

**RUBEN MARTINEZ,[1] SUBSTITUTED BY HIS HEIRS, MENA
CONSTANTINO MARTINEZ, WILFRIDO C. MARTINEZ, EMMA M.
NAVA, AND EDNA M. SAKHRANI, PETITIONERS, VS. COURT OF
APPEALS AND BPI INTERN...**

G.R. No. 131673. September 10, 2004

Ponente: CALLEJO, SR., J.

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CALLEJO, SR., J.:

Before us is a petition for review on certiorari of the Decision[1] of the Court of Appeals, in CA-G.R. CV No. 43985, modifying the Decision[2] of the Regional Trial Court of Kalookan City, Branch 122, in Civil Case No. C-10811.

The antecedents are as follows:

Respondent BPI International Finance[3] is a foreign corporation not doing business in the Philippines, with office address at the Bank of America Tower, 12 Harcourt Road, Central Hongkong. It was a deposit-taking company organized and existing under and by virtue of the laws of Hongkong, and was also engaged in investment banking operations therein.

Cintas Largas, Ltd. (CLL) was also a foreign corporation, established in Hongkong, with a paid-up capital of HK\$10,000. The registered shareholders of the CLL in Hongkong were the Overseas Nominee, Ltd. and Shares Nominee, Ltd., which were mainly nominee shareholders. In Hongkong, the nominee shareholder of CLL was Baker & McKenzie Nominees, Ltd., a leading solicitor firm. However, beneficially, the company was equally owned by Messrs. Ramon Siy, Ricardo Lopa, Wilfrido C. Martinez, and Miguel J. Lacson.[4] The registered office address of CLL in Hongkong was 22/F, Prince's Building, also the office address of Price Waterhouse & Co., a large accounting firm in Hongkong.

The bulk of the business of the CLL was the importation of molasses from the Philippines, principally from the Mar Tierra Corporation, and the resale thereof in the international market.[5] However, Mar Tierra Corporation also sold molasses to its customers.[6] Wilfrido C. Martinez was the president of Mar Tierra Corporation, while its executive vice-president was Blamar Gonzales. The business operations of both the CLL and Mar Tierra Corporation were run by Wilfrido Martinez and Gonzales.

About 42% of the capital stock of Mar Tierra Corporation was owned by RJL Martinez Fishing Corporation (RJL), the leading tuna fishing outfit in the Philippines. Petitioner Ruben Martinez was the president of RJL and a member of the board of directors thereof. The majority stockholders of RJL were Ruben Martinez and his brothers, Jose and Luis Martinez. Sixty-eight (68) percent of the total assets of Ruben Martinez were in the RJL.

In 1979, respondent BPI International Finance (then AIFL) granted CLL a letter of credit in the amount of US\$3,000,000. Wilfrido Martinez signed the letter agreement with the respondent for the CLL. The respondent and the CLL had made the following arrangements:

Cintas Largas, Ltd. will purchase molasses from the Philippines, mainly from Mar Tierra Corporation, and then sell the molasses to foreign countries. Both the purchase of the molasses from the Philippines and the subsequent sale thereof to foreign customers were effected by means of Letters of Credit. A Letter of Credit would be opened by Cintas Largas, Ltd. in favour of Mar Tierra Corporation or any other seller in the Philippines. Upon the sale of the molasses to foreign buyers, a Letter of Credit would then be opened by such buyers, in favour of Cintas Largas, Ltd. The Letters of Credit were effected through the Letter of Credit Facility of Cintas Largas, Ltd. in plaintiff. The profits of Cintas Largas, Ltd. from these transactions were then deposited in either the deposit account of Cintas Largas, Ltd. with plaintiff or the Money Market Placement Account Nos. 063 and 084, depending upon the instructions of Wilfrido C. Martinez and Blamar C. Gonzales, principally.[7]

On January 24, 1979, the CLL opened a money market placement with the respondent bearing MMP No. 063, with an initial placement of US\$390,000.[8] The CLL also opened and maintained a foreign currency account and a deposit account with the respondent. The authorized signatory in both accounts of CLL was Wilfrido C. Martinez. Some instructions also came from Gonzales, to be confirmed by Wilfrido Martinez.[9] On March 21, 1980, petitioner Ruben Martinez and/or his son Wilfrido C. Martinez and/or Miguel J. Lacson affixed their signatures on the two signature cards furnished by the respondent which became MMP No. 063 and MMP No. 084. On the face of the cards, the signatories became joint account holders of the said money market placements.[10]

On March 25, 1980, the CLL opened a money market placement account with the respondent bearing MMP No. 084 with an initial placement of US\$68,768.60, transferred from MMP No. 063.[11] At times, funds in MMP Nos. 063 and 084 were transferred to the CLL's deposit account, and vice versa.

On May 19, 1980, the CLL, through Wilfrido Martinez, and the respondent, through Senen L. Matoto and Michael Sung, Senior Manager of the Money Management Division of the respondent, executed a letter-agreement in which the existing back-to-back credit facility granted to the CLL way back in 1979 was extended up to July 1980, and increased to US\$5,000,000. The credit facility was to be secured as follows:

SECURITY: (i)

Back-to-Back L/C – to be secured by an L/C issued, by a bank acceptable to AFHK, in favor of Cintas Largas.

(ii)

AFHK L/C issued prior to receipt of Backing L/C – to be secured by a 10% margin by way of a hold out on cash deposit with AFHK with interest at LIBOR. The Backing L/C, however, shall be opened not later than 120 days after the issuance of AFHK's L/C.

(iii)

JSS of Messrs. Ramon Siy, Wilfrido C. Martinez, Ricardo Lopa and Miguel J. Lacson for both of the above cases.

DOCUMENTATION: Standard AFHK L/C documentation.[12]

The facility was designed to finance the purchases of molasses made by the CLL from the Philippines for re-export.[13]

In compliance with the letter-agreement, Wilfrido C. Martinez, Miguel J. Lacson, Ricardo Lopa, and Ramon Siy executed a continuing suretyship agreement in which they bound and obliged themselves, jointly and severally,

with the CLL to pay the latter's obligation under the said credit facility.[14]

As of September 26, 1980, the balance of the deposit account of the CLL with the respondent was US\$1,025,052.06.[15] On the other hand, the balance of the money placement in MMP No. 063, as of September 25, 1980 was US\$312,708.43,[16] while the balance of the money market placement in MMP No. 084 as of September 8, 1980 stood at US\$768,258.24.[17]

On October 10, 1980, Blamar Gonzales, acting for Mar Tierra Corporation, sent to the respondent a telex confirming his telephone conversation with Michael Sung/Bing Matoto requesting the respondent to transfer US\$340,000 to Account No. FCD SA 18402-7, registered in the name of Mar Tierra Corporation, Philippine Banking Corporation, Union Cement Building, Port Area, Manila, as payee, with the following specific instructions: (a) there should be no mention of Wilfrido Martinez or Mar Tierra Corporation; (b) the telex instruction should be signed only by Wilfrido Martinez and sent only through the telex machine of Mar Tierra Corporation; and, (c) the final confirmation of the transfer should be made by telephone call.[18] Gonzales requested the respondent, in the same telex, to confirm its total available account so that instructions on the transfer of the funds to FCD SA 18402-7 could be formalized.[19]

