



Republic of the Philippines  
Supreme Court  
Manila

THIRD DIVISION

NOTICE

Sirs/Mesdames

*Please take notice that the Court, Third Division, issued a Resolution dated February 13, 2023, which reads as follows:*

**“G.R. No. 245977 (*Ariel Chavez v. Rodolfo Dela Rosa Lopez and Register of Deeds for Quezon City*).—** Assailed in this Petition for Review on *Certiorari*<sup>1</sup> are the Decision<sup>2</sup> dated September 28, 2017 and the Resolution<sup>3</sup> dated March 21, 2018 of the Court of Appeals (CA) in CA-G.R. CV No. 107700, which reversed and set aside the Decision<sup>4</sup> dated March 21, 2016 of the Regional Trial Court of Quezon City, Branch 80 in Civil Case No. Q-08-63828.

The instant case stemmed from a Complaint for Rescission of Donation and Annulment of Title<sup>5</sup> filed by Ariel Chavez (petitioner) against Rodolfo Dela Rosa Lopez (Rodolfo) and the Register of Deeds for Quezon City (respondents), primarily seeking to annul the donation by Gloria Dela Rosa Lopez (Gloria) in favor of her son, Rodolfo, of a parcel of land presently registered under his name under Transfer Certificate of Title (TCT) No. N-289710.

Petitioner averred that the instant controversy was an offshoot of the proceedings in NLRC-NCR Case No. 00-12-08961-94, which involved his complaint for illegal dismissal, underpayment of wages, and non-payment of benefits against Lopez Dela Rosa Development Corporation (LDC) and its President, Gloria.<sup>6</sup> In the Decision<sup>7</sup> dated June 7, 1999, Labor Arbiter Vicente R. Layawen adjudged Lopez Dela Rosa Development Corporation and Gloria guilty of illegal dismissal and ordered the reinstatement of petitioner and the payment of backwages and other monetary benefits amounting to a total of

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<sup>1</sup> *Rollo*, Vol. I, pp. 8-41.

<sup>2</sup> *Id.* at 44-65. The Decision dated September 28, 2017 was penned by Associate Justice Magdangal M. De Leon, with the concurrence of Associate Justices Franchito N. Diamante and Nina G. Antonio-Valenzuela.

<sup>3</sup> *Id.* at 67-68.

<sup>4</sup> *Id.* at 69-79. The Decision dated March 21, 2016 was penned by Judge Charito B. Gonzales.

<sup>5</sup> *Id.* at 361-367.

<sup>6</sup> *Id.* at 45-47, 80 and 362.

<sup>7</sup> *Id.* at 80-88.

PHP 290,186.44.<sup>8</sup> Lopez Dela Rosa Development Corporation and Gloria thence assailed the judgment award before the National Labor Relations Commission, but the same was dismissed for failure to perfect the appeal within the statutory period.<sup>9</sup> Undeterred, they elevated the labor case until it finally reached this Court, but Gloria died during the pendency of the proceedings.<sup>10</sup> This Court thereafter issued a Decision<sup>11</sup> upholding the judgment award in petitioner's favor, which became final and executory on June 15, 2005.<sup>12</sup> Subsequently, the Labor Arbiter issued a writ of execution allowing the sheriff to levy TCT No. N-210751, then registered under Gloria's name.<sup>13</sup>

Petitioner likewise avowed that Rodolfo was able to have the said levy lifted on the strength of a Deed of Donation dated July 1, 2004 executed by Gloria in his favor.<sup>14</sup> Ineluctably, the judgment award remained unsatisfied given that all of the known properties of Gloria, consisting of four other parcels of titled lands, *i.e.*, TCT Nos. N-210748, N-210749, N-210750, and N-210752, were already donated in favor of Rodolfo.<sup>15</sup>

During trial, petitioner proffered his own testimony and expounded on his material allegations, which the court *a quo* summarized as follows:

[Petitioner] himself testified and confirmed the material allegations in his complaint. With respect to the labor arbiter's decision in the illegal dismissal case, [petitioner] asserted that he obtained a second alias writ of execution, and that when the writ was issued, he and his lawyer looked for properties of Gloria by sending requests to the Register of Deeds, to the Securities and Exchange Commission ("SEC"), to the Land Transportation Office ("LTO"), and to the Assessor's Office. The search yielded the five (5) lots he mentioned in his complaint. The sheriff, using the second alias writ, was able to levy on TCT No. N-210751. As for the remaining lots - TCT Nos. N-210748, N- 210749, N-210751 (*sic*) and N-210752, they were donated to Rodolfo. According to [petitioner], Gloria executed the Deed of Donation subject of this case to avoid payment to her creditors, because there is a pending case, and when the Supreme Court released the decision, there was no other property for them to find. [Petitioner] came to know about the instrument when it was attached as annex to Rodolfo's Third-Party Claim.

On cross-examination, [petitioner] stated that the levy over the subject property was lifted because of the deed of donation and because the arbiter believed that Rodolfo is the owner. The witness admitted that, when he verified with the SEC, he found two other properties of Gloria: US Med-Pharma and GRL Corporation. On the other hand, when he verified with the LTO, they found a vehicle plate number that, according to the agency, is not

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<sup>8</sup> Id. at 86-88 and 362.

<sup>9</sup> Id. at 13.

<sup>10</sup> Id. at 45.

