

**\*\*Title:** Mindanao Savings and Loan Association, Inc. v. Edward Willkom et al.\*\*

**\*\*Facts:\*\***

The case involves the following entities and key events:

- First Iligan Savings and Loan Association, Inc. (FISLAI)
- Davao Savings and Loan Association, Inc. (DSLAI), which later became Mindanao Savings and Loan Association, Inc. (MSLAI)
- MSLAI was represented by its liquidator, Philippine Deposit Insurance Corporation (PDIC)
- Edward Willkom, Gilda Go, Remedios Uy, Sheriff Malayo Bantuas of RTC Iligan City Branch 3, and the Register of Deeds of Cagayan de Oro City.

In 1985:

1. FISLAI and DSLAI entered a merger, with DSLAI as the surviving corporation.
2. DSLAI changed its name to MSLAI, approved by SEC on April 3, 1987.
3. FISLAI assigned its assets to DSLAI through a board resolution in 1986.
4. MSLAI's business failed, leading to receivership and liquidation by the Central Bank and PDIC.

Procedural History:

1. 1989: Remedios Uy filed an action for collection against FISLAI, and RTC found in favor of Uy.
2. 1993: Sheriff Bantuas levied FISLAI's properties, and Willkom became the highest bidder at auction.
3. 1995: MSLAI (PDIC) filed for Annulment of Sheriff's Sale, Cancellation of Title, and Reconveyance at RTC Cagayan de Oro City, citing lack of notification to PDIC and custodia legis status of assets under liquidation.
4. RTC dismissed the case citing lack of jurisdiction, and on appeal, the CA affirmed the RTC decision but highlighted procedural irregularities in the merger and innocence of Willkom as a purchaser.

**\*\*Issues:\*\***

1. Whether the merger between FISLAI and DSLAI (now MSLAI) was valid and effective.
2. Whether the properties under MSLAI were protected from execution because of PDIC's lack of notice and custodia legis status.
3. Whether Willkom and Go gained lawful ownership despite procedural flaws in the auction sale process.

**Court's Decision:**

1. **Merger Validity:** The Court ruled that the merger between FISLAI and DSLAI was not valid because it did not follow the required formalities and procedures under the Corporation Code. Consequently, the corporations maintained separate legal identities, meaning MSLAI could not claim ownership of FISLAI's properties.
2. **Custodia Legis:** PDIC's argument that FISLAI's assets were protected under custodia legis because of the liquidation did not hold, as it applied to the properties in the name of FISLAI, not DSLAI (now MSLAI).
3. **Innocent Purchaser:** The Court upheld the CA's conclusion that Willkom was an innocent purchaser for value. Consequently, Willkom's title and subsequent sale to Go were affirmed valid. The Court confirmed that the sheriff's failure to notify PDIC did not invalidate the auction sale because the title showed no annotations that would prevent enforcement.

**Doctrine:**

1. **Merger Formalities:** A merger is only valid if the specific steps mandated by the Corporation Code (Sections 76-79) are strictly followed, including SEC approval and issuance of a merger certificate, underscoring the necessity for formalities in corporate consolidations.
2. **Property Rights & Execution:** A corporation's properties remain subject to levy and execution to satisfy judgments against it unless legally transferred following prescribed protocols. A lack of notification to a liquidator does not annul a buyer's title acquired from a legitimate auction.

**Class Notes:**

- **Key Concepts:**
- **Merger Process (Sec. 76-79 FAQs)**
- **Custodia Legis:** Exemption of assets from execution during liquidation.
- **Innocent Purchaser for Value:** Protections ensure titles are valid despite procedural flaws.
- **Statutes:**
- **Corporation Code Sections 76-79:** Procedures for corporate mergers.
- **Article 1293 Civil Code:** Consent of creditor is indispensable for novation by change of debtor.

**\*\*Historical Background:\*\***

This case highlights the post-1980s period in Philippine banking history, characterized by corporate mergers and failures due in part to economic transitions and regulatory enforcement evolutions. Furthermore, it underscores the importance of legal formalities in corporate structures and judicial protection of innocent purchasers.