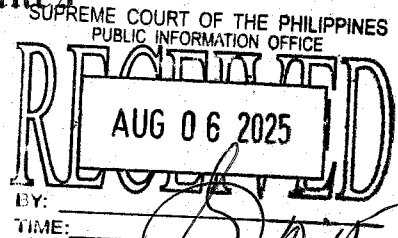




Republic of the Philippines
Supreme Court
Baguio City



THIRD DIVISION

JAIME T. DEE, for himself and
as Attorney-in-Fact of
ROBERTO V. MABASA,
JUANITA M. GO,** LEONA
TAN, SILVINO V. MABASA,
JR., NANCY ISABEL ONG,
QUINTIN ROMEO V.
MABASA,**** EVELYN M.
STO. DOMINGO,
ALEXANDER MABASA, RITA
HUIBONHUA MABASA, LILY
M. COSEIP, and GLORIA LIM,
Petitioner,

G.R. No. 251180

Present:

CAGUIOA, J., Chairperson,
LAZARO-JAVIER,*
INTING,**
DIMAAMPAO, and
SINGH, JJ.

Promulgated:

APR 07 2025
MisdeBatt

-versus-

UNION BANK OF THE
PHILIPPINES,

Respondent.

X-----X

DECISION

SINGH, J.:

Before the Court is a Petition for Review on *Certiorari*¹ under Rule 45 of the Rules of Court, dated February 24, 2020, seeking to annul the Decision,²

* Designated additional member per Raffle dated May 25, 2023.

** On official business.

*** Also referred to as Juanito M. Go in some parts of the *rollo*.

**** Also referred to as Quintin Mabasa in some parts of the *rollo*.

¹ *Rollo*, pp. 10–47.

² *Id.* at 49–64. Penned by Associate Justice Pablito A. Perez and concurred in by Associate Justices Apolinario D. Bruselas, Jr. and Samuel H. Gaerlan (now a Member of this Court) of the Special Fifth Division, Court of Appeals, Manila.

dated May 28, 2019, and the Resolution,³ dated January 8, 2020, of the Court of Appeals (CA) in CA-G.R. SP No. 150158. The CA granted the Petition for *Certiorari* filed by respondent Union Bank of the Philippines (**Union Bank**), reversing the Orders, dated July 29, 2016⁴ and December 21, 2016,⁵ of the Branch 93, Regional Trial Court (RTC), Quezon City, in Civil Case No. R-QZN-15-00051-CV, which denied Union Bank's Omnibus Motion: (1) for Leave to Intervene; (2) to Admit Attached Opposition-in-Intervention; (3) to Discharge the Receiver; and (4) to Dismiss the Petition for Appointment of a Receiver.⁶ In its Order, dated December 21, 2016, the RTC denied Union Bank's Motion for Reconsideration.⁷

The Facts

A Petition for Appointment of Receiver was filed by petitioner Jaime T. Dee (**Dee**), for himself and as attorney-in-fact of other shareholders of Mabasa and Company, Inc. (**MCI**), namely Roberto V. Mabasa, Juanita M. Go, Leona Tan, Silvino V. Mabasa, Evelyn M. Sto. Domingo, Alexander Mabasa, Rita Huibonhua Mabasa, Lily M. Coseip, and Gloria Lim (**MCI shareholders**).⁸

MCI was incorporated on June 22, 1948, with a corporate life of 50 years, which was extended for another 25 years to end on June 21, 2013. However, MCI's Articles of Incorporation were amended to shorten its corporate existence to end on October 25, 2011.⁹

In his Petition for Receivership,¹⁰ dated December 10, 2014, Dee alleged that he is the registered owner of 21,441 shares of MCI, and together with the other MCI shareholders, they hold 53.64% of the total subscribed and outstanding shares of MCI.¹¹ He prayed to be appointed as receiver of MCI as he held a majority of its shareholdings.¹²

The Petition was initially raffled to Branch 90, RTC Quezon City, but the Presiding Judge therein inhibited. The Petition was then reraffled to the RTC.¹³

³ *Id.* at 65–68. Penned by Associate Justice Pablito A. Perez and concurred in by Associate Justices Apolinario D. Bruselas, Jr. and Samuel H. Gaerlan (now a Member of this Court) of the Former Special Fifth Division, Court of Appeals, Manila.

⁴ *Id.* at 96–99. Penned by Judge Arthur O. Malabaguio of the Branch 93, Regional Trial Court, Quezon City.

⁵ *Id.* at 100–101. Penned by Judge Arthur O. Malabaguio of the Branch 93, Regional Trial Court, Quezon City.

⁶ *Id.* at 50.

⁷ *Id.*

⁸ *Id.* at 10.

⁹ *Id.* at 50–51.

¹⁰ *Id.* at 102–132.

¹¹ *Id.* at 50.

¹² *Id.* at 51.

