



Republic of the Philippines
Supreme Court
 Manila

SUPREME COURT OF THE PHILIPPINES
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THIRD DIVISION

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NOTICE

Sirs/Mesdames:

Please take notice that the Court, Third Division, issued a Resolution dated November 13, 2019, which reads as follows:

“G.R. No. 244590 (*Valenzuela Teresa Homeowners Association Inc. [VALTEHA]*) represented herein by its Vice-President, *Laura R. Hernandez v. Celso Umali, represented by Miraflor Umali, and all other persons claiming rights under her*). – The Court:

- (1) **GRANTS** respondent first and second motions for extension totaling twelve (12) days from September 2, 2019 within which to file comment on the petition for review on *certiorari*; and
- (2) **NOTES:**
 - (a) the transmittal letter dated August 9, 2019 of the Court of Appeals (CA), Manila, elevating to this Court the CA *rollo* and original records of this case; and
 - (b) said comment dated September 16, 2019.

This is a Petition for Review on *Certiorari*¹ of the Decision² dated September 20, 2018 and the Resolution³ dated February 6, 2019 of the Court of Appeals (CA) in CA-G.R. SP No. 156168.

Antecedents

Petitioner Valenzuela Teresa Homeowners Association, Inc.

¹ *Rollo*, pp. 8-26.

² Penned by Associate Justice Ramon R. Garcia, with Associate Justices Eduardo B. Peralta, Jr. and Geraldine C. Fiel-Macaraig, concurring; id. at 31-44.

³ Id. at 46-47.

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(VALTEHA) is the registered owner of a parcel of land measuring 1,202.04 square meters situated in Sta. Mesa, Manila and covered by Transfer Certificate of Title (TCT) No. 278096.⁴ A portion of this property is a road lot named V. Francisco Street.⁵ Celso Umali (Celso), now deceased, was a member of VALTEHA. Celso and his wife, Miraflor Umali (Miraflor; collectively, respondents), are the registered owners of a 48.20-square meter parcel of land adjacent to V. Francisco Street.

In 2007, VALTEHA discovered that the concrete structure built by respondents on their property encroached a 17.53-square meter portion of lot V. Francisco Street. Upon learning about the encroachment, VALTEHA immediately made its objection known to respondents.⁶ Nonetheless, respondents continued to occupy the disputed area and even initially rented out the structure for ₱25,000.00. Thereafter, respondents used the structure for their water refilling business. Several verbal and written demands to vacate and to remove the structure on the encroached area were made upon respondents but to no avail.

Thus, VALTEHA filed with the Regional Trial Court (RTC) of Manila a complaint for *accion publiciana* against respondents for the recovery of the subject portion. In a Decision⁷ dated July 1, 2014, the RTC of Manila, Branch 28 ruled in favor of VALTEHA and ordered respondents to vacate the disputed area.

However, on appeal, the CA in its Decision⁸ dated March 16, 2016, reversed and set aside the decision of the RTC and referred the parties to VALTEHA's Grievance and Adjudication Committee (Committee) pursuant to Section 2(a), Article VII and Section 4, Article X of its Amended By-Laws, which states:

Sec. 4. In case were (*sic*) the Community Association/ Cooperative cannot resolve, through its internal machineries, the issues relative to but not limited to relocation or lot allocation within the site; allocation of lot areas and/ or loan shares; sharing in expenses relating to the acquisition, subdivision, titling of the lands/lots; and annotations of mortgages; the members agree to submit and abide by the decision of the Adjudication Committee duly created by NHMFC for the purpose.⁹

⁴ Id. at 60-63.

⁵ Id. at 65-66.

⁶ Id. at 70-71.

⁷ Penned by Presiding Judge Jean Marie A. Bacorro-Villena; id. at 72-78.

⁸ Penned by Associate Justice Ma. Luisa C. Quijano-Padilla, with Associate Justices Normandie B. Pizarro and Samuel H. Gaerlan, concurring; id. at 79-88.

⁹ Id. at 84.

It was explained that since there is no legal impediment as to the application of the provisions on arbitration under VALTEHA's by-laws, the case for *accion publiciana* filed by VALTEHA was in violation thereof.¹⁰

In compliance with the decision of the CA, VALTEHA filed its complaint with the Committee. In its Decision¹¹ dated June 28, 2016, the Committee ruled in favor of VALTEHA and ordered respondents to remove their water refilling station on the disputed area. On appeal,¹² the Board of Directors of VALTEHA affirmed the decision of the Committee.¹³ Respondents' Motion for Reconsideration was denied.¹⁴

On May 15, 2017, VALTEHA instituted a similar complaint for *accion publiciana*¹⁵ against respondents over the same disputed area with an assessed value of ₱19,633.53 in the Metropolitan Trial Court (MeTC) of Manila.

