



**Republic of the Philippines
Supreme Court
Manila**

FIRST DIVISION

**EDUARDO GILBERT DINOYO,
RODELIO NENGASCA, AGAPITO
ARCILLAS, LEONARDO F.
CAMPOMAYOR, JR., EDUARDO
MERA FUENTES, ROGELIO G.
OYON-OYON, MARCELINO B.
RAFOLS, EUNOLIE SABEJON,
BENITO A. SEDANTES, TEOFILO
BASALO, NOEL B. CALINADA,
ROMEO B. DE LA CRUZ,
EDUARDO REBUSTO, CESARIO
DESOACEDO, BENEDICTO
TALAID, ESMERALDO
MONTEROLA, HERACLEO
REQUINTO, DIONISIO
SABAYTON, AGAPITO PUCOT,
KENNETH DINOYO, BEN DOROY,
WEDJOSEPH ESCUZAR, WILMAR
ACABO, ALLAN TECSON,
LEONILO LANOJAN, EFRYN
OCHAVILLO, THE HEIRS OF THE
LATE AVELINO DINOYO
(REPRESENTED BY KENNETH
DINOYO),**

G.R. No. 249638

Present:

**GESMUNDO, C.J.,
Chairperson,
CAGUIOA,
CARANDANG,
ZALAMEDA, and
GAERLAN, JJ.**

Petitioners,

- versus -

**UNDALOC CONSTRUCTION
COMPANY, INC., CIGIN
CONSTRUCTION &
DEVELOPMENT CORPORATION,
SPOUSES CIRILO AND GINA
UNDALOC,**

Promulgated:

JUN 23 2021

Respondents.

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DECISION

CARANDANG, J.:

Before this Court is a Petition for Review on *Certiorari*¹ under Rule 45 of the Rules of Court (Rules), assailing the Decision² dated May 11, 2018 and Resolution³ dated August 29, 2019 of the Court of Appeals (CA) in CA-G.R. SP No. 11072.

Facts of the Case

Eduardo Dinoyo, Rodelio Nengasca, Agapito Arcillas, Leonardo F. Campomayor, Jr., Eduardo Merafuentes, Rogelio G. Oyon-oyon, Marcelino B. Rafols, Eunolie Sabejon, Benito A. Sedantes, Teofilo Basalo, Noel B. Calinada, Romeo B. De la Cruz, Eduardo Rebusto, Cesario Desoacedo, Benedicto Talaid, Esmeraldo Monterola, Heracleo Requinto, Dionisio Sabayton, Agapito Pucot, Kenneth Dinoyo, Ben Doroy, Wedjoseph Escuzar, Wilmar Acabo, Allan Tecson, Leonilo Lanojan, Efryn Ochavillo, the heirs of the late Avelino Dinoyo, represented by Kenneth Dinoyo (collectively, Dinoyo, et al.) filed their respective complaints for illegal dismissal against respondent Undaloc Construction Company, Inc. (Undaloc Inc.) and were awarded a total of ₱3,693,474.68 in backwages, money claims, moral and exemplary damages, and attorney's fees.⁴

Undaloc Inc. filed an appeal with the National Labor Relations Commission (NLRC) and posted a partial cash bond of ₱300,000.00 beyond the 10-day reglementary period.⁵

Four months after filing the appeal, Undaloc Inc. filed a supersedeas bond. The following irregularities were noted: (1) the counsel of Undaloc Inc. did not sign the Joint Affidavit stating that the bond was genuine; (2) the bond was made effective up to May 3, 2013 only instead of up to finality of judgment; (3) there was no proof of security deposit or collateral securing the bond; and (4) there was no certificate of accreditation from the Supreme Court.⁶

Despite the alleged irregularities, the NLRC accepted the supersedeas bond and reversed the decision of the Labor Arbiter. On July 31, 2012, the NLRC issued its Decision,⁷ the dispositive portion of which states:

WHEREFORE, premises considered, Labor Arbiter's Decisions dated 16 November 2011, 19 January 2012 and 20 January 2012 are hereby REVERSED and SET ASIDE.

¹ *Rollo*, pp. 12-29.

