664 Phil. 361

THIRD DIVISION

[G.R. No. 157549, May 30, 2011]

DONNINA C. HALLEY, PETITIONER, VS. PRINTWELL, INC., RESPONDENT.

D E C I S I O N

BERSAMIN, J.:

Stockholders of a corporation are liable for the debts of the corporation up to the extent of their unpaid subscriptions. They cannot invoke the veil of corporate identity as a shield from liability, because the veil may be lifted to avoid defrauding corporate creditors.

We affirm with modification the decision promulgated on August 14, 2002,[1] whereby the Court of Appeals (CA) upheld the decision of the Regional Trial Court, Branch 71, in Pasig City (RTC),[2] ordering the defendants (including the petitioner) to pay to Printwell, Inc. (Printwell) the principal sum of P291,342.76 plus interest.

Antecedents

The petitioner was an incorporator and original director of Business Media Philippines, Inc. (BMPI), which, at its incorporation on November 12, 1987,[3] had an authorized capital stock of P3,000,000.00 divided into 300,000 shares each with a par value of P10.00, of which 75,000 were initially subscribed, to wit:

Subscriber	No. of shares	Total subscription	Amount paid
Donnina C. Halley	35,000	P 350,000.00	P87,500.00
Roberto V. Cabrera, Jr.	18,000	P 180,000.00	P45,000.00
Albert T. Yu	18,000	P 180,000.00	P45,000.00
Zenaida V. Yu	2,000	P 20,000.00	P5,000.00
Rizalino C. Vineza	2,000	P 20,000.00	P5,000.00
TOTAL	75,000	P750,000.00	P187,500.00

Printwell engaged in commercial and industrial printing. BMPI commissioned Printwell for the printing of the magazine *Philippines, Inc*. (together with wrappers and subscription cards) that BMPI published and sold. For that purpose, Printwell extended 30-day credit accommodations to BMPI.

In the period from October 11, 1988 until July 12, 1989, BMPI placed with Printwell several orders on credit, evidenced by invoices and delivery receipts totaling P316,342.76. Considering that BMPI paid only P25,000.00, Printwell sued BMPI on

January 26, 1990 for the collection of the unpaid balance of P291,342.76 in the RTC.[4]

On February 8, 1990, Printwell amended the complaint in order to implead as defendants all the original stockholders and incorporators to recover on their unpaid subscriptions, as follows:[5]

Name	Unpaid Shares
Donnina C. Halley	P 262,500.00
Roberto V. Cabrera, Jr.	P135,000.00
Albert T. Yu	P135,000.00
Zenaida V. Yu	P15,000.00
Rizalino C. Viñeza	P15,000.00
TOTAL	P 562,500.00

The defendants filed a consolidated answer,[6] averring that they all had paid their subscriptions in full; that BMPI had a separate personality from those of its stockholders; that Rizalino C. Viñeza had assigned his fully-paid up shares to a certain Gerardo R. Jacinto in 1989; and that the directors and stockholders of BMPI had resolved to dissolve BMPI during the annual meeting held on February 5, 1990.

To prove payment of their subscriptions, the defendant stockholders submitted in evidence BMPI official receipt (OR) no. 217, OR no. 218, OR no. 220, OR no. 221, OR no. 222, OR no. 223, and OR no. 227, to wit:

Receipt No.	Date	Name	Amount
217	November 5, 1987	Albert T. Yu	P 45,000.00
218	May 13, 1988	Albert T. Yu	P 135,000.00
220	May 13, 1988	Roberto V. Cabrera, Jr.	P 135,000.00
221	November 5, 1987	Roberto V. Cabrera, Jr.	P 45,000.00
222	November 5, 1987	Zenaida V. Yu	P 5,000.00
223	May 13, 1988	Zenaida V. Yu	P 15,000.00
227	May 13, 1988	Donnina C. Halley	P 262,500.00

In addition, the stockholders submitted other documents in evidence, namely: (*a*) an audit report dated March 30, 1989 prepared by Ilagan, Cepillo & Associates (submitted to the SEC and the BIR);[7] (*b*) BMPI balance sheet[8] and income statement[9] as of December 31, 1988; (*c*) BMPI income tax return for the year 1988 (stamped "*received*" by the BIR);[10] (*d*) journal vouchers;[11] (*e*) cash deposit slips;[12] and (*f*) Bank of the Philippine Islands (BPI) savings account passbook in the name of BMPI.[13]

Ruling of the RTC

On November 3, 1993, the RTC rendered a decision in favor of Printwell, rejecting the allegation of payment in full of the subscriptions in view of an irregularity in the issuance of the ORs and observing that the defendants had used BMPI's corporate

personality to evade payment and create injustice, *viz*:

> The claim of individual defendants that they have fully paid their subscriptions to defend[a]nt corporation, is not worthy of consideration, because: --
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> a) in the case of defendants-spouses Albert and Zenaida Yu, it will be noted that the alleged payment made on May 13, 1988 amounting to P135,000.00, is covered by Official Receipt No. 218 (Exh. "2"), whereas the alleged payment made earlier on November 5, 1987, amounting to P5,000.00, is covered by Official Receipt No. 222 (Exh. "3"). This is cogent proof that said receipts were belatedly issued just to suit their theory since in the ordinary course of business, a receipt issued earlier must have serial numbers lower than those issued on a later date. But in the case at bar, the receipt issued on November 5, 1987 has serial numbers (222) higher than those issued on a later date (May 13, 1988).
> b) The claim that since there was no call by the Board of Directors of defendant corporation for the payment of unpaid subscriptions will not be a valid excuse to free individual defendants from liability. Since the individual defendants are members of the Board of Directors of defendant corporation, it was within their exclusive power to prevent the fulfillment of the condition, by simply not making a call for the payment of the unpaid subscriptions. Their inaction should not work to their benefit and unjust enrichment at the expense of plaintiff.
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> Assuming arguendo that the individual defendants have paid their unpaid subscriptions, still, it is very apparent that individual defendants merely used the corporate fiction as a cloak or cover to create an injustice; hence, the alleged separate personality of defendant corporation should be disregarded (Tan Boon Bee & Co., Inc. vs. Judge Jarencio, G.R. No. 41337, 30 June 1988).[14]

