

### Title: Citibank, N.A. and Investors' Finance Corporation v. Modesta R. Sabeniano

### Facts:

1. **Initial Case Filing:** On 8 August 1985, Modesta R. Sabeniano filed a Complaint against Citibank, N.A. and Investors' Finance Corporation (doing business as FNCB Finance) in the Makati City Regional Trial Court (RTC), alleging that Citibank and FNCB Finance refused to return her deposits and proceeds of her money market placements despite repeated demands.
2. **Claims and Allegations:** Sabeniano claimed substantial deposits and money market placements with the defendants, including those with Ayala Investment and Development Corporation (AIDC). She sought "Accounting, Sum of Money and Damages."
3. **Amended Complaint:** On 9 October 1985, she filed an Amended Complaint to include additional claims.
4. **Defendants' Response:** Defendants, in their Answer, admitted the existence of the deposits and money market placements but claimed that Sabeniano had taken loans secured by her deposits and money market placements. They stated that they had legal rights to offset her outstanding loans with her deposits following her failure to repay the loans, as informed to her in letters dated 28 September and 31 October 1979.
5. **Lower Court's Decision:** After ten years, on 24 August 1995, RTC Judge Manuel D. Victorio ruled partially in favor of Sabeniano, declaring the setoff illegal and ordering Citibank to refund the amounts with interest. However, the Court declared that Sabeniano owed P1,069,847.40 without interest or penalty charges from the date of the illegal setoff.

### Procedural Posture:

6. **RTC Decision Appeal:** All parties appealed the RTC decision, and the case went to the Court of Appeals (CA-G.R. CV No. 51930).
7. **Court of Appeals Decision:** On 26 March 2002, the Court of Appeals affirmed with modification, ruling entirely in favor of Sabeniano and ordering the return of various amounts including US\$149,632.99 and several money market placements with legal interest, plus moral and exemplary damages and attorney's fees.
8. **Reconsideration Motions:** Petitions for reconsideration were filed by both parties. The Court of Appeals, in its 20 November 2002 Resolution, partially granted reconsideration for Citibank by deleting a part of the monetary award but maintained the rest of the decision.
9. **Supreme Court Appeals:** Both parties attempted to appeal. Sabeniano's motion was dismissed due to a failure to file the requisite petition on time (G.R. No. 152985), making the Court of Appeals' decision final as to her. Citibank's petition was reinstated (G.R. No. 156132) for full consideration.

### Issues:

1. **Existence of Loans:** Whether Citibank sufficiently proved the existence and unpaid status of Sabeniano's loans which justified the offset of her deposits.
2. **Validity of Setoff:** Whether the trial court erred in declaring the offset of Sabeniano's deposits by Citibank and FNCB Finance illegal.
3. **Forum Shopping:** Whether Sabeniano committed forum shopping by filing appeals in multiple forums.
4. **Finality of Judgments:** The effect of the Supreme Court Resolution in G.R. No. 152985 declaring the finality of the Court of Appeals decision as to Sabeniano only.

### Court's Decision:

1. **Existence of Loans:** The Supreme Court found that Citibank had sufficiently established the existence of Sabeniano's loans by preponderance of evidence. The PNs and MCs presented by Citibank supported the contention that loans existed and were unpaid, while Sabeniano's defenses were inconsistent and inadequately supported.
2. **Setoff Validity (Savings and Money Market Placements):** The setoff of P31,079.14 from Sabeniano's deposit was found valid. Additionally, the Court found that Citibank had a legal right to compensate Sabeniano's debts with her money market placements with FNCB Finance, secured through Deeds of Assignment.
3. **Setoff Validity (Dollar Accounts):** However, the setoff of US\$149,632.99 from the dollar accounts in Citibank-Geneva was declared illegal.
4. **Forum Shopping:** The Supreme Court found no forum shopping on Sabeniano's part as she did not file her appeal on time, and her motion for extension did not equate to multi-forum litigation since no actual second case was initiated.
5. **Finality of Judgments:** The finality applied only to Sabeniano's appeal, allowing Citibank's appeal to proceed and be considered on its merits.

### Doctrine:

1. **Presumption in Favor of Bank Records:** The Court reinforced the validity and probative value of bank records (PNs and MCs) in proving the existence and repayment of loans.
2. **Best Evidence Rule Exceptions:** Photocopies and microfilm records can replace originals destroyed under authenticated circumstances, such as a catastrophic event.
3. **Compensation or Setoff:** Legal principles from Civil Code Articles 1278-1290 elaborate that compensation can occur when reciprocal debts exist, provided they are determinable in money and demandable.

### Class Notes:

1. **Preponderance of Evidence:** Crucial in determining liabilities in civil cases, especially involving financial transactions.
2. **Compensation/Setoff:** Requires both debts to be liquidated and demandable; mutual indebtedness is necessary.
3. **Bank Record Keeping:** The law presumes regularity of business transactions and the validity of records unless substantial evidence counters it.
4. **Best Evidence Rule:** Primary evidence of document contents must be presented unless valid exceptions are met.

### Historical Background:

This case falls into the broader period of Philippine judicial reforms in the 1980s and 1990s aimed at improving the efficiency of civil litigation processes after periods of martial law and economic crises. It reflects the complexities in banking and financial litigation during a time when clearer regulation and judicial precedents were being established, influential to subsequent financial jurisprudence in the Philippines.