² Penned by Associate Justice Edward B. Contreras, with the concurrence of Associate Justices Edgardo L. Delos Santos (Former Member of this Court) and Louis P. Acosta; *id.* at 46-52.

³ Penned by Associate Justice Edward B. Contreras, with the concurrence of Associate Justices Edgardo L. Delos Santos (Former Member of this Court) and Dorothy P. Montejo-Gonzaga; *id.* at 54-55.

⁴ *CA rollo*, pp. 185-186.

⁵ *Rollo*, p. 47.

⁶ *Id.*

⁷ Penned by Presiding Commissioner Violeta Ortiz-Bantug, with the concurrence of Commissioner Julie C. Rendoque; *CA rollo*, pp. 184-206.

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A new one is entered, finding neither constructive dismissal nor abandonment in this case. To the exception of complainants Dionisio Sabayton, Esmeraldo Monterola, Heracleo Requinto, Leonilo Lanojan, Agapito Arcillas, Leonardo Campomayor and Eduardo Merafuentes who have voluntarily resigned from work, respondents UNDALOC CONSTRUCTION and CIRILO UNDALOC are ordered to reinstate complainants to their former positions without loss of seniority rights but without backwages and to solidarily pay them the total amount of EIGHTY TWO THOUSAND SIX HUNDRED FORTY-ONE PESOS AND 02/100 (P 82,641.02).

Failure on the part of complainants to return to work within ten (10) days from receipt of this Decision will be construed as lack of interest on their part tantamount to resignation from employment.

SO ORDERED.⁸ (Emphasis in the original)

In ordering the reinstatement of Dinoyo, et al. without payment of backwages, the NLRC ruled that there was no constructive dismissal nor abandonment on their part.⁹ Dionisio Sabayton, Esmeraldo Monterola, Heracleo Requinto, Leonilo Lanojan, Agapito Arcillas, Leonardo Campomayor and Eduardo Merafuentes were excluded from the order of reinstatement as they were determined to have voluntarily filed their resignation and executed their quitclaims.¹⁰

Petitioners elevated the decision before the CA through a Petition for *Certiorari* docketed as CA-G.R. SP No. 07306.

While the case was pending, Undaloc Inc. stopped operations and Cigin Construction & Development Corporation (Cigin Corp.) was established.¹¹

On September 4, 2015, the CA (in CA-G.R. SP No. 07306) rendered its Decision,¹² the dispositive portion of which states:

WHEREFORE, premises considered, the petition is partially **GRANTED**. The *Decision* dated July 31, 2012 and the *Resolutions* dated September 24, 2012 and October 31, 2012 of the National Labor Relation Commission (NLRC), Seventh Division, Cebu City are hereby **SET ASIDE**. The *Decisions* of the Labor Arbiter dated November 16, 2011, January 19, 2012 and January 20, 2012 are **REINSTATED**.

SO ORDERED.¹³

⁸ Id. at 205.

⁹ Id. at 201.

¹⁰ Id. at 202.

¹¹ Id. at 324; *rollo*, p. 50;

¹² Penned by Associate Justice Germano Francisco D. Legaspi, with the concurrence of Associate Justices Pamela Ann Abella Maxino and Jhosep Y. Lopez (now a Member of this Court); id. at 207-228.

¹³ Id. at 227.

The CA reinstated the Labor Arbiter's decision but allowed the supersedeas bond for reasons of liberality, stating that the NLRC did not commit grave abuse of discretion.¹⁴ The CA held that Dinoyo, et al. were constructively dismissed. As regards the resignation and execution of quitclaim by Esmeraldo Monterola, Heracleo Requinto, Leonilo Lanojan, Agapito Arcillas, Leonardo Compomayor, and Eduardo Merafuentes, the CA found that there was no showing that these were made voluntarily and with full understanding of what they were doing.¹⁵ However, the CA ruled that malice or bad faith on the part of Cirilo A. Undaloc (Cirilo), as a corporate officer of Undaloc Inc., was not sufficiently proven to justify holding him solidarily liable with the corporation.¹⁶