<sup>11</sup> See *Lopez Dela Rosa Development Corp. v. Court of Appeals*, 497 Phil. 145 (2002).

<sup>12</sup> *Rollo*, VOL. I, pp. 45 and 362.

<sup>13</sup> Id.

<sup>14</sup> Id.

<sup>15</sup> Id. at 46 and 362-363.

the property of Gloria. With respect to the award in the labor case, [petitioner] testified that he was able to partially collect the amount of [PHP]100,000.00; that the Supreme Court decision became final in 2005, at which time Gloria was already dead and [petitioner] executed on the latter's property.<sup>16</sup>

Petitioner's evidence also included the testimony of Rodolfo, who was presented as an adverse witness, in which he admitted that Gloria was confined at St. Luke's Hospital when she signed the subject Deed of Donation.<sup>17</sup>

For the part of the respondents, Rodolfo insisted, *inter alia*, that the transfer of the lot covered by TCT No. N-210751 was done in good faith and that he was not a party to the labor proceedings. In fact, he even filed a third-party claim therein questioning the propriety of the levy, which was subsequently granted by the Labor Arbiter and upheld by the National Labor Relations Commission.<sup>18</sup> During trial, he identified other properties belonging to Gloria at the time of the execution of the donation.<sup>19</sup>

### THE RULING OF THE REGIONAL TRIAL COURT

In the Decision<sup>20</sup> dated March 21, 2016, the Regional Trial Court granted the Complaint for Rescission and annulled the impugned Deed of Donation after finding that all the elements of an *accion pauliana* were present. The trial court underscored the subsidiary nature of such action and held that the same was complied with considering that after petitioner's investigation, he was able to ascertain that TCT No. N-210751 was the only remaining realty that may be levied upon. Contrarily, Rodolfo failed to refute petitioner's claims as the other additional properties alluded to by Rodolfo were either unsubstantiated or insufficient, to wit:

On this score, in his memorandum, he argued that apart from the land subject of the deed of donation, Gloria has other substantial properties existing at the time of donation as well as after her death that could answer for the amount being asked by [petitioner], to wit:

- (a) The Articles of Incorporation of GRL Commercial Corporation;
- (b) Memorial lots in Gloria's name; and
- (c) Parcels of land covered by TCT No. N-123609, TCT No. N-137094, TCT No. N-137095, TCT No. N-249937, and TCT No. 252352

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<sup>16</sup> Id. at 70.

<sup>17</sup> Id. at 47.

<sup>18</sup> Id. at 69 and 370.

<sup>19</sup> Id. at 71.

<sup>20</sup> Id. at 69-79. The March 21, 2016 Decision was penned by Judge Charito B. Gonzales.

As to the Articles of Incorporation, it bears noting that the same appears *for the first time* during pre-trial. The document, however, was *never presented or identified by any witness of the defense during trial. In fact, the document would resurface only when Rodolfo filed his formal offer of documentary evidence...* Not having been authenticated, the subject document remains hearsay. x x x.

Even assuming *arguendo* that the articles can be considered, it merely shows the shares of stock allegedly held by Gloria *in 2001*. There is no showing of the value of Gloria's shareholdings either at the time of donation or at the time the instant suit was filed. x x x.

With respect to the memorial lots, Rodolfo's testimony about the respective "fair market" values of these lots, was *unsubstantiated* by any documentary proof... Also, there is variance in the values reported in Rodolfo's judicial affidavit and in those found in his formal offer.

Worse, when confronted during trial, Rodolfo admitted that five lots were already occupied by members of his family. x x x.

As to TCT Nos. 123609 and 249937, Rodolfo himself admitted during trial that the same were cancelled. Besides, closer inspection reveals that TCT No. 249937, was issued in lieu of TCT No. 123609. More significantly, the land appears to have been further transferred to a third party through an instrument executed on June 3, 2004 thereby causing the issuance of another certificate in lieu of TCT No. 249937. In other words, Chavez's (*sic*) very evidence suggests that *on June 3, 2004 - hence, prior to the execution of the subject deed of donation - the land commonly covered by TCT Nos. 123609 and 249937 was no longer Gloria's property.*

With regard to TCT No. N-137094, [petitioner] confronted Rodolfo with a certified copy of TCT No. N-265976 and thereupon the defendant admitted that the latter TCT was issued in lieu of the previous title. A similar admission was made relative to TCT No. N-137095, i.e. TCT No. N-265975 was issued in lieu thereof. Furthermore, inspection of the entry dates of TCT Nos. N-265975 and N-256976 suggests that TCT Nos. N-137094 and N-137095 were commonly cancelled on August 9, 2004. Stated otherwise, it appears that less than two (2) months after the disputed deed of donation was executed, the respective lots covered by TCT Nos. N-137094 and N-137095 were transferred to the same third party. It [cannot] therefore, be firmly claimed that Gloria had reserved these properties to satisfy the claims of her creditors.

Finally, with respect to TCT No. 252352, the same can not be given probative value despite its admission. It was not pre-marked during pre-trial... Neither was it included in Rodolfo's judicial affidavit, or identified by any defense witness, for that matter. Besides, on the face of the TCT the registered owner is a certain GRL Commercial Corporation, not the late Gloria Dela Rosa Lopez.<sup>21</sup>

Nonetheless, the trial court denied petitioner's plea for damages considering that "while fraud attended the subject donation, [he] failed to convincingly prove bad faith on the part of Rodolfo."<sup>22</sup>

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<sup>21</sup> Id. at 76-77.