In an Order dated May 25, 2017, the MeTC dismissed the complaint on the ground that it is barred by prior judgment. According to the MeTC, the decision rendered by the Committee had already resolved the issue in the present complaint. VALTEHA should have instead filed an action to confirm and enforce the decision of the Committee.¹⁶

In a Decision¹⁷ dated December 29, 2017, the RTC of Manila, Branch 42 dismissed the petition and upheld the dismissal of the complaint. It explained that the decision of the Committee, as an arbitral body, operated as a bar to the case for *accion publiciana* because such ruling had the effect and authority of *res judicata*.¹⁸ The issue of whether respondents lawfully occupied and built structures on the disputed area had already been passed upon by the Committee in favor of VALTEHA.¹⁹ VALTEHA's Motion for Reconsideration was denied in an Order dated April 20, 2018.²⁰

In the assailed Decision²¹ dated September 20, 2018, the CA denied the appeal of VALTEHA and affirmed the decision of the RTC of Manila, Branch 42. The CA found that the element of identity of parties, subject matter and causes of action is present. The previous action, like the present suit, involved VALTEHA, as plaintiff and respondents, as defendants. The two actions

¹⁰ Id. at 85.

¹¹ Penned by Chairman Arsenio Payumo, with Members Eufrocino Manabat and Froilan Matutina, concurring; id. at 94-96.

¹² Id. at 96.

¹³ Id. at 126-130.

¹⁴ Id. at 108A-109.

¹⁵ Id. at 52-58.

¹⁶ Id. at 34.

¹⁷ Penned by Presiding Judge Dinnah C. Aguila-Topacio; id. at 131-138.

¹⁸ Id. at 136.

¹⁹ Id. at 137.

²⁰ Id. at 37.

²¹ Supra note 2.

involve the same subject matter, which is the encroachment allegedly committed by respondents on VALTEHA's property. The factual issue of whether respondents unlawfully occupied a portion of VALTEHA's lot and the legal issue of whether respondents have the right to use and occupy the disputed property are the issues raised in both actions.²² The CA also held that the decision rendered by the Committee is a decision on the merits as the Committee made a categorical determination of the rights and liabilities of the parties by proclaiming that respondents unlawfully occupied the disputed area and that they should vacate the same and dismantle the structure they built. The parties were given an opportunity to express and defend their respective claims.²³

The CA ruled that, since neither of the parties filed with the court a petition to vacate or correct the decision within 30 days from receipt of the arbitral award pursuant to Rule 11 of the Special Rules of Court on Alternative Dispute Resolution in relation to Section 24 of Republic Act. No. (R.A.) 876, the arbitral award of VALTEHA's Board of Directors dismissing the appeal filed by respondents is considered final.²⁴ The CA clarified that while the decision of the Committee cannot be considered as one rendered by a court of justice, this should not bar the application of the principle of *res judicata*. By its very nature, arbitration is an alternative dispute resolution system used to resolve a controversy other than by adjudication of a presiding judge of a court or an officer of a government agency.²⁵ Furthermore, Articles 2037 and 2043 of the New Civil Code expressly provide that arbitration has the effect and authority of *res judicata* between the parties.²⁶

VALTEHA filed a Motion for Reconsideration,²⁷ which was denied by the CA in a Resolution²⁸ dated February 6, 2019.

In the present petition, VALTEHA argues that the MeTC has exclusive and original jurisdiction to try the complaint for *accion publiciana*.²⁹ VALTEHA further posits that the referral to the Committee is merely for the purpose of exhausting administrative remedies before a case is filed in court, thus making VALTEHA's complaint for *accion publiciana* not barred by the prior judgment of VALTEHA's Grievance and Adjudication Committee.³⁰ VALTEHA maintains that the decision of the Committee cannot be likened to the award of an arbitral tribunal created pursuant to R.A. 876 and R.A. 9285 because the members/ arbitrators of the Committee were not mutually chosen

²² Id. at 39-40.

²³ Id. at 40.

²⁴ Id. at 40-41.

²⁵ Id. at 41.

²⁶ Id. at 39, 41.

²⁷ Id. at 157-163.

²⁸ Supra note 3.

²⁹ Id. at 16-17.

³⁰ Id. at 17-20.

by the parties.³¹ It was rendered not by a court having jurisdiction over the subject matter and the Committee's decision is not a judgment on the merits because respondents' defense was not taken into consideration by the Committee. Finally, VALTEHA insists that subject complaint is the only remedy it has in order to enforce its rights over the disputed area against respondents.³²

The Court's Ruling

After a judicious study of the case, We resolve to remand the case to the RTC of Manila, Branch 42, subject to compliance with the requirements under the Special Rules of Court on Alternative Dispute Resolution (SADR). The RTC is directed to resolve the case on the merits.

