

JESUSA LACSON DE ARROYO, ADMINISTRATRIX AND APPELLEE, VS. VISAYAN GENERAL SUPPLY COMPANY, INC., CLAIMANT AND APPELLANT.*G.R. No. 31120, August 28, 1929*

Ponente: STREET, J.

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This appeal is prosecuted by the Visayan General Supply Company, Inc., from an order of the Court of First Instance of Iloilo in the intestacy of Jose Maria Arroyo y Pidal, wherein said court refused to renew the commission of the committee on claims appointed in said intestacy and to reconvene the committee for the purpose of receiving and examining a claim presented on behalf of said company against the estate of the decedent.

It appears that the decedent, Jose Maria Arroyo y Pidal, a resident of the Province of Iloilo, died in Italy on March 8, 1927; and three days thereafter a petition was filed in the Court of First Instance of Iloilo, asking for the appointment of an administrator for his estate. Pursuant to this petition, Ignacio Arroyo was, on March 12, 1927, appointed as special administrator; and on May 23, 1927, Jesusa Lacson de Arroyo, widow, was appointed permanent administratrix. At the same time a committee on claims was appointed for the purpose of passing upon claims that might be presented against the estate. At the time of his death, and for some years prior thereto, the deceased appears to have had an open account with the Visayan General Supply Company, Inc., and on November 10, 1927, Lucio Echaus, formerly vice-president and acting general manager of said corporation, presented before the committee a claim amounting to P220,974.06 against the estate.

At this juncture it is convenient to explain that the Visayan General Supply Company, Inc., was organized, as a corporation, under the laws of the Philippine Islands, in the year 1922, with its office in the municipality of Iloilo and with an authorized capital of P1,000,000. When the corporation entered upon the exercise of its functions certification was made by its secretary to the fact that P200,000 of its capital had been subscribed and that of this amount the sum of P50,100 had been paid in. But this paid capital was more nominal than real, as the consideration paid upon the subscriptions consisted almost exclusively of certain bad debts which Enrique Echaus, the principal stockholder, transferred to the corporation. Four or five years later the Attorney-General of the Philippine Islands, in view of irregularities in its operations, instituted an action in behalf of the Government, against said corporation, for the purpose of dissolving it and destroying its franchise; and on March 18, 1927, a judgment of dissolution was entered by Judge Santamaria, presiding in the Court of First Instance of Iloilo.

In the course of its corporate existence the corporation mentioned borrowed large sums of money from the Bank of the Philippine Islands which it proceeded to lend out to different persons many of whom appear to have been of doubtful solvency. In the dissolution proceedings the court found that on August 31, 1925, its outstanding loans amounted to ^1,632,484.09, and the same condition existed at the time of the dissolution of the corporation, when it was found to have little or no liquid assets. While the corporation was active, the deceased, Jose Maria Arroyo,

appears to have become indebted to it in current account for large amounts, consisting mostly of money taken in cash and constituting the claim presented by Lucio Echaus, as already stated.

It will be noted that Lucio Echaus, in the character of vice-president and acting general manager, presented the claim of the Visayan General Supply Company, Inc., before the committee on claims after the corporation had been dissolved; and the administratrix promptly filed her opposition to the claim on the ground that the creditor company had been dissolved and that, in effect, the action of Lucio Echaus in submitting the claim was without legal authority. This view of the matter was sustained by the committee on claims, and it reported to the court that, in view of the opposition made by the administratrix, based upon the fact that the corporation had been dissolved, said committee had rejected the claim without considering it on its merits. From this action of the committee no appeal was taken; and, by an order of December 24, 1927, the court approved the report of the committee. Again, no appeal was taken against the order; but on May 24, 1928, Rodrigo Villanueva, as receiver of the defunct corporation, filed a motion under section 690 of the Code of Civil Procedure, asking that the commission of the committee on claims be renewed in order that the claim of the corporation might be filed and considered. This motion was on June 28, 1928, denied by the court; and, after the usual formalities, the present appeal was prosecuted in the name of the Visayan General Supply Company, Inc., by its receiver.

It is entirely clear, we think, that Lucio Echaus, once vice-president and acting general manager of the Visayan General Supply Company, Inc., had no authority to represent the corporation before the committee on claims. The effect of the dissolution of a corporation is to put an end to its existence for all purposes whatsoever, and to destroy all its faculties, with the result that thereafter it cannot maintain an action in court (*Corpus Juris*, 14-A, , p. 1149, sec. 3083). The act of dissolution also terminated the faculty of its officers to represent it in litigation, and there can be no sort of doubt that Lucio Echaus was without personality to represent or bind the defunct corporation. The action of the committee on claims in disallowing the claim, without considering it on its merits, was therefore not improper. Nevertheless, said action on the part of Lucio Echaus was evidently done in good faith, and with a view to the protection of the legitimate interest of the corporation with which he had formerly been connected. In other words, such an action was an attempt on his part to commence a legal proceeding that failed otherwise than upon the merits; and if the case were one falling precisely under section 49 of the Code of Civil Procedure, the corporation would undoubtedly have had the right to begin another action within the one year allowed in said section. But although said section is not of direct application here, the sense of it cannot fail, by analogy, to influence the court upon the point now to be determined.

Section 690 of the Code of Civil Procedure provides that, "On application of a creditor who has failed to present his claim, if made within six months after the time previously limited, * * * the court may, for cause shown, and on such terms as are equitable, renew the commission and allow further time, not exceeding one month, for the committee to examine such claim, * * *".

In the case before us the application of the receiver, Rodrigo Villanueva, was filed on May 24, 1928, which was well within the six-month period limited by section 690 for the filing of such applications, and we are of the opinion that the case was one in which the court should have granted the application.

In the *Estate of Tiangco* (39 Phil., 967), relied upon by the appellee, no attempt at all was made by the creditor to present his claim until the committee on claims had acted and the six-month period had nearly expired. This court therefore held that the action of the trial court in refusing to extend the time should not be disturbed. The reason was that the creditor had been negligent. In this case the claim had actually been presented, though it turned out in fact that the claim had been presented by the wrong person. This was a mere error of law which should not be imputed to the corporation as an act of negligence.

It would seem to be unnecessary to point out that the decision of the committee on claims, in rejecting the claim presented by Lucio Echaus, cannot be considered *res judicata* against the appellant, because the action taken by the committee was not based upon the merits of the claim and because Lucio Echaus had no authority to represent the company.

The judgment appealed from will therefore be reversed, and the cause will be returned to the court of origin, with directions for the court to renew the commission and allow further time, not exceeding one month, for the committee to examine the claim, in accordance with section 690 of the Code of Civil Procedure. So ordered, without costs.

Avanceña, C. J., Johnson, Villamor, Johns, and Villa-Real, JJ., concur.

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