



**Republic of the Philippines**  
**Supreme Court**  
**Manila**

*EN BANC*

**ALLIANCE OF QUEZON CITY  
HOMEOWNERS'  
ASSOCIATION, INC.,**  
Petitioner,

**G.R. No. 230651**

- versus -

Present:

**THE QUEZON CITY  
GOVERNMENT, represented by  
HON. MAYOR HERBERT  
BAUTISTA, QUEZON CITY  
ASSESSOR'S OFFICE, and  
QUEZON CITY TREASURER'S  
OFFICE,**  
Respondents.

**LEONARDO-DE CASTRO, CJ.,  
CARPIO,\*  
PERALTA,  
BERSAMIN,  
DEL CASTILLO,  
PERLAS-BERNABE,  
LEONEN,  
JARDELEZA,  
CAGUIOA,  
TIJAM,  
A. REYES, JR.,  
GISMUNDO, and  
J. REYES, JR., JJ.**

Promulgated:

September 18, 2018

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**DECISION**

**PERLAS-BERNABE, J.:**

This petition for *certiorari*, prohibition, and *mandamus*<sup>1</sup> with a prayer for the issuance of a temporary restraining order (TRO) and/or writ of preliminary injunction assails the constitutionality and legality of Quezon

\* On official leave.

<sup>1</sup> *Rollo*, pp. 3-12.

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City (QC) Ordinance No. SP-2556, Series of 2016,<sup>2</sup> otherwise known as “An Ordinance Approving the Schedule of Fair Market Value of Lands and Basic Unit Construction Cost for Buildings, and Other Structures for the Revision of Real Property Assessments in Quezon City, Pursuant to the Provisions of the Local Government Code of 1991 [(LGC)] [Republic Act No. (RA) 7160],<sup>3</sup> and its Implementing Rules and Regulations, and For Other Purposes” (2016 Ordinance). The petition was filed against respondents the QC Government, represented by Mayor Herbert Bautista, the QC Assessor’s Office, and the QC Treasurer’s Office (respondents).

### The Facts

In 2010, the Department of Interior and Local Government and the Department of Finance (DOF) issued Joint Memorandum Circular No. 2010-01,<sup>4</sup> directing all local government units to implement Section 219<sup>5</sup> of the LGC, which requires assessors to revise the real property assessments in their respective jurisdictions every three (3) years. In the said Memorandum, the assessors were also ordered to: (a) require all owners or administrators of real properties, prior to the preparation of the revised schedule of Fair Market Values (FMV), to file sworn statements declaring the true value of their properties and the improvements thereon; and (b) comply with the DOF issuances relating to the appraisal and assessment of real properties, particularly, DOF Local Assessment Regulation No. 1-92, DOF Department Order No. 37-09 (Philippine Valuation Standards), and DOF Department Order No. 2010-10 (Mass Appraisal Guidebook).<sup>6</sup> Hence, given that the last reevaluation of real property assessment values in QC was made way back in 1995 under Ordinance No. SP-357, Series of 1995 (1995 Ordinance), which thus rendered the values therein outdated,<sup>7</sup> the QC Assessor prepared a revised schedule of FMVs and submitted it to the *Sangguniang Panlungsod* of QC for approval pursuant to Section 212 of the LGC.<sup>8</sup>

On December 5, 2016, the *Sangguniang Panlungsod* of QC enacted the assailed 2016 Ordinance, which: (a) approved the revised schedule of FMVs of all lands and Basic Unit Construction Cost for buildings and other structures, whether for residential, commercial, and industrial uses;<sup>9</sup> and (b)

<sup>2</sup> Enacted on December 5, 2016. *Id.* at 22-108.

<sup>3</sup> ENTITLED “THE LOCAL GOVERNMENT CODE OF THE PHILIPPINES” (January 1, 1992).

<sup>4</sup> *Rollo*, pp. 253-255. Signed by then DOF Secretary Cesar V. Purisima and then Department of Interior and Local Government Secretary (now deceased) Jesse M. Robredo.

<sup>5</sup> The provision reads:

Section 219. *General Revision of Assessments and Property Classification.* – The provincial, city or municipal assessor shall undertake a general revision of real property assessments within two (2) years after the effectivity of this Code and every three (3) years thereafter.

<sup>6</sup> See *rollo*, p. 254.

<sup>7</sup> See *id.* at 23.

<sup>8</sup> See *id.* at 24. As prompted by Joint Memorandum Circular No. 2010-01, the QC Assessor prepared the revised FMV schedule jointly with the city assessors of the Cities of Manila, Caloocan, and Pasay.