Alternative dispute resolution is not merely a pre-condition for filing a complaint in court but is also a recognized means of ending litigation through "any process or procedure used to resolve a dispute or controversy, other than by adjudication of a presiding judge of a court or an officer of a government agency"³³ A critical feature of arbitration as an alternative mode of dispute resolution is party autonomy or "the freedom of the parties to make their own arrangements in the resolution of disputes with the greatest cooperation of and the least intervention from the courts."³⁴

The parties who have agreed to settle their dispute through arbitration must accept the consequences of the arbitral proceeding. As a policy, the court must not interfere in the merits of an arbitral award and, in the process, bail out parties who are not satisfied with the outcome of the proceedings, or offer them a second chance to plead the merits of their respective cases. The court has a limited role in arbitral proceedings and the grounds for judicial intervention are narrowly circumscribed in the SADR and the Alternative Dispute Resolution Act of 2004.

By being a member of VALTEHA, Celso impliedly consented to the arbitration clause contained in the by-laws of the Association. As correctly observed by the MeTC, VALTEHA should have filed a petition to confirm and enforce the decision of the Committee.³⁵ The pertinent provisions of Rule 11 of

³¹ Id. at 20-22.

³² Id. at 22-24.

³³ R.A. 9285, otherwise known as the "Alternative Dispute Resolution Act of 2004," Sec. 3(a).

³⁴ A.M. No. 07-11-08-SC, Rule 2.1. *General policies.* – It is the policy of the State to actively promote the use of various modes of ADR and to respect party autonomy or the freedom of the parties to make their own arrangements in the resolution of disputes with the greatest cooperation of and the least intervention from the courts. To this end, the objectives of the Special ADR Rules are to encourage and promote the use of ADR, particularly arbitration and mediation, as an important means to achieve speedy and efficient resolution of disputes, impartial justice, curb a litigious culture and to de-clog court dockets.

The court shall exercise the power of judicial review as provided by these Special ADR Rules. Courts shall intervene only in the cases allowed by law or these Special ADR Rules.

³⁵ *Rollo*, p. 42.

the SADR³⁶ state:

RULE 11: CONFIRMATION, CORRECTION OR VACATION OF AWARD IN DOMESTIC ARBITRATION

Rule 11.1. *Who may request confirmation, correction or vacation.* – Any party to a domestic arbitration may petition the court to confirm, correct or vacate a domestic arbitral award.

Rule 11.2. *When to request confirmation, correction/modification or vacation.* –

(A) Confirmation. - **At any time after the lapse of thirty (30) days from receipt by the petitioner of the arbitral award,** he may petition the court to confirm that award.

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Rule 11.3. *Venue.* – The petition for confirmation, correction/modification or vacation of a domestic arbitral award may be filed with Regional Trial Court having jurisdiction over the place in which one of the parties is doing business, where any of the parties reside or where arbitration proceedings were conducted. (Emphasis ours)³⁷

While it was an error for the petitioner to file an *accion publiciana* in the MeTC, the intention of petitioner in filing the petition is clear. Petitioner intends to enforce the arbitral award granted in its favor by the Committee and gain possession over the subject property.

In the interest of expediency and in keeping with the policy of the State to promote speedy and impartial justice and declog court dockets,³⁸ the complaint for recovery of possession filed by VALTEHA with the intention of enforcing the arbitral award issued in its favor shall be considered a Petition for Confirmation of Domestic Arbitral Award pursuant to Rule 11 of the SADR and Section 40 of R.A. 9285.³⁹ Accordingly, the case is remanded to the RTC of Manila, Branch 42 subject to compliance with the requirements under the SADR.

³⁶ A.M. No. 07-11-08-SC.

³⁷ Id.

³⁸ R.A. 9285, Sec. 2.

³⁹ R.A. 9285, Section 40 states:

Sec. 40. *Confirmation of Award.* – The confirmation of a domestic arbitral award shall be governed by Section 23 of R.A. 876.

A domestic arbitral award when confirmed shall be enforced in the same manner as final and executory decisions of the Regional Trial Court.

The confirmation of a domestic award shall be made by the Regional Trial Court in accordance with the Rules of Procedure to be promulgated by the Supreme Court.

WHEREFORE, the case is hereby **REMANDED** to the Regional Trial Court of Manila. Branch 42 and to be considered as one for confirmation/enforcement of arbitral award.

SO ORDERED." (Leonen, J., on official business; Gesmundo, J., designated as Acting Chairperson of the Third Division per Special Order No. 2737; Lazaro-Javier, J., designated as Additional Member of the Third Division per Special Order No. 2728, on official leave.)

Very truly yours,

Mis PDC Batt
MISAELO DOMINGO C. BATTUNG III
Deputy Division Clerk of Court

for 11/13/19

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The Presiding Judge
REGIONAL TRIAL COURT
Branch 42, Manila
(Case No. R-MNL-17-00402-SC)

The Presiding Judge
METROPOLITAN TRIAL COURT OF MANILA
Branch 6, Manila
(Civil Case No. 191667)

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