Republic of the Philippines
Supreme Court
Baguio

THIRD DIVISION

BNL MANAGEMENT CORPORATION AND ROMEO DAVID, Petitioners, -versus- **REYNALDO UY, RODIEL BALOY, ATTY. LUALHATI CRUZ, ALBERTO WONG, TERESITA PASIA, ROLAND INGEL, AND MARISSA SEVILLA,** Respondents.	**G.R. No. 210297** Present: PERALTA, *J., Chairperson,* LEONEN, REYES, A., JR., HERNANDO, and CARANDANG,* *JJ.* **Promulgated:** April 3, 2019

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DECISION

LEONEN, *J.:*

Under Section 9 of Republic Act No. 4726,[1] or the Condominium Act, a condominium owner shall register a declaration of restrictions, which shall be annotated to the certificate of title of land included within the project. The declaration of restrictions provides for the project management, among others, and is enforceable by the condominium's management body.

This resolves a Petition for Review on Certiorari[2] assailing the July

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* Designated additional Member per Special Order No. 2624 dated November 28, 2018.
1 Rep. Act No. 4726 (1966).
2 *Rollo*, pp. 8–28. Filed under Rule 45 of the Rules of Court.

25, 2012 Decision[3] and December 4, 2013 Resolution[4] of the Court of Appeals in CA-G.R. CV No. 90493. The Court of Appeals affirmed the August 18, 2005 Decision[5] in Civil Case No. 99-95686 issued by the Regional Trial Court, which dismissed the Complaint for damages filed by BNL Management Corporation (BNL Management) and its president, Romeo David (David), against Reynaldo Uy, Rodiel Baloy, Atty. Lualhati Cruz, Alberto Wong, Teresita Pasia, Roland Ingel, and Marissa E. Sevilla (collectively, Uy, et al.).[6]

BNL Management owned six (6) condominium units at the Imperial Bayfront Tower Condominium, A. Mabini Street, Malate, Manila (Imperial Bayfront). These units were leased to its clients under separate contracts of lease. BNL Management also held exclusive rights to three (3) parking spaces of Imperial Bayfront.[7]

On December 16, 1996, BNL Management, through David, wrote a letter to the building administrator of Imperial Bayfront, acknowledging receipt of the November billing statement.[8] In the letter, it brought up concerns over: (1) the general cleanliness and maintenance of common areas; (2) security; (3) building insurance; (4) encroachment on two (2) of the parking spaces; and (5) the annotation of the parking spaces on the mother title. The letter read:

> Further, this is to put on notice that if the above list of problems remain unresolved, we will be constrained to withold (sic) all future payments of association dues until the issue (sic) are resolved satisfactorily. A situation we both want to avoid. Anticipating your positive response.[9]

In a follow-up letter sent on March 4, 1997, BNL Management, through counsel, declared that it would withhold paying monthly dues and instead deposit them and its arrears in a bank as escrow, which could be withdrawn by the Imperial Bayfront Tower Condominium Association (the Association) only after it has complied with the demands in the letter.[10]

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3 Id. at 30–43. The Decision was penned by Associate Justice Agnes Reyes-Carpio, and concurred in by Associate Justices Rosalinda Asuncion-Vicente and Priscilla J. Baltazar-Padilla of the Eighth Division, Court of Appeals, Manila.

4 Id. at 45–46. The Resolution was penned by Associate Justice Agnes Reyes-Carpio, and concurred in by Associate Justices Priscilla J. Baltazar-Padilla and Noel G. Tijam (now a retired member of this Court) of the Special Former Eighth Division, Court of Appeals, Manila.

5 Id. at 58–62. The Decision was penned by Presiding Judge Mercedes Posada-Lacap of Branch 15, Regional Trial Court, Manila.

6 Id. at 10. Marissa is sometimes spelled "Marisa" in the *rollo*. In the Petition for Review on Certiorari, a certain Antonio Sagcal was added as member of the Board of Directors of the Imperial Bayfront Tower Condominium Association, Inc.

