

Title: Metropolitan Bank and Trust Company vs. Ana Grace Rosales and Yo Yuk To

Facts:

Metropolitan Bank and Trust Company (Metrobank) is a Philippine banking corporation. Respondents Ana Grace Rosales and her mother, Yo Yuk To, are clients of Metrobank with both peso and dollar accounts. In 2003, an unauthorized withdrawal of US\$75,000 from Liu Chiu Fang's account occurred at the Escolta Branch, where Rosales allegedly served as interpreter. Metrobank filed a criminal case of Estafa against Rosales, believing she was involved in the fraud. Prior to the filing, on July 31, 2003, Metrobank issued a "Hold Out" order against Rosales and Yo Yuk To's accounts.

In response, on September 10, 2004, Rosales and her mother filed a civil case for the release of their funds and for damages due to Metrobank's refusal to allow withdrawal from their accounts. The trial court ruled in favor of the respondents, ordering Metrobank to release the deposits and pay damages. Metrobank appealed to the Court of Appeals (CA), which upheld the trial court's decision but deleted the award for actual damages related to the Estafa case fee.

Metrobank then filed a Petition for Review with the Supreme Court challenging the CA's decision, arguing that the "Hold Out" clause justified freezing the respondents' accounts and contended that it was not negligent.

Issues:

1. Whether or not the "Hold Out" clause in the deposit contract applies to the case;
2. Whether Metrobank's employees were negligent in facilitating the unauthorized withdrawal;
3. The propriety of the awards for moral and exemplary damages and attorney's fees.

Court's Decision:

The Supreme Court denied Metrobank's petition and affirmed the CA's decision. The Court held that the "Hold Out" clause could not be invoked as it was meant for actual and existing obligations, not for a pending and unresolved criminal case. Next, Metrobank's negligence in releasing the funds was not discussed by the Court as the Supreme Court focused on the breach of contract issue. Finally, the Court found that Metrobank breached its contract with the respondents by issuing the "Hold Out" order without legal basis and in bad faith, justifying the award for damages and attorney's fees.

Doctrine:

Bank deposits are in the nature of a loan and are to be paid upon the depositor's demand. A bank cannot withhold the funds without a valid and existing obligation. The obligation does not arise from an un-finalized criminal case. In instances where a bank breaches its contract by improperly issuing a "Hold Out" order, it may be held liable for moral and exemplary damages and attorney's fees.

Class Notes:

- Bank deposit as loan: A bank deposit is a form of simple loan or mutuum, and the bank is expected to return the deposit upon the depositor's demand unless a valid obligation to the bank exists.
- "Hold Out" clause: The "Hold Out" clause in a deposit contract applies only if there is a legitimate obligation owing from the depositor to the bank.
- Breach of contract and damages: A breach of contract by a bank (e.g., unjustified refusal to release funds) may lead to an entitlement of the depositor to moral and exemplary damages, and attorney's fees.
- Article 1157 of the Civil Code lists sources of obligations which include law, contracts, quasi-contracts, delicts, and quasi-delicts.

Historical Background:

This case highlights the due process necessary when bank institutions exercise their protective clauses such as "Hold Out" orders. It illustrates the balance between fraud prevention by banks and the protection of depositor's rights as per contract law and banking regulations within the context of the Philippine legal system. The case is significant in emphasizing the fiduciary nature of the banking relationship and the high duty of care banks owe to their customers.