Department of Legal Studies
CENTRAL EUROPEAN UNIVERSITY

Going Solo: Piercing the Veil of Single Person Corporations in the United States of America, the United Kingdom, and the Philippines

by

John Albert B Laylo

LLM SHORT THESIS

Course: US Corporations and Partnership Law

Adviser: Jessica Charles Lawrence, PhD

Central European University

1051 Budapest, Nador útca 9

Hungary

TABLE OF CONTENTS

[1]

[1]

ABSTRACT

In several parts of the world such as the United States of America and the United Kingdom, a single person can establish a corporation, or a company as called in other jurisdictions, which has a separate legal personality from the person who incorporated it. In the Philippines, however, a single-person corporation is a novel concept that has just been introduced into its Revised Corporation Code in 2019. Proceeding from this milieu, this paper addresses the question of when the veil of single person corporations may be pierced by the courts as established by legal doctrines that have evolved through the years. Because a single person corporation enjoys limited liability as with any other corporation with multiple shareholders, it is important to study and assess the situations when the courts in the United States and the United Kingdom pierced the veil and made the sole shareholder personally liable or otherwise when the corporate veil was upheld. This study found that the corporation laws of the United States have less provisions governing single person corporations, however, their courts are more receptive in piercing the veil of single person corporations that their English counterparts. This is shown by the number of tests that American courts can apply under the veil piercing doctrine as compared to a general prohibition under English law that the corporate entity should not be used to defraud others. As for the Philippines, it has crafted safeguards in the law to ensure that one person corporations will not be used as a tool for fraud.

INTRODUCTION

A corporation is an entity established by a person or persons in accordance with the formalities prescribed by law and has a legal personality separate and distinct from the persons who own it, i.e. the shareholders. The essential features of a corporation are the doctrine of separate personality that insulates its shareholders from claims against the corporation and the limited liability doctrine that shields the personal assets of the shareholders from the creditors of the corporation.

In some jurisdictions, there is a statutory minimum on the number of persons who could set-up or own shares in a corporation. However, leading economies have allowed a single person to establish a corporation by himself and thereby giving him a dual personality – that of an individual and as a corporation. Examples of these economies include the United States of America, the United Kingdom, the European Union, and more recently, the Philippines. One argument that advocates of this modality advances is the elimination of the use of dummy directors or shareholders to meet the statutory requirement.

An individual may decide to incorporate for a myriad of reasons. The most significant advantage of a single person corporate entity over a sole proprietorship is the limited liability extended to the sole shareholder. This encourages would-be entrepreneurs to take risks and thereby promoting investments and propping-up the economy. The single person corporation therefore becomes attractive to small-scale enterprises in ensuring that the sole shareholder's personal assets are not exposed to the risks and ups and downs of the business. However, this advantage has a concomitant responsibility on the part of the sole shareholder: first, to "conduct the business on a corporate footing and thereby maintain and preserve the identity of the venture", and second, to "establish the corporate venture on an adequate financial basis."[2] Another advantage of a single person corporation is the complete dominion of the sole shareholder over the corporation's affairs, similar to how a sole proprietorship is managed but with the advantage of limited liability.[3] Without a board of directors and other shareholders to answer to, the sole shareholder has unfettered authority to conduct what he or she thinks is best for the business of the corporation. Furthermore, allowing the formation of a single person corporation legitimizes the already *de facto* single corporations where dummies are used to meet the statutory requirement of the number of incorporators. This legitimacy will reduce the chances that the corporate veil is pierced and gives sufficient notice to the public that the corporation they are dealing with is owned by a single shareholder.

This thesis aims to compare the laws and jurisprudence on single person corporations in three jurisdictions. The main jurisdictions that will be covered in this study are the United States of America and the United Kingdom, two leading economies that have well-developed corporate law legislation. Both jurisdictions allow the establishment of single person corporations, or company as it is called under English law, and are likewise rich with jurisprudence and scholarly work on the question this paper seeks to address. Briefly, the Philippine setting will be discussed vis-à-vis the similarities that the Revised Corporation Code has with the two primary jurisdictions and the lessons that may be learned from their case law. Being a former colony of the United States, laws and jurisprudence from the colonial power carry a persuasive effect in the Philippines.

A single person corporation may come in two forms – the first is the actual single person corporation which is formed by and all of the shares belong to one individual; the

[2] Cataldo, B., 'Limited Liability with One-Man Companies and Subsidiary Corporations', 18 Law and Contemporary Problems 482

[3] *Id.*, at 474

second being the *de facto* single person corporation where there is one dominant shareholder and the others having mere nominal shares to meet the requirements of the law. This thesis will only focus on the first: the corporation that at the outset is owned by a single shareholder or later becomes owned by one person. In particular, this thesis will study the question on when the courts may disregard the separate personality of a single person corporation through the piercing the veil doctrine and hold the sole shareholder liable for the obligations and the acts of the corporate entity.

In addressing the thesis question, an analysis of primary and secondary sources shall be conducted. The company laws of the jurisdictions shall be compared and analyzed for their similarities and differences. Likewise, decided cases that squarely address the topic shall be appropriately discussed and dissected for issues that are of importance to the study. Finally, written work from academics and professionals on the field of company law that touch on the thesis question shall be incorporated in the over-all analysis of the paper.

CHAPTER ONE

The Single Person Corporation

Corporations are creatures of law and as such, the legal bases allowing the formation of single person corporations should necessarily be the starting point of this study. In this chapter, the relevant company laws of the three jurisdictions shall be laid down.

1. Single-person corporation under American law

The evolution of a single person corporation under American law did not happen overnight. Initially, only three states allowed a single incorporator, i.e. Kentucky, Wisconsin, and Michigan. By the late 1960s, more than half of the states had a provision that allowed a single person corporation.[4] Today, all of the fifty states already allow single person corporations and most of the states have adopted, *in toto* or with modifications, the Model Business Corporation Act, a work of the American Bar Association to aid states in crafting uniform laws. Under the 2016 Revision of the Model Business Corporation Act, it is stated that "one or more persons may act as the incorporator or incorporators of a corporation by delivering articles of incorporation to the secretary of state for filing."[5]

Some notable examples are Delaware and New York. Delaware is perhaps the most influential state in terms of corporation law in the United States with many large corporations being incorporated in the state. The General Corporation Law of the State of Delaware provides that "any person, partnership, association or corporation, singly or jointly with others, and without regard to such person's or entity's residence, domicile or state of incorporation, may incorporate or organize a corporation under this chapter."[6] Similarly,

[4] Buxbaum, R., 'Commercial Law-Single Shareholder Company', 38 The American Journal of Comparative Law 251

[5] §2.01, Model Business Corporation Act

[6] §101, Subch 1, Ch 1, Title 8 of the Delaware Code

section 401 of the Business Corporation Law of the State of New York states that “one or more natural persons of the age of eighteen years or over may act as incorporators of a corporation to be formed under this chapter.”[7] A close look at the company laws of the two mentioned states reveals that there is an absence of special legal provisions applying specifically for single person corporations unlike that of the United Kingdom’s Company Act and the Philippines’ Revised Corporation Code.

