Securities and Exchange Commission PHILIPPINES

BAGONG PILIPINAS

OFFICE OF THE GENERAL COUNSEL

June 30 2026
SEC OGC Opinion No. 26-09
Re: Corporate Liquidation

REGUA, MADAMBA & VILET LAW OFFICE
Carriedo St., Poblacion Sur
Paniqui, Tarlac 2307
jamadambalawoffice@gmail.com

Attention : Atty. Jeny Anne D. Madamba

Re : Request for opinion

Dear Atty. Madamba:

This refers to your letter dated April 27, 2026,[1] requesting for an opinion on the effects of the expiration of corporate term on the corporation's legal personality and the authority of its President to deal with corporate property after such expiration.

In your letter, you stated the following[2]:

a) On October 08, 1958, Nueva Ecija Golf Club, Inc. ("Corporation") was registered for a fixed corporate term of fifty (50) years;
b) On June 20, 2008, prior to the expiration of its term, the Board of Directors issued a Secretary's Certificate designating you as authorized representative to represent the Corporation before government agencies in matters pertaining to its assets and to settle liabilities relative to its dissolution and winding up;
c) On October 08, 2008, the Corporation's term expired and was not extended;
d) On October 30, 2024, several real properties registered in the name of the Corporation were sold at public auction by the City Government of Cabanatuan due to alleged delinquent real property taxes;
e) Within the one-year redemption period and in accordance with Section 179 of the Local Government Code, formal letters of redemption were submitted, and a Tender of Payment with Intent to Consign in the amount of ₱17,162,348.63 was made; and
f) The City Government of Cabanatuan allegedly refused to recognize the Corporation's personality, arguing that its existence expired in 2008 and it no longer possesses the juridical capacity to act.

You are now requesting for an opinion on the following matters[3]:

1. The extent of a dissolved corporation's continuing legal personality after the expiration of its term;
2. Whether redemption of foreclosed real property is a valid liquidation act;
3. Whether directors automatically become trustees if no trustee was appointed within three years;

[1] This was received by this Office on June 01, 2026 through iMessage Ticket No. 117483. Payment was made on June 09, 2026.
[2] Atty. Jeny Anne D. Madamba, *Request for Legal Opinion on Post-Dissolution Corporate Personality and Authority to Redeem Foreclosed Property of NUEVA ECIJA GOLF CLUB INC. and the Authority if Its President/Stockholder to Redeem Foreclosed Corporate Property*, Part I, p. 1 (April 27, 2026).
[3] *Id.* at Part V, p. 4.

4. Whether a President or stockholder/director may validly represent the dissolved corporation for purposes of asset protection; and
5. Whether a stockholder with legal interest may independently redeem corporate property under the Local Government Code.

For purposes of discussion, we consolidated your issues into three: (1) Nature and scope of corporate liquidation and limited continuing legal personality [Questions 1 and 2]; (2) Who may perform corporate liquidation [Questions 3 and 4]; and (3) Redemption under the Local Government Code [Question 5].

A. *First Issue: Nature and Scope of Corporate Liquidation and Limited Continuing Legal Personality*

Section 139 of Republic Act (R.A.) No. 11232 or the Revised Corporation Code (RCC)[4] provides the following rule on corporate liquidation:

> ***Section 139. Corporate Liquidation.*** - Except for banks, which shall be covered by the applicable provisions of [R.A.] No. 7653, otherwise known as "The New Central Bank Act", as amended, and [R.A.] No. 3591, otherwise known as the Philippine Deposit Insurance Corporation Charter, as amended, every corporation whose charter expires pursuant to its article of incorporation, is annulled by forfeiture, or whose corporate existence is terminated in any other manner, **shall nevertheless remain as a body corporate for three (3) years after the effective date of dissolution, for the purpose of prosecuting and defending suits by or against it and enabling it to settle and close its affairs, dispose of and convey its property, and distribute its assets, but not for the purpose of continuing the business for which it was established.**
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> At any time during said [3] years, the corporation is authorized and empowered to convey all of its property to trustees for the benefit of stockholders, members, creditors, and other persons in interest. After any such conveyance by the corporation of its property in trust for the benefit of its stockholders, members, creditors and others in interest, all interest which the corporation had in the property terminates, the legal interest vests in the trustees, and the beneficial interest in the stockholders, members, creditors or other persons-in-interest. (Emphasis supplied)
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The rationale for extending the period of existence of a dissolved corporation is explained in ***Rebollido, et.al. v. Court of Appeals and PepsiCo,***[5] as follows:

> This continuance of its legal existence for the purpose of enabling it to close up its business is necessary to enable the corporation to collect the demands due it as well as to allow its creditors to assert the demands against it. If this were not so, then a corporation that became involved in liabilities might escape the payment of its just obligations by merely surrendering its charter, and thus defeat its creditors or greatly hinder and delay them in the collection of their demand. This course of conduct on the part of corporations the law in justice to persons dealing with them does not permit. The person who has a valid claim against a corporation, whether it arises in contract or tort should not be deprived of the right to prosecute an action for the enforcement of his demands by the action of the stockholders of the corporation in agreeing to its dissolution. The dissolution of a corporation does not extinguish obligations or liabilities due by or to it.

In ***Premiere Development Bank v. Flores, et. al.,***[6] the Supreme Court condensed previous jurisprudence on Section 122 of the Corporation Code, now Section 139 of the RCC, in this wise:

> As early as 1939, this Court held that, although the time during which the corporation, through its own officers, may conduct the liquidation of its assets and sue and be sued as a corporation is **limited to [3] years from the time the period of dissolution commences, there is no time limit within which the trustees must complete a liquidation placed in their hands.** What is provided in Section 122 of the Corporation Code [Now Section 139, RCC] is that the **conveyance to the trustees must be made within the [3]-year period.** ***But it may be found impossible to complete the work of liquidation within the [3]-year period or to reduce disputed claims to judgment.*** **The trustees to whom the corporate assets have been conveyed pursuant to the authority of Section [139] may sue and be sued as such in all matters connected with the liquidation.**
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> Furthermore, Section 145 of the Corporation Code [Now Section 184, RCC] clearly provides that "no right or remedy in favor of or against any corporation, its stockholders, members, directors, trustees, or officers, nor any liability incurred by any such corporation, stockholders, members, directors, trustees, or officers, shall be removed or impaired either by the subsequent dissolution of said corporation." **Even if no trustee is appointed or designated during the [3]-year period of the liquidation of the corporation, the Court has held that the board of directors may be permitted to complete the corporate liquidation by continuing**

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[4] Republic Act (R.A.) No. 11232, or the *Revised Corporation Code (RCC)*, Section 139, February 23, 2019.
[5] G.R. No. 81123, February 28, 1989. [Per J. Gutierrez Jr., Third Division], citing *Castle's Administrator v. Acrogen Coal, Co.*
[6] G.R. No. 175339, December 16, 2008 [Per J. Tinga, Second Division]

> **as "trustees" by legal implication.** Therefore, no injustice would arise even if the Court does not stay the execution of G.R. 159352. (Emphasis and underscoring supplied)

Verily, the termination of a corporation's life ***does not automatically extinguish*** its rights and liabilities or those of its owners and creditors.[7] While the corporation loses its capacity to initiate new business,[8] it retains a limited personality to **complete** the process of liquidation.[9]

In ***Yu, et. al. vs. Yukayguan, et. al.,***[10] the Supreme Court describes the process of liquidation and lists what acts constitute the same, *viz.*:

> Following the voluntary or involuntary dissolution of a corporation, **liquidation is the process of settling the affairs of said corporation,** which consists of adjusting the debts and claims, that is, of collecting all that is due the corporation, the settlement and adjustment of claims against it and the payment of its just debts. More particularly, it entails the following:
>
> Winding up the affairs of the corporation means **<u>the collection of all assets</u>, the payment of all its creditors, and the distribution of the remaining assets, if any among the stockholders thereof in accordance with their contracts, or if there be no special contract, on the basis of their respective interests.** The manner of liquidation or winding up may be provided for in the corporate by-laws and this would prevail unless it is inconsistent with law. (Emphasis and underscoring supplied, citations omitted)

Further, in ***SEC-OGC Opinion No. 23-18,***[11] the Commission had the occasion to opine on the nature of the activities that the corporation may undertake under its limited corporate personality under Section 139 of the RCC, *viz.*:

> A corporation whose registration is revoked may continue as a body corporate for a limited period of [3] years from the effective date of its dissolution considering that Section 139 of the RCCP specifically applies to corporations "whose corporate existence is terminated in any other manner." However, this limited corporate existence is limited only for the following purposes:
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> a) Prosecuting and defending suits by or against it and enabling it to settle and close its affairs;
> b) Disposing of and conveying its property; and
> c) Distributing its assets.

Citing ***Alabang Development Corporation vs. Alabang Hills Village Association and Tinio,***[12] the same SEC-OGC Opinion opined that the time during which the corporation, through its own officers, may conduct the liquidation of its assets and sue and be sued as a corporation is **limited to 3 years from the time the period of dissolution commences. After such period, the corporation's existence is totally extinguished, thereby <u>losing the right to sue under its own name</u>.**[13] Simply put, the defunct corporation cannot, by itself, institute an action in court and represent that it is an organized and existing corporation under Philippine laws with capacity to sue, beyond the 3-year period provided under Section 139, RCCP.[14]

Thus, a defunct corporation may then undertake acts by itself (within the 3-year period under Section 139 of the RCC) or through its trustees (after the 3-year period), for "asset protection," provided that "asset protection" in this context is understood to pertain only to the preservation and prudent management of the remaining corporate assets to ensure orderly payment of its creditors and the distribution of any remaining assets to the stockholders, in accordance with law.

Accordingly, as to your first question on the extent of a dissolved corporation's continuing legal personality after the expiration of its term: upon such expiration, the corporation loses its capacity to conduct new business but continues as a body corporate in a limited capacity under Section 139 of the RCC, solely for purposes of liquidation and winding up its affairs, including the capacity to sue and be sued in its name. After the three (3)-year period, this limited capacity is extinguished; however, corporate liquidation may lawfully continue beyond that period through trustees, assignees,

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[7] *Clemente, et. al. v. Court of Appeals (CA), et. al.,* G.R. No. 82407, March 27, 1995. [Per J. Vitug, Third Division]; See also *Supra* Note 4 at Section 184.
[8] *Rich vs. Paloma III, et. al.,* G.R. No. 210538, March 07, 2018. [Per J. Reyes Jr., Second Division]
[9] *Supra* Note 4. See also *Reyes and Pastor v. Bancom Development Corporation,* G.R. No. 190286, January 11, 2018. [Per CJ. Sereno, First Division]
[10] G.R. No. 177549, June 18, 2009. [Per J. Chico-Nazario, Third Division]
[11] SEC-OGC Opinion No. 23-18, *Corporate Existence Beyond the [3]-Year Period Provided under Section 139 of the Revised Corporation Code of the Philippines,* addressed to AT Lagmay Law Office, December 18, 2023.
[12] G.R. No. 187456, June 02, 2014. [Per J. Peralta, Third Division]
[13] See *Rich vs. Paloma III, et. al.,* G.R. No. 210538, March 07, 2018. [Per J. Reyes Jr., Second Division]
[14] *Reyes and Pastor v. Bancom Development Corporation,* G.R. No. 190286, January 11, 2018. [Per CJ. Sereno, First Division]

receivers, or directors acting as trustees by legal implication, and suits may still be maintained by or against them until liquidation is fully completed.