Petitioners filed a Motion for Reconsideration with Motion to Treat Cigin Construction & Development Corporation, Cirilo Undaloc, Gina Undaloc, Joseph Cyrille P. Undaloc, John Carlo P. Undaloc, As One And The Same With Respondent Undaloc Construction Company, Inc.¹⁷ Dinoyo, et al. also filed a Supplemental to the 22 May 2017 Motion.¹⁸

In a Resolution¹⁹ dated April 22, 2016, the CA denied the Motion for Reconsideration and Supplemental to Motion for Reconsideration of Dinoyo, et al. The CA explained that Gina, Joseph, and John cannot be held solidarily liable to Undaloc Inc. as they were not impleaded or joined as parties in the case. Making them liable without the opportunity of a hearing is a violation of their right to due process. With regard to the alleged liability of Cigin Corp, the CA held that, apart from the Articles of Incorporation of both corporations showing that they have the same officers, there is no clear evidence justifying piercing their veil of corporate entity. The CA also stated that the allegation that Undaloc Inc. ceased to operate is not enough to make Cigin Corp. liable because nothing on record shows that Undaloc Inc. was already dissolved and that there are no properties to cover its liabilities. Cirilo was not held solidarily liable with Undaloc Inc. as there was not enough evidence to show that he acted with malice and bad faith.²⁰

On May 28, 2016, the Resolution of the CA became final and executory.²¹

The case was then remanded to the LA for execution. However, it was reported by the sheriff that Undaloc Inc. has no assets that may be levied upon to execute the money judgment.²²

¹⁴ Id. at 222.

¹⁵ Id. at 226.

¹⁶ Id. at 227.

¹⁷ *Rollo*, p. 47.

¹⁸ *CA rollo*, pp. 335-336.

¹⁹ Penned by Associate Justice Germano Francisco D. Legaspi, with the concurrence of Associate Justices Pamela Ann Abella Maxino and Edward B. Contreras; *id.* at 323-326.

²⁰ *Id.* at 324- 325.

²¹ *Id.* at 333-334.

²² *Rollo*, pp. 15-16.

On May 22, 2017, petitioners filed a “Motion to Hold All Respondents Solidarily Liable for the Judgment Award”²³ which sought to pierce the corporate veil of Undaloc Inc. and Cigin Corp. and hold Sps. Cirilo and Gina P. Undaloc (Gina; collectively, Sps. Undaloc) personally liable for the judgment award.

Ruling of the Labor Arbiter

On July 6, 2017, the Labor Arbiter issued its Order,²⁴ the dispositive portion of which states:

WHEREFORE, the premises considered, it is hereby declared that additional respondents, namely: Cirilo A. Undaloc, Gina P. Undaloc, and Cigin Construction and Development Corporation, are jointly and severally liable with respondent Undaloc Construction Company, Incorporated for the judgment award in the total amount of **Sixteen Million Nine Hundred Eighteen Thousand One Hundred Ten Pesos and 96/100 (Php 16,918,110.96).**

Let the Writ of Execution be amended to include Cirilo A. Undaloc, Gina P. Undaloc and Cigin Construction and Development Corporation as additional respondents who are jointly and severally liable with respondent Construction Company, Incorporated for the judgment award.

SO ORDERED.²⁵

The Labor Arbiter granted the motion and ordered the amendment of the Writ of Execution to include Sps. Undaloc and Cigin Corp. The Labor Arbiter found that Undaloc Inc., Sps. Undaloc, and Cigin Corp. used corporate fiction to cause injustice and defeat the rights of its workers. It was noted that three vehicles previously registered under Undaloc Inc. were transferred in the name of Cigin Corp. on various dates in 2016 to circumvent the execution proceedings. It was also observed that Undaloc Inc. and Cigin Corp. are both family corporations under the control and ownership of Sps. Undaloc while they made their then minor children incorporators of Cigin Corp. Sps. Undaloc were also the only responsible officers in both companies. Thus, the Labor Arbiter permitted piercing the veil of corporate entity despite the general rule on immutability of judgment.²⁶

The Labor Arbiter also highlighted that Undaloc Construction, a sole proprietorship construction business of Cirilo, was abruptly closed following the decision of the Court in another labor case entitled *Sapio v. Undaloc Construction and/or Engr. Undaloc*.²⁷ Undaloc Inc. was incorporated but was also closed after the Labor Arbiter’s decision dated November 16, 2011,

²³ CA rollo, pp. 112-120.