2. Single-member company under English law

Across the Atlantic, a sole person may likewise set-up a company on his own. This had been recognized since 1897 in the seminal decision of the House of Lords in *Salomon v. Salomon & Co. Ltd*.[8] The facts of the case are as follows: Aron Salomon was a successful shoemaker and wanting to further grow the business, he set-up a limited liability company with himself, his wife, and his five children since the law then extant requires that there be at least seven shareholders. The shareholding structure of the corporation was that Mr. Salomon held 20,001 shares, while the rest of the shareholders held one share each. When the business became bankrupt, the liquidator, on behalf of the unsecured creditors, argued that the corporation was a sham and merely acted as an agent of Mr. Salomon. Thus, by piercing the veil of Salomon & Co. Ltd., Mr. Salomon’s personal assets would be liable for the debts of the company.

The Court of Appeal pierced the corporate veil and held Mr. Salomon liable for the debts of the company. However, upon appeal, the House of Lords declared that the company was duly incorporated under the 1862 Companies Act. It was ruled that the share structure

[7] §401, Article 4, Chapter 4 of the New York Code

[8] Salomon v. Salomon & Co. Ltd. [1897] AC 22

did not violate the Act even if a single person held substantially all of the shares and the other six shareholders were only nominal holders of one share each. From then on, the *de facto* single person company had been recognized.

The current English Company Law, the Companies Act 2006, provides that "a company is formed by one or more persons by subscribing their names to a memorandum of association and complying with the requirements of this Act as to registration."[9] Thus, it is clear that a single person may now legitimately set-up a company on his own and the law further states that any law applying to companies formed by two or more persons shall likewise be applicable to single person companies.[10] Section 123 of the Act requires that the company register must reflect the following events: first, that a company is formed with only one member, if such is the case; second, that the number of members of a company falls to one and the date when such event occurred; and third, any increase in the number of members from a single shareholder to two or more. In addition, since regular company meetings are neither required in a single member company, whenever the sole member makes a company decision that may be taken in a company meeting, the Act requires that such member supply the company with the details of such decision.[11] Failure to comply with these requirements constitutes an offence and subjects the company and every officer who is in default to a fine. Finally, Section 38 of the Act likewise provides that any enactment or rule of law applicable to companies formed by two or more persons or having two or more members applies to companies formed by, or having, a single member.

Furthermore, being a member of the European Union, the United Kingdom is bound by the Twelfth Council Company Law Directive 2009/102/EC of the European Parliament

[9] Companies Act 2006, s7

[10] Companies Act 2006, s38

[11] Companies Act 2006, s357

and the Council of the European Union in the area of company law on single-member private limited liability companies. This is a consolidation of various amendments interposed after the initial Twelfth Directive issued in 1989.[12] The first iteration of this Directive was incorporated into the laws of the United Kingdom through the Companies (Single Member Private Limited Companies) Regulations 1992. Its main text, in paragraph 2(a) thereof, states

> any enactment or rule of law which applies in relation to a private company limited by shares or by guarantee shall, in the absence of any express provision to the contrary, apply with such modification as may be necessary in relation to such a company which is formed by one person or which has only one person as a member as it does in relation to such a company which is formed by two or more persons or which has two or more persons as members.[13]

The Twelfth Directive requires the members of the European Union to allow companies to have a single shareholder at the time of its formation or when its shares end up being held by a one person.[14] This single shareholder is tasked to "exercise personally the powers of the general meeting; record in minutes the decisions taken under those powers; draw up in writing any agreement between the sole member and the company except where the contract relates to current operations concluded under normal conditions."[15]

3. One person corporation under Philippine law

Batas Pambansa Blg. (National Act No.) 68, the Corporation Code of the Philippines enacted in 1980, requires at least five persons in order to form a corporation. However, this

[12] Twelfth Council Company Law Directive 89/667/EEC

[13] 1989 OJ L 395/40

[14] Article 2 (1), Twelfth Council Company Law Directive 2009/102/EC

[15] Todd, M., 'Gore-Brown on Companies', 2-21

has changed with the enactment of the Revised Corporation Code contained in Republic Act No. 11232 on 21 February 2019.

During the legislative hearing of the then proposed bill at the Senate of the Philippines, Teresita Herbosa, the Chairperson of the Philippine Securities and Exchange Commission (SEC), explained the need for the Philippines to allow the formation of single person corporations. To wit,

> MS. HERBOSA: The one-person corporation actually does away with the minimum requirement of five incorporators. There is also, like perpetual term, no reason why we do not allow one person to form a company by himself. The real reason for allowing one person is to give him control, especially when his business is still in the early stages. And whether the capitalization is only one million or a hundred million or more, the OPC is actually a good starting point to start a business. And it also would be pursuant to the constitutional provision on allowing everyone to be able to do business with limited liability. So when you form a one-person corporation, the thing that will separate it from the sole proprietorship is that you will only have to answer to your creditors to the extent of the money that you put in the business. We are, of course, open to more favorable provisions that will govern OPCs from the body, from the attendees at today's hearing, because I know that probably requiring a one million capital requirement may be too high especially if we are going to encourage SMEs or startups. And also some have said that they would want to form more than one one-person corporation.[16]

The Revised Corporation Code of the Philippines no longer requires a minimum number of persons to organize a corporation. Under the same section 10 in the revised Code, a new line is added stating: "A corporation with a single stockholder shall be considered a one person corporation as described in Title XIII, Chapter III of this Code."[17]

[16] Transcript of the 26 September 2016 Hearing of the Senate Committee on Constitutional Amendments and Revision of Codes, p12

[17] Republic Act No. 11232, Section 10

Section 116 of the Revised Code defines a one person corporation as "a corporation with a single stockholder"[18] formed by a natural person, a trust, or an estate. The law disallows persons who are licensed to exercise a profession from setting-up a one person corporation for such purpose. The Revised Code, furthermore, does not require a minimum paid-up capital nor the submission of by-laws but requires the filing of the articles of corporation as with any other corporation. It further demands that the letters "OPC" be displayed at the end of the corporate name to provide sufficient notice to the public that it is a one person corporation. On this point, when asked about the safeguards that are envisioned so as to avoid the use of one person corporations for the commission of crimes, the Chairperson of the SEC replied –

> MS. HERBOSA: Well, as we said, if the person putting up a corporation has really crime in his mind, he cannot determine it at the time that they incorporate. You probably will be able to discover that when they are already in operation and they turned out to be engaged in fraud.
>
> Now, the only reason we are allowing a one-person corporation because worldwide, they don't have a minimum required number of incorporators. If you will notice from the people incorporating with us, you would see that they would just get anybody to fill in the five. There is only one who will probably contribute 96 percent of the capitalization and then all the rest, the four, to only one share each. And this could be small or big corporation, depending on the activity they want. But that's it. And I don't think we can say at the start that one will already engage in money laundering just because he is one person.
>
> Remember, we have incorporated in the proposed amendments certain provisions that would put on record what this person is doing with the company. That's why he has to hire a secretary. He cannot have a meeting by himself because there is nobody to take down what he decided for the company.

