

MANUELA T. VDA. DE SALVATIERRA, PETITIONER, VS. HON. LORENZO C. GARLITOS, IN HIS CAPACITY AS JUDGE OF THE COURT OF FIRST INSTANCE OF LEYTE, BRANCH II, AND SEGUNDINO REFUERZO, RE...

G.R. No. 11442. May 23, 1958

Ponente: FELIX, J.

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FELIX, J.:

This is a petition for certiorari filed by Manuela T. Vda. de Salvatierra seeking to nullify the order of the Court of First Instance of Leyte in Civil Case No. 1912, dated March 21, 1956, relieving Segundino Refuerzo for liability for the contract entered into between the former and the Philippine Fibers Producers Co., Inc., of which Refuerzo is the president. The facts of the case are as follows:

Manuela T. Vda. de Salvatierra appeared to be the owner of the parcel of land located at Manghobas, Poblacion, Burauen, Leyte. On March 7, 1954, said landowner entered into a contract of lease with the Philippine Fibers Producers Co., Inc., allegedly a corporation "duly organized and existing under the laws of the Philippines, domiciled at Burauen, Leyte, Philippines, and with business address therein, represented in the instance by Mr. Segundino Q. Refuerzo, the President". It was provided in said contract, among other things, that the land would be planted to kenaf, ramie or other crops suitable to the soil; that the lessor would be entitled to 30 % of the net income accruing from the harvest of any crop without being responsible for the cost of production thereof; and that after every harvest, the leasee was bound to declare at the earliest possible time the income derived therefrom and to deliver the corresponding share due the lessor.

Apparently, the aforementioned obligations imposed on the alleged corporation were not complied with because on April 5, 1955, Manuela T. Vda. de Salvatierra filed with the Court of First Instance of Leyte a complaint against the Philippine Fiber Producers Co., Inc., and Segundino Q. Refuerzo, for accounting, rescission and damages (Civil Case No. 1912). She averred that sometime in April, 1954, defendants planted kenaf on 3 hectares of leased property which crop was, at the time of the commencement of the action, already harvested, processed and sold by defendants; that notwithstanding that the estimated gross income P4,500.00, and the deductible expenses amounted to P1,000.00; that as defendants' refusal to undertake such task was in violation of the terms of the covenant entered into between the plaintiff and defendant corporation, a rescission was but proper.

As defendants apparently failed to file their answer to the complaint, of which they were allegedly notified, the court declared them in default and proceeded to receive plaintiff's evidence. On June 8, 1955, the Lower Court rendered judgment granting plaintiff's prayer, and required defendants to render a complete accounting of the harvest of the land subject of the proceeding within 15 days from receipt of the decision and to deliver 30% of the net income realized from the last harvest to plaintiff, with legal interest from the date defendants received payment for said crop. It was further provided that upon defendants' failure to abide by the said requirement, the gross income would be fixed at P4,200.00 or a net income of P3,200.00 after deducting the expenses for

production, 30% of which or P960.00 was held to be due the plaintiff pursuant to the aforementioned contract of lease, which was declared rescinded.

No appeal therefrom having been perfected within the reglementary period, the Court, upon motion of plaintiff, issued a writ of execution, in virtue of which of Provincial Sheriff of Leyte caused the attachment of 3 parcels of land registered in the name of the land registered in the name of Segundino Refuerzo. No property of the Philippine Fibers Producers Co., Inc., was found available for attachment.

On January 31, 1956, defendant Segundino Regundino filed a motion claiming that the decision rendered in said Civil Case No. 1912 was null and void with respect to him, there being on allegation in the complaint pointing to his personal liability and thus prayed that an order be issued limiting such liability to defendant corporation. Over plaintiff's opposition, the Court a quo granted the same and ordered the Provincial Sheriff of Leyte to release all properties belonging to the movant that might have already been attached, after finding that the evidence on record made on mention or referred to any fact which might hold movant personally liable therein. As plaintiff's petition for relief from said order was denied, Manuela T. Vda. de Salvatierra instituted the order complained of, acted with grave abuse of discretion and prayed that the same be declared a nullity.