²⁴ Penned by Executive Labor Arbiter Emiliano C. Tiongco, Jr.; id. at 99-111.

²⁵ Id. at 110-111.

²⁶ Id. at 100-111.

²⁷ 577 Phil. 39 (2008).

January 19, 2012 and January 20, 2012 awarding the monetary claims of petitioners and while these decisions were on appeal. Thereafter, Cigin Corp. was incorporated.²⁸

The Labor Arbiter also emphasized that Undaloc Inc. did not file for bankruptcy and simply summarily closed its operations. The Labor Arbiter found it difficult to believe that a construction company with reported gross sales of ₱65,000,000.00 for 2012 had no registered vehicle, real property or even sufficient funds in the bank, thus showing the intent of Undaloc Inc., Sps. Undaloc, and Cigin Corp. to evade their legal obligations.²⁹

Subsequently, the sheriff served notices of garnishment to the banks. It was discovered that Undaloc Inc. only had ₱3,366.52 in its account with United Coconut Planters Bank (UCPB).³⁰

On July 17, 2017, Undaloc Inc. filed a “Verified Petition with Verified Application of Temporary Restraining Order (TRO) or Preliminary Injunction and Status Quo Ante Order (Verified Petition). Only Undaloc Inc. was impleaded in the Verified Petition’s caption.³¹

Ruling of the National Labor Relations Commission

On July 24, 2017, the NLRC issued a Resolution,³² the dispositive portion of which states:

WHEREFORE, without necessarily giving due course to the petition, private respondents are hereby directed to submit their answer to the petition within five (5) days from receipt of this resolution. Petitioners may reply within five (5) days from receipt of private respondents’ comment.

Acting on the prayer for the issuance of a Temporary Restraining Order (TRO), and it being perceptible that petitioners stand to be prejudiced by reason of the implementation of the 6 July 2017 Order, it appearing that the Executive Labor Arbiter has already issued an Amended Writ of Execution which could lead to a situation where the petition might be rendered moot and academic, let a TRO be issued enjoining herein public and private respondents from performing any further acts in connection with the aforementioned Order until otherwise ordered by this Commission. The said TRO is to be effective upon the posting of a bond in the amount of Php 50,000.00 to compensate those enjoined for any loss, expense or damage caused by the improvident or erroneous issuance of this Order. This TRO shall be valid for a period of twenty (20)

²⁸ *CA rollo*, p. 106.

²⁹ *Id.* at 108-109.

³⁰ *Id.* at 178.

³¹ *Id.* at 43.

³² Penned by Presiding Commissioner Violeta Ortiz-Bantug, with the concurrence of Commissioner Julie C. Rendoque; *id.* at 43-46.



days thereafter.

The TRO shall be implemented by Eugenio M. Villanueva, Sheriff II of this Division.

The Administrative/ Records Officer of RAB-VII is further directed to elevate to this Commission, within twenty-four (24) hours from receipt of this Resolution, the entire records of the case.

Let this case be set for hearing before Commission Attorney Christine V. Bulanon-Gubalane of this Commission on 01 August 2017 at 2:00 o'clock in the afternoon.

Thereafter, the petition shall be deemed submitted for resolution, with or without private respondents' comments.

SO ORDERED.³³ (Emphasis in the original.)

Despite the fact that Sps. Undaloc and Cigin were not parties to the Verified Petition, the NLRC issued a TRO in their favor. Hence, Dinoyo, et al. filed a Petition for *Certiorari*³⁴ to the CA.

Ruling of the Court of Appeals

On May 11, 2018, the CA rendered its Decision,³⁵ the dispositive portion of which states:

WHEREFORE, the petition is DENIED. The July 6, 2017 Order of the Labor Arbiter is REVERSED and SET ASIDE for being a VOID modification of the September 4, 2015 Decision and April 22, 2016 Resolution of this Court. Incidentally, all other proceedings thereafter are likewise VOID.

