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THIRD DIVISION

[G.R. No. 170689. March 17, 2009]

PANTRANCO EMPLOYEES ASSOCIATION (PEA-PTGWO) and PANTRANCO RETRENCHED EMPLOYEES ASSOCIATION (PANREA), *petitioners, vs.* **NATIONAL LABOR RELATIONS COMMISSION (NLRC), PANTRANCO NORTH EXPRESS, INC. (PNEI), PHILIPPINE NATIONAL BANK (PNB), PHILIPPINE NATIONAL BANK-MANAGEMENT AND DEVELOPMENT CORPORATION (PNB-MADECOR), and MEGA PRIME REALTY AND HOLDINGS CORPORATION (MEGA PRIME),** *respondents.*

[G.R. No. 170705. March 17, 2009]

PHILIPPINE NATIONAL BANK, *petitioner, vs.* **PANTRANCO EMPLOYEES ASSOCIATION, INC. (PEA-PTGWO), PANTRANCO RETRENCHED EMPLOYEES ASSOCIATION (PANREA) AND PANTRANCO ASSOCIATION OF CONCERNED EMPLOYEES (PACE), *ET AL.*, PHILIPPINE NATIONAL BANK-MANAGEMENT DEVELOPMENT CORPORATION (PNB-MADECOR), and MEGA PRIME REALTY HOLDINGS, INC.,** *respondents.*

SYLLABUS

1. REMEDIAL LAW; JUDGMENTS; EXECUTION OF; THE POWER OF THE COURT IN EXECUTING JUDGMENTS EXTENDS ONLY TO PROPERTIES UNQUESTIONABLY BELONGING TO THE JUDGMENT DEBTOR ALONE. — Stripped of the non-essentials, the sole issue for resolution raised by the former PNEI employees is whether they can attach the properties (specifically the Pantranco properties) of PNB, PNB-Madecor and Mega Prime to satisfy their unpaid labor claims against PNEI. We answer in the negative. ***First,*** the subject property is not owned by the judgment debtor, that is, PNEI. Nowhere in the records was it shown that PNEI owned

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the Pantranco properties. Petitioners, in fact, never alleged in any of their pleadings the fact of such ownership. What was established, instead, in *PNB MADECOR v. Uy* and *PNB v. Mega Prime Realty and Holdings Corporation/Mega Prime Realty and Holdings Corporation v. PNB* was that the properties were owned by Macris, the predecessor of PNB-Madecor. Hence, they cannot be pursued against by the creditors of PNEI. We would like to stress the settled rule that the power of the court in executing judgments extends only to properties unquestionably belonging to the judgment debtor alone. To be sure, one man's goods shall not be sold for another man's debts. A sheriff is not authorized to attach or levy on property not belonging to the judgment debtor, and even incurs liability if he wrongfully levies upon the property of a third person.

2. COMMERCIAL LAW; CORPORATION LAW; CORPORATION; HAS A PERSONALITY SEPARATE AND DISTINCT FROM THOSE OF ITS STOCKHOLDERS AND OTHER CORPORATIONS TO WHICH IT MAY BE CONNECTED. — ***Second,*** PNB, PNB-Madecor and Mega Prime are corporations with personalities separate and distinct from that of PNEI. PNB is sought to be held liable because it acquired PNEI through NIDC at the time when PNEI was suffering financial reverses. PNB-Madecor is being made to answer for petitioners' labor claims as the owner of the subject Pantranco properties and as a subsidiary of PNB. Mega Prime is also included for having acquired PNB's shares over PNB-Madecor. The general rule is that a corporation has a personality separate and distinct from those of its stockholders and other corporations to which it may be connected. This is a fiction created by law for convenience and to prevent injustice. Obviously, PNB, PNB-Madecor, Mega Prime, and PNEI are corporations with their own personalities. The "separate personalities" of the first three corporations had been recognized by this Court in *PNB v. Mega Prime Realty and Holdings Corporation/Mega Prime Realty and Holdings Corporation v. PNB* where we stated that PNB was only a stockholder of PNB-Madecor which later sold its shares to Mega Prime; and that PNB-Madecor was the owner of the Pantranco properties. Moreover, these corporations are registered as separate entities and, absent any valid reason, we maintain their separate identities and we cannot treat them as one.

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3. ID.; ID.; ID.; WHERE ONE CORPORATION SELLS OR OTHERWISE TRANSFERS ALL ITS ASSETS TO ANOTHER CORPORATION FOR VALUE, THE LATTER IS NOT, BY THAT FACT ALONE, LIABLE FOR THE DEBTS AND LIABILITIES OF THE TRANSFEROR. — Neither can we merge the personality of PNEI with PNB simply because the latter acquired the former. Settled is the rule that where one corporation sells or otherwise transfers all its assets to another corporation for value, the latter is not, by that fact alone, liable for the debts and liabilities of the transferor.

4. ID.; ID.; ID.; PIERCING THE VEIL OF CORPORATE FICTION; DOCTRINE. — ***Lastly,*** while we recognize that there are peculiar circumstances or valid grounds that may exist to warrant the piercing of the corporate veil, none applies in the present case whether between PNB and PNEI; or PNB and PNB-Madecor. Under the doctrine of "piercing the veil of corporate fiction," the court looks at the corporation as a mere collection of individuals or an aggregation of persons undertaking business as a group, disregarding the separate juridical personality of the corporation unifying the group. Another formulation of this doctrine is that when two business enterprises are owned, conducted and controlled by the same parties, both law and equity will, when necessary to protect the rights of third parties, disregard the legal fiction that two corporations are distinct entities and treat them as identical or as one and the same. Whether the separate personality of the corporation should be pierced hinges on obtaining facts appropriately pleaded or proved. However, any piercing of the corporate veil has to be done with caution, albeit the Court will not hesitate to disregard the corporate veil when it is misused or when necessary in the interest of justice. After all, the concept of corporate entity was not meant to promote unfair objectives.