[18] Republic Act No. 11232, Section 116

> So they would still be operating like a sole proprietorship because he is just one. But for purposes of being able to show to the public what his business … because later on he might want to raise funds from the public or probably entice another one to invest, then he will have to be submitting financial statements all the time.
>
> Right now, the sole proprietorships just register at DTI [Department of Trade and Industry] and that's it. They forgot all about it, there's nothing, there's not even a complete list. But because we're going to give them the characteristics of having limited liability, it's important that they comply with some recording requirements or even filing of GIS [General Information Sheet] to see if there has been changes or what. But I don't think we can discriminate against one person corporations. If you're scared that the one person corporation might suddenly engage in shadow banking or something like that, since you insist on giving us endorsement so I don't think that will happen. So, you can readily refuse to endorse to us.[19]

As a result of having only one stockholder, he or she is automatically the director and president of the corporation. However, the Code requires the appointment of a separate treasurer and corporate secretary. Should the sole stockholder opt to be the treasurer, he or she is required to furnish a bond to the Securities and Exchange Commission, which shall be renewed every two years. Furthermore, it is required that the sole stockholder designates a nominee and an alternate nominee who shall take his or her place in managing the corporation in the event of death of the sole stockholder. These nominees are tasked to direct and manage the affairs of the corporation until it is transferred to the heirs of the deceased sole stockholder.

An interesting addition in the Revised Code that is not present in other jurisdictions is stated in Section 130. The said provision distinctly and categorically states the requirements for the sole stockholder to claim limited liability, i.e. that the one person corporation is

[19] Transcript of the 5 October 2016 Hearing of the Technical Working Group on the Revised Corporation Code, p9

adequately financed and that the properties of the corporate entity are separate from the properties of the individual. These two requirements are obviously culled from doctrines enunciated from cases in the United States as previously discussed in Chapter Two of this study. It further states that "the principles of piercing the corporate veil applies with equal force to one person corporations as with other corporations."[20]

Finally, the Code allows a one person corporation to be converted into an ordinary stock corporation and conversely, a stock corporation towards a one person corporation when a single person obtains all of the stocks of an ordinary stock corporation.

[20] Republic Act No. 11232, Section 130

CHAPTER TWO

Understanding the Piercing the Veil Doctrine

Limited liability, a necessary consequence of being an incorporated body, has been regarded as the "most effective legal invention in the nineteenth century."[21] There are six rationales that provide support for limited liability in corporations. As propounded by Easterbrook and Fischel, these are:

> First, investors in businesses cloaked in limited liability can reduce the cost of monitoring the officers and directors of the corporation. Second, monitoring costs are also reduced to other shareholders. Third, limited liability incentivizes efficient management of the business entity by officers and directors through the free alienability of corporate securities. Fourth, limited liability allows for accurate valuation of corporations. Fifth, limited liability allows individual investors to invest in a diverse portfolio of companies without the burden of monitoring each company closely. Sixth, limited liability ultimately allows investors to invest in companies with positive net value and incentivizes companies and their directors to create positive-net-value projects worthy of investment.[22]

Limited liability is a privilege granted by law and as such, may likewise be taken away when the personality of the corporation is questioned before the courts especially when the corporate entity is used for unlawful purposes and causes injury to third parties. This is done through the process of 'piercing the corporate veil' whereby courts disregard the separate existence of the corporation and hold its shareholder personally liable for the corporation's acts and obligations.

In this section, the piercing the veil doctrine of the two main jurisdictions on single person corporations study shall be discussed along with selected case law exemplifying the

---

[21] Charles Eliot, as cited in Cataldo, *supra* n2

[22] Easterbrook, F. & Fischel, D., 'The Economic Structure of Corporate Law' 41-44 (1991)

doctrine. Since one person corporations have yet to be established in the Philippines, a general discussion of the doctrine as applied to ordinary corporations shall be had.

1. Piercing the veil by American courts

It has been said that piercing the corporate veil is the most litigated issue in corporate law.[23] The sheer number of federal and state courts in the United States have resulted to several tests that courts may apply on deciding whether it is proper to pierce the veil of a corporation to the point that commentators have said that "the list of justifications for piercing the corporate veil is long, imprecise to the point of vagueness, and less than reassuring to investors and other participants in the corporate enterprise interested in knowing with certainty what the limitations are on the scope of shareholders' personal liability for corporate acts."[24] In an empirical study of corporate veil cases, it was revealed that the tests used by courts include the alter ego doctrine, instrumentality doctrine, undercapitalization, commingling and confusion, and misrepresentation and fraud. According to the Thompson study, the instrumentality doctrine yielded a 97.33 percent successful piercing rate, the alter ego doctrine yielded a rate of 97.58 percent, and misrepresentation at 94 percent.[25] Furthermore, another empirical study of the doctrine has shown that small businesses, especially single person corporations, are more likely to have

[23] Thompson, R., 'Piercing the Corporate Veil: An Empirical Study', 76 Cornell Law Review 1036 (1991)

[24] Macey, J. and Mitts, J., 'Finding Order in the Morass: The Three Real Justifications for Piercing the Corporate Veil', 100 Cornell Law Review 100

[25] Thompson, *supra* n23 at 1064

their separate personality pierced when things go south.[26] The study found that "when there is an individual behind the veil, courts seem to consistently pierce at a higher rate, and this rate has stayed reasonably constant since the Thompson study. When there is a corporation behind the veil, however, the courts have become less likely to pierce the veil to reach them."[27] Another commentator likewise said, "Why a court should be more willing to lift the veil in the case of a one-man company is an enigma to which there is no satisfactory answer."[28] Thus, it is important in this study to look at some cases showing the application of these corporate veil piercing tests for a better understanding of when .

1.1. Alter ego doctrine

One of the most recognized tests in piercing the corporate veil doctrine is the alter ego test based on the rationale that if the single shareholder wants to avail of limited liability offered by incorporation, then he must be ready to act in a way that the public will be aware that he is acting through the corporate medium. There are two requirements for this test to operate: first, "that there must be a unity of interest and ownership that the separate personalities of the individual and the corporation no longer exist; and second, that circumstances must be such that adherence to the fiction of separate corporate existence would sanction a fraud or promote injustice."[29] Thus,

> an alter ego analysis must start with an examination of factors which reveal how the corporation operates and the particular defendant's relationship to that operation. These factors include whether the corporation was adequately capitalized for the corporate

[26] Garcia-Gallont, R. & Kilpinen, A., 'If the Veil Doesn't Fit… An Empirical Study of 30 Years of Piercing the Corporate Veil in the Age of the LLC', 50 Wake Forest Law Review 1235

[27] *Id*. at 1243

[28] ___, 'Ignoring the Corporate Fiction in the Case of One-Man Companies', 3 Mercer Beasley Law Review 223 (1934)

[29] Sea-Land Services, Inc. v The Pepper Source, 941 F.2d 519 (7th Cir. 1991)

> undertaking; whether the corporation was solvent; whether dividends were paid, corporate records kept, officers and directors functioned properly, and other corporate formalities were observed; whether the dominant shareholder siphoned corporate funds; and whether, in general, the corporation simply functioned as a façade for the dominant shareholder.[30]

Simply put, this test focuses on the lack of independence of a corporation from its shareholders where the personalities of both have become indistinguishable.

