

**REBECCA BOYER-ROXAS AND GUILLERMO ROXAS, PETITIONERS,
VS. HON. COURT OF APPEALS AND HEIRS OF EUGENIA V. ROXAS,
INC., RESPONDENTS.**

G.R. No. 100866. July 14, 1992

Ponente: GUTIERREZ, JR., J.

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GUTIERREZ, JR., J.:

This is a petition to review the decision and resolution of the Court of Appeals in CA-G.R. No. 14530 affirming the earlier decision of the Regional Trial Court of Laguna, Branch 37, at Calamba, in the consolidated RTC Civil Case Nos. 802-84-C and 803-84-C entitled "Heirs of Eugenia V. Roxas, Inc. v. Rebecca Boyer-Roxas" and Heirs of Eugenia V. Roxas, Inc. v. Guillermo Roxas," the dispositive portion of which reads:

"IN VIEW OF THE FOREGOING, judgment is hereby rendered in favor of the plaintiff and against the defendants, by ordering as it is hereby ordered that:

1) In RTC Civil Case No. 802-84-C: Rebecca Boyer-Roxas and all persons claiming under her to:

a) Immediately vacate the residential house near the Balugbugan pool located inside the premises of the Hidden Valley Springs Resort at Limao, Calauan, Laguna;

b) Pay the plaintiff the amount of P300.00 per month from September 10, 1983, for her occupancy of the residential house until the same is vacated;

c) Remove the unfinished building erected on the land of the plaintiff within ninety (90) days from receipt of this decision;

d) Pay the plaintiff the amount of P100.00 per month from September 10, 1983, until the said unfinished building is removed from the land of the plaintiff; and

e) Pay the costs.

2) In RTC Civil Case No. 803-84-C: Guillermo Roxas and all persons claiming under him to:

a) Immediately vacate the residential house near the tennis court located within the premises of the Hidden Valley Springs Resort at Limao, Calauan, Laguna;

b) Pay the plaintiff the amount of P300.00 per month from September 10, 1983, for his occupancy of the said residential house until the same is vacated; and

c) Pay the costs." (Rollo, p. 36)

In two (2) separate complaints for recovery of possession filed with the Regional Trial Court of Laguna against petitioners Rebecca Boyer-Roxas and Guillermo Roxas respectively, respondent corporation, Heirs of Eugenia V. Roxas, Inc., prayed for the ejectment of the petitioners from buildings inside the Hidden Valley Springs Resort located at Limao, Calauan, Laguna allegedly owned by the respondent corporation.

In the case of petitioner Rebecca Boyer-Roxas (Civil Case No. 802-84-C), the respondent corporation alleged that Rebecca is in possession of two (2) houses, one of which is still under construction, built at the expense of the respondent corporation; and that her occupancy on the two (2) houses was only upon the tolerance of the respondent corporation.

In the case of petitioner Guillermo Roxas (Civil Case No. 803-84-C), the respondent corporation alleged that Guillermo occupies a house which was built at the expense of the former during the time when Guillermo's father, Eriberto Roxas, was still living and was the general manager of the respondent corporation; that the house was originally intended as a recreation hall but was converted for the residential use of Guillermo; and that Guillermo's possession over the house and lot was only upon the tolerance of the respondent corporation.

In both cases, the respondent corporation alleged that the petitioners never paid rentals for the use of the buildings and the lots and that they ignored the demand letters for them to vacate the buildings.

In their separate answers, the petitioners traversed the allegations in the complaint by stating that they are heirs of Eugenia V. Roxas and therefore, co-owners of the Hidden Valley Springs Resort; and as co-owners of the property, they have the right to stay within its premises.

The cases were consolidated and tried jointly.

