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FIRST DIVISION

[G.R. No. 156819. December 11, 2003]

ALICIA E. GALA, GUIA G. DOMINGO and RITA G. BENSON, *petitioners, vs.* **ELLICE AGRO-INDUSTRIAL CORPORATION, MARGO MANAGEMENT AND DEVELOPMENT CORPORATION, RAUL E. GALA, VITALIANO N. AGUIRRE II, ADNAN V. ALONTO, ELIAS N. CRESENCIO, MOISES S. MANIEGO, RODOLFO B. REYNO, RENATO S. GONZALES, VICENTE C. NOLAN, NESTOR N. BATICULON,** *respondents.*

SYNOPSIS

Manuel and Alicia Gala, their children and their *encargados* formed and organized the Ellice Agro-Industrial Corporation (Ellice). The Gala spouses transferred several parcels of land to Ellice as payment for their subscriptions. Subsequently, the Margo Management and Development Corporation (Margo) was incorporated. Several transfers of shares were made by the shareholders from Ellice to Margo. Respondents then filed a petition against petitioners with the Securities and Exchange Commission (SEC) alleging mismanagement, diversion of funds, financial losses and dissipation of assets. In turn, petitioners initiated a complaint against respondents, praying for, among others, the return of all titles to real property in the name of Margo and Ellice. The SEC rendered a joint decision in the consolidated cases dismissing the petition filed by respondents and ruling against the respondents with respect to the petition filed by petitioners. However, the joint decision was reversed by the SEC *En Banc* on appeal by respondents. Petitioners filed a petition for review with the Court of Appeals which affirmed the decision of the SEC *En Banc*. Hence, this petition, where petitioners argued that the separate juridical personalities of Ellice and Margo should be disregarded for the purpose of treating all property purportedly owned by said corporations as property solely owned by the Gala spouses.

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In denying the petition, the Supreme Court ruled that to warrant resort to the extraordinary remedy of piercing the veil of corporate fiction, there must be proof that the corporation is being used as a cloak or cover for fraud or illegality, or to work injustice, and the petitioners have failed to prove that Ellice and Margo were being used thus. They have not presented any evidence to show how the separate juridical entities of Ellice and Margo were used by the respondents to commit fraudulent, illegal or unjust acts.

SYLLABUS

1. COMMERCIAL LAW; CORPORATION LAW; CORPORATION CODE; PRIVATE CORPORATIONS; ARTICLES OF INCORPORATION AND BY-LAWS; BEST PROOF OF THE PURPOSES OF A CORPORATION; CASE AT BAR.— The best proof of the purpose of a corporation is its articles of incorporation and by-laws. The articles of incorporation must state the primary and secondary purposes of the corporation, while the by-laws outline the administrative organization of the corporation, which, in turn, is supposed to insure or facilitate the accomplishment of said purpose. In the case at bar, a perusal of the Articles of Incorporation of Ellice and Margo shows no sign of the allegedly illegal purposes that petitioners are complaining of. It is well to note that, if a corporation's purpose, as stated in the Articles of Incorporation, is lawful, then the SEC has no authority to inquire whether the corporation has purposes other than those stated, and *mandamus* will lie to compel it to issue the certificate of incorporation.

2. POLITICAL LAW; ADMINISTRATIVE LAW; DOCTRINE OF PRIMARY JURISDICTION; PRECLUDES A COURT FROM RESOLVING A CONTROVERSY THE JURISDICTION OVER WHICH IS INITIALLY LODGED WITH AN ADMINISTRATIVE BODY OF SPECIAL COMPETENCE; CASE AT BAR.— Assuming there was even a grain of truth to the petitioners' claims regarding the legality of what are alleged to be the corporations' true purposes, we are still precluded from granting them relief. We cannot address here their concerns regarding circumvention of land reform laws, for the doctrine of primary jurisdiction precludes a court from arrogating unto itself the authority to resolve a controversy the jurisdiction over which

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is initially lodged with an administrative body of special competence. Since primary jurisdiction over any violation of Section 13 of Republic Act No. 3844 that may have been committed is vested in the Department of Agrarian Reform Adjudication Board (DARAB), then it is with said administrative agency that the petitioners must first plead their case.

