



Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

MANUELA AZUCENA MAYOR,
Petitioner,

G.R. No. 203770

Present:

CARPIO, J., *Chairperson*,
VELASCO, JR., *
DEL CASTILLO,
MENDOZA, and
LEONEN, JJ.

- versus -

EDWIN TIU and DAMIANA
CHARITO MARTY,
Respondents.

Promulgated:

23 NOV 2016

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DECISION

MENDOZA, J.:

This is a Petition for Review on *Certiorari* under Rule 45 of the Rules of Court assailing the October 5, 2011¹ and September 24, 2012² Resolutions of the Court of Appeals (CA) in CA-G.R. SP No. 06256, which dismissed the petition filed by Remedios Tiu (*Remedios*) and Manuela Azucena Mayor (*Manuela*) for procedural infirmities. The said CA petition challenged the January 20, 2011³ and June 10, 2011⁴ Orders of the Regional Trial Court, Branch 6, Tacloban City (*RTC-Br. 6*), in **Sp. Proc. No. 2008-05-30**, a case for Probate of Last Will and Testament and Issuance of Letters of Testamentary.

The Antecedents:

On May 25, 2008, Rosario Guy-Juco Villasin Casilan (*Rosario*), the widow of the late Primo Villasin (*Primo*), passed away and left a

* Designated additional member per Raffle dated September 17, 2014.

¹ *Rollo*, pp. 80-82. Penned by Associate Justice Eduardo B. Peralta, Jr. and concurred in by Associate Justices Pampio A. Abarintos and Gabriel T. Ingles of the Eighteenth Division, Court of Appeals, Cebu City.

² *Id.* at 84-85. Penned by Executive Justice Pampio A. Abarintos and concurred in by Associate Justices Gabriel T. Ingles and Carmelita Salandanan Manahan.

³ *Id.* at 536-541.

⁴ *Id.* at 113-114.

holographic Last Will and Testament,⁵ wherein she named her sister, Remedios Tiu (*Remedios*), and her niece, Manuela Azucena Mayor (*Manuela*), as executors. Immediately thereafter, Remedios and Manuela filed a petition for the probate of Rosario's holographic will⁶ with prayer for the issuance of letters testamentary (*probate proceedings*). The petition was raffled to the Regional Trial Court, Branch 9, Tacloban City (*RTC-Br. 9*) and docketed as **Sp. Proc. No. 2008-05-30**. They averred that Rosario left properties valued at approximately ₱2.5 million.

On May 29, 2008, respondent Damiana Charito Marty (*Marty*) claiming to be the adopted daughter of Rosario, filed a petition for letters of administration before the RTC, Branch 34, Tacloban City (*RTC- Br. 34*), docketed as **Sp. Proc. No. 2008-05-32**, but it was not given due course because of the probate proceedings. Per records, this dismissal is subject of a separate proceeding filed by Marty with the CA Cebu City, docketed as CA-G.R. SP No. 04003.⁷

On June 12, 2008, in its Order,⁸ the RTC-Br. 9 found the petition for probate of will filed by Remedios and Manuela as sufficient in form and substance and set the case for hearing.

Consequently, Marty filed her Verified Urgent Manifestation and Motion,⁹ dated June 23, 2008, stating that Remedios kept the decedent Rosario a virtual hostage for the past ten (10) years and her family was financially dependent on her which led to the wastage and disposal of the properties owned by her and her husband, Primo. Marty averred that until the alleged will of the decedent could be probated and admitted, Remedios and her ten (10) children had no standing to either possess or control the properties comprising the estate of the Villasins. She prayed for the probate court to: 1) order an immediate inventory of all the properties subject of the proceedings; 2) direct the tenants of the estate, namely, Mercury Drug and Chowking, located at Primrose Hotel, to deposit their rentals with the court; 3) direct Metrobank, P. Burgos Branch, to freeze the accounts in the name of Rosario, Primrose Development Corporation (*Primrose*) or Remedios; and 4) lock up the Primrose Hotel in order to preserve the property until final disposition by the court.

On July 8, 2008, Remedios and Manuela filed their Comment/Opposition¹⁰ to the urgent manifestation averring that Marty was

⁵ Id. at 681-683.

⁶ Id. at 116-118.

⁷ Id. at 51.

⁸ Id. at 123.