<sup>9</sup> See *id.*

set the new assessment levels at five percent (5%) for residential and fourteen percent (14%) for commercial and industrial classifications.<sup>10</sup> The revised schedule increased the FMVs indicated in the 1995 Ordinance to supposedly reflect the prevailing market price of real properties in QC.<sup>11</sup> The 2016 Ordinance was approved on December 14, 2016, and pursuant to Section 6 thereof, the General Revision of Real Property Assessment for lands shall become demandable beginning January 1, 2017, while that for Buildings and other Structures shall take effect beginning 2018.<sup>12</sup>

On April 7, 2017, petitioner Alliance of Quezon City Homeowners' Association, Inc. (Alliance), allegedly a non-stock, non-profit corporation,<sup>13</sup> filed the present petition, praying that: (a) a TRO be issued to restrain the implementation of the 2016 Ordinance; (b) the said Ordinance be declared unconstitutional for violating substantive due process, and invalid for violating Section 130 of the LGC; and (c) the tax payments made by the QC residents or individuals based on the 2016 Ordinance's revised schedule of FMVs be refunded.<sup>14</sup>

In the petition, Alliance argued that the 2016 Ordinance should be declared unconstitutional for violating substantive due process, considering that the increase in FMVs, which resulted in an increase in the taxpayer's base, and ultimately, the taxes to be paid, was unjust, excessive, oppressive, arbitrary, and confiscatory as proscribed under Section 130 of the LGC.<sup>15</sup>

Moreover, it averred that the hike in the FMVs up to 500% of the previous values was arbitrary and has no factual basis because the 2016 Ordinance contains no standard or explanation on how the QC Assessor arrived at the new amounts in the Schedule of FMVs.<sup>16</sup>

Alliance further pointed out that there was no real consultation prior to the enactment of the 2016 Ordinance as required by law, noting that only a brief one (1)-day consultation hearing was held in November 2016 before the approval of the 2016 Ordinance on December 14, 2016. The short timeframe from the consultation to the approval reveals that the proceedings were fast-tracked.<sup>17</sup>

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<sup>10</sup> See *id.* at 97. Section 4 a (1) of the Ordinance reads: "1. Assessment Level for Land – The City Assessor shall undertake the general revision of real property assessments pursuant to Section 1 hereof and shall apply the new assessment level of five percent (5%) for residential and fourteen percent (14%) for commercial and industrial classification, respectively, thereby amending Section 8 (a) of the 1993 Quezon City Revenue Code to determine the assessed value of the land."

<sup>11</sup> See *id.* at 23-24.

<sup>12</sup> *Id.* at 107-108. See also *id.* at 5.

<sup>13</sup> *Id.* at 4.

<sup>14</sup> See *id.* at 11.

<sup>15</sup> See *id.* at 9-10.

<sup>16</sup> See *id.* at 8-9.

<sup>17</sup> See *id.* at 5.

It likewise argued that the abrupt effectivity of the 2016 Ordinance merely a month after its enactment, *i.e.*, from December 2016 to January 2017, is unreasonable as it compelled the QC residents to pay exorbitant real property taxes for the year 2017 without giving them sufficient time to prepare for the payment of the increased taxes.<sup>18</sup> Thus, the 2016 Ordinance is confiscatory because their inability to pay the real property taxes will result in their property being declared as delinquent, and thereafter, auctioned to the public.<sup>19</sup> This scenario also amounts to restraint of trade as applied to those properties used in businesses.<sup>20</sup>

On April 18, 2017, the Court issued a TRO<sup>21</sup> against the implementation of the 2016 Ordinance and required respondents to file their comment.

In their Comment,<sup>22</sup> respondents countered that the petition is procedurally infirm because Alliance: (a) failed to exhaust its administrative remedies under the LGC, which were to question the assessments on the taxpayers' properties by filing a protest before the City Treasurer, as well as to assail the constitutionality of the 2016 Ordinance before the Secretary of Justice;<sup>23</sup> (b) violated the hierarchy of courts when it directly filed its petition before this Court;<sup>24</sup> (c) has no legal capacity to sue since its Certificate of Registration as a corporation was revoked by the Securities and Exchange Commission (SEC) in an Order dated February 10, 2004,<sup>25</sup> and it has no separate juridical personality as a homeowners' association due to its non-registration with the Housing and Land Use Regulatory Board (HLURB);<sup>26</sup> and (d) is not a real party-in-interest because it does not own any real property in QC to be affected by the 2016 Ordinance.<sup>27</sup>

On the substantive aspect, respondents posited that the 2016 Ordinance complied with all the formal and substantive requisites for its validity.<sup>28</sup> In particular, they claimed that twenty-nine (29) public consultations were conducted in barangay assemblies throughout the six (6) districts of QC; in fact, Alliance's President, Gloria Soriano, was present and had actively participated in two (2) of those assemblies.<sup>29</sup>

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<sup>18</sup> See *id.* at 10.