The case of *NetJets Aviation v LHC Communications* illustrates this test. NetJets Aviation, a company engaged in leasing airplanes, entered into a contract with LHC Communications, a company singly owned by Laurence Zimmerman. After a year, LHC terminated its contract with NetJets and requested that its $100,000 deposit be applied to its outstanding obligations. The remaining balance of $340,840 was left unpaid when LHC ceased operations a year later. NetJets subsequently filed an action against LHC and Zimmerman contending that the latter should be held liable for the debts as its alter ego. The Delaware district court granted summary judgment against LHC but dismissed NetJets's claim against Zimmerman. On appeal, the Second Circuit vacated the judgment of the district court and remanded the case for further proceedings. It stated that Delaware's law "permits a court to pierce the corporate veil where there is fraud or where the corporation is in fact a mere instrumentality of alter ego of its owner."[31] In finding that LHC acted as Zimmerman's alter ego, the court cited there existed evidence that –

> Zimmerman created LHC to be one of his personal investment vehicles; that he was the sole decision maker with respect to LHC's financial actions; that Zimmerman frequently put money into LHC as LHC needed it to meet operating expenses; that LHC used some of that money, as well as some money it received from selling shares of one of its assets, to pay more than $4.5 million to third persons for

[30] Harco National Insurance Co. v Green Farms, Inc., No. CIV. A. 1331, 1989 WL 110537

[31] NetJets Aviation Inc. v LHC Communications, LLC, 537 F.3d 168 (2d Cir. 2008)

> Zimmerman's personal expenses including margin calls, mortgage payments, apartment expenses, and automobiles; and that with no written agreements or documentation or procedures in place, Zimmerman directly, on the average of twice a month for 2 and a half years, took money out of LHC at will in order to make other investments or to meet his other personal expenses. This evidence is ample to permit a reasonable factfinder to find that Zimmerman completely dominated LHC and that he essentially treated LHC's bank account as one of his pockets, into which he reached when he needed or desired funds for his personal use.[32]

Since Zimmerman failed to draw the line between himself and the corporation, the court shall "refuse to draw the line for him and lets him stand where he placed himself."[33] Therefore, he should be personally liable for the obligations incurred by LHC.

1.2. Instrumentality doctrine

The other mostly used test under United States corporate veil jurisprudence was laid down in the *Lowendahl v Baltimore & Ohio Railroad* decision where the court enumerated what elements need to exist for the corporate veil to be pierced. To wit:

> (1) Control, not mere majority or complete stock control, but complete domination, not only of finances but of policy and business practice in respect to the transaction attacked so that the corporate entity as to this transaction had at the time no separate mind, will or existence of its own; (2) Such control must have been used by the defendant to commit fraud or wrong, to perpetuate the violation of a statutory or other positive legal duty, or dishonest and unjust act in contravention of plaintiff's legal right; and (3) The aforesaid control and breach of duty must have proximately caused the injury or unjust loss complained of.[34]

This was actually the court's formulation of Powell's criteria contained in eleven circumstances showing that a corporation is an instrumentality. When these criteria exist

[32] *Id*.

[33] Cataldo, *supra* n2 at 483.

[34] 247 A.D. 156 (N.Y. App. Div. 1936)

with any of the seven situations qualifying as improper use of the corporate entity, namely: actual fraud, violation of a statute, stripping the subsidiary of its assets, misrepresentation, estoppel, torts, and other cases of wrong or injustice, then piercing the corporate veil is proper.[35]

1.3. Undercapitalization

The next test is much more difficult to apply than the previous tests as this involves a determination of facts and varies from the type of business enterprise it is engaged in. In determining adequate capitalization, courts must set a figure that they think is sufficient to start the enterprise. If the incorporator risked a substantial amount for the business, then there should be no question that the sole shareholder may further infuse capital if needed.[36] It has been stated that "it is eminently proper to require that the shareholder and incorporator must, as the price for the privilege of corporate personality and limited liability, finance the enterprise in such fashion as to enable it to meet the normal and expectable strains of a business of the size and character involved."[37]

This test was illustrated in the case of *Arnold v Phillips*.[38] In this case, Arnold formed a single person corporation, the Southern Brewing Company, with an authorized share capital of $50,000 that he paid in cash. To begin the operations of the brewery, he further advanced $75,000 as a loan to the corporation. After several years of successful operations, the corporation went into bankruptcy. Upon liquidation, it was sold in public auction and Arnolds was the lone bidder for the amount owed to him by the corporation. In a later bankruptcy proceeding, the court invalidated a mortgage for the $75,000 loan and ruled that

[35] Powell, F, 'Parent and Subsidiary Corporations' 9 (1931)

[36] Silk, J., 'One Man Corporations Scope and Limitations', 100 University of Pennsylvania Law Review 863

[37] *Id*. at 484.

[38] 117 F. 2d 497 (5th Cir. 1941)

the sum represented capital investment. Ruling that the corporate veil should not be pierced, the Fifth Circuit stated,

> We do not think a case is presented where the corporate entity ought to be disregarded... That it was created to shield the owner from liability beyond the capital set up by the charter does not show an unlawful or fraudulent intent, for that is a main purpose of every incorporation. It becomes an evidence of fraud only when the capital is unsubstantial and the risk of loss great, or the contributions to capital are greatly overvalued, and the like. It would be hard to say in this case that $50,000 was not a substantial capital, and impossible so to say after holding that the real capital was $125,500, though some was irregularly paid in.[39]

The reasoning in this case shows a finding that some funds invested to a corporation by its shareholder in a form other than the payment for the shares such as a loan "should be treated as capital contributions for purposes of determining if a deficiency in the corporate level of assets exists as a basis for piercing a corporate veil."[40]

1.4. Commingling and confusion

Another test that may be applied by courts is when the shareholder conducts the business in a way that may cause commingling of and confusion between personal and corporate property and finances. This is especially true in single person corporations where there is only one person who exercises complete dominion of the corporation's affairs.

The case of *Anderson v Chatham* perfectly illustrated this test. As a result of the termination of her employment, Chatham filed a case against Anderson for unpaid bonuses and other emoluments due her. Anderson filed a motion to dismiss arguing that he did not employ Chatham in his individual capacity but through his incorporated business. Chatham then moved to amend her complaint impleading the corporations as defendants, which the

---

[39] *Id*. at 502.

[40] Gelb, H., 'Piercing the Corporate Veil – the Undercapitalization Factor', 59 Chicago-Kent Law Review 1 (1982)

court approved. After the trial, a special verdict form was submitted to the jury concerning the piercing of the veil of Anderson's two corporations to which the jury returned piercing both and holding Anderson personally liable for all the amounts due Chatham.