As to your second query, to reiterate, a corporation which has already been dissolved retains no juridical personality to conduct its business save for those directed towards corporate liquidation.[15] As such, redemption of foreclosed real property is a valid liquidation act if it is done **not as a new business** but as a necessary part of the collection and preservation of the corporate assets for the purpose of just and fair payment of its creditors and/or distribution of its stockholder's liquidating interest, in accordance with the law. [16]

B. Second Issue: Who may perform corporate liquidation

We now examine who may be authorized to see the corporate liquidation to its completion:

1. ***Within the 3-year period under Section 139 of the RCC,*** a dissolved corporation is authorized and empowered to convey all of its property to trustees for the benefit of stockholders, members, creditors, and other persons in interest.[17] From and after any such conveyance by the corporation of its property in trust for the benefit of its stockholders, members, creditors and others in interest, **all interest which the corporation had in the property terminates, <u>the legal interest vests in the trustees,</u> and the beneficial interest in the stockholders, members, creditors or other persons in interest.**[18] The trustee may be a court-appointed receiver, whom the pertinent court may appoint within the 3-year winding-up period provided in Section 139 of the RCC. In absence of such court-appointed trustee, the same may be the board of directors or trustees or the shareholder or creditor of the corporation[19]; and
2. ***If the 3-year extended life expires <u>without</u> a designated trustee or receiver,*** the board of directors or trustees may continue to act as **<u>trustees by legal implication</u>** to complete the corporate liquidation and to assume the role of trustees, even in the absence of a formal transfer of corporate assets to a receiver or assignee.[20] In the absence of a board, those with pecuniary interests in the assets, including shareholders and creditors, may act on behalf of the corporation.[21]

In ***SEC-OGC Opinion No. 23-06,***[22] the Commission had the opinion to discuss the matter in this wise:

> The normal method of procedure is for the directors and executive officers to have charge of the winding up operations, though there is the alternative method of assigning the property of the corporation to trustees for the benefit of its creditors and shareholders. As such, liquidation may be effected in the following manners:
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> (a) Through the Board of Directors;
> (b) Through a trustee to whom the corporation's properties are conveyed; and
> (c) Through a receiver appointed by the Court. (Citations omitted)

In the same SEC-OGC Opinion,[23] the Commission clarified that a **lone surviving stockholder** may lawfully act as trustee-in-liquidation to undertake the corporation's liquidation process, to wit:

> As such, to answer your first question, the lone living stockholder and director of Yuchu may lawfully act as its trustee-in-liquidation to undertake the company's liquidation process. This is in line with *SEC-OGC Opinion No. 10-06* which provides the following:
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>> Among them, you claim that only Mr. Victor U. Lopez is presently alive. All the others are already deceased. It is now your opinion that Mr. Victor U. Lopez has the sole authority to act as trustee in liquidation for the dissolved corporation, and that he can act as such even beyond the [3]-year liquidation period.

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[15] *Supra* Note 4.
[16] *Supra* Note 8.
[17] *Supra* Note 4.
[18] *Id.,* See also *William Golangco Construction Corporation v. Philippine Commercial and International Bank Inc. (now Banco De Oro Unibank Inc.),* G.R. No. 269981. April 2, 2025. [Per J. J.Y. Lopez, Second Division]
[19] *Dee, et. al. v. Unionbank of the Philippines,* G.R. No. 251180, April 7, 2025. [Per J. Singh, Third Division]; See also *Clemente, et. al. v. Court of Appeals, et. al.,* G.R. No. 82407 March 27, 1995. [Per J. Vitug, Third Division]
[20] *Id.*
[21] *Id.*
[22] SEC-OGC Opinion No. 23-06, *Liquidation Beyond the [3]-Year Period,* addressed to Atty. Jonathan A. Bagadiong, March 27, 2023.
[23] *Id.*