On October 13, 1980, Sung sent a telex to Gonzales informing the latter of the balances of the MMP Nos. 063 and 084 and in the CLL account deposit, with the corresponding maturity dates thereof, thus:

1. DETAIL OF PLACEMENT IN VARIOUS A/C.

MMP – 063

VALUE DATE

MATURITY DATE

DATE

AMOUNT

MATURITY VALUE

25/9/80

28/11/80

12-1/4

USD306,043.48

USD 312,708.43

MMP – 084

25/09/80

28/11/80

12-1/4

USD751,883.88

USD 768,258.24

USD1080,966.67

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CINTAS LARGAS

VALUE DATE

MATURITY DATE

DATE

AMOUNT

MATURITY VALUE

15/9/80

1 DAY CALL

10-7/8

USD 46,131.26

25/9/80

1 DAY CALL

11-1/4

USD500,000.00

(RATE ADJ: TO 12-1/4 VALUE 7/10/80)

26/9/80

31/10/80

12-1/4

USD420,831.45

USD 425,843.44

2. ACCORDING TO AIDC, O/S OF PESO LOAN IS 10,930,000.00, AND THE HOLDOUT REQUIRED IS 120 PCT

COMPUTATION: PESO 10,930,000.00

7.89

(EXCHANGE RATE)

1.20

(120 PCT)

1,662,357.00

=====

3. ACCORDINGLY, THE FUND AVAILABLE IS APPROX. USD340,000.00. PLS REVERT.[20]

Sung informed Gonzales that the account available was approximately US\$340,000, considering the CLL deposit account and the money market placements.[21] On October 14, 1980, the respondent received a telex from Wilfrido C. Martinez requesting that the transfer of US\$340,000 from the deposit account of the CLL or any deposit available be effected by telegraphic transfer as soon as possible to their account, payee FCD SA 18402-7, Philippine Banking Corporation, Port Area, Manila.[22] On October 21, 1980, Wilfrido Martinez wrote the respondent confirming his request for the transfer of US\$340,000 to “their” account, FCD SA 18402-7, with the Philippine Banking Corporation, through Wells Fargo Bank of New York, Philippine Banking Corporation Account No. FCDU SA No. 003-019205.[23]

The respondent complied with the request of the CLL, through Wilfrido Martinez and Gonzales, and remitted US\$340,000 as instructed.[24] However, instead of deducting the amount from the funds in the CLL foreign currency or deposit accounts and/or MMP Nos. 063 and 084, the respondent merely “posted” the US\$340,000 as an account receivable of the CLL since, at that time, the money market placements had not yet matured.[25] When the money market placements matured, however, the respondent did not collect the US\$340,000 therefrom. Instead, the respondent allowed the CLL and/or Wilfrido C. Martinez to withdraw, up to July 3, 1981, the bulk of the CLL deposit account and MMP Nos. 084 and 063;[26] hence, it failed to secure reimbursement for the US\$340,000 from the said deposit account and/or money market placements.

In the meantime, problems ensued in the reconciliation of the transactions involving the funds of the CLL,

including the MMP Nos. 063 and 084 with the respondent, as well as the receivables of Mar Tierra Corporation. There was also a need to audit the said funds. Sometime in July 1982, conferences were held between the executive committee of Mar Tierra Corporation and some of its officers, including Miguel J. Lacson, where the means to reduce the administrative expenses and accountants' fees, and the possibility of placing the CLL on an "inactive status" were discussed.[27] The respondent pressured the CLL, Wilfrido Martinez, and Gonzales to pay the US\$340,000 it remitted to Account No. FCD SA 18402-7.[28] Eventually, Wilfrido C. Martinez and Blamar Gonzales engaged the services of the auditing firm, the Jacinto, Belano, Castro & Co., to review the flow of the CLL's funds and the receivables of Mar Tierra Corporation.

On August 16, 1982, the CLL, through its certified public accountant, wrote the respondent requesting the latter to furnish its accountant with a copy of the financial report prepared by its auditors.[29] An audit was, thereafter, conducted by the Jacinto, Belano, Castro & Co., certified public accountants of the CLL and Mar Tierra Corporation. Based on their report, the auditors found that the CLL owed the respondent US\$340,000.[30]

In the meantime, the respondent demanded from the CLL, Wilfrido Martinez, Lacson, Gonzales, and petitioner Ruben Martinez, the payment of the US\$340,000 remitted by it to FCD SA 18402-7, per instructions of Gonzales and Wilfrido Martinez. No remittance was made to the respondent. Petitioner Ruben Martinez denied knowledge of any such remittance, as well as any liability for the amount thereof.

On June 17, 1983, the respondent filed a complaint against the CLL, Wilfrido Martinez, Lacson, Gonzales, and petitioner Ruben Martinez, with the RTC of Kaloocan City for the collection of the principal amount of US\$340,000, with a plea for a writ of preliminary attachment. Two alternative causes of action against the defendants were alleged therein, viz:

FIRST ALTERNATIVE CAUSE OF ACTION

2.1 The allegations contained in the foregoing paragraphs are pleaded herein by reference.

2.2 The remittance by plaintiff of the sum of US\$340,000.00 as previously explained in the foregoing paragraphs was made upon the express instructions of defendants GONZALES and WILFRIDO C. MARTINEZ acting for and in behalf of the defendant CINTAS, defendants GONZALES and WILFRIDO C. MARTINEZ being the duly authorized representatives of defendant CINTAS to transact any and all of its business with plaintiff.

2.3 The remittance of US\$340,000.00 was made under an agreement for plaintiff to advance the said amount and for defendants GONZALES, WILFRIDO C. MARTINEZ and CINTAS to repay plaintiff all such monies so advanced to said defendants or to their order.

2.4 In making said remittance, plaintiff acted as the agent of the foregoing defendants in meeting the latter's liability to the recipient/s of the amount so remitted.

2.5 The remittance of US\$340,000.00 which remains unsettled to date is a just, binding and lawful obligation of the defendants GONZALES, WILFRIDO C. MARTINEZ and CINTAS.

2.6 Defendant CINTAS is a re-invoicing or paper company with nominee shareholders in Hongkong. The real and beneficial shareholders of the foregoing defendants are the defendants LACSON and WILFRIDO C. MARTINEZ.

2.7 Defendant CINTAS is being used by the foregoing defendants as an alter ego or business conduit for their sole benefit and/or to defeat public convenience.

2.8 Defendant CINTAS, being a mere alter ego or business conduit for the foregoing defendants, has no corporate personality distinct and separate from that of its beneficial shareholders and, likewise, has no

substantial assets in its own name.

2.9 The remittance of US\$340,000.00 as referred to previously, although made upon the instructions of defendants GONZALES, WILFRIDO C. MARTINEZ and CINTAS, was in fact a remittance made for the benefit of the beneficial shareholders of defendant CINTAS.