7 Id. at 31.

8 Id.

9 Id. at 32.

10 Id.

In a May 7, 1997 response, Building Administrator Erma Abella explained that the failure to annotate ownership of the parking spaces was due to BNL Management not submitting the necessary documents to the Association. It added that the maintenance issues were due to lack of funds as a result of BNL Management's nonpayment of association dues.[11]

On August 27, 1998, BNL Management requested that it be removed from the Association's list of delinquent members.[12]

On April 21, 1999, BNL Management sent a letter to the succeeding building administrator, Marissa E. Sevilla (Sevilla), reiterating its earlier complaints. It also requested the following documents: (1) an updated financial report; (2) the fire insurance coverage of the building; (3) the Association's articles of incorporation and by-laws; (4) an updated list of owners; and (5) documents showing turnover of the building to the Association. On May 4, 1999, Sevilla sent BNL Management the requested documents.[13]

On July 7, 1999, BNL Management received a letter from Sevilla containing a breakdown of its arrears in the payment of association dues from November 1996 to June 1999. It received a Second Notice of Billing on August 11, 1999, which informed it of its pending arrears worth ₱180,981.80, representing unpaid association dues from November 1996 to August 1999. The Second Notice also contained a warning that after a third notice had been sent, the Association would terminate utility services. On August 19, 1999, BNL Management received the Third Notice of Billing.[14]

Still, BNL Management did not pay the arrears. Thus, in an August 24, 1999 meeting, the Association's Board of Directors, composed of Reynaldo Uy, Rodiel Baloy, Atty. Lualhati Cruz, Alberto Wong, Teresita Pasia, and Roland Ingel, resolved to disconnect the lighting facilities in the six (6) units owned by BNL Management:

> RESOLVED, AS IT IS HEREBY RESOLVED, that the lighting facilities fronting units 501, 502, 503, 506, 507 and 508 be cut pursuant to par. 5 of the House Rules, Section V, Article V of the By-Laws and Section 1, Part II of the Master Deed of [the Association], for unpaid association dues amounting to P180,981.90 as of August 16, 1999 notice. The Building Administrator is hereby authorized to carry out this resolution.[15]

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11 Id. at 32–33.
12 Id. at 33.
13 Id.
14 Id. at 33–34.
15 Id. at 34.

BNL Management again wrote the Association on August 28, 1999, complaining that the lights in the hallway leading to its units had been turned off. Sevilla, in turn, informed BNL Management that the power outage had been sanctioned by the Board of Directors due to its nonpayment of association dues. On August 30, 1999, the Association sent a Notice informing BNL Management that should it fail to pay its dues, the water services would be disconnected from its units.[16]

Since the Association refused to restore its electricity and water, BNL Management and David filed before the Regional Trial Court a Complaint[17] against Uy, et al. for damages and specific performance with preliminary mandatory/prohibitory injunction.

In its August 18, 2005 Decision,[18] the Regional Trial Court dismissed the Complaint. It found that a homeowners' association depended on the dues paid by its members to deliver services such as building maintenance.[19] It held that Uy, et al. were justified in disconnecting BNL Management's power and water services under Paragraph 5 of the Association's House Rules and Regulations, which were based on its Master Deed and Declaration of Restrictions under Section 9 of the Condominium Act.[20] Paragraph 5 reads:

> Non-payment of Association Dues, deposits for utilities and capital expenditures and other special assessments promulgated by the association that may result to any disruption or interruption of the operation, administration, security, janitorial, utilities and other services for lack of operational funds and/or capital shall empower the association to limit or totally out (sic) the services and/or utilities to delinquent unit owner/tenant; and/or prevent the unit owner/tenants to their entry and avoid (*sic*) of the facilities of the common area, property, machinery and equipment of the corporation.[21]

BNL Management and David filed an Appeal, but it was denied by the Court of Appeals in its July 25, 2012 Decision.[22] In affirming the Regional Trial Court Decision, the Court of Appeals held that Uy, et al.'s act of cutting off BNL Management's electricity and water supply was legal.[23]

