



Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

NOTICE

Sirs/Mesdames:

*Please take notice that the Court, First Division, issued a Resolution dated **January 19, 2021** which reads as follows:*

“G.R. No. 253375 – (MARGARITA R. LOPEZ, *petitioner* v. CYPRES GARDENS CONDOMINIUM CORPORATION, *respondent*). – Filed before this Court is a petition for review on *certiorari*¹ under Rule 45 of the Rules of Court challenging the Decision² dated February 17, 2020 and the Resolution³ dated August 20, 2020 of the Court of Appeals (CA) in CA-G.R. SP No. 151733. The challenged Decision dismissed the petition for *certiorari* filed by Margarita R. Lopez (*petitioner*), while the assailed Resolution denied her motion for reconsideration.

Facts

Stripped of non-essentials, the antecedents are:

On July 2, 2003, the Securities and Exchange Commission (SEC) revoked the certificate of registration of Goldcrest Realty Corporation (Goldcrest) for non-compliance with corporate reportorial requirements.⁴

On April 13, 2005,⁵ Cypress Gardens Condominium Corporation (*respondent*) commenced before the Regional Trial Court (RTC) of Makati City a case (Civil Case No. 05-322) against Goldcrest for unpaid association dues, utility bills, special assessment, and other charges on the penthouse unit owned by Goldcrest.⁶

- over – nine (9) pages ...

124-A

¹ *Rollo*, pp. 3-45.

² *Id.* at 52-64; penned by Associate Justice Gabriel T. Robeniol and concurred in by Associate Justices Edwin D. Sorongon and Walter S. Ong.

³ *Id.* at 65-67.

⁴ *Id.* at 151.

⁵ *Id.* at 8, as alleged by *petitioner*; 402-418, *respondent*’s memorandum before the CA, where it alleged that the civil case before the RTC of Makati City was filed in 2001.

⁶ *Id.* at 8.

After trial, the RTC, Branch 147 of Makati City rendered a Decision on October 23, 2012, the dispositive portion of which reads:

WHEREFORE, as prayed for by the complainant [sic], judgment is hereby rendered in favor of the plaintiff x x x ordering the defendant x x x to pay the plaintiff the amount of Php1,911,926.72 with interest of twelve percent (12%) per annum from date of final demand.

SO ORDERED.⁷

On appeal, the CA, through a Decision dated May 19, 2015, affirmed with modification the RTC Decision. Ultimately, the CA Decision became final and executory on November 26, 2015.⁸

Consequently, respondent moved for the issuance of a *writ* of execution.⁹

Claiming to be the president and a stockholder of Goldcrest, petitioner, filed a Comment/Opposition to respondent's Motion for Issuance of Writ of Execution. Petitioner asserts, in the main, that respondent cannot execute the RTC Decision against the properties of Goldcrest because Goldcrest has already been dissolved. Respondent can only file its claim during liquidation proceedings. Otherwise, the Trust Fund Doctrine will be violated.¹⁰

Respondent moved to expunge petitioner's Comment/Opposition on the ground of lack of personality, Goldcrest having a personality distinct and separate from its stockholders.¹¹

On March 31, 2017, the RTC issued an Omnibus Order,¹² granting respondent's Motion for Issuance of *Writ* of Execution. The RTC sustained respondent's arguments on petitioner's lack of personality to intervene in the case. Further, the RTC held that, assuming that petitioner may intervene, intervention can no longer be allowed since the RTC Decision had already attained finality.¹³ Petitioner moved for reconsideration,¹⁴ but to no avail, it was denied.¹⁵

- over -

124-A

⁷ Id. at 52-53.

⁸ Id. at 215.

⁹ Id. at 214-218.

¹⁰ Id. at 180, 53-54.

¹¹ Id.

¹² Id. at 180-183.

¹³ Id. at 181-182.

¹⁴ Id. at 184-211.

¹⁵ Id. at 213.

Aggrieved, petitioner filed a petition for *certiorari*¹⁶ under Rule 65 with the CA.

On, February 17, 2020, the CA promulgated the challenged Decision,¹⁷ the dispositive portion of which states:

WHEREFORE, the *Petition* is DISMISSED for lack of merit. The *Omnibus Order* dated March 31, 2017 and the *Order* dated June 6, 2017 of the Regional Trial Court of Makati City, Branch 147, in Civil Case No. 05-322, STAND.

SO ORDERED.¹⁸

Her motion for reconsideration having been denied by the CA,¹⁹ petitioner is now before Us *via* the present petition under Rule 45 raising the following issues:

I.

WHETHER OR NOT THERE EXIST EXCEPTIONS OR GROUNDS IN THE INSTANT CASE TO WARRANT THE STAY OF THE [RTC] DECISION DATED 23 OCTOBER 2012.

