

****Title**:** Benny Y. Hung vs. BPI Card Finance Corp. (G.R. No. 184098, September 8, 2009)

****Facts**:**

Guess? Footwear and BPI Express Card Corporation entered into two merchant agreements on August 25, 1994, and November 16, 1994, where Guess? Footwear agreed to honor valid BPI credit cards presented for purchases. Benny Y. Hung signed the agreements as “owner/manager” and “president,” respectively, identifying Guess? Footwear interchangeably as B & R Sportswear Enterprises.

From May 1997 to January 1999, BPI mistakenly credited the account of Guess? Footwear with PHP 3,480,427.43 through a series of 352 checks. Benny Hung acknowledged this overpayment and authorized the transfer of PHP 963,604.03 from B & R Sportswear Enterprises’ bank account to BPI’s account as a partial settlement.

On September 27, 1999, BPI demanded the remaining balance of PHP 2,516,826.68. Guess? Footwear failed to pay, leading BPI to file a collection suit before the RTC of Makati City against B & R Sportswear Distributor, Inc.

During the trial, an anomaly appeared when it was discovered that B & R Sportswear Distributor, Inc. was a non-existent entity. Notwithstanding, a similarly named entity, B & R Footwear Distributors, Inc., mistakenly participated in the trial. On June 24, 2002, the RTC rendered a decision obligating B & R Sportswear Distributor, Inc. to pay BPI PHP 2,516,826.68 with 6% annual interest from October 4, 1999, until full payment.

BPI motioned to pierce the corporate veil of B & R Footwear Distributors, Inc., aiming to hold Benny Hung personally accountable. The RTC ruled in BPI’s favor on November 30, 2004. Benny Hung appealed, but the Court of Appeals affirmed the RTC decision on August 31, 2007.

****Issues**:**

1. ****Can Benny Hung be held personally liable for the RTC’s judgment against the non-existent B & R Sportswear Distributor, Inc.?****
2. ****Was there a justifiable reason for the piercing of the corporate veil?*****
3. ****Was the procedural service of summons and jurisdiction valid over Benny Hung?*****

****Court’s Decision**:**

1. ****Liability**:**

The Supreme Court held that the facts demonstrated a consistent intermingling of identities

between Benny Hung's sole proprietorship (B & R Sportswear Enterprises) and Guess? Footwear/B & R Footwear Distributors, Inc. The Court found Hung liable because his sole proprietorship had no separate juridical personality. Thus, correction of the defendant's name to Benny Hung was warranted and permitted by procedural rules, making Hung the proper defendant.

2. **Piercing the Veil**:

The issue of piercing the corporate veil was rendered moot as the primary liability was adequately established against Benny Hung personally. The Court observed that the correction in the naming of parties removed the necessity of applying this doctrine under the given circumstances.

3. **Procedural Validity**:

The Court denied Benny Hung's claim concerning improper service of summons. By B & R Footwear Distributors, Inc. actively participating in the trial and Hung's admission regarding the sole proprietorship, proper procedural actions justified jurisdiction over him.

Doctrine:

1. **Correction of Defects under Rule 10 of the Rules of Court**:

- Section 4, Rule 10 allows defects in the designation of parties to be summarily corrected at any stage provided no prejudice is caused to the adverse party.
- Section 5, Rule 10 permits amendments to pleadings to conform to evidence presented.

2. **Interest Computation**:

- Legal interest on non-loan obligations is fixed at 6% per annum from the determinable date of demand until judgment.
- Post-judgment, the interest rate is 12% per annum until full payment (Eastern Shipping Lines, Inc. vs. Court of Appeals).

Class Notes:

1. **Contractual Obligations and Overpayment Recovery**:

- Acknowledge receipt of overpayment
- Demand repayment

2. **Procedural Rules**:

- Correcting party designations (Rules of Court)
- Effective service of summons

3. **Corporate Veil Doctrine**:

- Criteria and instances for piercing

4. **Interest on Obligations**:

- Eastern Shipping Lines vs. Court of Appeals

Historical Background:

The case highlights issues related to the clear identification of parties in contracts and judicial proceedings. It underscores the legal complications that arise from the misuse of similar corporate identities and emphasizes the relevance of procedural rules in cases of overpayment recovery. The decision solidifies the principles of personal liability in cases where sole proprietorships are involved, affirming that proprietors cannot evade responsibilities through entity misrepresentations.