On appeal, the Court of Appeals of Georgia affirmed the trial court's decision. The court found that –

> A substantial portion of the evidence permitting the jury to pierce the corporate veil came from Anderson himself. When questioned about an individual financial statement which listed as well certain corporate assets including pension and profit sharing plan money, Anderson testified that he treated all of the assets as his own because he owned all of the stock in both corporations. He also testified that he would give out such a financial statement to certain bankers and investors with whom he was going to have business dealings. His testimony was replete with other examples of his intermingling of business and personal actions and transactions, including admission that he paid certain personal expenditures from corporate accounts because "it's just a one man operation."[41]

Thus, Anderson's disregard of the separate personalities of his person and his businesses by his commingling of the properties gave ground for the piercing of the veils. Other decided cases wherein the corporate veil was pierced include *Edward Finch Co. v Robie* where the court stated, "the corporation and the bankrupt were one and the same. Their affairs were so intermingled and commingled that no individuality or corporate entity is discernible"[42]; and *Louisville & Nashville R. R. v Nield* in which the court said that the "defendant performed the staggering feat of swallowing the corporation whole"[43] making him liable for its debts.

[41] 379 S.E. 2d 793 (Ga.App.1989)

[42] 12 F. 2d 360 (8th Cir. 1926)

[43] 186 Ky. 17, 216 S.W. 62 (1919)

2. Piercing the veil by English courts

Under English law, there is a distinction between piercing and lifting of the corporate veil. Piercing the veil is applied "in cases in which the distinction between a company and its shareholders is ignored and the two bodies are treated as one" while lifting the veil "denotes a process of peeping behind the veil in order to determine the character of a company or the nature of the persons who control it (for example, in order to establish whether the company is a 'wholly owned subsidiary' or an 'enemy corporation') before allowing the veil to fall back into place and attributing the relevant characteristics to the company".[44] In this section, the focus of the selection of cases deals with piercing the veil.

For a better understanding of the doctrine, a brief discussion of how the doctrine evolved in English law follows. Compared to the United States, the courts in England have varying acceptance of the piercing the veil doctrine, in part because, as Lord Sumption puts it, the doctrine of separate personality "is the whole foundation of English company law"[45] and thus, "the attitude of English courts toward the doctrine has oscillated from enthusiasm to outright hostility."[46] The history of the doctrine can be divided into three periods: the early experimentation period from 1897 to the Second World War; the heyday period after the War until 1978; and the decline of the doctrine from 1978 until the present.[47]

The first period began after the much-revered decision of the House of Lords in *Salomon v Salomon* where the doctrine of separate personality, even with single person

---

[44] Miles, R. and Holland, E., 'Piercing the Corporate Veil', Sham Transactions, Oxford University Press (2013)

[45] Prest v Petrodel Resources Limited, [2013] 3 WLR 1 (SC)

[46] Cheng, T., 'The Corporate Veil Doctrine Revisited: A Comparative Study of the English and the U.S. Corporate Veil Doctrines', 34 Boston College International & Comparative Law Review 329

[47] *Id*. at 334

companies, was affirmed. After *Salomon*, other cases where courts have applied the doctrine during this period included *Apthorpe v Peter Schoenhofen Brewing*, *Gilford Motor v Horne*, and *In re Darby*, among others. However in these cases, there was no well-defined approach in veil piercing and courts had to rely on the common law concepts of agency, trusteeship, and tort liability in deciding on whether the corporate veil should survive.[48] Also during this period, courts not only pierced the corporate veil of single person companies but even those with multiple shareholders.

The succeeding period was considered as the heyday of veil piercing. Lord Denning, in expressing his support to the veil piercing doctrine stated in a judgment –

> The doctrine laid down in Salomon v Salomon & Co. [1987] A.C. 22, has to be watched very carefully. It has often been supposed to cast a veil over the personality of a limited company through which the courts cannot see. But that is not true. The courts can and often do draw aside the veil. They can, and often do, pull off the mask. They look to see what really lies behind. The legislature has shown the way with group accounts and the rest. And the courts should follow suit.[49]

Some cases that were decided in this period included *In re FG (Films), Jones v Lipman, Wallersteiner v Moir,* and *D.H.N. Food Distributors Ltd. v Tower Hamlets London Borough Council*. In the last mentioned case, Lord Denning introduced the single economic unit theory stating that "this group [of companies] is virtually the same as a partnership in which all the three companies are partners. They should not be treated separately so as to be defeated on a technical point."[50]

The third and current period of the declining use of the corporate veil doctrine began two years after *D.H.N* with the decision in *Woolfson v Strathclyde Regional Council* and

[48] In re FG (Films), [1953] 1 W.L.R. 485

[49] Littlewood Mail Order Stores v Inland Revenue Commissioners, [1969] 1 W.L.R. 1254

[50] [1976] 1 W.L.R. 860

reached its climax in *Adams v Cape Industries plc*. In the latter case, it was declared that "the use of the corporate structure to limit future liabilities is an inherent feature of English company law and practically ruled out veil piercing in tort cases."[51] Thus, it was described that the doctrine "plays a small role in British company law, once one moves outside the area of particular contracts or statutes. Even when the case for applying the doctrine may seem strong, as in the undercapitalized one-person company, which may or may not be part of a larger corporate group, the courts are unlikely to do so."[52]

However, in the 2009 case of *Stone & Rolls v Moore Stephens*, the House of Lords pierced the corporate veil of a single person company. Stone & Rolls was a company set up by Mr. Stojevic, owned by his family trust, and solely controlled by him. He hired Moore Stephens to perform audits on the company's finances, however, the auditing firm failed to discover that Mr. Stojevic had been siphoning funds off from the company's coffers. When the company went bankrupt because of his fraudulent activities, the company liquidators brought suit against Moore Stephens for professional negligence and sought to claim damages as a result of its failure to detect the fraud. In a split decision by the House of Lords, the majority pierced the corporate veil of Stone & Rolls and imputed the fraudulent acts of its controlling shareholder to the company. In his concurring opinion, Lord Walker opined –

> In the case of a one-man company which has deliberately engaged in serious fraud, *Royal Brunei* should be followed in imputing awareness of the fraud to the company, applying what is referred to in the United States as the "sole actor" exception to the "adverse interest" principle. One or more individuals who for fraudulent purposes run a one-man company cannot obtain an

---

[51] Cheng, *supra* n46 at 340

[52] Davies, P. et al., Gower and Davies Principles of Modern Company Law 208-09 (8th ed. 2008)

> advantage by claiming that the company is not a fraudster, but a secondary victim.[53]

Therefore, since the fraudulent acts of the shareholder were deemed to be as that of the company's, the latter cannot now play victim and seek redress from another entity for its own acts. This was a case of reverse veil piercing in which the acts of a shareholder was imputed to the company as opposed to the usual forward veil piercing which imposes the company's obligations to the shareholder. Some experts welcomed this decision since the "fact that the House of Lords countenanced reverse piercing in this case suggests a renewed readiness to set aside separate corporate personality when the circumstances so warrant."[54]

In the case of *Ben Hashem v Ali Shayif*, the Supreme Court laid down the overarching principles of the corporate veil piercing doctrine in English law. It stated,

> First, ownership and control of a company are not of themselves sufficient to justify piercing the veil. Second, the court cannot pierce the veil, even when no unconnected third party is involved, merely because it is perceived that to do so is necessary in the interests of justice. Third, the corporate veil can only be pierced when there is some impropriety. Fourth, the company's involvement in an impropriety will not by itself justify a piercing of its veil: the impropriety 'must be linked to use of the company structure to avoid or conceal liability'. Fifth, it follows that if the court is to pierce the veil, it is necessary to show both control of the company by the wrongdoer and impropriety in the sense of a misuse of the company as a device or façade to conceal wrongdoing. Sixth, a company can be a façade for such purposes even though not incorporated with deceptive intent.[55]

2.1. Fraud exception

There is a dearth of tests that may be applied by English courts in veil piercing cases other than the traditional common law concepts of agency and trust and a general rule that

[53] 1 A.C. 1391 (H.L.)