BNL Management and David argued that the House Rules and Regulations, on which the disconnection was based, were never ratified by the Association members. However, the Court of Appeals found that the Condominium Act requires that any declaration of restrictions must be

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16 Id. at 34–35.
17 Id. at 48–56.
18 Id. at 58–62.
19 Id. at 61.
20 Id. at 61–62.
21 Id. at 62.
22 Id. at 30–43.
23 Id. at 38.

registered prior to conveyance of the condominium, and that these restrictions shall constitute enforceable liens. The declaration of restrictions attached to the Master Deed of Imperial Bayfront referred to a set of rules to be implemented:

> Section 5. Building Rules. The use, occupancy and enjoyment of each unit, whether by the owner or purchaser thereof or his/her/its tenants or lessees, shall likewise be subject to such rules and regulations (hereinafter called "Building Rules") as the condominium corporation may promulgate from time to time which are deemed necessary or convenient for the efficient and mutually beneficial management and operation of the project.[24]

The Court of Appeals, citing *Limson v. Wack Wack Condominium*[25]—where this Court emphasized the importance of a declaration of restrictions in a Master Deed[26]—held that BNL Management bound itself to the House Rules and Regulations when it purchased the units. Thus, it could neither claim ignorance of these rules nor assert that it was never informed of the consequences of not paying dues, especially when it received two (2) notices stating that should it fail to pay, utility services would be interrupted.[27]

Likewise, the Court of Appeals found that BNL Management and David were not entitled to damages as they failed to prove bad faith or malice on Uy, et al.'s part. Upon review of the correspondence between the parties, it noted that the Association exerted all efforts to address BNL Management's complaints, repeatedly explaining that the lack of funds, which resulted from the latter's nonpayment, was why some of its concerns could not be addressed. Thus, Uy, et al. were constrained to implement the House Rules and Regulations.[28]

BNL Management and David moved for reconsideration, but the Motion was denied in the Court of Appeals December 4, 2013 Resolution.[29]

On December 23, 2013, BNL Management and David filed before this Court a Motion for Extension of Time to File Verified Petition for Review on Certiorari under Rule 45 of the Rules of Court,[30] praying for an additional 30 days within which to file their Petition.[31]

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24 Id. at 37.
25 658 Phil. 124 (2011) [Per J. Carpio Morales, Third Division].
26 *Rollo*, p. 38.
27 Id.
28 Id. at 41.
29 Id. at 45–46.
30 Id. at 3–6.
31 Id. at 4.

On January 24, 2014, BNL Management and David filed before this Court a Petition for Review on Certiorari,[32] assailing the July 25, 2012 Decision and December 4, 2013 Resolution of the Court of Appeals.

Petitioners claim that the Court of Appeals should have applied *Fedman Development Corporation v. Agcaoili*,[33] where this Court sanctioned a unit owner's nonpayment of monthly amortizations and condominium dues when the condominium corporation failed to comply with its obligations to provide working air-conditioning for his unit. They argue that, applying *Fedman Development Corporation*, a condominium corporation cannot impose assessed dues in arrears when it fails to run the condominium corporation properly.[34]

Relying on *Twin Towers Condominium Corporation v. Court of Appeals*,[35] petitioners claim that they are "justified in refusing to pay assessment dues unless and until [the Association] complies with its obligations to [unit] owners under the principle of reciprocal obligation."[36] They argue that the Association's right to demand payment of assessments and dues entails a correlative obligation to address petitioners' complaints.

Moreover, petitioners claim that they had not defaulted on assessments and dues before they sent the first letter to the Association. They point out that they even offered to put the assessed dues in escrow, withdrawable by the Association once it complied with their demands.[37]

Petitioners likewise assail the validity of the House Rules and Regulations, claiming that they: (1) were not authenticated; (2) bear no date; (3) offered no source; (4) had no signatures; and (5) did not state that they were ratified by the Association's members. Aside from this, they claim that there was no formally organized association. Neither were there duly ratified by-laws and master plan, nor a duly elected Board of Directors.[38]

Petitioners further claim that the computation of the amount of the supposed arrears is inaccurate.[39] Thus, they argue that they are entitled to actual, moral, and exemplary damages.

