

Title: Jose Remo, Jr. vs. Intermediate Appellate Court and E.B. Marcha Transport Company, Inc.

Facts:

- December 1977:** The board of directors of Akron Customs Brokerage Corporation (Akron) adopts a resolution to purchase 13 trucks for its business using a loan from a lending institution.
- January 25, 1978:** Akron's President, Feliciano Coprada, purchases 13 trucks from E.B. Marcha Transport Company, Inc. (private respondent) for PHP 525,000, with a PHP 50,000 down payment and the remaining PHP 475,000 due in 60 days, per a side agreement.
- Promissory Note:** Coprada executes a promissory note, stating that the balance would be paid from a loan obtained from the Development Bank of the Philippines (DBP) within 60 days. A chattel mortgage lien was agreed upon if the balance was unpaid.
- Post-90 Days:** Akron fails to secure the DBP loan. Rentals are paid until May 31, 1978, but no further payments are made, and a grace period extension request is made.
- July-August 1978:** Coprada repeatedly asks for more grace periods. Akron is found to have sold 2 trucks to a third party.
- December 9, 1978:** Coprada claims 10 trucks were returned to Bagbag and a loan assignment from State Investment House, Inc. was confirmed.
- Legal Action:** Private respondent files a complaint for recovery of PHP 525,000 or the return of the 13 trucks against Akron and its directors, including petitioner Jose Remo, Jr.
- Trial Court:** Akron directors are held jointly liable. Remo appeals, claiming no personal liability.
- Intermediate Appellate Court (IAC):** Initially (June 30, 1983), the decision excluding Remo was reversed on February 8, 1984, upholding the trial court's decision.
- Supreme Court:** Petition for review filed by Remo.

Issues:

- Whether the corporate veil of Akron could be pierced to hold Jose Remo, Jr. personally liable for the corporation's obligations.
- Whether the IAC erred in merging the corporation's personality with that of Jose Remo, Jr., thus holding him liable for corporate debts.

Court's Decision:

- Corporate Veil:** The Supreme Court ruled there was no cogent basis to pierce the

corporate veil. Remo's involvement was limited to adopting the resolution for purchasing the trucks, and he did not participate in the fraudulent activities conducted by Coprada.

2. **Corporate Obligation**: Since Remo did not sign the promissory note nor engaged in any misrepresentation regarding the DBP loan, he was not personally liable. The fraudulent acts were attributed solely to Coprada.

Doctrine:

1. **Separate Corporate Personality**: A corporation is treated as a separate legal entity, distinct from its stockholders. This corporate fiction can only be disregarded under certain circumstances:

- To defeat public convenience
- To protect fraud or defend crime
- When the corporation is the mere alter ego or business conduit of a person

2. **Piercing the Corporate Veil**: As established in past rulings (e.g., Yutivo Sons Hardware Co. vs. Court of Tax Appeals), the corporate veil may be pierced only with clear and convincing evidence of misuse. Fraud must be established convincingly.

Class Notes:

- **Piercing the Corporate Veil**: Requires evidence of fraud, misuse, or wrongdoing.
- **Corporate Personality**: Section 2, Batas Pambansa Blg. 68, Corporation Code of the Philippines - Corporation treated as an artificial person.
- **Doctrine Application**: In this case, Remo was not involved in acts constituting fraud or misuse of corporate assets.
- **Directors' Liability**: Officers can be personally liable if they engage in fraudulent activities.

Historical Background:

In the context of the 1970s and 1980s, businesses in the Philippines were heavily regulated and relied on loans from government banks like DBP. This period saw many instances where corporate officers used their companies to obtain loans under false pretenses. The Remo case illustrates the Philippine Supreme Court's approach to upholding corporate integrity while ensuring individuals behind the entities are accountable only when their misconduct is clearly proven.