<sup>22</sup> Id. at 78.

The decretal portion of the Decision reads:

**WHEREFORE**, premises considered, the instant *Complaint* is **GRANTED**. The Deed of Donation dated July 1, 2004, executed by and between Gloria Dela Rosa Lopez and Rodolfo Dela Rosa Lopez, and the certificate of title (TCT No. N-289710) issued in the name of Rodolfo Dela Rosa Lopez on the basis thereof, are declared **NULL and VOID**.

Upon finality of this judgment, the Register of Deeds of Quezon City is directed to cancel TCT No. N-289710 and to reinstate the previous title (TCT No. N-210751) in the name of Gloria Dela Rosa Lopez.

No pronouncement as to costs.

**SO ORDERED.**<sup>23</sup>

Petitioner and Rodolfo respectively filed a Motion for Partial Reconsideration<sup>24</sup> and Motion for Reconsideration,<sup>25</sup> but these were both denied by the court *a quo* in the Order<sup>26</sup> dated May 19, 2016.

Unfazed, both parties lodged an appeal<sup>27</sup> with the CA.

### THE RULING OF THE COURT OF APPEALS

In due course, the appellate court granted Rodolfo's appeal and reversed and set aside the Regional Trial Court's ruling in the now-questioned Decision.<sup>28</sup> It ruled that petitioner neither alleged nor proved that he had exhausted all other legal means to obtain satisfaction of the claim, which is the third requisite of *accion pauliana*. In the same vein, the CA discerned that the presumptions of fraud under paragraph one, Article 1387<sup>29</sup> and paragraph two, Article 759<sup>30</sup> of the Civil Code<sup>31</sup> were inapplicable since Gloria had the following properties at the time of execution of the assailed Deed of Donation:

- 1) a five-storey commercial building, where Chavez worked, located at 1114 J. Barlin St. cor. P. Campa, Sampaloc, Manila, covered by TCT No. 123609 with an area of more or less 187.50 sq.m. ("J. Barlin Building). As evidenced by the certified true copy of TCT No. 12360

<sup>23</sup> Id. at 78.

<sup>24</sup> *Rollo*, VOL. II, pp. 572-579.

<sup>25</sup> Id. at 580-595.

<sup>26</sup> Id. at 596.

<sup>27</sup> Id. at 597-602.

<sup>28</sup> *Rollo*, VOL. I, pp. 44-65.

<sup>29</sup> Article 1387. All contracts by virtue of which the debtor alienates property by gratuitous title are presumed to have been in fraud of creditors when the donor did not reserve sufficient property to pay all debts contracted before the donation.

x x x x

<sup>30</sup> Article 759. x x x.

The donation is always presumed to be in fraud of creditors when at the time thereof, the donor did not reserve sufficient property to pay his debts prior to the donation.

<sup>31</sup> Approved on June 18, 1949.

dated July 28, 2004, the property was still in the name of Lopez Dela Rosa Development Corporation at the time of the donation to Rodolfo;

- 2) a two-storey townhouse unit located at 183-A Scout Fuentebella Extension, Quezon City, covered by TCT No. 137094 with an area of 62 sq.m., more or less and with an estimated market value of PhP 4,500,000.00, such property was still in the name of Gloria after the date of donation to Rodolfo;
- 3) a two-storey townhouse unit located at 183-B Scout Fuentebella Extension, Quezon City, covered by TCT No. 137095 with an area of 64 sq. m. more or less and with an estimated market value of PhP 4,500,000.00, such property was still in the name of Gloria after the date of donation to Rodolfo;
- 4) a bungalow house located within the Alvero Compound covered by TCT No. N-210750, with an area of 168 sq. m., to date is registered under the name of Gloria;
- 5) stocks and interests of Gloria in GRL Commercial Corporation, amounting to more than 80% of the majority shares of stock. As evidenced by the certified true copies of GRL Commercial Corporation's Articles of Incorporation;
- 6) a five-storey commercial building located at 1070 Cataluna St. (now G. Tolentino St.) Sampaloc, Manila, covered by TCT No. 252352, with an area of 150.00 sq.m. ("Cataluna Bldg."), such property is owned by GRL Commercial Corporation, majority of the shares of stock of which pertained to Gloria and title to said property remained to be under the name of Gloria after the donation;
- 7) six unoccupied prime lots at Loyola Marikina Memorial Park that are up to the present still in the name of Gloria;

So too, the CA held that the following circumstances were proven:

- 1) dissolution of Conjugal Partnership and Separation of Property between Augusto Lopez and Gloria Dela Rosa Lopez; and
- 2) assumption by Augusto of the liabilities of Lopez Dela Rosa Development Corporation.<sup>32</sup>

Moreover, petitioner failed to discharge the burden of proving any of the circumstances indicating fraud or from which the same can be inferred. Finally, the appellate court echoed the trial court's verdict that damages should not be awarded to the petitioner since he was not able to establish by clear and convincing evidence that Rodolfo acted with malice and bad faith in this case.<sup>33</sup>

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<sup>32</sup> *Rollo*, VOL. I, pp. 60-61.

<sup>33</sup> *Id.* at 57-65.

