

Title:

Mercy Vda. De Roxas v. Our Lady's Foundation, Inc., 705 Phil. 545 (2013)

Facts:

****Initiation of the Case:****

1. On September 1, 1988, Salve Dealca Latosa filed a complaint at the Regional Trial Court (RTC) of Sorsogon City, alleging encroachment on her residential land at Our Lady's Village, Bibinchan by Atty. Henry Amado Roxas (represented by petitioner Mercy Vda. De Roxas). The encroachment was due to Roxas extending his concrete fence into Latosa's property.

****Third-Party Complaint:****

2. Roxas, in his defense, filed a Third-Party Complaint against Our Lady's Village Foundation, Inc. (OLFI), claiming he only occupied the disputed portion to recover an equivalent area trimmed from his property by OLFI for a subdivision road.

****RTC Proceedings:****

3. The RTC ruled in favor of Latosa, finding Roxas had encroached 112 square meters onto her property. However, the court acknowledged that OLFI also trimmed 92 square meters from Roxas's property and ordered OLFI to reimburse Roxas at P1,500 per square meter with additional legal fees and costs.

****Appeal and Valuation Dispute:****

4. Roxas appealed to the Court of Appeals (CA), which upheld the RTC decision.
5. During execution, a dispute over the fair market value arose. The RTC valued the 92 square meters at P2,500 per square meter, later reducing it to P1,800 per square meter upon OLFI's objections.

****Garnishment and CA Proceedings:****

6. Notices of Garnishment were issued to collect the due amount. OLFI filed a Rule 65 Petition at the CA, contesting the valuation and arguing it should reimburse only the original purchase price of P40 per square meter. The CA ruled in favor of OLFI, valuing the reimbursement at P40 per square meter and nullifying the garnishment orders.

****Petition to the Supreme Court:****

7. Before the Supreme Court, petitioner maintained OLFI should pay the fair market value of P1,800 per square meter set by the RTC, arguing historical devaluation and fairness considerations.

Issues:

1. **Whether the reimbursement amount should be pegged to historical purchase price or current fair market value.**
2. **The validity of Notices of Garnishment issued against the personal bank accounts of OLFIs general manager, Arcilla-Maullon.**

Court's Decision:

Issue 1: Reimbursement Amount Determination:

1. The Supreme Court highlighted provisions of the Civil Code (Articles 448 and 450) regarding encroachment and referenced judicial precedents such as *Ballatan v. CA* and *Tuatis v. Spouses Escol*, mandating that the fair market value be calculated at the time of payment, not the historical purchase price.
2. Referencing *Depra v. Dumlao* and *Sarmiento v. Agana*, the Court emphasized that the current market value was operative for encroachment cases.
3. The RTC was correct in setting the value at P1,800 per square meter, reflecting the property's current fair value.
4. The CA's decision to use the historical price of P40 was erroneous. Therefore, the SC reinstated the RTC's 2 December 2004 Order valuing the land at P1,800 per square meter.

Issue 2: Validity of Garnishment against General Manager:

1. The Court reiterated the doctrine of separate juridical personality in corporate law, as proclaimed in *Santos v. NLRC*.
2. Since the general manager was not a party to the suit, and absent evidence proving OLFIs to be a dummy corporation or any bad faith conduct by the general manager, personal liability was unjust.
3. The garnishment orders against Arcilla-Maullon's personal bank accounts were correctly nullified by the CA.

Doctrine:

Encroachment Valuation Doctrine:

- The fair market value determination in encroachment cases should be based on the current market rate at the time of payment, not on historical purchase price (*Ballatan v. CA* and *Tuatis v. Spouses Escol*).

Separate Corporate Personality Doctrine:

- Corporations maintain a separate juridical personality from its officers and shareholders, and piercing this corporate veil requires clear and convincing evidence of malfeasance

(Santos v. NLRC).

Class Notes:

- **Key Elements of Encroachment Valuation:**
- Land value at the time of payment, not original purchase price.
- Fairness and currency considerations influence valuation.

- **Corporate Doctrine Reinforcement:**
- Separate legal personality of corporations.
- Personal liability necessitated proof of bad faith or having the entity as a dummy.

- **Legal Statutes/Provision References:**
- **Civil Code, Article 448 and Article 450:** Encroachment and options of the landowner for resolving property disputes.
- **Precedent Cases:** Ballatan v. CA, Tuatis v. Spouses Escol, Depra v. Dumlao, Sarmiento v. Agana, and Santos v. NLRC.

Historical Background:

This case reflects the remedies available under Philippine law for property encroachment and the importance of fair market value in property disputes. It also underscores the procedural and substantial nuances of corporate law, especially regarding separate juridical personalities of corporations and their management, mirroring broader principles of justice and equity in evolving legal landscapes.