¹³ *Id.*



During the hearing, Dee filed his Judicial Affidavit, testified in open court to affirm the same, and was directed to file a Formal Offer of Evidence, which he complied with on April 23, 2015.¹⁴

On April 29, 2015, the RTC issued an Order granting the parties 10 days from receipt of the Order to file any responsive pleading and/or comment to the Formal Offer of Evidence filed by Dee.¹⁵

Absent any comment, opposition, or any manifestation from other stockholders of MCI, the RTC appointed Dee as MCI's receiver in an Order,¹⁶ dated June 15, 2015. The dispositive portion of the Order reads:¹⁷

WHEREFORE, in view of the foregoing, the application for the appointment of Jaime T. Dee as receiver for the purpose of winding up the affairs of [MCI] is hereby GRANTED. The issuance of the appointment of Mr. Jaime T. Dee shall be issued upon compliance of the required bond.

SO ORDERED.¹⁸ (Emphasis in the original)

In granting the Petition, the RTC found the need to appoint a receiver to administer the properties of MCI, applying Section 1(d), Rule 59 of the Rules of Court on Receivership.¹⁹

Dee posted the receiver's bond and filed his Compliance with the same. Dee also submitted his first Compliance/Status Report on February 10, 2016.²⁰

On August 8, 2015, in his capacity as MCI's receiver, Dee filed a Petition for Revival of Judgments (For: Revival of Judgments of the Supreme Court in G.R. No. 165382 and G.R. No. 175425) of the following Decisions:²¹

1. G.R. No. 165382, entitled *Union Bank of the Philippines v. Securities and Exchange Commission, et al.*, dated August 17, 2006, with Entry of Judgment, dated December 19, 2006; and
2. G.R. No. 175425, *Union Bank of the Philippines v. Mabasa and Company, Inc.*, dated February 26, 2007, with Entry of Judgment, dated April 26, 2007.²²

¹⁴ *Id.*

¹⁵ *Id.* at 75.

¹⁶ *Id.* at 237-241.

¹⁷ *Id.* at 51.

¹⁸ *Id.* at 241.

¹⁹ *Id.* at 51.

²⁰ *Id.* at 52.

²¹ *Id.*

²² *Id.*



Union Bank filed its Omnibus Motion to be allowed to intervene in the case, to discharge Dee as a receiver, and to dismiss the Petition on the principal ground that MCI's corporate existence had already ceased.²³

Union Bank alleged that it has legal interest in the receivership proceedings and opposes the appointment of Dee because MCI no longer has any juridical personality to file the Petition. Union Bank averred that its issues cannot be resolved, and its rights could not be adequately protected in a separate proceeding. It also appeared to Union Bank that the main reason why the appointment of a receiver was sought was to enable the filing of an independent collection suit against it and not to liquidate the assets of MCI. In other words, the receivership was filed to make it appear that MCI had capacity to sue when it can no longer institute any independent action against third persons considering the lapse of the three-year winding up period under the then Batas Pambansa Blg. 68 or the Corporation Code.²⁴

The Ruling of the RTC

In an Order,²⁵ dated July 29, 2016, the RTC denied both the Omnibus Motion filed by Union Bank and the Motion to Expunge Union Bank's Omnibus Motion filed by Dee.²⁶ The dispositive portion of the Order reads:

WHEREFORE, premises considered, the Omnibus Motion filed by [] Union Bank [] and [Dee's] Motion to Expunge [Union Bank's] Omnibus Motion are hereby DENIED.

SO ORDERED.²⁷ (Emphasis in the original)

The RTC held that Union Bank failed to show a clear legal interest in the appointment of a receiver for MCI and that the rights or interests of Union Bank may be adequately protected in Civil Case No. R-QZN-15-07016-CV, involving the revival of judgments pending between the same parties. Allowing the intervention of Union Bank in the Receivership Petition (Civil Case No. R-QZN-15-00051-CV) will unduly delay its resolution and prejudice the rights of MCI's shareholders.²⁸

In an Order, dated December 21, 2016, the RTC denied Union Bank's Motion for Reconsideration.²⁹

²³ *Id.* at 53.

²⁴ *Id.* at 53.

²⁵ *Id.* at 96-99.

²⁶ *Id.* at 53.

²⁷ *Id.* at 99.

²⁸ *Id.* at 54.

²⁹ *Id.* at 53-54.



This prompted Union Bank to file a Petition for Certiorari under Rule 65 of the Rules of Court with Application for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction to nullify the July 29, 2016 Order of the RTC, which denied Union Bank's Omnibus Motion: (1) for Leave to Intervene; (2) to Admit Attached Opposition-in-Intervention; (3) to Discharge the Receiver; and (4) to Dismiss the Petition for Appointment of a Receiver, as well as the Order,³⁰ dated December 21, 2016, which denied the Motion for Reconsideration.³¹

The Ruling of the CA

In its Decision,³² dated May 28, 2019, the CA granted the Petition. The dispositive portion reads:

WHEREFORE, premises considered, the Petition for Certiorari of petitioner Union Bank [] is **GRANTED**. The Orders, dated [] July [29,] 2016 and [] December [21,] 2016 of Branch 93, Regional Trial Court of Quezon City, National Capital Judicial Region in Civil Case No. R-QZN-15-00051-CV are **REVERSED** and **SET ASIDE**.

