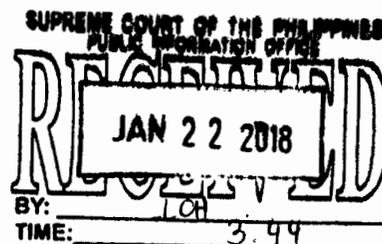




Republic of the Philippines
Supreme Court
 Manila

FIRST DIVISION



**INTERNATIONAL ACADEMY
 OF MANAGEMENT AND
 ECONOMICS (I/AME),**

Petitioner,

-versus -

LITTON AND COMPANY, INC.,

Respondent.

G.R. No. 191525

Present:

SERENO, *CJ*, Chairperson,
 LEONARDO-DE CASTRO,
 DEL CASTILLO,
 JARDELEZA, and
 TIJAM, *JJ*.

Promulgated:

DEC 13 2017

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DECISION

SERENO, *CJ*:

Before us is a Petition for Review on Certiorari under Rule 45 of the Rules of Court assailing the Court of Appeals (CA) Decision¹ and Resolution² in CA-G.R. SP No. 107727.

The CA affirmed the Judgment³ and Order⁴ of the Regional Trial Court (RTC) of Manila in Special Civil Action No. 06-115547 reinstating the Order⁵ of the Metropolitan Trial Court (MeTC) of Manila in favor of Litton and Company, Inc. (Litton).

THE FACTS

The facts, as culled from the records, are as follows:

Atty. Emmanuel T. Santos (Santos), a lessee to two (2) buildings owned by Litton, owed the latter rental arrears as well as his share of the payment of realty taxes.⁶

¹Rollo, pp. 44-52; Penned by Associate Justice Isaias Dicdican, with Associate Justices Remedios A. Salazar-Fernando and Romeo F. Barza concurring; dated 30 October 2009.

²Id. at 53-54; dated 12 March 2010.

³Id. at 142-144; Penned by Presiding Judge Antonio I. De Castro; dated 29 October 2008.

⁴Id. at 147-148; dated 26 January 2009.

⁵Id. at 94-106; Penned by Acting Judge Ma. Ruby B. Camarista; dated 29 October 2004.

⁶Id. at 78.

Consequently, Litton filed a complaint for unlawful detainer against Santos before the MeTC of Manila. The MeTC ruled in Litton's favor and ordered Santos to vacate A.I.D. Building and Litton Apartments and to pay various sums of money representing unpaid arrears, realty taxes, penalty, and attorney's fees.⁷

It appears however that the judgment was not executed. Litton subsequently filed an action for revival of judgment, which was granted by the RTC.⁸ Santos then appealed the RTC decision to the CA, which nevertheless affirmed the RTC.⁹ The said CA decision became final and executory on 22 March 1994.¹⁰

On 11 November 1996, the sheriff of the MeTC of Manila levied on a piece of real property covered by Transfer Certificate of Title (TCT) No. 187565 and registered in the name of International Academy of Management and Economics Incorporated (I/AME), in order to execute the judgment against Santos.¹¹ The annotations on TCT No. 187565 indicated that such was "*only up to the extent of the share of Emmanuel T. Santos.*"¹²

I/AME filed with MeTC a "Motion to Lift or Remove Annotations Inscribed in TCT No. 187565 of the Register of Deeds of Makati City."¹³ I/AME claimed that it has a separate and distinct personality from Santos; hence, its properties should not be made to answer for the latter's liabilities. The motion was denied in an Order dated 29 October 2004.

Upon motion for reconsideration of I/AME, the MeTC reversed its earlier ruling and ordered the cancellation of the annotations of levy as well as the writ of execution. Litton then elevated the case to the RTC, which in turn reversed the Order granting I/AME's motion for reconsideration and reinstated the original Order dated 29 October 2004.

I/AME then filed a petition with the CA to contest the judgment of the RTC, which was eventually denied by the appellate court.

THE CA RULING

The CA upheld the Judgment and Order of the RTC and held that no grave abuse of discretion was committed when the trial court pierced the corporate veil of I/AME.¹⁴

⁷ See *id.* at 73-81; MeTC Decision dated 2 March 1983, penned by Judge Jose B. Herrera.

⁸ RTC Decision dated 13 September 1989.

