

<sup>18</sup> The Reorganization Act of 1980.

<sup>19</sup> *Reorganization Of The Securities And Exchange Commission With Additional Power And Placing The Said Agency Under The Administrative Supervision Of The Office Of The President*



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 partnership, amounting to fraud and misrepresentation which may be detrimental to the interest of the public and/or of the stockholder, 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; and

(c) Controversies in the election or appointments of directors, trustees, officers or managers of such corporations, partnerships or associations.

On the other hand, Section 19(1) and (8) of BP 129, as amended, provides:

Regional Trial Courts shall exercise exclusive original jurisdiction:

(1) In all civil actions in which the subject of the litigation is incapable of pecuniary estimation;

x x x

x x x

x x x

(8) In all other cases in which the demand, exclusive of interest, damages of whatever kind, attorney's fees, litigation expenses, and costs or the value of the property in controversy exceeds Three hundred thousand pesos (P300,000.00) or, in such other cases in Metro Manila, where the demand exclusive of the above-mentioned items exceeds Four hundred thousand pesos (P400,000.00).

As it now stands, jurisdiction over the cases enumerated under Section 5 of PD 902-A, collectively known as intra-corporate controversies or disputes, now falls under the jurisdiction of the RTCs.

In this regard, it is worthy to reiterate this Court's ruling in *Gonzales, et al., v. GJH Land, Inc., et al.*<sup>20</sup> which characterizes and explains the transfer of jurisdiction of all cases enumerated under Section 5 of PD 902-A from the Securities and Exchange Commission (SEC) to the RTCs. In the said Decision, which was promulgated subsequent to the issuance of the questioned RTC Orders in the present case, this Court made a distinction between a court's "subject matter jurisdiction" and its "exercise of jurisdiction." Pertinent portions of the said ruling provide, thus:

<sup>20</sup> 772 Phil. 483 (2015).

As a basic premise, let it be emphasized that a court's acquisition of jurisdiction over a particular case's subject matter is different from incidents pertaining to the exercise of its jurisdiction. Jurisdiction over the subject matter of a case is **conferred by law**, whereas a court's **exercise of jurisdiction**, unless provided by the law itself, is governed by the Rules of Court or by the orders issued from time to time by the Court. In *Lozada v. Bracewell*, it was recently held that **the matter of whether the RTC resolves an issue in the exercise of its general jurisdiction or of its limited jurisdiction as a special court is only a matter of procedure and has nothing to do with the question of jurisdiction.**

Pertinent to this case is RA 8799 which took effect on August 8, 2000. By virtue of said law, jurisdiction over cases enumerated in Section 5 of Presidential Decree No. 902-A was transferred from the Securities and Exchange Commission (SEC) to **the RTCs, being court of general jurisdiction.** x x x

x x x x

The legal attribution of **Regional Trial Courts as courts of general jurisdiction** stems from Section 19 (6), Chapter II of Batas Pambansa Bilang (BP) 129, known as "The Judiciary Reorganization Act of 1980":

x x x x


Therefore, one must be disabused of the notion that the transfer of jurisdiction was made only in favor of particular RTC branches, and not the RTCs in general.

x x x x

x x x Harkening back to the statute that had conferred subject matter jurisdiction, two things are apparently clear: (a) that the SEC's **subject matter jurisdiction** over intra-corporate cases under Section 5 of Presidential Decree No. 902-A was transferred to the Courts of general jurisdiction, *i.e.*, the appropriate Regional Trial Courts; and (b) the designated branches of the Regional Trial Court, as per the rules promulgated by the Supreme Court, shall **exercise jurisdiction** over such cases. x x x.