<sup>19</sup> *Id.*

<sup>20</sup> *Id.* at 9.

<sup>21</sup> *Id.* at 128-132. Signed by Deputy Clerk of Court Anna-Li R. Papa-Gombio.

<sup>22</sup> Dated June 16, 2017. *Id.* at 168-187.

<sup>23</sup> See *id.* at 172-176.

<sup>24</sup> *Id.* at 176.

<sup>25</sup> *Id.* at 169.

<sup>26</sup> *Id.* at 169-170.

<sup>27</sup> *Id.* at 171.

<sup>28</sup> See *id.* at 177-183.

<sup>29</sup> *Id.* at 178.

Further, respondents maintained that the resulting increase in tax due was reasonable because the increase in FMVs was tempered by the decrease in the assessment levels to minimize impact on the taxpayers.<sup>30</sup> They claimed that the assessment levels were reduced from eighteen percent (18%) to five percent (5%) for residential classification, and from forty-five (45%) to fourteen (14%) for commercial and industrial classifications.<sup>31</sup>

They also stressed that the QC Assessor arrived at the new FMVs in the 2016 Ordinance using the approaches specified in DOF Local Assessment Regulation No. 1-92, which prescribes guidelines in assessing real properties.<sup>32</sup> Respondents likewise averred that the assessment was not fast-tracked as it underwent an immense study for three (3) years from 2013 and was subjected to numerous public consultations.<sup>33</sup> They emphasized that the last adjustment in the schedule of FMVs was in 1995 and no revisions were made since then until the 2016 Ordinance was enacted.<sup>34</sup> They pointed out that the huge leap in FMVs of lands after twenty-one (21) years was inevitable due to the interplay of economic and market forces, highlighted by significant infrastructure and real estate development projects, as well as the population growth in QC.<sup>35</sup> They further noted that the FMVs in the 2016 Ordinance are fair and equitable, considering that those values are even lower than the FMVs of QC's neighboring cities in Metro Manila, *i.e.*, Pasay, Caloocan, Manila, and Mandaluyong.<sup>36</sup>

On July 14, 2017, the Office of the Solicitor General (OSG) likewise filed its Comment,<sup>37</sup> arguing that the petition should be dismissed on the grounds of non-exhaustion of administrative remedies, non-observance of the hierarchy of courts, and lack of *locus standi*.<sup>38</sup> It further alleged that the 2016 Ordinance was valid because Alliance failed to: (a) overcome the presumption of constitutionality; (b) show that the substantial increase in the assessed values of real properties violates the fundamental principles of taxation; (c) prove that the public hearing required before passing an ordinance was not complied with; and (d) submit evidence that the 2016 Ordinance was abruptly implemented. The OSG added that Alliance failed to demonstrate its clear legal right to enjoin the implementation of the subject ordinance.<sup>39</sup>

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<sup>30</sup> *Id.* at 181.

<sup>31</sup> *Id.*

<sup>32</sup> See *id.* at 181-182.

<sup>33</sup> *Id.* at 184.

<sup>34</sup> *Id.* at 180.

<sup>35</sup> *Id.*

<sup>36</sup> *Id.* See also *id.* at 256.

<sup>37</sup> Dated June 28, 2017. *Id.* at 271-295.

<sup>38</sup> See *id.* at 276-285.

<sup>39</sup> See *id.* at 285-293.

In the Reply,<sup>40</sup> Alliance argued, as regards its failure to exhaust administrative remedies, that: *first*, the remedy of payment under protest as provided for in Sections 229 and 252 of the LGC is inapplicable in this case because such remedy requires prior payment of taxes, which would be unfair and unreasonable on the part of its members who cannot afford to pay the increased taxes;<sup>41</sup> and *second*, the remedy of appeal to the Secretary of Justice would not have the effect of suspending the effectivity of the 2016 Ordinance.<sup>42</sup>

Alliance also contended that its petition raised only a question of law (*i.e.*, whether respondents gravely abused its discretion in increasing the FMVs up to 500% as contained in the 2016 Ordinance) which is cognizable by the Court.<sup>43</sup> In any event, it maintained that the petition is of transcendental importance warranting the relaxation of the doctrine on hierarchy of courts.<sup>44</sup>