⁹ Id. at 124-127.

¹⁰ Id. at 133-140.

not an adopted child of the Villasins based on a certification issued by the Office of the Clerk of Court of Tacloban City, attesting that no record of any adoption proceedings involving Marty existed in their records. They also argued that the probate court had no jurisdiction over the properties mistakenly claimed by Marty as part of Rosario's estate because these properties were actually owned by, and titled in the name of, Primrose. Anent the prayer to direct the tenants to deposit the rentals to the probate court, Remedios and Manuela countered that the probate court had no jurisdiction over properties owned by third persons, particularly by Primrose, the latter having a separate and distinct personality from the decedent's estate.

In her Reply,¹¹ dated July 15, 2008, Marty cited an order of the Court of First Instance of Leyte (*CFI Leyte*) in SP No. 1239,¹² claiming that as early as March 3, 1981, the veil of corporate entity of Primrose was pierced on the ground that it was a closed family corporation controlled by Rosario after Primo's death. Thus, Marty alleged that "piercing" was proper in the case of Rosario's estate because the incorporation of Primrose was founded on a fraudulent consideration, having been done in contemplation of Primo's death.

Further, on July 22, 2008, in her Opposition to the Petition for the Approval of the Will of the Late Rosario Guy-Juco Villasin Casilan,¹³ Marty impugned the authenticity of her holographic will.

Meanwhile, Edwin Tiu (*Edwin*), a son of Remedios, also filed his Opposition,¹⁴ dated June 13, 2008.

After a protracted exchange of pleadings, the parties submitted their respective memoranda.

The January 14, 2009 Order

In its January 14, 2009 Order,¹⁵ the RTC-Br. 9 granted the motion of Marty and appointed the OIC Clerk of Court as special administrator of the Estate. The Probate Court also ordered Mercury Drug and Chowking to deposit the rental income to the court and Metrobank to freeze the bank accounts mentioned in the motion of Marty. The doctrine of piercing the corporate veil was applied in the case considering that Rosario had no other properties that comprised her estate other than Primrose. According to the

¹¹ Id. at 168-177.

¹² Entitled In the Matter of the Intestate Estate of Primo A. Villasin Avestruz Villasin.

¹³ *Rollo*, pp. 144-146.

¹⁴ Id. at 147-151.

¹⁵ Id. at 277-284.

probate court, for the best interest of whoever would be adjudged as the legal heirs of the Estate, it was best to preserve the properties from dissipation.

On January 22, 2009, Remedios and Manuela filed their Motion for Inhibition¹⁶ on the ground of their loss of trust and confidence in RTC-Br. 9 Presiding Judge Rogelio C. Sescon (*Judge Sescon*) to dispense justice. Later, they also filed their Motion for Reconsideration *Ad Cautelam*,¹⁷ dated February 3, 2009, arguing that Rosario's estate consisted only of shares of stock in Primrose and not the corporation itself. Thus, the probate court could not order the lessees of the corporation to remit the rentals to the Estate's administrator. With regard to the appointment of a special administrator, Remedios and Manuela insisted that it be recalled. They claimed that if ever there was a need to appoint one, it should be the two of them because it was the desire of the decedent in the will subject of the probate proceedings.

In its Order,¹⁸ dated March 27, 2009, the RTC-Br. 9 denied the motion for reconsideration for lack of merit and affirmed its January 14, 2009 Order. The presiding judge, Judge Sescon, also granted the motion for inhibition and ordered that the records of the case be referred to the RTC Executive Judge for reraffling. The case was later re-raffled to RTC-Br.6, Judge Alphino C. Serrano, presiding judge.

Aggrieved by the denial of their motion for reconsideration, Remedios and Manuela filed a petition for *certiorari* with the CA in Cebu City, docketed as CA-G.R. S.P. No. 04254, assailing the January 14, 2009 and March 27, 2009 Orders of the RTC-Br. 9.¹⁹

Ruling of the CA

In its October 16, 2009 Decision,²⁰ the CA *reversed* the assailed orders of the RTC Br. 9, except as to the appointment of a special administrator insofar as this relates to properties specifically belonging to the "Estate." It held that **Primrose had a personality separate and distinct from the estate of the decedent and that the probate court had no jurisdiction to apply the doctrine of piercing the corporate veil.**

According to the CA, nowhere in the assailed orders of the probate court was it stated that its determination of the title of the questioned

¹⁶ Id. at 285-297.

