

THIRD DIVISION

[G.R. No. 100468, May 06, 1997]

**LAUREANO INVESTMENT & DEVELOPMENT CORPORATION,
PETITIONER, VS. THE HONORABLE COURT OF APPEALS AND
BORMAHECO, INC., RESPONDENTS.
D E C I S I O N**

PANGANIBAN, J.:

May a plaintiff/petitioner which purports to be a corporation validly bring suit under a name other than that registered with the Securities and Exchange Commission?

In this petition for review on certiorari under Rule 45 of the Rules of Court, petitioner seeks the reversal of the Decision^[1] of the Court of Appeals^[2] in CA-G.R. SP No. 22763, promulgated on February 28, 1991, which resolved the above question in the negative; and its Resolution^[3] promulgated on June 10, 1991, denying petitioner's motion for reconsideration. The assailed Decision upheld the following questioned orders of the Regional Trial Court of Makati, Branch 141:^[4] (1) the Order dated September 8, 1989, ruling that "Lideco Corporation" (the name under which herein petitioner represented itself before the trial court) lacked personality to intervene;^[5] (2) the Order dated May 7, 1990, denying the motion of petitioner to take the place of "Lideco Corporation" as party-intervenor and adopt the latter's complaint in intervention and other pleadings;^[6] and (3) the Order dated August 8, 1990, which denied the motion for reconsideration of petitioner.^[7]

The Facts

The antecedents of this petition are summarized by the Respondent Court as follows:

"The records show that spouses Reynaldo Laureano and Florence Laureano are majority stockholders of petitioner Corporation who entered into a series of loan and credit transactions with Philippine National Cooperative Bank (PNCB for short). To secure payment of the loans, they executed Deeds of Real Estate Mortgage dated December 11, 1962, January 9, 1963, July 2, 1963 and September 5, 1964, for the following amounts: P100,000.00, P20,000.00, P70,000.00 and P13,424.04, respectively. In view of their failure to pay their indebtedness, PNCB applied for extrajudicial foreclosure of the real estate mortgages. The bank was the purchaser of the properties in question in the foreclosure sale and titles thereof were consolidated in PNCB's name on February 20, 1984. PNCB did not secure a writ of possession nor did it file ejectment proceedings against the Laureano spouses, because there were then pending cases, such as x x x involving the titles of ownership of subject two lots, which are situated at Bel-Air Subdivision[,] Makati, Metro

Manila.

Private respondent Bormaheco, Inc. became the successor of the obligations and liabilities of PNCRB over subject lots by virtue of a Deed of Sale/Assignment on September 26, 1988 wherein Bormaheco bought from PNCRB under a bulk sale 114 titled and untitled properties including the two parcels of land in question, formerly registered in the name of the Laureano spouses. Transfer Certificate of Title Nos. 157724 and 157725 over the lots in question were issued on October 12, 1988 in the name of Bormaheco.

Five (5) days after securing titles over the said properties, Bormaheco filed an 'Ex-Parte Petition for the Issuance of Writ of Possession of Lots 4 and 5, Block 4 situated at Bel-Air Village, Makati, Metro Manila and embraced in TCT Nos. 157724 and 157725 of the Registry of Deeds of Makati, Metro Manila,' docketed as LRC Case No. M-1530 before respondent Court. Petitioner Corporation filed on January 18, 1989 its Motion for Intervention and to Admit Attached Complaint in Intervention in said case. After an exchange of pleadings, respondent Court issued its order dated February 9, 1988, which reads:

'There being a *prima facie* showing in the attached complaint in intervention that herein intervenor LIDECO CORPORATION has an interest which may eventually and adversely be affected in whatever decision the Court may render in the instant case; to enable the parties concerned to properly ventilate and litigate all the issues involving the subject property thereby avoid multiplicity of suits, and in the interest of justice, the Motion for Intervention, filed by LIDECO CORPORATION is hereby GRANTED; and the attached complaint in intervention ADMITTED.'

