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appellants. The said oppositors-appellants are hereby directed to pay the applicant-appellee within ninety (90) days from the finality of this decision, the debt in the amount of ₱100.00 plus interest at the rate of six per cent (6%) per annum from April 19, 1926 until paid. No pronouncement as to costs.

SO ORDERED.

Teehankee, Acting C.J. (Chairman), Makasiar, Fernandez, Guerrero, and *Melencio-Herrera, JJ.*, concur.

FIRST DIVISION

[G.R. No. L-33172. October 18, 1979]

ERNESTO CEASE, CECILIA CEASE, MARION CEASE, TERESA CEASE-LACEBAL, and the F.L. CEASE PLANTATION CO., INC. as Trustee of properties of the defunct TIAONG MILLING & PLANTATION CO., *petitioners, vs.* **HONORABLE COURT OF APPEALS, (Special Seventh Division), HON. MANOLO L. MADDELA, Presiding Judge, Court of First Instance of Quezon, BENJAMIN CEASE and FLORENCE CEASE,** *respondents.*

SYLLABUS

1. REMEDIAL LAW; SPECIAL PROCEEDINGS; SETTLEMENT OF ESTATE; WHERE PARTITION IS POSSIBLE, EITHER JUDICIAL OR EXTRAJUDICIAL, THE ESTATE SHOULD NOT BE BURDENED WITH AN ADMINISTRATION PROCEEDING WITHOUT GOOD AND COMPELLING REASON.— Judicial rulings consistently hold the view that where partition is possible, either judicial or extrajudicial, the estate should not be burdened with an administration proceeding

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without good and compelling reason. When the estate has no creditors or pending obligations to be paid, the beneficiaries in interest are not bound to submit the property to judicial administration which is always long and costly, or to apply for the appointment of an administrator by the court, especially when judicial administration is unnecessary and superfluous.

2. COMMERCIAL LAW; CORPORATIONS; NATURE.— Generally, a corporation is invested by law with a personality separate and distinct from that of the persons composing it as well as from that of any other legal entity to which it may be related. By virtue of this attribute, a corporation may not, generally, be made to answer for acts or liabilities of its stockholders or those of the legal entities to which it may be connected, and *vice versa*. This separate and distinct personality is, however, merely a fiction created by law for convenience and to promote the ends of justice.

3. ID.; ID.; DOCTRINE OF DISREGARDING OR PIERCING THE VEIL OF CORPORATE FICTION; APPLICABILITY TO CASE AT BAR.— In reposing ownership to the estate of Forrest L. Cease, the trial court indeed found strong support, one that is based on a well-entrenched principle of law. In sustaining respondents' theory of "merger of Forrest L. Cease and the Tiaong Milling as one personality," or that "the company is only the business conduit and *alter ego* of the deceased Forrest L. Cease and the registered properties of Tiaong Milling are actually properties of Forrest L. Cease and should be divided equally, share and share alike among his six children, . . .," the trial court did aptly apply the familiar exception to the general rule by disregarding the legal fiction of distinct and separate corporate personality and regarding the corporation and the individual member one and the same.

4. ID.; ID.; INSTANCES WHEN DOCTRINE APPLICABLE.— For this reason, it may not be used or invoked for ends subversive of the policy and purpose behind its creation (*Emiliano Cano Enterprises, Inc. vs. CIR*, L-20502, Feb. 26, 1965) or which could not have been intended by law to which it owes its being *McConnel vs. Court of Appeals*, L-10510, March 17, 1961, 1 SCRA 722). This is particularly true where the fiction is used to defeat public convenience, justify wrong, protect fraud, defend crime (*Yutivo Sons Hardware Company vs. Court of Tax*

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Appeals, L-13203, Jan. 28, 1961, 1 SCRA 160), confuse legitimate legal or judicial issues (*R.F. Sugay & Co. vs. Reyes*, L-20451, Dec. 28, 1964), perpetrate deception or otherwise circumvent the law (*Gregorio Araneta, Inc. vs. Tuason de Paterno*, L-2886, Aug. 22, 1952, 49 O.G. 721). This is likewise true where the corporate entity is being used as an *alter ego*, adjunct, or business conduit for the sole benefit of the stockholders or of another corporate entity (*McConnel vs. Court of Appeals, supra*; *Commissioner of Internal Revenue vs. Norton Harrison Co.*, L-7618, Aug. 31, 1964). In any of these cases, the notion of corporate entity will be pierced or disregarded, and the corporation will be treated merely as an association of persons or, where there are two corporations, they will be merged as one, the one being merely regarded as part or the instrumentality of the other (*Koppel [Phil.], Inc. vs. Yatco*, 77 Phil. 496; *Yutivo Sons Hardware Company vs. Court of Tax Appeals, supra*).

DECISION

GUERRERO, *J.*:

Appeal by *certiorari* from the decision of the Court of Appeals in CA-G.R. No. 45474, entitled "*Ernesto Cease, et al. vs. Hon. Manolo L. Maddela, Judge of the Court of First Instance of Quezon, et al.*"[1] which dismissed the petition for *certiorari*, *mandamus*, and prohibition instituted by the petitioners against the respondent judge and the private respondents.

