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THIRD DIVISION

[G.R. No. 82407. March 27, 1995]

**LUIS C. CLEMENTE, LEONOR CLEMENTE DE ELEPAÑO, HEIRS OF ARCADIO C. OCHOA, represented by FE O. OCHOA-BAYBAY, CONCEPCION, MARIANO, ARTEMIO, VICENTE, ANGELITA, ROBERTO, HERNANDO AND LOURDES, all surnamed ELEPAÑO, *petitioners, vs.* THE HON. COURT OF APPEALS, ELVIRA PANDINCO-CASTRO AND VICTOR CASTRO, *respondents.***

SYLLABUS

**COMMERCIAL LAWS; CORPORATION CODE; DISSOLUTION; CAUSED BY EXPIRATION OF TERM OR CONTINUOUS INACTIVITY FOR FIVE YEARS; REQUIRED PROCEDURE; CASE AT BAR.**— The Court invites attention to the various modes provided by the Corporation Code (see Secs. 117-122) for dissolving, liquidating or winding up, and terminating the life of the corporation. Among the cases for such dissolution are when the corporate term has expired or when, upon a verified complaint and after notice and hearing, the Securities and Exchange Commission orders the dissolution of a corporation for its continuous inactivity for at least five (5) years. The corporation continues to be a body corporate for three (3) years after its dissolution for purposes of prosecuting and defending suits by and against it and for enabling it to settle and close its affairs, culminating in the disposition and distribution of its remaining assets. It may, during the three-year term, appoint a trustee or a receiver who may act beyond that period. The termination of the life of a juridical entity does not by itself cause the extinction or diminution of the rights and liabilities of such entity (see *Gonzales vs. Sugar Regulatory Administration*, 174 SCRA 377) nor those of

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its owners and creditors. If the three-year extended life has expired without a trustee or receiver having been expressly designated by the corporation within that period, the board of directors (or trustees) itself, following the rationale of the Supreme Court's decision in *Gelano vs. Court of Appeals* (103 SCRA 90) may be permitted to so continue as "trustees" by legal implication to complete the corporate liquidation. Still in the absence of a board of directors or trustees, those having any pecuniary interest in the assets, including not only the shareholders but likewise the creditors of the corporation, acting for and in its behalf, might make proper representations with the Securities and Exchange Commission, which has primary and sufficiently broad jurisdiction in matters of this nature, for working out a final settlement of the corporate concerns.

## DECISION

**VITUG, *J.:***

In an action (Civil Case No. 467-83-C), entitled "Declaration of Ownership with Receivership," instituted before the Regional Trial Court, Fourth Judicial Region, Branch XXXIV, Calamba, Laguna, the plaintiffs (herein petitioners) sought to be declared the owners of a piece of land so described as —

"A PARCEL OF LAND (Lot No. 148-New of the subdivision plan Pls-502-D being a portion of Lot No. 148 of the cadastral survey of Calamba G.L.RO. Records No. 8418), situated in the Barrio of Lecheria, Municipality of Calamba, Province of Laguna, Island of Luzon. Bounded on the Northeast by the Provincial Road; on the Southeast by Irrigation Ditch and Lot No. 1651 of Calamba Cadastre; on the Southwest by Lot No. 148-B of Plan Pls-502-D; and on the Northwest by Calle Burgos. Beginning at

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the point marked "I" on the plan being North 71 degrees 88'm; 110.23 meters from BBML's Calamba Cadastre, x x x containing an area of FIVE THOUSAND THREE HUNDRED FORTY NINE (5,349) SQUARE METERS, more or less.[1]

Specifically, the complaint prayed that judgment be rendered —

"(a) declaring the plaintiffs to be owners of the property described in paragraph 8 of the complaint in the proportion of their respective stockholdings:

"(b) ordering the distribution of the rentals and other fruits of the property to the plaintiffs also in the proportion of their ownership; and

"(c) (for) such other reliefs which this Honorable Court may deem just and equitable under the premises."[2]

The defendants (herein private respondents), in their answer likewise claimed ownership of the property by virtue of acquisitive prescription.

During the hearing, only the plaintiffs came forward to prove their allegations, the defendants did not present any evidence despite the several opportunities accorded to them by the trial court.