5. ID.; ID.; ID.; ID.; PRONOUNCEMENT IN A.C. RANSOM LABOR UNION-CCLU *vs.* NLRC [226 PHIL. 199 (1986)], INAPPLICABLE TO CASE AT BAR. — As between PNB and PNEI, petitioners want us to disregard their separate personalities, and insist that because the company, PNEI, has already ceased operations and there is no other way by which the judgment in favor of the employees can be satisfied, corporate officers can be held jointly and severally liable with the company. Petitioners rely on the pronouncement of this

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Court in *A.C. Ransom Labor Union-CCLU v. NLRC* and subsequent cases. This reliance fails to persuade. We find the aforesaid decisions inapplicable to the instant case. For one, in the said cases, the persons made liable after the company's cessation of operations were the officers and agents of the corporation. The rationale is that, since the corporation is an artificial person, it must have an officer who can be presumed to be the employer, being the person acting in the interest of the employer. The corporation, only in the technical sense, is the employer. In the instant case, what is being made liable is another corporation (PNB) which acquired the debtor corporation (PNEI).

6. ID.; ID.; ID.; WHEN APPLICABLE; CORPORATE OFFICER CANNOT BE MADE PERSONALLY LIABLE FOR CORPORATE LIABILITIES ABSENT MALICE, BAD FAITH, OR A SPECIFIC PROVISION OF LAW MAKING A CORPORATE OFFICER LIABLE. — Clearly, what can be inferred from the earlier cases is that the doctrine of piercing the corporate veil applies only in three (3) basic areas, namely: 1) defeat of public convenience as when the corporate fiction is used as a vehicle for the evasion of an existing obligation; 2) fraud cases or when the corporate entity is used to justify a wrong, protect fraud, or defend a crime; or 3) *alter ego* cases, where a corporation is merely a farce since it is a mere alter ego or business conduit of a person, or where the corporation is so organized and controlled and its affairs are so conducted as to make it merely an instrumentality, agency, conduit or adjunct of another corporation. In the absence of malice, bad faith, or a specific provision of law making a corporate officer liable, such corporate officer cannot be made personally liable for corporate liabilities.

7. ID.; ID.; ID.; ID.; OWNERSHIP OF ALL OF THE STOCKS OF ANOTHER CORPORATION, TAKEN ALONE, IS NOT SUFFICIENT TO JUSTIFY THEIR BEING TREATED AS ONE ENTITY. — Assuming, for the sake of argument, that PNB may be held liable for the debts of PNEI, petitioners still cannot proceed against the Pantranco properties, the same being owned by PNB-Madecor, notwithstanding the fact that PNB-Madecor was a subsidiary of PNB. The general rule remains that PNB-Madecor has a personality separate and distinct from PNB. The mere fact that a corporation owns all

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of the stocks of another corporation, taken alone, is not sufficient to justify their being treated as one entity. If used to perform legitimate functions, a subsidiary's separate existence shall be respected, and the liability of the parent corporation as well as the subsidiary will be confined to those arising in their respective businesses.

8. ID.; ID.; ID.; ID.; SUBSIDIARY CORPORATION; WHEN CONSIDERED A MERE INSTRUMENTALITY OF THE PARENT-CORPORATION. — In *PNB v. Ritratto Group, Inc.*, we outlined the circumstances which are useful in the determination of whether a subsidiary is but a mere instrumentality of the parent-corporation, to wit: 1. The parent corporation owns all or most of the capital stock of the subsidiary; 2. The parent and subsidiary corporations have common directors or officers; 3. The parent corporation finances the subsidiary; 4. The parent corporation subscribes to all the capital stock of the subsidiary or otherwise causes its incorporation; 5. The subsidiary has grossly inadequate capital; 6. The parent corporation pays the salaries and other expenses or losses of the subsidiary; 7. The subsidiary has substantially no business except with the parent corporation or no assets except those conveyed to or by the parent corporation; 8. In the papers of the parent corporation or in the statements of its officers, the subsidiary is described as a department or division of the parent corporation, or its business or financial responsibility is referred to as the parent corporation's own; 9. The parent corporation uses the property of the subsidiary as its own; 10. The directors or executives of the subsidiary do not act independently in the interest of the subsidiary, but take their orders from the parent corporation; 11. The formal legal requirements of the subsidiary are not observed. None of the foregoing circumstances is present in the instant case. Thus, piercing of PNB-Madecor's corporate veil is not warranted. Being a mere successor-in-interest of PNB-Madecor, with more reason should no liability attach to Mega Prime.

9. REMEDIAL LAW; CIVIL PROCEDURE; ACTIONS; PARTIES; PROCEEDINGS IN COURT MUST BE INSTITUTED BY THE REAL PARTY IN INTEREST. — It has been repeatedly stated that the Pantranco properties which were the subject of execution sale were owned by Macris and later, the PNB-Madecor. They were never owned by PNEI or

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PNB. Following our earlier discussion on the separate personalities of the different corporations involved in the instant case, the only entity which has the right and interest to question the execution sale and the eventual right to annul the same, if any, is PNB-Madecor or its successor-in-interest. Settled is the rule that proceedings in court must be instituted by the real party in interest.

10. ID.; ID.; ID.; ID.; ID.; REAL PARTY-IN-INTEREST, EXPLAINED. — A real party in interest is the party who stands to be benefited or injured by the judgment in the suit, or the party entitled to the avails of the suit. "Interest" within the meaning of the rule means material interest, an interest in issue and to be affected by the decree, as distinguished from mere interest in the question involved, or a mere incidental interest. The interest of the party must also be personal and not one based on a desire to vindicate the constitutional right of some third and unrelated party. Real interest, on the other hand, means a present substantial interest, as distinguished from a mere expectancy or a future, contingent, subordinate, or consequential interest.

