

Title: Dr. Gil J. Rich vs. Guillermo Paloma III, Atty. Evarista Tarce, and Ester L. Servacio

Facts:

In 1997, Dr. Gil Rich lent P1,000,000.00 to Estanislao Rich, secured by a mortgage on land in Maasin City. When Estanislao defaulted, Dr. Rich foreclosed and won the property in a public auction on March 14, 2005. Unbeknownst to him, Estanislao mortgaged the property to Maasin Traders Lending Corporation (MTLC) on January 24, 2005, to secure P2.6 million in loans. MTLC, with Ester L. Servacio as president, redeemed the property post-foreclosure by paying P2,090,000.00 on December 15, 2005, and the Deed of Redemption was issued by Sheriff Guillermo Paloma III on March 15, 2006.

Dr. Rich filed a case to annul the Deed of Redemption, asserting MTLC was dissolved in September 2003 and had no juridical personality to redeem the property. At pre-trial on January 8, 2007, Servacio and her lawyer failed to appear; thus, she was declared in default, and Dr. Rich presented evidence ex parte. The RTC ruled in favor of Dr. Rich, but Servacio appealed to the CA, which reversed the RTC's decision.

Issues:

1. Whether the CA erred in not dismissing Servacio's appeal based on technical deficiencies in her appellate brief.
2. Whether a corporation without corporate personality at the time of redemption can redeem the property.

Court's Decision:

1. The CA has discretion to dismiss an appeal based on technical errors but chose not to, as it did not find that justice was hindered. The appellant's brief was substantially compliant with the requirements.
2. MTLC lacked juridical personality when it entered into the mortgage agreement as it had been dissolved since 2003. Thus, the mortgage and subsequent redemption were null and void. A corporation's activities after dissolution must be limited to liquidation; securing a new mortgage is not a liquidation activity.

Doctrine:

A dissolved corporation retains juridical personality for liquidation purposes. Any contractual engagement beyond mere liquidation is void for lack of corporate personality.

Class Notes:

- A mortgage secured by a non-existent corporate entity is void.

- The activities of a dissolved corporation must be limited to liquidation.
- The CA's decision not to dismiss an appeal on technicalities is discretionary, particularly when there is substantial compliance and no hindrance to justice.
- Section 122 of the Corporation Code allows a corporation to continue for three years post-dissolution solely for liquidation purposes.

Historical Background:

The case highlights the limitations placed on the activities of a dissolved corporation by Philippine corporate law. It demonstrates the procedural dynamics between trial courts, appeals through the CA, and the Supreme Court's role in adjudicating a corporation's post-dissolution actions, emphasizing the legal finality of dissolution and the sanctity of corporate liquidation as a process.