Title: General Credit Corporation (Now Penta Capital Finance Corporation) v. Alsons Development and Investment Corporation and CCC Equity Corporation

Facts:
1. General Credit Corporation (GCC), a finance and investment company, was incorporated in 1957 and later secured licenses to engage in quasi-banking activities.
2. CCC Equity Corporation (Equity) was organized by GCC in 1994 to manage various franchise companies.
3. Alsons Development and Investment Corporation (Alsons) and the Alcantara family owned shares in GCC franchise companies, which they sold to Equity for P2,000,000 in December 1980.
4. In return, Equity issued a "bearer" promissory note to Alsons et al. with a one-year maturity at 18% interest per annum.
5. Four years later, Alsons acquired the rights to the promissory note from the Alcantara family.
6. Demand letters were sent to Equity for interest payment, but Equity, citing lack of funds and support from GCC, failed to comply.
7. On January 14, 1986, Alsons filed a complaint against Equity and GCC, aiming to apply the doctrine of piercing the corporate veil to hold GCC liable as Equity's mere conduit.
8. Equity claimed it was dependent on GCC and filed a cross-claim against GCC.
9. GCC asserted its separateness from Equity and unsuccessfully moved to dismiss the complaint.

Procedural Posture:
– In the trial, the RTC found Equity as an instrumentality of GCC and ruled in favor of Alsons.
– GCC appealed to the Court of Appeals (CA), which affirmed the RTC's decision.
– GCC then filed a Motion for Reconsideration and Motion for Oral Argument, both denied by the CA.
– GCC filed a Petition for Review on Certiorari with the Supreme Court under Rule 45.

Issues:
1. Whether the CA erred in applying the doctrine of piercing the corporate veil to hold GCC liable for Equity's obligations.
2. Whether Alsons was a real party-in-interest.
3. Whether the promissory note was authentic and enforceable.
4. Whether GCC was entitled to its counterclaim against Alsons.

Court's Decision:

1. The Supreme Court upheld the application of the piercing doctrine, confirming Equity was a mere instrumentality of GCC due to common control and financing ties.
2. Alsons was deemed a real party-in-interest as the holder of the promissory note.
3. The authenticity and due execution of the promissory note were upheld, confirming Alsons as entitled to collect.
4. GCC's counterclaim was dismissed, as the foundational premise of Alsons having no cause of action was negated by the legitimation of the promissory note.

Doctrine:

– The doctrine of piercing the corporate veil was reiterated, applicable where corporations are not actually separate entities but are used to commit fraud or circumvent legal obligations.

Class Notes:

– Key Concept: Piercing the Corporate Veil
– A legal doctrine allowing courts to hold a corporation's shareholders personally liable for the debts of the corporation under special circumstances.
– Typically invoked in cases of fraud, evasion of legal obligations, or when a corporation is a mere facade for the personal dealings of its shareholders.
– Critical Statutes:
– No specific statute cited, principle based on established jurisprudence.
– Applied when a corporation is used to defeat public convenience, justify a wrong, protect fraud, or commit a crime.

Historical Background:

– This case exemplifies the evolution of corporate liability and the judiciary's role in addressing corporate manipulations in the Philippines.
– Reflects mid-20th century economic growth and corporate proliferation, necessitating legal frameworks to address complexities in corporate structures and liabilities.