

TWENTIETH DIVISION

[CA-G.R. SP NO. 07936, December 15, 2014]

**SPOUSES JORGE CHIONG AND TERESITA D. CHIONG,
PETITIONERS, VS. INOPACAN INSTITUTE, INC., AND/OR
NARCISA C. SOLIMAN, ANITA B. VILLARUBIN, ROSEFIELA S.
CANON, EDUARDO CHIONG, ATTY. LOPE MONTAJES, DR.
ISIDORO EVANGELISTA, ATTY. ISABELO DE LOS SANTOS,
INOPACAN INSTITUTE OF LEARNING, INC., REP. BY SALVACION
B. ABREA, RESPONDENTS.**

DECISION

QUIJANO-PADILLA, J.:

This is a Petition for Review^[1] under Rule 42 of the Rules of Court assailing the Decision dated February 18, 2013^[2] and Order dated July 19, 2013^[3] of the Regional Trial Court (RTC), Branch 18, Hilongos, Leyte in Civil Case No. H-768. The assailed Decision dismissed the instant appeal and affirmed the August 22, 2012 Decision^[4] of the Municipal Circuit Trial Court (MCTC), Hindang-Inopacan, Leyte. On the other hand, assailed Order denied the herein petitioners' Motion for Reconsideration^[5] for lack of merit.

The Antecedents

The instant controversy stemmed from a Complaint^[6] for Collection of Sum of Money filed by petitioners against respondent Inopacan Institute, Inc., represented by Narcisa Soliman, and defendant Joriz Chiong before the MCTC, Hindang-Inopacan, Leyte, docketed as Civil Case No. 332, alleging among others that during the school year 2002-2003, petitioners supplied building materials and costs of labor totaling to P301,712.00 to respondent Inopacan Institute, Inc. (Inopacan Institute), through its then School Director, Joriz Chiong, for the repair and renovation of the school building operated by respondent Inopacan Institute, and the latter only partially paid P149,750.00 leaving an unpaid balance of P151,962.00.^[7]

In its Answer,^[8] respondent Inopacan Institute denied any liability claiming that its former School Director/Chairman of the Board of Trustees, Joriz Chiong, acted without authority or in excess of his authority when he undertook major repairs of its school building without prior authority or consent of its Board of Trustees. Respondent Inopacan Institute further averred that the alleged partial payments made in favor of petitioners were done illegally and without prior authority from its Board of Trustees.^[9]

For his part, defendant Joriz Chiong claimed, in his Answer,^[10] that he acted within the scope of his authority as former School Director and Chairman of the Board of Trustees of respondent Inopacan Institute and that despite his requests to pay the

petitioners, respondent Inopacan Institute refused to make payment. He likewise claimed that respondent Inopacan Institute knowingly permitted him to order materials, use and partially pay the petitioners for the construction materials and labor they supplied for the improvement of the school building used and operated by respondent Inopacan Institute, thus, the latter is estopped from denying its liability to petitioners.^[11]

In the course of the trial, petitioners filed a Supplemental Complaint^[12] on August 8, 2008 impleading co-respondent Inopacan (Leyte) Institute of Learning, Inc. (Inopacan Institute of Learning) considering the fact that respondent Inopacan Institute was already dissolved and all its funds and properties were transferred to the newly-formed corporation, co-respondent Inopacan Institute of Learning, who took over the operation of the dissolved corporation.^[13]

Co-respondent Inopacan Institute of Learning filed its Answer^[14] alleging that it is a newly organized non-stock corporation, which has a separate and distinct personality from that of respondent Inopacan Institute, and is not in any way a party to the alleged transactions between the petitioners and respondent Inopacan Institute.^[15]

During the pendency of this case, respondent Inopacan Institute, through its Board of Trustees, sold a parcel of land to co-respondents Spouses Menandro and Elisa Bisnar (Sps. Bisnar) for a consideration of P600,000.00. Hence, petitioners filed an Amended Complaint^[16] impleading as additional party defendants, the members of the Board of Trustees, namely: respondents Anita Villarubin, Rosefiela Canon, Eduardo Chiong, Atty. Lope Montajes, Dr. Isidoro Evangelista, Atty. Isabelo de los Santos, and the Sps. Bisnar. In impleading the members of the Board of Trustees, petitioners alleged that they acted fraudulently and in bad faith in the execution of the said contract of sale involving a property of respondent Inopacan Institute in favor of Sps. Bisnar. Petitioners also prayed for the rescission of the said contract of sale as it was allegedly illegally made and undertaken in fraud of the petitioners. However, petitioners moved to exclude or drop Joriz Chiong as party defendant in this case.^[17]

On January 26, 2010, defendants Sps. Bisnar filed a motion for leave of court to amend and admit their Second Amended Answer with Motion to Dismiss. On April 22, 2010, the lower court issued an Order admitting the Second Amended Answer of defendants Sps. Bisnar.^[18]

The Decisions of the MCTC and RTC

After due proceedings, the MCTC rendered its Decision^[19] on August 22, 2012 ordering respondent Inopacan Institute to pay petitioners of its remaining obligation of P136,812.50 with interest. The dispositive portion^[20] of the Decision reads:

WHEREFORE, premises considered, the Court hereby orders the defendant, Inopacan Institute, Inc. to pay the plaintiffs of its remaining obligation of P136,812.50 with interest thereon at the rate of 12% per annum from February 18, 2005 (date of filing of the Complaint) until fully paid. The case as against the Board of Trustees of Inopacan Institute,

Inc. and as against co-defendant, Inopacan (Leyte) Institute of Learning, Inc., and the defendants' counter-claims are hereby dismissed. Costs against the defendant, Inopacan Institute, Inc.