⁹ CA Decision dated 21 February 1994.

¹⁰ *Id.* at 45 and 100.

¹¹ *Id.* at 174.

¹² *Id.* at 82-86.

¹³ *Id.* at 87-90, 174.

¹⁴ *Id.* at 49.

It took note of how Santos had utilized I/AME to insulate the Makati real property covered by TCT No. 187565 from the execution of the judgment rendered against him, for the following reasons:

First, the Deed of Absolute Sale dated 31 August 1979 indicated that Santos, being the President, was representing I/AME as the vendee.¹⁵ However, records show that it was only in 1985 that I/AME was organized as a juridical entity.¹⁶ Obviously, Santos could not have been President of a non-existent corporation at that time.¹⁷

Second, the CA noted that the subject real property was transferred to I/AME during the pendency of the appeal for the revival of the judgment in the ejectment case in the CA.¹⁸

Finally, the CA observed that the Register of Deeds of Makati City issued TCT No. 187565 only on 17 November 1993, fourteen (14) years after the execution of the Deed of Absolute Sale and more than eight (8) years after I/AME was incorporated.¹⁹

Thus, the CA concluded that Santos merely used I/AME as a shield to protect his property from the coverage of the writ of execution; therefore, piercing the veil of corporate fiction is proper.²⁰

THE ISSUES

The issues boil down to the alleged denial of due process when the court pierced the corporate veil of I/AME and its property was made to answer for the liability of Santos.

OUR RULING

We deny the petition.

There was no violation of due process against I/AME

Petitioner avers that its right to due process was violated when it was dragged into the case and its real property made an object of a writ of execution in a judgment against Santos. It argues that since it was not impleaded in the main case, the court *a quo* never acquired jurisdiction over it. Indeed, compliance with the recognized modes of acquisition of

¹⁵ Id. at 343.

¹⁶ Id. at 49.

¹⁷ Id. at 50.

¹⁸ Id.

¹⁹ Id. at 50 and 82.

²⁰ Id. at 50.

jurisdiction cannot be dispensed with even in piercing the veil of corporation.²¹

In a petition for review on certiorari under Rule 45, only questions of law shall be entertained. This Court considers the determination of the existence of any of the circumstances that would warrant the piercing of the veil of corporate fiction as a question of fact which ordinarily cannot be the subject of a petition for review on certiorari under Rule 45. We will only take cognizance of factual issues if the findings of the lower court are not supported by the evidence on record or are based on a misapprehension of facts.²² Once the CA affirms the factual findings of the trial court, such findings are deemed final and conclusive and thus, may not be reviewed on appeal, unless the judgment of the CA depends on a misapprehension of facts, which if properly considered, would justify a different conclusion.²³ Such exception however, is not applicable in this case.

The 29 October 2004 MeTC judgment, the RTC judgment, and the CA decision are one in accord on the matters presented before this Court.

In general, corporations, whether stock or non-stock, are treated as separate and distinct legal entities from the natural persons composing them. The privilege of being considered a distinct and separate entity is confined to legitimate uses, and is subject to equitable limitations to prevent its being exercised for fraudulent, unfair or illegal purposes.²⁴ However, once equitable limitations are breached using the coverture of the corporate veil, courts may step in to pierce the same.

As we held in *Lanuza, Jr. v. BF Corporation*:²⁵

Piercing the corporate veil is warranted when “[the separate personality of a corporation] is used as a means to perpetrate fraud or an illegal act, or as a vehicle for the evasion of an existing obligation, the circumvention of statutes, or to confuse legitimate issues.” It is also warranted in 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.”

When [the] corporate veil is pierced, the corporation and persons who are normally treated as distinct from the corporation are treated as one person, such that when the corporation is adjudged liable, these persons, too, become liable as if they were the corporation.

²¹ *Pacific Rehouse Corporation v. Court of Appeals*, 730 Phil. 25 (2014) citing *Kukan International v. Reyes*, 646 Phil. 210 (2010).

²² *Heirs of Fe Tan Uy v. International Exchange Bank*, 703 Phil. 477, 486 (2013).

²³ *Lorenzana v. Lelina*, G.R. No. 187850, 17 August 2016, pp.5-6.

²⁴ *Republic of the Philippines v. Mega Pacific eSolutions, Inc., et al*, G.R. No. 184666, 27 June 2016, p. 35.