3. **REMEDIAL LAW; EVIDENCE; CREDIBILITY; FACTUAL FINDINGS OF TRIAL COURTS AND ADMINISTRATIVE BODIES, GENERALLY NOT DISTURBED ON APPEAL.**— [T]he factual findings of the Court of Appeals are conclusive on the parties and are not reviewable by the Supreme Court. They carry even more weight when the Court of Appeals affirms the factual findings of a lower fact-finding body. Likewise, the findings of fact of administrative bodies, such as the SEC, will not be interfered with by the courts in the absence of grave abuse of discretion on the part of said agencies, or unless the aforementioned findings are not supported by substantial evidence.

4. **COMMERCIAL LAW; CORPORATION LAW; CORPORATION CODE; PRIVATE CORPORATIONS; LIABILITIES; THE EXTRAORDINARY REMEDY OF PIERCING THE VEIL OF CORPORATE FICTION, WHEN APPLIED; CASE AT BAR.**— [T]o warrant resort to the extraordinary remedy of piercing the veil of corporate fiction, there must be proof that the corporation is being used as a cloak or cover for fraud or illegality, or to work injustice, and the petitioners have failed to prove that Ellice and Margo were being used thus. They have not presented any evidence to show how the separate juridical entities of Ellice and Margo were used by the respondents to commit fraudulent, illegal or unjust acts. Hence, this contention, too, must fail.

5. **REMEDIAL LAW; ACTIONS; APPEALS; NO QUESTION WILL BE ENTERTAINED ON APPEAL UNLESS IT HAS BEEN RAISED IN THE COURT BELOW.**— [N]o question will be entertained on appeal unless it has been raised in the court below, for points of law, theories, issues and arguments not brought to the attention of the lower court need not be, and ordinarily will not be, considered by a reviewing court, as they cannot be raised for the first time at that late stage. Basic considerations of due process impel this rule.

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APPEARANCES OF COUNSEL

Chavez Laureta & Associates and *Wilfredo M. Garrido, Jr.* for petitioners.

Jose M. Ricafrente for respondents.

D E C I S I O N

YNARES-SANTIAGO, *J.*:

This is a petition for review under Rule 45 of the Rules of Court, seeking the reversal of the decision dated November 8, 2002[1] and the resolution dated December 27, 2002[2] of the Court of Appeals in CA-G.R. SP No. 71979.

On March 28, 1979, the spouses Manuel and Alicia Gala, their children Guia Domingo, Ofelia Gala, Raul Gala, and Rita Benson, and their *encargados* Virgilio Galeon and Julian Jader formed and organized the Ellice Agro-Industrial Corporation.[3] The total subscribed capital stock of the corporation was apportioned as follows:

Name	Number of Shares	Amount
Manuel R. Gala	11,700	1,170,000.00
Alicia E. Gala	23,200	2,320,000.00
Guia G. Domingo	16	1,600.00
Ofelia E. Gala	40	4,000.00
Raul E. Gala	40	4,000.00
Rita G. Benson	2	200.00
Virgilio Galeon	1	100.00
Julian Jader	1	100.00
TOTAL	35,000	₱3,500,000.00[4]

[1] CA *Rollo*, p. 452; penned by Associate Justice Martin S. Villarama, Jr., concurred in by Associate Justices Godardo A. Jacinto and Mario L. Guariña III.

[2] *Id.*

[3] CA *Rollo*; pp. 101-101, 452.

[4] *Id.*, p. 102.

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As payment for their subscriptions, the Gala spouses transferred several parcels of land located in the provinces of Quezon and Laguna to Ellice.[5]

In 1982, Manuel Gala, Alicia Gala and Ofelia Gala subscribed to an additional 3,299 shares, 10,652.5 shares and 286.5 shares, respectively.[6]

On June 28, 1982, Manuel Gala and Alicia Gala acquired an additional 550 shares and 281 shares, respectively.[7]

Subsequently, on September 16, 1982, Guia Domingo, Ofelia Gala, Raul Gala, Virgilio Galeon and Julian Jader incorporated the Margo Management and Development Corporation (Margo).[8] The total subscribed capital stock of Margo was apportioned as follows:

Name	Number of Shares	Amount
Raul E. Gala	6,640	66,400.00
Ofelia E. Gala	6,640	66,400.00
Guia G. Domingo	6,640	66,400.00
Virgilio Galeon	40	40.00
Julian Jader	40	40.00
TOTAL	20,000	₱ 200,000.00[9]

On November 10, 1982, Manuel Gala sold 13,314 of his shares in Ellice to Margo.[10]

Alicia Gala transferred 1,000 of her shares in Ellice to a certain Victor de Villa on March 2, 1983. That same day, de Villa transferred said shares to Margo.[11] A few months later,

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[5] *Id.*, p. 91.

