Title:
Metropolitan Bank and Trust Company vs. Renato D. Cabilzo

Facts:
Renato D. Cabilzo issued a check for P1,000 payable to “CASH” on November 12, 1994, which was altered and encashed for P91,000. Upon noticing, Cabilzo demanded Metrobank to re-credit P90,000 to his account, which was refused. Resulting in Cabilzo filing a civil action for damages against Metrobank. The RTC, and subsequently the Court of Appeals, ruled in favor of Cabilzo, ordering Metrobank to pay the altered amount minus awards for exemplary damages and attorney’s fees, which were deleted upon appeal.

Issues:
1. Whether Metrobank, as the drawee bank, is liable for the alterations on the check.
2. The application of the doctrine of material alteration under the Negotiable Instruments Law.
3. The determination of negligence between Metrobank and Cabilzo.
4. The extent of a bank’s fiduciary duty to its clients regarding check alterations.

Court’s Decision:
The Supreme Court denied Metrobank’s petition, affirming the decisions of the lower courts with the modification that exemplary damages of P50,000.00 be awarded to Cabilzo. The Court held that:
– There was a material alteration in the check’s amount and date, falling under the Negotiable Instruments Law.
– Metrobank failed to detect this alteration due to negligence and remiss in its duty of meticulous care towards its client’s account.
– Metrobank could not disclaim liability by invoking Cabilzo’s alleged negligence in leaving spaces on the check, as there was no evidence supporting such a claim.
– As a fiduciary institution, Metrobank was expected to exercise the highest degree of diligence, which it failed to fulfill by not detecting the visible alterations.

Doctrine:
The case reiterates the doctrines that:
– A materially altered negotiable instrument is void against all parties unaware of the alteration.
– Banks have the duty of observing the highest degree of diligence in dealing with clients’ accounts to uphold public trust and confidence in the banking system.

Class Notes:
– **Material Alteration under the Negotiable Instruments Law**: Any change that alters the effect of the instrument in terms of the date, sum payable, time or place of payment, the number or the relation of parties, or the currency of payment.
– **Fiduciary Relationship**: Banks hold a fiduciary relationship with their clients, necessitating the utmost care and integrity.
– **Negligence**: The party alleging negligence must prove it. A bank's failure to detect obvious alterations due to lack of diligence falls under negligence.
– **Equitable Estoppel**: Cannot be invoked by a bank to avoid liability for its failure to exercise due diligence in check alteration cases.

Historical Background:
The case underscores the critical balance between a bank's duty of care in handling checks and its relationship with clients. It reiterates the principle that banking institutions must uphold the highest standard of diligence due to their pivotal role in commerce and the public's trust. This decision serves as a cautionary tale for banks, alerting them to the repercussions of negligence in detecting check alterations, particularly in a country like the Philippines where banking plays a significant role in its economy and commercial practices.