II.

WHETHER OR NOT THE ABSENCE OF LIQUIDATION PROCEEDINGS DOES NOT PRECLUDE THE EXECUTION OF THE [RTC] DECISION DATED 23 OCTOBER 2012.

III.

WHETHER OR NOT THE PETITIONER DOES NOT QUALIFY AS A REAL-PARTY-IN-INTEREST OR AS AN AUTHORIZED TRUSTEE IN THE PRESENT CASE.

IV.

WHETHER OR NOT THE TRUST FUND DOCTRINE DOES NOT APPLY IN THE PRESENT CASE.

V.

WHETHER OR NOT PETITIONER HAS LEGAL PERSONALITY TO INTERVENE OR PARTICIPATE IN THE PROCEEDINGS BEFORE THE [RTC].²⁰

The Court's Ruling

The petition fails.

- over -
124-A

¹⁶ Id. at 108-147.

¹⁷ Id. at 52-64.

¹⁸ Id. at 64.

¹⁹ Id. at 65-67.

²⁰ Id. at 10-11.

At the onset, it is settled that upon the finality of the judgment, the prevailing party is entitled, as a matter of right, to a *writ* of execution to enforce the judgment, the issuance of which is a ministerial duty of the court.²¹ Jurisprudentially, the Court has recognized certain exceptions to the rule as where in cases of special and exceptional nature it becomes imperative in the higher interest of justice to direct the suspension of its execution; whenever it is necessary to accomplish the aims of justice; or when certain facts and circumstances transpired after the judgment became final which could render the execution of the judgment unjust.²²

None of the aforementioned exceptions exists in the present case. Petitioner nonetheless contends that Goldcrest's dissolution and absence of "liquidation proceedings" are circumstances that will render execution of the RTC Decision unjust and equitable. She argues that respondent's "claim" should be filed in the "proceedings for liquidation" of Goldcrest's corporate assets.

Petitioner's arguments fail to persuade.

First, records show that Goldcrest's certificate of registration was revoked by the SEC in 2003, **before** the filing of the complaint in Civil Case No. 05-322. **Notably, however, such fact was never raised as an issue or defense by Goldcrest before the RTC during the pendency of Civil Case No. 05-322. In fact, Goldcrest even challenged, albeit unsuccessfully, the October 23, 2012 Decision of the RTC before the CA.**

Second, a scrutiny of petitioner's arguments and cases cited in the petition reveals that petitioner confuses corporate liquidation under the Corporation Code with liquidation proceedings in cases of **insolvency**.

Generally, corporate liquidation is governed by the Corporation Code. Section 139²³ of Republic Act (R.A.) No. 11232²⁴ reads:

SECTION 139. Corporate Liquidation. — Except for banks, which shall be covered by the applicable provisions of Republic Act No. 7653, otherwise known as "The New Central Bank Act," as amended, and Republic Act No. 3591, otherwise known as the Philippine Deposit Insurance Corporation

- over -

124-A

²¹ *Calilung v. Paramount Insurance Corp., et al.*, 789 Phil. 440, 449 (2016).

²² *Premiere Development Bank v. Judge Flores, etc., et al.*, 594 Phil. 477, 486 (2008).

²³ Formerly Section 22 of the *Batas Pambansa* (BP) Blg. 68 or The Corporation Code of the Philippines.

²⁴ REVISED CORPORATION CODE OF THE PHILIPPINES, effective February 23, 2019.

Charter, as amended, every corporation whose charter expires pursuant to its articles of incorporation, is annulled by forfeiture, or whose corporate existence is terminated in any other manner, shall nevertheless remain as a body corporate for three (3) years after the effective date of dissolution, for the purpose of prosecuting and defending suits by or against it and enabling it to settle and close its affairs, dispose of and convey its property, and distribute its assets, but not for the purpose of continuing the business for which it was established.

At any time during said three (3) years, the corporation is authorized and empowered to convey all of its property to trustees for the benefit of stockholders, members, creditors and other persons in interest. After any such conveyance by the corporation of its property in trust for the benefit of its stockholders, members, creditors and others in interest, all interest which the corporation had in the property terminates, the legal interest vests in the trustees, and the beneficial interest in the stockholders, members, creditors or other persons-in-interest.

Except as otherwise provided for in Sections 93 and 94 of this Code, upon the winding up of corporate affairs, any asset distributable to any creditor or stockholder or member who is unknown or cannot be found shall be escheated in favor of the national government.

