

### Title:

**\*\*The People of the Philippines vs. Dick Ong Y Chan:\*\*** A Case of Estafa and the Boundaries of Bank Deposit Trust

### Facts:

In Manila, between December 6, 1978, and January 31, 1979, Dick Ong Y Chan, alongside Lino Morfe Y Gutierrez, Ricardo Villaran, and Lucila Talabis, were charged with estafa for defrauding Home Savings Bank by depositing checks claimed to be funded and withdrawing a total of ₱575,504.00 before verification. The Manila Regional Trial Court dismissed the case against Morfe due to insufficient evidence. During the trial, Talabis and Villaran were acquitted, leaving Ong as the sole convicted individual, sentenced to reclusion perpetua and ordered to repay the bank partially with costs.

Ong's appeal argued the absence of deceit or fraud, asserting he was merely an indorser of the checks, not the issuer, and unaware of the drawer's insufficient funds. He highlighted the bank's practice of allowing withdrawals against uncollected deposits and offered repayment upon learning of the dishonor.

### Issues:

1. Whether withdrawing against the amounts of the deposited checks before clearance constitutes deceit or fraud under Article 315, paragraph 2(d) of the Revised Penal Code.
2. Whether Ong, being an indorser and not the drawer or issuer of the checks, can be held criminally liable for estafa.
3. Whether Ong's prior knowledge of insufficient funds in the drawee banks can be established.
4. Whether offering to pay the amounts covered by the dishonored checks negates the criminal intent to defraud the bank.

### Court's Decision:

The Supreme Court acquitted Dick Ong Y Chan, overturning the lower court's decision. The primary rationale was that the deposit and withdrawal of the checks were not in payment of an obligation, but indeed constituted irregular deposits treated as loans, thus not fulfilling the crime's requirement of deceit or fraud intended for estafa. The Court found that the bank's tolerance of withdrawals against uncollected deposits, a privilege extended based on Ong's status as an important depositor, negated the presumption of deceit. Furthermore, Ong's liability was deemed purely civil, not criminal.

### Doctrine:

This ruling reiterates the principles surrounding estafa, particularly focusing on the elements required for conviction under Article 315, paragraph 2(d) of the Revised Penal Code. It emphasizes the necessity of proving deceit and damage in cases involving financial transactions and the discrepancy between civil and criminal liabilities in banking practices.

### Class Notes:

- \*\*Elements of Estafa (Relevant to the Case):\*\*

1. Deceit or abuse of confidence

2. Damage or prejudice to the offended party

- The case distinguishes between the criminal act of estafa and the civil liabilities arising from banking transactions, emphasizing that not all wrongful acts in financial dealings amount to criminal deception.

- \*\*Doctrine of Irregular Deposits:\*\* Bank deposits are considered loans to the bank, affecting the legal dynamics concerning bank privileges and customer transactions.

- \*\*Liability of General Indorser:\*\* As per the Negotiable Instruments Law, an indorser's liability is contingent upon due presentment and subsequent dishonor of the instrument, merging the concepts of civil and criminal liability in cases of financial misconduct.

### Historical Background:

This case sheds light on the practices within Philippine banking institutions regarding checks and deposits, reflecting the legal considerations between bank policies and statutory laws governing financial instruments. It also exemplifies the judiciary's role in interpreting actions within financial transactions in the context of criminal law, particularly estafa.