Alliance further claimed that it has legal capacity to sue because it is merely representing its trustees and members who filed the petition in their own personal capacities as taxpayers and residents of QC. In fact, these trustees and members are the ones who will suffer personal and substantial injury by the implementation of the 2016 Ordinance.<sup>45</sup>

On the merits, Alliance posited that the 2016 Ordinance failed to comply with both the procedural and substantive requirements for a valid ordinance, considering that: (*a*) the alleged twenty-nine (29) public consultation/hearings were conducted without the required written notices as prescribed under Article 276 (b) of the LGC's Implementing Rules and Regulations;<sup>46</sup> (*b*) the 2016 Ordinance is unjust, excessive, oppressive, and confiscatory, and is not based on the taxpayer's ability to pay;<sup>47</sup> (*c*) it failed to comply with the assessment calendar prescribed under Section 2 of DOF Local Assessment Regulation No. 1-92;<sup>48</sup> and (*d*) there is no legal basis to increase the FMVs based on the latest market developments.<sup>49</sup>

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<sup>40</sup> Dated October 18, 2017. *Id.* at 329-348.

<sup>41</sup> See *id.* at 333.

<sup>42</sup> *Id.* at 335.

<sup>43</sup> *Id.* at 333.

<sup>44</sup> See *id.* at 336.

<sup>45</sup> See *id.* at 330-331.

<sup>46</sup> See *id.* at 337-341.

<sup>47</sup> *Id.* at 342.

<sup>48</sup> *Id.*

<sup>49</sup> *Id.* at 343.

## The Issues Before the Court

The main issues before the Court are: (1) on the procedural aspects, whether or not the petition is infirm for violations of the doctrines of exhaustion of administrative remedies and hierarchy of courts, as well as Alliance's lack of legal capacity to sue; and (2) on the substantive aspect, whether or not the 2016 Ordinance is valid and constitutional.

## The Court's Ruling

### I. Doctrines of Administrative Exhaustion and Hierarchy of Courts.

The exhaustion of administrative remedies doctrine requires that before a party may seek intervention from the court, he or she should have already exhausted all the remedies in the administrative level.<sup>50</sup> The LGC provides two (2) remedies in relation to real property tax assessments or tax ordinances. These are: (1) Sections 226 and 252<sup>51</sup> thereof which allow a taxpayer to question the reasonableness of the amount assessed before the city treasurer then appeal to the Local Board of Assessment Appeals;<sup>52</sup> and

<sup>50</sup> *Maglalang v. Philippine Amusement and Gaming Corporation*, 723 Phil. 546, 556 (2013); citing *Public Committee of the Laguna Lake Development Authority v. SM Prime Holdings, Inc.*, 645 Phil. 324, 331 (2010).

<sup>51</sup> The provisions read as follows:

Section 252. *Payment under Protest.* — (a) No protest shall be entertained unless the taxpayer first pays the tax. There shall be annotated on the tax receipts the words "paid under protest." The protest in writing must be filed within thirty (30) days from payment of the tax to the provincial, city treasurer or municipal treasurer, in the case of a municipality within Metropolitan Manila Area, who shall decide the protest within sixty (60) days from receipt.

(b) The tax or a portion thereof paid under protest shall be held in trust by the treasurer concerned.

(c) In the event that the protest is finally decided in favor of the taxpayer, the amount or portion of the tax protested shall be refunded to the protestant, or applied as tax credit against his existing or future tax liability.

(d) In the event that the protest is denied or upon the lapse of the sixty-day period prescribed in subparagraph (a), the taxpayer may avail of the remedies as provided for in Chapter 3, Title II, Book II of this Code.

Section 226. *Local Board of Assessment Appeals.* — Any owner or person having legal interest in the property who is not satisfied with the action of the provincial, city or municipal assessor in the assessment of his property may, within sixty (60) days from the date of receipt of the written notice of assessment, appeal to the Board of Assessment Appeals of the province or city by filing a petition under oath in the form prescribed for the purpose, together with copies of the tax declarations and such affidavits or documents submitted in support of the appeal. (Underscoring supplied)

<sup>52</sup> In *City of Pasig v. Republic* (671 Phil. 791, 799-800 [2011]), the Court outlined the administrative procedure to question the correctness of an assessment, to wit:

Should the taxpayer/real property owner question the excessiveness or reasonableness of the assessment, Section 252 directs that the taxpayer should first pay the tax due before his protest can be entertained. There shall be annotated on the tax receipts the words "paid under protest." It is only after the taxpayer has paid the tax due that he may file a protest in writing within thirty days from payment of the tax to the Provincial, City or Municipal Treasurer, who

(2) Section 187<sup>53</sup> thereof which allows an aggrieved taxpayer to question the validity or legality of a tax ordinance by duly filing an appeal before the Secretary of Justice before seeking judicial intervention. In the present case, Alliance admitted that these administrative remedies were not complied with, and that the petition was immediately filed before the Court.<sup>54</sup>

However, the rule on administrative exhaustion admits of exceptions,<sup>55</sup> one of which is **when strong public interest is involved**.