¹⁷ Id. at 304-324.

¹⁸ Id. at 337-342.

¹⁹ Id. at 343-369.

²⁰ Id. at 420-433.

properties was only for the purpose of determining whether such properties ought to be included in the inventory. When the probate court applied the doctrine of “piercing,” in effect, it adjudicated with finality the ownership of the properties in favor of the Estate. The CA stated that RTC-Br. 9 had no jurisdiction to adjudicate ownership of a property claimed by another based on adverse title; and that questions like this must be submitted to a court of general jurisdiction and not to a probate court.

The CA added that assuming that the probate court’s determination on the issue of ownership was merely intended to be provisional, Marty’s contentions still had no merit. The properties, which she claimed to be part of the estate of Rosario and over which she claimed co-ownership, comprised of real properties registered under the Torrens system. As such, Primrose was considered the owner until the titles to those properties were nullified in an appropriate ordinary action. The CA further stated that the RTC erroneously relied on the order issued by the CFI Leyte in 1981, in the probate proceedings involving the estate of Primo. Whatever determination the CFI made at the time regarding the title of the properties was merely provisional, hence, not conclusive as to the ownership.

By reason of the favorable decision by the CA, Remedios and Manuela filed their Motion to Partially Revoke the Writ of Execution Enforcing the January 14, 2009 Order of the Honorable Court and Manifestation in Compliance with the October 21, 2009 Order (*Ad Cautelam*),²¹ dated October 27, 2009.

In its Order,²² dated November 17, 2009, the RTC-Br. 6 *partially granted* the motion as it revoked the power of the special administrator to oversee the day-to-day operations of Primrose. It also revoked the order with respect to Mercury Drug and Chowking, reasoning out that the said establishments dealt with Primrose, which had a personality distinct and separate from the estate of the decedent. In the said order, Atty. Blanche A. Salino nominated by oppositors Marty and Edwin, was appointed special administrator to oversee the day-to-day operations of the estate. The same order also upheld the January 14, 2009 Order, as to the conduct and inventory of all the properties comprising the estate.

This order was not questioned or appealed by the parties.

Omnibus Motion

On September 24, 2010, or almost ten (10) months after the November 17, 2009 Order of the probate court was issued, Marty, together

²¹ Id. at 437-442.

²² Id. at 456-459.

with her new counsel, filed her Omnibus Motion,²³ praying for the probate court to: 1) order Remedios and Manuela to render an accounting of all the properties and assets comprising the estate of the decedent; 2) deposit or consign all rental payments or other passive income derived from the properties comprising the estate; and 3) prohibit the disbursement of funds comprising the estate of the decedent without formal motion and approval by the probate court.

Ruling of the RTC-Br. 6

In its January 20, 2011 Order, the RTC-Br. 6 granted Marty's Omnibus Motion. Although it agreed with the October 16, 2009 CA Decision reversing the January 14, 2009 Order of the RTC-Br. 9, nonetheless, it acknowledged the urgency and necessity of appointing a special administrator. According to the probate court, considering that there was clear evidence of a significant decrease of Rosario's shares in the outstanding capital stock of Primrose,²⁴ prudence dictated that an inquiry into the validity of the transfers should be made. A final determination of this matter would be outside the limited jurisdiction of the probate court, but it was likewise settled that the power to institute an action for the recovery of a property claimed to be part of the estate was normally lodged with the executor or administrator. Thus, the probate court disposed:

WHEREFORE, for the reasons aforestated, and so as not to render moot any action that the special administrator, or the regular administrator upon the latter's qualification and appointment, may deem appropriate to take on the matter (i.e. Whether or not to institute in the name of the estate the appropriate action for the recovery of the shares of stock), this Court hereby **GRANTS** Oppositor Marty's Omnibus Motion, dated September 24, 2010, and thus hereby:

1. DIRECTS petitioners, either individually or jointly, to: **(a) RENDER AN ACCOUNTING** of all the properties and assets comprising the estate of the decedent that may have come into their possession; and, **(b) DEPOSIT OR CONSIGN** all the rentals payments or such other passive incomes from the properties and assets registered in the name of Primrose Development Corporation, including all income derived from the Primrose Hotel and the lease contracts with Mercury Drug and Chowking Restaurant, both within fifteen (15) days from receipt of this Order;

2. DIRECTS the Special Administrator to take possession and charge of the properties comprising the decedent's estate, specially those pertaining to the shareholding of the decedent in Primrose Development Corporation, to determine whether or not

²³ Id. at 460-475.