SO ORDERED.³⁶

The CA held that the closure of Undaloc Inc. in 2012 is not the supervening event referred to in jurisprudence that would justify the modification of the judgment of the Labor Arbiter that had already attained finality. A supervening event consists of acts that transpire after the judgment became final and executory, or of new circumstances that develop after the judgment attained finality, including matters that the parties were not aware of prior to or during the trial because such matters were not yet in existence at that time. The CA explained that the supervening event of the cessation of the business of Undaloc Inc. transpired in 2012, four years before the finality of the decision of the CA on May 28, 2016. The CA concluded that, since the

³³ Id. at 45-46.

³⁴ Id. at 4-28.

³⁵ Supra note 2.

³⁶ *Rollo*, p. 51.

Order of the Labor Arbiter dated July 6, 2017 Order is void, all other proceedings thereafter are also void.³⁷

In a Resolution³⁸ dated August 29, 2019, the CA denied the Motion for Reconsideration Dinoyo, et al. filed.

Proceedings before the Court

Petitioner's Arguments

In the present petition, Dinoyo, et al. point out that only Undaloc Inc. filed the Verified Petition in the NLRC. They argue that the automatic treatment of Cigin Corp. and Sps. Undaloc as petitioners in the Verified Petition filed in the NLRC is without legal basis.³⁹ They also listed the documents reflecting acts allegedly committed by respondents in bad faith to evade their obligation which include the following: (1) the Articles of Incorporation of Cigin Corp. registered on October 3, 2012 with Cirilo as President, Gina as Treasurer, and their children as incorporators; (2) Land Transportation Office (LTO) certifications showing that motor vehicles registered under the name of Undaloc Inc. are now under the name of Cigin Corp. following their transfer on August 25, 2016, July 20, 2016, and February 7, 2017; (3) LTO certifications showing a list of motor vehicles owned by Cirilo; and (4) Certified true copy of Memorandum of Encumbrances in the certificate of title of a property registered in the name of Cirilo and Gina covered by TCT No. 107-180197 that was allegedly used as collateral for loans Undaloc Inc. and Cigin Corp obtained.⁴⁰

Respondent's Arguments

In their Comment,⁴¹ respondents argue that the petition should be dismissed outright as Dinoyo, et al. are guilty of forum shopping because their petition is substantially the same as in CA-G.R. SP No. 0736 wherein the non-liability of Cigin Corp. and Sps. Undaloc had already been passed upon and resolved with finality.⁴² They also assert that the petitioners in CA-G.R. SP No. 07306 are the same complainants in the original illegal dismissal cases filed in the Labor Arbiter, the only difference is that in the former, the petitioners seek to enforce the judgment award not just against Undaloc Inc. but also against Cigin Corp. and Sps. Undaloc.⁴³ Respondents maintain that since the Decision and Resolution in CA-G.R. SP No. 07306 had already attained finality, these constitute *res judicata* on the issue on respondents alleged joint and solidary liability.⁴⁴ They point out that despite the final and executory Decision and Resolution of the CA in CA-G.R. SP. No. 07306,

³⁷ Id. at 51.

³⁸ Supra note 3.

³⁹ *Rollo*, pp. 18-20.

⁴⁰ Id. at 22-23.

⁴¹ Id. at 60-92.

⁴² Id. at 68-69, 73.

⁴³ Id. at 72.

⁴⁴ Id. at 72-74.

Dinoyo, et al. omitted this information in their Verification in violation of the prohibition against forum shopping.⁴⁵ They also stress that the closure of Undaloc Inc. is not a supervening event that would merit the modification off the final and executory decision of the CA in CA-G.R. SP No. 07306 to justify piercing the veil of corporate entity of respondents.⁴⁶

Issues

The issue to be resolved are:

1. Whether Dinoyo, et al. are guilty of forum shopping for filing a Motion to Hold All Respondents Solidarily Liable for the Judgment Award with the Labor Arbiter despite the final and executory decision of the CA holding that Undaloc Inc., Cigin Corp., Sps. Undaloc, Joseph, and John cannot be held solidarily liable; and
2. Whether the Labor Arbiter may validly modify the final and executory judgment of the CA in CA-G.R. SP No. 07306 to pierce the veil of corporate entity of Undaloc Inc. and Cigin Corp. and to hold respondents solidarily liable for the monetary award granted to Dinoyo, et al.

