

Title

Cagungun vs. Planters Development Bank: A Case of Unauthorized Bank Withdrawals and Non-Compliance with Depositors' Instructions

Facts

The case stems from an unauthorized withdrawal incident and failure to comply with depositors' instructions involving the spouses Vicente Cagungun and Lapreciosisima Cagungun, who had business dealings with Country Development Bank (later merged into Planters Development Bank). The Cagungun spouses entrusted their savings passbooks to the bank, along with an arrangement for rounding off daily business proceeds for deposit, and applying the remainder to their loan. When informed their loan was overdue, an investigation revealed unauthorized withdrawals amounting to Php 220,000 from their account, with allegations of forged signatures. The Regional Trial Court (RTC) of Olongapo City found for the Cagunguns, a decision partly modified by the Court of Appeals, which found certain awards excessive or unfounded. The case escalated to the Supreme Court on issues regarding the mortgage loan's status, damages awarded, and related litigation costs.

Issues

1. ****Unauthorized Withdrawals and Falsification****: Whether the unauthorized withdrawals and alleged falsification of withdrawal slips legally bind Planters Development Bank to the losses incurred by the Cagungun spouses.
2. ****Moral and Exemplary Damages****: Eligibility of the Cagungun spouses for moral and exemplary damages due to unauthorized bank withdrawal activities.
3. ****Mortgage Loan Deemed Paid****: Whether the mortgage loan should be considered paid with the unauthorized withdrawals.
4. ****Litigation Fees and Expenses****: Proper determination of litigation fees and reasonable expenses attributable to the case.

Court's Decision

1. ****Unauthorized Withdrawals and Falsification****: The Supreme Court found Planters Development Bank responsible for the unauthorized withdrawals and upheld the need for the bank to compensate the Cagungun spouses, echoing the RTC and Court of Appeals' findings.
2. ****Moral and Exemplary Damages****: The Court reinstated the award for moral damages (reduced to Php 100,000) and exemplary damages (reduced to Php 50,000), finding the bank's actions constituted gross negligence warranting compensation for anguish and anxiety caused to petitioners.

3. **Mortgage Loan Deemed Paid**: The Court sided with the appellants in part but highlighted procedural lapses in presenting certain evidence related to loan payments. It recognized the amount withdrawn without authorization was more than enough to cover the loan but ruled out the official recognition of the loan as “deemed paid” due to technical grounds. Nevertheless, it blocked the foreclosure of the petitioners’ property as an equitable remedy.

4. **Litigation Fees and Expenses**: The Court adjusted the awards for attorney’s fees and litigation expenses to Php 25,000 each, finding a balance between excessive and insufficient compensation.

Doctrine

This case reiterates the high degree of diligence expected of banks due to the fiduciary nature of banking, emphasizing the bank’s liability for unauthorized transactions conducted by its personnel and the resulting damages to its depositors.

Class Notes

- **Fiduciary Relationship in Banking**: Banks owe a high degree of diligence towards their depositors due to the fiduciary nature of their relationship.
- **Unauthorized Withdrawals**: Banks are liable for unauthorized withdrawals conducted by their employees.
- **Damages in Banking**: Banks can be held liable for moral and exemplary damages for gross negligence leading to unauthorized transactions and non-compliance with depositor instructions.
- **Mortgage Payments and Unauthorized Withdrawals**: Unauthorized withdrawals found to cover the amount of an outstanding loan can influence but not automatically result in the judge deeming a loan paid due to procedural requirements.

Historical Background

The decision in this case underscores the evolving standards of accountability and responsibility that Philippine banks must uphold, influenced by both local jurisprudence and broader financial industry norms, reflecting an era of increased scrutiny on the security of banking transactions and the protection of depositors.