²⁴ As reported in the General Information Sheet for 2008.

action for the recovery of the shares of stock supposedly transferred from the decedent to petitioners Remedios Tiu, Manuela Azucena Mayor should be instituted in the name of the estate against the said transferees and to submit a Report on the foregoing matters to this Court, within fifteen (15) days from receipt of this Order; and,

3. **ORDERS** that no funds comprising the estate of the decedent shall be disbursed without formal Motion therefor, with the conformity of the Special Administrator, duly approved by this Court.

SO ORDERED.²⁵ [Underscoring supplied]

The partial motion for reconsideration of the above order filed by Remedios and Manuela was denied in the other assailed order of the RTC-Br. 6, dated June 10, 2011.²⁶

Dissatisfied, Remedios and Manuela availed of the special civil action of *certiorari* under Rule 65, and filed a petition before the CA.

Action by the CA

The CA, however, in its October 5, 2011 Resolution,²⁷ dismissed the same based on the following infirmities: 1) there was no proper proof of service of a copy of the petition on the respondents which was sent by registered mail; 2) petitioners failed to indicate on the petition the material date when the motion for reconsideration was filed; 3) the copy of the assailed order was not certified true and correct by the officer having custody of the original copy; and 4) the serial number of the commission of the notary public, the province-city where he was commissioned, the office address of the notary public and the roll of attorney's number were not properly indicated on the verification and certification of non-forum shopping.

Remedios and Manuela moved for reconsideration of the assailed CA resolution, but to no avail, as the appellate court denied the motion in its September 24, 2012 Resolution.

Hence, this petition before the Court, filed only by Manuela as Remedios had also passed away, and anchored on the following

²⁵ *Rollo*, pp. 540-541.

²⁶ *Id.* at 113-114.

²⁷ *Id.* at 80-82.

GROUNDS

I.

THE HONORABLE COURT OF APPEALS COMMITTED GROSS AND REVERSIBLE ERROR IN THE APPLICATION OF LAW AND THE RULES WARRANTING REVIEW WHEN IT MISAPPLIED SECTION 13, RULE 13 OF THE RULES OF COURT AND DECLARED THAT THERE WAS NO PROPER PROOF OF SERVICE BY REGISTERED MAIL.

II.

THE HONORABLE COURT OF APPEALS COMMITTED GROSS AND REVERSIBLE ERROR IN THE APPLICATION OF LAW AND THE RULES WARRANTING REVIEW WHEN IT MISAPPLIED JURISPRUDENCE AND RULE 65 AND IT HELD THAT PETITIONER MAYOR DID NOT COMPLY WITH THE MATERIAL DATE RULE.

III.

THE HONORABLE COURT OF APPEALS COMMITTED GROSS AND REVERSIBLE ERROR IN THE APPLICATION OF LAW AND THE RULES WARRANTING REVIEW WHEN IT DECLARED THAT PETITIONER MAYOR FAILED TO COMPLY WITH THE REQUIREMENT OF SECTION 1, RULE 65 FOR FAILING TO ATTACH CERTIFIED TRUE COPY OF THE ORDER OF THE TRIAL COURT.

IV.

THE HONORABLE COURT OF APPEALS COMMITTED GROSS AND REVERSIBLE ERROR IN THE APPLICATION OF LAW AND THE RULES WARRANTING REVIEW WHEN IT DECLARED THAT PETITIONER MAYOR DID NOT COMPLY WITH THE REQUIREMENT OF VERIFICATION AND CERTIFICATION AGAINST FORUM SHOPPING.

V.

THE HONORABLE COURT OF APPEALS COMMITTED GROSS AND REVERSIBLE ERROR IN THE APPLICATION OF LAW AND THE RULES WARRANTING REVIEW WHEN IT ALLOWED TECHNICALITIES TO BE USED TO DEFEAT SUBSTANTIAL RIGHT OF THE PARTIES.

VI.