The antecedents of the case, as found by the appellate court, are as follows:

"IT RESULTING: That the antecedents are not difficult to understand; sometime in June 1908, one Forrest L. Cease common predecessor in interest of the parties together with five (5) other American citizens organized the Tiaong Milling and Plantation Company and in the course of its corporate existence the company acquired various properties but at the same time all the other original incorporators were bought out by Forrest L. Cease together with

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[1] Special Seventh Division: Gatmaitan, *J.*, *ponente*; Perez, *J.*, concurring in the result; Reyes, A., *J.*, concurring.

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his children namely Ernest, Cecilia, Teresita, Benjamin, Florence and one Bonifacia Tirante also considered a member of the family; the charter of the company lapsed in June 1958; but whether there were steps to liquidate it, the record is silent; on 13 August 1959, Forrest L. Cease died and by extrajudicial partition of his shares, among the children, this was disposed of on 19 October 1959; it was here where the trouble among them came to arise because it would appear that Benjamin and Florence wanted an actual division while the other children wanted reincorporation; and proceeding on that, these other children Ernesto, Teresita and Cecilia and aforementioned other stockholder Bonifacia Tirante proceeded to incorporate themselves into the FL Cease Plantation Company and registered it with the Securities and Exchange Commission on 9 December, 1959; apparently in view of that, Benjamin and Florence for their part initiated a Special Proceeding No. 3893 of the Court of First Instance of Tayabas for the settlement of the estate of Forest L. Cease on 21 April, 1960 and one month afterwards on 19 May, 1960 they filed Civil Case No. 6326 against Ernesto, Teresita and Cecilia Cease together with Bonifacia Tirante asking that the Tiaong Milling and Plantation Corporation be declared identical to FL Cease and that its properties be divided among his children as his intestate heirs: this Civil Case was resisted by aforestated defendants and notwithstanding efforts of the plaintiffs to have the properties placed under receivership, they were not able to succeed because defendants filed a bond to remain as they have remained in possession: after that and already during the pendency of Civil Case No. 6326 specifically on 21 May, 1961 apparently on the eve of the expiry of the three (3) year period provided by the law for the liquidation of corporations, the board of liquidators of Tiaong Milling executed an assignment and conveyance of properties and trust agreement in favor of FL Cease Plantation Co. Inc. as trustee of the Tiaong Milling and Plantation Co. so that upon motion of the plaintiffs trial Judge ordered that this alleged trustee be also included as party defendant: now this being the situation, it will be remembered that there were thus two (2) proceedings pending in the Court of First Instance of Quezon namely Civil Case No. 6326 and Special Proceeding No. 3893 but both of these were assigned to the Honorable Respondent Judge Manolo L. Maddela, p. 43 and the case was finally heard and submitted upon stipulation of facts pp. 34-110, *rollo*; and trial Judge by decision dated 27 December 1969 held for the plaintiffs Benjamin and Florence, the decision containing the following dispositive part:

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"VIEWED IN THE LIGHT OF ALL THE FOREGOING, judgment is hereby rendered in favor of plaintiffs and against the defendants declaring that:

1) The assets or properties of the defunct Tiaong Milling and Plantation Company now appearing under the name of F.L. Cease Plantation Company as Trustee, is the estate also of the deceased Forrest L. Cease and ordered divided, share and share alike, among his six children the plaintiffs and the defendants in accordance with Rule 69, Rules of Court;

2) The Resolution to Sell dated October 12, 1959 and the Transfer and Conveyance with Trust Agreement is hereby set aside as improper and illegal for the purposes and effect that it was intended and, therefore, null and void;

3) That F.L. Cease Plantation Company is removed as Trustee for interest against the estate and essential to the protection of plaintiffs' rights and is hereby ordered to deliver and convey all the properties and assets of the defunct Tiaong Milling now under its name, custody and control to whomsoever be appointed as Receiver — disqualifying any of the parties herein — the latter to act accordingly upon proper assumption of office; and

4) Special Proceedings No. 3893 for administration is terminated and dismissed; the instant case to proceed but on issues of damages only and for such action inherently essential for partition.

SO ORDERED.

Lucena City, December 27, 1969, pp. 122-a-123, *rollo*";

upon receipt of that, defendants there filed a notice of appeal p. 129, *rollo* together with an appeal bond and a record on appeal but the plaintiffs moved to dismiss the appeal on the ground that the judgment was in fact interlocutory and not appealable p. 168, *rollo* and this position of defendants was sustained by trial Judge, His Honor ruling that

"IN VIEW OF THE FOREGOING, the appeal interposed by plaintiffs is hereby dismissed as premature and the Record on Appeal is necessarily disapproved as improper at this stage of the proceedings.

SO ORDERED.

Lucena City, April 27, 1970."