Ruling of the Court

Dinoyo, et al. are not guilty of forum shopping for filing a Motion to Hold All Respondents Solidarily Liable for the Judgment Award with the Labor Arbiter during the execution stage.

Forum shopping is committed “when a party repetitively avails of several judicial remedies in different courts, simultaneously or successively, all substantially founded on the same transactions and the same essential facts and circumstances, and all raising substantially the same issues either pending in or already resolved adversely by some other court.”⁴⁷ In *Chua v. Metropolitan Bank & Trust Co.*,⁴⁸ the Court enumerated the various ways this is committed, to wit:

- (1) filing multiple cases based on the same cause of action and with the same prayer, the previous case not having been resolved yet (where the ground for dismissal is *litis pendentia*);
- (2) filing multiple cases based on the same cause of action and the same prayer, the previous case having been finally resolved (where the ground for dismissal is *res judicata*);
- and (3) filing multiple cases based on the same cause of action, but with different prayers (splitting causes

⁴⁵ Id. at 74-75.

⁴⁶ Id. at 80-90.

⁴⁷ *Chua v. Metropolitan Bank & Trust Co.*, 613 Phil. 143, 153 (2009).

⁴⁸ 613 Phil. 143 (2009).

of action, where the ground for dismissal is also either *litis pendentia* or *res judicata*).⁴⁹

In this case, none of the contemplated circumstances that would give rise to forum shopping are present. When Dinoyo, et al. filed its motion with the Labor Arbiter despite the final and executory decision of the CA holding Undaloc Inc., Cigin Corp., Sps. Undaloc, Joseph, and John cannot be held solidarily liable, they did not violate the prohibition on forum shopping.

Admittedly, the issue on the propriety of piercing the corporate veil of Undaloc and Cigin Corp. and to hold Sps. Undaloc, John, and Joseph personally liable for the judgment award was already passed upon by the CA in its Decision⁵⁰ in CA-G.R. SP No. 07306 and this decision had already become final.⁵¹ However, there are glaring differences between the circumstances surrounding the filing of the Motion for Reconsideration with Motion to Treat Cigin Construction & Development Corporation, Cirilo Undaloc, Gina Undaloc, Joseph Cyrille P. Undaloc, John Carlo P. Undaloc, As One And The Same With Respondent Undaloc Construction Company, Inc filed in the CA and the Motion to Hold All Respondents Solidarily Liable for the Judgment Award” filed in the Labor Arbiter during the executions stage.

Although the cessation of the business of Undaloc Inc. transpired in 2012, four years before the finality of the decision of the CA on May 28, 2016, it is worthy to point out that it was not only this factor that proved to be critical in invoking the doctrine of piercing the veil of corporate entity. It was only when the judgment award was being executed through notice of garnishment sent to various banks in 2017 that it was discovered that Undaloc Inc. only had ₱3,366.52 in its UCPB account⁵² and no other assets sufficient to satisfy the balance of the judgment award. Therefore, Dinoyo, et al. cannot be faulted for filing their motion with the Labor Arbiter during the execution stage. They merely sought to protect their right to receive the judgment award that is in danger of not being collected due to the allegation that assets of Undaloc Inc. were transferred by its officers to Cigin Corp. to evade its legal obligations.

The Labor Arbiter properly modified the final and executory judgment of the Court of Appeals in CA-G.R. SP No. 07306 to pierce the veil of corporate entity of Undaloc Inc. and Cigin Corp. and to hold respondents solidarily liable to the monetary award granted to Dinoyo, et al.

Cigin Corp. and Sps. Undaloc cannot insist that they are not parties to the original illegal dismissal cases instituted against Undaloc Inc. that had

⁴⁹ Id. at 153-154.

⁵⁰ Supra note 12.

⁵¹ CA *rollo*, pp. 333-334.