Although a petitioner's failure to exhaust the required administrative remedies has been held to bar a petition in court,<sup>56</sup> the Court has relaxed the application of this rule "in view of the more substantive matters,"<sup>57</sup> as in this case. In particular, a local government unit's authority to increase the FMVs of properties for purposes of local taxation is a question that indisputably affects the public at large. As for QC, the widespread effect of the 2016 Ordinance to its constituents is glaringly apparent, considering that QC has a land area of 16,112.8 hectares, which is almost one-fourth of the entire Metro Manila. Moreover, QC holds 23.3% of Metro Manila's total

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shall decide the protest within sixty days from receipt. In no case is the local treasurer obliged to entertain the protest unless the tax due has been paid.

If the local treasurer denies the protest or fails to act upon it within the 60-day period provided for in Section 252, the taxpayer/real property owner may then appeal or directly file a verified petition with the [Local Board of Assessment Appeals (LBAA)] within sixty days from denial of the protest or receipt of the notice of assessment, as provided in Section 226 of R.A. No. 7160[.]

And, if the taxpayer is not satisfied with the decision of the LBAA, he may elevate the same to the [Central Board of Assessment Appeals (CBAA)], which exercises exclusive jurisdiction to hear and decide all appeals from the decisions, orders and resolutions of the Local Boards involving contested assessments of real properties, claims for tax refund and/or tax credits or overpayments of taxes. An appeal may be taken to the CBAA by filing a notice of appeal within thirty days from receipt thereof. (Underscoring supplied)

See also *Camp John Hay Development Corporation v. CBAA*, 718 Phil. 543, 556 (2013).

<sup>53</sup> The provision reads as follows:

Section 187. *Procedure for Approval and Effectivity of Tax Ordinances and Revenue Measures; Mandatory Public Hearings.* — x x x any question on the constitutionality or legality of tax ordinances or revenue measures may be raised on appeal within thirty (30) days from the effectivity thereof to the Secretary of Justice who shall render a decision within sixty (60) days from the date of receipt of the appeal: *Provided, however,* That such appeal shall not have the effect of suspending the effectivity of the ordinance and the accrual and payment of the tax, fee, or charge levied therein: *Provided, finally,* That **within thirty (30) days after receipt of the decision or the lapse of the sixty-day period without the Secretary of Justice acting upon the appeal, the aggrieved party may file appropriate proceedings with a court of competent jurisdiction.** (Emphasis supplied)

<sup>54</sup> See *rollo*, p. 335.

<sup>55</sup> The exceptions include: (1) when the question raised is purely legal, (2) when the administrative body is in estoppel; (3) when the act complained of is patently illegal; (4) when there is urgent need for judicial intervention; (5) when the claim involved is small; (6) when irreparable damage will be suffered, (7) **when there is no other plain, speedy and adequate remedy**, (8) **when strong public interest is involved**; (9) when the subject of controversy is private land; and (10) in *quowarranto* proceeding. (*Lopez v. City of Manila*, 363 Phil. 68, 82 [1999]).

<sup>56</sup> See *Hagonoy Market Vendor Association v. Municipality of Hagonoy, Bulacan*, 426 Phil. 769 (2002); and *Reyes v. Court of Appeals*, 378 Phil. 232 (1999).

<sup>57</sup> See *Alta Vista Golf and Country Club v. City of Cebu*, 778 Phil. 685, 703 (2016); and *Cagayan Electric Power and Light Co., Inc. v. City of Cagayan de Oro*, 698 Phil. 788, 799 (2012).



population.<sup>58</sup> While taxation is an inherent power of the State, the exercise of this power should not be unjust, excessive, oppressive, or confiscatory as explicitly prohibited under the LGC. As Alliance proffers, the alleged exorbitant increase in real property taxes to be paid based on the assailed Ordinance triggers a strong public interest against the imposition of excessive or confiscatory taxes.<sup>59</sup> Courts must therefore guard the public's interest against such government action. Accordingly, the Court exempts this case from the rule on administrative exhaustion.

