

RAMIREZ TELEPHONE CORPORATION, PETITIONER, VS. BANK OF AMERICA, E.F. HERBOSA, THE SHERIFF OF MANILA AND THE COURT OF APPEALS, RESPONDENTS.

G.R. No. L-22614. August 29, 1969

Ponente: CAPISTRANO, J.

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CAPISTRANO, J.:

This is a petition for review on certiorari of a decision of the Court of Appeals of February 27, 1964, wherein the judgment of the lower court was reversed and another entered dismissing the complaint of plaintiff, now petitioner, Ramirez Telephone Corporation, and ordering it to pay to defendant, now respondent, Bank of America, the sum of P500.00 and to the third-party defendant E. F. Herbosa, now likewise respondent, the same amount, both in the concept of attorney's fees, the costs being adjudged likewise against petitioner. The judgment of the Court of First Instance which was reversed by the Court of Appeals reads as follows:[1]

"In view of the foregoing considerations, judgment is hereby rendered in favor of the plaintiff and against the defendant Bank of America ordering the latter to pay the former the sum of P3,000.00 in the form of actual damages, and to pay the costs of these proceedings.

"Likewise, judgment is hereby rendered sentencing the third-party defendant, E.F. Herbosa, to indemnify or reimburse the third-party plaintiff, Bank of America, any sum or sums which the latter may pay the plaintiff by virtue of this judgment.

"The third-party complaint against the Sheriff of Manila as well as the counterclaim of defendant Bank of America and third-party defendant E. F. Herbosa are hereby ordered dismissed."

The facts as found by the Court of Appeals, which we cannot review are set forth in its decision thus:[2]

"Resultando: Que los hechos al parecer, no son muy embrollados; el demandado, Herbosa era y es dueño del edificio No. 612, Int. 3 Sta. Mesa; se lo haba dado en arrendamiento a Ruben R. Ramirez, y como este era el presidente de la Ramirez Telephone Corporation, el taller de la corporacion aunque su oficina central estaba en la Escolta, Natividad Building, Exh. D. fue trasladado al local: pero habiendose amontonado los alquileres sin pagar, Hdrbosa presento de-manda de desahucio contra Ramirez en el Juzgado Municipal de Manila el 10 de Noviembre, 1949, y elevada la causa al Juzgado del 1.a Instancia, Herbosa pudo conseguir decision favorable alli el 14 de Octubre, 1950, pero en la vispera de la promulgacion de la sentencia a su favor ha-bia ya conseguido mandamiento de embargo pre-ventivo contra Ramirez, Exh. A, y el mismo, servido al Bank of America el 13 de Octubre, 1950, Exh. 2, lease como sigue;

'Civil Case No. 10620

E.F. Herbosa, Plaintiff

-versus- GARNISHMENT

Ruben R. Ramirez, Defendant

To: Bank of America

Manila

'Greetings:

You and each of you are hereby notified that, by virtue of an order of attachment issued by the Court of First Instance of Manila, copy of which is hereto attached, levy is hereby made (or attachment is here-by levied) upon all the goods, effects, interests, credits, money, stocks, shares, any interests in stocks and shares and all debts owing by you to the defendant, Ruben R. Ramirez, ---_____, in the above entitled case, and any other personal property in your possession or under your control, belonging, to the said defendant _____on this date, to cover the amount of P2,400.00 and specially the ...

** ** *

'Manila, Philippines, October 13, 1950.

'MACARIO M. OFILADA Sheriff of Manila'

(Exh. 2);

y fue contestado por el banco el mismo dia de la siguiente manera:

'Dear Sir:

In reply to your Garnishment of October 13, 1950, issued under the above-subject case, we wish to inform you that we do not hold any fund in the name of the defendant, Ruben R. Ramirez.

Yours very truly.' (Exh.3);

pero el Sheriff reitero el embargo el 17 Octubre, 1950, Exh. B. notificando al Bank of America de que quedaba embargado,

'... the interest or participation which the defendant Ruben R. Ramirez may or might have in the deposit of the Ramirez Telephone. Inc., with that Bank sufficient to cover the said amount of P2,400.00'; Exh. B; y

la institution bancaria en contestation al She-riff, de fecha 17 de Octubre, 1950, o sea el mismo dia, hizo constar que:

'... we are holding the amount of P2,400.00 in the name of the Ramirez Telephone Inc. sub-juct to your further orders.', Exh. G;

es decir que acato la notificacion del embargo de los fondos de la Ramirez Telephone; ahora, bien, recuerdase de que en aquella fecha, 17 de Octubre, 1950 es Ramirez Telephone tenia en deposito con el Bank of America, la suma de P4,789.53, Exh. 9; de manera que con el embargo, - se recujo los fondos libres a la cantidad de P2,389.53; pero el dia siguiente, el Ramirez Telephone retiro la suma de P1, 500.00, quedando por Canto como ultimo balance, nada mas que unos P889.00; de esto surgio la presente contienda, pues, el 19 de Octubre, 1950, la Ramirez Telephone por medio de su presidente, el mismo demandado, Ruben Ramirez, ya mencio-nado, habiendo expedido el 19 de Octubre, 1950, otro cheque en la suma de P2,320.00 a favor de la Ray Electronics, en pago de ciertos equipos vendidos por este ultimo, Exhs. 15, 17, L, el cheque Exh. N, este cheque al ser presentado a la Bank of America, fue rechazado por lo que el abogado de la Ramirez Telephone el 23, de Octubre, 1950, envio carta de requerimiento al Bank of America, Exh. 14, manifestando que su cliente habia sufrido 'considerable damage and embarrassment', y advirtiendole que si no se le diera completa satisfaccion el did siguiente, el presentaria la demanda correspon-diente, 'without further notice', Exh. 14; esta carta la contesto la institucion

bancaria el 24 de Octubre, 1950, alegando que,

'With reference to your letter dated October 23, 1950, in which you are writing in be-half of the Ramirez Telephone Corporation, it is suggested that you obtain a release from the Court on Civil Case No. 10620, Ruben E. Ramirez, defendant.

'This Bank is acting only in accordance with the garnishment and has no interest whatsoever in the funds held', Exh. 15;

pero conforme con su advertencia, el abogado de la Ramirez Telephone Inc., incoo esta accion el 28 de Octubre, cuatro dias despues; y el motivo de accion se hace consistir en que el banco,

'... knows or should have known that Ruben N. Ramirez the defendant in said Civil Case and whose property or fund was ordered attached has no personal de-posit in that bank and that the Ramirez Telephone Corporation is entirely a dis-tinct and separate entity regardless of the fact that Ruben R. Ramirez happens to be its President and General Manager.' par. 4, demanda;

y alegando que con motivo de ello y la siguien-te devolution de su cheque a favor de la Ray Electronics sin pagar, esta habia cancelado su pedido para los equipos necesarios en la construe-cion de sus lineal telefonicas en la region bi-colana, asi que todas sus operaciones se habian quedado paralizadas, par. 5, id.; la demandada Bank of America emplazada de la demandada, pre-sento motion de sobresimiento; que denegada, el 4 de diciembre, 1950, ea banco sometio su contes-tacion el 23 de diciembre, 1950, con reconvention para despues presentar demanda contra el Sheriff el 25 de Agosto, 1955, y contra Herbosa, el 16 de Agosto, 1955; y este ultimo a su vez en contestacion, presento contra reclamacion o mejor dicho, re-convercion contra la misma demandante, Ramirez Telephone, y tambien contra el Bank of America, el 10 de Septiembre, 1955, y el Juzgado Inferior, despues de la vista, como ya se ha dicho, dictamino en favor de la demandante contra el Bank of America en la contra-demanda de este contra aquel; ***."

It was further found by the Court of Appeals:[3]

"Considerando: Que el testimonio de Estanis-lao Herbosa al efectode que; si bien. Ruben R. Ramirez era su inquilino al principio, pero es que mas tarde, este lo habia manifestado que 'the shop of company was established downstairs', es decir que la Ramirez Telephone Corporation a la verdad ocupaba el local alquilado, tanto que Ru-ben R. Ramirez solia pagar el alquilar en che-ques de la Ramirez Telephone Corporation, y esta declaration, t.n. 10 y 11, 25 June, 1956, estando corroborada no solamente por el Exh. 12, en donde, Ruben R. Ramirez, en papel con el embrete de la Ramirez Telephone, habia eriviado el abogado de Herbosa, el cheque No. C-78900, manifestando en la carta de que:

'In accordance with your agreement yesterday with my attorney, Mr. Jose L. de. Leon, I am sending you herewith check No.C-78900 for the amount of P812.60, rentals for the premises I am occupying at the rate of P161.00 a month for the period from February 1, 1949 to June 30, 1949, both dates, inclusive, plus P7.00 for the court costs.' Exh. 12;

y esta carta, leida en relacion, con el Exh. 3, en donde se ve que Ruben R. Ramirez y tenia fondos depositados en el banco mencionado, Bank of America, asi que resulta evidente que los fondos de la Ramirez Telephone los eran a la verdad, fondos de que buenasanta podia dispo-ner su Presidente, Ruben R. Ramirez, para el pago de los alquileres por el debidos a Her-bosa, y luego, tambien resulta evidente de que la casa por el alquilada bien resulta evidente de que la casa per el alquilada Ra-mirez Telephone, y estos hecho agregados el otro hecho tambien probado, de que el 75% de las acciones de la compa ia pertenecia a Ruben Ramirez y su esposa, Rizalina P. de Ramirez, Exh. E, todos estos hechos no pueden menos de justificar la conclusion de que el embargo de los Condos de la Ramirez Telephone por y en virtud de un mandamiento judicial de embargo contra Ruben R.