Petitioners argue that respondents showed bad faith in deliberately cutting off the utility services from the units despite knowing that they were

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32 Id. at 8–28.
33 672 Phil. 20 (2011) [Per J. Bersamin, First Division].
34 *Rollo*, pp. 17–18.
35 446 Phil. 280 (2003) [Per J. Carpio, First Division].
36 *Rollo*, p. 19.
37 Id. at 19–21.
38 Id. at 21.
39 Id. at 17.

not the validly-elected officers of the Association. Because of this, five (5) units remained vacant until July 2000 after the tenants left after a month or so, depriving petitioners of rental income.[40]

While conceding that they will no longer quantify the actual damages sustained, petitioners assert that they are still entitled to moral damages, as respondents were the proximate cause of the wrongful acts committed with bad faith or with ill-motive. They claim that petitioner David was entitled to ₱300,000.00 for being wrongfully accused of owing association dues, in consideration of his "official, political, social[,] and financial standing[.]"[41]

Meanwhile, petitioner BNL Management is entitled to ₱1,000,000.00 in exemplary damages for the financial losses and loss of reputation it sustained as a result of respondents' acts.[42]

Petitioners pray that they be awarded: (1) ₱100,000.00 in attorney's fees; (2) ₱3,000.00 for every court appearance; and (3) the costs of suit.[43]

On January 30, 2014, respondents filed a Comment/Opposition[44] to the Petition for Review.

Respondents point out that the issues raised by petitioners are not questions of law, but of fact, namely: (1) the validity of the House Rules and Regulations; (2) the amount of the alleged arrears; (3) the resolution of the complaints allegedly made by petitioners concerning the management of Imperial Bayfront; and (4) their entitlement to awards of damages.[45]

Further, respondents argue that *Fedman Development Corporation* is inapplicable, pointing out that the portion of the Decision in that case, as cited by petitioners, was mere *obiter*.[46]

Finally, respondents claim that they were merely elected officers of the Association who cannot be held liable for damages without actual proof of participation and bad faith in the acts complained of. Thus, the Petition must be denied.[47]

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40 Id. at 22.
41 Id. at 22–23.
42 Id. at 24.
43 Id.
44 Id. at 93–100.
45 Id. at 93–95.
46 Id. at 95.
47 Id. at 96–97.

In its April 23, 2014 Resolution,[48] this Court granted the Motion for Extension, noted the Petition for Review and the Comment/Opposition, and required petitioners to reply to the Comment/Opposition.

On July 14, 2014, petitioners filed their Reply,[49] which this Court noted in its July 23, 2014 Resolution.[50]

In their Reply, petitioners argue that their Petition raises pure questions of law, and did not require this Court to re-examine the probative value of the evidence already presented during trial. Instead, this Court is only "asked to apply sound legal principles and jurisprudence"[51] on the reciprocal obligations of unit owners and condominium corporations.[52] Petitioners claim that even if they posed questions of fact, this Court may still review them since the Court of Appeals based its judgment on a misapprehension of facts. Moreover, they reiterate their claim that they are entitled to moral and exemplary damages.[53]

Petitioners further argue that respondents should be held liable for "individually and collectively act[ing] in bad faith"[54] in cutting off utility services from petitioners' units. They claim that respondents failed to present any "signed, validly approved[,] and ratified document"[55] that authorized the disconnection.[56]

The main issue for resolution is whether or not petitioners BNL Management Corporation and its president, Romeo David, are entitled to damages for the disconnection of water and electricity utilities from the units they own at Imperial Bayfront.

The Petition is denied.

Petitioners defend their nonpayment of association dues based on the Association's noncompliance with its correlative obligation to address their complaints concerning Imperial Bayfront's management and maintenance. They claim that they are entitled to withhold payment until and unless their demands are met by the Association.[57]

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48 Id. at 101.
49 Id. at 110–122.
50 Id. at 123–124.
51 Id. at 111–112.
52 Id. at 110–112.
53 Id. at 112–113.
54 Id. at 116.
55 Id. at 118.
56 Id. at 116–119.
57 Id. at 19.

