

Title: Rufina Luy Lim vs. Court of Appeals, et al.

Facts:

On June 11, 1994, Pastor Y. Lim passed away intestate. His surviving spouse, Rufina Luy Lim, represented by her nephew George Luy, filed a petition for the administration of his estate before the Regional Trial Court (RTC) of Quezon City. Private respondents are corporations that owned properties allegedly part of Pastor Lim's estate. They filed motions to exclude certain properties from the inventory and to lift the lis pendens notice. The RTC initially granted these motions but later reversed its decision upon Rufina Luy Lim's amended petition, which claimed that the corporations were Pastor Lim's sole properties and were thus part of the estate. The RTC then included these properties in the estate and reinstated the lis pendens.

Rufina Lim was appointed as special administrator along with two others, but private respondents challenged this and other RTC orders in a special civil action before the Court of Appeals. The CA granted the private respondents' petition, nullifying the RTC orders involving the properties and corporate entities, which led Rufina Luy Lim to file a petition for review on certiorari with the Supreme Court.

Issues:

The main legal issues revolve around whether the corporation, in its entirety, can be included in the inventory of an estate of a deceased person and whether the probate court has the jurisdiction to determine title over properties registered under the Torrens system and owned by corporations.

Court's Decision:

The Supreme Court dismissed the petition stating that the RTC, acting as a probate court, was remiss in including the respondent corporations' properties in the inventory of the estate as they were separate entities with a legal personality distinct from Pastor Y. Lim. The Court emphasized that ownership by a single stockholder does not justify disregarding corporate personality except in cases of fraud, wrongdoing, or to achieve inequitable outcomes, none of which were substantiated by compelling evidence. The Court also held that a probate court does not have jurisdiction to determine the title of properties registered under the Torrens system that are in possession of third parties.

Doctrine:

A probate court may provisionally pass upon the title to certain properties, but this

determination is subject to the final decision in a separate action to resolve title. Also, a corporation has a legal personality distinct and separate from its stockholders or members, which may only be disregarded in cases of fraud, wrongdoing, or when the separate entity is used to defeat public convenience, justify wrong, protect fraud, or defend crime.

Class Notes:

1. Probate court jurisdiction is determined by the gross value of the estate.
2. The doctrine of separate corporate personality treats a corporation as a separate legal entity distinct from its members and owners.
3. The doctrine of piercing the corporate veil applies when the corporate identity is used to perpetrate fraud, evade an obligation, or confuse legitimate legal or judicial issues.
4. A Torrens Title provides conclusive evidence of ownership that is not subject to collateral attack, except through a direct proceeding to nullify or modify the title (P.D. 1529).

“P.D. 1529 - Section 48. Certificate not subject to collateral attack. - A certificate of title shall not be subject to collateral attack. It cannot be altered, modified or cancelled except in a direct proceeding in accordance with law.”

Historical Background:

The context of this case is centered on estate administration in the Philippines, particularly when it comes to the inclusion of corporate entities and properties registered under the Torrens system in inventory property estates. The decision reflects a strict adherence to corporate law principles regarding separate juridical personality and the robust protection afforded by the Torrens system of registration. The case was decided during a period where the Philippine judicial system placed significant emphasis on the integrity of registered titles and the sacrosanct nature of the separate corporate identity.