2.10 Any and all obligations of defendant CINTAS are the obligations of its beneficial shareholders since the former is being used by the latter as an alter ego or business conduit for their sole benefit and/or to defeat public convenience.

SECOND ALTERNATIVE CAUSE OF ACTION

3.1 The allegations contained in the foregoing paragraphs are incorporated herein by reference.

3.2 Defendants RUBEN MARTINEZ, WILFRIDO C. MARTINEZ and LACSON are joint account holders of Money Market Placement Account Nos. 063 and 084 (hereinafter referred to as MMP 063 and 084 for brevity) opened and maintained by said defendants with the plaintiff.

3.3 Said money market placement accounts, although nominally opened and maintained by said defendants, were in reality for the account and benefit of all the defendants.

3.4 Defendant CINTAS likewise opened and maintained a deposit account with plaintiff.

3.5 Defendants W.C. Martinez and Gonzales upon giving instructions to plaintiff to remit the amount of US\$340,000.00 as previously discussed also instructed plaintiff to reimburse itself from available funds in MMP Account Nos. 063 and 084 and the defendant CINTAS' deposit account.

3.6 Due to excusable mistake, plaintiff was unable to obtain reimbursement for the remittance it made from MMP Account Nos. 063, 084 and from the deposit account of defendant CINTAS.

3.7 As a consequence of said mistake, plaintiff delivered to the foregoing defendants and/or to third parties upon orders of the defendants substantially all the funds in MMP Account Nos. 063, 084 and the deposit account of defendant CINTAS.

3.8 The amount of US\$340,000.00 delivered by plaintiff to the foregoing defendants constituted an overpayment and/or erroneous payment as defendants had no right to demand the same; further, said amount having been unduly delivered by mistake, the foregoing defendants were obliged to return it.

3.9 Since the foregoing defendants had no legal right to the overpayment or erroneous payment of US\$340,000.00 they, therefore, hold said money in trust for the plaintiff.

3.10 Despite numerous demands to the defendants WILFRIDO C. MARTINEZ, RUBEN MARTINEZ, LACSON and CINTAS for restitution of the funds erroneously paid or overpaid to said defendants, they have failed and continue to fail to make any restitution.[31]

The respondent prayed therein that, after due proceedings, judgment be rendered in its favor, viz:

ON THE

FIRST ALTERNATIVE CAUSE OF ACTION

4.1 Ordering defendants GONZALES, WILFRIDO C. MARTINEZ and CINTAS, jointly and severally, liable to pay plaintiff the amount of US\$340,000.00 with interests thereon from February 20, 1982 until fully paid.

4.2 Declaring that defendant CINTAS is a mere alter ego or business conduit of defendants LACSON and WILFRIDO C. MARTINEZ; hence, the foregoing defendants are, jointly and severally, liable to pay plaintiff the amount of US\$340,000.00 with interests thereon.

4.3 Ordering the foregoing defendants to be, jointly and severally, liable for the amount of P100,000.00 as and for attorney's fees; and

4.4 Ordering the foregoing defendants to be, jointly and severally, liable to plaintiff for actual damages in an amount to be proved at the trial. Or -

ON THE

SECOND ALTERNATIVE CAUSE OF ACTION

5.1 Declaring that plaintiff made an erroneous payment in the amount of US\$340,000.00 to defendants LACSON, WILFRIDO C. MARTINEZ, RUBEN MARTINEZ and CINTAS.

5.2 Declaring the foregoing defendants to be, jointly and severally, liable to reimburse plaintiff the amount of US\$340,000.00 with interest thereon from February 20, 1982 until fully paid.

5.3 Ordering defendants to be, jointly and severally, liable for the amount of P100,000.00 as and for attorney's fees; and

5.4 Ordering defendants to be, jointly and severally, liable to plaintiff for actual damages in an amount to be proved at the trial.

5.5 A writ of preliminary attachment be issued against the properties of the defendants WILFRIDO C. MARTINEZ, RUBEN MARTINEZ, LACSON and CINTAS as a security for the satisfaction of any judgment that may be recovered.

Plaintiff further prays for such other relief as may be deemed just and equitable in the premises.[32]

In his answer to the complaint, petitioner Ruben Martinez interposed the following special and affirmative defenses:

BY WAY OF SPECIAL AND AFFIRMATIVE DEFENSES, answering defendant respectfully states:

...

- Defendant is not the holder, owner, depositor, trustee and has no interest whatsoever in the account in Philippine Banking Corporation (FCD SA 18402-7) where the plaintiff remitted the amount sought to be recovered. Hence, he did not benefit directly or indirectly from the said remittance;

- Defendant did not participate in any manner whatsoever in the remittance of funds from the plaintiff to the alleged FCD Account in the Philippine Banking Corporation;

- Defendant has not received nor benefited from the alleged remittance, "payment," "overpayment" or "erroneous payment" allegedly made by plaintiff; hence, insofar as he is concerned, there is nothing to return to or to "hold in trust" for the plaintiff;

- Plaintiff's alleged remittance of the amount by mere telex or telephone instruction was highly irregular and questionable considering that the undertaking was that no remittance or transfer could be done without the prior signature of the authorized signatories;

- The alleged telex instructions to the plaintiff was for it to confirm the amounts that are "free and available" which it did;

- Plaintiff is guilty of estoppel or laches by making it appear that the funds so remitted are "free and available" and by not acting within reasonable time to correct the alleged mistake;

- The alleged remittance, "overpayment" and "erroneous payment" was manipulated by plaintiff's own employees, officers or representatives without connivance or collusion on the part of the answering defendant;

hence, plaintiff has only itself to blame for the same; likewise, its recourse is not against answering defendant;

- Plaintiff's Complaint is defective in that it has failed to state the facts constituting the "mistake" regarding its failure to obtain reimbursement from MMP 063 and 084;
- Plaintiff is guilty of gross negligence and it only has itself to blame for its alleged loss;
- Sometime on or about 1980, defendant was made to sign blank forms concerning opening of money market placements and perhaps, this is how he became a "joint account holder" of MMP 063 and 084; defendant at that time did not realize the import or significance of his act; afterwards, defendant did not do any act or omission by which he could be implicated in this case;
- Assuming that defendant is a "joint account holder" of said MMP 063 and 084, plaintiff has failed to plead defendant's obligations, if any, by being said "joint account holder;" likewise, the Complaint fails to attach the corresponding documents showing defendant's being a "joint account holder." [33]

The CLL was declared in default for its failure to file an answer to the complaint.

After trial, the RTC rendered its decision, the dispositive portion of which reads as follows:

PREMISES CONSIDERED, judgment is hereby rendered as follows:

- Ordering all the defendants, jointly and severally, to pay plaintiff the amount of US\$340,000.00 or its equivalent in Philippine currency measured at the Central Bank prevailing rate of exchange in October 1980 and with legal interest thereon computed from the filing of plaintiff's complaint on June 17, 1983 until fully paid;
- Declaring that defendant Cintas Largas Ltd. is a mere business conduit and alter ego of the individual defendants, thereby holding the individual defendants, jointly and severally, liable to pay plaintiff the aforesaid amount of US\$340,000.00 or its equivalent in Philippine Currency measured at the Central Bank prevailing rate of exchange in October 1980, with interest thereon as above-stated;
- Ordering all defendants to, jointly and severally, pay unto plaintiff the amount of P50,000.00 as and for attorney's fees, plus costs.