On July 26, 1989, respondent Bormaheco filed its Motion to Strike out the Complaint in Intervention and all related pleadings filed by LIDECO Corporation. The motion was granted in the first questioned order dated September 8, 1989, which reads:

On the instant motion, the records show that LIDECO Corporation appeared thru counsel and filed its complaint in intervention, representing therein that it is a corporation duly organized and registered in accordance with law.

The Corporation Code explicitly provides that the use of the word corporation presupposes that an entity is duly registered (with the SEC) in accordance with law.

Intervening in the instant petition, with the use of the name LIDECO Corporation, the latter, in effect, represents to this court that it is a corporation whose personality is distinct and separate from its stockholders and/or any other corporation bearing different names. Hence, herein intervenor LIDECO Corporation and LAUREANO INVESTMENT AND DEVELOPMENT CORPORATION, to the mind of this Court, are two (2) separate and distinct entities. Inasmuch as the documents in support of its complaint in intervention -- tax declarations -- are in the names of Laureano Investment and Development Corporation, and it appearing that LIDECO Corporation is not a corporation or partnership duly organized and registered with the SEC, there is, therefore, no way whatsoever that LIDECO Corporation's interests will be adversely affected by the outcome of the instant case.

WHEREFORE, for intervenor's lack of personality to intervene in the instant proceedings, petitioner's motion to strike out complaint in intervention is hereby GRANTED.

Accordingly, all pleadings filed relative thereto are ordered expunged from the records.

After the issuance of the above-cited order, petitioner Corporation filed on October 4, 1989, its Urgent Motion to Substitute Party Intervenor and to Adopt Complaint in Intervention and All Pleadings. An opposition thereto was filed by BORMAHECO, after which the lower court issued its second questioned order quoted below:

The court has painstakingly examined the two (2) tax declarations and has found out that the said tax declarations refer to two houses erected on Lot 3, Block 4 and Lot 3, Block 4 of the Bel-Air Village, Makati, Metro Manila. On the other hand, the subject matter of the instant petition are Lot 4, Block 4 and Lot 5, Block 4 of Bel-Air Village, Makati, Metro Manila. Clearly, therefore, the properties upon which the herein movant-corporation has interests refer to properties different from those subject of the instant petition.

Not only that. As correctly pointed out by the petitioner, the afore-mentioned tax declarations according to the records of the Makati Assessor's Office were canceled on July 22, 1982 or five (5) years, two (2) months and four (4) days before the petitioner (BORMAHECO) purchased from the Philippine National Cooperative Bank the two (2) lots and the improvements found thereon evidenced by the copies of Tax Declaration Nos. A-002-00512 and 6103 attached as Annexes A and B respectively to the petitioner's rejoinder dated October 26, 1989.

The movant-corporation not having shown documentary evidence showing that it has interest on the two lots subject of the complaint and the improvements found therein, it has, therefore, no personality to file the instant motion. x x x

There is yet another reason why the motion should not be granted. The movant corporation's request to be substituted as party intervenor is not one of the instances provided for in Sec. 20, Rule 3 of the Rules of Court. Substitution of party litigant may be requested in the following:

(a) When a party dies and the claim is not extinguished, upon proper motion, the Honorable Court may order the legal representative of the deceased to appear and to be substituted for the deceased within the period of thirty (30) days or within such time as may be granted. (Sec. 17, Rule 3, Rules of Court)

(b) In case of any transfer of interest, upon motion, the Honorable Court may direct the person to whom the interest is transferred to be substituted in the action or joined with the original party. (Sec. 20, Rule 30 [should be Rule 3], supra.)
which is not so in the case.

x
x

x

WHEREFORE, in view of the foregoing considerations, the motions under consideration are hereby DENIED.'