Moreover, petitioners allege that they are not bound by the House Rules and Regulations, claiming that they are invalid and, thus, cannot be the basis for the disconnection of utility services from their units.[58]

Both these defenses must fail.

First, as to the party first at fault, the common finding of the Regional Trial Court[59] and the Court of Appeals[60] is that it was petitioners who failed to comply with their obligation to timely pay association dues.

As the Regional Trial Court found:

> Indeed, a homeowner association depends on the dues paid by its members for its operation and delivery of services to its members. It is therefore incumbent upon it to devise ways and means on how to collect the association dues from its members.
>
> In the instant case, defendants are justified in cutting off plaintiffs' water and electric services pursuant to paragraph 5 of the House Rules and Regulations of the IBTCA which provides:
>
> > "Non-payment of Association Dues, deposits for utilities and capital expenditures and other special assessments promulgated by the association that may result to any disruption or interruption of the operation, administration, security, janitorial, utilities and other services for lack of operational funds and/or capital shall empower the association to limit or totally out (sic) the services and/or utilities to delinquent unit owner/tenant; and/or prevent the unit owner/tenants to their entry and avoid (*sic*) of the facilities of the common area, property, machinery and equipment of the corporation."
>
> The said House Rules was (*sic*) in accordance with the Master Deed and Declaration of Restriction[s] of IBTCA as required by Sec. 9 of RA 4726[.]
>
> It must be noted that the cutting off of the utility services in plaintiffs' units was the last option that the association has to compel plaintiff to pay its dues. It is rather unfair and ran (*sic*) counter to the idea of fair play for plaintiff to demand enjoyment of the services without paying what is required of him, (*sic*) thereby unjustly enriching itself at the expense of another.[61]

The Court of Appeals, for its part, held:

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58 Id. at 21.
59 Id. at 61.
60 Id. at 40–41.
61 Id. at 61–62.

> In the instant case, BNL failed to overcome the presumption of good faith. From the communication between BNL and IBTCA, it is evident that IBTCA exerted all efforts to address BNL's complaints which it cites as the reason for its deliberate non-payment of dues. IBTCA repeatedly explained that there was a lack of funds to resolve the problems pointed out by BNL. The issue of lack of sufficient funds would have been settled if BNL had at least partially paid its outstanding balance of PhP 180,981.90 sometime during the three-year grace period given by IBTCA. There was no lack of effort or explanation on the part of IBTCA to address BNL's concerns. In fact, it even gave BNL several notices of billing with a warning of the consequences of its failure to settle its pending obligation, all of which were ignored by BNL. Thus, there can be no bad faith attributed to defendants-appellees as they were constrained to implement the House Rules and Regulations, as mandated by the declaration of restrictions attached to the Master Deed.[62]

This Court can no longer review this finding, being a question of fact. Questions of fact are not reviewable in a petition for review on certiorari under Rule 45 of the Rules of Court, as they dwell on the truth or falsity of facts. Hence, this Court would have to evaluate the evidence presented.[63] In contrast, questions of law are those which occur when there is "doubt or difference . . . on what the law is on a certain state of facts."[64]

Here, the conclusion of the Regional Trial Court and the Court of Appeals that petitioners were first in fault was based on evidence presented by the parties, and for this Court to review their conclusions would require weighing the probative value of the parties' evidence.

Petitioners fail to present a compelling reason for this Court to review these factual findings. They have not shown how the lower courts failed to appreciate the evidence they presented, or that their findings are wholly lacking in basis in the record, or that they have committed a misapprehension of facts.

Consequently, *Fedman Development Corporation*[65] is inapplicable. There, the Regional Trial Court, the Court of Appeals, and this Court all found that respondent Federico Agcaoili adequately proved that he was justified in not paying his monthly amortizations due to the fault of petitioner Fedman Development Corporation. Here, however, no such similar findings have been made by the lower courts.

Second, petitioners are bound by the House Rules and Regulations issued by the Association.

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62 Id. at 40–41.

