

## THIRD DIVISION

[ G.R. NO. 142022, September 07, 2005 ]

**MINDANAO SAVINGS AND LOAN ASSOCIATION, INC.,  
PETITIONER, VS. VICENTA VDA. DE FLORES, AND HEIRS OF  
FLORENCIO FLORES, SR., NAMELY, EDNA FLORES EISEIDEL,  
BELINDA FLORES, FLORENCIO T. FLORES, JR., ROBERTO T.  
FLORES, SYLVIA FLORES SICAT AND LORNA FLORES  
FERNANDEZ, RESPONDENTS.**

### DECISION

**GARCIA, J.**

Under consideration is this petition for review on *certiorari* under Rule 45 of the Rules of Court to nullify and set aside the twin resolutions dated October 27, 1999<sup>[1]</sup> and February 15, 2002<sup>[2]</sup> of the Court of Appeals which respectively dismissed petitioner's appeal from an earlier decision of the Regional Trial Court at Malaybalay, Bukidnon for failure to file its appellant's brief on time, and denied petitioner's motion for reconsideration of the dismissal resolution.

Records reveal the essential following facts:

During his lifetime, or more specifically on December 9, 1982, Florencio Flores, Sr., husband of respondent Vicenta Vda. De Flores and predecessor-in-interest of the other respondents, entered into a *Joint Venture Agreement* with DS Homes, Inc. (DSHI) for the development and commercial utilization of the Flores spouses' two (2) adjoining lots located at the center of the town of Malaybalay, Bukidnon. Pursuant to the *Joint Venture Agreement*, Flores, Sr., as capitalist partner, secured a loan of P1.5M from petitioner Mindanao Savings and Loan Association, Inc. (MSLAI) using as collaterals therefor the two (2) aforementioned lots. Under the same agreement, DSHI, as industrial partner, shall have the full and complete authority to pursue the development project and the management thereof thereafter.

In time, out of the loan secured by Flores, Sr. from petitioner, a commercial building known as the *Flores Building* was constructed on the lots in question.

Business operations of the joint venture commenced in August, 1984. A portion of the first floor of the building was leased by DSHI to petitioner which used the space as office of its branch at Malaybalay, Bukidnon, while the rest of the same floor were occupied by a fastfood establishment, a drugstore and a grocery. The second floor of the building was used as a function room and the third floor as lodging inn.

In 1986, the joint venture suffered severe business reversals on account of which DSHI discontinued the management of the *Flores Building*, prompting respondents to take over its operations.

Meanwhile, on August 31, 1990, petitioner MSLAI, then operating under the name "Davao Savings and Loan Association", was placed by the Monetary Board of the Central Bank under receivership of the Philippine Deposit Insurance Corporation (PDIC) which was later designated by the Monetary Board as liquidator of the already insolvent MSLAI.

On November 10, 1992, respondents received from PDIC a demand letter for the payment of an outstanding obligation in the staggering amount of P23,756,477.61 as of October 31, 1992.

Unable to believe that the original loan of P1.5M obtained by their predecessor could have reached that much, respondents then filed with the Regional Trial Court at Bukidnon a complaint for *Accounting and Liquidation of Joint Venture, Annulment of Loan & Mortgages and Damages* thereat docketed as *Civil Case No. 2138*. Impleaded as defendants in the case were, among others, DSHI, petitioner MSLAI and one Francisco D. Villamor and other officers of DSHI.

Albeit not a party to the *Joint Venture Agreement*, petitioner MSLAI was impleaded as a party-defendant, it being respondents' allegation that petitioner and DSHI were practically one and the same, as in fact defendant Francisco Villamor was the general manager of both corporate entities and that although the two (DSHI and MSLAI) are separate and distinct corporations, they acted as one in the implementation and execution of the *Joint Venture Agreement* under the effective direction and control of Francisco Villamor who was the moving force in the manipulations of the loans and dissipation of the funds of the joint venture.

In its answer, petitioner maintained that it is a separate and distinct corporation from DSHI, adding that respondents have no cause of action against it as it is never a party to the *Joint Venture Agreement* between DSHI and respondents' predecessor-in-interest.

In a decision dated January 26, 1998,<sup>[3]</sup> the trial court, upon a finding that [T]he *sum total of the foregoing evidence abundantly demonstrates further the unity of the corporate defendants and how they manipulated the loan and the funds of the joint venture, about which petitioner MSLAI failed to refute plaintiffs' extensive evidence making out a strong case of piercing the veil of corporate fiction against it and DSHI, rendered judgment for the respondents, thus:*

WHEREFORE, judgment is hereby entered:

1. Declaring that the accounting and/or liquidation of the Joint Venture Agreement entered into by the late Dr. Florencio Flores, Sr., and the Davao Homes, Inc., dated December 9, 1982, to be already deemed made and terminated. Accordingly, no party or parties shall receive any award of income/share.
2. All income generated by the Flores building beginning 1986 shall henceforth exclusively belong to plaintiffs.
3. Annuling and declaring null and void the said Joint Venture Agreement.