[6] *Id.*, p. 454.

[7] *Id.*

[8] *Id.*, pp. 111, 453.

[9] *Id.*, p. 112.

[10] *Id.*, p. 454.

[11] *Id.*

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on August 28, 1983, Alicia Gala transferred 854.3 of her shares to Ofelia Gala, 500 to Guia Domingo and 500 to Raul Gala.[12]

Years later, on February 8, 1988, Manuel Gala transferred all of his remaining holdings in Ellice, amounting to 2,164 shares, to Raul Gala.[13]

On July 20, 1988, Alicia Gala transferred 10,000 of her shares to Margo.[14]

Thus, as of the date on which this case was commenced, the stockholdings in Ellice were allocated as follows:

Name	Number of Shares	Amount
Margo	24,312.5	2,431,250.00
Alicia Gala	21,480.2	2,148,020.00
Raul Gala	2,704.5	270,450.00
Ofelia Gala	980.8	98,080.00
Gina Domingo	516	51,600.00
Rita Benson	2	200.00
Virgilio Galeon	1	100.00
Julian Jader	1	100.00
Adnan Alonto	1	100.00
Elias Cresencio	1	100.00
TOTAL	50,000	₱ 5,000,000.00

On June 23, 1990, a special stockholders' meeting of Margo was held, where a new board of directors was elected.[15] That same day, the newly-elected board elected a new set of officers. Raul Gala was elected as chairman, president and general manager. During the meeting, the board approved several actions, including the commencement of proceedings to annul certain dispositions of Margo's property made by Alicia Gala. The

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[12] *Id.*

[13] *Id.*

[14] *Id.*

[15] *Id.*, p. 136.

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board also resolved to change the name of the corporation to MRG Management and Development Corporation.[16]

Similarly, a special stockholders' meeting of Ellice was held on August 24, 1990 to elect a new board of directors. In the ensuing organizational meeting later that day, a new set of corporate officers was elected. Likewise, Raul Gala was elected as chairman, president and general manager.

On March 27, 1990, respondents filed against petitioners with the Securities and Exchange Commission (SEC) a petition for the appointment of a management committee or receiver, accounting and restitution by the directors and officers, and the dissolution of Ellice Agro-Industrial Corporation for alleged mismanagement, diversion of funds, financial losses and the dissipation of assets, docketed as SEC Case No. 3747.[17] The petition was amended to delete the prayer for the appointment of a management committee or receiver and for the dissolution of Ellice. Additionally, respondents prayed that they be allowed to inspect the corporate books and documents of Ellice.[18]

In turn, petitioners initiated a complaint against the respondents on June 26, 1991, docketed as SEC Case No. 4027, praying for, among others, the nullification of the elections of directors and officers of both Margo Management and Development Corporation and Ellice Industrial Corporation; the nullification of all board resolutions issued by Margo from June 23, 1990 up to the present and all board resolutions issued by Ellice from August 24, 1990 up to the present; and the return of all titles to real property in the name of Margo and Ellice, as well as all corporate papers and records of both Margo and Ellice which are in the possession and control of the respondents.[19]

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[16] *Id.*, p. 140.

[17] *Id.*, p. 455.

[18] *Id.*, pp. 155-156.

[19] *Id.*, p. 180.

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The two cases were consolidated in an Order dated November 23, 1993.[20]

Meanwhile, during the pendency of the SEC cases, the shares of stock of Alicia and Ofelia Gala in Ellice were levied and sold at public auction to satisfy a judgment rendered against them by the Regional Trial Court of Makati, Branch 66, in Civil Case No. 42560, entitled "*Regines Condominium v. Ofelia (Gala) Panes and Alicia Gala.*"[21]

On November 3, 1998, the SEC rendered a Joint Decision in SEC Cases Nos. 3747 and 4027, the dispositive portion of which states:

WHEREFORE, premises considered, judgment is hereby rendered, as follows:

1. Dismissing the petition in SEC Case No. 3747,
2. Issuing the following orders in SEC Case No. 4027;
   (a) Enjoining herein respondents to perform corporate acts of both Ellice and Margo, as directors and officers thereof.
   (b) Nullifying the election of the new sets of Board of Directors and Officers of Ellice and Margo from June 23, 1990 to the present, and that of Ellice from August 24, 1990 to the present.
   (c) Ordering the respondent Raul Gala to return all the titles of real properties in the names of Ellice and Margo which were unlawfully taken and held by him.
   (d) Directing the respondents to return to herein petitioners all corporate papers, records of both Ellice and Margo which are in their possession and control.