The Petition (For: Appointment of Receiver) filed by private respondent [] Dee, for himself and as attorney-in-fact of Oberto V. Mabasa, Juanito M. Go, Leona Tan, Silvino V. Mabasa, Jr., Nancy Isabel Ong, Quintin Romeo V. Mabasa, Clemente Mabasa, Evelyn M. Sto. Domingo, Alexander Mabasa, Rita Huibonhua Mabasa, Lily M. Coseip, and Gloria D. Lim, is **DISMISSED** without prejudice to the filing of a petition for liquidation of [MCI]. The appointment of [] Dee as receiver of [MCI] a corporation that has been dissolved, is **REVOKED**.

SO ORDERED.³³ (Emphasis in the original)

In its Petition, Union Bank asserts that it should have been allowed to intervene in Civil Case No. R-QZN-15-00051-CV because there is no other venue for it to protect its rights and interests, particularly against the judgments that Dee sought to revive. Union Bank claims that the purpose of Rule 59, under which Dee was appointed as receiver, is to preserve the assets and not enforce a monetary claim of an already dissolved corporation.³⁴

Union Bank also asserts that Dee circumvented the Corporation Code, which imposes a three-year cap on a dissolved corporation to liquidate its assets.³⁵

³⁰ *Id.* at 100–101.

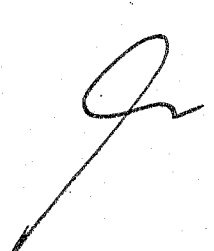
³¹ *Id.* at 50.

³² *Id.* at 49–63.

³³ *Id.* at 63.

³⁴ *Id.* at 55.

³⁵ *Id.*



In granting the Petition, the CA held that Rule 59, Section 1(d) of the Rules of Court does not provide for the appointment of a receiver-in-liquidation. The RTC erroneously relied on Rule 59, Section 1(d), which is a provisional remedy, as a basis for the appointment of Dee. Thus, as a provisional remedy, Rule 59 is available only when there is a main action in which the appointment of a provisional receiver is warranted for the preservation or administration of properties under litigation or in the course of execution of a final and executory judgment. Here, there was no pending action involving MCI or any of its properties. In fact, MCI has been dissolved for more than three years since October 25, 2011.³⁶

Second, the CA ruled that Dee should have filed for a petition for liquidation of MCI before the RTC. A receiver or trustee may be appointed to effectuate the liquidation of the dissolved corporation, which terminates in the disposition and distribution of its remaining assets. A corporation continues to be a body corporate for three years after its dissolution for purposes of prosecuting and defending suits by and against it and for enabling it to settle and close its affairs, culminating in the disposition and distribution of its remaining assets. During the three-year term, the corporation may appoint a trustee or a receiver who may act beyond that period.³⁷

If the three-year term has expired without a trustee or receiver having been designated, the board may be permitted to continue as “trustees” by legal implication to complete the corporate liquidation.³⁸

Trial courts are vested with the jurisdiction to hear and settle the liquidation of a corporation after its dissolution. The main purpose of which is to collect assets, pay debts, and distribute remaining debts. It is thus, unnecessary and premature to pray for the appointment of a receiver, which is merely provisional in nature and not the primary purpose of liquidation, without first filing a petition for liquidation.³⁹

The CA ultimately held that Dee was in error for filing the Petition independently without first petitioning the RTC for the liquidation of MCI.⁴⁰

In a Resolution,⁴¹ dated January 8, 2020, the CA denied Dee’s Motion for Reconsideration.⁴²

³⁶ *Id.* at 56–57.

³⁷ *Id.* at 59.

³⁸ *Id.* at 59–60.

³⁹ *Id.* at 61.

⁴⁰ *Id.*

⁴¹ *Id.* at 65–68.

⁴² *Id.* at 68.



The Issue

Did the CA err in granting the Petition for Certiorari filed by Union Bank?

The Ruling of the Court

The Court rules in the affirmative and grants the Petition.

In his Petition, Dee asserts that the CA exceeded its jurisdiction when it decided to revoke the appointment of Dee as receiver as this issue has not been decided by the RTC. To recall, Union Bank filed the Motion to intervene, alleging that receivership is not the proper remedy as a precursor to the liquidation of MCI's assets. The RTC merely denied the Motion, ruling that the intervention was improper because of the failure of Union Bank to show actual interest in the case.⁴³ In revoking the appointment of Dee, the CA violated the rights of Dee and MCI's stockholders to due process, as the CA decided on an issue without allowing the opportunity to be heard on the part of Dee and MCI's stockholders.⁴⁴

Second, Dee maintains that Union Bank's intervention in Civil Case No. R-QZN-15-00051-CV is not proper as it is not a real party-in-interest, as it possesses no legal interest, not being a creditor nor stockholder of MCI. Moreover, as the RTC ruled, Dee claims that Union Bank can properly protect its interest in Civil Case No. R-QZN-15-07016-CV, which involves the revival of judgments.⁴⁵

Third, Dee claims that by forcing him to file a separate action for liquidation, the CA sanctions multiplicity of suits. It is also an error for the CA to hold that receivership is merely an ancillary remedy when it can be a principal action.⁴⁶

Lastly, Dee urges the Court to apply the Rules of Court liberally by allowing the receivership as the precursor to the liquidation of a corporation to promote the objective of the Rules of Court in securing a just, speedy, and inexpensive disposition of every action or proceeding.⁴⁷ Dee claims that the Petition for Appointment of Receiver may be amended, converting it into a Petition for Liquidation, following the doctrine in *Remington v. Court of Appeals*.⁴⁸

⁴³ *Id.* at 28-29.

