

****Title:**** Merrill Lynch Futures, Inc. vs. Spouses Pedro M. Lara and Elisa G. Lara: A Dispute Over Foreign Corporation's Capacity to Sue in the Philippines

****Facts:****

Merrill Lynch Futures, Inc. (ML FUTURES), a Delaware-based foreign corporation, filed a complaint in November 1987 against the Lara Spouses in the Regional Trial Court (RTC) at Quezon City, Philippines. ML FUTURES sought to recover a debt and interest, damages, and attorney's fees, asserting it acted as the broker for the Lara Spouses in purchasing and selling futures contracts in the U.S. markets. The transactions were facilitated through Merrill Lynch Philippines, Inc. (MLPI), which ML FUTURES clarified was not licensed to operate as a commodity trading advisor in the Philippines. Following losses in three transactions, ML FUTURES demanded payment from the Lara Spouses, who refused, questioning the legality of the transactions due to MLPI's unlicensed status. The RTC dismissed ML FUTURES's case based on its lack of legal capacity to sue, having been identified as doing business in the Philippines without a license. This decision was affirmed by the Court of Appeals, leading ML FUTURES to appeal to the Supreme Court.

****Issues:****

1. Whether the documents appended by the Lara Spouses to their motion to dismiss constitute admissible evidence.
2. Whether ML FUTURES was accorded procedural due process in the proceedings.
3. Whether the provided documents established that ML FUTURES was doing business in the Philippines without a license and, consequently, had no legal capacity to sue.

****Court's Decision:****

The Supreme Court reversed the decisions of the lower courts, holding that ML FUTURES should be permitted to proceed with its case in the Philippine courts. It noted that while factual findings from appellate courts are generally conclusive, nothing substantial was presented to warrant reversal in this case. The Supreme Court found that the Lara Spouses had indeed transacted with ML FUTURES through MLPI, which acted as its agent in the Philippines, and were thus unable to deny ML FUTURES's corporate existence and capacity due to the doctrine of estoppel. The High Court opined that the issue should be adjudicated on merits to ascertain the liability of the Lara Spouses.

****Doctrine:****

Foreign corporations engaging in transactions within the Philippines without the requisite license may still have the capacity to sue in Philippine courts if the defendant is estopped

from denying the corporation's legal existence and capacity, especially when they have benefited from their dealings with such corporations.

****Class Notes:****

1. ****Estoppel:**** A party may be estopped from denying the legal existence and capacity of a corporation with which it has entered into contractual dealings, benefitting from such dealings over time.
2. ****Doing Business in the Philippines:**** Foreign corporations doing business in the Philippines without a license may face restrictions in maintaining or intervening in any action in Philippine courts unless exceptions apply, such as the doctrine of estoppel.
3. ****Procedural Due Process:**** In assessing motions to dismiss based on the plaintiff's legal capacity to sue, Courts may consider relevant and unchallenged documents attached to the motions without necessarily violating procedural due process.

****Historical Background:****

This case provides insight into how the Philippine legal system addresses issues of foreign corporations conducting unlicensed business in the country but attempting to seek redress in its courts. It underscores the balance between strict adherence to corporate and commercial regulations and the equitable treatment of parties who have engaged in business transactions to their mutual benefit.