

**\*\*Title:\*\*** Metropolitan Bank and Trust Company vs. Carmelita Cruz and Vilma Low Tay  
(Loan Accounting Discrepancy)

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

Between 1993 and 1998, Carmelita C. Cruz and Vilma Low Tay, doing business under the name “Republic Shoes & Handbag Manufacturing,” secured various loans totaling P40,600,000.00 from Metropolitan Bank and Trust Company (Metrobank). They executed multiple promissory notes to cover these loans and undertook further borrowing in March 1999. Upon requesting their account statement in May 1999, Metrobank reported their outstanding debt as P1,130,444.31 as of March 26, 1999.

Throughout the years, the respondents engaged in loan restructuring with Metrobank, which included signing blank promissory notes in bulk. From 1999 to 2004, they made payments via cash and check, diligently recording and having bank employees acknowledge these transactions. However, upon reviewing their records in September 2004, the respondents discovered a potential overpayment and hired accountant Michael G. Palisoc to verify. Palisoc found discrepancies suggesting an overpayment of P3,540,519.55, after accounting for restructured loan balances and total payments made.

Respondents demanded a detailed accounting from Metrobank, which failed to reconcile the discrepancies. This prompted a lawsuit filed on May 4, 2005, for a detailed accounting and reimbursement of excess payments, among other damages. Metrobank countered by denying the allegations and asserting that the payments had been appropriately accounted for.

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

1. Should Metrobank be ordered to provide a detailed accounting of the respondents’ loan payments?
2. Must Metrobank furnish all pertinent loan documents to the respondents?
3. Is Metrobank’s claim to a five-year document retention policy under the Anti-Money Laundering Act (AMLA) and Manual of Regulations for Banks sufficient grounds to not produce older documents?

**\*\*Court’s Decision:\*\***

The Supreme Court affirmed the lower courts’ decisions, holding that Metrobank is obligated to render a detailed accounting of the respondents’ loan payments and supply all relevant loan documentation. The Court emphasized the fiduciary nature of banking that

necessitates high standards of integrity and diligence, particularly in maintaining accurate records of client transactions. The Court refuted Metrobank's claims of impossibility in producing the documents, referencing the bank's admission of having access to stored records dating back to the period in question. Moreover, Metrobank's defense of estoppel was dismissed, with the Court explaining that the respondents had acted promptly upon discovering the alleged overpayment.

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

This case reaffirms the doctrine that banking institutions are bound by a high degree of diligence and integrity, particularly in record-keeping and client transaction documentation. The fiduciary nature of banking demands meticulous care in handling accounts and prompt, accurate accounting upon client requests.

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

- **\*\*Fiduciary Responsibility of Banks:\*\*** Banks must treat clients' accounts with utmost care, accurately recording transactions and providing detailed accounting upon request.
- **\*\*Record Retention:\*\*** While banks have internal policies related to record retention, these cannot override their fundamental obligations to clients, especially concerning ongoing loan accounts.
- **\*\*Doctrine of Estoppel:\*\*** Cannot be invoked by banks to negate their duties for accurate and transparent accounting, especially when clients act promptly upon discovering discrepancies.

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

This decision builds on existing jurisprudence emphasizing the trust-based relationship between banks and their clients, reinforcing the concept that banks operate not just as businesses but as institutions imbued with public interest. It highlights the evolution of banking laws and regulations in response to modern financial complexities, affirming the principle of accountability in the banking industry.