

REPUBLIC OF THE PHILIPPINES, REPRESENTED BY SUGAR REGULATORY ADMINISTRATION, PETITIONER, VS. SULPICIO TANCINCO, RESPONDENT.

G.R. No. 139256. December 27, 2002

Ponente: AUSTRIA-MARTINEZ, J.

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AUSTRIA-MARTINEZ, J.:

Assailed via a petition for review on certiorari by the Sugar Regulatory Administration (SRA for brevity) is the decision of the Court of Appeals in CA-G.R. CV No. 36110 dismissing SRA's appeal and affirming the decision of the Regional Trial Court of Cagayan de Oro City (Branch 24) in Civil Case No. 10117 for Damages.

The facts of this case are undisputed:

The National Sugar Trading Corporation (NASUTRA), a domestic corporation created for the purpose of engaging in the trading of sugar, and a subsidiary of the Philippine Sugar Commission (Philsucom), an entity owned and controlled by the Philippine government, leased the warehouse of Sulpicio Tancinco in Cagayan de Oro City. The contract was for a period of 3 months starting November 23, 1984 renewable for another 3 years.[1]

On December 29, 1984, the eastern wall of the warehouse collapsed causing death and injuries to several persons and damage to houses within the area. Tancinco was constrained to incur expenses for the repair and restoration of the warehouse and indemnity for the victims. Due to NASUTRA's refusal to reimburse Tancinco, the latter filed on March 28, 1985 a complaint for Damages with the Regional Trial Court of Cagayan de Oro City (Branch 23).[2] NASUTRA filed its Answer disclaiming any liability.[3]

In the meantime, NASUTRA was converted into a private corporation called the Philippine Sugar Marketing Corporation (Philsuma), the sole marketing agency for the sugar industry to be owned completely by sugar producers.[4] Thereafter, Philsucom was phased out by Executive Order No. 18 in 1986, at same time creating petitioner SRA.[5] NASUTRA substituted petitioner SRA and filed on February 8, 1988, an Answer putting up the defenses that it cannot be liable for NASUTRA's obligation as it was created after the incident took place and that it is a separate and distinct entity from the former.[6]

On May 17, 1990, respondent Tancinco died and he was substituted by his heirs.

On January 10, 1991, the trial court received Tancinco's evidence ex parte as SRA was declared in default.[7] On February 18, 1991, the RTC rendered its decision in favor of Tancinco. The dispositive portion of the decision reads:

"WHEREFORE, premises considered, judgment is hereby rendered in favor of plaintiff and against the SUGAR REGULATORY ADMINISTRATION as liquidator and defendant NASUTRA and other defendants to pay jointly and severally the former the following sums:

"a) P229,006.00 for materials used in the repair of the warehouse;

- “b) P79,775.60 for labor;
 - “c) P1,658.22 for fuel (sic) and oil;
 - “d) P972.80 for light and power;
 - “e) P6,157.82 for medicines to victims;
 - “f) P436.00 for miscellaneous expenses;
 - “g) P19,680.00 spent for the guards;
 - “h) P30,000.00 as attorney’s fees all with legal rate of interest from December 29, 1984 until fully paid.
- “Without pronouncement as to cost.
- “SO ORDERED.”[8]

The trial court ruled that under Section 13, paragraph 3 of E.O. No. 18 and reiterated in E. O. No. 114,[9] SRA, as the liquidator of Philsuma, was, together with its co-defendants, jointly liable to Tancinco.

SRA appealed to the Court of Appeals which rendered the herein assailed decision dated February 19, 1999. The appellate court held that “(S)ince PHILSUCOM had succeeded NASUTRA, and the appellant SRA in turn assumed the liabilities of PHILSUCOM, even if only to a limited extent, it logically follows that appellant SRA may still be held liable for the herein claim for damages of the appellee”, citing the case of *Spouses Gonzales v. Sugar Regulatory Administration*, 174 SCRA 377 [1989].[10]

Hence, the present petition for review, on the following grounds:

“By affirming the decision of the court Lower court (sic), the Court of Appeals disregarded the ruling of this Honorable Court in *Gonzales vs. Sugar Regulatory Administration* (174 SCRA 377), which provided for limited assumption of liability of PHILSUCOM by SRA. It also acted not in accordance with law on the nature of ordinary obligation as not joint and solidary.”[11]

SRA insists that the ruling in the *Gonzales* case sets a condition upon which it may assume liability, i.e., that respondent must show that SRA is holding Philsumcom’s assets which could answer for NASUTRA’s liability.[12] Moreover, SRA also maintains that E.O. No. 18 did not make it the liquidator of Philsumcom nor jointly and solidarily liable with NASUTRA.[13]

The principal issue in this case is whether Tancinco or his heirs may recover NASUTRA’s adjudged liability from SRA.

We answer in the affirmative.