11. ID.; ID.; ID.; ID.; ID.; ONE WHO IS NOT INTERESTED OR IS NOT INJURED BY THE EXECUTION SALE CANNOT QUESTION ITS VALIDITY. — Specifically, in proceedings to set aside an execution sale, the real party in interest is the person who has an interest either in the property sold or the proceeds thereof. Conversely, one who is not interested or is not injured by the execution sale cannot question its validity.

12. ID.; ID.; APPEAL; A PARTY WHO HAS NOT APPEALED CANNOT OBTAIN FROM THE APPELLATE COURT ANY AFFIRMATIVE RELIEF OTHER THAN THE ONES GRANTED IN THE APPEALED DECISION. — Besides, the issue of whether PNB has a substantial interest over the Pantranco properties has already been laid to rest by the Labor Arbiter. It is noteworthy that in its Resolution dated September 10, 2002, the Labor Arbiter denied PNB's Third-Party Claim primarily because PNB only has an inchoate right over the Pantranco properties. Such conclusion was later affirmed by the NLRC in its Resolution dated June 30, 2003. Notwithstanding said conclusion, PNB did not elevate the matter to the CA via a petition for review. Hence it is presumed to be satisfied with the adjudication therein. That decision

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of the NLRC has become final as against PNB and can no longer be reviewed, much less reversed, by this Court. This is in accord with the doctrine that a party who has not appealed cannot obtain from the appellate court any affirmative relief other than the ones granted in the appealed decision.

APPEARANCES OF COUNSEL

Chief Legal Counsel (PNB) for petitioner.

Salvador J. Bagamasbad for Mega Prime Realty and Holdings Corp. and PNB-Madecor.

Celestino S. Caingat, Jr. for Pantranco Employees Association, Inc. and Pantranco Retrenched Employees Association.

D E C I S I O N

NACHURA, *J.*:

Before us are two consolidated petitions assailing the Court of Appeals (CA) Decision[1] dated June 3, 2005 and its Resolution[2] dated December 7, 2005 in CA-G.R. SP No. 80599.

In **G.R. No. 170689**, the Pantranco Employees Association (PEA) and Pantranco Retrenched Employees Association (PANREA) pray that the CA decision be set aside and a new one be entered, declaring the Philippine National Bank (PNB) and PNB Management and Development Corporation (PNB-Madecor) jointly and solidarily liable for the ₱722,727,150.22 National Labor Relations Commission (NLRC) judgment in favor of the Pantranco North Express, Inc. (PNEI) employees;[3] while in **G.R. No. 170705**, PNB prays that the auction sale of the Pantranco properties be declared null and void.[4]

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[1] Penned by Associate Justice Mario L. Guariña III, with Associate Justices Marina L. Buzon and Hakim S. Abdulwahid, concurring; *rollo* (G.R. No. 170689), pp. 25-39.

[2] *Id.* at 41.

[3] *Rollo* (G.R. No. 170689), pp. 17-18.

[4] *Rollo* (G.R. No. 170705), p. 63.

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The facts of the case, as found by the CA,[5] and established in *Republic of the Phils. v. NLRC,*[6] *Pantranco North Express, Inc. v. NLRC,*[7] and *PNB MADECOR v. Uy*,[8] follow:

The Gonzales family owned two corporations, namely, the PNEI and Macris Realty Corporation (Macris). PNEI provided transportation services to the public, and had its bus terminal at the corner of Quezon and Roosevelt Avenues in Quezon City. The terminal stood on four valuable pieces of real estate (known as Pantranco properties) registered under the name of Macris.[9] The Gonzales family later incurred huge financial losses despite attempts of rehabilitation and loan infusion. In March 1975, their creditors took over the management of PNEI and Macris. By 1978, full ownership was transferred to one of their creditors, the National Investment Development Corporation (NIDC), a subsidiary of the PNB.

Macris was later renamed as the National Realty Development Corporation (Naredeco) and eventually merged with the National Warehousing Corporation (Nawaco) to form the new PNB subsidiary, the PNB-Madecor.

In 1985, NIDC sold PNEI to North Express Transport, Inc. (NETI), a company owned by Gregorio Araneta III. In 1986, PNEI was among the several companies placed under sequestration by the Presidential Commission on Good Government (PCGG) shortly after the historic events in EDSA. In January 1988, PCGG lifted the sequestration order to pave the way for the sale of PNEI back to the private sector through the Asset Privatization Trust (APT). APT thus took over the management of PNEI.

In 1992, PNEI applied with the Securities and Exchange Commission (SEC) for suspension of payments. A management committee was thereafter created which recommended to the

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[5] *Rollo* (G.R. No. 170689), pp. 25-33.

[6] 331 Phil. 608 (1996).

[7] 373 Phil. 520 (1999).

[8] 415 Phil. 348 (2001).

[9] *Rollo* (G.R. No. 170689), p. 26.

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SEC the sale of the company through privatization. As a cost-saving measure, the committee likewise suggested the retrenchment of several PNEI employees. Eventually, PNEI ceased its operation. Along with the cessation of business came the various labor claims commenced by the former employees of PNEI where the latter obtained favorable decisions.