Subsequently, the CA gave short shrift to petitioner's Motion for Reconsideration<sup>34</sup> through the challenged *Resolution*.<sup>35</sup> Thus, petitioner now turns to this Court for succor *via* the present Petition. Thereafter, Rodolfo responded by filing a Comment,<sup>36</sup> which in turn, prompted petitioner to submit a Reply.<sup>37</sup>

In the Resolution<sup>38</sup> dated October 7, 2020, the Court gave due course to the Petition and ordered the parties to file their respective memoranda. In compliance thereto, petitioner and Rodolfo lodged their respective Memoranda on December 23, 2020<sup>39</sup> and January 8, 2021.<sup>40</sup> Still and all, Rodolfo finally filed a Reply, addressing the contentions of petitioner in his Memorandum.<sup>41</sup>

Quite palpably, the following are the issues submitted for the Court's resolution:

**I**

**Whether or not the CA erred in ruling that the requisites of *accion pauliana* have not been duly established by petitioner**

**II**

**Whether or not the CA erred in finding that petitioner is not entitled to any damages**

**THE COURT'S RULING**

As a general rule, the Court's jurisdiction in a petition for review on *certiorari* under Rule 45 of the Revised Rules of Court is limited to reviewing errors of law, not of fact.<sup>42</sup> Time and again, the Court has consistently maintained that it does not entertain questions of fact as it is not its function to analyze or weigh all over again the evidence already considered by the court *a quo*.<sup>43</sup>

This notwithstanding, jurisprudence instructs that this is not an iron-clad rule. As recognized by the Court in *Palafox v. Wangdali*,<sup>44</sup> it presently admits of ten (10) recognized exceptions, to wit:

- (1) When the conclusion is a finding grounded entirely on speculation, surmises or conjectures; (2) When the inference made is manifestly

<sup>34</sup> *Rollo*, VOL. II, pp. 765-765.

<sup>35</sup> *Rollo*, VOL. I, pp. 67-68.

<sup>36</sup> *Rollo*, VOL. II, pp. 802-817.

<sup>37</sup> *Id.* at 820-829.

<sup>38</sup> *Id.* at 851-852.

<sup>39</sup> *Id.* at 890-926.

<sup>40</sup> *Id.* at 853-889.

<sup>41</sup> *Id.* at 938-953.

<sup>42</sup> See *Palafox v. Wangdali*, G.R. No. 235914, July 29, 2020.

<sup>43</sup> See *Pasco v. Cuenca*, G.R. No. 214319, November 4, 2020.

<sup>44</sup> *Supra* note 42.

mistaken, absurd or impossible; (3) Where there is a grave abuse of discretion; (4) When the judgment is based on a misapprehension of facts; (5) When the findings of fact are conflicting; (6) When the Court of Appeals, in making its findings, went beyond the issues of the case and the same is contrary to the admissions of both appellant and appellee; (7) The findings of the Court of Appeals are contrary to those of the trial court; (8) When the findings of fact are conclusions without citation of specific evidence on which they are based; (9) When the facts set forth in the petition as well as in the petitioners' main and reply briefs are not disputed by the respondents; and (10) The finding of fact of the Court of Appeals is premised on the supposed absence of evidence and is contradicted by the evidence on record.<sup>45</sup>

In the instant case, the Regional Trial Court<sup>46</sup> and the Court of Appeals<sup>47</sup> arrived at diverging conclusions mainly on the issue of whether Gloria had sufficient properties left to cover her debt with petitioner at the time of the execution of the subject Deed of Donation. Needless to state, the resolution of this controversy necessitates a re-examination of the evidence presented by the parties. Hence, the Court shall take cognizance of and resolve the relevant factual issues in this Petition.

***Petitioner failed to prove all the requisites of accion pauliana.***

Article 1381 of the Civil Code enumerates the contracts which are rescissible, to wit:

1. Those which are entered into by guardians whenever the wards whom they represent suffer lesion by more than one fourth of the value of the things which are the object thereof;
2. Those agreed upon in representation of absentees, if the latter suffer the lesion stated in the preceding number;
3. Those undertaken in fraud of creditors when the latter cannot in any other manner collect the claims due them;
4. Those which refer to things under litigation if they have been entered into by the defendant without the knowledge and approval of the litigants or of competent judicial authority;
5. All other contracts specially declared by law to be subject to rescission.

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<sup>45</sup> *Id.* citing *Pascual v. Burgos*, 776 Phil. 167,182 (2016); *Medina v. Mayor Asistio, Jr.*, 269 Phil. 225, 232 (1990).

<sup>46</sup> *Rollo*, VOL. II, pp. 734-78.

<sup>47</sup> *Rollo*, VOL. I, pp. 57-62.