Ramirez, especialmente teniendo en cuenta que el embargo solo abarcaba,

"The interest or participation which the defendant Ruben R. Ramirez may or might have in the deposit of the Ramirez Te-lephone Inc., in the amount of P2, 400.00' Exh. B;

cuando entonces estaba depositada la cantidad de P4,857.28, Exh 9, era un acto de justicia a favor del acreedor Herbosa y a la verdad, de no haberse permitido el mencionado embargo, este se hubiera visto en igual situacion que aquel pobre agraviado que Como se .dice vul-garmente, tras de cornudo, fue apaleado; * * *."

The aforestated facts notwithstanding, which must be considered conclusive and binding on us, plaintiff in the lower court, now petitioner, Ramirez Telephone Corporation, as noted, appealed, assigning the following alleged errors:[4]

"I

"The Court of Appeals erred in not ap-plying the settled legal principle that a corporation has a personality separate and distinct from that of its stockholders and therefore, the funds of a corporation cannot be reached to satisfy the debt of its stock-holders.

"II

"The Court of Appeals erred in not taking into account the significant fact that when the events that gave rise to this case took place, the lawyer of both respondents, i.e., the Bank of America and E. F. Herbosa, was one and the same.

"III

"The Court of Appeals erred in not granting petitioner damages as awarded by the lower court; likewise; the Court of Appeals erred in declaring instead that it is petitioner that should pay respondents attorneys' fees."

Petitioner's main grievance in the first assigned error is that the Court of Appeals disregarded its corporate personality; it relies on the general principle "that the corporate entity will not be disregarded, no matter how large the holding a particular stockholder may have in the corporation." [5] Petitioner would thus maintain that the personality as an entity separate and distinct from its major stockholders, Ruben R. Ramirez and his wife, was not to be disregarded even if they did own 75% of the stock of the corporation. [6] The conclusion that would thus emerge, in petitioner's opinion, is that its funds as a corporation can not be garnished to satisfy the debts of a principal stockholder.

While respect for the corporate personality as such is the general rule, there are exceptions. In appropriate cases, the veil of corporate fiction may be pierced. From the facts as found which must remain undisturbed, this is such a case. This assignment of error has no merit, in view of a number of cases decided by this Court, the la-test of which is *Albert v. Court of First Instance* [7] reaffirming a 1965 resolution in *Albert v. University Pub-lishing Co., Inc.* [8] In that resolution, the principle restated thus: "Even with regard to corporations duly or-ganized and existing under the law, we have in many a case pierced the veil of corporate fiction to administer the ends of justice." In support of the above principle, the following cases were cited: *Arnold vs. Willits & Patter-son, Ltd.*, 44 Phil. 634; *Koppel (Phil.), Inc. vs. Yatco*; 77 Phil. 496; *La Campana Coffee Factory, Inc. vs. Kaisahan ng mga Manggagawa sa La Campana*, 93 Phil. 160; *Marvel Building Corporation vs. David*, 94 Phil. 376; *Madrigal Shipping Co., Inc. vs. Ogilvie*, G.R. No. L-8431, Oct. 30, 1958; *Laguna Transportation Co., Inc. vs. S.S.S.*, G.R. No. L-14606, April 28, 1960; *McConnel vs. C.A.*, G.R. No. L-10510, March 17, 1961; *Liddel & Co., Inc. vs. Collector of Internal Revenue*, G.R. No. L-9687, June 30, 1961; *Palacio vs. FelyTransporation Co.*, G.R. No.

L-15121, August 31, 1962. Hence, to repeat the first assigned error cannot be sustained.

The next two errors assigned likewise fail to call for a reversal of the judgment now on appeal. The second alleged error would find fault with the decision because the Court of Appeals allegedly did not take into account a significant fact, namely, that only one lawyer represented both the respondent Bank of America and respondent E. F. Herbosa. We are not called upon to consider this particular assignment of error as it is essentially factual, which is a matter for the Court of Appeals, not for us, to determine. The last assigned error would in effect seek a restatement of the damages awarded petitioner on the theory that the Court of Appeals decided the matter erroneously. Since, as we made clear in the foregoing, the decision of the Court of Appeals is in accordance with law on the facts as found, this alleged error likewise is not meritorious.

PREMISES CONSIDERED, the judgment Of the Court of Appeals of February 27, 1964 is affirmed, with costs against petitioner Ramirez Telephone Corporation.

Concepcion, C.J., Dizon, Makalintal, Sanchez, Castro, Fernando, Teehankee and Barredo, JJ., concur.
Reyes and Zaldivar, JJ., are on leave.

[1] Statement of the Case, Brief for the Petitioner, p.2.

[2] Ibid, pp. 25-31.

[3] Ibid, pp. 36-37.

[4] Assignment of Errors, Brief for the Petitioner.

[5] Statement of Facts, Brief for the Petitioner, p. 10.

[6] Ibid, p. 12.

[7] 23 SCRA 948 (1968).

[8] G.R. No. L-19118, January 30, 1965.

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