[54] Cheng, *supra* n46 at 395

[55] Ben Hashem v Ali Shayif, [2009] 1 FLR 115

the corporate entity should not be used to perpetrate fraud. Most of the cases surveyed in various studies have shown that the fraud category subsumes misappropriation of corporate assets, other fraudulent conduct, and the evasion of existing obligations. The requirement for a veil piercing case to succeed under the fraud category is a showing that "the defendant must deny the plaintiff an existing legal right. If no pre-existing legal right is present, any intention on the part of the defendant to deceive the plaintiff must be of a speculative and accordingly less substantial nature."[56] An analysis of the cases leads to this simple rule that may be applied by English courts: "If the legal obligation existed prior to incorporation, the use of the corporate structure would be considered evasion and the veil would be pierced. If the legal obligation was only created after incorporation, the use would be considered as avoidance and separate corporate personality would be upheld."[57]

An illustration of this was the case of *Gilford Motor Co. v Horne*. In this case, after being terminated from his former employment and in order to escape his non-compete obligation, Mr. EB Horne incorporated a company where the sole shareholders were his wife and a friend. In piercing the veil of the company and holding that Mr. Horne was in breach of his obligation, the Court of Appeal stated that "the company was a device, a stratagem, in order to mask the effective carrying on of business of Mr. Horne."[58]The court took notice of the evidence that his wife had no active role in the company and that Mr. Horne ran it as if it was his own.

Another is the case of *Jones v Lipman*. Here, Mr. Lipman agreed to sell a property to Mr. Jones. He later changed his mind and in order to make the property out of the reach of

---

[56] Payne, J., 'Lifting the Corporate Veil: A Reassessment of the Fraud Exception', 56(2) Cambridge Law Journal 288

[57] Cheng, *supra* n46 at 366

[58] [1933] Ch. 935

Mr. Jones through an action for specific performance, he set-up a company and transferred the title of the property to it. The court did not mince words in piercing the corporate veil stating, "the defendant company is the creature of the first defendant, a device and a sham, a mask which he holds before his face in an attempt to avoid recognition by the eye of equity."[59] Thus, the court ordered the performance of the sale.

Finally, in a fairly recent case of *Prest v Petrodel*[60] involving a wife seeking to have several properties of the companies of his ex-husband be transferred to her as a result of their divorce. The Matrimonial Causes Act requires that for a court to order the transfer of the properties, there must be a showing that Mr. Prest are entitled to it, despite the titles belonging to his companies. In this case, however, the Supreme Court evaded the application of the veil piercing doctrine since piercing may only be done in limited circumstances including the use of the corporate entity to evade existing obligations. The court found that Mr. Prest did not take advantage of the separate personality to conceal or evade the legal obligation he owes towards his ex-wife. Instead, the court held that Mr. Prest holds a resulting trust on the corporate properties and as such, these may be transferred in fulfillment of the obligation. This principle was likewise applied in *Persad v Singh*[61] wherein a lessor who sought to pierce the veil of a single person corporate lessee in order to attach personal liability failed to convince the court. It was ruled that the individual lessee was not under a legal obligation to the lessor when the lease was executed by the company, thus, there was no justifiable reason to pierce the veil of the single person company.

[59] [1962] 1 W.L.R. 832

[60] *supra* n42

[61] [2017] BCC 779

3. Differences between the American and English piercing the veil doctrines

Despite being both common law jurisdictions, there are significant differences as to how American and English courts apply the piercing the veil doctrine. As previously discussed, the number of veil piercing cases alone shows that English courts are more hesitant in applying the doctrine that its American counterparts. Cheng has identified several differences between the two doctrines. The first refers to the deference to the separate personality doctrine wherein he classified veil piercing cases into two: shareholder liability cases where the aim is to hold the shareholder liable for the corporation's debts, and those cases which do not seek to impose shareholder liability but only to look behind the veil of the company or what he coined as "identification" cases. It was found that "while the bulk of the corporate veil cases in the United States have been shareholder liability cases, shareholder liability is rarely imposed in English cases" and therefore implying that English courts have more deference towards the separate personality principle as upheld in *Salomon*.[62]

The second difference is on the courts' approach to the piercing the veil doctrine. It was argued that American courts have been more creative in laying down new doctrines in corporate veil piercing while English courts have traditionally relied on common law concepts in veil piercing cases. This was due to the "general sentiment of the English courts, which tend to hold faith in the ability of the existing common law concepts to solve new problems."[63] As a result, there is an absence of an overarching theory or analytical framework that English courts apply in corporate veil cases. Tests like the instrumentality or

[62] *Id*. at 344

[63] *Id*. at 348

alter ego doctrines in American jurisprudence are absent in the body of case law in the United Kingdom.

A third difference refers to the readiness of the courts to acknowledge policy considerations behind the legal issue. Compared to English courts, American courts have a greater propensity to consider the rationale behind an existing rule in determining whether a corporation's separate personality shall survive the piercing. For instance, in *Walkovsky v Carlton*, a case where the corporate personality of a cab company was sought to be pierced by an injured plaintiff, the Court of Appeals of New York went into an exhaustive discussion of the policy behind the minimum liability provisions of the New York Vehicle and Traffic Law.[64] Similarly, in *National Labor Relations Board v Fullerton Transfer & Storage*, the Sixth Circuit Court of Appeals had to refer to federal labor policies in determining the application of the piercing the veil doctrine.[65] On the contrary, courts in England are understood to have a "general aversion to policy arguments and thus they do not accord the same weight to policy considerations."[66]

Finally, the role of considerations on achieving justice is likewise a difference between the two jurisdictions. It is said that the main purpose of piercing the veil doctrine in American jurisprudence is to achieve justice.[67] In an oft-cited case, the Supreme Court of the United States ruled that "the courts will not permit themselves to be blinded or deceived by mere forms of law but will deal with the substance of the transactions involved as if the corporate agency did not exist and as the justice of the case may require."[68] Even Justice

---

[64] 223 N.E. 2d 9

[65] 910 F.2d 331 (6th Cir. 1990)

[66] Cheng, *supra* n46 at 351

[67] *Id*. at 353

[68] Anderson v Abbott, 321 U.S. 349 (1943)

Cardozo, in *Berkey v Third Avenue Railway*, highlighted this importance of ensuring that justice prevails in corporate veil piercing cases.[69] English judges have less enthusiasm towards the pursuit of justice, as they seem to strongly uphold the *Salomon* principle and rely on common law concepts instead.[70]

4. Piercing the veil by Philippine courts

Since one person corporations have just been introduced in the laws of the Philippines, there are no court cases where the piercing the veil doctrine has been applied. However, with the law explicitly stating that the doctrine shall be applied with equal force to one person corporations, a survey of Philippine case law on the doctrine may instead be pursued.

