

****Title:**** Bank of Commerce vs. Goodman Fielder International Philippines, Inc.: Clarifying the Nature of Bank Certifications and Guarantees

****Facts:**** Goodman Fielder International Philippines, Inc. (respondent) seeks to secure a distributorship agreement facilitated by Keraj Marketing Company, purportedly owned by Sunil K. Amarnani. A condition posed for the agreement was a credit line or bank guarantee from Keraj amounting to P500,000.00. Amarnani requests from the Bank of Commerce (petitioner) a conditional certification for the credit line, which Eli Aragon, petitioner's branch manager, issues on August 23, 2000. This action prompts the conclusion of a Distributorship Agreement. A similar certification was later extended on October 18, 2000, for a separate entity associated with Amarnani. Despite these certifications, no official credit line application is forthcoming from Keraj or Bank of Commerce.

When Keraj accrues unpaid obligations, the respondent attempts to claim against the supposed bank guarantees; negotiations fail, leading to a complaint for the collection of sum of money against Keraj, Amarnani, Bacolod RK, and the Bank of Commerce and Eli Aragon before the RTC of Pasig. The RTC attributes fault to the defendants except Bacolod RK, which leads to an appeal where the Court of Appeals affirms the trial court's decision but deletes the award for attorney's fees. Bank of Commerce files a petition for review upon denial of reconsideration.

****Issues:****

1. Whether the certifications issued by Aragon can be considered as bank guarantees.
2. The applicability of the doctrine of apparent authority in the context of the actions taken by the bank's branch manager.
3. Whether the Bank of Commerce can be estopped from denying liability concerning the issued certifications.

****Court's Decision:**** The Supreme Court reversed the Court of Appeals' decision, emphasizing that the certifications could not be construed as bank guarantees due to the inability within the given timeframe for the Bank of Commerce to have approved any credit line or bank guarantee. The Court highlighted that the respondent had ample opportunity to verify the nature of the certifications and failed to establish a reasonable belief that a bank guaranty was intended or issued. Thus, the Bank of Commerce was not held liable for the unpaid obligations of Keraj.

****Doctrine:**** The case reiterated the principle of interpreting documents in consideration of

their circumstances, including the parties' situation and subject matter, to determine their intended legal effect. It also clarified that apparent authority requires reasonable belief by the third party in the agent's authority, conditioned upon factual circumstances that could justify such belief.

****Class Notes:****

- ****Interpretation according to circumstances:**** A document must be interpreted with regard to the circumstances under which it was made, including the parties' situation and the subject thereof.
- ****Apparent Authority:**** Relies on the reasonable belief by a third party based on factual circumstances that an agent possesses the authority they purport to have.
- ****Estoppel:**** A party may not be estopped from denying certain facts if the other party's reliance on these facts was not reasonable under the circumstances.

Relevant Provision: ****SEC. 13. Interpretation according to circumstances - For the proper construction of an instrument, the circumstances under which it was made, including the situation of the subject thereof and of the parties to it, may be shown so that the judge may be placed in the position of those whose language he is to interpret.****

****Historical Background:**** The case serves as a significant clarification on the legal interpretation and reliance on bank-issued certifications and the delineation of authority within banking operations in the Philippines. It demonstrates the balance between protecting contractual expectations and ensuring that such expectations are formed on reasonable and sound bases.