²⁵ 737 Phil. 275, 299 (2014).

The piercing of the corporate veil is premised on the fact that the corporation concerned must have been properly served with summons or properly subjected to the jurisdiction of the court *a quo*. Corollary thereto, it cannot be subjected to a writ of execution meant for another in violation of its right to due process.²⁶

There exists, however, an exception to this rule: if it is shown “by clear and convincing proof that the separate and distinct personality of the corporation was purposefully employed to evade a legitimate and binding commitment and perpetuate a fraud or like wrongdoings.”²⁷

The resistance of the Court to offend the right to due process of a corporation that is a nonparty in a main case, may disintegrate not only when its director, officer, shareholder, trustee or member is a party to the main case, but when it finds facts which show that piercing of the corporate veil is merited.²⁸

Thus, as the Court has already ruled, a party whose corporation is vulnerable to piercing of its corporate veil cannot argue violation of due process.²⁹

In this case, the Court confirms the lower courts’ findings that Santos had an existing obligation based on a court judgment that he owed monthly rentals and unpaid realty taxes under a lease contract he entered into as lessee with the Littons as lessor. He was not able to comply with this particular obligation, and in fact, refused to comply therewith.

This Court agrees with the CA that Santos used I/AME as a means to defeat judicial processes and to evade his obligation to Litton.³⁰ Thus, even while I/AME was not impleaded in the main case and yet was so named in a writ of execution to satisfy a court judgment against Santos, it is vulnerable to the piercing of its corporate veil. We will further expound on this matter.

***Piercing the Corporate Veil may
Apply to Non-stock Corporations***

Petitioner I/AME argues that the doctrine of piercing the corporate veil applies only to stock corporations, and not to non-stock, nonprofit corporations such as I/AME since there are no stockholders to hold liable in such a situation but instead only members. Hence, they do not have investments or shares of stock or assets to answer for possible liabilities.

²⁶ Cf. *Kukan*.

²⁷ *Id.* at 237.

²⁸ See *Arcilla v. Court of Appeals*, G.R. No. 89804, 215 SCRA 120, 23 October 1992; *Violago v. BA Finance Corporation*, 581 Phil. 62 (2008); *Republic of the Philippines v. Mega Pacific eSolutions, Inc., et al.*, G.R. No. 184666, 27 June 2016.

²⁹ *Republic of the Philippines v. Mega Pacific eSolutions, Inc., et. Al*, G.R. No. 184666, 27 June 2016, p. 29.

³⁰ *Rollo*, p. 51.



Thus, no one in a non-stock corporation can be held liable in case the corporate veil is disregarded or pierced.³¹

The CA disagreed. It ruled that since the law does not make a distinction between a stock and non-stock corporation, neither should there be a distinction in case the doctrine of piercing the veil of corporate fiction has to be applied. While I/AME is an educational institution, the CA further ruled, it still is a registered corporation conducting its affairs as such.³²

This Court agrees with the CA.

In determining the propriety of applicability of piercing the veil of corporate fiction, this Court, in a number of cases, did not put in issue whether a corporation is a stock or non-stock corporation. In *Sulo ng Bayan, Inc. v. Gregorio Araneta, Inc.*,³³ we considered but ultimately refused to pierce the corporate veil of a non-stock non-profit corporation which sought to institute an action for reconveyance of real property on behalf of its members. This Court held that the non-stock corporation had no personality to institute a class suit on behalf of its members, considering that the non-stock corporation was not an assignee or transferee of the real property in question, and did not have an identity that was one and the same as its members.

In another case, this Court did not put in issue whether the corporation is a non-stock, non-profit, non-governmental corporation in considering the application of the doctrine of piercing of corporate veil. In *Republic of the Philippines v. Institute for Social Concern*,³⁴ while we did not allow the piercing of the corporate veil, this Court affirmed the finding of the CA that the Chairman of the Institute for Social Concern cannot be held jointly and severally liable with the aforesaid non-governmental organization (NGO) at the time the Memorandum of Agreement was entered into with the Philippine Government. We found no fraud in that case committed by the Chairman that would have justified the piercing of the corporate veil of the NGO.³⁵

In the United States, from which we have adopted our law on corporations, non-profit corporations are not immune from the doctrine of piercing the corporate veil. Their courts view piercing of the corporation as

³¹ Id. at 31-32.

