

**Title:** Banco de Oro Universal Bank, Inc. vs. Liza A. Seastres and Annabelle N. Benaje: A Case of Bank Negligence and Unauthorized Account Transactions Brief / Digest)

**Facts:** Liza A. Seastres, a depositor of Banco de Oro Universal Bank, Inc. (BDO), held various accounts in its branches. Suspecting unauthorized withdrawals between April and September 2008, Seastres requested a transaction history for one of her accounts. The investigation, led by branch heads Vivian Duldulao and Christine Nakanishi, revealed that all questionable transactions were executed by Annabelle Benaje, Seastres' friend and COO of Las Management. Despite Benaje's unauthorized actions, including encashments of manager's checks and withdrawals, BDO found nothing irregular. The bank had previously verified the signatures on the transaction documents as genuine. After Benaje admitted to the unauthorized withdrawals, Seastres pursued legal action, initially criminally against Benaje, which was dismissed, then civilly against both Benaje and BDO for recovery of the lost funds.

**Procedural Posture:** The Regional Trial Court (RTC) found BDO and its employees liable for not exercising due diligence in managing Seastres' accounts, awarding damages. On appeal, the Court of Appeals (CA) partially agreed, reducing BDO's liability based on Seastres' contributory negligence. BDO's subsequent appeal to the Supreme Court (SC) questioned the findings of negligence and contributory negligence.

**Issues:**

1. Did the CA err in finding BDO and its employees failed to exercise the requisite diligence in handling Seastres' bank accounts?
2. Is Seastres guilty of contributory negligence affecting the liability of the petitioners?

**Court's Decision:**

The SC found the petition without merit, affirming BDO's negligence. It highlighted the bank's failure to adhere to its own protocol for withdrawals and to verify transactions adequately. The SC differed from the CA regarding Seastres' contributory negligence, finding her not liable for any part of the damages, thus holding BDO solely responsible for the total amount of unauthorized transactions.

**Doctrine:** Banks are obligated to exercise the highest degree of diligence in managing client accounts, given their fiduciary nature. The SC reinforced the principle that any deviation from this standard, including internal procedural lapses, constitutes negligence.

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

- Banks must observe the highest standard of diligence in account management.
- The fiduciary nature of bank-depositor relationships requires banks to proactively protect depositor interests.
- Contributory negligence of the depositor does not automatically diminish bank liability, especially when internal controls and procedures are breached.
- Legal statutes: Relevant provisions under the Civil Code on obligations and contracts, particularly regarding negligence and fiduciary responsibilities.

**\*\*Historical Background:\*\*** This case underscores the ongoing challenges within the banking industry regarding operational integrity and client protection. It reiterates the principle that banks, due to their unique position in the financial system, are held to an exceedingly high standard of care in managing depositor funds, reflecting the trust the public places in these institutions.