⁴⁴ *Id.* at 30.

⁴⁵ *Id.* at 31.

⁴⁶ *Id.* at 33.

⁴⁷ *Id.* at 35.

⁴⁸ *Id.* at 37.



*The nature of corporate dissolution
and corporate liquidation*

To recall, MCI was incorporated on June 22, 1948, with a corporate life of 50 years, which was extended for another 25 years to end on June 21, 2013. However, MCI's Articles of Incorporation were amended to shorten its corporate term to end on October 25, 2011.⁴⁹ Dee filed a Petition for Receivership, dated December 10, 2014.⁵⁰ The RTC appointed Dee as receiver in an Order, dated June 15, 2015.⁵¹

Shortening of the corporate term is a mode of voluntary dissolution whereby the corporation's articles of incorporation are amended by the majority vote of the board of directors or trustees, and an affirmative vote of 2/3 of the outstanding capital stock, or 2/3 of the members as the case may be. The dissolution shall take effect only upon approval of the Securities and Exchange Commission (SEC) or six months from the date of filing, if the SEC fails to act on the same for a cause not attributable to the corporation.⁵²

In this regard, both the Revised Corporation Code or Republic Act No. 11232, and Batas Pambansa Blg. 68 or the Corporation Code, provide that a corporation whose corporate existence is terminated shall nevertheless continue as a body corporate for three years after the date of dissolution for the purpose of prosecuting and defending suits by or against it and enabling it to settle and close its affairs, to dispose and convey its property and to distribute its assets.

Batas Pambansa Blg. 68

....

Section 122. Corporate liquidation. – Every corporation whose charter expires by its own limitation or is annulled by forfeiture or otherwise, or whose corporate existence for other purposes is terminated in any other manner, *shall nevertheless be continued as a body corporate for three [] years after the time when it would have been so dissolved, for the purpose of prosecuting and defending suits by or against it and enabling it to settle and close its affairs, to dispose of and convey its property and to distribute its assets, but not for the purpose of continuing the business for which it was established.*

At any time during said three [] 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. From and 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

⁴⁹ *Id.* at 50–51.

⁵⁰ *Id.* at 50.

⁵¹ *Id.* at 51.

⁵² BATAS PAMBANSA BLG. 68, Sec. 16.



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.

Upon the winding up of the corporate affairs, any asset distributable to any creditor or stockholder or member who is unknown or cannot be found shall be escheated to the city or municipality where such assets are located.

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. (77a, 89a, 16a) (Emphasis supplied)

Republic Act No. 11232

....

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 Charter, as amended, *every corporation whose charter expires pursuant to its article 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 [] 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 Section 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. (Emphasis supplied)

Indeed, when a corporation's term expires, it ceases to exist as a body corporate for the purpose of continuing the business for which it was organized.⁵³ However, the dissolution of a juridical entity does not automatically result in the extinction or diminution of its rights and liabilities.

⁵³ See *PNB v. CFI of Rizal*, 284-A Phil. 770, 780-781 (1992) [Per J. Medialdea, First Division].

Under the law, a dissolved corporation continues to exist for three years after its dissolution. This period allows it to prosecute and defend suits, settle and close its affairs, dispose of and convey its property, and distribute its remaining assets.⁵⁴

Furthermore, jurisprudence establishes that even after the expiration of the three-year period for winding up a corporation's affairs, a judgment recovered *before* dissolution does not automatically become unenforceable. While the dissolved corporation itself loses legal capacity to move for the enforcement of its rights, the property right in the judgment vests in its former stockholders. They, in turn, retain the legal authority to recover on the judgment, regardless of the corporation's extinction.⁵⁵

Additionally, the mere revocation of a corporation's charter does not result in the abatement of proceedings already ongoing before such revocation. The board of directors, by legal implication, assumes the role of trustees, even in the absence of a formal transfer of corporate assets to a receiver or assignee. Under Section 184 of the Revised Corporation Code, the liabilities of a dissolved corporation's debtors remain in force. To hold otherwise would unjustly enrich debtors by allowing them to escape their financial obligations simply because the corporation that originally held the claim has ceased to exist.⁵⁶

In Alabang Development Corporation v. Alabang Hills Village Association,⁵⁷ the Court ruled that a trustee of a corporation may continue to prosecute a case commenced by the corporation within three years from its dissolution until rendition of the final judgment, even if such judgment is rendered beyond the three-year period. However, a defunct corporation cannot initiate a suit after the lapse of the said three-year period.