At the pre-trial, the parties limited the issues as follows:

- "1) whether plaintiff is entitled to recover the questioned premises;
- 2) whether plaintiff is entitled to reasonable rental for occupancy of the premises in question;
- 3) whether the defendant is legally authorized to pierce the veil of corporate fiction and interpose the same as a defense in an accion publiciana;
- 4) whether the defendants are truly builders in good faith, entitled to occupy the questioned premises;
- 5) whether plaintiff is entitled to damages and reasonable compensation for the use of the questioned premises;
- 6) whether the defendants are entitled to their counterclaim to recover moral and exemplary damages as well as attorney's fees in the two cases;
- 7) whether the presence and occupancy by the defendants on the premises in questioned (sic) hampers, deters or impairs plaintiff's operation of Hidden Valley Springs Resort; and
- 8) whether or not a unilateral and sudden withdrawal of plaintiff's tolerance allowing defendants' occupancy of the premises in questioned (sic) is unjust enrichment." (Original Records, 486)

Upon motion of the plaintiff respondent corporation Presiding Judge Francisco Ma. Guerrero of Branch 34 issued an Order dated April 25, 1986 inhibiting himself from further trying the case. The cases were re-raffled to Branch 37 presided by Judge Odilon Bautista. Judge Bautista continued the hearing of the cases.

For failure of the petitioners (defendants below) and their counsel to attend the October 22, 1986 hearing despite notice, and upon motion of the respondent corporation, the court issued on the same day, October 22, 1986, an Order considering the cases submitted for decision. At this stage of the proceedings, the petitioners had not yet presented their evidence while the respondent corporation had completed the presentation of its evidence.

The evidence of the respondent corporation upon which the lower court based its decision is as follows:

"To support the complaints, the plaintiff offered the testimonies of Maria Milagros Roxas and that of Victoria Roxas Villarta as well as Exhibits 'A' to 'M-3'.

The evidence of the plaintiff established the following: that the plaintiff, Heirs of Eugenia V. Roxas, Incorporated, was incorporated on December 4, 1962 (Exh. 'C') with the primary purpose of engaging in agriculture to develop the properties inherited from Eugenia V. Roxas and that of Eufrocino Roxas; that the Articles of Incorporation of the plaintiff, in 1971, was amended to allow it to engage in the resort business (Exh. 'C-1'); that the incorporators as original members of the board of directors of the plaintiff were all members of the same family, with Eufrocino Roxas having the biggest share; that accordingly, the plaintiff put up a resort known as Hidden Valley Springs Resort on a portion of its land located at Bo. Limao, Calauan, Laguna, and covered by TCT No. 32639 (Exhs. 'A' and 'A-1'); that improvements were introduced in the resort by the plaintiff and among them were cottages, houses or buildings, swimming pools, tennis court, restaurant and open pavilions; that the house near the Balugbugan Pool (Exh. 'B-1') being occupied by Rebecca B. Roxas was originally intended as staff house but later used as the residence of Eriberto Roxas, deceased husband of the defendant Rebecca Boyer-Roxas and father of Guillermo Roxas; that this house presently being occupied by Rebecca B. Roxas was built from corporate funds; that the construction of the unfinished house (Exh. 'B--2') was started by the defendant Rebecca Boyer-Roxas and her husband Eriberto Roxas; that the third building (Exh. 'B-3') presently being occupied by Guillermo Roxas was originally intended as a recreation hall but later converted as a residential house; that this house was built also from corporate funds; that the said house occupied by Guillermo Roxas when it was being built had nipa roofing but was later changed to galvanized iron sheets; that at the beginning, it had no partition downstairs and the second floor was an open space; that the conversion from a recreation hall to a residential house was with the knowledge of Eufrocino Roxas and was not objected to by any of the Board of Directors of the plaintiff; that most of the materials used in converting the building into a residential house came from the materials left by Coppola, film producer, who filmed the movie 'Apocalypse Now'; that Coppola left the materials as part of his payment for rents of the rooms that he occupied in the resort; that after the said recreation hall was converted into a residential house, defendant Guillermo Roxas moved in and occupied the same together with his family sometime in 1977 or 1978; that during the time Eufrocino Roxas was still alive, Eriberto Roxas was the general manager of the corporation and there was seldom any board meeting; that Eufrocino Roxas together with Eriberto Roxas were (sic) the ones who were running the corporation; that during this time, Eriberto Roxas was the restaurant and wine concessionaire of the resort; that after the death of Eufrocino Roxas, Eriberto Roxas continued as the general manager until his death in 1980; that after the death of Eriberto Roxas in 1980, the defendants Rebecca B. Roxas and Guillermo Roxas, committed acts that impeded the plaintiff's expansion and normal operation of the resort; that the plaintiff could not even use its own pavilions, kitchen and other facilities because of the acts of the defendants which led to the filing of criminal cases in court; that cases were even filed before the Ministry of Tourism, Bureau of Domestic Trade and the Office of the President by the parties herein; that the defendants violated the resolution and orders of the Ministry of Tourism dated July 28, 1983, August 3, 1983 and November 26, 1984 (Exhs. 'G', 'H' and 'H-1') which ordered them or the corporation they represent to desist from and to turn over immediately to the plaintiff the management and operation of the restaurant and wine outlets of the said resort (Exh. 'G-1'); that the defendants also violated the decision of the Bureau of Domestic Trade dated October 23, 1983 (Exh. 'C'); that on August 27, 1983, because of the acts of the defendants, the Board of Directors of the plaintiff adopted Resolution No. 83-12 series of 1983 (Exh. 'F') authorizing the ejectment of the defendants from the premises occupied by them; that on September 1, 1983, demand letters were sent to Rebecca Boyer-Roxas and Guillermo Roxas (Exhs. 'D' and 'D-1') demanding that they vacate the respective premises they occupy; and that the dispute between the plaintiff and the defendants was brought before the barangay level and the same was not settled (Exhs. 'E' and 'E-1')." (Original Records, pp. 454-456)