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and so it was said defendants brought the matter first to the Supreme Court, on *mandamus* on 20 May, 1970 to compel the appeal and *certiorari* and prohibition to annul the order of 27 April, 1970 on the ground that the decision was "patently erroneous" p. 16, *rollo*; but the Supreme Court remanded the case to this Court of Appeals by resolution of 27 May 1970, p. 173, and this Court of Appeals on 1 July, 1970, p. 175 dismissed the petition so far as the *mandamus* was concerned taking the view that the decision sought to be appealed dated 27 December, 1969 was interlocutory and not appealable but on motion for reconsideration of petitioners and since there was possible merit so far as its prayer for *certiorari* and prohibition was concerned, by resolution of the Court on 19 August, 1970, p. 232, the petition was permitted to go ahead in that capacity; and it is the position of petitioners that the decision of 27 December, 1969 as well as the order of 27 April, 1970 suffered of certain fatal defects, which respondents deny and on their part raise the preliminary point that this Court of Appeals has no authority to give relief to petitioners because not

"in aid of its appellate jurisdiction,"

and that the questions presented cannot be raised for the first time before this Court of Appeals";

Respondent Court of Appeals in its decision promulgated December 9, 1970 dismissed the petition with costs against petitioners, hence the present petition to this Court on the following assignment of errors:

THE COURT OF APPEALS ERRED —

I. IN SANCTIONING THE WRONGFUL EXERCISE OF JURISDICTION BEYOND THE LIMITS OF AUTHORITY CONFERRED BY LAW UPON THE LOWER COURT, WHEN IT PROCEEDED TO HEAR, ADJUDGE AND ADJUDICATE —

(a) Special Proceedings No. 3893 for the settlement of the Estate of Forrest L. Cease, simultaneously and concurrently with —

(b) Civil Case No. 6326, wherein the lower Court ordered Partition under Rule 69, Rules of Court —

THE ISSUE OF LEGAL OWNERSHIP OF THE PROPERTIES COMMONLY INVOLVED IN BOTH ACTIONS HAVING BEEN RAISED

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AT THE OUTSET BY THE TIAONG MILLING AND PLANTATION COMPANY, AS THE REGISTERED OWNER OF SUCH PROPERTIES UNDER ACT 496.

II. IN AFFIRMING — UNSUPPORTED BY ANY EVIDENCE WHATSOEVER NOR CITATION OF ANY LAW TO JUSTIFY — THE UNWARRANTED CONCLUSION THAT SUBJECT PROPERTIES, FOUND BY THE LOWER COURT AND THE COURT OF APPEALS AS ACTUALLY REGISTERED IN THE NAME OF PETITIONER CORPORATION AND/OR ITS PREDECESSOR IN INTEREST, THE TIAONG MILLING AND PLANTATION COMPANY, DURING ALL THE 50 YEARS OF ITS CORPORATE EXISTENCE, "ARE ALSO PROPERTIES OF THE ESTATE OF FORREST L. CEASE."

III. IN AFFIRMING THE ARBITRARY CONCLUSION OF THE LOWER COURT THAT ITS DECISION OF DECEMBER 27, 1969 IS AN "INTERLOCUTORY DECISION," IN DISMISSING THE PETITION FOR WRIT OF *MANDAMUS*, AND IN AFFIRMING THE MANIFESTLY UNJUST JUDGMENT RENDERED WHICH CONTRADICTS THE FINDINGS OF ULTIMATE FACTS THEREIN CONTAINED.

During the period that ensued after the filing in this Court of the respective briefs and the subsequent submission of the case for decision, some incidents had transpired, the summary of which may be stated as follows:

1. Separate from this present appeal, petitioners filed a petition for *certiorari* and prohibition in this Court, docketed as G.R. No. L-35629 (*Ernesto Cease, et al. vs. Hon. Manolo L. Maddela, et al.*) which challenged the order of respondent judge dated September 27, 1972 appointing his Branch Clerk of Court, Mr. Eleno M. Joyas, as receiver of the properties subject of the appealed civil case, which order, petitioners saw as a virtual execution of the lower court's judgment (p. 92, *rollo*). In Our resolution of November 13, 1972, issued in G.R. No. L-35629, the petition was denied since respondent judge merely appointed an auxilliary receiver for the preservation of the properties as well as for the protection of the interests of all parties in Civil Case No. 6326; but at the same time, We expressed Our displeasure in the appointment of the branch

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clerk of court or any other court personnel for that matter as receiver. (p. 102, *rollo*).

2. Meanwhile, sensing that the appointed receiver was making some attempts to take possession of the properties, petitioners filed in this present appeal an urgent petition to restrain proceedings in the lower court. We resolved the petition on January 29, 1975 by issuing a corresponding temporary restraining order enjoining the court *a quo* from implementing its decision of December 27, 1969, more particularly, the taking over by a receiver of the properties subject of the litigation, and private respondents Benjamin and Florence Cease from proceeding or taking any action on the matter until further orders from this Court (pp. 99-100, *rollo*). Private respondents filed a motion for reconsideration of Our resolution of January 29, 1975. After weighing the arguments of the parties and taking note of Our resolution in G.R. No. L-35629 which upheld the appointment of a receiver, We issued another resolution dated April 11, 1975 lifting effective immediately Our previous temporary restraining order which enforced the earlier resolution of January 29, 1975 (pp. 140-141, *rollo*).

3. On February 6, 1976, private respondents filed an urgent petition to restrain proceedings below in view of the precipitate replacement of the court appointed receiver Mayor Francisco Escueta (vice Mr. Eleno M. Joyas) and the appointment of Mr. Guillermo Lagrosa on the eve of respondent Judge Maddela's retirement (p. 166, *rollo*). The urgent petition was denied in Our resolution of February 18, 1976 (p. 176, *rollo*).