SO ORDERED.[22]

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[20] *Id.*, p. 208; penned by SEC Hearing Officer Alberto P. Atas.

[21] *Id.*, p. 455.

[22] *Rollo*, pp. 144-145; penned by SEC Hearing Officer Juanito B. Almosa, Jr.

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Respondents appealed to the SEC *En Banc*, which, on July 4, 2002, rendered its Decision, the decretal portion of which reads:

WHEREFORE, the Decision of the Hearing Officer dated November 3, 1998 is hereby REVERSED and SET ASIDE and a new one hereby rendered granting the appeal, upholding the Amended Petition in SEC Case No. 3747, and dismissing the Petition with Prayer for Issuance of Preliminary Restraining Order and granting the Compulsory Counterclaim in SEC Case No. 4027.

Accordingly, appellees Alicia Gala and Guia G. Domingo are ordered as follows:

(1) jointly and solidarily pay ELLICE and/or MARGO the amount of ₱700,000.00 representing the consideration for the unauthorized sale of a parcel of land to Lucky Homes and Development Corporation (*Exhs. "N" and "CCC"*);

(2) jointly and severally pay ELLICE and MARGO the proceeds of sales of agricultural products averaging ₱120,000.00 per month from February 17, 1988;

(3) jointly and severally indemnify the appellants ₱90,000.00 as attorney's fees;

(4) jointly and solidarily pay the costs of suit;

(5) turn over to the individual appellants the corporate records of ELLICE and MARGO in their possession; and

(6) desist and refrain from interfering with the management of ELLICE and MARGO.

SO ORDERED.[23]

Petitioners filed a petition for review with the Court of Appeals which dismissed the petition for review and affirmed the decision of the SEC *En Banc*.[24]

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[23] *Id.*, pp. 170-171; docketed as SEC AC No. 642. Signed by Chairperson Lilia R. Bautista, Commissioners Fe Eloisa C. Gloria, Josella J. Poblador, Ma. Juanita E. Cueto and Jesus G. Martinez Enrique.

[24] CA *Rollo*, p. 466.

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Hence, this petition, raising the following issues:

I

WHETHER OR NOT THE LOWER COURT ERRED IN NOT DECLARING AS ILLEGAL AND CONTRARY TO PUBLIC POLICY THE PURPOSES AND MANNER IN WHICH RESPONDENT CORPORATIONS WERE ORGANIZED — WHICH WERE, *E.G.* TO (1) "PREVENT THE GALA ESTATE FROM BEING BROUGHT UNDER THE COVERAGE (*SIC*)" OF THE COMPREHENSIVE AGRARIAN REFORM PROGRAM (CARP) AND (2) PURPORTEDLY FOR "ESTATE PLANNING."

II

WHETHER OR NOT THE LOWER COURT ERRED (1) IN SUSPICIOUSLY RESOLVING THE CASE WITHIN *TWO (2) DAYS* FROM RECEIPT OF RESPONDENTS' COMMENT; AND (2) IN *NOT* MAKING A DETERMINATION OF THE ISSUES OF FACTS AND INSTEAD RITUALLY CITING THE FACTUAL FINDINGS OF THE COMMISSION *A QUO* WITHOUT DISCUSSION AND ANALYSIS;

III

WHETHER OR NOT THE LOWER COURT ERRED IN RULING THAT THE ORGANIZATION OF RESPONDENT CORPORATIONS WAS NOT ILLEGAL FOR DEPRIVING PETITIONER RITA G. BENSON OF HER LEGITIME.

IV

WHETHER OR NOT THE LOWER COURT ERRED IN NOT PIERCING THE VEILS OF CORPORATE FICTION OF RESPONDENTS CORPORATIONS ELLICE AND MARGO.[25]

In essence, petitioners want this Court to disregard the separate juridical personalities of Ellice and Margo for the purpose of treating all property purportedly owned by said corporations as property solely owned by the Gala spouses.

