



Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

NOTICE

Sirs/Mesdames:

Please take notice that the Court, First Division, issued a Resolution dated June 10, 2020 which reads as follows:

“G.R. No. 180569 – CRISELDA DIMAAPI and DENNIS AGUILA, petitioners, versus GOLDEN BELL LOANS AND CREDIT CORPORATION, ALEXANDER ACUZAR, VALENTINO PATRON, FLORENCIANO TARNATE, ROLANDO ABANTE, ANGELITO BUNO, WILFREDO CARANDANG, RODRIGO CASTILLO, SAY CHUA, FRANCISCO HERNANDEZ, ROLANDO SALAZAR, and IMELDA TENORIO, respondents.

In money matters, oftentimes *greed* beclouds reason and decisions are hurried, making one less circumspect. It is only after the expected windfall or inordinate profit, income or return is frustrated that in hindsight, one realizes that the transaction was too good to be true for indeed as the adage goes, *repentance* always comes last.

This case is an exemplar of how an investor should not behave. One need not even be an expert in financial investment. Financial common sense is the key to avoiding scams and unscrupulous debtors. Had petitioners done their due diligence before they parted with their money — examined the investee’s financials; verified the securities being offered in terms of their features, prospects and issuance; checked on the investee’s reputation as well as its owners and officers — they would not have wasted additional money and 20 years to seek the return of the ₱300,000.00, for petitioner Criselda Dimaapi (Dimaapi), and the ₱113,000.00, for petitioner Dennis Aguila (Aguila), which they invested in 1997 with respondent Golden Bell Loans and Credit Corporation (Golden Bell).

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For resolution before the Court is a petition for review on *certiorari*¹ (Petition) under Rule 45 of the Rules of Court (Rules) filed by Dimaapi and Aguila (petitioners), assailing the Decision² dated May 29, 2007 (Decision) and Resolution³ dated November 14, 2007 (Resolution) of the Court of Appeals⁴ (CA) in CA-G.R. CV No. 86523. The CA dismissed the appeal of petitioners but modified the Decision⁵ dated July 14, 2005 of the Regional Trial Court of Batangas City, Branch 84 (RTC). The CA Resolution denied petitioners' motion for reconsideration.

Dimaapi filed before the RTC a complaint⁶ for sum of money with damages, alleging that: sometime in February 1997 defendants Alexander Acuzar (Acuzar), Valentino Patron (Patron), Florenciano Tarnate (Tarnate), Felix Dimailing (Dimailing), and Marico Medina (Medina) (collectively, original defendants) convinced and induced Dimaapi to invest ₱300,000.00 in Golden Bell, which was covered by a promissory note (PN), for three months from date of issue; upon maturity of the PN on May 16, 1997, Dimaapi demanded from Golden Bell the return of the ₱300,000.00 and stipulated interest, but Golden Bell denied having received said amount from original defendants; Dimaapi's attorney-in-fact sought explanation from original defendants, but they deliberately evaded the former; and being stockholders/officers of Golden Bell, original defendants used conveniently the corporation as their alter ego or business conduit, which is an instance where the veil of corporate entity should be pierced and the corporate fiction disregarded, making original defendants personally liable for what they held out as corporate acts of Golden Bell.⁷ Dimaapi prayed that judgment be rendered ordering original defendants in their personal capacities jointly and severally liable with Golden Bell to pay her ₱300,000.00 representing her investment under the PN, ₱50,000.00 by way of moral damages, ₱50,000.00 by way of exemplary damages, ₱40,000.00 by way of attorney's fees, and the cost of suit.⁸

Aguila filed a separate complaint⁹ for sum of money with damages against original defendants, alleging substantially the same

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¹ *Rollo*, pp. 9-29.

² *Id.* at 31-49. Penned by Associate Justice Vicente S.E. Veloso with Associate Justices Juan Q. Enriquez, Jr. and Marlene Gonzales-Sison concurring.

³ *Rollo*, p. 51.

⁴ Fifteenth Division and Former Fifteenth Division.

⁵ *Rollo*, pp. 59-78. Penned by Presiding Judge Paterno V. Tac-an.

⁶ *Id.* at 52 to 54-A.

⁷ *Id.* at 52-54.

⁸ *Id.* at 53 to 54-A.

⁹ *Id.* at 55-58.

