

## SECOND DIVISION

[ G.R. No. 171298, April 15, 2013 ]

**SPOUSES OSCAR AND THELMA CACAYORIN, PETITIONERS, VS.  
ARMED FORCES AND POLICE MUTUAL BENEFIT ASSOCIATION,  
INC., RESPONDENT.**

### D E C I S I O N

**DEL CASTILLO, J.:**

Consignation is necessarily judicial. Article 1258 of the Civil Code specifically provides that consignation shall be made by depositing the thing or things due at the disposal of *judicial* authority. The said provision clearly precludes consignation in venues other than the courts.

Assailed in this Petition for Review on *Certiorari*<sup>[1]</sup> are the September 29, 2005 Decision<sup>[2]</sup> of the Court of Appeals (CA) which granted the Petition for *Certiorari* in CA-G.R. SP No. 84446 and its January 12, 2006 Resolution<sup>[3]</sup> denying petitioners' Motion for Reconsideration.<sup>[4]</sup>

***Factual Antecedents***

Petitioner Oscar Cacayorin (Oscar) is a member of respondent Armed Forces and Police Mutual Benefit Association, Inc. (AFPMBAI), a mutual benefit association duly organized and existing under Philippine laws and engaged in the business of developing low-cost housing projects for personnel of the Armed Forces of the Philippines, Philippine National Police, Bureau of Fire Protection, Bureau of Jail Management and Penology, and Philippine Coast Guard. He filed an application with AFPMBAI to purchase a piece of property which the latter owned, specifically Lot 5, Block 8, Phase I, Kalikasan Mutual Homes, San Pedro, Puerto Princesa City (the property), through a loan facility.

On July 4, 1994, Oscar and his wife and co-petitioner herein, Thelma, on one hand, and the Rural Bank of San Teodoro (the Rural Bank) on the other, executed a Loan and Mortgage Agreement<sup>[5]</sup> with the former as borrowers and the Rural Bank as lender, under the auspices of Pag-IBIG or Home Development Mutual Fund's Home Financing Program.

The Rural Bank issued an August 22, 1994 letter of guaranty<sup>[6]</sup> informing AFPMBAI that the proceeds of petitioners' approved loan in the amount of P77,418.00 shall be released to AFPMBAI after title to the property is transferred in petitioners' name and after the registration and annotation of the parties' mortgage agreement.

On the basis of the Rural Bank's letter of guaranty, AFPMBAI executed in petitioners' favor a Deed of Absolute Sale,<sup>[7]</sup> and a new title – Transfer Certificate of Title No.

37017<sup>[8]</sup> (TCT No. 37017) – was issued in their name, with the corresponding annotation of their mortgage agreement with the Rural Bank, under Entry No. 3364.<sup>[9]</sup>

Unfortunately, the Pag-IBIG loan facility did not push through and the Rural Bank closed and was placed under receivership by the Philippine Deposit Insurance Corporation (PDIC). Meanwhile, AFPMBAI somehow was able to take possession of petitioners' loan documents and TCT No. 37017, while petitioners were unable to pay the loan/consideration for the property.

AFPMBAI made oral and written demands for petitioners to pay the loan/consideration for the property.<sup>[10]</sup>

In July 2003, petitioners filed a Complaint<sup>[11]</sup> for consignation of loan payment, recovery of title and cancellation of mortgage annotation against AFPMBAI, PDIC and the Register of Deeds of Puerto Princesa City. The case was docketed as Civil Case No. 3812 and raffled to Branch 47 of the Regional Trial Court (RTC) of Puerto Princesa City (Puerto Princesa RTC). Petitioners alleged in their Complaint that as a result of the Rural Bank's closure and PDIC's claim that their loan papers could not be located, they were left in a quandary as to where they should tender full payment of the loan and how to secure cancellation of the mortgage annotation on TCT No. 37017. Petitioners prayed, thus:

- a. That after the filing of this complaint an order be made allowing the consignation x x x of Php77,418.00.
- b. For the court to compute and declare the amount of interest to be paid by the plaintiffs and thereafter to allow the consignation of the interest payments in order to give way for the full discharge of the loan.
- c. To order the AFPMBAI to turn over to the custody of the court the loan records and title (T.C.T. No. 37017) of the plaintiffs if the same are in their possession.
- d. To declare the full payment of the principal loan and interest and ordering the full discharge from mortgage of the property covered by T.C.T. No. 37017.
- e. To order the Register of Deeds of Puerto Princesa City to cancel the annotation of real estate mortgage under Entry No. 3364 at the back of T.C.T. No. 37017.
- f. Thereafter, to turn over to the plaintiffs their title free from the aforesaid mortgage loan.<sup>[12]</sup>

AFPMBAI filed a Motion to Dismiss<sup>[13]</sup> claiming that petitioners' Complaint falls within the jurisdiction of the Housing and Land Use Regulatory Board (HLURB) and not the Puerto Princesa RTC, as it was filed by petitioners in their capacity as buyers of a subdivision lot and it prays for specific performance of contractual and legal

obligations decreed under Presidential Decree No. 957<sup>[14]</sup> (PD 957). It added that since no prior valid tender of payment was made by petitioners, the consignment case was fatally defective and susceptible to dismissal.