The petitioners appealed the decision to the Court of Appeals. However, as stated earlier, the appellate court affirmed the lower court's decision. The petitioners' motion for reconsideration was likewise denied.

Hence, this petition.

In a resolution dated February 5, 1992, we gave due course to the petition.

The petitioners now contend:

I Respondent Court erred when it refused to pierce the veil of corporate fiction over private respondent and maintain the petitioners in their possession and/or occupancy of the subject premises considering that petitioners are owners of aliquot part of the properties of private respondent. Besides, private respondent itself discarded the mantle of corporate fiction by acts and/or omissions of its board of directors and/or stockholders.

II The respondent Court erred in not holding that petitioners were in fact denied due process or their day in court brought about by the gross negligence of their former counsel.

III The respondent Court misapplied the law when it ordered petitioner Rebecca Boyer-Roxas to remove the unfinished building in RTC Case No. 802-84-C, when the trial court opined that she spent her own funds for the construction thereof. (CA Rollo, pp. 17-18)

Were the petitioners denied due process of law in the lower court?

After the cases were re-raffled to the sala of Presiding Judge Odilon Bautista of Branch 37 the following events transpired:

On July 3, 1986, the lower court issued an Order setting the hearing of the cases on July 21, 1986. Petitioner Rebecca V. Roxas received a copy of the Order on July 15, 1986, while petitioner Guillermo Roxas received his copy on July 18, 1986. Atty. Conrado Manicad, the petitioners' counsel received another copy of the Order on July 11, 1986. (Original Records, p. 260)

On motion of the respondent corporation's counsel, the lower court issued an Order dated July 15, 1986 cancelling the July 21, 1986 hearing and resetting the hearing to August 11, 1986. (Original records, 262-263) Three separate copies of the order were sent and received by the petitioners and their counsel. (Original Records, pp. 268, 269, 271)

A motion to cancel and re-schedule the August 11, 1986 hearing filed by the respondent corporation's counsel was denied in an Order dated August 8, 1986. Again separate copies of the Order were sent and received by the petitioners and their counsel. (Original Records, pp. 276-279)

At the hearing held on August 11, 1986, only Atty. Benito P. Fabie, counsel for the respondent corporation appeared. Neither the petitioners nor their counsel appeared despite notice of hearing. The lower court then issued an Order on the same date, to wit:

"O R D E R

When these cases were called for continuation of trial, Atty. Benito P. Fabie appeared before this Court, however, the defendants and their lawyer despite receipt of the Order setting the case for hearing today failed to appear. On Motion of Atty. Fabie, further cross examination of witness Victoria Vallarta is hereby considered as having been waived.

The plaintiff is hereby given twenty (20) days from today within which to submit formal offer of evidence and defendants are also given ten (10) days from receipt of such formal offer of evidence to file their objection thereto.