In the case of *Lanuza, Jr v BF Corporation*, the Supreme Court of the Philippines expounded on the instances when the doctrine may be applied –

> Piercing the corporate veil is warranted when "[the separate personality of a corporation] is used as a means to perpetrate fraud or an illegal act, or as a vehicle for the evasion of an existing obligation, the circumvention of statutes, or to confuse legitimate issues." It is also warranted in alter ego cases "where a corporation is merely a farce since it is a mere alter ego or business conduit of a person, or where the corporation is so organized and controlled and its affairs are so conducted as to make it merely an instrumentality, agency, conduit or adjunct of another corporation."
>
> When [the] corporate veil is pierced, the corporation and persons who are normally treated as distinct from the corporation are treated as one person, such that when the corporation is adjudged liable, these persons, too, become liable as if they were the corporation.[71]

[69] Berkey v Third Avenue Railway, 155 N.E. 61

[70] Cheng, *supra* n46 at 354

[71] Lanuza, Jr v BF Corporation, G.R. No. 174938 (2014)

It can immediately be gleaned from the above-cited text that corporate veil doctrine in the Philippines closely resembles that of the United States. Simply stated, the doctrine may be applied in instances when the corporation is used: first, as a vehicle for the evasion of an existing obligation; second, to justify a wrong, protect fraud, or defend a crime; or third, as a mere alter ego of a person.[72]

4.1. Vehicle for the evasion of an obligation

In the recent decision in *International Academy of Management and Economics v Litton and Company, Inc.*,[73] the Supreme Court pierced the veil of the corporation after finding that it was set-up to avoid an execution order from the court. The facts of the case involve Atty. Santos, a lessee of two properties owned by Litton, who after failing to pay rent was ejected and sued by Litton to for money claims. The court found for Litton and ordered the payment of the claims. Several years after the judgment debt remains unpaid, the court sheriff levied a property owned by International Academy of Management and Economics, a corporation that is owned and controlled by Atty. Santos. The corporation opposed the levy citing its separate and distinct personality. However, the court pierced its corporate veil finding that Atty. Santos merely used the corporation as a shield to protect his property from execution.

---

[72] Sarona v National Labor Relations Commission, G.R. No. 185280 (2012)

[73] International Academy of Management and Economics v Litton and Company, Inc., G.R. No. 191525 (2017)

The Supreme Court affirmed the piercing of the corporate veil. It confirmed the lower court's finding that Atty. Santos had an existing unperformed obligation to pay the judgment debt and that he used his corporation as a means to defeat judicial processes and to evade his obligation. It took note of the crucial fact that the property levied upon was bought by Atty. Santos, allegedly as president of the corporation, when the corporation was not yet in existence. Furthermore, the title to the property was transferred to the corporation during the pendency of the case. Thus, the reverse piercing of the corporate veil holding the corporation's assets liable for its shareholder's obligation was warranted.

4.2. Alter ego theory

The case of *Philippine National Bank v Hydro Resources Contractors Corporation* laid down the requirements for a successful veil piercing under the alter ego theory. The case involves two government banks that took over the assets of a mining corporation. Once the assets were acquired, a new corporate entity was created wherein the Development Bank of the Philippines owned 57 percent and the Philippine National Bank owned the remaining 43 percent. The business was continued under the new entity and new obligations were entered into. When the new entity failed to pay its creditor, Hydro Resources Contractors Corporation, the latter filed a money claim impleading the two banks as defendants. The trial court pierced the veil of the new corporation under the alter ego theory and held the banks responsible for the obligation.

On appeal, the Supreme Court upheld the separate personalities of the three corporations and reversed the decision. The Court laid down a three-pronged test for the alter ego theory to be applied, namely:

> (1) Control, not mere majority or complete stock control, but complete domination, not only of finances but of policy and business

> practice in respect to the transaction attacked so that the corporate entity as to this transaction had at the time no separate mind, will or existence of its own;
>
> (2) Such control must have been used by the defendant to commit fraud or wrong, to perpetuate the violation of a statutory or other positive legal duty, or dishonest and unjust act in contravention of plaintiff's legal right; and
>
> (3) The aforesaid control and breach of duty must have proximately caused the injury or unjust loss complained of.[74]

The first prong involves the instrumentality test and examines "whether a subsidiary corporation is so organized and controlled and its affairs are so conducted as to make it a mere instrumentality or agent of the parent corporation such that its separate existence as a distinct corporate entity will be ignored."[75] The second prong concerns the fraud test where it is shown that the parent's control over the subsidiary is conducted in a fraudulent manner leading to injustice towards the plaintiff. Lastly, the harm test requires that the connection between the control, exercised through fraudulent means, and the injury that the plaintiff suffered be sufficiently established. Thus, a successful veil piercing under the alter ego theory requires that all three elements are complied with and that the absence of one prevents the corporate veil to be pierced. Applying these to the case, the Court held that the plaintiff failed the first prong as there was no showing that the banks completely dominated the control of the separate entity in a way that it merely acted as a conduit for the shareholders. Therefore, the banks cannot be held liable for the claims of the plaintiff.

[74] Philippine National Bank v Hydro Resources Contractors Corporation, G.R. No. 176530 (2013)

[75] *Id*.

CONCLUSION

Corporation laws provide the basis for regulation of single person corporations. These laws may range from the bare minimum as in corporation laws of states in the United States to the more regulated ones such as under the Revised Corporation Code of the Philippines. The three jurisdictions in this study has varying levels of regulation on single person corporations – from the United States with no special provisions in its corporation laws to the Philippines which codified some of the principles laid down in jurisprudence. The Philippines has done a decent job in crafting the law pertaining to one person corporations. As a new entrant to this entity, it is understandable that the legislators and regulators alike wish to ensure that one person corporations shall not be abused by unscrupulous individuals who intend to use it to defraud others or evade existing obligations. They have provided safeguards that are not present in the other two jurisdictions and this shows that the proponents have considered the experiences of other countries in crafting the law. One of these is that the Philippines have closed the door on corporations from forming a one person corporation as a subsidiary unlike the other two jurisdictions. The body of piercing the veil jurisprudence in the other two jurisdictions contains cases on parent and subsidiary relationships and English law even has the single economic theory which groups enterprises belonging to a corporate group to impose liability on the parent. These situations will be avoided in the Philippines as far as one person corporations are concerned. Furthermore, businesses that are imbued with public interest requiring a higher standard of care than ordinary enterprises such as banks, insurance, and publicly-listed companies are prohibited from organizing as one person corporations.