³² Id. at 51.

³³ 164 Phil. 349 (1976).

³⁴ 490 Phil. 379 (2005).

³⁵ Id. at 390. Citing *Robledo v. National Labor Relations Commission*, 308 Phil. 51, 57 (1994), the Court in this case, explained when the doctrine of piercing the veil of corporate entity is used:

The doctrine of piercing the veil of corporate entity is used whenever a court finds that the corporate fiction is being used to defeat public convenience, justify wrong, protect fraud, or defend crime or to confuse legitimate issues, or that a corporation is the 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. (Emphasis supplied)



an equitable remedy, which justifies said courts to scrutinize any organization however organized and in whatever manner it operates. Moreover, control of ownership does not hinge on stock ownership.

As held in *Barineau v. Barineau*:³⁶

[t]he mere fact that the corporation involved is a nonprofit corporation does not by itself preclude a court from applying the equitable remedy of piercing the corporate veil. The equitable character of the remedy permits a court to look to the substance of the organization, and its decision is not controlled by the statutory framework under which the corporation was formed and operated. While it may appear to be impossible for a person to exercise ownership control over a nonstock, not-for-profit corporation, a person can be held personally liable under the alter ego theory if the evidence shows that the person controlling the corporation did in fact exercise control, even though there was no stock ownership.

In another U.S. case, *Public Interest Bounty Hunters v. Board of Governors of Federal Reserve System*,³⁷ the U.S. Court allowed the piercing of the corporate veil of the Foundation headed by the plaintiff, in order to avoid inequitable results. Plaintiff was found to be the sole trustee, the sole member of the board, and the sole financial contributor to the Foundation. In the end, the Court found that the plaintiff used the Foundation to avoid paying attorneys' fees.

The concept of equitable ownership, for stock or non-stock corporations, in piercing of the corporate veil scenarios, may also be considered. An equitable owner is an individual who is a non-shareholder defendant, who exercises sufficient control or considerable authority over the corporation to the point of completely disregarding the corporate form and acting as though its assets are his or her alone to manage and distribute.³⁸

Given the foregoing, this Court sees no reason why a non-stock corporation such as I/AME, may not be scrutinized for purposes of piercing the corporate veil or fiction.

***Piercing the Corporate Veil may
Apply to Natural Persons***

The petitioner also insists that the piercing of the corporate veil cannot be applied to a natural person – in this case, Santos – simply because as a human being, he has no corporate veil shrouding or covering his person.³⁹

³⁶ 662 So. 2D 1008, 1009; 1995 Fla. App. LEXIS 12191,2; 20 Fla. L. Weekly D 2562 (1995).

³⁷ 548 F. Supp. 157; 1982 U.S. Dist. LEXIS 9700.

³⁸ *Freeman v. Complex Computing Company, Inc.*, 119 F. 3d 1044; 1997 U.S. App. LEXIS 21008.

³⁹ *Rollo*, p. 30.

a) When the Corporation is the Alter Ego of a Natural Person

As cited in *Sulo ng Bayan, Inc. v. Araneta, Inc.*,⁴⁰ “[t]he doctrine of alter ego is based upon the **misuse** of a corporation **by an individual** for wrongful or inequitable purposes, and in such case the court merely disregards the corporate entity and holds the individual responsible for acts knowingly and intentionally done in the name of the corporation.” This, Santos has done in this case. Santos formed I/AME, using the non-stock corporation, to evade paying his judgment creditor, Litton.

The piercing of the corporate veil may apply to corporations as well as natural persons involved with corporations. This Court has held that the “corporate mask may be lifted and the corporate veil may be pierced when a corporation is just but the alter ego of **a person** or of another corporation.”⁴¹

We have considered a deceased natural person as one and the same with his corporation to protect the succession rights of his legal heirs to his estate. In *Cease v. Court of Appeals*,⁴² the predecessor-in-interest organized a close corporation which acquired properties during its existence. When he died intestate, trouble ensued amongst his children on whether or not to consider his company one and the same with his person. The Court agreed with the trial court when it pierced the corporate veil of the decedent's corporation. It found that said corporation was his business conduit and alter ego. Thus, the acquired properties were actually properties of the decedent and as such, should be divided among the decedent's legitimate children in the partition of his estate.⁴³