PETITIONERS HAVE GOOD CAUSE AND A MERITORIOUS CASE AGAINST HEREIN RESPONDENTS AS PARAGRAPH 1(B) OF THE DISPOSITIVE PORTION OF THE *FIRST ASSAILED ORDER* SHOULD HAVE BEEN REVERSED BECAUSE IT OVERTURNS THE DECISION OF THE COURT OF APPEALS

DATED 16 OCTOBER 2009 WHICH HAS LONG BECOME FINAL AND EXECUTORY.²⁸

Petitioner Manuela argued that:

- 1) There was actual compliance with Section 13, Rule 13 of the Rules of Court. The CA petition was accompanied by a notarized affidavit of service and filing of registered mail. At the time the petition was filed, this was the best evidence of the service. The other registry receipts for the other parties were also attached to the petition. Further, the available registry return card was furnished the CA in the motion for reconsideration.²⁹
- 2) The failure of the petition to comply with the rule on a statement of material dates could be excused because the dates were evident from the records.³⁰
- 3) The petitioner went to the RTC of Tacloban to secure certified true copies of the assailed orders. Only the stamped name of the Clerk of Court, however, appeared thereon, because the particular branch had no stamp pad which had the phrase for certification. The branch did not even have a typewriter in order to affix the phrase on the copies. These inadequacies could not be attributed to the petitioners.³¹
- 4) The lack of information pertaining to the notary public in the verification and certification against forum-shopping should not invalidate the same because, again, it was not attributable to the parties.³²
- 5) Technicalities should never be used to defeat the substantive rights of a party.³³

In its January 23, 2013 Resolution³⁴ the Court ordered the respondents to file their respective comments. Marty, in her Comment, insisted that the petitioner failed to comply with the procedural requirements as stated by the CA.³⁵

²⁸ Id. at 58-59.

²⁹ Id. at 59-60.

³⁰ Id. at 62-64.

³¹ Id. at 64-66.

³² Id. at 66-68.

³³ Id. at 68-70.

³⁴ Id. at 1265-1266.

³⁵ That petitioners did not comply with the requirement of the rules on service of its petition before the CA; That petitioners did not comply with the material date rule; That the petitioners failed to attach a certified true copy of the assailed Order in their petition with the CA; That the verification and certification of non-forum shopping attached to the petition with the CA is defective.

In her Reply to Comment,³⁶ petitioner Manuela clarified that the affidavit of service was executed on August 31, 2011, which was after the petition was signed by the lawyers and after it was verified by the petitioner herself. After contesting Marty's arguments on the alleged procedural infirmities of the petitions with the CA and this Court, Manuela asserted that the final and executory October 16, 2009 Decision of the CA already held that Primrose had a personality separate and distinct from the estate of decedent Rosario.

Meanwhile, in his Manifestation,³⁷ dated May 29, 2013, Edwin affirmed that he and Manuela decided to patch up their differences and agreed to settle amicably. Accordingly, he manifested that he was withdrawing from the case pursuant to their agreement.

On June 18, 2014, Manuela filed her Motion for Issuance of Temporary Restraining Order and Writ of Preliminary Injunction³⁸ on the ground that a flurry of orders had been issued by the RTC-Br. 6 in the implementation of the assailed January 20, 2011 Order, such as the Order,³⁹ dated May 27, 2013, wherein the probate court vaguely ordered "the inventory of the exact extent of the 'decedent's estate.'" Then another order was issued appointing an auditing firm to conduct an inventory/audit of the Estate including the rentals and earnings derived from the lease of Mercury Drug and Chowking Restaurant, as tenants of Primrose.⁴⁰ According to petitioner Manuela, although an inventory of the assets of the decedent was proper, the probate court ordered an inventory of the assets of Primrose, a separate and distinct entity. Manuela asserts that it was clearly in error.

In her Supplement to the Motion for Issuance of Temporary Restraining Order and Writ of Preliminary Injunction,⁴¹ dated June 17, 2013, Manuela informed the Court that the inventory and accounting of Primrose would already commence on June 19, 2013.

Marty filed her Opposition,⁴² dated July 3, 2013, stating that the petition of Manuela had been rendered moot and academic as the probate court had declared her as the sole heir of Rosario and appointed her administrator of the estate. She argued that an injunctive relief would work injustice to the estate because of the total assimilation by petitioner of the

³⁶ *Rollo*, pp. 1292-1301.