The petitioners' first contention in support of this theory is that the purposes for which Ellice and Margo were organized should be declared as illegal and contrary to public policy. They

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[25] *Rollo*, p. 37 (emphasis in the original).

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claim that the respondents never pursued exemption from land reform coverage in good faith and instead merely used the corporations as tools to circumvent land reform laws and to avoid estate taxes. Specifically, they point out that respondents have not shown that the transfers of the land in favor of Ellice were executed in compliance with the requirements of Section 13 of R.A. 3844.[26] Furthermore, they alleged that respondent corporations were run without any of the conventional corporate formalities.[27]

At the outset, the Court holds that petitioners' contentions impugning the legality of the purposes for which Ellice and Margo were organized, amount to collateral attacks which are prohibited in this jurisdiction.[28]

The best proof of the purpose of a corporation is its articles of incorporation and by-laws. The articles of incorporation must state the primary and secondary purposes of the corporation, while the by-laws outline the administrative organization of the corporation, which, in turn, is supposed to insure or facilitate the accomplishment of said purpose.[29]

In the case at bar, a perusal of the Articles of Incorporation of Ellice and Margo shows no sign of the allegedly illegal purposes that petitioners are complaining of. It is well to note that, if a

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[26] *Id.*, pp. 40-41.

Section 13 of R.A. 3844 provides:

SEC. 13. *Affidavit Required in Sale of Land Subject to Right to Preemption.* — No deed of sale of agricultural land under cultivation by an agricultural lessee or lessees shall be recorded in the Registry of Property unless accompanied by an affidavit of the vendor that he has given the written notice required in Section eleven of this chapter or that the land is not worked by an agricultural lessee.

[27] *Rollo*, p. 40.

[28] CORPORATION CODE, Sec. 20.

[29] *Jesus Sacred Heart College v. Collector of Internal Revenue*, 95 Phil. 16, 22 (1954); cited in *Commissioner of Internal Revenue v. Court of Appeals*, 358 Phil. 562, 584 (1998), dissenting opinion of Senior Associate Justice Josue N. Bellosillo.

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corporation's purpose, as stated in the Articles of Incorporation, is lawful, then the SEC has no authority to inquire whether the corporation has purposes other than those stated, and *mandamus* will lie to compel it to issue the certificate of incorporation.[30]

Assuming there was even a grain of truth to the petitioners' claims regarding the legality of what are alleged to be the corporations' true purposes, we are still precluded from granting them relief. We cannot address here their concerns regarding circumvention of land reform laws, for the doctrine of primary jurisdiction precludes a court from arrogating unto itself the authority to resolve a controversy the jurisdiction over which is initially lodged with an administrative body of special competence.[31] Since primary jurisdiction over any violation of Section 13 of Republic Act No. 3844 that may have been committed is vested in the Department of Agrarian Reform Adjudication Board (DARAB),[32] then it is with said administrative agency that the petitioners must first plead their case. With regard to their claim that Ellice and Margo were meant to be used as mere tools for the avoidance of estate taxes, suffice it say that the legal right of a taxpayer to reduce the amount of what otherwise could be his taxes or altogether avoid them, by means which the law permits, cannot be doubted.[33]

The petitioners' allegation that Ellice and Margo were run without any of the typical corporate formalities, even if true, would not merit the grant of any of the relief set forth in their

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[30] I CAMPOS, *THE CORPORATION CODE: COMMENTS, NOTES AND SELECTED CASES* 75-76 (1990 ed.); citing *Asuncion v. Yriarte*, 28 Phil. 67 (1914).

[31] *Machete v. Court of Appeals*, 320 Phil. 227 (1995); citing *Vidad v. Regional Trial Court of Negros Oriental*, G.R. No. 98084, 18 October 1993, 227 SCRA 271.

[32] Rep. Act No. 6657, Sec. 50.

[33] *Delpher Trades Corporation v. Intermediate Appellate Court*, G.R. No. 69259, 26 January 1988, 157 SCRA 349, 356; citing *Liddell & Co., Inc. v. The Collector of Internal Revenue*, G.R. No. 9687, 30 June 1961, 2 SCRA 632, 641.

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prayer. We cannot disregard the corporate entities of Ellice and Margo on this ground. At most, such allegations, if proven to be true, should be addressed in an administrative case before the SEC.[34]

Thus, even if Ellice and Margo were organized for the purpose of exempting the properties of the Gala spouses from the coverage of land reform legislation and avoiding estate taxes, we cannot disregard their separate juridical personalities.