In another instance, this Court allowed the piercing of the corporate veil against another natural person, in *Arcilla v. Court of Appeals*.⁴⁴ The case stemmed from a complaint for sum of money against Arcilla for his failure to pay his loan from the private respondent. Arcilla, in his defense, alleged that the loan was in the name of his family corporation, CSAR Marine Resources, Inc. He further argued that the CA erred in holding CSAR Marine Resources liable to the private respondent since the latter was not impleaded as a party in the case. This Court allowed the piercing of the corporate veil and held that Arcilla used “his capacity as President, x x x [as] a sanctuary for a defense x x x to avoid complying with the liability adjudged against him x x x.”⁴⁵ We held that his liability remained attached even if he was impleaded as a party, and not the corporation, to the

⁴⁰ 164 Phil. 349, 359 (1976) citing *Ivy v. Plyler*, (246 Cal. App. 2d. 678: 54 Cal. Repr. 894 [1966]).

⁴¹ *Concept Builders, Inc. v. NLRC*, 326 Phil. 955 (1996); *Lim v. Court of Appeals*, 380 Phil. 60 (2000); *PNB v. Andrada Electric & Engineering Company*, 430 Phil. 882 (2002); *Heirs of the Late Panfilo V. Pajarillo v. Court of Appeals*, 562 Phil. 688 (2007); *Rivera v. United Laboratories, Inc.*, 604 Phil 184 (2009); *Kukan International Corp. v. Hon. Judge Reyes, et al.*, 646 Phil 210 (2010); *Sarona v. National Labor Relations Commission, et al.*, 679 Phil 394 (2012); *PNB v. Hydro Resources Contractors Corp.*, 706 Phil 297 (2013).

⁴² 182 Phil. 61 (1979).

⁴³ Id. at 74-76.

⁴⁴ G.R. No. 89804, 23 October 1992, 215 SCRA 120.

⁴⁵ Id. at 128.

collection case and even if he ceased to be corporate president.⁴⁶ Indeed, even if Arcilla had ceased to be corporate president, he remained personally liable for the judgment debt to pay his personal loan, for we treated him and the corporation as one and the same. CSAR Marine was deemed his alter ego.

We find similarities with *Arcilla* and the instant case. Like *Arcilla*, Santos: (1) was adjudged liable to pay on a judgment against him; (2) he became President of a corporation; (3) he formed a corporation to conceal assets which were supposed to pay for the judgment against his favor; (4) the corporation which has Santos as its President, is being asked by the court to pay on the judgment; and (5) he may not use as a defense that he is no longer President of I/AME (although a visit to the website of the school shows he is the current President).⁴⁷

This Court agrees with the CA that I/AME is the alter ego of Santos and Santos – the natural person – is the alter ego of I/AME. Santos falsely represented himself as President of I/AME in the Deed of Absolute Sale when he bought the Makati real property, at a time when I/AME had not yet existed. Uncontroverted facts in this case also reveal the findings of MeTC showing Santos and I/AME as being one and the same person:

- (1) Santos is the conceptualizer and implementor of I/AME;
- (2) Santos' contribution is ₱1,200,000.00 (One Million Two Hundred Thousand Pesos) out of the ₱1,500,000.00 (One Million Five Hundred Thousand Pesos), making him the majority contributor of I/AME; and,
- (3) The building being occupied by I/AME is named after Santos using his known nickname (to date it is called, the "Noli Santos International Tower").⁴⁸

This Court deems I/AME and Santos as alter egos of each other based on the former's own admission in its pleadings before the trial court. In its Answer (to Amended Petition) with the RTC entitled *Litton and Company, Inc. v. Hon. Hernandez-Calledo*, Civil Case No. 06-115547, I/AME admitted the allegations found in paragraphs 2, 4 and 5 of the amended petition of Litton, particularly paragraph number 4 which states:

4. Respondent, **International Academy of Management and Economics Inc.** (hereinafter referred to as Respondent I/AME), is a corporation organized and existing under Philippine laws with address at 1061 Metropolitan Avenue, San Antonio Village, Makati City, where it may be served with summons and other judicial processes. **It is the corporate**

⁴⁶ Id. at 129.