³⁷ *Id.* at 1347-1349.

³⁸ *Id.* at 1322-1328

³⁹ *Id.* at 1333-1337.

⁴⁰ *Id.* at 1338-1339.

⁴¹ *Id.* at 1340-1342.

⁴² *Id.* at 1360-1368.

shareholdings of the decedent in Primrose and her share in the corporation's income corresponding to her shareholdings.

Finding that the requisites for preliminary injunctive relief were present,⁴³ the Court issued the TRO⁴⁴ in favor of Manuela on October 14, 2013. At the outset, the Court was convinced that the rights of Primrose sought to be protected by the grant of injunctive relief were material and substantial and the TRO was issued in order to prevent any irreparable damage to a corporate entity that could arise from the conduct of an accounting by the court-appointed inventory.

The Court's Ruling

The Court now resolves the subject case by the issuance of a permanent injunction, as prayed for by petitioner Manuela. This position is supported by law and jurisprudence, as follows:

First. Artificial persons include (1) a collection or succession of natural persons forming a corporation; and (2) a collection of property to which the law attributes the capacity of having rights and duties. This class of artificial persons is recognized only to a limited extent in our law. Example is the estate of a bankrupt or deceased person.⁴⁵ From this pronouncement, it can be gleaned that the estate of the deceased person is a juridical person separate and distinct from the person of the decedent and any other corporation. This status of an estate comes about by operation of law. This is in consonance with the basic tenet under corporation law that a corporation has a separate personality distinct from its stockholders and from other corporations to which it may be connected.⁴⁶

Second. The doctrine of piercing the corporate veil has no relevant application in this case. Under this doctrine, 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

⁴³ The requisites for preliminary injunctive relief are: a) the invasion of right sought to be protected is material and substantial; b) the right of the complainant is clear and unmistakable; and c) there is an urgent and paramount necessity for the writ to prevent serious damage.

⁴⁴ *Rollo*, pp. 1373-1376.

⁴⁵ 2 *Rapalje & L. Law Dict.* 954., as cited in *Limjoco v. Intestate Estate of Pedro O. Fragante*, G.R. No. L-770, April 27, 1948.

⁴⁶ *Concept Builder's Inc. v. NLRC*, 326 Phil. 955, 964 (1996).

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same.⁴⁷ The purpose behind piercing a corporation's identity is to remove the barrier between the corporation and the persons comprising it to thwart the fraudulent and illegal schemes of those who use the corporate personality as a shield for undertaking certain proscribed activities.⁴⁸

Here, instead of holding the decedent's interest in the corporation separately as a stockholder, the situation was reversed. Instead, the probate court ordered the lessees of the corporation to remit rentals to the estate's administrator without taking note of the fact that the decedent was not the absolute owner of Primrose but only an owner of shares thereof. Mere ownership by a single stockholder or by another corporation of all or nearly all of the capital stocks of a corporation is not of itself a sufficient reason for disregarding the fiction of separate corporate personalities.⁴⁹ Moreover, to disregard the separate juridical personality of a corporation, the wrongdoing cannot be presumed, but must be clearly and convincingly established.⁵⁰

Third. A probate court is not without limits in the determination of the scope of property covered in probate proceedings. In a litany of cases, the Court had defined the parameters by which a probate court may extend its probing arms in the determination of the question of title in probate proceedings. In *Pastor, Jr. vs. Court of Appeals*,⁵¹ the Court explained that, as a rule, the question of ownership was an extraneous matter which the probate court could not resolve with finality. Thus, for the purpose of determining whether a certain property should, or should not, be included in the inventory of estate properties, the probate court may pass upon the title thereto, but such determination is provisional, not conclusive, and is subject to the final decision in a separate action to resolve title. It is a well-settled rule that a probate court or one in charge of proceedings, whether testate or intestate, cannot adjudicate or determine title to properties claimed to be part of the estate but which are equally claimed to belong to outside parties. It can only determine whether they should, or should not, be included in the inventory or list of properties to be overseen by the administrator. If there is no dispute, well and good; but if there is, then the parties, the administrator and the opposing parties have to resort to an ordinary action for a final determination of the conflicting claims of title because the probate court cannot do so.⁵²

⁴⁷ *Pantranco Employees Association (PEA-PTGWO) v. National Labor Relations Commission*, citing *General Credit Corporation v. Alsons Development and Investment Corporation*, 542 Phil. 219, 231 (2007).