Except by decrease of capital stock and as otherwise allowed by this Code, no corporation shall distribute any of its assets or property except upon lawful dissolution and after payment of all its debts and liabilities. (Emphases supplied)

On the one hand, liquidation of an **insolvent** corporation is governed by R.A. No. 10142,²⁵ or R.A. No. 7653,²⁶ as amended, and R.A. No. 3591,²⁷ in case of an **insolvent** bank.²⁸

Here, there was no allegation that Goldcrest is a financially distressed corporation. Neither was there any showing that Goldcrest is an insolvent corporation undergoing liquidation proceedings under R.A. No. 10142. Hence, liquidation of Goldcrest's assets is still governed by the Corporation Code. Corporate liquidation is a necessary consequence of dissolution.²⁹ To be exact, once a corporation is dissolved, be it voluntarily or involuntarily, liquidation,

- over -

124-A

²⁵ Financial Rehabilitation and Insolvency Act (FRIA) of 2010, effective July 18, 2010.

²⁶ The New Central Bank Act.

²⁷ An Act Establishing the Philippine Deposit Insurance Corporation, Defining its Powers and Duties and for other Purposes.

²⁸ See Sec. 139 of RA 11232.

²⁹ *Yu. et al. v. Yukayguan, et al.*, 607 Phil. 581, 607 (2009).

which is the process of settling the affairs of the corporation, will ensue. This consists of (1) collection of all that is due the corporation, **(2) the settlement and adjustment of claims against it, and (3) the payment of its debts.**³⁰

From the foregoing, the fact that Goldcrest has not yet undertaken “liquidation” is of no moment. Payment of Goldcrest’s judgment debt in favor of respondent, contrary to petitioner’s stance, is actually part of Goldcrest’s corporate liquidation.

Moreover, it is settled that a corporation has a separate and distinct personality from its directors and officers and can only exercise its corporate powers through the board of directors.³¹ Corollarily, the power of a corporation to sue and be sued in any court is lodged with the board of directors that exercises its corporate powers.³² An individual corporate officer cannot solely exercise any corporate power pertaining to the corporation without authority from the board of directors.³³

Goldcrest remains to be the real-party-in-interest in the execution of the final judgment in Civil Case No. 05-322. On this score, the Court notes that **Goldcrest, notwithstanding its dissolution in 2003, actively participated in the proceedings for Civil Case No. 05-322.** As already stated, Goldcrest even appealed the October 23, 2012 RTC Decision to the CA. Apparently, Goldcrest continued to function as a body corporate insofar as Civil Case No. 05-322 is concerned. In this regard, petitioner has not presented any proof that she was authorized by Goldcrest to intervene in the execution proceedings of Civil Case No. 05-322.

Unrelenting, petitioner insists that she is a stockholder and former President and member of the Board of Directors of Goldcrest. As Goldcrest is now defunct, petitioner asserts that she has become a trustee thereof; hence, she has the legal personality to intervene in and oppose the execution of the RTC Decision. Again, We are not convinced.

True, the law specifically allows a trustee to manage the affairs of the corporation in liquidation.³⁴ But, as aptly held by the CA, a

- over -

124-A

³⁰ *Dr. Rich v. Paloma*, 827 Phil. 398, 407 (2018), citing *Yu vs. Yukayguan*, supra note 29 at 608.

³¹ *Philippine Numismatic and Antiquarian Society, Inc. v. Aquino, et al.*, 804 Phil. 508, 517 (2017).

³² *Id.*

³³ *Id.*

³⁴ *Premiere Development Bank v. Judge Flores, etc., et al.*, supra note 22 at 489.

trustee is one to whom corporate assets have been conveyed before the expiration of the three-year winding up period.

Under Section 122³⁵ of the Corporation Code, a corporation whose corporate existence is terminated in any manner 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 to enable 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.³⁶ **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, may be permitted to so continue as “trustees” by legal implication to complete the corporate liquidation.**³⁷

Indeed, a corporation’s board of directors is not rendered *functus officio* by its dissolution. Since Section 122 allows a corporation to continue its existence for a limited purpose, necessarily there must be a board that will continue acting for and on behalf of the dissolved corporation for that purpose.³⁸ That Goldcrest actively defended its case before the RTC and even pursued an appeal before the CA are telling — Goldcrest had an existing or acting board of directors even after its dissolution. In any event, assuming that no such board of directors now exists, still, petitioner has not shown an iota of proof of her alleged shareholding in Goldcrest, or her authority as trustee, director, agent, or former President thereof. On this ground alone, the present petition is dismissible outright.

Further, **the dissolution of the corporation would not serve as an effective bar to the enforcement of rights for OR against it.**³⁹ 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 nor those of its owners and creditors.⁴⁰

Section 184⁴¹ of the Corporation Code provides:

- over -
124-A

³⁵ Now Sec. 139.

³⁶ *Pepsi-Cola Products Philippines, Inc. v. The Court of Appeals, et al.*, 486 Phil. 170, 184 (2004).