x x x x

For further guidance, the Court finds it apt to point out that the same principles **apply to the inverse situation of ordinary civil cases filed before the proper RTCs but wrongly raffled to its branches designated as Special Commercial Courts.** In such a scenario, the **ordinary civil case should then be referred to the Executive Judge for re-docketing as an ordinary civil case; thereafter, the Executive Judge should then order the raffling of the case to all branches of the same RTC, subject to limitations under existing internal rules, and the payment of the correct docket fees in case of any difference.** Unlike the limited assignment raffling of a commercial case only to branches designated as Special Commercial Courts in the scenarios stated above, the re-raffling of an ordinary civil case in this instance to all courts is



permissible due to the fact that a particular branch which has been designated as a Special Commercial Court does not shed the RTC's general jurisdiction over ordinary civil cases under the imprimatur of statutory law, *i.e.*, Batas Pambansa Bilang (BP) 129. To restate, the designation of Special Commercial Courts was merely intended as a procedural tool to expedite the resolution of commercial cases in line with the court's **exercise of jurisdiction**. This designation was not made by statute but only by an internal Supreme Court rule under its authority to promulgate rules governing matters of procedure and its constitutional mandate to supervise the administration of all courts and the personnel thereof. Certainly, an internal rule promulgated by the Court cannot go beyond the commanding statute. But as a more fundamental reason, the designation of Special Commercial Courts is, to stress, merely an incident related to the court's exercise of jurisdiction, which, as first discussed, is distinct from the concept of jurisdiction over the subject matter. The RTC's general jurisdiction over ordinary civil cases is therefore not abdicated by an internal rule streamlining court procedure.

x x x.<sup>21</sup>


In short, jurisdiction over intra-corporate controversies is transferred by law (RA 8799) from the SEC to the RTCs in general, but the authority to exercise such jurisdiction is given by the Supreme Court, in the exercise of its rule-making power under the Constitution, to RTCs which are specifically designated as Special Commercial Courts. On the other hand, the cases enumerated under Section 19 of BP 129, as amended, are taken cognizance of by the RTCs in the exercise of their general jurisdiction.

Thus, based on the allegations in petitioner's Complaint, in relation to the above provisions of law, there is no dispute that the case falls under the jurisdiction of the RTC. However, whether or not the RTC shall take cognizance of the case in the exercise of its general jurisdiction, or as a special commercial court, is another matter. In resolving this issue, what needs to be determined, at the first instance, is the nature of petitioner's complaint. Is it an ordinary civil action for collection, specific performance and damages as would fall under the jurisdiction of regular courts or is it an intra-corporate controversy or of such nature that it is required to be heard and tried by a special commercial court?

Petitioner contends that the allegations in his Complaint indicate that it is an action for collection of a sum of money and specific performance with damages and, as such, it falls under the general jurisdiction of the RTC.

The CA, on the other hand, did not directly resolve the issue as to the nature of the complaint and, instead, proceeded to decide the case by working on the premise that Branch 63 has acknowledged its lack of jurisdiction over the subject matter of petitioner's complaint and, as such, should have dismissed the same and not order its re-raffle to another branch.

<sup>21</sup> *Id.* at 505-517. (Emphasis supplied)



The Court agrees with petitioner.

In the case of *Medical Plaza Makati Condominium Corporation v. Cullen*,<sup>22</sup> this Court held as follows:

In determining whether a dispute constitutes an intra-corporate controversy, the Court uses two tests, namely, the relationship test and the nature of the controversy test.

An intra-corporate controversy is one which pertains to any of the following relationships: (1) between the corporation, partnership or association and the public; (2) between the corporation, partnership or association and the State insofar as its franchise, permit or license to operate is concerned; (3) between the corporation, partnership or association and its stockholders, partners, members or officers; and (4) among the stockholders, partners or associates themselves. Thus, under the relationship test, the existence of any of the above intra-corporate relations makes the case intra-corporate.

Under the nature of the controversy test, "the controversy must not only be rooted in the existence of an intra-corporate relationship, but must as well pertain to the enforcement of the parties' correlative rights and obligations under the Corporation Code and the internal and intra-corporate regulatory rules of the corporation." In other words, jurisdiction should be determined by considering both the relationship of the parties as well as the nature of the question involved.<sup>23</sup>

Applying the above tests, the Court finds, and so holds, that the case is not an intra-corporate dispute and, instead, is an ordinary civil action. There are no intra-corporate relations between the parties. Petitioner is neither a stockholder, partner, member or officer of respondent corporation. The parties' relationship is limited to that of an investor and a securities broker. Moreover, the questions involved neither pertain to the parties' rights and obligations under the Corporation Code, if any, nor to matters directly relating to the regulation of the corporation.

