

Title: Comsavings Bank (now GSIS Family Bank) v. Spouses Danilo and Estrella Capistrano

Facts:

The Spouses Capistrano, desiring to build a house on their lot, availed themselves of the Unified Home Lending Program (UHLP) through Comsavings Bank, an NHMFC-accredited originator. They entered a construction contract with GCB Builders, for which they obtained a loan facilitated by Comsavings Bank. Despite fulfilling preliminary requirements, and after several loan releases to GCB Builders, the construction remained incomplete, leading the Spouses Capistrano to demand completion. Comsavings Bank falsely submitted documents attesting to the house's completion, subsequently leading the NHMFC to release the loan amount directly to Comsavings Bank and demand loan repayments from the Spouses Capistrano. Upon finding the house incomplete, the Spouses Capistrano sued GCB Builders and Comsavings Bank for breach of contract and damages. The RTC ruled in favor of the Spouses Capistrano, a decision affirmed with modifications by the CA, attributing liabilities to Comsavings Bank and GCB Builders but absolving NHMFC of direct responsibility.

Issues:

1. Whether Comsavings Bank was jointly and severally liable with GCB Builders for damages to the Spouses Capistrano.
2. Whether the practices of Comsavings Bank, including pre-signing documents and submitting false completion certificates, were considered gross negligence or constituted fraudulent behavior warranting damages.

Court's Decision:

The Supreme Court affirmed the CA's decision, modifying it to include temperate damages instead of actual damages due to lack of specific proof of the latter. It found Comsavings Bank jointly and severally liable with GCB Builders, ruling that Comsavings Bank's actions—particularly pre-signing documents and submitting fraudulent completion certificates—constituted gross negligence and breached the duty of highest diligence required of banking institutions.

Doctrine:

The case reiterates the doctrine that banking institutions are imbued with public interest and hence, are subject to the highest degree of diligence. Under Articles 20 and 1170 of the Civil Code, any entity or person causing damage to another through willful or negligent actions is liable for damages.

Class Notes:

Key Legal Elements:

- **Article 20, Civil Code**: Liability for damages caused willfully or negligently.
- **Article 1170, Civil Code**: Liability for damages due to fraud, negligence, or contract contravention.
- **Banking Institutions' Duty**: Highest degree of diligence due to public interest involvement.
- **Damages**: Moral, exemplary, and temperate damages are applicable under certain conditions, like gross negligence or fraud.

Application:

- Banking institutions must adhere to the strictest standards of diligences and integrity, especially in handling client transactions.
- Pre-signing documents that misrepresent the truth, specifically about project completions, constitutes gross negligence and fraud.
- Entities causing harm through negligent behavior are liable for moral and exemplary damages, with temperate damages applicable when the actual amount of loss cannot be proven with certainty.

Historical Background:

This case underscores the critical importance of maintaining trust and integrity within the Philippine banking sector and the legal mechanisms in place to protect consumers from fraudulent or negligent practices by financial institutions. It highlights the legal standards expected of entities involved in housing finance and the protection offered to borrowers under Philippine law.