All counterclaims and cross-claims are dismissed for lack of merit.

SO ORDERED. [34]

The trial court ruled that the CLL was a mere paper company with nominee shareholders in Hongkong. It ruled that the principle of piercing the veil of corporate entity was applicable in this case, and held the defendants liable, jointly and severally, for the claim of the respondent, on its finding that the defendants merely used the CLL as their business conduit. The trial court declared that the majority shareholder of Mar Tierra Corporation was the RJL, controlled by petitioner Ruben Martinez and his brothers, Jose and Luis Martinez, as majority shareholders thereof. Moreover, petitioner Ruben Martinez was a joint account holder of MMP Nos. 063 and 084. The trial court, likewise, found that the auditors of Mar Tierra Corporation and the CLL confirmed that the defendants owed US\$340,000. The trial court concluded that the respondent had established its causes of action against Wilfrido Martinez, Lacson, Gonzales, and petitioner Ruben Martinez; hence, held all of them liable for the claim of the respondent.

The decision was appealed to the CA. On June 27, 1997, the CA rendered its decision, the dispositive portion of which reads:

WHEREFORE, the decision of the Court a quo dated December [19], 1991 is hereby MODIFIED, by exonerating appellant Blamar Gonzales from any liability to appellee and the complaint against him is

DISMISSED. The decision appealed from is AFFIRMED in all other respect.

SO ORDERED.[35]

The appellate court exonerated Gonzales of any liability, reasoning that he was not a stockholder of the CLL nor of Mar Tierra Corporation, but was a mere employee of the latter corporation.[36] Petitioner Ruben Martinez sought a reconsideration of the decision of the CA, to no avail.[37]

Dissatisfied with the decision and resolution of the appellate court, the petitioner, filed the petition at bar, on the following grounds:

I

RESPONDENT COURT OF APPEALS ERRED IN FINDING THAT HEREIN PETITIONER RUBEN MARTINEZ IS LIABLE TO RESPONDENT BPI INTERNATIONAL FINANCE FOR REIMBURSEMENT OF THE US\$340,000.00 REMITTED BY SAID RESPONDENT BPI INTERNATIONAL FINANCE TO FCD SA ACCOUNT NO. 18402-7 AT THE PHILIPPINE BANKING CORPORATION, PORT AREA BRANCH.

II

RESPONDENT COURT OF APPEALS ERRED IN NOT GRANTING THE COUNTER-CLAIM OF PETITIONER RUBEN MARTINEZ CONSIDERING THE EVIDENCE ON RECORD THAT PROVES THE SAME.[38]

The paramount issue posed for resolution is whether or not the petitioner is obliged to reimburse to the respondent the principal amount of US\$340,000.

The petitioner asserts that the trial and appellate courts erred when they held him liable for the reimbursement of US\$340,000 to the respondent. He contends that he is not in actuality a stockholder of Mar Tierra Corporation, nor a stockholder of the CLL. He was not involved in any way in the operations of the said corporations. He added that while he may have signed the signature cards of MMP Nos. 063 and 084 in blank, he never had any involvement in the management and disposition of the said accounts, nor of any deposits in or withdrawals from either or both accounts. He was not aware of any transactions between the respondent, Wilfrido Martinez, and Gonzales, with reference to the remittance of the US\$340,000 to FCD SA 18402-7; nor did he oblige himself to pay the said amount to the respondent. According to the petitioner, there is no evidence that he had benefited from any of the following: (a) the remittance by the respondent of the US\$340,000 to Account No. FCD SA 18402-7 owned by Mar Tierra Corporation; (b) the money market placements in MMP Nos. 063 and 084, or, (c) from any deposits in or withdrawals from the said account and money market placements.

On the other hand, the appellate court found the petitioner and his co-defendants, jointly and severally, liable to the respondent for the payment of the US\$340,000 based on the following findings of the trial court:

The Court finds that defendant Cintas Largas (Ltd.) with capitalization of \$10,000.00 divided into 1,000 shares at HK\$10 per share, is a mere paper company with nominee shareholders in Hongkong, namely: Overseas Nominees Ltd. and Shares Nominees Ltd., with defendants Wilfrido and Miguel J. Lacson as the sole directors (Exh. A). Since the said shareholders are mere nominee companies, it would appear that the said defendants Wilfrido and Miguel J. Lacson who are the sole directors are the real and beneficial shareholders (t.s.n., 9-1-87, p. 5). Further, defendant Cintas Largas Ltd. has no real office in Hongkong as it is merely being accommodated by Price Waterhouse, a large accounting office in Hongkong (t.s.n., 9-1-87, pp. 7-8).

Defendant Cintas Largas Ltd., being a mere alter ego or business conduit for the individual defendants with no corporate personality distinct and separate from that of its beneficial shareholders and with no substantial

assets in its own name, it is safe to conclude that the remittance of US\$340,000.00 was, in fact, a remittance made for the benefit of the individual defendants. Plaintiff was supposed to deduct the US\$340,000.00 remitted to the foreign currency deposit account from Cintas Largas (Ltd.) funds or from money market placement account Nos. 063 and 084 as well as Cintas Largas Ltd. deposit account (Exh. FF-24).

...

Defendant Cintas Largas Ltd. was established only for financing (t.s.n., 12-19-88, pp. 25-26) and the active owners of Cintas are defendants Miguel Lacson and Wilfrido C. Martinez (t.s.n., 12-19-88, p. 22). Mar Tierra Corporation of which defendant Wilfrido Martinez is the President and one of its owners and defendant Blamar Gonzales as the Vice President, sells molasses to defendant Cintas Largas Ltd. Defendant Miguel J. Lacson is a business partner in purchasing molasses for Mar Tierra Corporation. Mar Tierra Corporation was selling molasses to Cintas Largas Ltd. which were purchased by Miguel Lacson and Wilfrido C. Martinez (t.s.n., 12-19-88, pp. 23-24). The majority owner of Mar Tierra Corporation is RJL Martinez Fishing Corporation which is owned by brothers Ruben Martinez, Jose Martinez and Luis Martinez (t.s.n., 12-19-88, pp. 24-25; t.s.n., 6-20-88, pp. 11-12). The FCD SA-18402-7 account at Philippine Banking Corporation, Port Area Branch, where the US\$340,000.00 was remitted by the plaintiff is the account of Mar Tierra Corporation, and with the interlapping connection of the defendants to each other, these could be the reason why the funds of Cintas Largas Ltd. were being co-mingled and controlled by defendants more particularly defendants Blamar Gonzales and Wilfrido C. Martinez (Exhs. D, E, F, G, H, I, J, L, M, N, O, P, R, S, and T).

On the basis of the evidence, the Court finds and so holds that the cause of action of the plaintiff against the defendants has been established.[39]

We do not agree with the trial court and appellate court.