⁵² Id. at 178.



already become final and executory. Under the doctrine of conclusiveness or immutability of judgments, a judgment that has attained finality can no longer be disturbed. However, in the case of *Guillermo v. Uson*,⁵³ the Court stressed that:

The veil of corporate fiction can be pierced, and responsible corporate directors and officers or even a separate but related corporation, may be impleaded and held answerable solidarily in a labor case, even after final judgment and on execution, so long as it is established that such persons have deliberately used the corporate vehicle to unjustly evade the judgment obligation, or have resorted to fraud, bad faith or malice in doing so. When the shield of a separate corporate identity is used to commit wrongdoing and opprobriously elude responsibility, the courts and the legal authorities in a labor case have not hesitated to step in and shatter the said shield and deny the usual protections to the offending party, even after final judgment. The key element is the presence of fraud, malice or bad faith. Bad faith, in this instance, does not connote bad judgment or negligence but imports a dishonest purpose or some oral obliquity and conscious doing of wrong; it means a breach of a known duty through some motive or interest or ill will; it partakes of the nature of fraud.⁵⁴ (Emphasis supplied)

In the present case, Cigin Corp., and its responsible officers, Sps. Undaloc, who were impleaded when the Motion to Hold All Respondents Solidarily Liable for the Judgment Award during the execution stage, may be held solidarily liable with Undaloc Inc. under the doctrine of piercing the veil of corporation fiction.

The factual circumstances surrounding the case necessitates the application of the doctrine of piercing the veil of corporate fiction as there is evidence establishing the scheme employed by respondents to avoid their legal obligations. The Memorandum of Encumbrances⁵⁵ in TCT No. 107-180197 registered in the name of Cirilo and Gina that was allegedly used as collateral for loans Undaloc Inc. and Cigin Corp obtained. It was also shown that Undaloc Inc. and Cigin Corp. are using their respective distinct corporate personalities in bad faith to frustrate and render impossible the execution of the judgment award in favor of Dinoyo, et al. Bad faith on the part of respondents was demonstrated when motor vehicles registered under the name of Undaloc Inc. were suddenly transferred to Cigin Corp. while its appeal remained pending. These motor vehicles include:

Vehicle	Plate Number	Date of Transfer
Isuzu Pick-up ⁵⁶	YHW 868	August 25, 2016
Isuzu Dump Truck ⁵⁷	GKP 967	July 20, 2016

⁵³ 782 Phil. 215 (2016).

⁵⁴ Id. at 225.

⁵⁵ CA rollo, p. 345.

⁵⁶ Id. at 338-339.

⁵⁷ Id. at 340, 342.



Isuzu Tractor ⁵⁸	GNK 341	February 7, 2017
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Noticeably, the enumerated motor vehicles are essential to the construction business of respondents.

Moreover, the propensity of Sps. Undaloc of evading their legal obligations in labor cases was also pointed out by the Labor Arbiter when it was noted that Undaloc Construction, a sole proprietorship construction business of Cirilo during the 1990s, was abruptly closed following the decision of the Court in another labor case entitled *Sapio v. Undaloc, et al.* Undaloc Inc. was incorporated in 2000 but was also stopped operating after the Labor Arbiter's decision dated November 16, 2011, January 19, 2012 and January 20, 2012 awarding the monetary claims of Dinoyo, et al. and while these decisions were on appeal. Thereafter, Cigin Corp. was incorporated.⁵⁹

No dissolution and liquidation proceedings were conducted to properly terminate the corporate life of Undaloc Inc. The suspicious timing of the cessation of the operations of Undaloc Inc. leads the Court to question the underlying motive of the responsible officers, Sps. Undaloc, in incorporating a new family corporation to operate the same construction business while the appeal of Undaloc Inc. remained pending. The CA erred in disregarding the blatant ruse respondents employed to evade their legal obligations to Dinoyo, et al.

In *A.C. Ransom Labor Union-CCLU v. NLRC*,⁶⁰ the Court disregarded the corporate fiction of a company found to be guilty of unfair labor practices. The Court even highlighted the ruse employed by the company of evading their financial obligations to their employees through the creation of a "run-away corporation" while the unfair labor practice cases were pending. The Court explained that:

Aggravating RANSOM's clear evasion of payment of its financial obligations is the organization of a "run-away corporation," ROSARIO, in 1969 at the time the unfair labor practice case was pending before the CIR by the same persons who were the officers and stockholders of RANSOM, engaged in the same line of business as RANSOM, producing the same line of products, occupying the same compound, using the same machineries, buildings, laboratory, bodega and sales and accounts departments used by RANSOM, and which is still in existence. Both corporations were closed corporations owned and managed by members of the same family. Its organization proved to be a convenient instrument to avoid payment of backwages and the reinstatement of the 22 workers. This is another instance where the fiction of separate and distinct corporate entities should be disregarded.

