

FIRST DIVISION

[G.R. No. 146807, May 09, 2002]

**PADCOM CONDOMINIUM CORPORATION, PETITIONER, VS.
ORTIGAS CENTER ASSOCIATION, INC., RESPONDENT.**

DECISION

DAVIDE JR., C.J.:

Challenged in this case is the 30 June 2000 decision^[1] of the Court of Appeals in CA-G.R. CV No. 60099, reversing and setting aside the 1 September 1997 decision^[2] of the Regional Trial Court of Pasig City, Branch 264, in Civil Case No. 63801.^[3]

Petitioner Padcom Condominium Corporation (hereafter PADCOM) owns and manages the Padilla Office Condominium Building (PADCOM Building) located at Emerald Avenue, Ortigas Center, Pasig City. The land on which the building stands was originally acquired from the Ortigas & Company, Limited Partnership (OCLP), by Tierra Development Corporation (TDC) under a Deed of Sale dated 4 September 1974. Among the terms and conditions in the deed of sale was the requirement that the transferee and its successor-in-interest must become members of an association for realty owners and long-term lessees in the area later known as the Ortigas Center. Subsequently, the said lot, together with improvements thereon, was conveyed by TDC in favor of PADCOM in a Deed of Transfer dated 25 February 1975.^[4]

In 1982, respondent Ortigas Center Association, Inc. (hereafter the Association) was organized to advance the interests and promote the general welfare of the real estate owners and long-term lessees of lots in the Ortigas Center. It sought the collection of membership dues in the amount of two thousand seven hundred twenty-four pesos and forty centavos (P2,724.40) per month from PADCOM. The corporate books showed that PADCOM owed the Association P639,961.47, representing membership dues, interests and penalty charges from April 1983 to June 1993.^[5] The letters exchanged between the parties through the years showed repeated demands for payment, requests for extensions of payment, and even a settlement scheme proposed by PADCOM in September 1990.

In view of PADCOM's failure and refusal to pay its arrears in monthly dues, including interests and penalties thereon, the Association filed a complaint for collection of sum of money before the trial court below, which was docketed as Civil Case No. 63801. The Association averred that purchasers of lands within the Ortigas Center complex from OCLP are obligated under their contracts of sale to become members of the Association. This obligation was allegedly passed on to PADCOM when it bought the lot from TDC, its predecessor-in-interest.^[6]

In its answer, PADCOM contended that it is a non-stock, non-profit association, and for it to become a special member of the Association, it should first apply for and be accepted for membership by the latter's Board of Directors. No automatic membership was apparently contemplated in the Association's By-laws. PADCOM added that it could not be compelled to become a member without violating its right to freedom of association. And since it was not a member of the Association, it was not liable for membership dues, interests and penalties.^[7]

During the trial, the Association presented its accountant as lone witness to prove that PADCOM was, indeed, one of its members and, as such, did not pay its membership dues.

PADCOM, on the other hand, did not present its evidence; instead it filed a motion to dismiss by way of demurrer to evidence. It alleged that the facts established by the Association showed no right to the relief prayed for. It claimed that the provisions of the Association's By-laws and the Deed of Transfer did not contemplate automatic membership. Rather, the owner or long-term lessee becomes a member of the Association only after applying with and being accepted by its Board of Directors. Assuming further that PADCOM was a member of the Association, the latter failed to show that the collection of monthly dues was a valid corporate act duly authorized by a proper resolution of the Association's Board of Directors.^[8]

After due consideration of the issues raised in the motion to dismiss, the trial court rendered a decision dismissing the complaint.^[9]

The Association appealed the case to the Court of Appeals, which docketed the appeal as CA-G.R. CV No. 60099. In its decision^[10] of 30 June 2000, the Court of Appeals reversed and set aside the trial court's dismissal of Civil Case No. 63801, and decreed as follows:

WHEREFORE, the appealed decision dated September 1, 1997 is **REVERSED** and **SET ASIDE** and, in lieu thereof, a new one is entered ordering the appellee (PADCOM) to pay the appellant (the Association) the following:

- 1) P639,961.47 as and for membership dues in arrears inclusive of earned interests and penalties; and
- 2) P25,000.00 as and for attorney's fees.

Costs against the appellees.

SO ORDERED.

The Court of Appeals justified its ruling by declaring that PADCOM automatically became a member of the Association when the land was sold to TDC. The intent to pass the obligation to prospective transferees was evident from the annotation of the same clause at the back of the Transfer Certificate of Title covering the lot. Despite disavowal of membership, PADCOM's membership in the Association was evident from these facts: (1) PADCOM was included in the Association's list of *bona fide* members as of 30 March 1995; (2) Narciso Padilla, PADCOM's President, was one of the Association's incorporators; and (3) having received the demands for

payment, PADCOM not only acknowledged them, but asked for and was granted repeated extensions, and even proposed a scheme for the settlement of its obligation. The Court of Appeals also ruled that PADCOM cannot evade payment of its obligation to the Association without violating equitable principles underlying quasi-contracts. Being covered by the Association's avowed purpose to promote the interests and welfare of its members, PADCOM cannot be allowed to expediently deny and avoid the obligation arising from such membership.

Dissatisfied with the adverse judgment of the Court of Appeals, PADCOM filed the petition for review in this case. It raises the sole issue of whether it can be compelled to join the association pursuant to the provision on *automatic membership* appearing as a condition in the Deed of Sale of 04 September 1974 and the annotation thereof on Transfer Certificate of Title No. 457308.

PADCOM contends that it cannot be compelled to be a member of the Association solely by virtue of the "automatic membership" clause that appears on the title of the property and the Deed of Transfer. In 1975, when it bought the land, the Association was still inexistent. Therefore, the provision on automatic membership was anticipatory in nature, subject to the actual formation of the Association and the subsequent formulation of its implementing rules.

PADCOM likewise maintains that the Association's By-laws requires an application for membership. Since it never sought membership, the Court of Appeals erred in concluding that it was a member of the Association by implication. Aside from the lack of evidence proving such membership, the Association has no basis to collect monthly dues since there is no board resolution defining and prescribing how much should be paid.

For its part, the Association claims that the Deed of Sale between OCLP and TDC clearly stipulates automatic membership for the owners of lots in the Ortigas Center, including their successors-in-interest. The filing of applications and acceptance thereof by the Board of Directors of the Association are, therefore, mere formalities that can be dispensed with or waived. The provisions of the Association's By-laws cannot in any manner alter or modify the automatic membership clause imposed on a property owner by virtue of an annotation of encumbrance on his title.

The Association likewise asserts that membership therein requires the payment of certain amounts for its operations and activities, as may be authorized by its Board of Directors. The membership dues are for the common expenses of the homeowners for necessary services.

After a careful examination of the records of this case, the Court sees no reason to disturb the assailed decision. The petition should be denied.

Section 44 of Presidential Decree No. 1529^[11] mandates that:

SEC. 44. *Statutory liens affecting title.* – Every registered owner receiving a certificate of title in pursuance of a decree of registration, and every subsequent purchaser of registered land taking a certificate of title for value and in good faith, shall hold the same free from all encumbrances except those noted on said certificate and any of the following encumbrances which may be subsisting, namely: xxx