This Court has held that:

It is to be noted that the time during which the corporation, through its own officers, may conduct the liquidation of its assets and sue and be sued as a corporation is limited to three years from the time the period of dissolution commences; but there is no time limit within which the trustees must complete a liquidation placed in their hands. It is provided only . . . that the conveyance to the trustees must be made within the three-year period. It may be found impossible to complete the work of liquidation within the three-year period or to reduce disputed claims to judgment. The authorities are to the effect that suits by or against a corporation abate when it ceased to be an entity capable of suing or being sued. . . ; but trustees to

⁵⁴ *Republic v. Tancinco*, 442 Phil. 632, 637–638 (2002) [Per J. Austria-Martinez, Second Division].

⁵⁵ *See Republic v. Tancinco*, 442 Phil. 632, 637–638 (2002) [Per J. Austria-Martinez, Second Division], *Gelano v. Court of Appeals*, 190 Phil. 814 (1981) [Per J. De Castro, First Division], *Reburiano v. Court of Appeals*, 361 Phil. 294 (1999) [Per J. Mendoza, Second Division].

⁵⁶ *See Reyes v. Bancom Dev. Corp.*, 823 Phil. 518, 528 (2018) [Per C.J. Sereno, First Division].

⁵⁷ 734 Phil. 664 (2014) [Per J. Peralta, Third Division].

whom the corporate assets have been conveyed . . . may sue and be sued as such in all matters connected with the liquidation[.]

In the absence of trustees, this Court ruled, thus:

. . . Still in the absence of a board of directors or trustees, those having any pecuniary interest in the assets, including not only the shareholders but likewise the creditors of the corporation, acting for and in its behalf, might make proper representations with the Securities and Exchange Commission, which has primary and sufficiently broad jurisdiction in matters of this nature, for working out a final settlement of the corporate concerns.⁵⁸

To further illustrate, in *Reburiano v. Court of Appeals*,⁵⁹ the lower court's judgment in favor of the corporation became final. In the meantime, however, the corporation's application to shorten its corporate existence was approved by the SEC. The respondents moved to quash the writ of execution against them alleging, among others that the corporation has lost its existence and juridical personality and thus, "a dissolved and non-existing corporation could no longer be represented by a lawyer and concomitantly a lawyer could not appear as counsel for a non-existing [juridical] person."⁶⁰

The Court disagrees.

There is . . . no reason why the suit filed by a private respondent should not be allowed to proceed to execution. It is conceded by petitioners that the judgment against them and in favor of the private respondent . . . had become final and executory. The only reason for their refusal to execute the same is that there is no existing corporation to which they are indebted. Such an argument is fallacious. As previously mentioned, the law specifically allows a trustee to manage the affairs of the corporation in liquidation. Consequently, any supervening fact, such as the dissolution of the corporation, repeal of a law, or any other fact of a similar nature, would not serve as an effective bar to the enforcement of such right.⁶¹

Further, in *Clemente v. Court of Appeals*,⁶² the Court ruled:

The corporation continues to be a body corporate for three [] years after its dissolution for purposes of prosecuting and defending suits by and against it and for enabling it to settle and close its affairs, culminating in the disposition and distribution of its remaining assets. *It may, during the three-year term, appoint a trustee or a receiver who may act beyond that period. The termination of the life of a juridical entity does not by itself cause the extinction or diminution of the rights and liabilities of such entity [...]* nor those of its owners and creditors. If the three-year extended life has expired without a trustee or receiver having been expressly designated by the

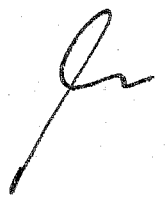
⁵⁸ *Id.* at 670-671.

⁵⁹ 361 Phil. 294 (1999) [Per J. Mendoza, Second Division].

⁶⁰ *Reburiano v. Court of Appeals*, 361 Phil. 294, 308 (1999) [Per J. Mendoza, Second Division].

⁶¹ *Id.* at 304.

⁶² 312 Phil. 823 (1995) [Per J. Vitug, Third Division].



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. *Still in the absence of a board of directors or trustees, those having any pecuniary interest in the assets, including not only the shareholders but likewise the creditors of the corporation*, acting for and in its behalf, might make proper representations with the [SEC], which has primary and sufficiently broad jurisdiction in matters of this nature, for working out a final settlement of the corporate concerns.⁶³ (Emphasis supplied)

Thus, as clearly illustrated by the cited authorities, the trustee may continue to prosecute a case commenced by the corporation within three years from its dissolution until the rendition of the final judgment, even if such judgment is rendered beyond the three years. An already defunct corporation can no longer *initiate a suit* after the lapse of the said three-year period.

The trustee may be a court appointed receiver, whom the Court may appoint within the three-year winding-up period following the corporation’s dissolution. In absence of the such court-appointed trustee, the same may be the board of directors or trustees or the shareholder or creditor of the corporation.

In other words, if the three-year extended life expires without a designated trustee or receiver, the board of directors or trustees may continue to act as trustees by legal implication to complete the corporate liquidation. In the absence of a board, those with pecuniary interests in the assets, including shareholders and creditors, may act on behalf of the corporation.

In *Reyes v. Bancom*,⁶⁴ the Court held that the non-appointment of the receiver or assignee does not extinguish any right or remedy in favor of the corporation.