### ***Ruling of the Regional Trial Court***

In an October 16, 2003 Order,<sup>[15]</sup> the trial court denied AFPMBAI's Motion to Dismiss, declaring that since title has been transferred in the name of petitioners and the action involves consignment of loan payments, it possessed jurisdiction to continue with the case. It further held that the only remaining unsettled transaction is between petitioners and PDIC as the appointed receiver of the Rural Bank.

AFPMBAI filed a Motion for Reconsideration,<sup>[16]</sup> which the trial court denied in its March 19, 2004 Order.<sup>[17]</sup>

### ***Ruling of the Court of Appeals***

AFPMBAI thus instituted CA-G.R. SP No. 84446, which is a Petition for Certiorari<sup>[18]</sup> raising the issue of jurisdiction. On September 29, 2005, the CA rendered the assailed Decision decreeing as follows:

**WHEREFORE**, premises considered, this Petition is **GRANTED**. The Assailed 16 October 2003 and 19 March 2004 Orders of the public respondent judge are hereby ordered **VACATED** and **SET ASIDE**.

**SO ORDERED.**<sup>[19]</sup>

The CA held that Civil Case No. 3812 is a case for specific performance of AFPMBAI's contractual and statutory obligations as owner/developer of Kalikasan Mutual Homes, which makes PD 957 applicable and thus places the case within the jurisdiction of the HLURB. It said that since one of the remedies prayed for is the delivery to petitioners of TCT No. 37017, the case is cognizable exclusively by the HLURB.

Petitioners moved for reconsideration which was denied by the CA in its January 12, 2006 Resolution.

Hence, the instant Petition.

### **Issue**

The sole issue that must be resolved in this Petition is: Does the Complaint in Civil Case No. 3812 fall within the exclusive jurisdiction of the HLURB?

### ***Petitioners' Arguments***

Petitioners assert that the elements which make up a valid case for consignment are present in their Complaint. They add that since a deed of absolute sale has been issued in their favor, and possession of the property has been surrendered to them,

not to mention that title has been placed in their name, the HLURB lost jurisdiction over their case. And for this same reason, petitioners argue that their case may not be said to be one for specific performance of contractual and legal obligations under PD 957 as nothing more was left to be done in order to perfect or consolidate their title.

Petitioners thus pray that the herein assailed Decision and Resolution of the CA be set aside, and that the trial court be ordered to continue with the proceedings in Civil Case No. 3812.

### ***Respondent's Arguments***

Respondent, on the other hand, insists in its Comment<sup>[20]</sup> that jurisdiction over petitioners' case lies with the HLURB, as it springs from their contractual relation as seller and buyer, respectively, of a subdivision lot. The prayer in petitioners' Complaint involves the surrender or delivery of the title after full payment of the purchase price, which respondent claims are reciprocal obligations in a sale transaction covered by PD 957. Respondent adds that in effect, petitioners are exacting specific performance from it, which places their case within the jurisdiction of the HLURB.

### **Our Ruling**

The Court grants the Petition.

### ***The Complaint makes out a case for consignation.***

The settled principle is that "the allegations of the [C]omplaint determine the nature of the action and consequently the jurisdiction of the courts. This rule applies whether or not the plaintiff is entitled to recover upon all or some of the claims asserted therein as this is a matter that can be resolved only after and as a result of the trial."<sup>[21]</sup>

Does the Complaint in Civil Case No. 3812 make out a case for consignation? It alleges that:

6.0 – Not long after however, RBST<sup>[22]</sup> closed shop and defendant Philippine Deposit Insurance Corporation (PDIC) was appointed as its receiver. The plaintiffs, through a representative, made a verbal inquiry to the PDIC regarding the payment of their loan but were told that it has no information or record of the said loan. This made [sic] the plaintiffs in quandary as to where or whom they will pay their loan, which they intend to pay in full, so as to cancel the annotation of mortgage in their title.

7.0 – It was discovered that the loan papers of the plaintiffs, including the duplicate original of their title, were in the possession of defendant AFPMBAI. It was unclear though why the said documents including the title were in the possession of AFPMBAI. These papers should have been in RBST's possession and given to PDIC after its closure in the latter's