In the meantime, hearing in these cases is set to September 29, 1986 at 10:00 o'clock in the morning." (Original Records, p. 286)

Copies of the Order were sent and received by the petitioners and their counsel on the following dates -- -Rebecca Boyer-Roxas on August 20, 1986, Guillermo Roxas on August 26, 1986, and Atty. Conrado Manicad on

September 19, 1986. (Original Records, pp. 288-290)

On September 1, 1986, the respondent corporation filed its "Formal Offer of Evidence." In an Order dated September 29, 1986, the lower court issued an Order admitting exhibits "A" to "M-3" submitted by the respondent corporation in its "Formal Offer of Evidence x x x there being no objection x x x." (Original Records, p. 418) Copies of this Order were sent and received by the petitioners and their counsel on the following dates: Rebecca Boyer-Roxas on October 9, 1986; Guillermo Roxas on October 9, 1986 and Atty. Conrado Manicad on October 4, 1986 (Original Records, pp. 420, 421, 428).

The scheduled hearing on September 29, 1986 did not push through as the petitioners and their counsel were not present prompting Atty. Benito Fabie, the respondent corporation's counsel to move that the cases be submitted for decision. The lower court denied the motion and set the cases for hearing on October 22, 1986. However, in its Order dated September 29, 1986, the court warned that in the event the petitioners and their counsel failed to appear on the next scheduled hearing, the court shall consider the cases submitted for decision based on the evidence on record. (Original Records, p. 429, 430 and 431)

Separate copies of this Order were sent and received by the petitioners and their counsel on the following dates: Rebecca Boyer-Roxas on October 9, 1986, Guillermo Roxas on October 9, 1986; and Atty. Conrado Manicad on October 1, 1986. (Original Records, pp. 429-430)

Despite notice, the petitioners and their counsel again failed to attend the scheduled October 22, 1986 hearing. Atty. Fabie representing the respondent corporation was present. Hence, in its Order dated October 22, 1986, on motion of Atty. Fabie and pursuant to the order dated September 29, 1986, the Court considered the cases submitted for decision. (Original Records, p. 436)

On November 14, 1986, the respondent corporation, filed a "Manifestation", stating that "x x x it is submitting without further argument its 'Opposition to the Motion for Reconsideration' for the consideration of the Honorable Court in resolving subject incident." (Original Records, p. 442)

On December 16, 1986, the lower court issued an Order, to wit:

"O R D E R

Considering that the Court up to this date has not received any Motion for Reconsideration filed by the defendants in the above-entitled cases, the Court cannot act on the Opposition to Motion for Reconsideration filed by the plaintiff and received by the Court on November 14, 1986." (Original Records, p. 446)

On January 15, 1987, the lower court rendered the questioned decision in the two (2) cases. (Original Records, pp. 453-459)

On January 20, 1987, Atty. Conrado Manicad, the petitioners' counsel filed an Ex-Parte Manifestation and attached thereto, a motion for reconsideration of the October 22, 1986 Order submitting the cases for decision. He prayed that the Order be set aside and the cases be re-opened for reception of evidence for the petitioners. He averred that: 1) within the reglementary period he prepared the motion for reconsideration and among other documents, the draft was sent to his law office thru his messenger; after signing the final copies, he caused the service of a copy to the respondent corporation's counsel with the instruction that the copy of the Court be filed; however, there was a miscommunication between his secretary and messenger in that the secretary mailed the copy for the respondent corporation's counsel and placed the rest in an envelope for the messenger to file the same in court but the messenger thought that it was the secretary who would file it; it was only later on when it was discovered that the copy for the Court has not yet been filed and that such failure to file the motion for

reconsideration was due to excusable neglect and/or accident. The motion for reconsideration contained the following allegations: that on the date set for hearing (October 22, 1986), he was on his way to Calamba to attend the hearing but his car suffered transmission breakdown; and that despite efforts to repair said transmission, the car remained inoperative resulting in his absence at the said hearing. (Original Records, pp. 460-469)

On February 3, 1987, Atty. Manicad filed a motion for reconsideration of the January 15, 1987 decision. He explained that he had to file the motion because the receiving clerk refused to admit the motion for reconsideration attached to the ex-parte manifestation because there was no proof of service to the other party. Included in the motion for reconsideration was a notice of hearing of the motion on February 3, 1987. (Original Records, p. 476-A)