In resolving the issue of respondent Inopacan Institute's liability to petitioners arising from the subject transactions entered into in its name by its then School Director Joriz Chiong, the MCTC ruled that while there may not be a formal board resolution specifically granting authority to its then School Director Joriz Chiong to undertake the said repairs and rehabilitation of the school building but by reason of the actions or inaction taken by the officers and members of the Board of Trustees of respondent Inopacan Institute they are deemed to have given implied ratification to the alleged unauthorized acts of Joriz Chiong, its then School Director. The MCTC took note of the fact that the subject repairs and rehabilitation of the school building were not concealed nor carried out clandestinely, hence, it is wide open to the probing eyes of the officers and members of the Board of Trustees of respondent Inopacan Institute. The MCTC likewise noted that respondent Inopacan Institute admitted in its Answer that through its School Director Joriz Chiong, it had ordered and received from petitioners construction materials, electrical supplies and costs of labor for its school building improvements and/or operation in the amount of P301,712.00 and in fact, it had made partial payments, first, on March 17, 2003 in the amount of P20,000.00 and next, on April 25, 2003, in the amount of P129,750.00, for a total partial payment of P149,750.00. However, there were delivery receipts having no signatures of the person or persons responsible, who could attest the correctness of the entries reflected therein, thus, they should be excluded from respondent Inopacan Institute's obligation. Thus, the total obligation amounting to P301,712.00 less P17,340.00 (total amount of delivery receipts excluded) = P286,562.50 less partial payment of P149,750.00 = P136,812.50 as the remaining balance of respondent Inopacan Institute due to petitioners.

Additionally, the MCTC ruled that petitioners failed to prove bad faith on the part of the members of the Board of Trustees of respondent Inopacan Institute in directing the affairs of respondent Inopacan Institute, hence, they cannot be made personally liable for the liability of respondent Inopacan Institute to petitioners.

Dissatisfied, petitioners appealed^[21] the said Decision to the RTC, Branch 18, Hilongos, Leyte. On February 18, 2013, the RTC rendered its Decision^[22] affirming the decision of the MCTC and dismissed the instant appeal for lack of jurisdiction. The RTC disposed in this wise:

WHEREFORE, finding no COMPELLING reason to include the members of the Board of Trustees in the payment of the balance of P136,812.50, the Decision of the Court a quo is MAINTAINED in all respect.

Aggrieved, petitioners moved for reconsideration^[23] but the RTC denied the same in its July 19, 2013 Order.^[24]

Undeterred, petitioners filed the present petition based on this lone assignment of error:

THE REGIONAL TRIAL COURT ERRED IN AFFIRMING THE DECISION OF THE LOWER COURT IN RULING THAT THE PETITIONERS FAILED TO ADDUCE CLEAR AND CONVINCING EVIDENCE THAT THE MEMBERS OF

THE BOARD OF TRUSTEES OF THE INOPACAN INSTITUTE, INC., ARE GUILTY OF BAD FAITH IN DIRECTING THE AFFAIRS OF THE CORPORATION, HENCE, THEY CANNOT BE MADE PERSONALLY LIABLE FOR THE LIABILITY OF THE SCHOOL.^[25]

This Court's Ruling

The petition lacks merit.

At the outset, it should be stressed that We are called to resolve an issue which was already squarely addressed and extensively threshed out by the court a quo and the MCTC as well.

No Serious Error in the Findings of the Lower Courts

A perusal of the arguments advanced by petitioners in their Petition shows that they involve an inquiry into the factual matters or relate to the trial courts' appreciation of the evidence presented by the parties.

Time and again, it is a hornbook doctrine that the findings of fact of the trial court are entitled to great weight on appeal and should not be disturbed except for strong and valid reasons,^[26] because the trial court is in a better position to examine the real evidence, and observe the demeanor of the witnesses, and can therefore discern if they are telling the truth or not.^[27] Stated otherwise, findings of fact made by a trial court are accorded the highest degree of respect by an appellate tribunal and, absent a clear disregard of the evidence before it that can otherwise affect the results of the case, those findings should not be ignored.^[28]

In their pleadings filed before the lower courts, petitioners have relentlessly imputed errors in the factual findings of the lower courts that they were unable to prove by clear and convincing evidence that the members of the Board of Trustees of respondent Inopacan Institute are guilty of bad faith in directing the affairs of the corporation so as to make them personally liable for the liability of respondent Inopacan Institute to petitioners. It is the petitioners' position that the members of the Board of Trustees of respondent Inopacan Institute had patently and blatantly used the corporation – the school – to evade a just and due obligation which they incurred from petitioners. According to petitioners, the members should be adjudged personally liable for the obligation of the school as provided under Section 31 of the Corporation Code.

We do not agree.

The ruling of the MCTC in its Decision dated August 22, 2012 resolved the aforesaid issue in this wise, thus:^[29]

“In the instant case, plaintiffs endeavored to prove bad faith on the part of the members of the Board of Trustees of Inopacan Institute when they sold the last remaining land of the defendant corporation in favor of Sps. Menandro Bisnar and Elisa Yee-Bisnar on February 20, 2005 involving an amount of P642,000.00 as evidenced by a Deed of Absolute Sale.