63 *Aala v. Mayor Uy*, 803 Phil. 36 (2017) [Per J. Leonen, En Banc].

64 *Westmont Investment Corporation v. Francia, Jr.*, 678 Phil. 180, 191 (2011) [Per J. Mendoza, Third Division].

65 672 Phil. 20 (2011) [Per J. Bersamin, First Division].

The creation and incidents of the Imperial Bayfront are governed by the Condominium Act. Under Section 9, the owner of the condominium shall register a declaration of restrictions to be annotated to the certificate of title of land included within the project. The declaration of restrictions provides for, among others, the management of the project:

> SECTION 9. The owner of a project shall, prior to the conveyance of any condominium therein, register a declaration of restrictions relating to such project, which restrictions shall constitute a lien upon each condominium in the project, and shall insure to and bind all condominium owners in the project. Such liens, unless otherwise provided, may be enforced by any condominium owner in the project or by the management body of such project. The Register of Deeds shall enter and annotate the declaration of restrictions upon the certificate of title covering the land included within the project, if the land is patented or registered under the Land Registration or Cadastral Acts.
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> The declaration of restrictions shall provide for the management of the project by anyone of the following management bodies: a condominium corporation, an association of the condominium owners, a board of governors elected by condominium owners, or a management agent elected by the owners or by the board named in the declaration. It shall also provide for voting majorities quorums, notices, meeting date, and other rules governing such body or bodies.
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> Such declaration of restrictions, among other things, may also provide:
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> (a) As to any such management body;
>
> (1) For the powers thereof, including power to enforce the provisions of the declarations of restrictions;
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> (2) For maintenance of insurance policies, insuring condominium owners against loss by fire, casualty, liability, workmen's compensation and other insurable risks, and for bonding of the members of any management body;
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> (3) Provisions for maintenance, utility, gardening and other services benefiting the common areas, for the employment of personnel necessary for the operation of the building, and legal, accounting and other professional and technical services;
>
> (4) For purchase of materials, supplies and the like needed by the common areas;
>
> (5) For payment of taxes and special assessments which would be a lien upon the entire project or common areas, and for discharge of any lien or encumbrance levied against the entire project or the common areas;

(6) For reconstruction of any portion or portions of any damage to or destruction of the project;

(7) The manner for delegation of its powers;

(8) For entry by its officers and agents into any unit when necessary in connection with the maintenance or construction for which such body is responsible;

(9) For a power of attorney to the management body to sell the entire project for the benefit of all of the owners thereof when partition of the project may be authorized under Section 8 of this Act, which said power shall be binding upon all of the condominium owners regardless of whether they assume the obligations of the restrictions or not.

(b) The manner and procedure for amending such restrictions: Provided, That the vote of not less than a majority in interest of the owners is obtained.

(c) For independent audit of the accounts of the management body;

(d) For reasonable assessments to meet authorized expenditures, each condominium unit to be assessed separately for its share of such expenses in proportion (unless otherwise provided) to its owners fractional interest in any common areas;

(e) For the subordination of the liens securing such assessments to other liens either generally or specifically described;

(f) For conditions, other than those provided for in Sections eight and thirteen of this Act, upon which partition of the project and dissolution of the condominium corporation may be made. Such right to partition or dissolution may be conditioned upon failure of the condominium owners to rebuild within a certain period or upon specified inadequacy of insurance proceeds, or upon specified percentage of damage to the building, or upon a decision of an arbitrator, or upon any other reasonable condition.

These restrictions are imposed for the "common interest and safety of the occupants"[66] of the condominium. In *Limson v. Wack Wack Condominium Corporation*:[67]

> In a multi-occupancy dwelling such as Apartments, limitations are imposed under R.A. 4726 in accordance with the common interest and safety of the occupants therein which at times may curtail the exercise of ownership. To maintain safe, harmonious and secured living conditions, certain stipulations are embodied in the duly registered deed of

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66 *Limson v. Wack Wack Condominium Corporation*, 658 Phil. 124, 133 (2011) [Per J. Carpio Morales, Third Division].