⁴⁸ *Francisco Motors Corporation v. Court of Appeals*, 368 Phil. 374, 385 (1999).

⁴⁹ *Traders Royal Bank v. Court of Appeals*, 336 Phil. 15, 29 (1997).

⁵⁰ *Mataguina Integrated Wood Products Inc. v. Court of Appeals*, 331 Phil. 795, 814 (1996).

⁵¹ 207 Phil. 758 (1983).

⁵² *Morales v. CFI of Cavite*, 230 Phil. 456, 465 (1986).

In this case, respondent Marty argues that the subject properties and the parcel of land on which these were erected should be included in the inventory of Rosario's estate. More so, the arrears from the rental of these properties were later on ordered to be remitted to the administrator of the estate grounded on the allegation that Rosario had no other properties other than her interests in Primrose. To the Court's mind, this holding of the probate court was in utter disregard of the undisputed fact the subject land is registered under the Torrens system in the name of Primrose, a third person who may be prejudiced by the orders of the probate court. In *Valera vs. Inserto*:⁵³ the Court stated:

xxx, settled is the rule that a Court of First Instance (now Regional Trial Court), acting as a probate court, exercises but limited jurisdiction, and thus has no power to take cognizance of and determine the issue of title to property claimed by a third person adversely to the decedent, unless the claimant and all the other parties having legal interest in the property consent, expressly or impliedly, to the submission of the question to the probate court for adjudgment, or the interests of third persons are not thereby prejudiced, the reason for the exception being that the question of whether or not a particular matter should be resolved by the Court in the exercise of its general jurisdiction or of its limited jurisdiction as a special court (e.g. probate, land registration, etc.), is in reality not a jurisdictional but in essence of procedural one, involving a mode of practice which may be waived.

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xxx These considerations assume greater cogency where, as here, the Torrens title to the property is not in the decedent's names but in others, a situation on which this Court has already had occasion to rule.⁵⁴ [Emphasis and underscoring supplied]

Thus, the probate court should have recognized the incontestability accorded to the Torrens title of Primrose over Marty's arguments of possible dissipation of properties. In fact, in the given setting, even evidence purporting to support a claim of ownership has to yield to the incontestability of a Torrens title, until after the same has been set aside in the manner indicated in the law itself. In other words, the existence of a Torrens title may not be discounted as a mere incident in special proceedings for the settlement of the estate of deceased persons. Put clearly, if a property covered by Torrens title is involved, "the presumptive conclusiveness of such title should be given due weight, and in the absence of strong compelling evidence to the contrary, the holder thereof should be considered

⁵³ 233Phil. 552 (1987).

⁵⁴ Id. at 562-563.

as the owner of the property in controversy until his title is nullified or modified in an appropriate ordinary action, particularly, when as in the case at bar, possession of the property itself is in the persons named in the title.”⁵⁵

Additionally, Presidential Decree (*P.D.*) No. 1529⁵⁶ proscribes a collateral attack on a Torrens title:

Sec. 48. Certificate not subject to collateral attack. — A certificate of title shall not be subject to collateral attack. It cannot be altered, modified or cancelled except in a direct proceeding in accordance with law.

In *Cuizon vs. Ramolete*,⁵⁷ the property subject of the controversy was duly registered under the Torrens system. To this, Court categorically stated:

Having been apprised of the fact that the property in question was in the possession of third parties and more important, covered by a transfer certificate of title issued in the name of such third parties, **the respondent court should have denied the motion of the respondent administrator and excluded the property in question from the inventory of the property of the estate. It had no authority to deprive such third persons of their possession and ownership of the property.**⁵⁸ xxx [Emphasis and underscoring supplied]

A perusal of the records of this case would show that that no compelling evidence was ever presented to substantiate the position of Marty that Rosario and Primrose were one and the same, justifying the inclusion of the latter’s properties in the inventory of the decedent’s properties. This has remained a vacant assertion. At most, what Rosario owned were shares of stock in Primrose. In turn, this boldly underscores the fact that Primrose is a separate and distinct personality from the estate of the decedent. Inasmuch as the real properties included in the inventory of the estate of Rosario are in the possession of, and are registered in the name of, Primrose, Marty’s claims are bereft of any logical reason and conclusion to pierce the veil of corporate fiction.