There is no question that Executive Order No. 18 abolished the Philippine Sugar Commission (Philsumcom) and created the Sugar Regulatory Administration (SRA). However, the abolition of NASUTRA and eventually Philsumcom did not abate the pendency of the suits filed against them. The termination of the life of a juridical entity does not by itself cause the extinction or diminution of the rights and liabilities of such entity[14]; specially in this case where, pursuant to the transitory provision of E.O. No. 18, Philsumcom, under the supervision of SRA, was allowed to continue as a juridical entity for 3 years for the purpose of prosecuting and defending suits by or against it and enabling it to settle and close its affairs, to dispose of and convey its property; and to distribute its assets.[15]

If and when a pending action cannot be terminated within said 3-year period, SRA, which has been appointed by law to supervise the closing affairs of Philsumcom, is considered a trustee which shall continue to prosecute and

defend suits filed by or against it. We ruled in *Gelano vs. Court of Appeals*,^[16] viz.:

“However, a corporation that has a pending action and which cannot be terminated within the three-year period after its dissolution is authorized under Sec. 78 [now §122] of the Corporation Law to convey all its property to trustees to enable it to prosecute and defend suits by or against the corporation beyond the three-year period. Although private respondent did not appoint any trustee, yet the counsel who prosecuted “and defended the interest of the corporation in the instant case and who in fact appeared in behalf of the corporation may be considered a trustee of the corporation at least with respect to the matter in litigation only. Said counsel had been handling the case when the same was pending before the trial court until it was appealed before the Court of Appeals and finally to this Court. We therefore hold that there was substantial compliance with Sec. 78 [now §122] of the Corporation Law and such private respondent Insular Sawmill, Inc. could still continue prosecuting the present case even beyond the period of three (3) years from the time of dissolution.

“...[T]he trustee may commence a suit which can proceed to final judgment even beyond the three-year period. No reason can be conceived why a suit already commenced by the corporation itself during its existence, not by a mere trustee who, by fiction, merely continues the legal personality of the dissolved corporation should not be accorded similar treatment allowed - to proceed to final judgment and execution thereof.”

Said ruling was reiterated in *Reburiano vs. Court of Appeals*,^[17] thus:

“There is, therefore, no reason why the suit filed by private respondent should not be allowed to proceed to execution. It is conceded by petitioners that the judgment against them and in favor of private respondent in C.A. G.R. No. 16070 had become final and executory. The only reason for their refusal to execute the same is that there is no existing corporation to which they are indebted. Such argument is fallacious. As previously mentioned, the law specifically allows a trustee to manage the affairs of the corporation in liquidation. Consequently, any supervening fact, such as the dissolution of the corporation, repeal of a law, or any other fact of similar nature would not serve as an effective bar to the enforcement of such right.” (Emphasis Ours)

It being the trustee, SRA must therefore continue the legal personality of the defunct NASUTRA and Philsucom until final judgment and execution stage of the case. This is bolstered by our pronouncement in the case of *Gonzales vs. Sugar Regulatory Administration*,^[18] wherein we stated that “(S)ection 13 of Executive Order No. 18 is not to be interpreted as authorizing respondent SRA to disable Philsucom from paying Philsucom’s demandable obligations by simply taking over Philsucom’s assets and immunizing them from legitimate claims against Philsucom.”^[19]

Contrary to SRA’s contention, there is nothing in the *Gonzales* case which sets the condition that a claimant should first prove that SRA is holding the assets of Philsucom before the former could be made to assume liability. What was declared in the *Gonzales* case is that the claimants can recover lawful claims against NASUTRA/Philsucom as determined by the trial court to have been proved, to the extent of Philsucom’s assets being held by SRA.^[20]

Accordingly, SRA can be held liable for Tancinco’s claim for damages against NASUTRA, which claim has already been proven before the trial court. However, the matter of whether the assets being held by SRA is sufficient to answer for such claims is a different matter altogether, a matter which we cannot resolve in the present petition.

Lastly, we agree with SRA that it cannot be made jointly and severally liable for NASUTRA’s obligation. As previously stated, it is merely a trustee of NASUTRA/Philsucom’s assets, and as such, its liability under the arrangement should merely be co-extensive with the amount of assets it took over from NASUTRA/Philsucom. As stated in the *Gonzales* case, SRA must be held liable for such claims against Philsucom “to the extent of the fair value of assets actually taken over by the SRA from Philsucom, if any”.^[21]

WHEREFORE, the instant petition for review is hereby PARTIALLY GANTED. The decision of the Regional Trial Court of Cagayan de Oro City (Branch 24) in Civil Case No. 10117 is MODIFIED to the effect that petitioner Sugar Regulatory Administration is hereby ORDERED to pay respondents the sums awarded by the trial court but only up to the extent of Philsucom's assets which are being held by petitioner as trustee, the same to be determined by the same trial court in the same case.

No pronouncement as to costs.

SO ORDERED.

Bellosillo (Chairman), Mendoza, Quisumbing, and Callejo, Sr., JJ., concur.

[1] Original Records, vol. II, pp. 414-418. [2] Original Records, vol. I, pp. 2-6.

[3] Id., pp. 24-31.

[4] By virtue of Presidential Decree No. 1791 issued by President Ferdinand E. Marcos on February 21, 1985. [5] Issued by President Corazon C. Aquino on May 28, 1986. [6] Original Records, vol. I, pp. 213-214.

[7] Id., pp. 368-369. [8] Id., p. 400; RTC Decision, p. 8.

[9] Id., p. 399-400; id., pp. 7-8. [10] CA Rollo, p. 94; CA Decision, p. 17. [11] Petition, p. 6; Rollo, p. 13. [12] Id., pp. 7-9; id., pp. 14-16.

[13] Id., pp. 10-11; id., pp. 17-18.

[14] Clemente vs. Court of Appeals, 242 SCRA 717, 722-723 [1995], citing Gonzales vs. Sugar Regulatory Administration, 174 SCRA 377. [15] Section 13, 3rd para. of E.O. No. 18. [16] 103 SCRA 90 [1981].

[17] G.R. No. 102965, January 29, 1999.

[18] 174 SCRA 377 [1989].

[19] Id., p. 385.

[20] Id., pp. 386-387.

[21] Id., p. 386.

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