Predicating itself on the averments of the complaint and assessing solely the evidence that had been submitted to it by the plaintiffs, the trial court stated its findings thusly:

"The 'Sociedad Popular Calambeña' an organization conceived by the parties as a 'Sociedad Anonima,' was organized on or about the advent of the early American occupation of the Philippines. Plaintiff says it was at 'the beginning of the 20th Century,' but the defendant claim it was in 1907. The 'sociedad' actually did business and held itself out as a corporation from

[1] *Rollo*, p. 61.

[2] *Rollo*, pp. 164-165.

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November, 1909 up to September 24, 1932. Its principal business was cockfighting or the operation and management of a cockpit.

"On June 8, 1911, or during its existence, the 'Sociedad' acquired by installments the parcel of land above described from the Friar Lands Estate of Calamba, Laguna at the total cost of P2,676.00 (Exh. 'A'). Installments for the sale started on June 3, 1911 to June 16, 1931. Patent No. 38994 was issued in the name of the 'Sociedad Popular Calambeña' on August 5, 1936 (*ibid*). The Real Property Tax Register of the Office of the Treasurer of Calamba, Laguna showed:

> "'That Lot No. 148-New-A, situated at Burgos Street, Calamba, Laguna, is declared and assessed for taxation purpose in the name of SOCIEDAD POPULAR CALAMBEÑA (Exh. 'C').'

"Plaintiff's evidence also shows that Mariano Elepaño and Pablo Clemente, now both deceased, were original stockholders of the aforesaid 'sociedad.' Mariano Elepaño subscribed and paid on November, 1909 for FORTY (40) shares of stocks worth TWO HUNDRED (P200.00) PESOS (Exh. 'F'). While Pablo Clemente subscribed and paid FOUR HUNDRED EIGHTEEN (418) shares of stocksworth TWO THOUSAND (P2,000.00) PESOS. Pablo Clemente's shares of stocks were however later distributed and apportioned to his heirs, in accordance with a Project of Partition (Exh. 'K') and the Inventory of Property (Exh. 'J'), in Civil Case No. 6127, Court of First Instance, Laguna, entitled Intestate Estate of the late Pablo Clemente namely: to Luis Clemente, shares worth P510; to Ricardo Clemente, shares worth P510; to Leonor Clemente de Elepaño, shares also worth P510, and to Placida Clemente de Belarmino shares worth P510.

"On September 24, 1932, in accordance with the aforesaid project of .partition, the 'sociedad' issued stock certificates to the aforesaid heirs of Pablo Clemente. Thus, Luis Clemente was issued Stock Certificate No. 38 (Exh. 'G'); Ricardo Clemente, No. 39 (Exh. 'H') and Leonor Clemente de Elepaño No. 44 (Exh. 'I').

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"On the basis of their respective stocks certificates, present plaintiffs Luis, Ricardo, Leonor and Placida, all surnamed Clemente, heirs of Pablo Clemente, and, the heirs of Mariano Elepaño, namely Concepcion, Mariano, Artemio, Vicente, Angelita, Roberto, Hernando and Lourdes all surnamed Elepaño, jointly claim ownership over the above described property, asserting that their fathers being the only known stockholders of the 'sociedad' known as the 'Sociedad Popular Calamba,' they, to the exclusion of all others, are entitled to be declared owners of Lot No. 148-New."[3]

The trial court dismissed the complaint not merely on what it apparently perceived to be an insufficiency of the evidence that firmly could establish plaintiffs' claim of ownership over the property in dispute but also on its thesis that, absent a corporate liquidation, it is the corporation, not the stockholders, which can assert, if at all, any title to the corporate assets. The court, even then, expressed some reservations on the corporation's being able to still validly pursue such a claim. It said:

"The evidence presented so far, indicates that Lot No. 148-New although purchased on installment on June 8, 1911, was finally acquired by the 'sociedad' on August 5, 1936 (Exh. 'A'). It was declared for tax purposes in the name of the 'sociedad' (Exh. 'C'). Strangely however, no proof was offered showing that taxes were paid on its (sic) by the 'sociedad,' and neither were there efforts exerted by the latter to consolidate title over the property. In fact, no explanation was offered as to how and when the property came to the possession of the defendants. This simply means that the 'sociedad' never asserted ownership over Lot No. 148-New.

"Basic is the rule that one asserting a right has the burden of proving it and the fact is, no proof was introduced demonstrating that the 'sociedad' ever asserted its right of ownership over the property during the period of its existence. The presumption is,

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[3] *Rollo*, pp. 62-63.