From the foregoing narration of facts, it is clear that the order sought to be nullified was issued by the respondent Judge upon motion of defendant Refuerzo, obviously pursuant to Rule 38 of the Rules of Court. Section 3 of said Rule, however, in providing for the period within such a motion may be filed, prescribed that:

"SEC.3. WHEN PETITION FILED; CONTENTS AND VERIFICATION.—A petition provided for in either of the preceding sections of this rule must be verified, filed within sixty days after the petitioner learns of the judgment, order, or other proceeding to be set aside, and not more than six months after such judgment or order was entered, or such proceeding was taken; and must be accompanied with affidavits showing the fraud, accident, mistake, or excusable negligence relied upon, and the facts constituting the petitioner's good and substantial cause of action or defense, as the case may be, which he may prove if his petition be granted".
(Rule 38)

The aforequoted provision prescribes a 2 period, i.e., 60 days after petitioner learns of the judgment, and not here than 6 months after the judgment or order was rendered, both of which must be satisfied. As the decision in the case at bar was under date of June 8, 1955, whereas the motion filed by respondent Refuerzo was dated January 31, 1956, or after the lapse of 7 months and 23 days, the filing of the aforementioned motion was clearly made beyond the prescriptive period provided for by the rules. The remedy allowed by Rule 38 to a party adversely affected by a decision or order is certainly an act of grace or benevolence intended to afford said litigant a penultimate opportunity to protect his interest. Considering the nature of such relief and the purpose behind it, the periods fixed by said rule are non-extendible and never interrupted; nor could it be subjected to any condition or contingency because it is of itself devised to meet a condition or contingency (*Palomares vs. Jimenez*, G.R. No. L-4513, January 31, 1952). On this score alone, therefore, the petition for a writ of certiorari filed herein may be granted. However, taking note of the question presented by the motion for relief involved herein, We deem it wise to delve in and pass upon the merit of the same.

Refuerzo, in praying for his exoneration from any liabilities resulting from the non-fulfillment of the obligation imposed on defendant Philippine Fibers Co., Inc., interposed the defense that the complaint filed with the lower court contained no allegation which would hold him liable personally, for while it was stated therein that he was found by the Court a quo to be supported by the records. Plaintiff on the other hand tried to refute this averment by contending that her failure to specify that all the time she was under the impression that the Philippine Fibers Producers Co., Inc., represented by Refuerzo was duly registered corporation as appearing in the contract, but a

subsequent inquiry from the Securities & Exchange Commission yielded otherwise. While as a general rule a person who has contracted or dealt with an association in such a way as to recognize its existence as a corporate body is estopped from denying the same in an action arising out of such transaction or dealing, (*Asia Banking Corporation vs. Standard Products Co.*, 46 Phil. 144; *Compania Agricola de Ultramar vs. Reyes*, 4 Phil 1; *Ohta Development Co. vs. Steamship Pompey*, 49 Phil. 117), yet this doctrine may not be held to be applicable where fraud takes that the plaintiff's charge that she was unaware of the fact that the Philippine Fibers Producers Co., Inc., had no judicial personality, defendant Refuerzo gave no confirmation or denial and the circumstances surrounding the execution of the contract lead to the inescapable conclusion that the plaintiff Manuela T. Vda. de Salvatierra was really made to believe that such corporation was duly in accordance with law.

There can be no question that a corporation when registered has a juridical personality separate and distinct from its component numbers or stockholders and officers, such that corporation cannot be held liable for the personal indebtedness of a stockholder even if he should be its president (*Walter A. Smith Co. vs. Ford*, SC-G. R. No. 42420) and conversely, a stockholder or member cannot be held personally liable for any financial obligation by the corporation in excess of his unpaid subscription. But this rule is understood to refer merely to registered corporations and cannot be made applicable to the liability of members of unincorporated association. The reason behind this doctrine is obvious— since an organization which before the law is non-existent has no personality and would be incompetent to act and appropriate for itself the powers and attributes of a corporation as provided by law, it cannot create agents or confer authority on another to act in its representatives or agents do so without authority and at their own risk. And as it is an elementary principle of law that a person who acts as an agent without authority or without a principal is himself regarded as the principal, possessed of all the rights and subject to all the liabilities of a principal, a person acting or purporting to act on behalf of a corporation which has no void existence assumes such privileges obligations and becomes personally liable for contracts entered into or for other acts performed as such agent (*Fay vs. Noble*, 7 Cushing [Mass.] 188. Cited in *IT Tolentino's Commercial Laws of the Philippines*, Fifth Ed., p. 689-690). Considering that defendant Refuerzo, as president of the unregistered corporation Philippine Fibers Producers Co., Inc., was the moving spirit behind the consummation of the lease agreement by acting as its representative, his liability cannot be limited or restricted to that imposed upon corporate shareholder. In acting on behalf of a corporation which he knew to be unregistered, he assumed the risk or reaping the consequential damages or resultant rights, if any, arising out of such transaction.

WHEREFORE, the order of the lower Court of March 21, 1956, amending its previous decision on this matter and ordering the Provincial Sheriff of Leyte to release any attached in the execution of such judgment, is hereby set aside and nullified as if it had never been issued. With costs against respondent Segundino Refuerzo. It is so ordered.

Paras, C.J., Bengzon, Montemayor, Reyes, A., Bautista Angelo, Labrador, Concepcion, Reyes, J.B.L., Endencia, and Felix, JJ., concur.

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