The action to rescind contracts in fraud of creditors is known as *accion pauliana*.<sup>48</sup> It is a remedy of last resort, availed of only after the creditor has exhausted all the properties of the debtor not exempt from execution or all other legal remedies available.<sup>49</sup> Before a creditor may institute such action, he must first: (1) exhaust the properties of the debtor through levying by attachment and execution upon all the property of the debtor, except such as are exempt by law from execution; (2) exercise all the rights and actions of the debtor, save those personal to him (*accion subrogatoria*).<sup>50</sup>

In *Anchor Savings Bank v. Furigay*,<sup>51</sup> the Court held that ultimate facts constituting the following requisites must all be alleged in the complaint, *viz.*:

1. That the plaintiff asking for rescission has credit prior to the alienation, although demandable later;
2. That the debtor has made a subsequent contract conveying a patrimonial benefit to a third person;
3. That the creditor has no other legal remedy to satisfy his claim, but would benefit by rescission of the conveyance to the third person;
4. That the act being impugned is fraudulent; and
5. That the third person who received the property conveyed, if by onerous title, has been an accomplice in the fraud.<sup>52</sup>

In the case at bench, petitioner contends that the Court of Appeals seriously erred in ruling that *accion pauliana* is unavailing on the ground that the third and fourth requisites were not proven.<sup>53</sup> For his part, Rodolfo bewails that, aside from these elements which were found inexistent by the Court of Appeals, the existence of the first requisite was similarly wanting.<sup>54</sup>

After a painstaking examination of the records and an insightful consideration of the parties' postulations, the Court holds that petitioner failed to demonstrate the presence of all the requisites of *accion pauliana*.

***Petitioner had a credit with Gloria arising from the final and executory decision in the labor case.***

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<sup>48</sup> *Siguan v. Lim*, 376 Phil. 840, 850 (1999).

<sup>49</sup> See *Metropolitan Bank and Trust Co. v. International Exchange Bank*, 671 Phil. 15, 26 (2011).

<sup>50</sup> *Id.*

<sup>51</sup> G.R. No. 191178, March 13, 2013, 706 Phil. 378.

<sup>52</sup> *Id.* at 390.

<sup>53</sup> *Rollo*, VOL. II, pp. 907-918.

<sup>54</sup> *Id.* at 874-884.

Foremost, the Court shall pass upon the issue relating to the first requisite of *accion pauliana* considering its importance in determining whether Gloria is, in fact, indebted to petitioner. In this regard, Rodolfo intransigently posits that Gloria became liable to petitioner not in her personal capacity but rather in her position as the President of Lopez Dela Rosa Development Corporation. In support thereof, he claims that bad faith must be clearly and convincingly illustrated before a director or corporate officer such as Gloria may be held personally liable for the debts of a corporation.<sup>55</sup>

It is elementary that a corporation, being a juridical entity, may act only through its directors, officers, and employees, and that obligations incurred by these individuals are not theirs but the direct accountability of the corporation they represent.<sup>56</sup> Nevertheless, there are certain instances when they can be held liable together with the entity that they represent. In labor cases for example, corporate directors and officers may be held *solidarily* liable with the corporation when the termination of employment of an employee is done with malice or in bad faith.<sup>57</sup>

In the instant case, a cursory examination of the Decision<sup>58</sup> dated June 7, 1999 reveals that Lopez Dela Rosa Development Corporation and Gloria were declared liable for the money claims due to petitioner. Its decretal portion was worded in this prose:

WHEREFORE, in view of all the foregoing, we find sufficient evidence to establish that complainant was illegally dismissed.

Consequently, respondents are hereby directed to reinstate complainant to his former position without loss of seniority rights and benefits and to pay him his backwages from December 8, 1994 until his actual reinstatement, which backwages up to the rendition of this decision, have amounted to:

(PLEASE SEE ATTACHED COMPUTATION.)

Likewise, respondents are ordered to pay complainant his salary from December 1 to 8, 1994 and his 13<sup>th</sup> month pay for that year plus attorney's fees equivalent to 10% of the total monetary awards.

All other claims are dismissed for lack of merit.

SO ORDERED.<sup>59</sup>

As correctly argued by the petitioner,<sup>60</sup> in view of the tenor of the ruling and the wording of its dispositive portion, there can be no quibbling that Gloria

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<sup>55</sup> Id. at 874-876.

<sup>56</sup> See *Sy v. Neat, Inc.*, 821 Phil. 751, 779 (2017).

<sup>57</sup> Id.

<sup>58</sup> *Rollo*, VOL. I, pp. 80-88.

<sup>59</sup> Id. at 86-88.

<sup>60</sup> *Rollo*, VOL. II, pp. 913-914.

was also made liable for the money claims due to petitioner. However, it is not readily apparent from both the body, as well as the *fallo* of the Labor Arbiter's Decision, if such obligation is of a joint or solidary character.

Under our laws, an obligation may either be joint or solidary in nature. In this regard, it is well-settled that solidary liability is exceptional in nature. Article 1207 of the Civil Code states that the concurrence of two or more debtors in one and the same obligation does not imply that each one of them is bound to render entire compliance with the prestation. There is solidary liability **“only when the obligation expressly so states, or when the law or the nature of the obligation requires solidarity.”**

Apropos thereto, in *Alba v. Yupangco*,<sup>61</sup> the Labor Arbiter adjudged the respondent President of the corporations liable for the money claims due the aggrieved employees. The Court concluded that such liability could “only be joint, not solidary” in view of the fact that there was no finding or indication that the impugned dismissal was effected with malice or bad faith. Significantly, the factual background of the said case reveals that the writ of execution was levied on therein respondent's shares at a golf and country club.

Similar to the dispositive portion<sup>62</sup> of the Labor Arbiter's Decision in *Alba*, the Decision<sup>63</sup> dated June 7, 1999 in favor of petitioner, which imposed liability upon Gloria, lacked any express and categorical statement that the termination of the former's employment was done with malice or bad faith on the part of the latter. By a straightforward application of Article 1207 of the Civil Code and doctrine laid down in *Alba*, Gloria, *who unmistakably remains liable to petitioner*, is only jointly liable with Lopez Dela Rosa Development Corporation.