[T]he mere revocation of the charter of a corporation does not result in the abatement of proceedings. Since its directors are considered trustees by legal implication, the fact that [the corporation] did not convey its assets to a receiver or assignee was of no consequence. It must also be emphasized that the dissolution of a creditor-corporation does not extinguish any right or remedy in its favor. Section 145 of the Corporation Code is explicit on this point:

Sec. 145. Amendment or repeal. - 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.

⁶³ *Id.* at 829–830.

⁶⁴ 823 Phil. 518 (2018) [Per C.J. Sereno, First Division].



As a necessary consequence of the above rule, the corresponding liability of the debtors of a dissolved corporation must also be deemed subsisting. To rule otherwise would be to sanction the unjust enrichment of the debtor at the expense of the corporation.⁶⁵ (Emphasis in the original, citations omitted)

In *Gelano v. Court of Appeals*,⁶⁶ the Court held that the counsel of a dissolved corporation is deemed a trustee for purposes of continuing such action or actions as may be pending at the time of the dissolution to counter petitioners' contention that the corporation lost its capacity to sue and be sued long before the trial court rendered judgment and hence execution of such judgment could not be complied with as the judgment creditor has ceased to exist.

The Court shall consider the foregoing legal backdrop in determining the propriety of the Petition for Appointment of Receiver.

*The propriety of the Petition for
Appointment of Receiver*

Receivership is a remedy to place property in litigation under the control of the court for the purpose of preserving, administering or disposing of the property as demanded by the case.⁶⁷

Jurisprudence defines receivership as "a remedy by which property, real or personal, which is subject of litigation, is placed in the possession and control of a **receiver** appointed by the Court, who shall conserve it pending final determination of the title or right of possession over it."⁶⁸

Moreover, the Court has ruled that receivership is a harsh remedy which should be granted with utmost circumspection and only in extreme situations.

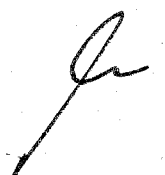
The power to appoint a receiver is a delicate one and should be exercised with extreme caution and only under the circumstances requiring summary relief or where the court is satisfied that there is imminent danger of loss, lest the injury thereby caused be far greater than the injury sought to be averted. The court should consider the consequences to all of the parties, and the power should not be exercised when it is likely to produce irreparable injustice or injury to private rights or the facts demonstrate that

⁶⁵ *Id.* at 528.

⁶⁶ 190 Phil. 814 (1981) [Per J. De Castro, First Division].

⁶⁷ RULES OF COURT, Rule 59.

⁶⁸ *Pacific Basin Securities Co. v. Oriental Petroleum and Minerals Corp.*, 558 Phil. 425, 440 (2007) [Per J. Austria-Martinez, Third Division]. (Emphasis in the original)



the appointment will injure the interests of others whose rights are entitled to as much consideration from the court as those of the complainant.⁶⁹

In the Petition for Receivership before the RTC, Dee asserted that while the charter of MCI has expired, it continues to be a body corporate for the purpose of prosecuting and defending suits to close its affairs, to dispose of and convey or distribute its assets. Thus, there is a need for a court-appointed receiver to collect its receivables, and execute judgments on its debts.⁷⁰

The RTC ruled that Rule 59 of the Rules of the Court is a rule of general application. It covers all kinds of receivers for different kinds of situations.⁷¹

It also explained that

[i]t must be remembered, however, that the beneficial interest remains the corporation's members, stockholders, creditors and other interested persons, thus the Supreme Court [ruled that] . . . if the corporation carries out the liquidation of its assets through its own officers and continues and defends the actions brought by or against it, its existence shall terminate at the end of three years from the time of dissolution[.] [B]ut if a receiver or assignee is appointed, . . . , with or without a transfer of its properties within three years, the legal interest passes to the assignee, the beneficial interest remaining in the members, stockholders, creditors and other interested persons; and said assignee may bring an action, prosecute that which has already been commenced for the benefit of the corporation or defend [it] against any other action already instituted or which may be instituted even outside the period of three years. . . .⁷²

Section 1(d) of Rule 59 on Receivership, of the Rules of Court, the primary basis of the RTC in granting the Petition for Receivership, provides as follows:

Rule 59

Section 1. Appointment of receiver. — Upon a verified application, one or more receivers of the property subject of the action or proceeding may be appointed by the court where the action is pending or by the Court of Appeals or by the Supreme Court, or a member thereof, in the following cases:

(a) When it appears from the verified application, and such other proof as the court may require, that the party applying for the appointment of a receiver has an interest in the property or fund which is the subject of the

⁶⁹ *Velasco & Co. v. Gochuico & Co.*, 28 Phil. 39, 41 (1914) [Per J. Moreland, *En Banc*].

⁷⁰ *Rollo*, p. 233.

⁷¹ *Id.*

⁷² *Id.* at 51–52.

action or proceeding, and that such property or fund is in danger of being lost, removed, or materially injured unless a receiver be appointed to administer and preserve it;

(b) When it appears in an action by the mortgagee for the foreclosure of a mortgage that the property is in danger of being wasted or dissipated or materially injured, and that its value is probably insufficient to discharge the mortgage debt, or that the parties have so stipulated in the contract of mortgage;

(c) After judgment, to preserve the property during the pendency of an appeal, or to dispose of it according to the judgment, or to aid execution when the execution has been returned unsatisfied or the judgment obligor refuses to apply his property in satisfaction of the judgment, or otherwise to carry the judgment into effect;

(d) Whenever in other cases it appears that the appointment of a receiver is the most convenient and feasible means of preserving, administering, or disposing of the property in litigation.