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allegations as in the Dimaapi complaint with the difference that the amount invested by Aguila was ₱113,000.00 sometime in April 1997.¹⁰

Subsequently, Dimaapi and Aguila filed, with leave of court, an amended complaint impleading additional defendants: Rolando Abante (Abante), Angelito Buno (Buno), Wilfredo Carandang (Carandang), Rodrigo Castillo (Castillo), Say Chua (Chua), Francisco Hernandez (Hernandez), Rolando Salazar (Salazar) and Imelda Tenorio (Tenorio).¹¹

Patron, Acuzar, Buno, Carandang, Chua, Hernandez, Castillo, Abante, Salazar and Tenorio filed their respective answers¹² and, according to petitioners, they alleged that they are not liable in their personal capacities since Golden Bell has a separate and distinct corporate personality.¹³ No responsive pleading or answer was filed by Medina, Dimailig, Tarnate and Golden Bell.¹⁴

The complaints were tried jointly on the sole issue of whether Golden Bell is a mere alter ego or business conduit of defendants to warrant the piercing of the veil of corporate fiction.¹⁵

On July 14, 2005, the RTC issued a Decision,¹⁶ with the following dispositive portion:

WHEREFORE, the private individual defendants are ordered to pay the amount of P25,000.00 each to the plaintiffs such payment shall be deposited with the Office of the Clerk of Court and shall be paid or reimbursed to the plaintiffs as follows, to wit:

CRISELDA DIMAAPI - $\frac{P300,000.00}{413,000.00} \times 275,000.00 = 175,719.00$

DENNIS AGUILA - $\frac{P113,000.00}{413,000.00} \times 275,000.00 = 75,242.11$

No pronouncement as to cost of suit in the complaint or counterclaim as the Court is aware that there was financial crisis in Asia beginning 1997 and which is uncontroverted by the plaintiffs.

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¹⁰ Id. at 56.

¹¹ Id. at 10. Original defendants and additional defendants are collectively referred to as defendants.

¹² Except for Castillo and Abante as well as Salazar and Tenorio, who filed their separate answers jointly.

¹³ *Rollo*, p. 11.

¹⁴ Id.

¹⁵ Id. at 11 and 68.

¹⁶ Id. at 31-49.

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SO ORDERED.¹⁷

The RTC Decision was appealed to the CA. The CA dismissed the appeal for lack of merit. The dispositive portion of the CA Decision states:

WHEREFORE, the instant appeal is **DISMISSED** for lack of merit. The Decision of the Regional Trial Court of Batangas City dated July 14, 2005 is however **MODIFIED** in that the eleven stockholders who are defendants in this case are hereby ordered to reimburse the plaintiffs-appellants the amounts of P199,757.87 for Criselda Dimaapi and P75,242.13 for Dennis Aguila, as above computed.

SO ORDERED.¹⁸

Petitioners filed a motion for reconsideration, which the CA denied in its Resolution¹⁹ dated November 14, 2007.

Hence, the present Rule 45 Petition. Chua filed a Comment²⁰ dated November 5, 2008 while Acuzar, Patron and Castillo filed a Comment²¹ dated November 7, 2008. Petitioners filed a Consolidated Reply²² dated February 9, 2009.

Issue

Whether, based on the facts as established by evidence, the CA erred in not holding that individual respondents have used the corporate vehicle of Golden Bell as their business conduit or personal alter ego in their lending business, and not piercing the corporate fiction of said corporation and holding individual respondents personally liable to petitioners for the amounts of money they lent, plus interests, and damages.

The Court's Ruling

As a reminder, Rule 45 of the Rules lays down **four** rigid parameters which limit the giving due course and granting of review or appeal by *certiorari*:

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¹⁷ Id. at 78.

¹⁸ Id. at 48.

¹⁹ Id. at 51.

²⁰ Id. at 129-135.

²¹ Id. at 153-156.

²² Id. at 159-165.