Applying the *trust fund doctrine*, the RTC declared the defendant stockholders liable to Printwell *pro rata*, thusly:

> Defendant Business Media, Inc. is a registered corporation (Exhibits "A", "A-1" to "A-9"), and, as appearing from the Articles of Incorporation, individual defendants have the following unpaid subscriptions:
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> | Names | Unpaid Subscription |
> |---|---|
> | Donnina C. Halley | P262,500.00 |
> | Roberto V. Cabrera, Jr. | 135.000.00 |
> | Albert T. Yu | 135,000.00 |
> | Zenaida V. Yu | 15,000.00 |
> | Rizalino V. Vineza | 15,000.00 |
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Total	P562,500.00

and it is an established doctrine that subscriptions to the capital stock of a corporation constitute a fund to which creditors have a right to look for satisfaction of their claims (Philippine National Bank vs. Bitulok Sawmill, Inc., 23 SCRA 1366) and, in fact, a corporation has no legal capacity to release a subscriber to its capital stock from the obligation to pay for his shares, and any agreement to this effect is invalid (Velasco vs. Poizat, 37 Phil. 802).

The liability of the individual stockholders in the instant case shall be pro-rated as follows:

Names	Amount
Donnina C. Halley	P149,955.65
Roberto V. Cabrera, Jr.	77,144.55
Albert T. Yu	77,144.55
Zenaida V. Yu	8,579.00
Rizalino V. Vineza	8,579.00

Total	P321,342.75[15]

The RTC disposed as follows:

WHEREFORE, judgment is hereby rendered in favor of plaintiff and against defendants, ordering defendants to pay to plaintiff the amount of P291,342.76, as principal, with interest thereon at 20% per annum, from date of default, until fully paid, plus P30,000.00 as attorney's fees, plus costs of suit.

Defendants' counterclaims are ordered dismissed for lack of merit.

SO ORDERED.[16]

Ruling of the CA

All the defendants, except BMPI, appealed.

Spouses Donnina and Simon Halley, and RizalinoViñeza defined the following errors committed by the RTC, as follows:

I.

THE TRIAL COURT ERRED IN HOLDING APPELLANTS-STOCKHOLDERS LIABLE FOR THE LIABILITIES OF THE DEFENDANT CORPORATION.

II.

ASSUMING ARGUENDO THAT APPELLANTS MAY BE LIABLE TO THE EXTENT OF THEIR UNPAID SUBSCRIPTION OF SHARES OF STOCK, IF ANY, THE TRIAL COURT NONETHELESS ERRED IN NOT FINDING THAT APPELLANTS-STOCKHOLDERS HAVE, AT THE TIME THE SUIT WAS FILED, NO SUCH UNPAID SUBSCRIPTIONS.

On their part, Spouses Albert and Zenaida Yu averred:

I.

THE RTC ERRED IN REFUSING TO GIVE CREDENCE AND WEIGHT TO DEFENDANTS-APPELLANTS SPOUSES ALBERT AND ZENAIDA YU'S EXHIBITS 2 AND 3 DESPITE THE UNREBUTTED TESTIMONY THEREON BY APPELLANT ALBERT YU AND THE ABSENCE OF PROOF CONTROVERTING THEM.

II.

THE RTC ERRED IN HOLDING DEFENDANTS-APPELLANTS SPOUSES ALBERT AND ZENAIDA YU PERSONALLY LIABLE FOR THE CONTRACTUAL OBLIGATION OF BUSINESS MEDIA PHILS., INC. DESPITE FULL PAYMENT BY SAID DEFENDANTS-APPELLANTS OF THEIR RESPECTIVE SUBSCRIPTIONS TO THE CAPITAL STOCK OF BUSINESS MEDIA PHILS., INC.

Roberto V. Cabrera, Jr. argued:

I.

IT IS GRAVE ERROR ON THE PART OF THE COURT A QUO TO APPLY THE DOCTRINE OF PIERCING THE VEIL OF CORPORATE PERSONALITY IN ABSENCE OF ANY SHOWING OF EXTRA-ORDINARY CIRCUMSTANCES THAT WOULD JUSTIFY RESORT THERETO.

II.

IT IS GRAVE ERROR ON THE PART OF THE COURT A QUO TO RULE THAT INDIVIDUAL DEFENDANTS ARE LIABLE TO PAY THE PLAINTIFF-APPELLEE'S CLAIM BASED ON THEIR RESPECTIVE SUBSCRIPTION. NOTWITHSTANDING OVERWHELMING EVIDENCE SHOWING FULL SETTLEMENT OF SUBSCRIBED CAPITAL BY THE INDIVIDUAL DEFENDANTS.

On August 14, 2002, the CA affirmed the RTC, holding that the defendants' resort to the corporate personality would create an injustice because Printwell would thereby be at a loss against whom it would assert the right to collect, *viz*: