

Title

****Martinez v. BPI International Finance****

Facts

Initial Business Arrangements

1. ****Parties Involved****: Cintas Largas Ltd. (CLL), a Hong Kong-based company primarily importing molasses from the Philippines and reselling it internationally. Mar Tierra Corporation, a Philippine firm selling molasses to CLL, was managed by Wilfrido Martinez, who was also the president, and Blamar Gonzales, the executive vice-president.
2. ****Ownerships****: Mar Tierra's majority shareholder was RJI Martinez Fishing Corporation (RJI), owned largely by Ruben Martinez and his brothers.
3. ****Financial Agreement****: In 1979, AIFL (now BPI International Finance) granted CLL a US\$3,000,000 Letter of Credit. Wilfrido Martinez, signing for CLL, agreed to purchase molasses using this facility.

Money Market Placements

4. ****Accounts Setup****:
 - ****January 24, 1979****: CLL opened a Money Market Placement Account (MMP No. 063) with an initial US\$390,000.
 - ****March 25, 1980****: Another account, MMP No. 084, was opened. The accounts were managed by Wilfrido Martinez.
5. ****Signature Cards****: On March 21, 1980, Ruben Martinez and his son Wilfrido, along with Miguel Lacson, signed the signature cards for these accounts, essentially becoming joint account holders.

Funds Transfer

6. ****May 19, 1980****: A subsequent agreement extended the back-to-back credit facility and outlined the securities involved.
7. ****October 1980 Fund Transfer****:
 - ****October 10-14, 1980****: Blamar Gonzales requested BPI to transfer US\$340,000 to Mar Tierra's account at Philippine Banking Corporation (FCD SA 18402-7).

- **October 21, 1980**: Wilfrido Martinez confirmed this instruction.

8. **Post-Transfer Actions**:

- BPI remitted US\$340,000 but did not deduct it from CLL's accounts, posting it as receivable. Subsequent withdrawals by CLL/Martinez exhausted the accounts by July 3, 1981, including MMP Nos. 063 and 084.

Audits and Legal Action

9. **Audits Conducted**: Jacinto, Belano, Castro & Co. audited and found the debt of US\$340,000.

10. **Legal Proceedings**:

- **June 17, 1983**: BPI filed a complaint against CLL, the Martinez family, and other involved parties for the collection of US\$340,000.

- **Judgment at RTC**: Initially found all defendants jointly and severally liable.

- **Appeal at CA**: Modified the judgment, exonerating Gonzales.

Issues

1. **Liability of Ruben Martinez**: Whether Ruben Martinez is liable to reimburse BPI for US\$340,000 remitted to FCD SA 18402-7.

2. **Counter-claim**: Determining the merit of Ruben Martinez's counter-claim for relief.

Court's Decision

Issue 1: Liability of Ruben Martinez

- **Separate Corporate Personality**:

- The Supreme Court ruled that corporations have distinct legal personalities.

- To pierce the corporate veil, control must be complete, fraudulent use must be proved, and harm to the claimant must be directly established.

- **Corporate Veil Not Pierced**:

- No concrete evidence proved Mar Tierra Corporation and RJL were used to commit fraud or wrong.

- Mere ownership by Ruben Martinez and his brothers of the RJL stocks did not suffice to pierce the corporate veil.

- **Signatory Obligation**:
 - Signing a signature card merely upon request does not entitle joint liability for transactions carried out by other account holders.
 - Evidence showed CLL and Wilfrido Martinez managed and controlled the accounts without Ruben Martinez's involvement.
- **Judicial Admission**:
 - Admissions made by other defendants (Wilfrido Martinez) were not binding on Ruben Martinez.

Issue 2: Counter-claim

- **Dismissed**: The Supreme Court did not address this explicitly, as the primary issue's resolution rendered it moot.

Doctrine

1. **Separate Legal Personality of Corporations**: Corporations have distinct legal personalities separate from their owners and stakeholders.
2. **Piercing the Corporate Veil**: Only under strict conditions—fraudulent use of corporate structure or when required to avoid injustice—can the corporate veil be pierced.
3. **Judicial Admissions**: Admissions in legal pleadings bind the party making them unless contradicted or proven to be made by mistake.

Class Notes

- **Separate Legal Personality**: Corporations are legally distinct entities from their shareholders (Sec. 2, Corporation Code of the Philippines).
- **Piercing the Corporate Veil**: Requires proving control, misuse, and resultant injury (Francisco Motors Corp. v. CA, 309 SCRA 72, 1999).
- **Judicial Admissions**: Cannot be contradicted unless shown made through palpable mistake (Sec. 4, Rule 129, Rules of Court).

Historical Background

This case epitomizes the legal principle that a corporation is a distinct legal entity. The case highlights the stringent requirements for piercing the corporate veil, emphasizing the protection accorded by the separate entity doctrine unless overriding evidence of fraud or misuse exists. The Supreme Court's ruling reinforces strict adherence to corporate law

principles and safeguards in the Philippines.