Next, petitioners make much of the fact that the Court of Appeals promulgated its assailed Decision a mere two days from the time the respondents filed their Comment. They alleged that the appellate court could not have made a deliberate study of the factual questions in the case, considering the sheer volume of evidence available.[35] In support of this allegation, they point out that the Court of Appeals merely adopted the factual findings of the SEC *En Banc* verbatim, without deliberation and analysis.[36]

In *People v. Mercado*,[37] we ruled that the speed with which a lower court disposes of a case cannot thus be attributed to the injudicious performance of its function. Indeed, magistrates are not supposed to study a case only after all the pertinent pleadings have been filed. It is a mark of diligence and devotion to duty that jurists study a case long before the deadline set for the promulgation of their decision has arrived. The two-day period between the filing of petitioners' Comment and the promulgation of the decision was sufficient time to consider their arguments and to incorporate these in the decision. As long as the lower court does not sacrifice the orderly administration of justice in favor of a speedy but reckless disposition of a case, it cannot be taken to task for rendering its decision with

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[34] CORPORATION CODE, Sec. 144; Pres. Dec. No. 902-A, Sec. 6 (i), Rep. Act No. 8799, Sec. 5 (d) and (f).

[35] *Rollo*, p. 43.

[36] *Id.*, p. 45.

[37] G.R. No. 116239, 29 November 2000, 346 SCRA 256.

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due dispatch. The Court of Appeals in this intra-corporate controversy committed no reversible error and, consequently, its decision should be affirmed.[38] Verily, if such swift disposition of a case is considered a non-issue in cases where the life or liberty of a person is at stake, then we see no reason why the same principle cannot apply when only private rights are involved.

Furthermore, well-settled is the rule that the factual findings of the Court of Appeals are conclusive on the parties and are not reviewable by the Supreme Court. They carry even more weight when the Court of Appeals affirms the factual findings of a lower fact-finding body.[39] Likewise, the findings of fact of administrative bodies, such as the SEC, will not be interfered with by the courts in the absence of grave abuse of discretion on the part of said agencies, or unless the aforementioned findings are not supported by substantial evidence.[40]

However, in the interest of equity, this Court has reviewed the factual findings of the SEC *En Banc*, which were affirmed *in toto* by the Court of Appeals, and has found no cogent reason to disturb the same. Indeed, we are convinced that the arguments raised by the petitioners are nothing but unwarranted conclusions of law. Specifically, they insist that the Gala spouses never meant to part with the ownership of the shares which are in the names of their children and *encargados*, and that all transfers of property to these individuals are supposedly void for being absolutely simulated for lack of consideration.[41] However, as correctly held by the SEC *En Banc*, the transfers were only

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[38] *People v. Mercado*, G.R. No. 116239, 29 November 2000, 346 SCRA 256.

[39] *Collegio de San Juan de Letran-Calamba v. Villas*, G.R. No. 137795, 26 March 2003; citing *Spouses Uy v. Court of Appeals*, 411 Phil. 788 (2001).

[40] *Gokongwei v. Securities and Exchange Commission*, G.R. No. 52129, 21 April 1980, 97 SCRA 78; citing *Central Bank v. Cloribel*, G.R. No. 26971, 11 April 1972, 44 SCRA 307.

[41] *Id.*

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relatively simulated, inasmuch as the evident intention of the Gala spouses was to donate portions of their property to their children and *encargados*.[42]

In an attempt to bolster their theory that the organization of the respondent corporations was illegal, the petitioners aver that the legitime pertaining to petitioners Rita G. Benson and Guia G. Domingo from the estate of their father had been subject to unwarranted reductions as a result thereof. In sum, they claim that stockholdings in Ellice which the late Manuel Gala had assigned to them were insufficient to cover their legitimes, since Benson was only given two shares while Domingo received only sixteen shares out of a total number of 35,000 issued shares.[43]

Moreover, the reliefs sought by petitioners should have been raised in a proceeding for settlement of estate, rather than in the present intra-corporate controversy. If they are genuinely interested in securing that part of their late father's property which has been reserved for them in their capacity as compulsory heirs, then they should simply exercise their *actio ad supplendam legitimam*, or their right of completion of legitime.[44] Such relief must be sought during the distribution and partition stage of a case for the settlement of the estate of Manuel Gala, filed before a court which has taken jurisdiction over the settlement of said estate.[45]

Finally, the petitioners pray that the veil of corporate fiction that shroud both Ellice and Margo be pierced, consistent with their earlier allegation that both corporations were formed for purposes contrary to law and public policy. In sum, they submit that the respondent corporations are mere business conduits of the deceased Manuel Gala and thus may be disregarded to

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[42] CA *Rollo*, p. 89.