On February 4, 1987, the respondent corporation through its counsel filed a Manifestation and Motion manifesting that they received the copy of the motion for reconsideration only today (February 4, 1987), hence they prayed for the postponement of the hearing. (Original Records, pp. 478-479)

On the same day, February 4, 1987, the lower court issued an Order setting the hearing on February 13, 1987 on the ground that it received the motion for reconsideration late. Copies of this Order were sent separately to the petitioners and their counsel. The records show that Atty. Manicad received his copy on February 11, 1987. As regards the petitioners, the records reveal that Rebecca Boyer-Roxas did not receive her copy while as regards Guillermo Roxas, somebody signed for him but did not indicate when the copy was received. (Original Records, pp. 481-483)

At the scheduled February 13, 1987 hearing, the counsels for the parties were present. However, the hearing was reset for March 6, 1987 in order to allow the respondent corporation to file its opposition to the motion for reconsideration. (Order dated February 13, 1987, Original Records, p. 486) Copies of the Order were sent and received by the petitioners and their counsel on the following dates: Rebecca Boyer-Roxas on February 23, 1987; Guillermo Roxas on February 23, 1987 and Atty. Manicad on February 19, 1987. (Original Records, pp. 487, 489-490)

The records are not clear as to whether or not the scheduled hearing on March 6, 1987 was held. Nevertheless, the records reveal that on March 13, 1987, the lower court issued an Order denying the motion for reconsideration.

The well-settled doctrine is that the client is bound by the mistakes of his lawyer. (*Aguila v. Court of First Instance of Batangas, Branch I*, 160 SCRA 352 [1988]; See also *Vivero v. Santos, et al.*, 98 Phil. 500 [1956]; *Isaac v. Mendoza*, 89 Phil. 279 [1951]; *Montes v. Court of First Instance of Tayabas*, 48 Phil. 640 [1926]; *People v. Manzanilla*, 43 Phil. 167 [1922]; *United States v. Dungca*, 27 Phil. 274 [1914]; and *United States v. Umali*, 15 Phil. 33 [1910]) This rule, however, has its exceptions. Thus, in several cases, we ruled that the party is not bound by the actions of his counsel in case the gross negligence of the counsel resulted in the client's deprivation of his property without due process of law. In the case of *Legarda v. Court of Appeals* (195 SCRA 418 [1991]), we said:

"In *People's Homesite & Housing Corp. v. Tiongco and Escasa* (12 SCRA 471 [1964]), this Court ruled as follows:

'Procedural technicality should not be made a bar to the vindication of a legitimate grievance. When such technicality deserts from being an aid to justice, the courts are justified in excepting from its operation a particular case. Where there was something fishy and suspicious about the actuations of the former counsel of petitioners in the case at bar, in that he did not give any significance at all to the processes of the court, which has proven prejudicial to the rights of said clients, under a lame and flimsy explanation that the court's processes just escaped his attention, it is held that said lawyer deprived his clients of their day in court, thus entitling said clients to petition for relief from judgment despite the lapse of the reglementary period for filing said period for filing said

petition.'

"In *Escudero v. Judge Dulay* (158 SCRA 69 [1988]), this Court, in holding that the counsel's blunder in procedure is an exception to the rule that the client is bound by the mistakes of counsel, made the following disquisition:

'Petitioners contend, through their new counsel, that the judgment rendered against them by the respondent court was null and void, because they were therein deprived of their day in court and divested of their property without due process of law, through the gross ignorance, mistake and negligence of their previous counsel. They acknowledge that, while as a rule, clients are bound by the mistake of their counsel, the rule should not be applied automatically to their case, as their trial counsel's blunder in procedure and gross ignorance of existing jurisprudences changed their cause of action and violated their substantial rights.

'We are impressed with petitioner's contentions.

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'While this Court is cognizant of the rule that, generally, a client will suffer consequences of the negligence, mistake or lack of competence of his counsel, in the interest of justice and equity, exceptions may be made to such rule, in accordance with the facts and circumstances of each case. Adherence to the general rule would, in the instant case, result in the outright deprivation of their property through a technicality.'