Another aspect that the Philippines did a better job at compared to the other two jurisdictions is the requirement that one person corporations should include the letters 'OPC' in their corporate names. This serves as public notice and lessens the burden of having to check with company registers whether a single or multiple persons own the company they are dealing with. In addition, requiring one person corporations to have a separate corporate secretary other than the sole shareholder and the maintenance of a minutes book ensures that corporate decisions are recorded. This may potentially avoid corporate veil piercing under the alter ego or instrumentality tests. Requiring the designation of a nominee and an alternate nominee in the event of the demise of the shareholder ensures continuity of the operations of the corporation and further protects the dealing public from a sudden disappearance of the corporation.

Finally, in what this author considers as the most innovative provision in the Philippine corporation code is the express requirement that for the sole shareholder to claim limited liability, he must ensure that the corporation is adequately financed. This incorporates the undercapitalization test in American jurisprudence discussed in Section 1.3 of Chapter Two into the statute itself. By also explicitly providing that the piercing the veil doctrine applies with equal force to one person corporations, the single shareholder is forewarned that any abuse of the corporate identity shall be dealt with accordingly.

Whatever lack of particular provisions on single person corporations American corporation laws have, the courts have stepped in to fill the gap. American jurisprudence has the most advanced and detailed piercing the veil doctrine as can be seen in Chapter Two of the study. However, courts can reverse themselves and the sheer number of courts in the United States may lead to varying outlook on the same problem, unless of course the Supreme Court of the United States settles the issue. Regardless, the openness of the American judiciary in piercing the veil of single person corporations in order to achieve justice is more welcome compared to the general sentiment in the United Kingdom of respecting the Salomon principle. It is without doubt that the Philippines will mirror the legal principles laid down in the United States since the former's corporation law is modeled to its former colonizer.

The final determination of how well-crafted the law is depends on its effective implementation. Regardless if the law contains minimal or heavy regulations, it will not matter if the implementing authorities disregard the black letter law and the cases that provide guidance and interpretation as to how the provisions shall be applied. This is the challenge that Philippine authorities have to face in the next couple of years as the one person corporation vehicle runs full steam ahead.

BIBLIOGRAPHY

Primary Sources

Statutes

Twelfth Council Company Law Directive 89/667/EEC

Twelfth Council Company Law Directive 2009/102/EC

Companies Act 2006, Ch 4 (United Kingdom)

General Corporation Law, Title 8, Ch 1 of the Delaware Code (Delaware, United States of America)

Business Corporation Law, Ch 4 of the Consolidated Laws of New York (New York, United States of America)

Corporation Code, Batas Pambansa Blg. 68 (Philippines)

Revised Corporation Code, Republic Act No. 11232 (Philippines)

Revised Corporation Code, House Bill No. 8374 (2018) (Philippines)

Revised Corporation Code, Senate Bill No. 1280 (2018) (Philippines)

Secondary sources

Articles

_____, 'Ignoring the Corporate Fiction in the Case of One-Man Companies' (1934) 3 Mercer Beasley Law Review 219

_____, 'Judicial Supervision of the One Man Corporation' (1932) 45(6) Harvard Law Review 1084

_____, 'Piercing the Corporate Law Veil: The Alter Ego Doctrine Under Federal Common Law' (1982) 95 Harvard Law Review 853

Anthony Battisti, 'The One-Man Corporation and the Fifth Amendment Privilege Against Self-Incrimination' (1986) 1(2) Journal of Civil Rights and Economic Development 181

Richard Buxbaum, 'Commercial Law-Single Shareholder Company' (1990) 38 The American Journal of Comparative Law 251

Benjamin Cataldo, ‘Limited Liability with One-Man Companies and Subsidiary Corporations’ (1953) 18(4) Law and Contemporary Problems 473

Thomas Cheng, ‘The Corporate Veil Doctrine Revisited: A Comparative Study of the English and the U.S. Corporate Veil Doctrines’ (2011) 34 Boston College International & Comparative Law Review 329

Warner Fuller, ‘The Incorporated Individual: A Study of the One-Man Company’ (1938) 51 (8) Harvard Law Review 1373

Rolf Garcia-Gallont and Andrew Kilpinen, ‘If the Veil Doesn’t Fit… An Empirical Study of 30 Years of Piercing the Corporate Veil in the Age of the LLC’ (2015) 50 Wake Forest Law Review 1229

Ray Garrett, ‘John Doe Incorporates Himself’ (1964) 19(2) The Business Lawyer 535

Nicholas Grier, ‘Piercing the Corporate Veil: Prest v Petrodel Resources Ltd’ (2014) 18 Edinburgh Law Review 275

Thomas Heintzman and Brandon Kain, ‘Through the Looking Glass: Recent Developments in Piercing the Corporate Veil’ (2017) 28 Banking and Finance Law Review 525

King Fung Tsang, ‘Applicable Law in Piercing the Corporate Veil in the United States: A Choice With no Choice’ (2014) 10:2 Journal of Private International Law 227

JS Liptrap, ‘Piercing the Corporate Veil in the Statutory Context: Campbell v Gordon Joiners Ltd’ (2017) 21 Edinburg Law Review 103

Jonathan Macey and Joshua Mitts, ‘Finding Order in the Morass: The Three Real Justifications for Piercing the Corporate Veil’ (2014) 100 Cornell Law Review 99

Edward Manson, ‘One Man Companies’ (1895) 11 Law Quarterly Review 185

Robert Miles and Eleanor Holland, ‘Piercing the Corporate Veil’ in Edwin Simpson and Miranda Stewart (eds), *Sham Transactions* (Oxford University Press 2013)

Jennifer Payne, ‘Lifting the Corporate Veil: A Reassessment of the Fraud Exception’ (1997) 56(2) Cambridge Law Journal 284

Jules Silk, ‘One Man Corporations. Scope and Limitations’ (1952) 100(6) University of Pennsylvania Law Review 853

Robert Thompson, ‘Piercing the Corporate Veil: An Empirical Study’ (1991) 76(5) Cornell Law Review 1036

G Van Bergen, ‘The One-Man Company’ (1926) 1 Hong Kong University Law Journal 187

Books

John Birds, *Boyle & Birds’ Company Law* (9th edn, Jordan Publishing 2014)

Richard Booth and Robert Hamilton, *Corporations* (6th edn, West Publishing Co. 2014)

Paul Davies and Sarah Worthington, *Gower & Davies’ Principles of Modern Company Law* (9th edn, Sweet & Maxwell 2012)

Alan Dignam, *Hicks & Goo’s Cases and Materials on Company Law* (7th edn, Oxford University Press 2011)

Stephen Griffin, *Company Law Handbook* (3rd edn, The Law Society 2013)

Robert Hamilton, Cases and Materials on Corporations (7th edn, West Publishing Co. 2001)

Brenda Hannigan, *Company Law* (5th edn, Oxford University Press 2018)

Gary Scanlan, *Companies Act 2006 A Guide to the New Law* (The Law Society 2007)

Michael Todd, *Gore-Brown on Companies* (Jordan Publishing 1999)