4. Several attempts at a compromise agreement failed to materialize. A Tentative Compromise Agreement dated July 30, 1975 was presented to the Court on August 6, 1976 for the signature of the parties, but respondents "unceremoniously" repudiated the same by leaving the courtroom without the permission of the court (Court of First Instance of Quezon, Branch II) as a result of which respondents and their counsel were cited for contempt (pp. 195, 197, *rollo*); that respondents' reason for the repudiation appears to be petitioners' failure to render an audited account of their administration covering the

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period from May 31, 1961 up to January 29, 1974, plus the inclusion of a provision on waiver and relinquishment by respondents of whatever rights that may have accrued to their favor by virtue of the lower court's decision and the affirmative decision of the appellate court.

We go now to the alleged errors committed by the respondent Court of Appeals.

As can be gleaned from petitioners' brief and the petition itself, two contentions underlie the first assigned error. First, petitioners argue that there was an irregular and arbitrary termination and dismissal of the special proceedings for judicial administration simultaneously ordered in the lower court's decision in Civil Case No. 6326 adjudicating the partition of the estate, without categorically resolving the opposition to the petition for administration. Second, that the issue of ownership had been raised in the lower court when Tiaong Milling asserted title over the properties registered in its corporate name adverse to Forrest L. Cease or his estate, and that the said issue was erroneously disposed of by the trial court in the partition proceedings when it concluded that the assets or properties of the defunct company is also the estate of the deceased proprietor.

The propriety of the dismissal and termination of the special proceedings for judicial administration must be affirmed in spite of its rendition in another related case in view of the established jurisprudence which favors partition when judicial administration becomes unnecessary. As observed by the Court of Appeals, the dismissal at first glance is wrong, for the reason that what was actually heard was Civil Case No. 6326. The technical consistency, however, if far less an importance than the reason behind the doctrinal rule against placing an estate under administration. Judicial rulings consistently hold the view that where partition is possible, either judicial or extrajudicial, the estate should not be burdened with an administration proceeding without good and compelling reason. When the estate has no creditors or pending obligations to be paid, the beneficiaries in interest are not bound to submit the property to judicial administration which is always long and costly, or to apply for

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the appointment of an administrator by the court, especially when judicial administration is unnecessary and superfluous. Thus —

"When a person dies without leaving pending obligations to be paid, his heirs, whether of age or not, are not bound to submit the property to a judicial administration, which is always long and costly, or to apply for the appointment of an administrator by the court. It has been uniformly held that in such case the judicial administration and the appointment of an administrator are superfluous and unnecessary proceedings (*Ilustre vs. Alaras Frondosa*, 17 Phil. 321; *Malahacan vs. Ignacio*, 19 Phil. 434; *Bondad vs. Bondad*, 34 Phil. 232; *Baldemor vs. Malangyaon*, 34 Phil. 367; *Fule vs. Fule*, 46 Phil. 317)." Syllabus, Intestate estate of the deceased Luz Garcia. *Pablo G. Utulo vs. Leona Pasion Viuda de Garcia*, 66 Phil. 302.

"Where the estate has no debts, recourse may be had to an administration proceeding only if the heirs have good reasons for not resorting to an action for partition. Where partition is possible, either in or out of court, the estate should not be burdened with an administration proceeding without good and compelling reasons." (*Intestate Estate of Mercado vs. Magtibay*, 96 Phil. 383)

In the records of this case, We find no indication of any indebtedness of the estate. No creditor has come up to charge the estate within the two-year period after the death of Forrest L. Cease, hence, the presumption under Section 1, Rule 74 that the estate is free from creditors must apply. Neither has the status of the parties as legal heirs, much less that of respondents, been raised as an issue. Besides, extant in the records is the stipulation of the parties to submit the pleadings and contents of the administration proceedings for the cognizance of the trial judge in adjudicating the civil case for partition (Respondents' Brief, p. 20, *rollo*). As respondents observe, the parties in both cases are the same, so are the properties involved; that actual division is the primary objective in both actions; the theory and defense of the respective parties are likewise common; and that both cases have been assigned to the same respondent judge. We feel that the unifying effect of the foregoing circumstances invites the wholesome exception to the structures of procedural rule, thus allowing, instead, room

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for judicial flexibility. Respondent judge's dismissal of the administration proceedings then, is a judicious move, appreciable in today's need for effective and speedy administration of justice. There being ample reason to support the dismissal of the special proceedings in this appealed case, We cannot see in the records any compelling reason why it may not be dismissed just the same even if considered in a separate action. This is inevitably certain specially when the subject property has already been found appropriate for partition, thus reducing the petition for administration to a mere unnecessary solicitation.

