

Title: Prudential Bank vs. Court of Appeals and Aurora Cruz, 295 Phil. 399 (1993)

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Facts:

****June 23, 1986****

- Aurora F. Cruz and her sister invested P200,000 in Central Bank bills through Prudential Bank in Quezon City.
- P196,122.88 was withdrawn from Savings Account No. 2546 and P3,877.07 represented pre-paid interest.
- Transaction evidenced by a Confirmation of Sale and a Debit Memo issued by bank employee Susan Quimbo.

****August 25, 1986****

- Upon maturity, Cruz sought to “roll-over” her investment.
- Quimbo prepared a Credit Memo crediting P200,000 to Cruz’s savings account.
- Also prepared a Debit Memo of P196,122.88 for reinvestment.
- Cruz signed a Withdrawal Slip for P196,122.98, under the new bank requirement for re-investment, as explained by Quimbo.
- Cruz received a new Confirmation of Sale and Debit Memo days later.

****October 27, 1986****

- Cruz attempted to withdraw her investment but was informed it had been withdrawn on August 25, 1986.
- No records of the Confirmation of Sale and Debit Memo she received.
- Bank employee Quimbo was unavailable for questioning.

****Early November 1986****

- Cruz made daily inquiries and wrote a letter to Roman Santos, the branch manager.
- November 12, 1986: Sent a formal demand letter for P200,000 plus interest.
- November 20, 1986: Bank’s Vice President suggested settling the matter amicably.
- Eventually, the bank denied her request, claiming she had already withdrawn the amount.

****December 12, 1986****

- Cruz filed a complaint for breach of contract demanding the return of her investment plus damages and attorney’s fees.
- Bank denied liability, asserted Cruz had withdrawn the investment, and filed a third-party

complaint against Quimbo who was declared in default but presented no evidence.

****Trial Court****

- Judge Rodolfo A. Ortiz ruled in favor of Cruz, awarding her P200,000 plus 13.75% interest, P30,000 moral damages, P20,000 exemplary damages, and P25,000 attorney's fees.

****Court of Appeals****

- Affirmed the trial court's decision.

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Issues:

1. ****Breach of contract vs. Quasi-delict****

- Whether the bank is liable for breach of contract or quasi-delict.

2. ****Responsibility for employee actions****

- Whether Prudential Bank is liable for the actions of its employee Quimbo.

3. ****Validity of bank records****

- Whether the Confirmation of Sale and Debit Memo provided by Quimbo should be considered valid and binding on the bank.

4. ****Appropriate damages****

- Whether the moral and exemplary damages awarded were justified.

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Court's Decision:

****I. Breach of Contract vs. Quasi-delict****

- The Supreme Court ruled that Cruz sued for breach of contract, not quasi-delict.

- The bank was liable for not delivering Cruz's deposited money upon maturity, as stated in the Confirmation of Sale.

****II. Responsibility for Employee Actions****

- Under Civil Code Art. 1910 and 1911, the principal (bank) is liable for its agents' actions within the scope of their authority.

- The bank held liable for Quimbo's actions, as she had apparent authority.

****III. Validity of Bank Records****

- The Court found substantial basis that Cruz did not receive the amount indicated in the withdrawal slip.
- The Confirmation of Sale and Debit Memo were authentic bank documents, and Cruz had no obligation to verify their validity beyond the apparent scope.

IV. Appropriate Damages

- The Court upheld the awards of moral and exemplary damages.
- The bank acted in bad faith by denying Cruz's claim without definitive proof, causing her mental anguish and violating her trust.

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Doctrine:

1. **Principal's Liability:**

- *"Qui per alium facit per seipsum facere videtur"* and *Art. 1910, 1911 of Civil Code*: A principal must comply with obligations contracted by an agent within their authority, even if the agent exceeded authority with apparent full powers.

2. **Bank's Fiduciary Duty:**

- Banks have a fiduciary relationship and must exercise strict care in the selection and supervision of employees, as banks hold out their employees as worthy of confidence.

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Class Notes:

- **Breach of Contract**: Liability arises from non-performance such as failure to return an investment at maturity.
- **Principal-Agent Relationship**:
 - *Art. 1910, 1911 of Civil Code*: Principal liable for agent's actions within apparent authority.
- **Good Faith in Transactions**:
 - Banks must act in good faith and rectify internal anomalies without prejudicing depositors.
- **Damages for Mental Anguish**:
 - *Moral and exemplary damages* are warranted in cases of bad faith and mental suffering caused by breach of contract.

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Historical Background:

- This case illustrates the legal principles developed from Roman law regarding principal-agent liability.
- It underscores the fiduciary duty banks owe to the public, ensuring depositor trust and confidence.