"In its questioned decision dated November 19, 1989 the Court of Appeals found, in no uncertain terms, the negligence of the then counsel for petitioners when he failed to file the proper motion to dismiss or to draw a compromise agreement if it was true that they agreed on a settlement of the case; or in simply filing an answer; and that after having been furnished a copy of the decision by the court he failed to appeal therefrom or to file a petition for relief from the order declaring petitioners in default. In all these instances the appellate court found said counsel negligent but his acts were held to bind his client, petitioners herein, nevertheless.

The Court disagrees and finds that the negligence of counsel in this case appears to be so gross and inexcusable. This was compounded by the fact, that after petitioner gave said counsel another chance to make up for his omissions by asking him to file a petition for annulment of the judgment in the appellate court, again counsel abandoned the case of petitioner in that after he received a copy of the adverse judgment of the appellate court, he did not do anything to save the situation or inform his client of the judgment. He allowed the judgment to lapse and become final. Such reckless and gross negligence should not be allowed to bind the petitioner. Petitioner was thereby effectively deprived of her day in court." (at pp. 426-427)

The herein petitioners', however, are not similarly situated as the parties mentioned in the abovesited cases. We cannot rule that they, too, were victims of the gross negligence of their counsel.

The petitioners are to be blamed for the October 22, 1986 order issued by the lower court submitting the cases for decision. They received notices of the scheduled hearings and yet they did not do anything. More specifically, the parties received notice of the Order dated September 29, 1986 with the warning that if they fail to attend the October 22, 1986 hearing, the cases would be submitted for decision based on the evidence on record. Earlier, at the scheduled hearing on September 29, 1986, the counsel for the respondent corporation moved that the cases be submitted for decision for failure of the petitioners and their counsel to attend despite notice. The lower court denied the motion and gave the petitioners and their counsel another chance by rescheduling the October 22, 1986 hearing.

Indeed, the petitioners knew all along that their counsel was not attending the scheduled hearings. They did not take steps to change their counsel or make him attend to their cases until it was too late. On the contrary, they continued to retain the services of Atty. Manicad knowing fully well his lapses vis-a-vis their cases. They,

therefore, cannot raise the alleged gross negligence of their counsel resulting in their denial of due process to warrant the reversal of the lower court's decision. In a similar case, *Aguila v. Court of First Instance of Batangas, Branch 1* (supra), we ruled:

"In the instant case, the petitioner should have noticed the succession of errors committed by his counsel and taken appropriate steps for his replacement before it was altogether too late. He did not. On the contrary, he continued to retain his counsel through the series of proceedings that all resulted in the rejection of his cause, obviously through such counsel's 'ineptitude' and, let it be added, the clients' forbearance. The petitioner's reverses should have cautioned him that his lawyer was mishandling his case and moved him to seek the help of other counsel, which he did in the end but rather tardily.

Now petitioner wants us to nullify all of the antecedent proceedings and recognize his earlier claims to the disputed property on the justification that his counsel was grossly inept. Such a reason is hardly plausible as the petitioner's new counsel should know. Otherwise, all a defeated party would have to do to salvage his case is claim neglect or mistake on the part of his counsel as a ground for reversing the adverse judgment. There would be no end to litigation if these were allowed as every shortcoming of counsel could be the subject of challenge by his client through another counsel who, if he is also found wanting, would likewise be disowned by the same client through another counsel, and so on ad infinitum. This would render court, proceedings indefinite, tentative and subject to reopening at any time by the mere subterfuge of replacing counsel." (at pp. 357--358)

We now discuss the merits of the cases.

In the first assignment of error, the petitioners maintain that their possession of the questioned properties must be respected in view of their ownership of an aliquot portion of all the properties of the respondent corporation being stockholders thereof. They propose that the veil of corporate fiction be pierced, considering the circumstances under which the respondent corporation was formed.

Originally, the questioned properties belonged to Eugenia V. Roxas. After her death, the heirs of Eugenia V. Roxas, among them the petitioners herein, decided to form a corporation - Heirs of Eugenia V. Roxas, Incorporated (private respondent herein) with the inherited properties as capital of the corporation. The corporation was incorporated on December 4, 1962 with the primary purpose of engaging in agriculture to develop the inherited properties. The Articles of Incorporation of the respondent corporation were amended in 1971 to allow it to engage in the resort business. Accordingly, the corporation put up a resort known as Hidden Valley Springs Resort where the questioned properties are located.

