Title: Heirs of Fe Tan Uy (Represented by Her Heir, Manling Uy Lim) and Goldkey Development Corporation vs. International Exchange Bank

Facts:
Comprising two consolidated petitions for review under Rule 45, these cases involved loans granted by respondent International Exchange Bank (iBank) to Hammer Garments Corporation (Hammer) from June to September 1997, totaling P24,938,898.08. These loans were pursuant to a Letter Agreement and were secured by a P9 Million Real Estate Mortgage by Goldkey Development Corporation (Goldkey) and a P25 Million Surety Agreement signed by Manuel Chua and his wife, Fe Tan Uy (Uy).

As of October 28, 1997, Hammer's loan remained unpaid, totaling P25,420,177.62, leading iBank to foreclose on Goldkey's mortgage, selling the properties for P12 million but leaving an unpaid balance. iBank proceeded to file a Complaint for sum of money against Hammer, Chua, Uy, and Goldkey.

Defendants Chua and Hammer defaulted by not filing responsive pleadings and were declared in default. Uy, in her defense, denied liability claiming her signature on the Surety Agreement was forged. Goldkey denied liability arguing it was solely a mortgagor and a separate entity from Hammer. While the trial progressed, iBank secured a writ of preliminary attachment on Goldkey's properties.

The RTC ruled in favor of iBank, holding Goldkey and Hammer as one entity, based on their shared management and failure to operate independently following Chua's disappearance. Although ruling Uy's signature was a forgery, it held Uy liable as an officer and shareholder of Hammer. On appeal, the CA affirmed the RTC's decisions.

Issues:
1. Whether Uy can be held liable for Hammer's loan obligation based on her roles within the company.
2. Whether the doctrine of piercing the veil of corporate fiction applies, making Goldkey liable for Hammer's obligations.

Court's Decision:
The Supreme Court partly granted the petitions. Uy was absolved from liability, with the Court finding the charge against Uy of being an officer and shareholder was insufficient for piercing the corporate veil. However, the Court upheld finding Goldkey as Hammer's alter ego, thus jointly and severally liable for Hammer's debts.

Doctrine:

The veil of corporate fiction can be pierced when such fiction is used to perpetrate fraud, illegal acts, or to confuse legitimate issues. However, for officers to be held liable, they must have assented to unlawful acts or been guilty of gross negligence or bad faith, which must be clearly proven. As for corporate entities, factors such as shared ownership, management, business location, and commingled assets can lead to the application of the doctrine.

Class Notes:

– Corporate fiction principle: A corporation has a legal personality separate from those acting for and in its behalf.
– Piercing the corporate veil: Requires evidence of fraud or to rectify wrongful acts, not for guilt by association.
– Director's liability: Requires specific wrongful acts and proof of negligence or bad faith.
– Alter ego theory: Shared attributes among corporations may make them indistinguishable for liability purposes.
– Solidary liability: May arise in cases of shared identity, especially when a corporation is merely an alter ego of another.

Historical Background:

The case underlines the historical tension between upholding corporate separateness versus holding corporations and their constituents accountable for deliberate misuse of corporate structure. It showcases judicial scrutiny applied when corporate structures are alleged to have been used to facilitate evasion of financial obligations and the resultant circumvention of the protection offered by corporate personality.