A Motion for Reconsideration of the above-cited order was denied by respondent Court in its third questioned order dated August 8, 1990, x x x"[8]

In likewise denying the petition of Laureano Investment and Development Corporation (petitioner corporation), Respondent Court ratiocinated:

"Petitioner Corporation contends that respondent Bormaheco's motion to strike out the complaint in intervention and all related pleadings filed by LIDECO Corporation was based on misleading and confusing assertions that LIDECO Corporation is not a registered corporation despite its admission and/or use of the word LIDECO as acronym for Laureano Investment and Development Corporation. The contention is untenable. BORMAHECO has shown that LIDECO Corporation is not organized and existing under Philippine laws. Neither has it been registered with the Securities and Exchange Commission. In support of said claim, BORMAHECO presented a certification to the effect that the records of the Commission do not show the registration of LIDECO, INC. either as a corporation or as partnership.

Petitioner also contends that the motion x x x should have been denied outright because it was filed in bad faith and without legal and factual basis. On the contrary, from the very first motion and pleading filed by petitioner in LRC No. M-1530 pending before respondent Court, it is very clear that the intervenor therein is LIDECO Corporation. Nowhere in its complaint does it appear that LIDECO Corporation is the brevity or acronym for Laureano Investment and Development Corporation. The claim that Lideco Corporation is the name of a corporation which is duly registered and organized in accordance with law has been belied by the absence of SEC record showing the registration of Lideco, Inc. either as corporation or as a partnership. It was only when intervenor (petitioner herein) filed its opposition to the motion to strike out that it clarified that Lideco Corporation is the acronym for Laureano Investment and Development Corporation.

x x x
x

x x
x x x

Moreover, even assuming that Lideco Corporation and Laureano Investment and Development Corporation are one and the same, it was found by respondent Court that the properties being claimed by petitioner are different from those for which private respondent is seeking the issuance of a writ of possession; hence, the complaint in intervention was correctly dismissed."^[9]

In conclusion, the appellate court said:

"We, therefore, fail to see the alleged grave abuse of discretion on the part of respondent Court in issuing the questioned orders, as they were issued after the Court had considered the arguments of the parties and the evidence on record. Clearly, the lower court acted within its authority and sound discretion in issuing the said orders."^[10]

Petitioner's motion for reconsideration of the above ruling was, as earlier stated, denied by Respondent Court in its Resolution^[11] promulgated on June 10, 1991. Hence, this petition.

Issues

Petitioner raises for resolution the following questions:

1. Whether Respondent Bormaheco, Inc. is estopped from contesting the legal personality to sue of "Lideco Corporation";
2. Whether bad faith attended the filing of private respondent's motion to strike out the complaint in intervention and related pleadings.^[12]

Petitioner contends that private respondent is estopped from, and is in bad faith for, denying its knowledge that "Lideco Corporation" and Laureano Investment and Development Corporation are one and the same entity since it has previously used LIDECO as an acronym for the latter corporation.

Private respondent submitted a lengthy (sixty-page) amended comment^[13] to the petition, giving a detailed background to the instant case including various actions allegedly commenced by the Spouses Laureano questioning the foreclosure of the subject properties. In sum, Bormaheco, Inc. maintains that Respondent Court did not commit reversible error in disallowing "Lideco Corporation" to intervene for the reason that said entity did not satisfy the essential requisites for being a party to an action, to wit: (1) natural or juridical personality; (2) legal capacity to sue or be sued, i.e., having all the qualifications and none of the disqualifications provided for by law; and (3) real interest in the subject matter of the action.^[14]

Private respondent adds that petitioner corporation is merely an alter ego of the Laureano spouses who have lost their rights over the subject properties in favor of Bormaheco's predecessor-in-interest, the Philippine National Cooperative Bank (PNCB), by virtue of extrajudicial foreclosures. Petitioner's motion to intervene in the case below is just another ploy of the spouses to prevent subsequent owners from effectively exercising their rights of ownership over the properties.

Private respondent also filed before us a motion^[15] to declare petitioner as engaged in forum shopping and to resolve the instant petition. In support of its motion, private respondent enumerates a string of civil actions allegedly commenced by the Laureano spouses before the trial court as well as petitions before the appellate court concerning the properties in question. As a result, Bormaheco claims, an "issue which could have been laid to rest in 1967 is still being litigated." Furthermore, in an omnibus motion^[16] filed on February 11, 1997, private respondent claims that it is being unduly deprived of rental income by as much as