⁵⁸ Id. at 343-344.

⁵⁹ CA *rollo*, p. 106.

⁶⁰ 234 Phil. 491 (1987).

It is very obvious that the second corporation seeks the protective shield of a corporate fiction whose veil in the present case could, and should, be pierced as it was deliberately and maliciously designed to evade its financial obligation to its employees.


When the notion of a legal entity is used to defeat public convenience, justify wrong, protect fraud, or defend crime, the law will regard the corporation as an association or persons, or, in the case of two corporations, will merge them into one.

The corporation will be treated merely as an aggregation of individuals or, where there are two corporations, they will be merged as one, the one being merely regarded as part of the instrumentality of the other. (Citations omitted.)

In the present case, the Court has observed a pattern adopted by the officers of Undaloc Inc., particularly Cirilo and Gina, of creating run-away companies every time their companies are embroiled in labor cases to deliberately circumvent the law, and evade their obligations to their employees. To prevent the separate personalities of Undaloc Inc. and Cigin Corp. from being used as an instrument to commit injustice, the application of the doctrine of piercing the veil of corporate entity is necessary. Very apparent that CIGIN is the combination of "CI" in Cirilo and "GIN" in Gina.

Accordingly, Cigin Corp., and Sps. Undaloc should be adjudged solidarily liable with Undaloc Inc. to pay the monetary claims due to petitioners based on the computations of the Labor Arbiter in the following decisions: (1) Decision dated November 16, 2011 in RAB Case Nos. VII-07-1134-2011, VII-07-1198-2011, and VII-08-1227-2011; (2) Decision dated January 19, 2012 in RAB Case Nos. VII-09-1370-2011 and VII-09-1403-2011; and (3) Decision dated January 20, 2012 in RAB Case Nos. VII-09-1483-2011 and VII-09-1494-2011 that were upheld by the CA in CA-G.R. SP No. 07306.

WHEREFORE, premises considered, the petition is **GRANTED**. The Decision dated May 11, 2018 and the Resolution dated August 29, 2019 of the Court of Appeals in CA-G.R. SP No. 11072 are **SET ASIDE**. Respondents Cigin Construction & Development Corporation, Spouses Cirilo A. Undaloc and Gina P. Undaloc are adjudged solidarily liable with Undaloc Construction Company, Inc. to pay the monetary claims due to petitioners based on the computations of the Labor Arbiter in the following judgments:

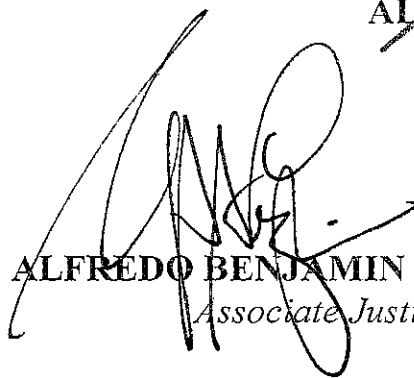
1. Decision dated November 16, 2011 in RAB Case Nos. VII-07-1134-2011, VII-07-1198-2011, and VII-08-1227-2011;
 2. Decision dated January 19, 2012 in RAB Case Nos. VII-09-1370-2011 and VII-09-1403-2011; and
 3. Decision dated January 20, 2012 in RAB Case Nos. VII-09-1483-2011 and VII-09-1494-2011.
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SO ORDERED.

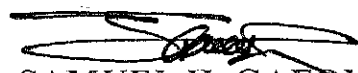

ROSMARI D. CARANDANG
Associate Justice

WE CONCUR:


ALEXANDER G. GESMUNDO
Chief Justice


ALFREDO BENJAMIN S. CAGUIOA
Associate Justice


RODIL N. ZALAMEDA
Associate Justice


SAMUEL H. GAERLAN
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, 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.


ALEXANDER G. GESMUNDO
Chief Justice