Meanwhile, the hierarchy of courts doctrine prohibits parties from directly resorting to this Court when relief may be obtained before the lower courts.<sup>60</sup> Nevertheless, this doctrine is not an iron-clad rule; it also admits of exceptions,<sup>61</sup> such as when the case involves matters of transcendental importance. In this case, Alliance argues that the implementation of the 2016 Ordinance will directly and adversely affect the property interests of around "3,085,786 million" residents of QC.<sup>62</sup>

In *Ferrer, Jr. v. Bautista (Ferrer, Jr.)*,<sup>63</sup> the Court allowed the direct resort to it, noting that the challenged ordinances would "adversely affect the property interests of all paying constituents of [QC],"<sup>64</sup> and that it would serve as a test case for the guidance of other local government units in crafting ordinances. It added that these circumstances allow the Court to set aside the technical defects and take primary jurisdiction over the petition, stressing that "[t]his is in accordance with the well-entrenched principle that rules of procedure are not inflexible tools designed to hinder or delay, but to facilitate and promote the administration of justice. Their strict and rigid application, which would result in technicalities that tend to frustrate, rather than promote substantial justice, must always be eschewed."<sup>65</sup> Considering the circumstances of this case and the pronouncement in *Ferrer, Jr.*, the Court also deems it proper to relax the doctrine of hierarchy of courts.

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<sup>58</sup> See Quezon City Statistics as of 2017 <<http://quezoncity.gov.ph/index.php/facts-and-figures?format=pdf>> (visited July 27, 2018).

<sup>59</sup> See *rollo*, pp. 334-335 and 342-343.

<sup>60</sup> See *Chiquita Brands, Inc. v. Omelio*, G.R. No. 189102, June 7, 2017.

<sup>61</sup> The exceptions to the hierarchy of courts doctrine were enumerated in *The Dioceses of Bacolod v. Commission on Elections* (751 Phil. 301, 331-335 [2015]), as follows: (1) there are genuine issues of constitutionality that must be addressed at the most immediate time; (2) **the issues involved are of transcendental importance**, such that the imminence and clarity of the threat to fundamental constitutional rights outweigh the necessity for prudence; (3) in cases of first impression; (4) the constitutional issues raised are better decided by this court; (5) the time element presented in this case cannot be ignored; (6) when the subject of review is an act of a constitutional organ; (7) when petitioners rightly claim that they had no other plain, speedy, and adequate remedy in the ordinary course of law that could free them from the injurious effects of respondents' acts in violation of their right to freedom of expression; and (8) when the petition includes questions that are "dictated by public welfare and the advancement of public policy, or demanded by the broader interest of justice, or the orders complained of were found to be patent nullities, or the appeal was considered as clearly an inappropriate remedy."

<sup>62</sup> *Rollo*, p. 335.

<sup>63</sup> 762 Phil. 233 (2015).

<sup>64</sup> *Id.* at 247.

<sup>65</sup> *Id.* at 248; citing *Social Justice Society Officers v. Lim*, 748 Phil. 25, 88-89 (2014); further citing *Jaworski v. Philippine Amusement and Gaming Corporation*, 464 Phil. 375, 385 (2004).

Notwithstanding the exemption of this case from the above-discussed procedural doctrines, the Court is constrained to dismiss the petition due to Alliance's lack of legal capacity to sue.

## II. Legal Capacity to Sue.

The Rules of Court mandates that only natural or juridical persons, or entities authorized by law may be parties in a civil action. Non-compliance with this requirement renders a case dismissible on the ground of **lack of legal capacity to sue**, which refers to "**a plaintiff's general disability to sue**, such as on account of minority, insanity, incompetence, **lack of juridical personality** or any other general disqualifications of a party."<sup>66</sup>

Jurisprudence provides that **an unregistered association**, having no separate juridical personality, **lacks the capacity to sue in its own name**.<sup>67</sup> In this case, Alliance admitted that it has no juridical personality, considering the revocation of its SEC Certificate of Registration and its failure to register with the HLURB as a homeowner's association. Nevertheless, Alliance insists that the petition should not be dismissed because it was filed by the members of the Board of Trustees in their own personal capacities, as evidenced by a letter<sup>68</sup> dated March 10, 2017 (Authorization Letter) authorizing its ostensible Treasurer, Danilo Liwanag (Liwanag), to file the petition in their behalf.