On the basis of the foregoing, since the Complaint filed by petitioner partakes of the nature of an ordinary civil action, it is clear that it was correctly raffled-off to Branch 63. Hence, it is improper for it (Branch 63) to have ordered the re-raffle of the case to another branch of the Makati RTC. Nonetheless, the September 12, 2013 Order of Branch 63, although erroneous, was issued in the valid exercise of the RTC's jurisdiction. Such mistaken Order can, thus, be considered as a mere procedural lapse which does not affect the jurisdiction which the RTC of Makati had already acquired. Moreover, while designated as a Special Commercial Court, Branch 149, to which it was subsequently re-raffled, retains its general

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<sup>22</sup> 720 Phil. 732 (2013).

<sup>23</sup> *Id.* at 742-743.



jurisdiction to try ordinary civil cases such as petitioner's Complaint. In addition, after its re-affle to Branch 149, the case remained docketed as an ordinary civil case. Thus, the Order dated October 12, 2013 was, likewise issued by Branch 149 in the valid exercise of the RTC's jurisdiction. In sum, it is error to conclude that the questioned Orders of Branches 63 and 149 are null and void on the ground of lack of jurisdiction, because, in fact, both branches of the Makati RTC have jurisdiction over the subject matter of petitioner's Complaint.

Hence, considering that the RTC of Makati has jurisdiction over the subject matter of petitioner's complaint, and that Branch 149 continued and continues to exercise jurisdiction over the case during the pendency of the proceedings leading to this petition and, thus, has presumably conducted hearings towards the resolution of petitioner's complaint, this Court, in the interest of expediency and in promoting the parties' respective rights to a speedy disposition of their case, finds it proper that Civil Case No. 13-171 should remain with Branch 149, instead of being remanded to Branch 63 or re-rafted anew among all courts of the same RTC.

With respect to petitioner's payment of insufficient docket fees, this Court's ruling in *The Heirs of the Late Ruben Reinoso, Sr. v. Court of Appeals, et al.*,<sup>24</sup> is instructive, to wit:

The rule is that payment in full of the docket fees within the prescribed period is mandatory. In *Manchester v. Court of Appeals* [233 Phil 579, (1987)], it was held that a court acquires jurisdiction over any case only upon the payment of the prescribed docket fee. The strict application of this rule was, however, relaxed two (2) years after in the case of *Sun Insurance Office, Ltd. v. Asuncion*, wherein the Court decreed that where the initiatory pleading is not accompanied by the payment of the docket fee, the court may allow payment of the fee within a reasonable period of time, but in no case beyond the applicable prescriptive or reglementary period. This ruling was made on the premise that the plaintiff had demonstrated his willingness to abide by the rules by paying the additional docket fees required. Thus, in the more recent case of *United Overseas Bank v. Ros*, the Court explained that where the party does not deliberately intend to defraud the court in payment of docket fees, and manifests its willingness to abide by the rules by paying additional docket fees when required by the court, the liberal doctrine enunciated in *Sun Insurance Office, Ltd.*, and not the strict regulations set in *Manchester*, will apply. It has been on record that the Court, in several instances, allowed the relaxation of the rule on non-payment of docket fees in order to afford the parties the opportunity to fully ventilate their cases on the merits. In the case of *La Salette College v. Pilotin*, the Court stated:

Notwithstanding the mandatory nature of the requirement of payment of appellate docket fees, we also recognize that its strict application is qualified by the following: *first*, failure to pay those fees within the

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<sup>24</sup> 669 Phil. 272 (2011).



reglementary period allows only discretionary, not automatic, dismissal; *second*, such power should be used by the court in conjunction with its exercise of sound discretion in accordance with the tenets of justice and fair play, as well as with a great deal of circumspection in consideration of all attendant circumstances.