On July 5, 2002, the Labor Arbiter issued the Sixth *Alias* Writ of Execution[10] commanding the NLRC Sheriffs to levy on the assets of PNEI in order to satisfy the ₱722,727,150.22 due its former employees, as full and final satisfaction of the judgment awards in the labor cases. The sheriffs were likewise instructed to proceed against PNB, PNB-Madecor and Mega Prime.[11] In implementing the writ, the sheriffs levied upon the four valuable pieces of real estate located at the corner of Quezon and Roosevelt Avenues, on which the former Pantranco Bus Terminal stood. These properties were covered by Transfer Certificate of Title (TCT) Nos. 87881-87884, registered under the name of PNB-Madecor.[12] Subsequently, Notice of Sale of the foregoing real properties was published in the newspaper and the sale was set on July 31, 2002. Having been notified of the auction sale, motions to quash the writ were separately filed by PNB-Madecor and Mega Prime, and PNB. They likewise filed their Third-Party Claims.[13] PNB-Madecor anchored its motion on its right as the registered owner of the Pantranco properties, and Mega Prime as the successor-in-interest. For its part, PNB sought the nullification of the writ on the ground that it was not a party to the labor case.[14] In its Third-Party Claim, PNB alleged that PNB-Madecor was indebted to the former and that the Pantranco properties would answer for such debt. As such, the scheduled auction sale of the aforesaid properties was not legally in order.[15]

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[10] *Id.* at 42-45.

[11] *Id.* at 25-26.

[12] *Id.* at 26.

[13] *Id.* at 49.

[14] CA *rollo*, pp. 113-120.

[15] *Id.* at 138-143.

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On September 10, 2002, the Labor Arbiter declared that the subject Pantranco properties were owned by PNB-Madecor. It being a corporation with a distinct and separate personality, its assets could not answer for the liabilities of PNEI. Considering, however, that PNB-Madecor executed a promissory note in favor of PNEI for ₱7,884,000.00, the writ of execution to the extent of the said amount was concerned was considered valid.[16]

PNB's third-party claim — to nullify the writ on the ground that it has an interest in the Pantranco properties being a creditor of PNB-Madecor, — on the other hand, was denied because it only had an inchoate interest in the properties.[17]

The dispositive portion of the Labor Arbiter's September 10, 2002 Resolution is quoted hereunder:

> WHEREFORE, the Third Party Claim of PNB Madecor and/or Mega Prime Holdings, Inc. is hereby GRANTED and concomitantly the levies made by the sheriffs of the NLRC on the properties of PNB Madecor should be as it (sic) is hereby LIFTED subject to the payment by PNB Madecor to the complainants the amount of ₱7,884,000.00.
>
> The Motion to Quash and Third Party Claim of PNB is hereby DENIED.
>
> The Motion to Quash of PNB Madecor and Mega Prime Holdings, Inc. is hereby PARTIALLY GRANTED insofar as the amount of the writ exceeds ₱7,884,000.00.
>
> The Motion for Recomputation and Examination of Judgment Awards is hereby DENIED for want of merit.
>
> The Motion to Expunge from the Records claimants/complainants Opposition dated August 3, 2002 is hereby DENIED for lack of merit.
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> SO ORDERED.[18]

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[16] *Rollo* (G.R. No. 170689), pp. 52-55.

[17] *Id.* at 55.

[18] *Id.* at 56-57.

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On appeal to the NLRC, the same was denied and the Labor Arbiter's disposition was affirmed.[19] Specifically, the NLRC concluded as follows:

(1) PNB-Madecor and Mega Prime contended that it would be impossible for them to comply with the requirement of the labor arbiter to pay to the PNEI employees the amount of ₱7.8 million as a condition to the lifting of the levy on the properties, since the credit was already garnished by Gerardo Uy and other creditors of PNEI. The NLRC found no evidence that Uy had satisfied his judgment from the promissory note, and opined that even if the credit was in *custodia legis*, the claim of the PNEI employees should enjoy preference under the Labor Code.

(2) The PNEI employees contested the finding that PNB-Madecor was indebted to the PNEI for only ₱7.8 million without considering the accrual of interest. But the NLRC said that there was no evidence that demand was made as a basis for reckoning interest.

(3) The PNEI employees further argued that the labor arbiter may not properly conclude from a decision of Judge Demetrio Macapagal Jr. of the RTC of Quezon City that PNB-Madecor was the owner of the properties as his decision was reconsidered by the next presiding judge, nor from a decision of the Supreme Court that PNEI was a mere lessee of the properties, the fact being that the transfer of the properties to PNB-Madecor was done to avoid satisfaction of the claims of the employees with the NLRC and that as a result of a civil case filed by Mega Prime, the subsequent sale of the properties by PNB to Mega Prime was rescinded. The NLRC pointed out that while the Macapagal decision was set aside by Judge Bruselas and hence, his findings could not be invoked by the labor arbiter, the titles of PNB-Madecor are conclusive and there is no evidence that PNEI had ever been an owner. The Supreme Court had observed in its decision that PNEI owed back rentals of ₱8.7 million to PNB-Madecor.

(4) The PNEI employees faulted the labor arbiter for not finding that PNEI, PNB, PNB-Madecor and Mega Prime were all jointly and severally liable for their claims. The NLRC underscored the fact that PNEI and Macris were subsidiaries of NIDC and had passed

[19] *Id.* at 59-73.

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through and were under the Asset Privatization Trust (APT) when the labor claims accrued. The labor arbiter was correct in not granting PNB's third-party claim because at the time the causes of action accrued, the PNEI was managed by a management committee appointed by the PNB as the new owner of PNRI (sic) and Macris through a deed of assignment or transfer of ownership. The NLRC says at length that the same is not true with PNB-Madecor which is now the registered owner of the properties.[20]

The parties' separate motions for reconsideration were likewise denied.[21] Thereafter, the matter was elevated to the CA by PANREA, PEA-PTGWO and the Pantranco Association of Concerned Employees. The latter group, however, later withdrew its petition. The former employees' petition was docketed as CA-G.R. SP No. 80599.

PNB-Madecor and Mega Prime likewise filed their separate petition before the CA which was docketed as CA-G.R. SP No. 80737, but the same was dismissed.[22]

In view of the ₱7,884,000.00 debt of PNB-Madecor to PNEI, on June 23, 2004, an auction sale was conducted over the Pantranco properties to satisfy the claim of the PNEI employees, wherein CPAR Realty was adjudged as the highest bidder.[23]

On June 3, 2005, the CA rendered the assailed decision affirming the NLRC resolutions.