During the pendency of an appeal, the appellate court may allow an application for the appointment of a receiver to be filed in and decided by the court of origin and the receiver appointed to be subject to the control of said court. (1a) (Emphasis supplied)

Thus, based on the principles of corporate liquidation and dissolution, including those of receivership, Dee was not required to file a Petition for Liquidation, and the Petition for Receivership to install him as the receiver of MCI for purposes of liquidation was in accordance with law and existing jurisprudence.

The CA's assertion that Rule 59 of the Rules of Court does not provide for the appointment of a receiver-in-liquidation is misplaced. While Rule 59 primarily governs provisional remedies in pending litigation, it does not preclude the appointment of a receiver for corporate liquidation purposes. Jurisprudence recognizes that after a corporation's dissolution, a receiver or trustee may be designated to wind up its affairs, even in the absence of a main case. This aligns with the principle that corporations continue to exist for three years post-dissolution solely for the purpose of prosecuting and defending suits and finalizing their business affairs. If no trustee or receiver is appointed within that period, the board of directors or the shareholders may continue as trustees by legal implication to complete the liquidation process, even beyond the three-year winding-up period.

Additionally, the CA's argument that Dee should have filed a separate Petition for Liquidation is flawed. The appointment of a receiver serves as a recognized method of corporate liquidation. Rule 59, Section 1(d), which was relied upon by the RTC in granting the petition, provides that a receiver may be appointed "[w]henever in other cases it appears that the appointment of a receiver is the most convenient and feasible means of preserving,



administering, or disposing of the property in litigation.” This provision further reinforces that receivership is a valid and appropriate mechanism in situations where corporate assets need to be safeguarded and properly administered. The Court has consistently upheld that a receiver or trustee may be designated to wind up corporate affairs, distribute assets, and resolve liabilities. Given that MCI had already exceeded the three-year period without appointing a trustee, it was necessary to seek court approval for a receiver to oversee liquidation. Without such an appointment, the corporation would remain in legal limbo, unable to settle its affairs, distribute assets, or address its obligations. Dee’s appointment ensured compliance with legal requirements and protected the interests of creditors and shareholders. Therefore, the Petition for Receivership was a valid and appropriate recourse, as it facilitated the proper liquidation of MCI in accordance with law and jurisprudence.

All said, Dee’s appointment as a receiver was a necessary and proper step following MCI’s corporate dissolution. Since MCI’s corporate life had already ended on October 25, 2011, and a Petition for Receivership was only filed on December 10, 2014—well beyond the three-year winding-up period provided under Section 122 of the Corporation Code—MCI could no longer initiate actions in its own name. Given this, Dee’s appointment as a receiver by the RTC on June 15, 2015, was crucial to preserving the interests of creditors and stakeholders. Moreover, Dee was qualified to be appointed as a receiver, as he was the majority shareholder of MCI and thus had a direct pecuniary interest in its remaining assets.

*The propriety of Union Bank’s
intervention in the Petition for
Appointment of Receiver*

To recall, Union Bank filed an Omnibus Motion to be allowed to intervene in the receivership proceedings, to discharge Dee as a receiver and to dismiss the Petition on the principal ground that MCI’s corporate existence had already ceased.⁷³

The RTC denied the Motion, holding that Union Bank was not able to show a clear legal interest in the appointment of a receiver for MCI and that the rights or interests of Union Bank may be adequately protected in Civil Case No. R-QZN-15-07016-CV, involving the revival of judgments pending between the same parties.⁷⁴

On appeal, the CA reversed the RTC, implicitly granting the intervention and revoking Dee’s appointment as MCI’s receiver.

⁷³ *Id.* at 53.

⁷⁴ *Id.* at 54.



In his Petition, Dee asserts that the CA exceeded its jurisdiction when it decided to revoke the appointment of Dee as receiver as this issue has not been decided by the RTC in ruling on the Omnibus Motion to intervene.⁷⁵

The Court agrees.

Intervention is a legal remedy that allows a third party, not originally included in the proceedings, to become a litigant in order to protect or preserve a right or interest that may be affected by the case.⁷⁶

Rule 19, Section 1 of the Rules of Court provides:

Section 1. Who may intervene. – A person who has a *legal interest* in the matter in litigation, or in the success of either of the parties, or an interest against both, or is so situated as to be adversely affected by a distribution or other disposition of property in the custody of the court or of an officer thereof may, with leave of court, be allowed to intervene in the action. The court shall consider whether or not the intervention will unduly delay or prejudice the adjudication of the rights of the original parties, and whether or not the intervenor's rights may be fully protected in a separate proceeding. (Emphasis supplied)

As the provision makes clear, an intervenor must have a legal interest in the matter in litigation. In other words, legal interest serves as the fundamental basis for the court's determination of whether to grant the intervention.