Fourth. The probate court in this case has not acquired jurisdiction over Primrose and its properties. Piercing the veil of corporate entity applies to determination of liability not of jurisdiction; it is basically applied only to determine established liability. It is not available to confer on the court a jurisdiction it has not acquired, in the first place, over a party not impleaded

⁵⁵ *Bolisay v. Alcid*, 174 Phil. 463, 470 (1978).

⁵⁶ The Property Registration Decree.

⁵⁷ 214 Phil. 436 (1984).

⁵⁸ *Id.* at 442.

in a case.⁵⁹ This is so because the doctrine of piercing the veil of corporate fiction comes to play only during the trial of the case after the court has already acquired jurisdiction over the corporation. Hence, before this doctrine can be even applied, based on the evidence presented, it is imperative that the court must first have jurisdiction over the corporation.⁶⁰

Hence, a corporation not impleaded in a suit cannot be subject to the court's process of piercing the veil of its corporate fiction. Resultantly, any proceedings taken against the corporation and its properties would infringe on its right to due process.

In the case at bench, the probate court applied the doctrine of piercing the corporate veil ratiocinating that Rosario had no other properties that comprise her estate other than her shares in Primrose. Although the probate court's intention to protect the decedent's shares of stock in Primrose from dissipation is laudable, it is still an error to order the corporation's tenants to remit their rental payments to the estate of Rosario.

Considering the above disquisition, the Court holds that a permanent and final injunction is in order in accordance with Section 9, Rule 58 of the Rules of Court which provides that "[i]f after the trial of the action it appears that the applicant is entitled to have the act or acts complained of permanently enjoined, the court shall grant a final injunction perpetually restraining the party or person enjoined from the commission or continuance of the act or acts or confirming the preliminary mandatory injunction." Undoubtedly, Primrose stands to suffer an irreparable injury from the subject order of the probate court.

WHEREFORE, the petition is **GRANTED**. The Temporary Restraining Order, dated June 14, 2013, is hereby made **PERMANENT**, effective immediately. The Regional Trial Court, Branch 6, Tacloban City, is **ENJOINED** from enforcing and implementing its January 20, 2011 and June 10, 2011 Orders, insofar as the corporate properties of Primrose Development Corporation are concerned, to avert irreparable damage to a corporate entity, separate and distinct from the Estate of Rosario Guy-Juco Villasin Casilan.

SO ORDERED.


JOSE CATRAL MENDOZA
Associate Justice

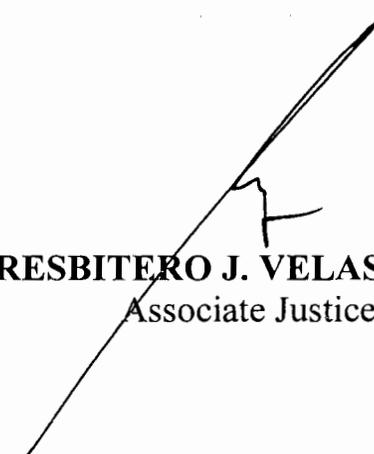
⁵⁹ *Kukan International Corporation v. Hon. Amor Reyes*, 646 Phil. 210, 234 (2010).

⁶⁰ A. Agbayani, *Commentaries and Jurisprudence on the Commercial Laws of the Philippines* 18 (1991).

WE CONCUR:



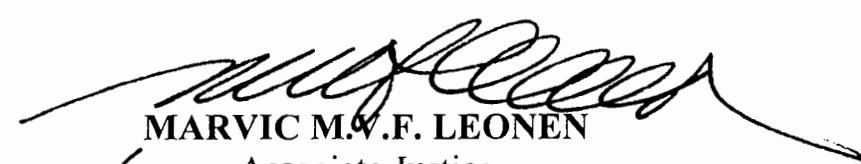
ANTONIO T. CARPIO
Associate Justice
Chairperson



PRESBITERO J. VELASCO, JR.
Associate Justice



MARIANO C. DEL CASTILLO
Associate Justice



MARVIC M.V.F. LEONEN
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



ANTONIO T. CARPIO
Associate Justice
Chairperson, Second Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



MARIA LOURDES P. A. SERENO
Chief Justice