Title: BPI Family Bank v. Amado Franco and Court of Appeals: A Scrutiny of Bank's Duty of Care to Depositors

Facts:
The genesis of the case lies in alleged fraudulent activities involving BPI Family Bank (BPI-FB), Tevesteco Arrastre-Stevedoring Co., Inc. (Tevesteco), First Metro Investment Corporation (FMIC), and Amado Franco (Franco). On August 15, 1989, Tevesteco opened accounts with BPI-FB, followed by FMIC on August 25, 1989, with a P100,000,000.00 time deposit. Subsequently, on August 31, 1989, Franco opened three accounts funded with P2,000,000.00, which came from a check issued by Tevesteco, allegedly in consideration for Franco's introduction of business contacts to BPI-FB. This fund originated from an unauthorized debit of FMIC's time deposit, facilitated by a forged Authority to Debit.

Upon discovery, BPI-FB attempted to recover the funds by debiting Franco's accounts on September 8, 1989, leaving them essentially frozen. Two checks issued by Franco were dishonored, and a garnishment order from the Regional Trial Court of Makati (Makati RTC) was applied to his accounts before he was formally made a party to the ongoing case involving the fraudulent transactions.

Franco, upon learning of the garnishment and after being impleaded in May 1990, moved to discharge the attachment, which the Makati RTC granted. However, BPI-FB had already debited Franco's accounts due to the earlier forgery claim. The disagreement over the accounts' status led Franco to the Manila RTC, demanding various reliefs including the interest and balance of his accounts, and damages.

The Manila RTC ruled in favor of Franco, awarding him some of the claimed reliefs. Both parties appealed to the CA, which affirmed the RTC's decision with modifications, notably adding damages. BPI-FB then escalated the case to the Supreme Court, asserting errors in the CA's ruling concerning the right to the deposits and entitlements to interest and damages.

Issues:
1. Whether BPI-FB has the right to unilaterally freeze Franco's accounts and deny him access to his deposits.
2. The entitlement of Franco to interest on his accounts and the recovery of P400,000.00 transferred to a third party's account at BPI-FB's instruction.
3. The legality of the dishonor of Franco's checks.

4. The liability of BPI-FB for interest on Franco's time deposit and for moral, exemplary damages, and attorney's fees.
5. Dismissal of BPI-FB's counter-claim.

Court's Decision:
The Supreme Court partly granted the petition, aligning with the lower courts that BPI-FB cannot freeze Franco's accounts without a court writ or a judgment. The Court detailed that the bank's unilateral action was grounded on suspicion of fraud without legal basis, emphasizing the fiduciary nature of the bank-depositor relationship enforcing meticulous care over depositor accounts.

The Supreme Court resolved that:
1. Funds in Franco's accounts legally belong to him, BPI-FB's analogy to movable property and application of Article 559 was inapplicable.
2. Franco is entitled to interest from the time BPI-FB refused command over his deposits and recovery of the transferred P400,000.00 to a third party's account was justified by the evidence.
3. The dishonor of Franco's checks was premature and lacked legal basis due to insufficient notification and jurisdictional authority.
4. BPI-FB's actions, although not stemming from malice or bad faith, did not warrant moral or exemplary damages. However, attorney fees were awarded in favor of Franco due to BPI-FB's unfounded refusal to release the deposits, compelling Franco to litigate.
5. BPI-FB's counter-claim was rightfully dismissed as its alleged damages were self-inflicted.

Doctrine:
1. Banks have a fiduciary duty to treat depositor's accounts with meticulous care, particularly in the verification of authorities for debiting accounts.
2. Unilateral action by banks based on suspicion of fraud without lawful order or judgment violates the fiduciary responsibility owed to depositors.

Class Notes:
– Fiduciary Duty of Banks: Banks are obligated to treat depositor accounts with high diligence and care, recognizing the trust deposited in them by their customers.
– Property Law: Article 559 of the Civil Code applies to specific or determinate movable property, making it inapplicable to money in bank transactions due to its generic and fungible nature.
– Depositor-Bank Relationship: Depositors placing money in the bank engage in a mutuum

or loan contract, transforming the bank into the debtor and the depositor into the creditor, thereby entitling the latter to demand their deposits at will unless restrained by a legal order.

Historical Background:
The case reflects the judiciary’s scrutiny over the banking sector, emphasizing the foundational principle that banks must exercise the highest degree of diligence in the management of depositor funds. It underscores the protection of depositors from unilateral and prejudicial actions by banks, especially in controversies involving the legality of transactions and the integrity of account funds.