

**EDWARD J. NELL, COMPANY, PETITIONER, VS. PACIFIC FARMS, INC.,  
RESPONDENT.***G.R. No. L-20850. November 29, 1965*

Ponente: CONCEPCION, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/f58accf44aff/>**CONCEPCION, J.:**

Appeal by certiorari, taken by Edward J. Nell Co. hereinafter referred to as appellant from a decision of the Court of Appeals.

On October 9, 1958, appellant secured in Civil Case No. 58579 of the Municipal Court of Manila against Insular Farms, Inc.—hereinafter referred to as Insular Farms—a judgment for the sum of P1,853.80—representing the unpaid balance of the price of a pump sold by appellant to Insular Farms—with interest on said sum, plus P125.00 as attorney's fees and P84.00 as costs. A writ of execution, issued after the judgment had become final, was, on August 14, 1959, returned unsatisfied, stating that Insular Farms had no leviable property. Soon thereafter, or on November 13, 1959, appellant filed with said court the present action against Pacific Farms, Inc.—hereinafter referred to as appellee—for the collection of the judgment aforementioned, upon the theory that appellee is the alter ego of Insular Farms, which appellee has denied. In due course, the municipal court rendered judgment dismissing appellant's complaint. Appellant appealed, with the same result, to the court of First Instance and, subsequently, to the Court of Appeals. Hence this appeal by certiorari, upon the ground that the Court of Appeals had erred: (1) in not holding the appellee liable for said unpaid obligation of the Insular Farms, and (2) in not granting attorney's fees to appellant.

With respect to the first ground, it should be noted that appellant's complaint in the municipal court was anchored upon the theory that appellee is an alter ego of Insular Farms, because the former had purchased all or substantially all of the shares of stock, as well as the real and personal properties of the latter, including the pumping equipment sold by appellant to Insular Farms. The record shows that, on March 21, 1958, appellee purchased 1,000 shares of stock of Insular for P285,126.99; that, thereupon, appellee sold said shares of stock to certain individuals, who forthwith reorganized said corporation, and that the board of directors thereof, as reorganized, then caused its assets, including its lease-hold rights over a public land in Bolinao, Pangasinan, to be sold to herein appellee for P10,000.00. We agree with the Court of Appeals that these facts do not prove that the appellee is alter ego of Insular Farms, or is liable for its debts. The rule is set in *Fletcher Cyclopedic Corporations*, Vol. 15, Sec. 7122, pp., 160-161, as follows:

"Generally where one corporation sells or otherwise transfers all of its assets to another corporation, the latter is not liable for the debts and liabilities of the transferor, except: (1) where the purchaser expressly or impliedly agrees to assume such debts; (2) where the transaction amounts to a consolidation or merger of the corporations; (3) where the purchasing corporation is merely a continuation of the selling corporation; and (4) where the transaction is entered into fraudulently in order to escape liability for such debts."

In the case at bar, there is neither proof nor allegation that appellee had expressly or impliedly agreed to assume the debt of Insular Farms in favor of appellant herein, or that the appellee is a continuation of Insular Farms, or

that the sale of either the shares of stock or the assets of Insular Farms to the appellee had been entered into fraudulently, in order to escape liability for the debt of the Insular Farms in favor of appellant herein. In fact, these sales took Place (March, 1958) not only over six (6) months before the rendition of the judgment (October 9, 1958) sought to be collected in the present action, but, also, over a month before the filing of the case (May 29, 1958) in which said judgment was rendered. Moreover, appellee purchase the shares of stock of Insular Farms as the highest bidder at an auction sale held at the instance of a bank to which said shares had been pledged-as security for an obligation of Insular Farms in favor of said bank. It has also been established that the appellee had paid P285,126.99 for said shares of stock, apart from the sum of P10,000.00 it, likewise, paid for other assets of Insular Farms.

Neither is it claimed that these transactions have resulted in the consolidation or merger of the Insular Farms and appellee herein. On the contrary, appellant's theory to the effect that appellee is an alter ego of the Insular Farmers negates such consolidation or merger, for a corporation cannot be its own alter ego.

It is urged, however, that said P10,000.00 paid by appellee for other assets of Insular Farms is a grossly inadequate price, because, appellant now claims, said assets were worth around P285,126.99, and that, consequently, the sale must be considered fraudulent. However, the sale was submitted to and approved by the Securities and Exchange Commission. It must be presumed, therefore, that the price paid was fair and reasonable. Moreover, the only issue raised in the court of origin was whether or not appellee is an alter ego of Insular Farms. The question whether the aforementioned sale of assets for P10,000.00 was fraudulent or not, had not been put in issue in said court. Hence, it may not be raised on appeal.

Being a mere consequence of the first assignment of error, which is thus clearly untenable, appellant's second assignment of error needs no discussion.

Wherefore, the decision appealed from is hereby affirmed, with costs against the appellant. It is so ordered.

Bengzon, C. J., Bautista Angelo, Reyes, J. B. L., Dizon, Regala, Makalintal, Bengzon, J. P., and Zaldivar, JJ., concur.

**ABOUT BATAS.ORG**

# Study smarter at BATAS.org

*The Philippine bar review and law-school companion built around how your brain actually remembers.*

**The complete Philippine law library - free for everyone.**

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

**Audio case-brief lectures.**

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

**Bar review built on the science of memory.**

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

**The full law-school curriculum.**

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

**Mock exams that tell you where you stand.**

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

**A study planner that keeps you on pace.**

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

**Start free at <https://batas.org>**

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.