<sup>61</sup> 636 Phil 514 (2010).

<sup>62</sup> The dispositive portion of the Decision dated October 25, 1999 reads:

WHEREFORE, premises considered, judgment is hereby rendered **ordering the respondents** as follows:

**QUERUBIN L. ALBA**

To immediately reinstate complainant to his former position with full backwages computed in the amount of Three Hundred Eighty Thousand (P380,000.00) Pesos [from March 25, 1999 up to the date of this decision];

And if complainant opts not to be reinstated, in which case, in lieu of reinstatement respondent [sic] is ordered to pay complainant separation pay equivalent to one-half (1/2) month salary for every year of service;

To pay complainant his earned commission in the amount of Five Hundred Thousand (P500,000.00) Pesos.

**RIZALINDA D. DE GUZMAN**

To pay her retirement pay equivalent to seventy-five (75%) percent of her basic monthly salary, or in the amount of Six Hundred Thousand (P600,000.00) Pesos;

Pay her unpaid commission of Four Hundred Forty Eight Thousand Six Hundred Eighty One and 52/100 (P448,681.52) Pesos; and

Pay the balance of her unused vacation and sick leave benefits in the amount of Eighty One Thousand Eight Hundred Forty Two and 33/100 (P81,842.33) [P50,000.00/26 days = P1,923.9769 x 155.5 = P299,038.45 - P217,196.12 = P81,842.33]

All other claims are denied for lack of merit.

SO ORDERED.

<sup>63</sup> *Rollo*, VOL. I, pp. 80-88.

It bears stressing that, the Court is not unaware of the general rule that obligations incurred by corporate directors and officers, acting as corporate agents, are not theirs but the direct accountabilities of the corporation they represent.<sup>64</sup> Indeed, as the Court decreed in *MAM Realty Development Corp. v. National Labor Relations Commission*,<sup>65</sup> solidarily liability may be incurred only when exceptional circumstances warrant its imposition, as in the following cases:

1. When directors and trustees or, in appropriate cases, the officers of a corporation —
  - (a) vote for or assent to patently unlawful acts of the corporation;
  - (b) act in bad faith or with gross negligence in directing the corporate affairs;
  - (c) are guilty of conflict of interest to the prejudice of the corporation, its stockholders or members, and other persons.
2. When a director or officer has consented to the issuance of watered stock or who, having knowledge thereof, did not forthwith file with the corporate secretary his written objection thereto.
3. When the director, trustee or officer has contractually agreed or stipulated to hold himself personally and solidarily liable with the Corporation.
4. When a director, trustee or officer is made, by specific provision of law, personally liable for his corporate action.<sup>66</sup> (Citations omitted.)

This notwithstanding, the Court is likewise ever mindful of the fundamental principle that a judgment that lapses into finality becomes immutable and unalterable, otherwise known as the doctrine of immutability of judgment.<sup>67</sup> This doctrine is a matter of sound public policy, which rests upon the practical consideration that every litigation must come to an end.<sup>68</sup> Accordingly, a final judgment, as in the instant case, can no longer be modified in any respect, “*even if the modification is meant to correct what is perceived to be an erroneous conclusion of fact or law*, and regardless of whether the modification is attempted to be made by the court rendering it or by the highest Court of the land.”<sup>69</sup> The Court will thus not hesitate to apply this principle, particularly in the instant case where the final and executory award is in favor of an illegally dismissed employee. Accordingly, the operation of such doctrine constrains the Court to categorize the liability arising from the Labor Arbiter’s Decision as joint in character, following the applicable legal provisions anent debts involving two or more debtors. Parenthetically, this

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<sup>64</sup> See *MAM Realty Development Corp. v. National Labor Relations Commission*, 314 Phil. 838 (1995).

<sup>65</sup> *Id.*

<sup>66</sup> *Id.*

<sup>67</sup> See *Mercury Drug Corp. v. Spouses Huang*, 817 Phil. 434 (2017).

<sup>68</sup> *Id.*

<sup>69</sup> See *Polymer Rubber Corp. v. Salamuding*, 715 Phil. 141, 153 (2013).

conclusion is not without any jurisprudential support, as demonstrated by the Court's verdict in *Alba v. Yupangco*.<sup>70</sup>

Hence, Gloria's and Lopez Dela Rosa Development Corporation's debts are distinct from each other pursuant to Article 1208<sup>71</sup> of the Civil Code.

***Petitioner was not able to sufficiently prove that he had exhausted all legal remedies to satisfy his credit.***

The next bone of contention in the controversy at bench is the presence of the third requisite.