⁴⁷ <www.iame.edu.ph/about-iame/faculty.html>, visited 12 October 2016.

⁴⁸ *Rollo*, pp. 96-97. Actually, a visit to the website of the school, shows Atty. Emmanuel "Noli" Santos as the founder of the same and its current President as of the December 2013 posting.

entity used by Respondent Santos as his alter ego for the purpose of shielding his assets from the reach of his creditors, one of which is herein Petitioner.⁴⁹ (Emphases ours)

Hence, I/AME is the alter ego of the natural person, Santos, which the latter used to evade the execution on the Makati property, thus frustrating the satisfaction of the judgment won by Litton.

b) Reverse Piercing of the Corporate Veil

This Court in *Arcilla* pierced the corporate veil of CSAR Marine Resources to satisfy a money judgment against its erstwhile President, Arcilla.

We borrow from American parlance what is called **reverse piercing or reverse corporate piercing or piercing the corporate veil “in reverse.”**

As held in the U.S. Case, *C.F. Trust, Inc., v. First Flight Limited Partnership*,⁵⁰ “in a traditional veil-piercing action, a court disregards the existence of the corporate entity so a claimant can reach the assets of a corporate insider. In a reverse piercing action, however, the plaintiff seeks to reach the assets of a corporation to satisfy claims against a corporate insider.”

“Reverse-piercing flows in the opposite direction (of traditional corporate veil-piercing) and makes the corporation liable for the debt of the shareholders.”⁵¹

It has two (2) types: outsider reverse piercing and insider reverse piercing. Outsider reverse piercing occurs when a party with a claim against an individual or corporation attempts to be repaid with assets of a corporation owned or substantially controlled by the defendant.⁵² In contrast, in insider reverse piercing, the controlling members will attempt to ignore the corporate fiction in order to take advantage of a benefit available to the corporation, such as an interest in a lawsuit or protection of personal assets.⁵³

Outsider reverse veil-piercing is applicable in the instant case. Litton, as judgment creditor, seeks the Court’s intervention to pierce the corporate veil of I/AME in order to make its Makati real property answer for a judgment against Santos, who formerly owned and still substantially controls I/AME.

⁴⁹ Id. at 136, referring to p. 116.

⁵⁰ 111 F. Supp. 2D 734; 2000 U.S. Dist. LEXIS 13123, 13.

⁵¹ *Sweeney, Cohn, Stahl & Vaccaro v. Kane*, 6 A.D. 3D 72, 75; 773 N.Y.S.2d 420, 423; 2004 N.Y. App. Div. LEXIS 2499, 7.

⁵² Michael Richardson, *The Helter Skelter Application of the Reverse Piercing Doctrine*, University of Cincinnati Law Review, Volume 79, Issue 4, Article 9, 17 October 2011, p. 1605.

⁵³ Id.

In the U.S. case *Acree v. McMahan*,⁵⁴ the American court held that “[o]utsider reverse veil-piercing extends the traditional veil-piercing doctrine to permit a third-party creditor to pierce the veil to satisfy the debts of an individual out of the corporation's assets.”

The Court has pierced the corporate veil in a reverse manner in the instances when the scheme was to avoid corporate assets to be included in the estate of a decedent as in the *Cease* case and when the corporation was used to escape a judgment to pay a debt as in the *Arcilla* case.

In a 1962 Philippine case, this Court also employed what we now call reverse-piercing of the corporate veil. In *Palacio v. Fely Transportation Co.*,⁵⁵ we found that the president and general manager of the private respondent company formed the corporation to evade his subsidiary civil liability resulting from the conviction of his driver who ran over the child of the petitioner, causing injuries and medical expenses. The Court agreed with the plaintiffs that the president and general manager, and Fely Transportation, may be regarded as one and the same person. Thus, even if the president and general manager was not a party to the case, we reversed the lower court and declared both him and the private respondent company, jointly and severally liable to the plaintiffs. Thus, this Court allowed the outsider-plaintiffs to pierce the corporate veil of Fely Transportation to run after its corporate assets and pay the subsidiary civil liability of the company's president and general manager.

