Title: Sesbreño vs. Court of Appeals, Delta Motors Corporation, and Pilipinas Bank

Facts:
Raul Sesbreño made a money market placement with the Philippine Underwriters Finance Corporation (Philfinance), expecting returns upon maturity. Philfinance issued documents confirming the sale of a portion of a Delta Motors Corporation (DMC) Promissory Note (PN) and post-dated checks for the amount due upon maturity. The checks, however, were dishonored due to insufficient funds.

Philfinance, having financial difficulties, was under the joint management of the Securities and Exchange Commission (SEC) and the Central Bank. Sesbreño then pursued the physical delivery of the DMC PN, which was supposedly in custody with Pilipinas Bank, confirmed by a Denominated Custodianship Receipt (DCR). His requests were unsuccessful, leading to demands made directly to Delta, which also proved fruitless as Delta had offset obligations with Philfinance rendering the PN "paid" by mutual agreement before maturity.

Sesbreño initiated legal action against Delta and Pilipinas Bank for damages. The trial court dismissed his complaint for lack of merit and cause of action, a decision upheld by the Court of Appeals (CA).

Issues:
1. Whether Sesbreño can recover the assigned portion of DMC PN No. 2731 from Delta.
2. Whether Pilipinas Bank should be held solidarily liable due to the stipulations in the DCR.
3. The validity of piercing the corporate veil among Philfinance, Delta, and Pilipinas due to their corporate relationships.

Court's Decision:
The Supreme Court modified the CA decision, holding Pilipinas Bank liable for damages to Sesbreño for breach of contract in failing to deliver the DMC PN as custodian. It affirmed the dismissal of claims against Delta as compensation had taken place, discharging the PN, and Sesbreño had notified Delta only post-compensation. The Court did not find sufficient grounds to pierce the corporate veil among the entities.

Doctrine:
1. The distinction between the negotiation and assignment of negotiable instruments is delineated, with significant implications on the rights transferred.
2. The requirements for compensation under the Civil Code were not met until the maturity of the instruments, negating preemptive assignment claims.

3. A custodian bank's failure to deliver custodial property upon demand constitutes a breach of contract, entitling the beneficiary to damages.

Class Notes:
– **Negotiable Instruments Law:** An instrument marked "non-negotiable" can still be assigned or transferred unless expressly stated otherwise.
– **Civil Code on Compensation:** Requires both obligations to be liquidated and demandable.
– **Breach of Contract by Custodian Bank:** Custodian banks must deliver upon the depositor (or beneficiary's) demand, subject to the terms of the custodianship agreement. Non-compliance results in liability for damages.
– **Protection of Money Market Investors:** Investors in money market transactions are protected against undisclosed and private stipulations that could affect the return of their investments.

Historical Background:
This case sheds light on the intricacies of money market investments, highlighting the investor's vulnerabilities to the interconnectedness of financial institutions and the importance of clear contractual obligations and protections against the backdrop of the Philippine legal and financial framework.