We note that the question of whether or not a corporation is merely an alter ego is purely one of fact.[40] So is the question of whether or not a corporation is a paper company or a sham or subterfuge or whether the respondent adduced the requisite quantum of evidence warranting the piercing of the veil of corporate entity of the CLL.[41] The Court is not a trier of facts. Hence, the factual findings of the trial court, as affirmed by the appellate court, are generally conclusive upon this Court.[42] However, the rule is subject to the following exceptions: (a) where the conclusion is a finding grounded entirely on speculation, surmise and conjectures; (b) where the information made is manifestly mistaken; (c) where there is grave abuse of discretion; (d) where the judgment is based on a misapplication of facts, and the findings of facts of the trial court and the appellate court are contradicted by the evidence on record; and (e) when certain material facts and circumstances had been overlooked by the trial court which, if taken into account, would alter the result of the case.

We have reviewed the records and find that some substantial factual findings of the trial court and the appellate court and, consequently, their conclusions based on the said findings, are not supported by the evidence on record.

The general rule is that a corporation is clothed with a personality separate and distinct from the persons composing it. Such corporation may not be held liable for the obligation of the persons composing it; and neither can its stockholders be held liable for such obligation.[43] A corporation has a separate personality distinct from its stockholders and from other corporation to which it may be connected.[44] This separate and distinct personality of a corporation is a fiction created by law for convenience and to prevent injustice.[45]

Nevertheless, being a mere fiction of law, peculiar situations or valid grounds can exist to warrant, albeit sparingly, the disregard of its independent being and the piercing of the corporate veil.[46] Thus, the veil of separate corporate personality may be lifted when such personality is used to defeat public convenience, justify wrong, protect fraud or defend crime; or used as a shield to confuse the legitimate issues; or when the corporation is merely an adjunct, a business conduit or an alter ego of another corporation or where the corporation is so

organized and controlled and its affairs are so conducted as to make it merely an instrumentality, agency, conduit or adjunct of another corporation;[47] or 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 for the protection of the creditors.[48] In such cases where valid grounds exist for piercing the veil of corporate entity, the corporation will be considered as a mere association of persons.[49] The liability will directly attach to them.[50]

However, mere ownership by a single stockholder or by another corporation of all or nearly all of the capital stocks of a corporation is not by itself a sufficient ground to disregard the separate corporate personality. The substantial identity of the incorporators of two or more corporations does not warrantably imply that there was fraud so as to justify the piercing of the writ of corporate fiction.[51] To disregard the said separate juridical personality of a corporation, the wrongdoing must be proven clearly and convincingly.[52]

The test in determining the application of the instrumentality or alter ego doctrine is as follows:

- Control, not mere majority or complete stock control, but complete domination, not only of finances but of policy and business practice in respect to the transaction attacked so that the corporate entity as to this transaction had at the time no separate mind, will or existence of its own;
- Such control must have been used by the defendant to commit fraud or wrong, to perpetuate the violation of a statutory or other positive legal duty, or dishonest and unjust act in contravention of plaintiff's legal rights; and
- The aforesaid control and breach of duty must proximately cause the injury or unjust loss complained of.

The absence of any one of these elements prevents "piercing the corporate veil." In applying the "instrumentality" or "alter ego" doctrine, the courts are concerned with reality and not form, with how the corporation operated and the individual defendant's relationship to that operation.[53]

In this case, the respondent failed to adduce the quantum of evidence necessary to prove any valid ground for the piercing of the veil of corporate entity of Mar Tierra Corporation, or of RJL for that matter, and render the petitioner liable for the respondent's claim, jointly and severally, with Wilfrido Martinez and Lacson. The mere fact that the majority stockholder of Mar Tierra Corporation is the RJL, and that the petitioner, along with Jose and Luis Martinez, owned about 42% of the capital stock of RJL, do not constitute sufficient evidence that the latter corporation, and/or the petitioner and his brothers, had complete domination of Mar Tierra Corporation. It does not automatically follow that the said corporation was used by the petitioner for the purpose of committing fraud or wrong, or to perpetrate an injustice on the respondent. There is no evidence on record that the petitioner had any involvement in the purchases of molasses by Wilfrido Martinez, Gonzales and Lacson, and the subsequent sale thereof to the CLL, through Mar Tierra Corporation. On the contrary, the evidence on record shows that the CLL purchased molasses from Mar Tierra Corporation and paid for the same through the credit facility granted by the respondent to the CLL. The CLL, thereafter, made remittances to Mar Tierra Corporation from its deposit account and MMP Nos. 063 and 084 with the respondent. The close business relationship of the two corporations does not warrant a finding that Mar Tierra Corporation was but a conduit of the CLL.

Likewise, the respondent failed to adduce preponderant evidence to prove that the Mar Tierra Corporation and the RJL were so organized and controlled, its affairs so conducted as to make the latter corporation merely an instrumentality, agency, conduit or adjunct of the former or of Wilfrido Martinez, Gonzales, and Lacson for that matter, or that such corporations were organized to defraud their creditors, including the respondent. The mere fact, therefore, that the businesses of two or more corporations are interrelated is not a justification for disregarding their separate personalities, absent sufficient showing that the corporate entity was purposely used as a shield to defraud creditors and third persons of their rights.[54]

Also, the mere fact that part of the proceeds of the sale of molasses made by Mar Tierra Corporation to the CLL may have been used by the latter as deposits in its deposit account with the respondent or in the money market placements in MMP Nos. 063 and 084, or that the funds of Mar Tierra Corporation and the CLL with the respondent were mingled, and their disposition controlled by Wilfrido Martinez, does not constitute preponderant evidence that the petitioner, Wilfrido Martinez and Lacson used the Mar Tierra Corporation and the RJL to defraud the respondent. The respondent treated the CLL and Mar Tierra Corporation as separate entities and considered them as one and the same entity only when Wilfrido C. Martinez and/or Blamar Gonzales failed to pay the US\$340,000 remitted by the respondent to FCD SA 18402-7. This being the case, there is no factual and legal basis to hold the petitioner liable to the respondent for the said amount.

Contrary to the ruling of the trial court and the appellate court, the auditors of the CLL and the Mar Tierra Corporation, in their report, did not find the petitioner liable for the respondent's claim in their report. The auditors, in fact, found the CLL alone liable for the said amount.[55] Even a cursory reading of the report will show that the name of the petitioner was not mentioned therein.

The respondent failed to adduce evidence that the petitioner had any involvement in the transactions between the CLL, through Wilfrido Martinez and Gonzales, and the respondent, with reference to the remittance of the US\$340,000 to FCD SA 18402-7. In fact, the said transaction was so confidential that Gonzales even suggested to the respondent that the name of Wilfrido Martinez or Mar Tierra Corporation be not made of record, and to authorize only Wilfrido Martinez to sign the telex instruction:

OCT. 10, 1980

TO: AYALA FINANCE
ATTN: MICHAEL SUNG/BING MATOTO
FR: B. GONZALES
RE: TRANSFER OF FUNDS

THIS IS TO CONFIRM OUR TELEPHONE CONVERSATION THAT WE WLD LIKE TO SUGGEST THE FF PROCEDURES FOR FUND TRANSFER.