These facts, however, do not justify the position taken by the petitioners.

The respondent is a bona fide corporation. As such, it has a juridical personality of its own separate from the members composing it. (*Western Agro Industrial Corporation v. Court of Appeals*, 188 SCRA 709 [1990]; *Tan Boon Bee & Co., Inc. v. Jarencio*, 163 SCRA 205 [1988]; *Yutivo Sons Hardware Company v. Court of Tax Appeals*, 1 SCRA 160 [1961]; *Emilio Cano Enterprises, Inc. v. Court of Industrial Relations*, 13 SCRA 290 [1965]) There is no dispute that title over the questioned land where the Hidden Valley Springs Resort is located is registered in the name of the corporation. The records also show that the staff house being occupied by petitioner Rebecca Boyer-Roxas and the recreation hall which was later on converted into a residential house occupied by petitioner Guillermo Roxas are owned by the respondent corporation. Regarding properties owned by a corporation, we stated in the case of *Stockholders of F. Guanzon and Sons, Inc. v. Register of Deeds of Manila*, (6 SCRA 373 [1962]):

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"x x x Properties registered in the name of the corporation are owned by it as an entity separate and distinct from its members. While shares of stock constitute personal property, they do not represent property of the corporation. The corporation has property of its own which consists chiefly of real estate (Nelson v. Owen, 113 Ala., 372, 21 So. 75; Morrow v. Gould, 145 Iowa 1, 123 N.W. 743). A share of stock only typifies an aliquot part of the corporation's property, or the right to share in its proceeds to that extent when distributed according to law and equity (Hall & Faley v. Alabama Terminal, 173 Ala., 398, 56 So. 235), but its holder is not the owner of any part of the capital of the corporation (Bradley v. Bauder, 36 Ohio St., 28). Nor is he entitled to the possession of any definite portion of its property or assets (Gottfried v. Miller, 104 U.S., 521; Jones v. Davis, 35 Ohio St., 474). The stockholder is not a co-owner or tenant in common of the corporate property (Harton v. Johnston, 166 Ala., 317, 51 So., 992)." (at pp. 375-376)

The petitioners point out that their occupancy of the staff house which was later used as the residence of Eriberto Roxas, husband of petitioner Rebecca Boyer--Roxas and the recreation hall which was converted into a residential house were with the blessings of Eufrocino Roxas, the deceased husband of Eugenia V. Roxas, who was the majority and controlling stockholder of the corporation. In his lifetime, Eufrocino Roxas together with Eriberto Roxas, the husband of petitioner Rebecca Boyer-Roxas, and the father of petitioner Guillermo Roxas managed the corporation. The Board of Directors did not object to such an arrangement. The petitioners argue that "x x x the authority thus given by Eufrocino Roxas for the conversion of the recreation hall into a residential house can no longer be questioned by the stockholders of the private respondent and/or its board of directors for they impliedly but no less explicitly delegated such authority to said Eufrocino Roxas." (Rollo, p. 12)

Again, we must emphasize that the respondent corporation has a distinct personality separate from its members. The corporation transacts its business only through its officers or agents. (Western Agro Industrial Corporation v. Court of Appeals, supra) Whatever authority these officers or agents may have is derived from the board of directors or other governing body unless conferred by the charter of the corporation. An officer's power as an agent of the corporation must be sought from the statute, charter, the by-laws or in a delegation of authority to such officer, from the acts of the board of directors, formally expressed or implied from a habit or custom of doing business. (Vicente v. Giraldez, 52 SCRA 210 [1973])

In the present case, the record shows that Eufrocino V. Roxas who then controlled the management of the corporation, being the majority stockholder, consented to the petitioners' stay within the questioned properties. Specifically, Eufrocino Roxas gave his consent to the conversion of the recreation hall to a residential house, now occupied by petitioner Guillermo Roxas. The Board of Directors did not object to the actions of Eufrocino Roxas. The petitioners were allowed to stay within the questioned properties until August 27, 1983, when the Board of Directors approved a Resolution ejecting the petitioners, to wit:

"R E S O L U T I O N No. 83-12

RESOLVED, That Rebecca B. Roxas and Guillermo Roxas, and all persons claiming under them, be ejected from their occupancy of the Hidden Valley Springs compound on which their houses have been constructed and/or are being constructed only on tolerance of the Corporation and without any contract therefor, in order to give way to the Corporation's expansion and improvement program and obviate prejudice to the operation of the Hidden Valley Springs Resort by their continued interference.