This notwithstanding, the equitable remedy of reverse corporate piercing or reverse piercing was not meant to encourage a creditor's failure to undertake such remedies that could have otherwise been available, to the detriment of other creditors.⁵⁶

Reverse corporate piercing is an equitable remedy which if utilized cavalierly, may lead to disastrous consequences for both stock and non-stock corporations. We are aware that ordinary judgment collection procedures or other legal remedies are preferred over that which would risk damage to third parties (for instance, innocent stockholders or voluntary creditors) with unprotected interests in the assets of the beleaguered corporation.⁵⁷

Thus, this Court would recommend the application of the current 1997 Rules on Civil Procedure on Enforcement of Judgments. Under the current Rules of Court on Civil Procedure, when it comes to satisfaction by levy, a judgment obligor is given the option to immediately choose which property or part thereof may be levied upon to satisfy the judgment. If the judgment

⁵⁴ 276 Ga. 880; 585 S.E.2d 873; 2003 Ga. LEXIS 629; 2003 Fulton County D. Rep. 2171, 20 July 2003 citing *C.F. Trust v. First Flight*, 306 F.3d 126, 134 (Ill)(A)(4th Cir. 2002).

⁵⁵ 116 Phil. 155 (1962).

⁵⁶ Nicholas Allen, *Reverse Piercing of the Corporate Veil: A Straightforward Path to Justice*, New York Business Law Journal, Summer 2012, Volume 16, Number 1, p. 29.

⁵⁷ *The Helter Skelter Application of the Reverse Piercing Doctrine*, supra note 59, at 1616.

obligor does not exercise the option, personal properties, if any, shall be first levied and then on real properties if the personal properties are deemed insufficient to answer for the judgment.⁵⁸

In the instant case, it may be possible for this Court to recommend that Litton run after the other properties of Santos that could satisfy the money judgment – first personal, then other real properties other than that of the school. However, if we allow this, we frustrate the decades–old yet valid MeTC judgment which levied on the real property now titled under the name of the school. Moreover, this Court will unwittingly condone the action of Santos in hiding all these years behind the corporate form to evade paying his obligation under the judgment in the court *a quo*. This we cannot countenance without being a party to the injustice.

Thus, the reverse piercing of the corporate veil of I/AME to enforce the levy on execution of the Makati real property where the school now stands is applied.

WHEREFORE, in view of the foregoing, the instant petition is **DENIED**. The CA Decision in CA-G.R. SP No. 107727 dated 30 October 2009 and its Resolution on 12 March 2010 are hereby **AFFIRMED**. The MeTC Order dated 29 October 2004 is hereby **REINSTATED**.

Accordingly, the MeTC of Manila, Branch 2, is hereby **DIRECTED** to execute with dispatch the MeTC Order dated 29 October 2004 against Santos.

SO ORDERED.



MARIA LOURDES P. A. SERENO
Chief Justice, Chairperson

⁵⁸ Rule 39, Section 9. *Execution of judgments for money, how enforced.* –

x x x

(b) *Satisfaction by levy.* - If the judgment obligor cannot pay all or part of the obligation in cash, certified bank check or other mode of payment acceptable to the judgment obligee, the officer shall levy upon the properties of the judgment obligor of every kind and nature whatsoever which may be disposed of for value and not otherwise exempt from execution giving the latter the option to immediately choose which property or part thereof may be levied upon, sufficient to satisfy the judgment. If the judgment obligor does not exercise the option, the officer shall first levy on the personal properties, if any, and then on the real properties if the personal properties are insufficient to answer for the judgment.

The sheriff shall sell only a sufficient portion of the personal or real property of the judgment obligor which has been levied upon.

When there is more property of the judgment obligor than is sufficient to satisfy the judgment and lawful fees, he must sell only so much of the personal or real property as is sufficient to satisfy the judgment and lawful fees.

Real property, stocks, shares, debts, credits, and other personal property, or any interest in either real or personal property, may be levied upon in like manner and with like effect as under a writ of attachment. x x x.

WE CONCUR:

Teresita Leonardo de Castro
TERESITA J. LEONARDO-DE CASTRO
Associate Justice

Mariano C. Del Castillo
MARIANO C. DEL CASTILLO
Associate Justice

Francis H. Jardeleza
FRANCIS H. JARDELEZA
Associate Justice

Noel Gimenez Tijam
NOEL GIMENEZ TIJAM
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, 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
MARIA LOURDES P. A. SERENO
Chief Justice