While there is a crying need to unclog court dockets on the one hand, there is, on the other, a greater demand for resolving genuine disputes fairly and equitably, for it is far better to dispose of a case on the merit which is a primordial end, rather than on a technicality that may result in injustice.<sup>25</sup>

Indeed, this Court has held that the ruling in *Manchester* does not apply to cases where insufficient filing fees were paid based on the assessment made by the clerk of court, and there was no intention to defraud the government.<sup>26</sup> It was further held 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.<sup>27</sup> 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.<sup>28</sup> The party filing the case will be required to pay the deficiency, but jurisdiction is not automatically lost.<sup>29</sup>

In the present case, the Court does not agree with the CA when it ruled that “the intention of [petitioner] Ku to evade payment of the correct filing fees[,] if not to mislead the docket clerk in the assessment of the filing fees[,] is manifest.” The fact alone that petitioner failed to indicate in the body of his Complaint as well as in his prayer, the value of the shares of stocks he wishes to recover from respondent is not sufficient proof of a deliberate intent to defraud the court in the payment of docket fees. On the contrary, there is no dispute that upon filing of his Complaint, petitioner paid docket fees amounting to ₱1,465,971.41, which was based on the assessment made by the clerk of court. In a number of cases,<sup>30</sup> this Court has ruled that the plaintiff’s payment of the docket fees based on the assessment made by the docket clerk negates bad faith or intent to defraud the government. There is, likewise, no dispute that, subsequently, when ordered by Branch 149 to pay additional docket fees corresponding to the value of the shares of stocks being recovered, petitioner immediately paid an additional sum of ₱464,535.83. Moreover, unlike in *Manchester* where the complainant specified in the body of the complaint the amount of damages sought to be recovered but omitted the same in its prayer, petitioner in the instant case

<sup>25</sup> *Id.* at 280-281. (Citations omitted)

<sup>26</sup> *Fil-Estate Golf and Development, Inc. v. Navarro*, 553 Phil. 48, 57 (2007).

<sup>27</sup> *Id.* at 58.

<sup>28</sup> *Id.*

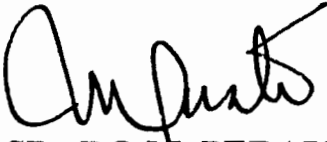
<sup>29</sup> *Id.*

<sup>30</sup> *Intercontinental Broadcasting Corporation v. Hon. Legasto, et al.*, 521 Phil. 469, 480 (2006); *Fedman Development Corporation v. Agcaoili*, 672 Phil. 20, 30 (2011); *Lu v. Lu Ym, Sr., et al.*, 585 Phil. 251, 276 (2008).


consistently indicated both in the body of his Complaint and in his prayer, the number of shares sought to be recovered, albeit without their corresponding values. The foregoing circumstances would show that there was no deliberate intent to defraud the court in the payment of docket fees.

**WHEREFORE**, the instant petition for review on *certiorari* is **GRANTED**. The Decision and Resolution of the Court of Appeals promulgated on October 9, 2014 and July 14, 2015, respectively, in CA-G.R. SP No. 132816, are **REVERSED and SET ASIDE**. Civil Case No. 13-171, entitled *Stephen Y. Ku v. RCBC Securities, Inc.*, is hereby **REINSTATED** and the Regional Trial Court of Makati City, Branch 149, is **DIRECTED to PROCEED WITH THE HEARING** of the case, with utmost dispatch, until its termination.

**SO ORDERED.**

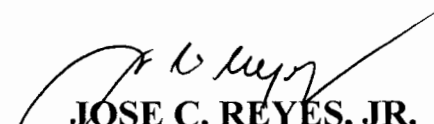
  
**DIOSDADO M. PERALTA**  
Associate Justice

**WE CONCUR:**




**MARVIC M. V. F. LEONEN**  
Associate Justice

On vacation leave  
**ALEXANDER G. GISMUNDO**  
Associate Justice



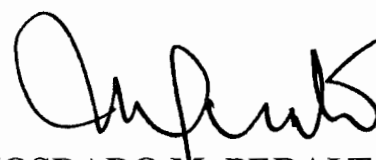
**JOSE C. REYES, JR.**  
Associate Justice



**RAMON PAUL L. HERNANDO**  
Associate Justice

**ATTESTATION**

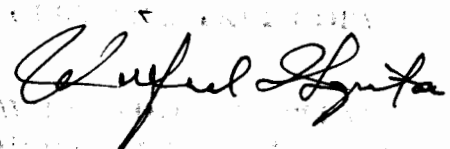

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



**DIOSDADO M. PERALTA**  
Associate Justice  
Chairperson, Third Division

**CERTIFICATION**

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

**ANTONIO T. CARPIO**  
Senior Associate Justice  
(Per Section 12, Republic Act  
No. 296, The Judiciary Act of  
1948, as amended)