The second point raised by petitioners in their first assigned error is equally untenable. In effect, petitioners argue that the action for partition should not have prospered in view of the repudiation of the co-ownership by Tiaong Milling and Plantation Company when, as early in the trial court, it already asserted ownership and corporate title over the properties adverse to the right of ownership of Forrest L. Cease or his estate. We are not unmindful of the doctrine relied upon by petitioners in *Rodriguez vs. Ravilan*, 17 Phil. 63 wherein this Court held that in an action for partition, it is assumed that the parties by whom it is prosecuted are all co-owners or co-proprietors of the property to be divided, and that the question of common ownership is not to be argued, not the fact as to whether the intended parties are or are not the owners of the property in question, but only as to how and in what manner and proportion the said property of common ownership shall be distributed among the interested parties by order of the Court. Consistent with this dictum, it has been held that if any party to a suit for partition denies the *pro-indiviso* character of the estate whose partition is sought, and claims instead, exclusive title thereto, the action becomes one for recovery of property cognizable in the courts of ordinary jurisdiction.[2]

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[2] See Martin, Rules of Court, Vol. III, 308 (1973) citing the cases of *Africa v. Africa*, 42 Phil. 902; *Bargayo v. Camumot*, 40 Phil. 856; *Rodriquez v. Ravilan*, 17 Phil. 63; *De Castro vs. Echarri*, 20 Phil. 23; *Ferrer vs. Inchausti*, 38 Phil. 905; *Reyes vs. Cordero*, 46 Phil. 658; *Villanueva vs. Capistrano*, 49 Phil. 460; *Hilario vs. Dilla, et al.*, CA-G.R. No. 5266-R, Feb. 28, 1951.

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Petitioners' argument has only theoretical persuasion, to say the least, rather apparent than real. It must be remembered that when Tiaong Milling adduced its defense and raised the issue of ownership, its corporate existence already terminated through the expiration of its charter. It is clear in Section 77 of Act No. 1459 (Corporation Law) that upon the expiration of the charter period, the corporation ceases to exist and is dissolved *ipso facto* except for purposes connected with the winding up and liquidation. The provision allows a three-year period from expiration of the charter within which the entity gradually settles and closes its affairs, disposes and convey its property and to divide its capital stock, but not for the purpose of continuing the business for which it was established. At this terminal stage of its existence, Tiaong Milling may no longer persist to maintain adverse title and ownership of the corporate assets as against the prospective distributees when at this time it merely holds the property in trust, its assertion of ownership is not only a legal contradiction, but more so, to allow it to maintain adverse interest would certainly thwart the very purpose of liquidation and the final distribution of the assets to the proper parties.

We agree with the Court of Appeals in its reasoning that substance is more important than form when it sustained the dismissal of Special Proceedings No. 3893, thus —

"a) As to the dismissal of Special Proceedings No. 3893, of course, at first glance, this was wrong, for the reason that the case that had been heard was Civil Case No. 6326; but what should not be overlooked either is that respondent Judge was the same Judge that had before him in his own sala, said Special Proceedings No. 3893, p. 43, *rollo*, and the parties to the present Civil Case No. 6326 had themselves asked respondent Judge to take judicial notice of the same and its contents page 34, *rollo*; it is not difficult to see that when respondent Judge in par. 4 of the dispositive part of his decision complained of, ordered that,

'4) Special Proceedings No. 3893 for administration is terminated and dismissed; the instant case to proceed but on issues of damages only and for such action inherently essential or partition.' p. 123, *rollo*.

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in truth and in fact, His Honor was issuing that order also within Civil Case No. 6326 but in connection with Special Proceedings No. 3893; for substance is more important than form, the contending parties in both proceedings being exactly the same, but not only this, let it not be forgotten that when His Honor dismissed Special Proceedings No. 3893, that dismissal precisely was a dismissal that petitioners herein had themselves sought and solicited from respondent Judge as petitioners themselves aver in their present petition pp. 5-6, *rollo*: this Court must find difficulty in reconciling petitioners' attack with the fact that it was they themselves that had insisted on that dismissal; on the principle that not he who is favored but he who is hurt by a judicial order is he only who should be heard to complain and especially since extraordinary legal remedies are remedies in extremis granted to parties who have been the victims not merely of errors but of grave wrongs, and it cannot be seen how one who got what he had asked could be heard to claim that he had been the victim of a wrong, petitioners should not now complain of an order they had themselves asked in order to attack such an order afterwards; if at all, perhaps, third parties, creditors, the Bureau of Internal Revenue, might have been prejudiced, and could have had the personality to attack that dismissal of Special Proceedings No. 3893, but not petitioners herein, and it is not now for this Court of Appeals to protect said third persons who have not come to the Court below or sought to intervene herein";

On the second assigned error, petitioners argue that no evidence has been found to support the conclusion that the registered properties of Tiaong Milling are also properties of the estate of Forrest L. Cease; that on the contrary, said properties are registered under Act No. 496 in the name of Tiaong Milling as lawful owner and possessor for the last 50 years of its corporate existence.