Petitioner postulates that he exhausted all available legal remedies to satisfy his credit with Gloria. Verily, he advances the theory that the Court of Appeals erroneously relied on and "blindly adopted" the list of existing properties owned by Gloria that Rodolfo provided in his submissions.<sup>72</sup> Conversely, Rodolfo presents a two-pronged rebuttal thereto: *one*, as an adjunct of the claim that it was Lopez Dela Rosa Development Corporation that has an existing debt with Gloria, petitioner should suffer for failing to pursue his claim against the assets of the corporation during the process of its dissolution; *two*, he accentuates the fact that Gloria had existing properties registered under his name at the time of the execution of the subject Deed of Donation.<sup>73</sup>

Prefatorily, Rodolfo's first contention falls flat on the face given the earlier disquisition that Gloria's debt is separate and distinct from that of Lopez Dela Rosa Development Corporation. Succinctly, the failure of petitioner to exhaust his remedies with respect to the debt of Lopez Dela Rosa Development Corporation would not have any bearing anent the exercise of his legal rights, *e.g. the filing of an accion pauliana*, with respect to Gloria's proportionate debt.

Even so, Rodolfo's second argument holds sway. Indeed, the existence of other properties under his mother's name negates a favorable ruling on the action for rescission.

To recall, one of the key premises of the Complaint for Rescission of Donation [of TCT No. N-210751], and Annulment of Title<sup>74</sup> is the averment

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<sup>70</sup> *Supra* note 61.

<sup>71</sup> The provision states:

If from the law, or the nature or the wording of the obligations to which the preceding article refers the contrary does not appear, the credit or debt shall be presumed to be divided into as many shares as there are creditors or debtors, the credits or debts being considered distinct from one another, subject to the Rules of Court governing the multiplicity of suits.

<sup>72</sup> *Rollo*, VOL. II, pp. 907-910.

<sup>73</sup> *Id.* at 877-883.

<sup>74</sup> *Rollo*, VOL. I, pp. 361-367.

that no other properties of Gloria may be levied upon. This, of course, was supposedly because TCT Nos. N-210748, N-210749, N-210750, and N-210752, which were the other four titled lots discovered by petitioner, have been donated beforehand to Rodolfo. As above adumbrated, the Regional Trial Court accepted these assertions and ruled that the action at hand was indeed of a subsidiary character.<sup>75</sup> Meanwhile, the Court of Appeals, in overturning such ruling, focused on the presence of ostensible properties of Gloria other than these four lots.<sup>76</sup>

Nonetheless, upon meticulous scrutiny of the records, the Court finds and so holds that the inclusion of TCT No. N-210750 in the list of parcels of land donated by Gloria to Rodolfo beforehand is bereft of any basis.

Unlike TCT Nos. N-210748,<sup>77</sup> N-210749,<sup>78</sup> and N-210752,<sup>79</sup> the annexed copy of TCT No. N-210750<sup>80</sup> glaringly lacks any annotation indicating that Rodolfo, or any person for that matter, was the donee of the said realty. In view of such finding, the Court is constrained to agree with Rodolfo's position that the trial court misappreciated the evidence and erroneously concluded that there were no lots available for execution after the donation of TCT No. N-210751.<sup>81</sup> The evidence presented by petitioner himself suggests that TCT No. N-210750 could have been used to satisfy the proportionate debt of Gloria.

Having determined the absence of the third requisite, the Court finds no necessity to delve on the fourth requisite, *i.e.*, that the act being impugned is fraudulent.

**Petitioner is not entitled to any damages.**

Petitioner claims that he is entitled to moral damages, exemplary damages, and attorney fees. In the alternative, he claims that he may be awarded nominal damages.<sup>82</sup>

The Court finds no merit in these claims.

*Bendecio v. Bautista*<sup>83</sup> illumines that an award of moral damages requires the claimant to satisfactorily prove the following conditions: (1) an injury, whether physical, mental, or psychological, clearly sustained by the claimant; (2) a culpable act or omission committed by the defendant; (3) the

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<sup>75</sup> Id. at 74.

<sup>76</sup> Id. at 60-61.

<sup>77</sup> Id. at 108-110 and 122.

<sup>78</sup> Id. at 111-113 and 123.

<sup>79</sup> Id. at 119-121 and 124.

<sup>80</sup> Id. at 114-115.

<sup>81</sup> *Rollo*, VOL. II, p. 940.

<sup>82</sup> Id. at 919-920.

<sup>83</sup> G.R. No. 242087, December 7, 2021, citing *Arco Pulp and Paper Co., Inc. v. Lim*, 737 Phil. 133 (2014).

wrongful act or omission of the defendant is the proximate cause of the injury sustained by the claimant; and (4) the award of damages is predicated on any of the cases stated in Article 2219<sup>84</sup> of the Civil Code. The Court likewise held therein that such damages may be awarded for breaches of contract under Article 2220,<sup>85</sup> as well as Articles 19<sup>86</sup> and 20<sup>87</sup> in relation to Article 1159<sup>88</sup> of the Civil Code.

Appositely, case law dictates that moral damages cannot be awarded on the basis of mere allegations, but rather on clear and convincing evidence of bad faith, to wit:

The person claiming moral damages must prove the existence of bad faith by clear and convincing evidence for the law always presumes good faith. It is not enough that one merely suffered sleepless nights, mental anguish, serious anxiety as the result of the actuations of the other party. Invariably such action must be shown to have been willfully done in bad faith or with ill motive. Mere allegations of besmirched reputation, embarrassment and sleepless nights are insufficient to warrant an award for moral damages. It must be shown that the proximate cause thereof was the unlawful act or omission of the x x x petitioners.<sup>89</sup> (Emphasis omitted)

In this case, both lower courts are in accord in concluding that petitioner failed to prove any bad faith or malice on the part of Rodolfo in relation to the transfer of the property.<sup>90</sup> The Court finds nothing in the records that would warrant the reversal of such determination.