> We opine that ***in case of the death of one or more directors during or after the [3]-year liquidation period, the surviving directors continue as trustee in liquidation, and may exercise the powers and duties of the deceased director-trustee.*** However, this is subject to the right of creditors, stockholders, and other persons interested in the corporate assets to petition the courts for the appointment of a trustee in liquidation.
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> In our jurisdiction, the statutes and jurisprudence are silent regarding the consequences of the death of a director, acting as trustee in liquidation, during the liquidation or winding up period. In some American jurisdictions, directors who become trustees of the corporation on dissolution hold on as joint tenants with right of survivorship incident to their tenancy. In other words, when one or more directors die, the surviving trustees take the whole title subject to the trust, and the latter may exercise the powers and duties of the deceased director-trustee. However, it is also provided that in case of the death, resignation, inability or refusal to act, of the directors as trustees, or the survivors, the court may appoint trustees to fill the vacancy, upon the application of any person interested.
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> Adopting these legal principles from American corporation law, from which our corporation law was patterned, we opine that Mr. Victor U. Lopez may act as trustee in liquidation. However, this is without prejudice to the right of a person in interest to petition the courts for the appointment of a different trustee in liquidation on account of Mr. Victor U. Lopez's refusal or inability to wind up the affairs of the dissolved corporation within a reasonable period. (Citations omitted, emphasis supplied)

As to your third and fourth questions, in accordance with the aforementioned jurisprudence, if no trustee was appointed prior to the expiration of the corporate term or within the 3-year period under Section 139 of the RCC, the board of directors may be considered as trustees by legal implication to continue liquidation to its completion. Absent a complete board, the surviving director or directors may continue as trustee/s in liquidation subject to the right of creditors, other stockholders, and other persons with legal interest in the corporate assets to petition the courts for the appointment of a trustee in liquidation.[24]

C. Third Issue: Redemption under the Local Government Code

As to your fifth question, please be informed that as a matter of public policy, we cannot render a categorical opinion on matters which involve the substantive and contractual rights of private parties who would, in all probability, contest the same in court if the opinion turns out to be adverse to their interest[25] and matters which would require an examination and review of the acts and rulings of another government agency, in this case, the local government unit (LGU) of Cabanatuan City, since the Commission does not review acts and rulings of other government agencies.[26]

The redemption subject of your letter pertains to redemption of real property under the R.A. No. 7160 or the Local Government Code (LGC)[27] which is not one of the laws, rules and regulations implemented by the Commission and is therefore outside of the office of a SEC-OGC Opinion.[28] Hence, we cannot categorically render an opinion thereon.

However, ***for purposes of information only***, we impart the following:

In ***City of Davao v. Intestate Estate of Amado Dalisay,***[29] the Supreme Court discussed the nature of redemption of foreclosed property, specifically ones foreclosed by the LGUs, *viz.:*

> While it is a given that redemption by property owners is looked upon with favor, it is equally true that the ***right to redeem properties remains to be a statutory privilege***. Redemption is by force of law, and the purchaser at public auction is bound to accept it. Further, the right to redeem property sold as security for the satisfaction of an unpaid obligation does not exist preternaturally. Neither is it predicated on proprietary right, which, after the sale of the property on execution, leaves the judgment debtor and vests [to] the purchaser. Instead, it is a bare statutory privilege to be exercised only by the persons named in the statute.
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> In other words, a ***valid redemption of property must appropriately be based on the law which is the very source of this substantive right***. It is, therefore, necessary that compliance with the rules set forth by law and

[24] See *Supra* Note 4, at Section 184.
[25] SEC Memorandum Circular (MC) No. 15, Series of 2003, Section 5.2, December 16, 20003.
[26] *Id.* at Section 5.7.
[27] R.A. No. 7160 or the *Local Government Code* (LGC), as amended, October 10, 1991.
[28] *Supra* Note 25, at Section 1.
[29] G.R. No. 207791, July 15, 2015. [Per J. Mendoza, Second Division]

