

Title:

Calvin S. Arcilla vs. The Honorable Court of Appeals and Emilio Rodulfo

Facts:

The dispute revolves around a collection suit for a sum of money that reached the Philippine Supreme Court. Calvin S. Arcilla, the petitioner, was held personally liable by the Court of Appeals (CA) for an obligation he insists was a corporate debt of CSAR Marine Resources, Inc., where he was president.

The detailed facts are:

Emilio Rodulfo, the private respondent, filed a complaint on June 4, 1985, in the Regional Trial Court (RTC) of Catanduanes, against Arcilla, for the recovery of various items, cash and checks totaling P93,358.51, extended on credit based on Arcilla's representation as a successful financial consultant. Documents known as "vales" evidenced this indebtedness.

Arcilla did not deny the transactions but claimed they were liquidated in bank loan releases. In his answer, he admitted a business relationship with Rodulfo began in August 1982 and posited the transactions were for CSAR Marine Resources, Inc. However, the RTC ruled in favor of Rodulfo on August 1, 1986, stating the presumption of non-payment remained undisputed since the vales were in Rodulfo's possession.

Arcilla appealed to the CA, which affirmed the RTC's decision on January 14, 1988. Arcilla moved for reconsideration, bringing forth "newly discovered evidence" alleging payment in full, and suggested that the unpaid account was not his but the corporation's. This led to the CA's Amended Decision on May 31, 1989, reducing the liability but still against Arcilla as the president of CSAR Marine Resources, Inc. Arcilla filed a Motion For Clarificatory Judgment, which was denied by the CA that decided to pierce the veil of corporate fiction, treating Arcilla's liability as personal and not merely corporate.

Issues:

1. Whether the Court of Appeals erred in holding CSAR Marine Resources, Inc., with Arcilla as President, liable for the amount awarded in the decision when the corporation was not impleaded as a party in the case.
2. Whether the Court of Appeals erred in not dismissing the case against Arcilla.

Court's Decision:

The Supreme Court denied the petition, emphasizing that Arcilla could not escape liability by hiding behind the corporate veil. The Court observed that Arcilla initially indicated that

the loan was for his benefit, using his family corporation merely as a conduit. Hence, Arcilla's distinction between personal and corporate liability was considered waived or abandoned since he didn't raise it as an affirmative defense at the trial level and did not issue this as an error in his CA brief. The Amended Decision from the CA was clear that Arcilla himself was liable for the debts, and the Supreme Court upheld this.

Doctrine:

The Doctrine of Piercing the Corporate Veil was applied. This doctrine allows courts to hold officers or shareholders personally liable for corporate actions if the corporation is used to perpetrate fraud, circumvent the law, or achieve illegitimate objectives.

Class Notes:

- An individual's personal liability for corporate obligations may be established if it is proven that the corporation is a mere alter ego or business conduit of the individual (Doctrine of Piercing the Corporate Veil).
- Liability for a corporate debt may attach to an individual if there is an express admission of personal liability and/or if the individual fails to raise the defense of separate corporate identity.
- Affirmative defenses not raised on time are deemed waived (Rule 9, Section 2, Rules of Court).
- The Supreme Court has the discretion to uphold the lower courts' decisions if the appeal is merely based on technicalities or procedural lapses that do not show any substantive injustice or error.

Historical Background:

In the context of Philippine corporate law, this case reinforced principles that prevent individuals from evading personal liability through the misuse of the corporate structure. It upholds corporate governance practices and responsibilities, ensuring that those with control over corporations cannot abuse the separate legal entity doctrine to unjustly benefit at the expense of creditors.