³⁷ *Id.* at 185.

³⁸ *Aguirre II et al. v. FQB+7, Inc., et al.*, 701 Phil. 216, 229 (2013).

³⁹ *Premiere Development Bank v. Judge Flores, etc., et al.*, supra note 22 at 489.

⁴⁰ *Roque v. People*, 810 Phil. 852, 858 (2017), citing *Clemente v. Court of Appeals*, G.R. No. 82407, March 27, 1995, 242 SCRA 717, 722.

⁴¹ Formerly Sec. 145 of BP 68.

SECTION 184. *Effect of Amendment or Repeal of This Code, or the Dissolution of a Corporation.* — No right or remedy in favor of or against any corporation, its stockholders, members, directors, trustees, or officers, nor any liability incurred by any such corporation, stockholders, members, directors, trustees, or officers, shall be removed or impaired either by the subsequent dissolution of said corporation or by any subsequent amendment or repeal of this Code or of any part thereof. (Emphases and underscoring supplied)

We explained the rationale for extending the period of existence of a dissolved corporation, *viz.*:

This continuance of its legal existence for the purpose of enabling it to close up its business is necessary to enable the corporation to collect the demands due it as well as to allow its creditors to assert the demands against it. If this were not so, then a corporation that became involved in liabilities might escape the payment of its just obligations by merely surrendering its charter, and thus defeat its creditors or greatly hinder and delay them in the collection of their demand. This course of conduct on the part of corporations the law in justice to persons dealing with them does not permit. The person who has a valid claim against a corporation, whether it arises in contract or tort should not be deprived of the right to prosecute an action for the enforcement of his demands by the action of the stockholders of the corporation in agreeing to its dissolution. **The dissolution of a corporation does not extinguish obligations or liabilities due by or to it.**⁴² (Emphasis and underscoring supplied)

Anent petitioner's invocation of the Trust Fund Doctrine, suffice it to state that capital stock, property and other assets of a corporation are regarded as equity in trust for the payment of corporate creditors.⁴³ The reason is that creditors of a corporation are preferred over the stockholders in the distribution of corporate assets.⁴⁴ Again, there being no allegation or showing that Goldcrest is undergoing liquidation proceedings under R.A. No. 10142, or that Goldcrest has other preferred creditors, the Court finds no hindrance in the execution of the RTC Decision.

All told, the RTC did not gravely abuse its discretion in granting respondent's motion for execution. Consequently, the CA committed no reversible error in dismissing petitioner's petition for *certiorari*.

- over -

124-A

⁴² See *Dr. Rich v. Paloma, et al.*, supra note 30 at 407-408, citing *Rebollido v. Court of Appeals*, 252 Phil. 831, 840 (1989), further citing *Castle's Administrator v. Acrogen Coal Co.*, 145 Ky 591, 140 SW 1034 (1911).

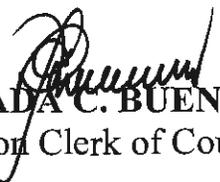
⁴³ See *Halley v. Printwell, Inc.*, 664 Phil. 361, 382 (2011); *Boman Environmental Dev't. Corp. v. Hon. Court of Appeals*, G.R. No. 77860, November 22, 1988, 167 SCRA 540, 548.

⁴⁴ *Boman Environmental Dev't. Corp. v. Hon. Court of Appeals*, supra at 548.

WHEREFORE, premises considered, the petition is **DENIED**.
The Decision dated February 17, 2020 and the Resolution dated
August 20, 2020 of the Court of Appeals in CA-G.R. SP No. 151733
are **AFFIRMED**.

SO ORDERED.”

By authority of the Court:


LIBRADA C. BUENA
Division Clerk of Court *m 2/2*

by:

MARIA TERESA B. SIBULO
Deputy Division Clerk of Court
124-A

NICOLAS & DE VEGA LAW OFFICES
(NDVLAW)
Counsel for Petitioner
16th Floor, Suite 1607 AIC Burgundy
Empire Tower, ADB Avenue cor.
Sapphire & Garnet Roads, Ortigas Center
1605 Pasig City

Court of Appeals (x)
Manila
(CA-G.R. SP No. 151733)

PLATON MARTINEZ FLORES
SAN PEDRO & LEAÑO
Counsel for Respondent
6th Floor, Tuscan Building
114 V.A. Rufino Street, Legaspi Village
1229 Makati City

The Hon. Presiding Judge
Regional Trial Court, Branch 147
1200 Makati City
(Civil Case No. 05-322)

Public Information Office (x)
Library Services (x)
Supreme Court
(For uploading pursuant to A.M.
No. 12-7-1-SC)

Judgment Division (x)
Supreme Court



UR

MBF