Apropos the alternative prayer for nominal damages, which petitioner anchors on the purported violation his right to recover the monetary judgment in the labor case occasioned by Rodolfo and Gloria's fraudulent act,<sup>91</sup> the Court also cannot favorably rule on the same. Article 2221 of the Civil Code

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<sup>84</sup> Article 2219. Moral damages may be recovered in the following and analogous cases:

- (1) A criminal offense resulting in physical injuries;
- (2) Quasi-delicts causing physical injuries;
- (3) Seduction, abduction, rape, or other lascivious acts;
- (4) Adultery or concubinage;
- (5) Illegal or arbitrary detention or arrest;
- (6) Illegal search;
- (7) Libel, slander or any other form of defamation;
- (8) Malicious prosecution;
- (9) Acts mentioned in Article 309;
- (10) Acts and actions referred to in Articles 21, 26, 27, 28, 29, 30, 32, 34, and 35.

<sup>85</sup> Article 2220. Willful injury to property may be a legal ground for awarding moral damages if the court should find that, under the circumstances, such damages are justly due. The same rule applies to breaches of contract where the defendant acted fraudulently or in bad faith.

<sup>86</sup> Article 19. Every person must, in the exercise of his rights and in the performance of his duties, act with justice, give everyone his due, and observe honesty and good faith.

<sup>87</sup> Article 20. Every person who, contrary to law, willfully or negligently causes damage to another, shall indemnify the latter for the same.

<sup>88</sup> Obligations arising from contracts have the force of law between the contracting parties and should be complied with in good faith.

<sup>89</sup> *Ganancial v. Cabugao*, G.R. No. 203348, July 6, 2020, citing *Francisco v. Ferrer, Jr.* 405 Phil. 741 (2001).

<sup>90</sup> *Rollo*, VOL. I, p. 36.

<sup>91</sup> *Id.* at 64 and 78.

provides that these damages are awarded in order that a right of the plaintiff, which has been violated or invaded by the defendant, may be vindicated or recognized. Simply put, there is no basis to hold that Rodolfo violated petitioner's right to collect the judgment award through the execution of the subject Deed of Donation as the evidence points to the fact that another property, *i.e.*, TCT No. N-210750, could have been levied upon.

Finally, petitioner's prayer for exemplary damages and attorney's fees must suffer the same fate.

Under Article 2234 of the Civil Code, the plaintiff must show that he is entitled to moral, temperate, or compensatory damages before the question of exemplary damages should be considered. In *Ganancial v. Cabugao*,<sup>92</sup> the Court elucidated that the award of exemplary damages is uncalled for when the evidence on record does not allow the imposition of moral damages. Meanwhile, Article 2208<sup>93</sup> of the same law limits the recovery of attorney's fees only in specific circumstances.

Applying these precepts, petitioner's prayer for exemplary damages would have no leg to stand on in view of the denial of his claim for moral damages.<sup>94</sup> On the other hand, there is no legal ground to award attorney's fees given that there is a dearth of evidence to support petitioner's claim<sup>95</sup> that Rodolfo refused to satisfy a valid, just and demandable claim, much less that he did so in evident bad faith.

All told, the Court of Appeals aptly denied petitioner's prayer for damages.

**A final point.** The Court commiserates with petitioner's predicament in view of the fact that, even after more than twenty years of seeking recompense for his illegal dismissal, the Decision in NLRC-NCR Case No. 00-12-08961-94 is far from being fully satisfied, especially so in light of Gloria's demise.

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<sup>92</sup> Supra note 89.

<sup>93</sup> Article 2208. In the absence of stipulation, attorney's fees and expenses of litigation, other than judicial costs, cannot be recovered, except:

- (1) When exemplary damages are awarded;
- (2) When the defendant's act or omission has compelled the plaintiff to litigate with third persons or to incur expenses to protect his interest;
- (3) In criminal cases of malicious prosecution against the plaintiff;
- (4) In case of a clearly unfounded civil action or proceeding against the plaintiff;
- (5) Where the defendant acted in gross and evident bad faith in refusing to satisfy the plaintiff's plainly valid, just and demandable claim;
- (6) In actions for legal support;
- (7) In actions for the recovery of wages of household helpers, laborers and skilled workers;
- (8) In actions for indemnity under workmen's compensation and employer's liability laws;
- (9) In a separate civil action to recover civil liability arising from a crime;
- (10) When at least double judicial costs are awarded;
- (11) In any other case where the court deems it just and equitable that attorney's fees and expenses of litigation should be recovered.

<sup>94</sup> *Rollo*, VOL. I, p. 78.

<sup>95</sup> *Rollo*, VOL. II, p. 920.



Nonetheless, the Court cannot and must not disregard the requirements set by the law when the same are clear as day, as in the instant case.

**WHEREFORE**, the Petition for Review on *Certiorari* is hereby **DENIED**. The *Decision* dated September 28, 2017 and the *Resolution* dated March 21, 2018 of the Court of Appeals in CA-G.R. CV No. 107700 are **AFFIRMED**.

**SO ORDERED.”**

By authority of the Court:

*Misael Domingo C. Battung III*  
**MISAEAL DOMINGO C. BATTUNG III**  
*Division Clerk of Court* JB 5/11/23

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(Civil Case No. Q-08-63828)

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