

Title: Reyes and Pastor vs. Bancom Development Corp.

Facts:

The case involves Ramon E. Reyes and Clara R. Pastor (Petitioners) versus Bancom Development Corp. (Respondent), rooted in a Continuing Guaranty executed by the Reyes Group, which included the petitioners, to ensure the payment of obligations by Marbella Realty, Inc. under an Underwriting Agreement with Bancom. Marbella failed to pay back the loans, prompting Bancom to file a Complaint for Sum of Money against Marbella and the Reyes Group as guarantors. The defendants argued they were coerced into the agreements, connecting them to financial strains from a failed condominium project, Marbella II, with Bancom and its sister company, Fereit. They presented an Amendment of Memorandum of Agreement where Fereit agreed to reimburse Marbella, aiming to prove the promissory notes were tied to Fereit's obligations, not Marbella's genuine debt to Bancom.

The trial progressed through the Regional Trial Court (RTC) which held Marbella and the Reyes Group liable, a decision affirmed by the Court of Appeals (CA).

Issues:

1. Should the lawsuit be considered abated due to the revocation of Bancom's Certificate of Registration by the SEC?
2. Is CA correct in ruling the petitioners liable for Marbella's loans and attorney's fees to Bancom?

Court's Decision:

The Supreme Court denied the petition, upholding the CA's decision. It clarified that the revocation of Bancom's charter does not abate the proceedings and that as guarantors, petitioners remain liable.

1. ****Abatement Issue****: The Court referenced Section 122 of the Corporation Code, noting that dissolution does not impair a corporation's right to litigation. Hence, the lawsuit isn't abated by Bancom's dissolution.
2. ****Liability for Loans and Fees****: The Court confirmed the petitioners' liability as guarantors under the Promissory Notes and Continuing Guaranty. Their defense of the promissory notes being non-binding was rejected based on the unequivocal nature of the contracts.

Doctrine:

- The dissolution of a corporation does not abate legal proceedings it has initiated or are against it. Directors are considered trustees by legal implication, allowing the continuation of litigation beyond the dissolution.
- Guarantors' liability is affirmed when the genuineness and due execution of promissory notes and guarantees aren't disputed, and their sole defense does not sufficiently rebut their contractual obligations.

Class Notes:

- **Corporation Dissolution**: Section 122, Corporation Code. A dissolved corporation can continue to prosecute or defend suits for three years post-dissolution. Directors may act as trustees after dissolution.
- **Guarantor Liability**: Demonstrated in guaranty and promissory note agreements, solidifying obligations even in complex pre-existing financial arrangements among corporations.

Historical Background:

This case emerged against the backdrop of the Philippine financial and real estate sectors, capturing complexities in corporate guarantees and financing, intertwined with issues of corporate dissolution and the enduring nature of legal obligations. It highlights the judiciary's interpretation of guaranty agreements amid corporate and financial intricacies.