> jurisprudence should be shown in order to render validity to the exercise of this right. Hence, when the Court is beckoned to rule on this validity, a hasty resort to elementary rules on construction proves inadequate. Especially so, when there are deeper underpinnings involved, not only as to the right of the owner to take back his property, but equally important, as to the right of the purchaser to acquire the property after deficient compliance with statutory requirements, including the exercise of the right within the period prescribed by law. (Citations omitted, emphasis supplied)

The LGC provides specific sections on redemption of property: Section 179 for local taxes and other impositions in general under Title I, Book II (Local Taxation and Fiscal Matters)[30] which allows redemption of the property, whether it be personal or real, by the **delinquent taxpayer or his/her representative** and Section 261 for redemption of real property sold for delinquent real property tax under Title II, Book II (Real Property Taxation)[31] which allows redemption of the property by the **owner of the delinquent real property or <u>person with legal interest</u> (e.g. mortgagee)**, provided that the redemption is exercised within one (1) year from the date of sale.

As to the rights or interests of a stockholder during liquidation, please refer to the discussions above.

It shall be understood that the foregoing opinion is rendered solely on the basis of the facts, circumstances and documents disclosed/submitted, and should be considered relevant solely to the particular issue raised therein.[32] It shall not be used in the nature of a standing rule binding upon the Commission in other cases or upon the courts whether of similar or dissimilar circumstances. If upon investigation, it will be disclosed that the facts relied upon are different, this opinion shall be rendered null and void.

Yours most respectfully,

ROMUALD C. PADILLA
General Counsel

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[30] *Supra* Note 27. at Section 179:

> ***Section 179. Redemption of Property Sold.*** - Within one (1) year from the date of sale, the delinquent taxpayer or his representative shall have the right to redeem the property upon payment to the local treasurer of the total amount of taxes, fees, or charges, and related surcharges, interests or penalties from the date of delinquency to the date of sale, plus interest of not more than two percent (2%) per month on the purchase price from the date of purchase to the date of redemption. Such payment shall invalidate the certificate of sale issued to the purchaser and the owner shall be entitled to a certificate of redemption from the provincial, city or municipal treasurer or his deputy.
> The provincial, city or municipal treasurer or his deputy, upon surrender by the purchaser of the certificate of sale previously issued to him, shall forthwith return to the latter the entire purchase price paid by him plus the interest of not more than two percent (2%) per month herein provided for, the portion of the cost of sale and other legitimate expenses incurred by him, and said property thereafter shall be free from the lien of such taxes, fees, or charges, related surcharges, interests, and penalties.
> The owner shall not, however, be deprived of the possession of said property and shall be entitled to the rentals and other income thereof until the expiration of the time allowed for its redemption.

[31] *Id.* at Section 261:

> ***Section 261. Redemption of Property Sold.*** - Within one (1) year from the date of sale, ***the owner of the delinquent real property or person having legal interest therein, or his representative***, shall have the right to redeem the property upon payment to the local treasurer of the amount of the delinquent tax, including the interest due thereon, and the expenses of sale from the date of delinquency to the date of sale, plus interest of not more than two percent (2%) per month on the purchase price from the date of sale to the date of redemption. Such payment shall invalidate the certificate of sale issued to the purchaser and the owner of the delinquent real property or person having legal interest therein shall be entitled to a certificate of redemption which shall be issued by the local treasurer or his deputy.
> From the date of sale until the expiration of the period of redemption, the delinquent real property shall remain in possession of the owner or person having legal interest therein who shall be entitled to the income and other fruits thereof.
> The local treasurer or his deputy, upon receipt from the purchaser of the certificate of sale, shall forthwith return to the latter the entire amount paid by him plus interest of not more than two percent (2%) per month. Thereafter, the property shall be free from lien of such delinquent tax, interest due thereon and expenses of sale. (Emphasis and underscoring supplied)

[32] *Supra* Note 25, Section 7.