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'that a person takes ordinary care of his concern.' (Rule 131, Sec. 5(a), Rules of Court)."[4]

In sustaining the dismissal of the complaint, as well as the counterclaim, the Court of Appeals, in part, said:

"With the above views that We take, Sociedad is the legal owner of the land in dispute, in light of Exhibit 'A' (pp. 97-98, RTC *Rollo*, Vol. 1). While a copy of Patent No. 38994, issued on August 5, 1936, has not been presented during the trial, there is also no evidence of its cancellation or muniment of title presented by plaintiffs-appellant supportive of their claim of ownership of the property. Even assuming that their parents were the only stockholders of Sociedad, and assuming further that Sociedad has ceased to exist, these do not *ipso facto* vest ownership over the property in the hands of plaintiffs-appellants. Again, assuming that sociedad is a duly-organized entity under the laws of the Philippines, its corporate existence is separate and distinct from its stockholders and from other corporations to which it may be connected (Yutive Sons Hardware Co. *vs.* Court of Tax Appeals, 1 SCRA 161, 165). If it was not organized and registered under Philippine laws as a private corporation, it is a *de facto* corporation, as found by the court below, with the right to exercise corporate powers, and thus it is imperative that any of the modes of transferring ownership from said entity must be shown.

"In a reinvindicatory action, the plaintiff has the burden of establishing his case by more than more (sic) preponderance of evidence (Vegas *vs.* Vegas, 56 Phil. 299; Villaruz *vs.* Delfin, CA-G.R. No. 15918-R, Jan. 18, 1961; Perante *vs.* Malinao, CA-G.R. No. 29314-R, Feb. 16, 1962). This the plaintiff has not satisfactorily done in this case."[5]

Petitioners have assigned several "errors"; the focal issue, nevertheless, is still whether or not petitioners can be held, given their submissions, to have succeeded in establishing

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[4] *Rollo*, p. 67.

[5] *Rollo*, p. 165.

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for themselves a firm title to the property in question. Like the courts below, we find petitioners' evidence to be direly wanting; all that appear to be certain are that the "Sociedad Popular Calambeña," believed to be a "sociedad anonima" and for a while engaged in the operation and management of a cockpit, has existed some time in the past; that it has acquired the parcel of land here involved; and that the plaintiffs' predecessors, Mariano Elepaño and Pablo Clemente, had been original stockholders of the *sociedad*. Except in showing that they are the successors-in-interest of Elepaño and Clemente, petitioners have been unable to come up with any evidence to substantiate their claim of ownership of the corporate asset.

If, indeed, the sociedad has long become defunct, it should behoove petitioners, or anyone else who may have any interest in the corporation, to take appropriate measures before a proper forum for a peremptory settlement of its affairs. We might invite attention to the various modes provided by the Corporation Code (see Secs. 117-122) for dissolving, liquidating or winding up, and terminating the life of the corporation. Among the causes for such dissolution are when the corporate term has expired or when, upon a verified complaint and after notice and hearing, the Securities and Exchange Commission orders the dissolution of a corporation for its continuous inactivity for at least five (5) years. The corporation continues to be a body corporate for three (3) years after its dissolution for purposes of prosecuting and defending suits by and against it and for enabling it to settle and close its affairs, culminating in the disposition and distribution of its remaining assets. It may, during the three-year term, appoint a trustee or a receiver who may act beyond that period. The termination of the life of a juridical entity does not by itself cause the extinction or diminution of the rights and liabilities of such entity (see *Gonzales vs. Sugar Regulatory Administration*, 174 SCRA 377) nor those of

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WHEREFORE, the decision appealed from is AFFIRMED. No costs.

SO ORDERED.

*Feliciano (Chairman), Romero, Melo,* and *Francisco, JJ.*, concur.

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## THIRD DIVISION

**[G.R. No. 87235. March 27, 1995]**

**THE PEOPLE OF THE PHILIPPINES, *plaintiff-appellee,* *vs.* DANILO PLAZA, *accused-appellant.***

### SYLLABUS

**1. REMEDIAL LAW; EVIDENCE; CREDIBILITY OF WITNESSES; TESTIMONY OF A SINGLE WITNESS; SUFFICIENT TO CONVICT IF CREDIBLE AND**