- TLX INSTRUCTION THAT FUNDS BE TRANSFERRED TO OUR FCD ACCT BY TELEGRAPHIC TRANSFER.

- WE WILL ONLY USE ONE ACCT W/C IS FCD SA 18402-7 OF PHILBANKING CORPORATION, PORT AREA BRANCH, UNION CEMENT BLDG, BONIFACIO DRIVE, PORT AREA, METRO MANILA, PHILS.

- PAYEE SHLD BE FCD SA 18402-7 AND NO MENTION OF W.C. MARTINEZ OR MAR TIERRA CORP. TLX INSTRUCTION SHLD BE SIGNED BY W.C. MARTINEZ AND WILL BE SENT ONLY THRU TLX MACHINE OF MAR TIERRA CORP.

- FINAL CONFIRMATION OF THE TRANSFER BY TELEPHONE CALL.

PLS CONFIRM TODAY TOTAL AMT. THAT IS FREE AND AVAILABLE SO WE CAN FORMALIZE INSTRUCTION OF TRANSFER IF THE ABOVE PROCEDURE IS APPROVED BY YOU. PLS CONFIRM ALSO LIST OF CORRESPONDENT BANK IN HK.

IN CASE OF WELLS FARGO HK, WE WLD LIKE TO SUGGEST THE FF PROCEDURE:

- WELLS FARGO HK WIL SEND A TLX TO MANILA INSTRUCTING PHIL BANKING CORP TO CREDIT FCD SA 18402-7.

- REIMBURSEMENT INSTRUCTION, AT THE SAME TIME WELLS FARGO HK WIL REQUEST WELLS FARGO NEW YORK TO CREDIT FCDU NO. 003-019205 FOR THE ACCT OF PHIL BANKING CORP.[56]

Even the respondent admitted, in its complaint, that the CLL, Gonzales, and Wilfrido Martinez, bound and obliged themselves to repay the US\$340,000, viz:

2.2 The remittance by plaintiff of the sum of US\$340,000.00 as previously explained in the foregoing paragraphs was made upon the express instructions of defendants GONZALES and WILFRIDO C. MARTINEZ acting for and in behalf of the defendant CINTAS, defendants GONZALES and WILFRIDO C. MARTINEZ being the duly authorized representatives of defendant CINTAS to transact any and all of its business with plaintiff.

2.3 The remittance of US\$340,000.00 was made under an agreement for plaintiff to advance the said amount and for defendants GONZALES, WILFRIDO C. MARTINEZ and CINTAS to repay plaintiff all such monies so advanced to said defendants or to their order.

2.4 In making said remittance, plaintiff acted as the agent of the foregoing defendants in meeting the latter's liability to the recipient/s of the amount so remitted.

2.5 The remittance of US\$340,000.00 which remains unsettled to date is a just, binding and lawful obligation of the defendants GONZALES, WILFRIDO C. MARTINEZ and CINTAS.

2.6 Defendant CINTAS is a re invoicing or paper company with nominee shareholders in Hongkong. The real and beneficial shareholders of the foregoing defendants are the defendants LACSON, and WILFRIDO C. MARTINEZ.

2.7 Defendant CINTAS is being used by the foregoing defendants as an alter ego or business conduit for their sole benefit and/or to defeat public convenience.

2.8 Defendant CINTAS, being a mere alter ego or business conduit for the foregoing defendants, has no corporate personality distinct and separate from that of its beneficial shareholders and likewise has no substantial assets in its own name.

2.9 The remittance of US\$340,000.00 as referred to previously, although made upon the instructions of defendants GONZALES, WILFRIDO C. MARTINEZ and CINTAS, was in fact a remittance made for the benefit of the beneficial shareholders of defendant CINTAS.[57]

The admissions made by the respondent in its complaint are judicial admissions which cannot be contradicted unless there is a showing that it was made through palpable mistake or that no such admission was made.[58]

The respondent impleaded the petitioner only in its second alternative cause of action, on its allegation that the latter was a joint account holder of MMP Nos. 063 and 084, simply because he signed the signature cards with Wilfrido Martinez and/or Lacson in blank. The trial court found the submission of the respondent duly established, based on Wilfrido Martinez's answer to the complaint, and held the petitioner liable for the said amount based on the signature cards in this language:

Defendants Ruben Martinez, Wilfrido C. Martinez and Miguel Lacson are joint account holders of the money market placement account Nos. 063 and 084 (par. 17 page 4 Answer of defendant Wilfrido C. Martinez; par. 2, page 5, Amended Answer of defendant Lacson; t.s.n., 4-18-88, p. 7).[59]

The appellate court affirmed the ruling of the trial court without making any specific reference to the aforequoted ruling of the trial court.[60]

We do not agree. The judicial admissions made by Wilfrido Martinez in his answer to the complaint are not binding on the petitioner.[61] The evidence on record shows that the petitioner affixed his signatures on the signature cards merely upon the request of his son, Wilfrido Martinez. The signature cards were printed forms of the respondent with the names of the signatories and the supposed account holders typewritten thereon and, except for the account number, were similarly worded, viz:

SIGNATURE CARD

Account Name: Mr. Ruben Martinez and/or Account Number: MMP-063

Mr. Wilfrido C. Martinez

and/or Mr. Miguel J. Lacson

I.D. Card/Passport No.: _____

Residence Address: _____

_____ Tel. _____

Office Address: _____

_____ Tel. _____

Number of signature required to withdraw funds: _____

Confirmation/Correspondence to be mailed to: _____ Office

_____ Residence

_____ Others: _____

Other Instructions: _____

Specimen of signature:

1.

Sgd.

(Ruben Martinez)

3.

Sgd.

(Wilfrido Martinez)

SIGNATURE

NAME

SIGNATURE

NAME

2.

Sgd.

(Ruben Martinez)

4.

Sgd.

(Miguel J. Lacson)

SIGNATURE

NAME

SIGNATURE

NAME[62]

The respondent failed to adduce any evidence, testimonial or documentary, including the relevant laws[63] of Hongkong where the placements were made to hold the petitioner liable for the respondent's claims. Other than the signature cards, the respondent failed to adduce a shred of evidence to prove (a) the terms and conditions of the money market placements of the CLL in MMP Nos. 063 and 084; and, (b) the rights and obligations of the petitioner, Wilfrido Martinez and Lacson, over the money market placements. In light of the evidence on record, the CLL and/or Wilfrido Martinez never surrendered their ownership over the funds in favor of the petitioner when the latter co-signed the signature cards. The CLL and/or Wilfrido Martinez retained complete control and dominion over the funds.

By merely affixing his signatures on the signature cards, the petitioner did not necessarily become a joint and solidary creditor of the respondent over the said placements. Neither did the petitioner bind himself to pay to the respondent the US\$340,000 which was borrowed by the CLL and/or Wilfrido Martinez, and later remitted to FCD SA 18402-7.