[43] *Rollo*, pp. 54-55, 287.

[44] CIVIL CODE, Art. 906; RUBEN F. BALANE, *JOTTINGS AND JURISPRUDENCE IN CIVIL LAW: SUCCESSION* 328-329 (1998).

[45] RULES OF COURT, Rule 73, Sec. 1 and Rule 90, Sec. 1.

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prevent injustice, the distortion or hiding of the truth or the "letting in" of a just defense.[46]

However, to warrant resort to the extraordinary remedy of piercing the veil of corporate fiction, there must be proof that the corporation is being used as a cloak or cover for fraud or illegality, or to work injustice,[47] and the petitioners have failed to prove that Ellice and Margo were being used thus. They have not presented any evidence to show how the separate juridical entities of Ellice and Margo were used by the respondents to commit fraudulent, illegal or unjust acts. Hence, this contention, too, must fail.

On June 5, 2003, the petitioners filed a Reply, where, aside from reiterating the contentions raised in their Petition, they averred that there is no proof that either capital gains taxes or documentary stamp taxes were paid in the series of transfers of Ellice and Margo shares. Thus, they invoke Sections 176 and 201 of the National Internal Revenue Code, which would bar the presentation or admission into evidence of any document that purports to transfer any benefit derived from certificates of stock if the requisite documentary stamps have not been affixed thereto and cancelled.

Curiously, the petitioners never raised this issue before the SEC Hearing Officer, the SEC *En Banc* or the Court of Appeals. Thus, we are precluded from passing upon the same for, as a rule, no question will be entertained on appeal unless it has been raised in the court below, for points of law, theories, issues and arguments not brought to the attention of the lower court need not be, and ordinarily will not be, considered by a reviewing court, as they cannot be raised for the first time at that late stage. Basic considerations of due process impel this rule.[48] Furthermore, even if these allegations were proven to be true,

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[46] *Rollo*, p. 56.

[47] *Ong Yong v. Tiu*, G.R. No. 144476, 8 April 2003.

[48] *Del Rosario v. Bonga*, G.R. No. 136308, 23 January 2001, 350 SCRA 101, cited in *Twin Towers Condominium Corporation v. Court of Appeals*, G.R. No. 123552, 27 February 2003.

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such facts would not render the underlying transactions void, for these instruments would not be the sole means, much less the best means, by which the existence of these transactions could be proved. For this purpose, the books and records of a corporation, which include the stock and transfer book, are generally admissible in evidence in favor of or against the corporation and its members. They can be used to prove corporate acts, a corporation's financial status and other matters, including one's status as a stockholder. Most importantly, these books and records are, ordinarily, the best evidence of corporate acts and proceedings.[49] Thus, reference to these should have been made before the SEC Hearing Officer, for this Court will not entertain this belated questioning of the evidence now.

It is always sad to see families torn apart by money matters and property disputes. The concept of a close corporation organized for the purpose of running a family business or managing family property has formed the backbone of Philippine commerce and industry. Through this device, Filipino families have been able to turn their humble, hard-earned life savings into going concerns capable of providing them and their families with a modicum of material comfort and financial security as a reward for years of hard work. A family corporation should serve as a rallying point for family unity and prosperity, not as a flashpoint for familial strife. It is hoped that people reacquaint themselves with the concepts of mutual aid and security that are the original driving forces behind the formation of family corporations and use these tenets in order to facilitate more civil, if not more amicable, settlements of family corporate disputes.

WHEREFORE, in view of the foregoing, the petition is *DENIED*. The Decision dated November 8, 2002 and the Resolution dated December 27, 2002, both of the Court of Appeals, are *AFFIRMED*. Costs against petitioners.

SO ORDERED.

Davide, Jr., C.J. (Chairman), Panganiban, Carpio, and *Azcuna, JJ.*, concur.

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[49] *Bitong v. Court of Appeals*, 354 Phil. 516, 536 (1998).