RESOLVED, Further that the services of Atty. Benito P. Fabie be engaged and that he be authorized as he is hereby authorized to effect the ejectment, including the filing of the corresponding suits, if necessary to do so." (Original Records, p. 327)

We find nothing irregular in the adoption of the Resolution by the Board of Directors. The petitioners' stay within the questioned properties was merely by tolerance of the respondent corporation in deference to the wishes of

Eufrocino Roxas, who during his lifetime, controlled and managed the corporation. Eufrocino Roxas' actions could not have bound the corporation forever. The petitioners have not cited any provision of the corporation by-laws or any resolution or act of the Board of Directors which authorized Eufrocino Roxas to allow them to stay within the company premises forever. We rule that in the absence of any existing contract between the petitioners and the respondent corporation, the corporation may elect to eject the petitioners at any time it wishes for the benefit and interest of the respondent corporation.

The petitioners' suggestion that the veil of the corporate fiction should be pierced is untenable. The separate personality of the corporation may be disregarded only when the corporation is used "as a cloak or cover for fraud or illegality, or to work injustice, or where necessary to achieve equity or when necessary for the protection of the creditors." (Sulo ng Bayan, Inc. v. Araneta, Inc., 72 SCRA 347 [1976] cited in Tan Boon Bee & Co., Inc., v. Jarencio, supra and Western Agro Industrial Corporation v. Court of Appeals, supra) The circumstances in the present cases do not fall under any of the enumerated categories.

In the third assignment of error, the petitioners insist that as regards the unfinished building, Rebecca Boyer-Roxas is a builder in good faith.

The construction of the unfinished building started when Eriberto Roxas, husband of Rebecca Boyer-Roxas, was still alive and was the general manager of the respondent corporation. The couple used their own funds to finance the construction of the building. The Board of Directors of the corporation, however, did not object to the construction. They allowed the construction to continue despite the fact that it was within the property of the corporation. Under these circumstances, we agree with the petitioners that the provision of Article 453 of the Civil Code should have been applied by the lower courts.

Article 453 of the Civil Code provides:

"If there was bad faith, not only on the part of the person who built, planted or sown on the land of another but also on the part of the owner of such land, the rights of one and the other shall be the same as though both had acted in good faith."

In such a case, the provisions of Article 448 of the Civil Code govern the relationship between petitioner Rebecca Boyer-Roxas and the respondent corporation, to wit:

"ART. 448. - The owner of the land on which anything has been built, sown or planted in good faith, shall have the right to appropriate as his own the works, sowing or planting after payment of the indemnity provided for in articles 546 and 548, or to oblige the one who built or planted to pay the price of the land, and the one who sowed, the proper rent. However, the builder or planter cannot be obliged to buy the land if its value is considerably more than that of the building or trees. In such case, he shall pay reasonable rent, if the owner of the land does not choose to appropriate the buildings or trees after proper indemnity. The parties shall agree upon the terms of the lease and in case of disagreement, the court shall fix the terms thereof."

WHEREFORE, the present petition is partly GRANTED. The questioned decision of the Court of Appeals affirming the decision of the Regional Trial Court of Laguna, Branch 37, in RTC Civil Case No. 802-84-C is MODIFIED in that subparagraphs (c) and (d) of Paragraph 1 of the dispositive portion of the decision are deleted. In their stead, the petitioner Rebecca Boyer--Roxas and the respondent corporation are ordered to follow the provisions of Article 448 of the Civil Code as regards the questioned unfinished building in RTC Civil Case No. 802-84-C. The questioned decision is affirmed in all other respects.

SO ORDERED.

Feliciano, Bidin, Davide, Jr., and Romero, JJ., concur.

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