Title:
Bank of Commerce vs. Heirs of Rodolfo Dela Cruz

Facts:
Rodolfo Dela Cruz, owner of Mamertha General Merchandising, sued Panasia Banking, Inc. (Panasia) for unauthorized withdrawals by his son from his bank account amounting to P56,223,066.07. Despite Dela Cruz's instruction to Panasia not to allow withdrawals without his consent, Panasia continued to allow them. Dela Cruz demanded restoration but to no avail.

Later, Dela Cruz was approached by the Bank of Commerce demanding payment for a loan of P27,150,000.00 he allegedly obtained from Panasia. Dela Cruz, unaware of any loan from the Bank of Commerce, found that his loan was part of Panasia's assets and liabilities acquired by the Bank of Commerce following a Purchase and Sale Agreement. Dela Cruz argued for a legal set-off of his claimed amount from the unauthorized withdrawals against his loan.

Panasia was declared in default for failing to file a pre-trial brief. After the death of Dela Cruz, his heirs continued the case. The Regional Trial Court (RTC) in Caloocan City declared Bank of Commerce and Panasia jointly and severally liable for Dela Cruz's claim. The Court of Appeals (CA) affirmed this decision.

Issues:
1. Did the CA err in ruling that the Bank of Commerce's failure to formally offer evidence was detrimental to its claim of selective assumption of Panasia's liabilities?
2. Was the CA correct in holding the Bank of Commerce liable for acts committed by Panasia?
3. Did the CA err in disregarding Rodolfo Dela Cruz's admission that he authorized his son to withdraw from the savings account?

Court's Decision:
The Supreme Court granted the appeal by the Bank of Commerce, finding merit in its arguments. It clarified that the formal offer of evidence by the Bank was necessary but found that the Court of Appeals (CA) and the RTC should not have declared the Bank of Commerce solidarily liable with Panasia due to a lack of evidence of the Bank acquiring the said liability from Panasia. The Bank of Commerce's liability could not be established without evidence of an actual merger or assumption of Panasia's liabilities, which Dela Cruz

did not prove.

Doctrine:
The terms of the merger between two corporations, determining their liabilities towards third parties, cannot be assumed. The party alleging a corporation's joint liabilities must establish the allegation; otherwise, their liabilities are deemed separate.

Class Notes:
– Ultimate facts v. Evidentiary facts: The former refers to principal determinative facts upon which a cause of action rests, while the latter are details to establish material elements.
– Merger: A merger requires evidence of an express plan, board approval, stockholder/member approval, submission of articles to SEC, and an SEC certificate.
– Formal Offer of Evidence: An essential procedural requirement in trials to inform the judge of the purpose of the evidence, where failure to formally offer can prejudice the case unless the evidence (a) is duly identified by testimony duly recorded, and (b) is incorporated in the records of the case.
– Legal Set-off: Legal compensation is permissible when both parties are creditors and debtors of each other and provided that the requisites for legal compensation are present.
– Selective Assumption of Liabilities: When a corporation acquires another, it may assume only selected assets and liabilities, which must be evidenced.

Historical Background:
The case reflects the Philippine Supreme Court's jurisprudence on the consequences of corporate mergers, particularly as they relate to the assumption of liabilities, offering an important clarification on the need for explicit terms of a merger or acquisition to determine responsibility towards third-party claims.