We do not agree. In reposing ownership to the estate of Forrest L. Cease, the trial court indeed found strong support, one that is based on a well-entrenched principle of law. In sustaining respondents' theory of "merger of Forrest L. Cease and the Tiaong Milling as one personality," or that "the company is only the business conduit and alter ego of the deceased Forrest L. Cease and the registered properties of Tiaong Milling are actually properties of Forrest L. Cease and should be divided

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equally, share and share alike among his six children, x x x," the trial court did aptly apply the familiar exception to the general rule by disregarding the legal fiction of distinct and separate corporate personality and regarding the corporation and the individual member one and the same. In shredding the fictitious corporate veil, the trial judge narrated the undisputed factual premise, thus:

"While the records showed that originally its incorporators were aliens, friends or third-parties in relation of one to another, in the course of its existence, it developed into a close family corporation. The Board of Directors and stockholders belong to one family the head of which Forrest L. Cease always retained the majority stocks and hence the control and management of its affairs. In fact, during the reconstruction of its records in 1947 before the Security and Exchange Commission only 9 nominal shares out of 300 appears in the name of his 3 eldest children then and another person close to them. It is likewise noteworthy to observe that as his children increase or perhaps become of age, he continued distributing his shares among them adding Florence, Teresa and Marion until at the time of his death only 190 were left to his name. Definitely, only the members of his family benefited from the Corporation.

"The accounts of the corporation and therefore its operation, as well as that of the family appears to be indistinguishable and apparently joined together. As admitted by the defendants (Manifestation of Compliance with order of March 7, 1963 [Exhibit "21"]) the corporation 'never' had any account with any banking institution or if any account was carried in a bank on its behalf, it was in the name of Mr. Forrest L. Cease. In brief, the operation of the Corporation is merged with those of the majority stockholders, the latter using the former as his instrumentality and for the exclusive benefits of all his family. From the foregoing indication, therefore, there is truth in plaintiff's allegation that the corporation is only a business conduit of his father and an extension of his personality, they are one and the same thing. Thus, the assets of the corporation are also the estate of Forrest L. Cease, the father of the parties herein who are all legitimate children of full blood."

A rich store of jurisprudence has established the rule known as the doctrine of disregarding or piercing the veil of corporate fiction. Generally, a corporation is invested by law with a

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personality separate and distinct from that of the persons composing it as well as from that of any other legal entity to which it may be related. By virtue of this attribute, a corporation may not, generally, be made to answer for acts or liabilities of its stockholders or those of the legal entities to which it may be connected, and *vice versa*. This separate and distinct personality is, however, merely a fiction created by law for convenience and to promote the ends of justice (*Laguna Transportation Company vs. Social Security System*, L-14606, April 28, 1960; *La Campana Coffee Factory, Inc. vs. Kaisahan ng mga Manggagawa sa La Campana*, L-5677, May 25, 1953). For this reason, it may not be used or invoked for ends subversive of the policy and purpose behind its creation (*Emiliano Cano Enterprises, Inc. vs. CIR*, L-20502, Feb. 26, 1965) or which could not have been intended by law to which it owes its being (*McConnel vs. Court of Appeals*, L-10510, March 17, 1961, 1 SCRA 722). This is particularly true where the fiction is used to defeat public convenience, justify wrong, protect fraud, defend crime (*Yutivo Sons Hardware Company vs. Court of Tax Appeals*, L-13203, Jan. 28, 1961, 1 SCRA 160), confuse legitimate legal or judicial issues (*R.F. Sugay & Co. vs. Reyes*, L-20451, Dec. 28, 1964), perpetrate deception or otherwise circumvent the law (*Gregorio Araneta, Inc. vs. Tuason de Paterno*, L-2886, Aug. 22, 1952, 49 O.G. 721). This is likewise true where the corporate entity is being used as an *alter ego*, adjunct, or business conduit for the sole benefit of the stockholders or of another corporate entity (*McConnel vs. Court of Appeals, supra*; *Commissioner of Internal Revenue vs. Norton Harrison Co.*, L-7618, Aug. 31, 1964).

In any of these cases, the notion of corporate entity will be pierced or disregarded, and the corporation will be treated merely as an association of persons or, where there are two corporations, they will be merged as one, the one being merely regarded as part or the instrumentality of the other (*Koppel [Phil.], Inc. vs. Yatco*, 77 Phil. 496; *Yutivo Sons Hardware Company vs. Court of Tax Appeals*, *supra*).

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So must the case at bar add to this jurisprudence. An indubitable deduction from the findings of the trial court cannot but lead to the conclusion that the business of the corporation is largely, if not wholly, the personal venture of Forrest L. Cease. There is not even a shadow of a showing that his children were subscribers or purchasers of the stocks they own. Their participation as nominal shareholders emanated solely from Forrest L. Cease's gratuitous dole out of his own shares to the benefit of his children and ultimately his family.

Were we sustain the theory of petitioners that the trial court acted in excess of jurisdiction or abuse of discretion amounting to lack of jurisdiction in deciding Civil Case No. 6326 as a case for partition when the defendant therein, Tiaong Milling and Plantation Company, Inc. as registered owner asserted ownership of the assets and properties involved in the litigation, which theory must necessarily be based on the assumption that said assets and properties of Tiaong Milling and Plantation Company, Inc. now appearing under the name of F. L. Cease Plantation Company as Trustee are distinct and separate from the estate of Forrest L. Cease to which petitioners and respondents as legal heirs of said Forrest L. Cease are equally entitled share and share alike, then that legal fiction of separate corporate personality shall have been used to delay and ultimately deprive and defraud the respondents of their successional rights to the estate of their deceased father. For Tiaong Milling and Plantation Company shall have been able to extend its corporate existence beyond the period of its charter which lapsed in June, 1958 under the guise and cover of F. L. Cease Plantation Company, Inc. as Trustee which would be against the law, and said Trustee shall have been able to use the assets and properties for the benefit of the petitioners, to the great prejudice and defraudation of private respondents. Hence, it becomes necessary and imperative to pierce that corporate veil.