67 658 Phil. 124 (2011) [Per J. Carpio Morales, Third Division].

> restrictions, in this case the Master Deed, and in house rules which the condominium corporation, like respondent, is mandated to implement. Upon acquisition of a unit, the owner not only affixes his conformity to the sale; he also binds himself to a contract with other unit owners.[68] (Citations omitted)

The declaration of restrictions is enforceable by the management body of the condominium.[69] In *Twin Towers Condominium Corporation v. Court of Appeals*:[70]

> To reiterate, the Condominium Act expressly provides that the Master Deed may empower the management body of the Condominium "to enforce the provisions of the declaration of restrictions." The Master Deed authorizes petitioner, as the management body, to enforce the provisions of the Master Deed in accordance with petitioner's By-Laws. Thus, petitioner's Board of Directors is authorized to determine the reasonableness of the penalties and interests to be imposed against those who violate the Master Deed. Petitioner has validly done this by adopting the House Rules.
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> The Master Deed binds ALS since the Master Deed is annotated on the condominium certificate of title of ALS' Unit. The Master Deed is ALS' contract with all Condominium members who are all co-owners of the common areas and facilities of the Condominium. Contracts have the force of law between the parties and are to be complied with in good faith. From the moment the contract is perfected, the parties are bound to comply with what is expressly stipulated as well as with what is required by the nature of the obligation in keeping with good faith, usage and the law. Thus, when ALS purchased its Unit from petitioner, ALS was bound by the terms and conditions set forth in the contract, including the stipulations in the House Rules of petitioner, such as House Rule 26.2.[71] (Citations omitted)

Here, when petitioners bought the condominium units from Imperial Bayfront, they were bound by the terms and conditions of the declaration of restrictions attached to the Master Deed. As the Court of Appeals found, the Master Deed expressly allows its condominium association to subject its owners, purchasers, tenants, and lessees to rules and regulations for "the efficient and mutually beneficial management and operation of the project."[72] These were the House Rules and Regulations, which vested in the Association the power to interrupt utility services in case of nonpayment of association dues.

As the Court of Appeals held, petitioners cannot feign ignorance and insist that these rules cannot apply to them. Neither can they justify their

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68 Id. at 133.
69 Rep. Act No. 4726 (1966), sec. 9(a)(1).
70 446 Phil. 280 (2003) [Per J. Carpio, First Division].
71 Id. at 312–313.
72 *Rollo*, p. 37.

nonpayment of dues with mere allegations that the House Rules and Regulations are invalid and that the Association's Board of Directors was not duly elected. Petitioners' action for damages is not the proper forum to determine the legitimacy of the Association's Board of Directors and whether its acts are *ultra vires*.[73]

Finally, petitioners are not entitled to the damages they prayed for.

Moral damages are awarded in circumstances enumerated under Article 2217 of the Civil Code:

> ARTICLE 2217. Moral damages include physical suffering, mental anguish, fright, serious anxiety, besmirched reputation, wounded feelings, moral shock, social humiliation, and similar injury. Though incapable of pecuniary computation, moral damages may be recovered if they are the proximate result of the defendant's wrongful act or omission.

For moral damages to be awarded, the following requisites must be present:

> Such damages, to be recoverable, must be the proximate result of a wrongful act or omission the factual basis for which is satisfactorily established by the aggrieved party. An award of moral damages would require certain conditions to be met; to wit: (1) *First*, (*sic*) there must be an injury, whether physical, mental or psychological, clearly sustained by the claimant; (2) *second*, (*sic*) there must be a culpable act or omission factually established; (3) *third*, (*sic*) the wrongful act or omission of the defendant is the proximate cause of the injury sustained by the claimant; and (4) *fourth*, (*sic*) the award of damages is predicated on any of the cases stated in Article 2219.[74] (Emphasis in the original, citations omitted)

Here, respondents were not found to have committed any culpable act or omission that would warrant an award of moral damages for petitioner David. Clearly, the injury he allegedly sustained was caused by his own failure, as president of petitioner BNL Management, to resolve the corporation's nonpayment of dues.