The appellate court pointed out that PNB, PNB-Madecor and Mega Prime are corporations with personalities separate and distinct from PNEI. As such, there being no cogent reason to pierce the veil of corporate fiction, the separate personalities of the above corporations should be maintained. The CA added that the Pantranco properties were never owned by PNEI; rather, their titles were registered under the name of PNB-Madecor. If PNB and PNB-Madecor could not answer for the liabilities of

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[20] *Id.* at 27-28. (Citations omitted.)

[21] *Id.* at 74-77.

[22] *Rollo* (G.R. No. 170705), p. 139.

[23] CA *rollo*, p. 537.

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PNEI, with more reason should Mega Prime not be held liable being a mere successor-in-interest of PNB-Madecor.

Unsatisfied, PEA-PTGWO and PANREA filed their motion for reconsideration;[24] while PNB filed its Partial Motion for Reconsideration.[25] PNB pointed out that PNB-Madecor was made to answer for ₱7,884,000.00 to the PNEI employees by virtue of the promissory note it (PNB-Madecor) earlier executed in favor of PNEI. PNB, however, questioned the June 23, 2004 auction sale as the ₱7.8 million debt had already been satisfied pursuant to this Court's decision in *PNB MADECOR v. Uy*.[26]

Both motions were denied by the appellate court.[27]

In two separate petitions, PNB and the former PNEI employees come up to this Court assailing the CA decision and resolution. The former PNEI employees raise the lone error, thus:

> The Honorable Court of Appeals palpably departed from the established rules and jurisprudence in ruling that private respondents Pantranco North Express, Inc. (PNEI), Philippine National Bank (PNB), Philippine National Bank Management and Development Corporation (PNB-MADECOR), Mega Prime Realty and Holdings, Inc. (Mega Prime) are not jointly and severally answerable to the ₱722,727,150.22 Million NLRC money judgment awards in favor of the 4,000 individual members of the Petitioners.[28]

They claim that PNB, through PNB-Madecor, directly benefited from the operation of PNEI and had complete control over the funds of PNEI. Hence, they are solidarily answerable with PNEI for the unpaid money claims of the employees.[29] Citing *A.C. Ransom Labor Union-CCLU v. NLRC*,[30] the employees insist

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[24] *Id.* at 504-515.

[25] *Id.* at 534-549.

[26] *Supra* note 8.

[27] *Supra* note 2.

[28] *Rollo* (G.R. No. 170689), p. 8.

[29] *Id.* at 10-11.

[30] 226 Phil. 199 (1986).

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that where the employer corporation ceases to exist and is no longer able to satisfy the judgment awards in favor of its employees, the owner of the employer corporation should be made jointly and severally liable.[31] They added that malice or bad faith need not be proven to make the owners liable.

On the other hand, PNB anchors its petition on this sole assignment of error, *viz.*:

THE AUCTION SALE OF THE PROPERTY COVERED BY TCT NO. 87884 INTENDED TO PARTIALLY SATISFY THE CLAIMS OF FORMER WORKERS OF PNEI IN THE AMOUNT OF ₱7,884,000.00 (THE AMOUNT OF PNB-MADECOR'S PROMISSORY NOTE IN FAVOR OF PNEI) IS NOT IN ORDER AS THE SAID PROPERTY IS NOT OWNED BY PNEI. FURTHER, THE SAID PROMISSORY NOTE HAD ALREADY BEEN GARNISHED IN FAVOR OF GERARDO C. UY WHICH LED TO THREE (3) PROPERTIES UNDER THE NAME OF PNB-MADECOR, NAMELY TCT NOS. 87881, 87882 AND 87883, BEING LEVIED AND SOLD ON EXECUTION IN THE "*PNB-MADECOR VS. UY*" CASE (363 SCRA 128 [2001]) AND "*GERARDO C. UY VS. PNEI*" (CIVIL CASE NO. 95-72685, RTC MANILA, BRANCH 38).[32]

PNB insists that the Pantranco properties could no longer be levied upon because the promissory note for which the Labor Arbiter held PNB-Madecor liable to PNEI, and in turn to the latter's former employees, had already been satisfied in favor of Gerardo C. Uy. It added that the properties were in fact awarded to the highest bidder. Besides, says PNB, the subject properties were not owned by PNEI, hence, the execution sale thereof was not validly effected.[33]

Both petitions must fail.

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Stripped of the non-essentials, the sole issue for resolution raised by the former PNEI employees is whether they can attach

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[31] *Rollo* (G.R. No. 170689), p. 11.

[32] *Rollo* (G.R. No. 170705), p. 56.

[33] *Id.* at 61-62.

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the properties (specifically the Pantranco properties) of PNB, PNB-Madecor and Mega Prime to satisfy their unpaid labor claims against PNEI.

We answer in the negative.

First, the subject property is not owned by the judgment debtor, that is, PNEI. Nowhere in the records was it shown that PNEI owned the Pantranco properties. Petitioners, in fact, never alleged in any of their pleadings the fact of such ownership. What was established, instead, in *PNB MADECOR v. Uy*[34] and *PNB v. Mega Prime Realty and Holdings Corporation/Mega Prime Realty and Holdings Corporation v. PNB*[35] was that the properties were owned by Macris, the predecessor of PNB-Madecor. Hence, they cannot be pursued against by the creditors of PNEI.

We would like to stress the settled rule that the power of the court in executing judgments extends only to properties unquestionably belonging to the judgment debtor alone.[36] To be sure, one man's goods shall not be sold for another man's debts.[37] A sheriff is not authorized to attach or levy on property not belonging to the judgment debtor, and even incurs liability if he wrongfully levies upon the property of a third person.[38]

Second, PNB, PNB-Madecor and Mega Prime are corporations with personalities separate and distinct from that of PNEI. PNB is sought to be held liable because it acquired PNEI through NIDC at the time when PNEI was suffering financial reverses. PNB-Madecor is being made to answer for petitioners' labor claims as the owner of the subject Pantranco properties and as

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[34] *Supra* note 8.