Under the third assigned error, petitioners claim that the decision of the lower court in the partition case is not interlocutory but rather final for it consists of final and determinative dispositions of the contentions of the parties. We find no merit in petitioners' stand.

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Under the 1961 pronouncement and ruling of the Supreme Court in *Vda. de Zaldarriaga vs. Enriquez*, 1 SCRA 1188 (and the sequel case of *Vda. de Zaldarriaga vs. Zaldarriaga*, 2 SCRA 356), the lower court's dismissal of petitioners' proposed appeal from its December 27, 1969 judgment as affirmed by the Court of Appeals on the ground of prematurity in that the judgment was *not* final but interlocutory was in order. As was said in said case:

"It is true that in *Africa vs. Africa*, 42 Phil. 934 and other cases it was held — contrary to the rule laid down in *Ron vs. Mojica*, 8 Phil. 328; *Rodriguez vs. Ravilan*, 17 Phil. 63 — that in a partition case where defendant relies on the defense of exclusive ownership, the action becomes one for title and the decision or order directing partition is final, but the ruling to this effect has been expressly reversed in the Fuentebella case which, in our opinion, expresses the correct view, considering that a decision or order directing partition is not final because it leaves something more to be done in the trial court for the complete disposition of the case, namely, the appointment of commissioners, the proceedings to be had before them, the submission of their report which, according to law, must be set for hearing. In fact, it is only after said hearing that the court may render a final judgment finally disposing of the action (Rule 71, Section 7, Rules of Court)." (1 SCRA at page 1193).

It should be noted, however, that the said ruling in *Zaldarriaga* as based on *Fuentebella vs. Carrascoso*, XIV Lawyers Journal 305 (May 27, 1942), has been expressly abandoned by the Court in *Miranda vs. Court of Appeals*, 71 SCRA 295; 331-333 (June 18, 1976) wherein Mr. Justice Teehankee, speaking for the Court, laid down the following doctrine:

"The Court, however, deems it proper for the guidance of the bench and bar to now declare as is clearly indicated from the compelling reasons and considerations herein above stated:

— that the Court considers the better rule to be that stated in *H. E. Heacock Co. vs. American Trading Co.*, to wit, that where the primary purpose of a case is to ascertain and determine who between plaintiff and defendant is the true owner and entitled to the exclusive use of the disputed property, 'the judgment . . . rendered by the lower court [is] a judgment on the *merits* as to those questions, and

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[that] the order of the court for an *accounting* was based upon, and is *incidental* to the judgment on the merits. That is to say, that the judgment . . . [is] a *final* judgment . . .; that in this kind of a case an *accounting* is a mere *incident* to the judgment; that an *appeal lies* from the rendition of the judgment as rendered . . .' (as is widely held by a great number of judges and members of the bar, as shown by the cases so decided and filed and still pending with the Court) for the fundamental reasons therein stated that 'this is more in harmony with the *administration of justice* and the *spirit and intent* of the [Rules]. If on appeal the judgment of the lower court is affirmed, it would not in the least work an injustice to any of the legal rights of [appellee]. On the other hand, if for any reason this court should reverse the judgment of the lower court, the accounting would be a waste of time and money, and might work a material injury to the [appellant]; and

— that accordingly, the contrary ruling in *Fuentebella vs. Carrascoso* which expressly reversed the Heacock case and a line of similar decisions and ruled that such a decision for recovery of property with accounting 'is not final but merely interlocutory and therefore not appealable' and subsequent cases adhering to the same must be *now* in turn *abandoned and set aside.*

"*Fuentebella* adopted instead the opposite line of conflicting decisions mostly in partition proceedings and exemplified by *Ron vs. Mojica*, 8 Phil. 928 (under the old Code of Civil Procedure) that an order for partition of real property is not final and appealable until after the *actual partition* of the property as reported by the court-appointed commissioners and approved by the court in its *judgment* accepting the report. It must be especially noted that such rule governing partitions is now so expressly provided and spelled out in Rule 69 of the Rules of Court, with special reference to Sections 1, 2, 3, 6, 7 and 11, to wit, that there must first be a preliminary order for partition of the real estate (Section 2) and where the parties-co-owners cannot agree, the court-appointed commissioners make a plan of actual partition which must first he passed upon and accepted by the trial court and embodied in a judgment to be rendered by it (Sections 6 and 11). In partition cases, it must be further borne in mind that Rule 69, Section 1 refers to 'a person having the *right* to compel the *partition* of real estate,' so that the general rule of partition that an appeal will not lie until the partition or distribution proceedings are terminated will *not* apply where appellant claims *exclusive ownership* of the whole property and *denies* the adverse party's right

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to any partition, as was the ruling in *Villanueva vs. Capistrano and Africa vs. Africa, supra, Fuentebella's* express reversal of these cases must likewise be deemed now also abandoned in view of the Court's expressed preference for the rationale of the Heacock case.

