

Title: Donnina C. Halley vs. Printwell, Inc.

Facts:

Donnina C. Halley was an incorporator and director of Business Media Philippines, Inc. (BMPI), which incurred credit obligations to Printwell, Inc. for the printing of “Philippines, Inc.” magazine, among other items. BMPI defaulted on a balance amounting to P291,342.76. Printwell sued BMPI and later amended the complaint to include all original stockholders and incorporators, seeking to recover on their unpaid subscriptions totaling P562,500.00. The defendants claimed they had fully paid their subscriptions and that there was a distinct corporate personality between BMPI and its stockholders.

The case went through the Regional Trial Court (RTC) and the Court of Appeals (CA). The RTC ruled in favor of Printwell, disregarding the claim of full payment in view of irregularities in the issuance of official receipts, and invoking the trust fund doctrine, which allows creditors to look to unpaid subscriptions for claims satisfaction. The CA affirmed the RTC, emphasizing the use of the corporate veil to perpetrate injustice by the stockholders who were in charge of the operation of BMPI and benefited from the transactions.

The legal journey saw the filing of various pleadings, including consolidated answers, presentation of official receipts by the defendants, appeal by the defendants, and a motion for reconsideration by Spouses Halley and Viñeza which was denied by the CA.

Issues:

1. Whether the RTC decision’s verbatim content from Printwell’s memorandum is tantamount to a constitutional violation.
2. Whether the separate corporate personality of BMPI and its stockholders should be disregarded (“piercing the veil of corporate fiction”).
3. Whether the trust fund doctrine applies and the extent of the stockholders’ liability for corporate debts.

Court’s Decision:

The Supreme Court denied the petition and affirmed, with modification, the CA’s decision. The court found no violation of the constitutional requirement regarding articulation of facts and law in judgment by the RTC and ruled that the allegations of bias were unfounded. The corporate veil could be pierced despite no showing that the petitioner induced the corporate debt or benefited from it because the petitioner was found to be in charge of BMPI’s operations when the debts were incurred. Regarding the trust fund doctrine, Halley failed to

discharge the burden of proof showing full payment of her subscription, and full liability up to the extent of her unpaid subscription was upheld. Interest of 12% per annum from the date of the amended complaint was imposed until the full payment of her liability. Attorney's fees were not granted due to lack of justification.

Doctrine:

Subscriptions to the capital stock of a corporation constitute a fund to which creditors have a right to look for satisfaction of their claims. The corporate veil may be pierced if used to perpetrate fraud, justify a wrong, or defend against legitimate claims. Absent any malfeasance, corporate debts are secured only to the extent of a stockholder's unpaid subscriptions.

Class Notes:

- Stockholders' liability for corporate debts is limited to their unpaid subscriptions.
- Payment claims must be substantiated with legal certainty and supported with more than just receipts.
- The trust fund doctrine treats corporate assets as a trust for creditors, particularly when the corporation is insolvent.
- The separation between corporate and individual personalities can be disregarded under the "piercing the veil of corporate fiction" when used to commit fraud, avoid obligations, or perpetrate injustice or illegality.
- Receipt of payment is merely presumptive and not conclusive evidence of payment; parole evidence can still establish the fact of payment.
- A check, not being legal tender, does not operate as payment unless and until it is actually encashed.

Historical Background:

The case represents a reinforcement of established principles in Philippine corporate law regarding the protection of creditors and the conditions under which the corporate veil can be pierced. It reaffirms the notion that while corporations enjoy a distinct legal personality, this privilege cannot be abused to the detriment of third-party creditors.