

**\*\*Title:** The Honorable Monetary Board, Gail U. Fule, Director, Supervision and Examination Department II, and Bangko Sentral ng Pilipinas vs. Philippine Veterans Bank**\*\***

**\*\*Facts:\*\***

The Philippine Veterans Bank initiated a loan program offering pension and salary loans primarily to veterans, their surviving spouses, teachers, and low-salaried employees without requiring real estate security. Instead, a Credit Redemption Fund (CRF) was established to cover loan obligations in case of a borrower's death, funded by premiums charged to borrowers.

On April 30, 2002, the Supervision and Examination Department II of the Bangko Sentral ng Pilipinas (BSP) examined this setup and concluded that the collection of premiums for the CRF constituted insurance business, which banks are prohibited from engaging in directly under Section 54 of RA No. 8791 (The General Banking Law of 2000).

Following communications and a directive from the BSP to discontinue the CRF fee collection, Philippine Veterans Bank complied in 2004. However, in 2005, the Monetary Board issued Resolution No. 1139, mandating the refund of all CRF balances to borrowers. The bank sought reconsideration but was denied.

Subsequently, the bank filed a Petition for Declaratory Relief with the RTC of Makati City, challenging the Monetary Board's resolution. The RTC initially dismissed the petition but later, upon reconsideration prompted by the bank's claim of late receipt of the dismissal order, reversed its decision, ruling in favor of the bank. The BSP and its officials then appealed to the Supreme Court.

**\*\*Issues:\*\***

1. Was the Petition for Declaratory Relief properly taken cognizance of by the trial court despite the finality of BSP's Monetary Board Resolution as well as the impropriety of resorting to such a petition given the bank's prior violation?
2. Did the Philippine Veterans Bank engage in "insurance business" in violation of Section 54 of RA 8791?

**\*\*Court's Decision:\*\***

The Supreme Court ruled in favor of the petitioners, overturning the lower court's decisions and reinstating the initial dismissal of the Petition for Declaratory Relief by the RTC. The Court clarified that decisions of quasi-judicial agencies like the Monetary Board cannot be subject to a petition for declaratory relief, as disputes arising from such decisions should be

addressed through the remedies provided by the Rules of Court. Furthermore, the Court emphasized that the BSP Monetary Board's resolution on the matter had already become final and executory, precluding a later challenge through declaratory relief.

**\*\*Doctrine:\*\***

The court reiterated that decisions of quasi-judicial bodies are not appropriate subjects for petitions for declaratory relief. If a party disagrees with such a decision, it must seek recourse through the specified remedies in the Rules of Court, not a petition for declaratory relief.

**\*\*Class Notes:\*\***

- Declaratory Relief: Appropriate for disputes over the construction or validity of statutes, regulations, contracts, etc., before violation or breach occurs; not for challenging decisions of quasi-judicial agencies.
- Quasi-Judicial Bodies: Agencies, other than courts or legislatures, with the power to affect rights through adjudication or rule-making; decisions thereof are not subject to declaratory relief but are appealable through specific remedies outlined in the Rules of Court.
- Finality of Administrative Decisions: Once an administrative decision by a quasi-judicial body becomes final and executory, it generally cannot be reopened or challenged through a petition for declaratory relief.

**\*\*Historical Background:\*\***

This case underscores the boundaries of the legal framework governing the operation of banks in the Philippines, specifically the prohibition against direct engagement in insurance activities. It highlights the nuanced distinction between financial products and insurance, the oversight authority of the BSP, and the importance of adherence to administrative process and judicial remedies.