The respondent has no one but itself to blame for its failure to deduct the US\$340,000 from the foreign currency and deposit accounts and money market placements of the CLL. The evidence on record shows that the respondent was supposed to deduct the said amount from the money market placements of the CLL in MMP Nos. 063 and 084, but failed to do so. The respondent remitted the amount from its own funds and, by its negligence, merely posted the amount in the account of the CLL. Worse, the respondent allowed the CLL and Wilfrido Martinez to withdraw the entirety of the deposits in the said accounts, without first deducting the US\$340,000. By the time the respondent realized its mistakes, the funds in the said accounts had already been withdrawn solely by the CLL and/or Wilfrido Martinez. This was the testimony of Michael Sung, the witness for the respondent.

Q:

Do you know whether this US\$340,000 was really transferred to Foreign Currency Deposit Account No. 18402-7 of the Philippine Banking Corporation in Manila?

A:

Yes.

Q:

Pursuant to the procedure for fund transfer as contained in Exhs. B, C, D and E, after having made such remittance of US\$340,000.00, what was plaintiff supposed to do, if any, in order to get reimbursement for such transfer?

A:

Plaintiff was supposed to deduct the US\$340,000.00 remitted to the foreign currency deposit account from the Cintas Largas funds or from Money Market Placement Account Nos. 063 and 084 as well as the Cintas Largas, Ltd. deposit account.

Q:

Do you know if plaintiff was able to obtain reimbursement of the US\$340,000 remitted to the Philippine Banking Corporation in Manila?

A:

No, because instead of deducting the remittance of US\$340,000 from the funds in the money market placement accounts and/or the Cintas Largas Deposit Account, we posted the US\$340,000 remittance as an account receivable of Cintas Largas, Ltd. since at that time the money market placement deposits have not yet matured. Subsequently, we failed to charge the deposit and MMP accounts when they matured and Cintas Largas, Ltd. and/or Wilfrido C. Martinez had already withdrawn the bulk of the funds contained in Money Market Placement Account No. 063 and the Cintas Largas, Ltd. Deposit Account thus, we were unable to obtain reimbursement therefrom.[64]

It cannot even be argued that if the petitioner would not be adjudged liable for the respondent's claim, he would thereby be enriching himself at the expense of the respondent. There is no evidence on record that the petitioner withdrew a single centavo from or was personally benefited by the funds in MMP Nos. 063 and 084. The testimonial and documentary evidence of the respondent clearly shows that the CLL and/or Wilfrido Martinez used and disposed of the said funds without the knowledge, involvement, and consent of the petitioner. Furthermore, the documentary evidence of the respondent shows the following:

MMP – 063

Statement of Accounts (Deposit)

Value Date

Funds In

Funds Out

Remarks

...

28/11/80

6,664.95

Interests earned

29/12/80

4,779.66

" "

21/01/81

4,024.83

" "

21/01/81

119,478.51

Purchase HK\$632,041.33 @5.29 & transferred to its statement A/C

13/02/81

2,321.99

Interests earned

"

100,015.00

Transfer to Cintas Largas' A/C Receivable.

17/02/81

55.07

Interests earned

18/03/81

1,317.27

" "

"

100,000.00

Purchase HK\$525,000.00 @5.25 cheque made payable to Grand Solid Enterprises Co., Ltd.

"

5,713.74

Transfer to A/C Receivable (MMP-063)

US\$443,975.85

US\$443,975.85 [65]

=====

=====

...

MMP – 084

Statement of Accounts (Deposit)

Value Date

Funds In

Funds Out

Remarks

...

28/11/80

16,374.36

Interests earned

01/12/80

488.16

" "

04/12/80

1,089.06

" "

"

US\$250,000.00

Transfer to A/C of Cintas Largas

09/12/80

1,290.56

Interests earned

"

200,000.00

Transfer to Cintas Largas' A/R.

18/12/80

1,545.42

Interests earned

“

200,000.00

T/T to Chase Manhattan NY for Credit A/C Allied Capital F/O Frank Chan B/O Grand Solid.

02/03/81

4,608.27

Interests earned

”

20,470.74

Transfer to A/C of Grand Solid

09/03/81

321.91

Interests earned

”

60,000.00

Transfer to A/C of Trinisia Ltd.

20/03/81

213.40

Interests earned

”

45,286.26

T/T to Nitto Trading & Josho Ind. Co., Ltd., Japan .

”

2,028.02

Transfer to A/C Receivable (MMP-084)

”

30.00

Cable Charges

US\$777,815.02

US\$777,815.02 [66]

=====

=====

...

CINTAS LARGAS

Statement of Accounts (Deposit)

Value Date

Funds In

Funds Out

Remarks

...

31/10/80

5,011.99

Interests earned

17/11/80

8,067.70

" "

"

350,000.00

Transfer to A/C of Grand Solid

09/11/80

3,062.23

Interests earned

"

350,000.00

Purchase HK\$1,789,200.00 @5.112, Cheque made payable to Grand Solid.

26/11/80

3,264.34

Interests earned

"

300,000.00

Purchase HK\$1,535,100.00 @5.117, Cheque made payable to Grand Solid

21/01/81

1,299.80

Interests earned

"

81,415.00

Remittance from C. Itoh & Co., NY

02/03/81

2,445.49

Interests earned

"

129,529.26

Transfer to Grand Solid's A/C Receivable

02/04/81

143,000.00

Transfer from CL's Statement A/C

10/04/81

456.81

Interests earned

"

50,000.00

Purchase HK\$267,150.00 @5.343, Cheque made payable to Grand Solid.

13/04/81

US\$ 40.89

Interests earned

21/04/81

311.66

" "

"

US\$ 50,000.00

Purchase HK\$268,850.00 @5.377, cheque made payable to Grand Solid.

28/04/81

132.04

Interests earned

"

40,000.00

Purchase HK\$214,480.00 @5.362, cheque made payable to Grand Solid.

"

52,692.00

Remittance from Dai Ichi Kangyo Bank NY. REF. KOMEIMARU

19/05/81

178,465.18

Transfer from CL's A/C Receivable

22/05/81

46,472.00

Remittance from C. Itoh & Co., NY Re. Pacific Geory.

26/05/81

28.40

Interests earned

04/06/81

1,242.80

" "

"

50,000.00

Purchase HK\$275,750.00 @5.515, Cheque made payable to Grand Solid

11/06/81

2,252.36

Interests earned

"

66,400.00

T/T to Security Pacific Nat'l Bank LA for A/C of Twentieth Century Fox Int'l Corp.

"

15.00

Cable Charge

"

31.65

Purchase HK\$175.00 @5.53 for payment of Business Registration Fee.

25/06/81

1,192.24

Interests earned

"

60,000.00

Purchase HK\$331,500.00 @5.525, cheque made payable to Grand Solid.

"

22,656.88

T/T to Daiwa Bank, Los Angeles for A/C of OAC Equipment Corp.

"

45,800.00

T/T to Josho Ind. Co. Ltd., Japan

"

15.00

Cable Charge

03/07/81

165.47

Interests earned

"

11,870.00

T/T to Bank of Tokyo , Kobe Branch for A/C of Furuno Electric Co. Ref.: Mar Tierra Takashiro Maru, Eatelite Nav. and Radar.

