

****Title:**** East West Banking Corporation v. Cruz, et al. – Supreme Court of the Philippines, G.R. No.

****Facts:****

1. On June 11, 2012, East West Banking Corporation (the Bank) filed a Complaint before the Regional Trial Court (RTC) for Sum of Money with Application for Issuance of a Writ of Preliminary Attachment against Ian Y. Cruz and Paul Andrew Chua Hua, seeking to recover P16,054,541.66.
2. The Bank also impleaded Francisco T. Cruz (Ian's father) and Alvin Y. Cruz (Ian's brother) as unwilling co-plaintiffs. They maintained deposit accounts in the Bank's Davao-Lanang Branch, handled by Paul (the Sales Officer).
3. It alleged that Paul improperly debited P16,054,541.66 from Francisco and Alvin's accounts and transferred the same to Ian's account. Ian used this amount as collateral for a back-to-back loan, which he later repaid using the same money.
4. Francisco and Alvin demanded the debited amount back from the Bank, showing Foreign Exchange Forward Contracts (FEFCs) as proof. The Bank rejected the demand, claiming the FEFCs to be spurious.
5. The Bank conducted an audit and alleged that Ian and Paul schemed to defraud Francisco, Alvin, and the Bank.
6. On May 21, 2013, the RTC granted the Bank's application for a writ of preliminary attachment against Paul and Ian, concluding there was sufficient cause of action.
7. On August 12, 2013, Ian filed a Motion to Dismiss, arguing the Complaint failed to state a cause of action, as it did not allege specific obligations or violations of the Bank's rights.
8. The RTC, on November 25, 2013, dismissed the Complaint for failure to state a cause of action and for the Bank's lack of legal personality to institute the case, ruling that Alvin and Francisco were the real parties-in-interest.
9. The Bank filed a Notice of Appeal under Rule 41 to the Court of Appeals (CA).
10. The respondents filed a Motion to Dismiss in the CA, arguing that the appeal should have been through a Petition for Review under Rule 45 to the Supreme Court since the issues raised were purely questions of law.
11. On April 24, 2015, the CA granted the Motion to Dismiss, agreeing that the issues of failure to state a cause of action and the Bank's legal standing were pure questions of law.
12. The Bank sought reconsideration, but the CA denied it on December 10, 2015.

****Issues:****

1. Whether the Bank availed of the correct mode of appeal by filing a Notice of Appeal under Rule 41 instead of a Petition for Review under Rule 45.
2. Whether the RTC erred in dismissing the Complaint for failure to state a cause of action and lack of legal personality of the Bank.

Court's Decision:

1. **Correct Mode of Appeal:** The Supreme Court held that the CA correctly dismissed the Bank's appeal as it involved pure questions of law. The appropriate remedy for such issues should have been a Petition for Review under Rule 45 filed directly with the Supreme Court. Appeals under Rule 41 are for questions of fact or mixed questions of fact and law, and hence, the Bank's Notice of Appeal was misplaced.
2. **Failure to State a Cause of Action:** The Supreme Court agreed with the RTC's findings that the Bank's Complaint failed to state a cause of action. The Bank did not allege any specific right that was violated by the respondents. The Complaint did not establish the Bank's right that Ian or Paul allegedly infringed.
3. **Legal Personality and Real Party-In-Interest:** The Supreme Court affirmed that Francisco and Alvin Cruz, being the depositors whose accounts were allegedly debited without authorization, were the real parties-in-interest, not the Bank. The Bank was merely holding the deposits in trust, and without alleging a specific injury to itself, it lacked the standing to file the Complaint.

Doctrine:

1. **Proper Review Mode:** Raises a key procedural doctrine - issues involving purely questions of law should be appealed through a Petition for Review under Rule 45 of the Rules of Court to the Supreme Court, not through an ordinary appeal under Rule 41 which addresses questions of fact or mixed questions of fact and law.
2. **Failure to State a Cause of Action:** A complaint that does not sufficiently allege the violation of a legal right or a corresponding breach of obligation can be dismissed for failure to state a cause of action, under Rule 16 of the Rules of Court.
3. **Real Party-In-Interest:** Only those who stand to be directly affected by the judgment or entitled to the avails of the suit are the real parties-in-interest, a crucial element emphasized under Section 2, Rule 3 of the Rules of Court.

****Class Notes:****

- ****Elements of a Cause of Action:****

- Legal right of the plaintiff.
- Correlative obligation of the defendant.
- Act or omission of the defendant violating the plaintiff's legal right.

- ****Real Party-In-Interest****

- Defined under Section 2, Rule 3 of the Rules of Court.
- A real party-in-interest is one who stands to be benefited or injured by the judgment.

****Historical Background:****

- ****Banking Procedures and Fiduciary Duty:**** This case re-emphasizes the fiduciary duty of banking institutions towards their clients, highlighting the critical importance of proper verification and meticulous care in handling client accounts, rooted in the business's public trust nature.