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(1) Only questions of law, which must be distinctly set forth, shall be raised in the petition (Section 1, Rule 45);

(2) To avoid the outright dismissal of the petition, there must be compliance with the payment of the docket and other lawful fees, deposit for costs, proof of service of the petition, the required contents of the petition and the documents which should accompany the petition (Sections 4 and 5, Rule 45);

(3) The Court may on its own initiative deny the appeal by *certiorari* on the ground that the appeal is without merit, or is prosecuted manifestly for delay, or that the questions raised therein are too insubstantial to require consideration (second paragraph, Section 5, Rule 45); and

(4) Under Section 6 of the same Rule, a review by *certiorari* is not a matter of right, but of sound judicial discretion, and will be granted **only** where there are **special and important** considerations by reason of **substance** — “[w]hen the court *a quo* has decided a question of substance, not theretofore determined by the Supreme Court, or has decided it in a way probably not in accord with law or with the applicable decisions of the Supreme Court” — or **procedure** — “when the court *a quo* has so far departed from the accepted and usual course of judicial proceedings, or so far sanctioned such departure by a lower court, as to call for an exercise of the power of supervision.”

Petitioners failed to meet parameters 1, 3 and 4. As phrased by petitioners, the lone issue of their Petition is basically factual. As observed by the CA, the question of piercing the veil of corporate fiction is essentially a matter of proof showing that the corporation is being used as a cloak or cover for fraud or illegality, or to work injustice.²³ The Court agrees with the CA that no iota of evidence was introduced by petitioners to show the specific fraudulent acts of respondents from which it could be deduced that they merely used Golden Bell as a business conduit or alter ego in transacting business with the public.²⁴

These facts — insufficient capitalization, non-payment by the stockholders of the balance of their capital subscription, failure to make additional stock subscription, and non-compliance with the

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²³ *Rollo*, pp. 44-45.

²⁴ *Id.* at 45.

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Securities Regulation Code²⁵ (SRC) provisions on registration and license requirements of securities, which in this case are the pre-printed promissory notes of Golden Bell — are not clear and convincing evidence of the fraud committed by respondents. The Court is in agreement with the CA that Golden Bell's non-compliance with the SRC should have triggered administrative sanctions, civil liabilities and other penalties against Golden Bell and its responsible officers and employees.²⁶ Under Section 8 of the SRC, securities shall not be sold or offered for sale or distribution within the Philippines, without a registration statement duly filed with and approved by the Securities and Exchange Commission.

The Court emphasized in *San Juan Structural and Steel Fabricators, Inc. v. Court of Appeals*²⁷ that:

Thus, the Court has consistently ruled that “[w]hen the fiction is used as a means of perpetrating a fraud or an illegal act or as a vehicle for the evasion of an existing obligation, the circumvention of statutes, the achievement or perfection of a monopoly or generally the perpetration of knavery or crime, the veil with which the law covers and isolates the corporation from the members or stockholders who compose it will be lifted to allow for its consideration merely as an aggregation of individuals.

We stress that the corporate fiction should be set aside when it becomes a shield against liability for fraud, illegality or inequity committed on third persons. The question of piercing the veil of corporate fiction is essentially, then, a matter of proof. In the present case, however, the Court finds no reason to pierce the corporate veil of Respondent Motorich. Petitioner utterly failed to establish that said corporation was formed, or that it is operated, for the purpose of shielding any alleged fraudulent or illegal activities of its officers or stockholders; or that the said veil was used to conceal fraud, illegality or inequity at the expense of third persons like petitioner.²⁸

As to the personal liability of respondents to petitioners, the CA correctly upheld the RTC's finding that it only arose because they, being stockholders and officers at the same time of Golden Bell, paid themselves a parting dividend of ₱25,000.00 each as bonus or premium for their investment when they ceased to be stockholders or directors, without fully reimbursing petitioners' investments or Golden Bell's loans to them because there can be no distribution of assets among the stockholders without first paying the corporate

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²⁵ Republic Act No. 8799.

²⁶ Id. at 46.

²⁷ 357 Phil. 631 (1998).

²⁸ Id. at 649.

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creditors, who are preferred over stockholders in the distribution of corporate assets, pursuant to the trust fund doctrine wherein the capital stock, property and other assets of a corporation are regarded as equity in trust for the payment of corporate creditors.²⁹

Thus, the CA committed no reversible error and decided questions of substance in accordance with the law and jurisprudence. Being reiterative of the arguments that petitioners raised before the CA, which the CA correctly rejected, the Petition lacks merit.

WHEREFORE, the **DENIAL** of the instant Petition is in order.

SO ORDERED.”

Very truly yours,

LIBRADA C. BUENA
Division Clerk of Court

by:

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Deputy Division Clerk of Court *gts*

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²⁹ See *rollo*, p. 47, citing *Boman Environmental Development Corporation v. Court of Appeals*, 249 Phil. 495, 504 (1988).

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