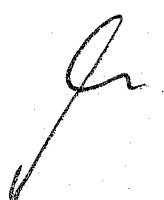
In this regard, the Court ruled that intervention shall be allowed when the purported intervenor possesses: (1) a legal interest in the matter in litigation; (2) or in the success of any of the parties; (3) or an interest against the parties; (4) or when he is so situated as to be adversely affected by a distribution or disposition of property in the custody of the court or an officer thereof. Not only that, the court must consider whether or not the intervention will unduly delay or prejudice the adjudication of the rights of the original parties, and whether or not the intervenor's right or interest can be adequately pursued and protected in a separate proceeding.⁷⁷

Union Bank alleged that it has legal interest in the matter in litigation because MCI used the appointment of Dee as a receiver as a basis for filing a separate action against Union Bank, notwithstanding that MCI no longer has

⁷⁵ *Id.* at 28–29.

⁷⁶ *See Mactan-Cebu International Airport Authority v. Heirs of Estanislao Miñoza*, 656 Phil. 537, 546 (2011) [Per J. Peralta, Second Division].

⁷⁷ *Id.* at 547.



any right to file an independent action after the lapse of the three-year winding up period.⁷⁸

In denying the intervention, the RTC ruled that the interest contemplated under Rule 19 must be one that is actual, substantial, material, direct and immediate, and not simply contingent or expectant. It must be of such direct and immediate character that the intervenor will either gain or lose by the direct legal operation and effect of the judgment.⁷⁹

The Court agrees.

Union Bank has no legal interest in the Petition for Receivership as contemplated under Rule 19 of the Rules of Court. The interest that would warrant intervention must be actual, substantial, material, direct, and immediate, rather than merely contingent or expectant.⁸⁰ In this case, Union Bank's claim of legal interest is premised on the fact that MCI allegedly used the appointment of Dee as a receiver as a basis to file a separate action against it. However, such an interest is not direct and immediate in relation to the receivership proceedings. Union Bank's concern pertains to a potential consequence of the receivership, rather than an immediate legal effect stemming from the judgment of receivership itself.

Furthermore, the RTC correctly ruled that any claims Union Bank wishes to assert can be adequately pursued and protected in the cases for revival of judgments, rather than through intervention in the receivership case. Allowing its intervention would only unduly delay the resolution of the main case without serving the purpose of intervention as envisioned by Rule 19. Thus, the RTC rightly denied Union Bank's Omnibus Motion for intervention.

ACCORDINGLY, the Petition for Review on *Certiorari* is **GRANTED**. The Decision, dated May 28, 2019, and the Resolution, dated January 8, 2020, of the Court of Appeals in CA-G.R. SP No. 150158, are **REVERSED**. The appointment of petitioner Jaime T. Dee as the receiver of Mabasa and Company, Inc. is **REINSTATED**.

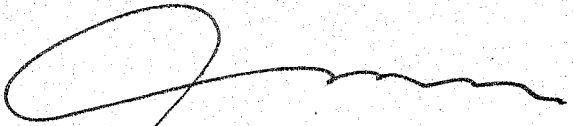
SO ORDERED.

⁷⁸ *Rollo*, pp. 77–78.

⁷⁹ *Id.* at 98.

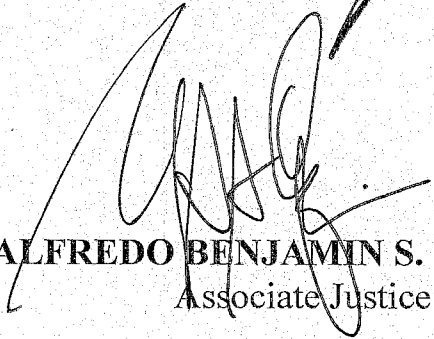
⁸⁰ *Mactan-Cebu International v. Heirs of Miñoza*, 656 Phil. 537 (2011) [J. Peralta, Second Division].



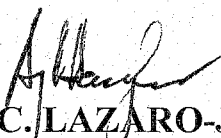


MARIA FILOMENA D. SINGH
Associate Justice

WE CONCUR:



ALFREDO BENJAMIN S. CAGUIOA
Associate Justice



AMY C. LAZARO-JAVIER
Associate Justice

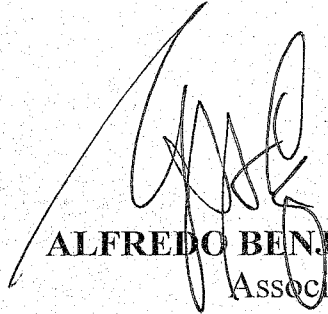
On official business
HENRI JEAN PAUL B. INTING
Associate Justice



JAPAR B. DIMAAMPAO
Associate Justice

ATTESTATION

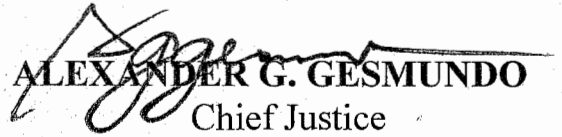
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



ALFREDO BENJAMIN S. CAGUIOA
Associate Justice
Chairperson, Third Division

CERTIFICATION

Pursuant to Article VIII, Section 13 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.


ALEXANDER G. GESMUNDO
Chief Justice