For its part, petitioner BNL Management, being a corporation, is not entitled to moral damages. In *Noell Whessoe, Inc. v. Independent Testing Consultants, Inc.*:[75]

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[73] *See Twin Towers Condominium Corporation v. Court of Appeals*, 446 Phil. 280 (2003) [Per J. Carpio, First Division].

[74] *Expertravel & Tours, Inc. v. Court of Appeals*, 368 Phil. 444, 448–449 (1999) [Per J. Vitug, Third Division].

[75] G.R. No. 199851, November 7, 2018 [Per J. Leonen, Third Division].

> A corporation is not a natural person. It is a creation of legal fiction and "has no feelings[,] no emotions, no senses[.]" A corporation is incapable of fright, anxiety, shock, humiliation, and physical or mental suffering. "Mental suffering can be experienced only by one having a nervous system and it flows from real ills, sorrows, and griefs of life[.]" A corporation, not having a nervous system or a human body, does not experience physical suffering, mental anguish, embarrassment, or wounded feelings. Thus, a corporation cannot be awarded moral damages.
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> In the 1968 case of *Mambulao Lumber v. Philippine National Bank*, this Court stated, in passing, "[a] corporation may have a good reputation which, if besmirched, may also be a ground for the award of moral damages."
>
> This same statement has appeared in *People v. Manero*. *Mambulao Lumber* and *Manero*, however, were not meant to be used as basis to carve an exception to the rule. There is still no definitive pronouncement by this Court of any existing exceptions to the rule. In *ABS-CBN Broadcasting Corporation v. Court of Appeals*, this Court even clarified that the statement in Mambulao Lumber and Manero was mere *obiter dictum*.
>
> There is no standing doctrine that corporations are, as a matter of right, entitled to moral damages. The existing rule is that moral damages are not awarded to a corporation since it is incapable of feelings or mental anguish. Exceptions, if any, only apply *pro hac vice*.[76] (Emphasis in the original, citations omitted)

There is no showing here that an exception should apply *pro hac vice* in favor of petitioner BNL Management.

Moreover, as the Court of Appeals aptly pointed out,[77] exemplary damages may only be awarded if a party proves entitlement to temperate, liquidated, actual,[78] or moral damages.[79] Petitioners have already admitted that they will not quantify the actual damages they sustained.[80] They have also neither sought for nor been granted temperate or liquidated damages.

Accordingly, petitioner BNL Management cannot be awarded exemplary damages.

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76 Id.

77 *Rollo*, p. 42.

78 CIVIL CODE, art. 2234 states:

> ARTICLE 2234. While the amount of the exemplary damages need not be proved, the plaintiff must show that he is entitled to moral, temperate or compensatory damages before the court may consider the question of whether or not exemplary damages should be awarded. In case liquidated damages have been agreed upon, although no proof of loss is necessary in order that such liquidated damages may be recovered, nevertheless, before the court may consider the question of granting exemplary in addition to the liquidated damages, the plaintiff must show that he would be entitled to moral, temperate or compensatory damages were it not for the stipulation for liquidated damages.

79 *See Mahinay v. Velasquez, Jr.*, 464 Phil. 146 (2004) [Per J. Corona, Third Division]; *Francisco v. Co*, 516 Phil. 588 (2006) [Per J. Tinga, Third Division]; and *Delos Santos v. Papa*, 605 Phil. 460 (2009) [Per J. Brion, Second Division].

80 *Rollo*, p. 22.

WHEREFORE, the Petition for Review on Certiorari is **DENIED.** The July 25, 2012 Decision and December 4, 2013 Resolution of the Court of Appeals in CA-G.R. CV No. 90493 are **AFFIRMED**.

SO ORDERED.

MARVIC M.V.F. LEONEN
Associate Justice

WE CONCUR:

DIOSDADO M. PERALTA
Associate Justice
Chairperson

ANDRES B. REYES, JR.
Associate Justice

RAMON PAUL L. HERNANDO
Associate Justice

ROSMARI D. CARANDANG
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

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.

LUCAS P. BERSAMIN
Chief Justice