[35] G.R. Nos. 173454 and 173456, October 6, 2008.

[36] *Cleodia U. Francisco, et al. v. Sps. Jorge C. Gonzales and Purificacion W. Gonzales*, G.R. No. 177667, September 17, 2008; *Yao v. Hon. Perello*, 460 Phil. 658,662 (2003).

[37] *Id.*

[38] *Cleodia U. Francisco, et al. v. Sps. Jorge C. Gonzales and Purificacion W. Gonzales, supra*; see *Tanongon v. Samson*, 431 Phil. 729 (2002).

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a subsidiary of PNB. Mega Prime is also included for having acquired PNB's shares over PNB-Madecor.

The general rule is that a corporation has a personality separate and distinct from those of its stockholders and other corporations to which it may be connected.[39] This is a fiction created by law for convenience and to prevent injustice.[40] Obviously, PNB, PNB-Madecor, Mega Prime, and PNEI are corporations with their own personalities. The "separate personalities" of the first three corporations had been recognized by this Court in *PNB v. Mega Prime Realty and Holdings Corporation/Mega Prime Realty and Holdings Corporation v. PNB*[41] where we stated that PNB was only a stockholder of PNB-Madecor which later sold its shares to Mega Prime; and that PNB-Madecor was the owner of the Pantranco properties. Moreover, these corporations are registered as separate entities and, absent any valid reason, we maintain their separate identities and we cannot treat them as one.

Neither can we merge the personality of PNEI with PNB simply because the latter acquired the former. Settled is the rule that where one corporation sells or otherwise transfers all its assets to another corporation for value, the latter is not, by that fact alone, liable for the debts and liabilities of the transferor.[42]

Lastly, while we recognize that there are peculiar circumstances or valid grounds that may exist to warrant the piercing of the corporate veil,[43] none applies in the present case whether between PNB and PNEI; or PNB and PNB-Madecor.

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[39] *China Banking Corporation v. Dyne-Sem Electronics Corporation*, G.R. No. 149237, July 11, 2006, 494 SCRA 493, 499; see *General Credit Corporation v. Alsons Development and Investment Corporation*, G.R. No. 154975, January 29, 2007, 513 SCRA 225, 237-238.

[40] *China Banking Corporation v. Dyne-Sem Electronics Corporation*, *supra*, at 499.

[41] *Supra* note 35.

[42] *China Banking Corporation v. Dyne-Sem Electronics Corporation*, *supra* note 39, at 501.

[43] *Id.* at 499.

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Under the doctrine of "piercing the veil of corporate fiction," the court looks at the corporation as a mere collection of individuals or an aggregation of persons undertaking business as a group, disregarding the separate juridical personality of the corporation unifying the group.[44] Another formulation of this doctrine is that when two business enterprises are owned, conducted and controlled by the same parties, both law and equity will, when necessary to protect the rights of third parties, disregard the legal fiction that two corporations are distinct entities and treat them as identical or as one and the same.[45]

Whether the separate personality of the corporation should be pierced hinges on obtaining facts appropriately pleaded or proved. However, any piercing of the corporate veil has to be done with caution, albeit the Court will not hesitate to disregard the corporate veil when it is misused or when necessary in the interest of justice. After all, the concept of corporate entity was not meant to promote unfair objectives.[46]

As between PNB and PNEI, petitioners want us to disregard their separate personalities, and insist that because the company, PNEI, has already ceased operations and there is no other way by which the judgment in favor of the employees can be satisfied, corporate officers can be held jointly and severally liable with the company. Petitioners rely on the pronouncement of this Court in *A.C. Ransom Labor Union-CCLU v. NLRC*[47] and subsequent cases.[48]

This reliance fails to persuade. We find the aforesaid decisions inapplicable to the instant case.

For one, in the said cases, the persons made liable after the company's cessation of operations were the officers and agents

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[44] *General Credit Corporation v. Alsons Development and Investment Corporation*, *supra* note 39, at 238.

[45] *Id.*

[46] *Id.*

[47] *Supra* note 30.

[48] *Restaurante Las Conchas v. Llego*, 372 Phil. 697 (1999); *Naguiat v. NLRC*, 336 Phil. 545 (1997); *Valderrama v. NLRC*, 326 Phil. 477 (1996).

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of the corporation. The rationale is that, since the corporation is an artificial person, it must have an officer who can be presumed to be the employer, being the person acting in the interest of the employer. The corporation, only in the technical sense, is the employer.[49] In the instant case, what is being made liable is another corporation (PNB) which acquired the debtor corporation (PNEI).

Moreover, in the recent cases *Carag v. National Labor Relations Commission*[50] and *McLeod v. National Labor Relations Commission*,[51] the Court explained the doctrine laid down in *AC Ransom* relative to the personal liability of the officers and agents of the employer for the debts of the latter. In *AC Ransom,* the Court imputed liability to the officers of the corporation on the strength of the definition of an employer in Article 212(c) (now Article 212[e]) of the Labor Code. Under the said provision, *employer* includes any person acting in the interest of an employer, directly or indirectly, but does not include any labor organization or any of its officers or agents except when acting as employer. It was clarified in *Carag* and *McLeod* that Article 212(e) of the Labor Code, by itself, does not make a corporate officer personally liable for the debts of the corporation. It added that the governing law on personal liability of directors or officers for debts of the corporation is still Section 31[52] of the Corporation Code.

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[49] *A.C. Ransom Labor Union-CCLU v.* NLRC, *supra* note 30, at 205.

[50] G.R. No. 147590, April 2, 2007, 520 SCRA 28.

