

****Title:****

Solidbank Corporation v. Mindanao Ferroalloy Corporation, et al.

****Facts:****

Maria Cristina Chemical Industries (MCCI) partnered with three Korean corporations - Ssangyong Corporation, Pohang Iron and Steel Company, and Dongil Industries Company, Ltd. - to establish Mindanao Ferroalloy Corporation (Minfac) in Iligan City. Ricardo P. Guevara was Minfac's President and Chairman, and Jong-Won Hong and Teresita R. Cu were Vice Presidents for Finance, Marketing, and Administration. On November 26, 1990, Minfac's Board authorized its officials to secure a P30 million omnibus line from Solidbank.

In May 1991, Minfac secured two loans from Solidbank totaling P5 million. These loans were consolidated and restructured, resulting in a P5.16 million promissory note signed by Cu and Hong. Minfac ceased operations in 1991 and defaulted on its loans. Solidbank demanded repayment in letters sent on February 11 and November 23, 1992, to no avail.

On January 6, 1993, Solidbank filed a complaint for a sum of money against Minfac, Cu, Hong, and Guevara, seeking a writ of preliminary attachment. In their defense, Guevara claimed non-involvement in signing the documents, while Cu and Hong argued they signed only in their representative capacities.

Minfac filed for voluntary insolvency in June 1994, listing Solidbank as a creditor. The court suspended proceedings against Minfac but not against the individual defendants. On December 10, 1999, the regional trial court (RTC) dismissed Solidbank's complaint against the individual respondents for lack of sufficient evidence to establish personal liability.

Solidbank appealed, arguing for joint and solidary liability, and requesting summary judgment against Minfac. The RTC granted summary judgment against Minfac but dismissed Solidbank's case against the individual respondents.

The Court of Appeals affirmed the RTC decision, ruling that Cu, Hong, and Guevara acted within their capacities as corporate officers and were not personally liable.

****Issues:****

1. Are the individual respondents (Guevara, Cu, and Hong) jointly and solidarily liable with Minfac for the corporate loans?

2. Is there a basis for awarding damages, including moral and exemplary damages, as well as attorney's fees to the individual respondents?
3. Can judicial notice be taken of bank practices?
4. Did the suit filed by Solidbank constitute malicious prosecution?

****Court's Decision:****

****1. Liability of Individual Respondents:****

The Court ruled that corporate officers generally are not personally liable for corporate acts done within the scope of their authority and in good faith. Guevara, Cu, and Hong signed documents in their representative capacities - not personally. Their corporate actions did not establish personal or solidary liability. Since solidarity was neither expressly stipulated in the promissory note nor required by law, none of the conditions for solidary liability were met. Moreover, raising issues of joint liability for the first time at this appellate level was untimely.

****2. Award of Damages:****

The individual respondents were awarded damages, initially, based on moral and exemplary grounds under Articles 19 to 21 of the Civil Code. However, to merit such awards, there must be clear evidence of patent malice or bad faith. Petitioner Solidbank was presumed to act in good faith and, while mistaken in impleading the spouses of Guevara and Hong, this alone did not amount to malicious prosecution or justify damages.

****3. Judicial Notice of Bank Practices:****

The Court agreed with the CA's discretionary judicial notice of standard banking practices, specifying that banks typically conduct rigorous investigations before granting loans.

****4. Malicious Prosecution:****

While Solidbank's actions were not upheld, there was insufficient proof that their suit was driven by a sinister design to vex or injure the respondents. Thus, the claim of malicious prosecution and consequential damages lacked sufficient legal grounds.

****Doctrine:****

1. ****Separate Corporate Personality****: Corporate officers are not personally liable for

corporate obligations unless they acted in bad faith, beyond their scope of authority, or assented to patently unlawful acts.

2. **Solidary Liability**: Solidary liability cannot be assumed; it must be explicitly provided by law, contract, or the nature of the obligation.
3. **Judicial Notice of Banking Practice**: Courts may take judicial notice of the due diligence ordinarily exercised by banks in loan approvals.

Class Notes:

1. **Separation of Corporate Entity**: Fundamental principle ensuring corporate officers are shielded from personal liability when acting within their authority and in good faith.
2. **Solidary Obligations (Articles 1207 and 1208, Civil Code)**: Such obligations must explicitly state the solidarity for them to be enforceable in that manner.
3. **Doctrine of Piercing the Corporate Veil**: Courts may set aside the corporate fiction when it is used to commit fraud or wrongdoing, clearly and convincingly established.
4. **Damages Under Abuse of Rights (Articles 19-21, Civil Code)**: Requires demonstration of bad faith or malice for damages to be awarded.

Historical Background:

This case highlights the legal tensions during the financial struggles of Philippine corporations in the early 1990s. The case underscores the importance of clarifying corporate roles and responsibilities and the liabilities of corporate officers in the growing body of commercial law. The established principles reconfirm the layers of protection corporate officers have, emphasizing the inviolable need for explicit agreements when deviating from standard interpretations of corporate and individual liabilities.