

Title: Producers Bank of the Philippines (now First International Bank) vs. Hon. Court of Appeals and Franklin Vives

Facts:

In 1979, Franklin Vives was approached by Angeles Sanchez to help Col. Arturo Doronilla incorporate Sterela Marketing and Services by depositing P200,000 in Sterela's bank account to show sufficient capitalization for incorporation. Vives's wife, Inocencia, opened the account at the Buendia branch of Producers Bank with herself and Sanchez as signatories. Instead, Doronilla obtained a loan from the bank against Sterela's account, withdrew funds, and issued postdated checks which were dishonored. When Vives learned of this, his efforts to recover the funds were futile, as even a check from Doronilla to Vives bounced.

Vives filed criminal and civil actions against Doronilla, Sanchez, Dumagpi, and Producers Bank. Sanchez died during trial, and the RTC of Pasig ruled against Doronilla, Dumagpi, and Producers Bank, holding them jointly liable for the principal amount, damages, attorney's fees, and costs. The decision was affirmed by the Court of Appeals.

Issues:

1. Whether the transaction between Vives and Doronilla was a simple loan or a commodatum.
2. Whether Producers Bank's manager, Rufo Atienza, is liable for collusion, thus binding the bank for his acts.
3. Whether the transaction was an accommodation and Vives retained control over his money.
4. The applicability of employer liability for the actions of an employee, as expounded in *Saldares vs. Martinez*.

Court's Decision:

The Supreme Court denied the petition, holding that:

1. The transaction was a commodatum, not a mutuum (simple loan), as Vives retained ownership over the deposited money, which was only for showing capitalization required for Sterela's incorporation and not for consumption by Doronilla.
2. Producers Bank, through Atienza, breached their standard banking procedures which facilitated Doronilla's unauthorized withdrawals, thus Bank is liable for Atienza's actions.
3. The transaction was an accommodation, and Vives had control over his money, making the bank jointly liable as it allowed unauthorized withdrawals.

4. Under Article 2180 of the Civil Code, Producers Bank is responsible for the wrongful acts of its employees acting within the scope of their duties, making it solidarily liable with Doronilla for damages.

Doctrine:

- In contracts, parties' intentions are the primary consideration in determining the contract's nature; subsequent acts may clarify intent when in doubt.
- Consumable goods can be commodatum if the purpose is not consumption.
- An employer is solidarily liable for wrongful acts of employees performed within the scope of assigned tasks.

Class Notes:

- Commodatum vs. Mutuum: Determine whether property is consumed and if ownership is transferred (commodatum: no, mutuum: yes).
- Employer Liability under Article 2180: Employee's wrongful act should be within the scope of assigned tasks for employer's liability.
- Actual, moral, and exemplary damages, plus attorney's fees and costs, can be awarded when the bank breaches procedures and causes loss through employee's actions.

Historical Background:

During a period in the Philippine banking history when less stringent regulations may have applied, this case came to embody the legal principles that hold banks and their employees to high standards of accountability, illustrating the impact of banking practices on ordinary individuals' trust and the integrity of financial institutions.