The Court disagrees. A perusal of the petition readily shows that it was filed by Alliance, and not by the individual members of its Board of Trustees in their personal capacities. As it is evident from the title and "Parties"<sup>69</sup> section of the petition, the same was filed solely in the name of "Alliance of Quezon City Homeowners' Association, Inc.," as petitioner. Moreover, the Authorization Letter above-adverted to clearly indicates that the signatories therein **signed merely in their official capacities as Alliance's trustees**.<sup>70</sup> In fact, even assuming that the trustees intended to file the case in their own behalf, Section 3, Rule 3 of the Rules of Court<sup>71</sup>

<sup>66</sup> *Alabang Development Corporation v. Alabang Hills Village Association*, 734 Phil. 664, 669 (2014), citing *Columbia Pictures, Inc. v. Court of Appeals*, 329 Phil. 875, 901 (1996); emphases and underscoring supplied.

<sup>67</sup> *Association of Flood Victims v. Commission on Elections*, 740 Phil. 472, 480 (2014). See also *Dueñas v. Santos Subdivision Homeowners Association*, 474 Phil. 834, 846-847 (2004) and *Samahang Magsasaka ng 53 Hektarya v. Mosquera*, 547 Phil. 560, 570 (2007).

<sup>68</sup> See Authorization Letter (Resolution No. 17-3-A) dated March 10, 2017; *rollo*, p. 15.

<sup>69</sup> *Id.* at 3-4.

<sup>70</sup> The Authorization Letter reads: "RESOLVED, as it is hereby resolved, that the treasurer of [Alliance of Quezon City Homeowners' Association, Inc. (AQCHAI)] Mr. Danilo Liwanag is authorized **by the Board of [T]rustees** to be the Official Representative in filing the T.R.O. with the Supreme Court." (*Id.* at 15; emphasis and underscoring supplied).

<sup>71</sup> The provision reads:

Section 3. *Representatives as parties.* – Where the action is allowed to be prosecuted or defended by a representative or someone acting in a fiduciary capacity, the beneficiary shall be included in the title of the case and shall be deemed the real party in interest. x x x.

See also *Samahang Magsasaka ng 53 Hektarya v. Mosquera*, *supra* note 67, at 570-571.

requires that their names as beneficiaries must be included in the title of the case, which was, however, not done here. Thus, Alliance's claim that the petition was filed by the trustees in their personal capacities is bereft of merit.

For another, Alliance argued that the status of its authorized representative, Liwanag, as a taxpayer and resident of QC, is sufficient to correct the procedural lapse.

This contention is erroneous. In *Association of Flood Victims (AFV) v. Commission on Elections*,<sup>72</sup> the Court dismissed the petition for *certiorari* and/or *mandamus* because the petitioner therein – being an unincorporated association – had no capacity to sue in its own name and accordingly, its representative who filed the petition in its behalf, had no personality to bring an action in court.<sup>73</sup> Moreover, in *Dueñas v. Santos Subdivision Homeowners Association*,<sup>74</sup> the Court held that the complaint filed by an unregistered association cannot be treated as a suit by the persons who signed it.<sup>75</sup>

On these scores, the fact that Liwanag, a natural person, signed and verified the petition did not cure Alliance's lack of legal capacity to file this case. By the same logic, the signatures of the supposed trustees in the Authorization Letter did not confer Alliance with a separate juridical personality required to pursue this case.

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<sup>72</sup> Supra note 67.

<sup>73</sup> The Court stated thus:

Petitioner [AFV] is an unincorporated association not endowed with a distinct personality of its own. **An unincorporated association, in the absence of an enabling law, has no juridical personality and thus, cannot sue in the name of the association.** Such unincorporated association is not a legal entity distinct from its members. If an association, like petitioner [AFV], has no juridical personality, **then all members of the association must be made parties** in the civil action. x x x.

x x x x

Since petitioner [AFV] has no legal capacity to sue, petitioner Hernandez, who is filing this petition as a representative of the [AFV], is likewise devoid of legal personality to bring an action in court. Neither can petitioner Hernandez sue as a taxpayer because he failed to show that there was illegal expenditure of money raised by taxation or that public funds are wasted through the enforcement of an invalid or unconstitutional law.

x x x x (Id. at 479-481; emphases supplied).

<sup>74</sup> Supra note 67.

<sup>75</sup> The Court held:

The records of the present case are bare of any showing by [Santos Subdivision Homeowners' Association (SSHA)] that it is an association duly organized under Philippine law. It was thus an error for the HLURB-NCR Office to give due course to the complaint in HLURB Case No. REM-070297-9821, given the SSHA's lack of capacity to sue in its own name. **Nor was it proper for said agency to treat the complaint as a suit by all the parties who signed and verified the complaint. The members cannot represent their association in any suit without valid and legal authority. Neither can their signatures confer on the association any legal capacity to sue.** x x x" (Id. at 846; emphases and underscoring supplied)


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In the final analysis, there is no proper petitioner to the present suit. Should this case proceed despite Alliance's legal non-existence, the Court will certainly remain in continuous quandary as to who should the reliefs be granted to, since no other proper party filed the case. It is noteworthy to mention that in the case of *Samahan ng mga Progresibong Kabataan (SPARK) v. Quezon City*,<sup>76</sup> the Court decided to give due course to the petition despite the lack of legal capacity to sue of petitioner SPARK (also an unincorporated association like Alliance) because individuals or natural persons joined as co-petitioners in the suit, unlike in the present case.