[51] G.R. No. 146667, January 23, 2007, 512 SCRA 222.

[52] Sec. 31. *Liability of directors, trustees or officers.* — Directors or trustees who willfully and knowingly vote for or assent to patently unlawful acts of the corporation or who are guilty of gross negligence or bad faith in directing the affairs of the corporation or acquire any personal or pecuniary interest in conflict with their duty as such directors or trustees shall be liable jointly and severally for all damages resulting therefrom suffered by the corporation, its stockholders or members and other persons.

When a director, trustee or officer attempts to acquire or acquires, in violation of his duty, any interest adverse to the corporation in respect of any matter which has been reposed in him in confidence, as to which equity imposes a disability upon him to deal in his own behalf, he shall be liable as a trustee for the corporation and must account for the profits which otherwise would have accrued to the corporation.

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More importantly, as aptly observed by this Court in *AC Ransom*, it appears that Ransom, foreseeing the possibility or probability of payment of backwages to its employees, organized Rosario to replace Ransom, with the latter to be eventually phased out if the strikers win their case. The execution could not be implemented against Ransom because of the disposition posthaste of its leviable assets evidently in order to evade its just and due obligations.[53] Hence, the Court sustained the piercing of the corporate veil and made the officers of Ransom personally liable for the debts of the latter.

Clearly, what can be inferred from the earlier cases is that the doctrine of piercing the corporate veil applies only in three (3) basic areas, namely: 1) defeat of public convenience as when the corporate fiction is used as a vehicle for the evasion of an existing obligation; 2) fraud cases or when the corporate entity is used to justify a wrong, protect fraud, or defend a crime; or 3) *alter ego* cases, where a corporation is merely a farce since it is a mere alter ego or business conduit of a person, or where the corporation is so organized and controlled and its affairs are so conducted as to make it merely an instrumentality, agency, conduit or adjunct of another corporation.[54] In the absence of malice, bad faith, or a specific provision of law making a corporate officer liable, such corporate officer cannot be made personally liable for corporate liabilities.[55]

Applying the foregoing doctrine to the instant case, we quote with approval the CA disposition in this wise:

> It would not be enough, then, for the petitioners in this case, the PNEI employees, to rest on their laurels with evidence that PNB was the owner of PNEI. Apart from proving ownership, it is necessary to show facts that will justify us to pierce the veil of corporate fiction and hold PNB liable for the debts of PNEI. The burden

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[53] *Carag v. National Labor Relations Commission, supra* note 50, at 54-55.

[54] *General Credit Corporation v. Alsons Development and Investment Corporation, supra* note 39, at 235, 238, 239; *PNB v. Ritratto Group, Inc.,* 414 Phil. 494, 505 (2001).

[55] *McLeod v. National Labor Relations Commission, supra* note 51, at 253.

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undoubtedly falls on the petitioners to prove their affirmative allegations. In line with the basic jurisprudential principles we have explored, they must show that PNB was using PNEI as a mere adjunct or instrumentality or has exploited or misused the corporate privilege of PNEI.

We do not see how the burden has been met. Lacking proof of a nexus apart from mere ownership, the petitioners have not provided us with the legal basis to reach the assets of corporations separate and distinct from PNEI.[56]

Assuming, for the sake of argument, that PNB may be held liable for the debts of PNEI, petitioners still cannot proceed against the Pantranco properties, the same being owned by PNB-Madecor, notwithstanding the fact that PNB-Madecor was a subsidiary of PNB. The general rule remains that PNB-Madecor has a personality separate and distinct from PNB. The mere fact that a corporation owns all of the stocks of another corporation, taken alone, is not sufficient to justify their being treated as one entity. If used to perform legitimate functions, a subsidiary's separate existence shall be respected, and the liability of the parent corporation as well as the subsidiary will be confined to those arising in their respective businesses.[57]

In *PNB v. Ritratto Group, Inc.*,[58] we outlined the circumstances which are useful in the determination of whether a subsidiary is but a mere instrumentality of the parent-corporation, to wit:

1. The parent corporation owns all or most of the capital stock of the subsidiary;
2. The parent and subsidiary corporations have common directors or officers;
3. The parent corporation finances the subsidiary;
4. The parent corporation subscribes to all the capital stock of the subsidiary or otherwise causes its incorporation;

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[56] *Rollo* (G.R. No. 170689), pp. 36-37.

[57] *Nisce v. Equitable PCI Bank, Inc.*, G.R. No. 167434, February 19, 2007, 516 SCRA 231, 258; *MR Holdings, Ltd. v. Sheriff Bajar*, 430 Phil. 443, 469-470 (2002); *PNB v. Ritratto Group, Inc., supra* note 54, at 503.

[58] *Supra* note 54.

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5. The subsidiary has grossly inadequate capital;
6. The parent corporation pays the salaries and other expenses or losses of the subsidiary;
7. The subsidiary has substantially no business except with the parent corporation or no assets except those conveyed to or by the parent corporation;
8. In the papers of the parent corporation or in the statements of its officers, the subsidiary is described as a department or division of the parent corporation, or its business or financial responsibility is referred to as the parent corporation's own;
9. The parent corporation uses the property of the subsidiary as its own;
10. The directors or executives of the subsidiary do not act independently in the interest of the subsidiary, but take their orders from the parent corporation;
11. The formal legal requirements of the subsidiary are not observed.

None of the foregoing circumstances is present in the instant case. Thus, piercing of PNB-Madecor's corporate veil is not warranted. Being a mere successor-in-interest of PNB-Madecor, with more reason should no liability attach to Mega Prime.

G.R. No. 170705

In its petition before this Court, PNB seeks the annulment of the June 23, 2004 execution sale of the Pantranco properties on the ground that the judgment debtor (PNEI) never owned said lots. It likewise contends that the levy and the eventual sale on execution of the subject properties was null and void as the promissory note on which PNB-Madecor was made liable had already been satisfied.