"The Court's considered opinion is that *imperative* considerations of *public* policy and of *sound practice* in the courts and adherence to the *constitutional mandate* of simplified, just, speedy and inexpensive determination of every action call for considering such judgments for recovery of property with *accounting* as *final* judgments which are duly *appealable* (and would therefore become final and *executory if not appealed within the reglementary period*) with the *accounting* as a mere *incident* of the judgment to be rendered during the course of the appeal as provided in Rule 39, Section 4 or to be implemented at the execution stage upon final affirmance on appeal of the judgment (as in Court of Industrial Relations unfair labor practice cases ordering the reinstatement of the worker with accounting, computation and payment of his backwages less earnings elsewhere during his layoff) and that the only reason given in *Fuentebella* for the contrary ruling, *viz*, 'the general harm that would follow from throwing the door open to multiplicity of appeals in a single case' is of lesser import and consequence." (Emphasis copied)

The Miranda ruling has since then been applied as the new rule by a unanimous Court in *Valdez vs. Bagasao*, 82 SCRA 22 (March 8, 1978).

If there were a valid genuine claim of exclusive ownership of the inherited properties on the part of petitioners to respondents' action for partition, then under the Miranda ruling, petitioners would be sustained, for as expressly held therein "the general rule of partition that an appeal will not lie until the partition or distribution proceedings are terminated will *not* apply where appellant claims exclusive ownership of the whole property and denies the adverse party's right to any partition."

But this question has now been rendered moot and academic for the very issue of exclusive ownership claimed by petitioners to deny and defeat respondents' right to partition — which is the very core of their rejected appeal — has been squarely resolved herein against them, as if the appeal had been given due course. The Court has herein expressly sustained the trial

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court's findings, as affirmed by the Court of Appeals, that the assets or properties of the defunct company constitute the estate of the deceased proprietor (*supra* at page 7) and the defunct company's assertion of ownership of the properties is a legal contradiction and would but thwart the liquidation and final distribution and partition of the properties among the parties hereof as children of their deceased father Forrest L. Cease. There is therefore no further hindrance to effect the partition of the properties among the parties in implementation of the appealed judgment.

One last consideration. Parties are brothers and sisters, legal heirs of their deceased father, Forrest L. Cease. By all rights in law and jurisprudence, each is entitled to share and share alike in the estate, which the trial court correctly ordained and sustained by the appellate court. Almost 20 years have lapsed since the filing of Special Proceedings No. 3893 for the administration of the Estate of Forrest L. Cease and Civil Case No. 6326 for liquidation and partition of the assets of the defunct Tiaong Milling and Plantation Co., Inc. A succession of receivers were appointed by the court to take, keep in possession, preserve and manage properties of the corporation which at one time showed an income of P386,152.90 and expenses of P308,405:01 for the period covering January 1, 1960 to August 31, 1967 as per Summary of Operations of Commissioner for Finance appointed by the Court (Brief for Respondents, p. 38). In the meantime, ejectment cases were filed by and against the heirs in connection with the properties involved, aggravating the already strained relations of the parties. A prudent and practical realization of these circumstances ought and must constrain the parties to give each one his due in law and with fairness and dispatch that their basic rights be enjoyed. And by remanding this case to the court *a quo* for the actual partition of the properties, the substantial rights of everyone of the heirs have not been impaired, for in fact, they have been preserved and maintained.

WHEREFORE, IN VIEW OF THE FOREGOING, the judgment appealed from is hereby AFFIRMED with costs against the petitioners.

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SO ORDERED.

Teehankee, Acting C.J. (Chairman), Makasiar, Fernandez, De Castro, and *Melencio Herrera JJ.*, concur.

FIRST DIVISION

[G.R. No. L-35861. October 18, 1979]

MUNICIPALITY OF DAET, *petitioner, vs.* **COURT OF APPEALS and LI SENG GIAP & CO., INC.,** *respondents.*

SYLLABUS

1. POLITICAL LAW; STATE; INHERENT POWERS; EMINENT DOMAIN; JUST COMPENSATION; FUNCTION AND POWER OF THE COMMISSIONERS OF APPRAISALS.— As to the extent of this function and power of the commissioners, this Court held in *Manila Railroad Company vs. Velasquez* that the commissioners' power is limited to assessing the value and determining the amount of damages. There it stops; they can go no farther. The value and damages awarded must be a just compensation and no more and no less. But in fixing these amounts, the commissioners are not to act *ad libitum*. They are to discharge the trust reposed in them according to well-established rules and form their judgment upon correct legal principles. To deny this is to place them where no one else in this country is placed, above the law and beyond accountability.

2. ID.; ID.; ID.; ID.; REPORTS SUBMITTED BY COMMISSIONERS OF APPRAISALS IN CONDEMNATION PROCEEDINGS ARE NOT BINDING, BUT MERELY ADVISORY IN CHARACTER.— It has been held that reports submitted by commissioners of appraisals in condemnation proceedings are not binding, but merely advisory in character, as far as the court is concerned. An early case enunciated the rule that a Court of First Instance has the undoubted right to reject the report of the commissioners as to the value of the land, if the report is not founded upon