All told, while this case falls under the exceptions to the doctrines of exhaustion of administrative remedies and hierarchy of courts, the Court is still constrained to dismiss the petition due to Alliance's lack of legal capacity to sue. Thus, the resolution of the issues anent the validity and constitutionality of Quezon City Ordinance No. SP-2556, Series of 2016, while indeed of great public interest and of transcendental importance, must nonetheless await the filing of the proper case by the proper party. Accordingly, the Court no longer deems it necessary to resolve the other issues raised in this case.

**WHEREFORE**, the petition is **DISMISSED** due to petitioner Alliance of Quezon City Homeowners' Association, Inc.'s lack of legal capacity to sue. The Temporary Restraining Order issued on April 18, 2017 is hereby **LIFTED**.

**SO ORDERED.**

  
**ESTELA M. PERLAS-BERNABE**  
Associate Justice

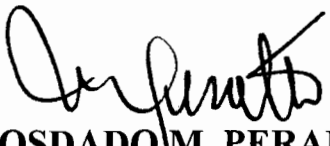
**WE CONCUR:**

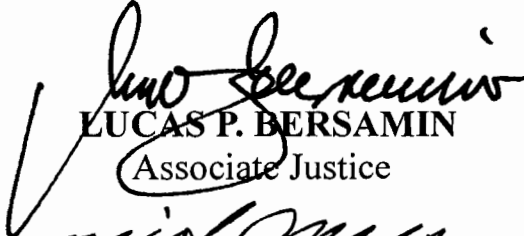
  
**TERESITA J. LEONARDO-DE CASTRO**  
Chief Justice

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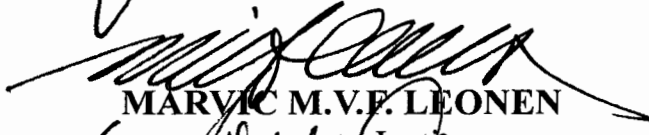
<sup>76</sup> See G.R. No. 225442, August 8, 2017.

**On Official Leave**  
**ANTONIO T. CARPIO**  
Senior Associate Justice

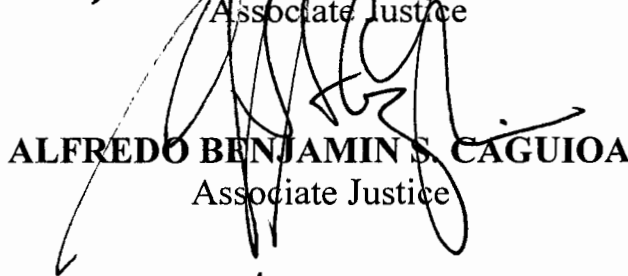
  
**DIOSDADO M. PERALTA**  
Associate Justice


  
**LUCAS P. BERSAMIN**  
Associate Justice

  
**MARIANO C. DEL CASTILLO**  
Associate Justice

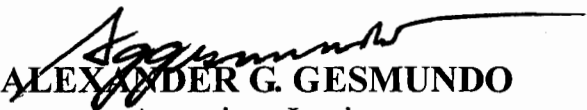
  
**MARVIC M.V.F. LEONEN**  
Associate Justice

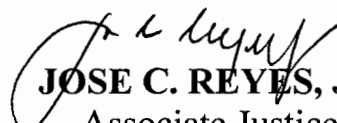
  
**FRANCIS H. JARDELEZA**  
Associate Justice

  
**ALFREDO BENJAMIN S. CAGUIOA**  
Associate Justice

  
**NOEL GIMENEZ TIJAM**  
Associate Justice

  
**ANDRES B. REYES, JR.**  
Associate Justice

  
**ALEXANDER G. GESMUNDO**  
Associate Justice

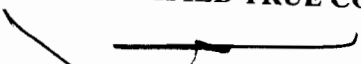
  
**JOSE C. REYES, JR.**  
Associate Justice

**CERTIFICATION**

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.

  
**TERESITA J. LEONARDO-DE CASTRO**  
Chief Justice

**CERTIFIED TRUE COPY**

  
**EDGAR O. ARICHETA**  
Clerk of Court En Banc  
Supreme Court