It has been repeatedly stated that the Pantranco properties which were the subject of execution sale were owned by Macris and later, the PNB-Madecor. They were never owned by PNEI or PNB. Following our earlier discussion on the separate personalities of the different corporations involved in the instant

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case, the only entity which has the right and interest to question the execution sale and the eventual right to annul the same, if any, is PNB-Madecor or its successor-in-interest. Settled is the rule that proceedings in court must be instituted by the real party in interest.

A real party in interest is the party who stands to be benefited or injured by the judgment in the suit, or the party entitled to the avails of the suit.[59] "Interest" within the meaning of the rule means material interest, an interest in issue and to be affected by the decree, as distinguished from mere interest in the question involved, or a mere incidental interest.[60] The interest of the party must also be personal and not one based on a desire to vindicate the constitutional right of some third and unrelated party.[61] Real interest, on the other hand, means a present substantial interest, as distinguished from a mere expectancy or a future, contingent, subordinate, or consequential interest.[62]

Specifically, in proceedings to set aside an execution sale, the real party in interest is the person who has an interest either in the property sold or the proceeds thereof. Conversely, one who is not interested or is not injured by the execution sale cannot question its validity.[63]

In justifying its claim against the Pantranco properties, PNB alleges that Mega Prime, the buyer of its entire stockholdings in PNB-Madecor was indebted to it (PNB). Considering that

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[59] *Republic v. Agunoy, Sr.*, G.R. No. 155394, February 17, 2005, 451 SCRA 735, 746.

[60] *Cañete v. Genuino Ice Company, Inc.*, G.R. No. 154080, January 22, 2008, 542 SCRA 206, 222; *VSC Commercial Enterprises, Inc. v. Court of Appeals*, 442 Phil. 269, 276 (2002).

[61] *Cañete v. Genuino Ice Company, Inc.*, *supra*, at 222; *VSC Commercial Enterprises, Inc. v. Court of Appeals*, *supra*, at 276-277.

[62] *Celestial Nickel Mining Exploration Corporation v. Macroasia Corporation*, G.R. Nos. 169080, 172936, 176226 and 176319, December 19, 2007, 541 SCRA 166, 203; *Cañete v. Genuino Ice Company, Inc.*, *supra* note 60, at 222; *VSC Commercial Enterprises, Inc. v. Court of Appeals*, *supra* note 60, at 277.

[63] *De Leon v. CA*, 343 Phil. 254, 265 (1997).

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said indebtedness remains unpaid, PNB insists that it has an interest over PNB-Madecor and Mega Prime's assets.

Again, the contention is bereft of merit. While PNB has an apparent interest in Mega Prime's assets being the creditor of the latter for a substantial amount, its interest remains inchoate and has not yet ripened into a present substantial interest, which would give it the standing to maintain an action involving the subject properties. As aptly observed by the Labor Arbiter, PNB only has an inchoate right to the properties of Mega Prime in case the latter would not be able to pay its indebtedness. This is especially true in the instant case, as the debt being claimed by PNB is secured by the accessory contract of pledge of the entire stockholdings of Mega Prime to PNB-Madecor.[64]

The Court further notes that the Pantranco properties (or a portion thereof) were sold on execution to satisfy the unpaid obligation of PNB-Madecor to PNEI. PNB-Madecor was thus made liable to the former PNEI employees as the judgment debtor of PNEI. It has long been established in *PNB-Madecor v. Uy* and other similar cases that PNB-Madecor had an unpaid obligation to PNEI amounting to more or less ₱7 million which could be validly pursued by the creditors of the latter. Again, this strengthens the proper parties' right to question the validity of the execution sale, definitely not PNB.

Besides, the issue of whether PNB has a substantial interest over the Pantranco properties has already been laid to rest by the Labor Arbiter.[65] It is noteworthy that in its Resolution dated September 10, 2002, the Labor Arbiter denied PNB's Third-Party Claim primarily because PNB only has an inchoate right over the Pantranco properties.[66] Such conclusion was later affirmed by the NLRC in its Resolution dated June 30, 2003.[67] Notwithstanding said conclusion, PNB did not elevate the matter

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[64] *Rollo* (G.R. No. 170689), p. 55.

[65] *Id.* at 46-58.

[66] *Id.* at 55.

[67] *Id.* at 60-73.

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to the CA via a petition for review. Hence it is presumed to be satisfied with the adjudication therein.[68] That decision of the NLRC has become final as against PNB and can no longer be reviewed, much less reversed, by this Court.[69] This is in accord with the doctrine that a party who has not appealed cannot obtain from the appellate court any affirmative relief other than the ones granted in the appealed decision.[70]

WHEREFORE, premises considered, the petitions are hereby *DENIED* for lack of merit.

SO ORDERED.

Ynares-Santiago (Chairperson), Carpio,[*] *Chico-Nazario,* and *Peralta, JJ.,* concur.

SECOND DIVISION

[G.R. No. 171085. March 17, 2009]

PEOPLE OF THE PHILIPPINES, *appellee, vs.* **RODOLFO "RUDY" SORIANO,** *appellant.*

SYLLABUS

1. REMEDIAL LAW; EVIDENCE; CREDIBILITY OF WITNESSES; APPELLATE COURTS WILL NOT DISTURB THE CREDENCE ACCORDED BY THE TRIAL COURT TO THE

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[68] *Sps. Custodio v. CA*, 323 Phil. 575, 583 (1996).

[69] *Id.* at 583-584.

[70] *Universal Staffing Services, Inc. v. NLRC and Grace M. Morales*, G.R. No. 177576, July 21, 2008.

[*] Additional member in lieu of Associate Justice Ma. Alicia Austria-Martinez per Special Order No. 568 dated February 12, 2009.