"

15.00

Cable Charge

06/07/81

17.60

Interests earned

07/07/81

14.83

" "

"

16,000.00

T/T to Dai Ichi Kangyo Bank, Shimizu Branch for A/C of Takashiro Maru.

"

15.00

Cable Charge

15/09/81

US\$ 482.29

Interests earned

"

US\$ 1,250.00

Reimbursement of expenses paid to Price Waterhouse & Co.

17/09/81

11.91

Interests earned

"

237.43

Purchase HK\$1,421.50 for cheque payment to Price Waterhouse & Co.

08/01/82

70,360.00

Remittance from C. Itoh & Co., NY

19/01/82

268.74

Interests earned

"

3,064.81

Transfer to CL's Margin A/C

"

50,000.00

Purchase HK\$295,100.00, cheque made payable to Grand Solid.

"

5,952.38

Transfer to A/C of Trinisia Ltd.

TOTAL :

US\$1,756,387.32

US\$1,732,103.25

-

24,284.07

Outstanding deposits

US\$1,756,387.32

US\$1,756,387.32 [67]

=====

=====

Clearly from the foregoing, the withdrawals from the deposit and foreign currency accounts and MMP Nos. 063 and 084 of the CLL, after the respondent remitted the US\$340,000, were for the account of the CLL and/or Wilfrido Martinez, and not of the petitioner.

IN LIGHT OF ALL THE FOREGOING, the petition is GRANTED. The Decision of the Court of Appeals is REVERSED AND SET ASIDE. The complaint of the respondent against the petitioner in Civil Case No. C-10811 is DISMISSED. No costs.

SO ORDERED.

Puno, (Chairman), and Tinga, JJ., concur.

Austria-Martinez, J., on official leave.

Chico-Nazario, J., on leave.

[*] Counsel for Ruben Martinez notified the Court of the death of his client on February 10, 2004. (Rollo, pp. 253 and 364).

[1] Penned by Associate Justice Demetrio G. Demetria (retired), with Associate Justices Jainal D. Rasul (retired) and Godardo A. Jacinto, concurring.

[2] Penned by then Judge Bennie A. Adefuin-dela Cruz (later Associate Justice of the Court of Appeals).

[3] Formerly known as Ayala Finance Hongkong, Ltd. (AIFL).

[4] Exhibit “GG-1,” Records, Vol. II, p. 172.

[5] Ibid.

[6] Exhibits “III” to “III-15,” Records, Vol. III, pp. 157-173.

[7] Exhibit “FF,” Id. at 140.

[8] Exhibit “DDD-6,” Id. at 84.

MONEY-MARKET ACCOUNT: An interest-bearing account at a bank or other financial institution.

Such an account usually pays interest competitive with money-market funds but allows a limited number of transactions per month. (Black’s Law Dictionary, 5[th] ed., p. 1022.)

[9] Exhibit “FF,” Records, Vol. II, p. 142.

[10] Exhibits “MM” and “NN,” Records, Vol. II, pp. 188-189.

[11] Exhibit “DDD-7,” Records, Vol. II, p. 85.

[12] Exhibit “II,” Id. at 176.

[13] Id. at 175-176.

[14] Exhibits “KK” and “LL,” Records, Vol. II, pp. 180-187.

[15] Exhibit “DDD,” Id. at 206.

[16] Exhibit “DDD-6,” Id. at 84.

[17] Exhibit “DDD-2,” Id. at 85.

[18] Exhibit “B,” Id. at 74.

[19] Ibid.

[20] Exhibit “C,” Records, Vol. II, p. 75.

[21] Ibid.

[22] Exhibit “D,” Records, Vol. II, p. 76.

[23] Records, Vol. I, p. 257.

[24] Exhibit “FF,” Records, Vol. II, p. 155.

[25] Ibid.

- [26] Exhibits “OO,” “QQ” to “CCC.”
- [27] TSN, 23 April 1985, pp. 19-20; Exhibit “AA.”
- [28] Exhibit “CC,” Records, Vol. II, p. 369.
- [29] Exhibit “GGG-27,” Records, Vol. I, p. 341.
- [30] Exhibit “JJJ,” Records, Vol. III, p. 175.
- [31] Records, Vol. I, pp. 7-11.
- [32] Id. at 13-15.
- [33] Id. at 34-36.
- [34] Records, Vol. III, p. 212.
- [35] Rollo, p. 55.
- [36] Id. at 34-55.
- [37] Id. at 57-58.
- [38] Id. at 16.
- [39] Records, Vol. III, p. 211.
- [40] Heirs of Ramon Durano, Sr. v. Uy, 344 SCRA 238 (2000).
- [41] Concept Builders, Inc. v. NLRC, 257 SCRA 149 (1996).
- [42] Ruiz, Sr. v. Court of Appeals, 362 SCRA 40 (2001).
- [43] Padilla v. Court of Appeals, 370 SCRA 208 (2001).
- [44] Francisco Motors Corporation v. Court of Appeals, 309 SCRA 72 (1999).
- [45] Concept Builders, Inc. v. NLRC, *supra*.
- [46] Santos v. NLRC, 254 SCRA 673 (1996).
- [47] Umali v. Court of Appeals, 189 SCRA 529 (1990).
- [48] Boyer-Roxas v. Court of Appeals, 211 SCRA 470 (1992).
- [49] Umali v. Court of Appeals, *supra*.
- [50] Francisco Motors Corporation v. Court of Appeals, *supra*.
- [51] Complex Electronics Employees Association v. NLRC, 310 SCRA 403 (1999).
- [52] Ibid.
- [53] Concept Builders, Inc. v. NLRC, *supra*.
- [54] Umali v. Court of Appeals, *supra*.
- [55] Exhibit “JJJ-6,” Records, Vol. III, p. 180.
- [56] Records, Vol. I, p. 5.

[57] Records, Vol. I, pp. 7-8. (Underscoring supplied.)

[58] Section 4, Rule 129 of the Rules of Court.

[59] Records, Vol. III, p. 211.

[60] Rollo, p. 54.

[61] Section 28, Rule 130 of the Rules of Court.

[62] Records, Vol. I, p. 437.

[63] 1. MONEY DEPOSITS

A deposit of money, whether as a sum or in specie, is naturally bound to the place of the banking or financing institution to which it is entrusted. Logically, the law of that place governs the deposit. Prof. Rabel cites two reasons for the rule: (1) the money is brought to that place to be conserved and repaid there; (2) the transaction is one of a mass of similar transactions by the institution. Hence, if a Filipino makes a deposit with the Swiss Credit Bank in Zurich, all questions arising from the deposit such as service charges, the manner of keeping the deposit, the effects of currency fluctuations, the mode of withdrawal of the deposits in Switzerland will usually be determined by the law prevailing in that place. (Salonga, Private International Law, 1995 ed., p. 366.)

[64] Records, Vol. II, p. 155. (Underscoring supplied.)

[65] Id. at 84.

[66] Id. at 85.

[67] Id. at 78-80.

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