

****Title:****

Philippine National Bank vs. Santos et al.

****Facts:****

Respondents, children of Angel C. Santos, discovered in 1996 that their deceased father had deposits in Philippine National Bank (PNB). The deposits included a premium savings account and a time deposit account. On April 26, 1998, when respondents attempted to withdraw the funds after presenting the necessary documents, PNB's branch manager, Lina B. Aguilar, informed them that the funds had been released to Bernardito Manimbo on April 1, 1997. Manimbo had submitted fraudulent documentation, including an affidavit of self-adjudication falsely attributed to one of the respondents, which led to the withdrawal of the funds. Respondents filed a suit for a sum of money and damages against PNB and Aguilar.

****Procedural Posture:****

The Regional Trial Court (RTC) ruled in favor of respondents, finding PNB and Aguilar jointly and severally liable for the release of the deposit funds and awarding damages. Both PNB and Aguilar filed separate motions for reconsideration, which were denied by the RTC. They then appealed to the Court of Appeals (CA), which upheld the RTC's decision but deleted the award of exemplary damages and modified the interest rate to 12% per annum. PNB and Aguilar subsequently filed petitions for review with the Supreme Court (SC).

****Issues:****

1. Whether PNB was negligent in releasing the deposit to Bernardito Manimbo.
2. Whether Lina B. Aguilar is jointly and severally liable with PNB for the release of the deposit to Manimbo.
3. Whether respondents were properly awarded damages.

****Court's Decision:****

1. ****PNB's Negligence (Issue 1)**:**

- The SC affirmed that PNB was negligent. The bank accepted inadequate documentation from Manimbo, disregarding its own procedural requirements without due investigation. This failure breached the high standard of care and diligence banks owe to their depositors, given the fiduciary nature of banking relationships as prescribed by law.

2. ****Liability of Lina B. Aguilar (Issue 2)**:**

- Aguilar, as the branch manager, was found jointly and severally liable with PNB. She had approved the fraudulent withdrawal without thorough verification, which facilitated the

unauthorized release of funds. The SC held that Aguilar's actions implicated her in the bank's negligence despite her claim that she was merely following directives from PNB's Legal Department.

3. **Damages Awarded to Respondents (Issue 3):**

- The SC confirmed the awards for moral damages due to significant emotional suffering caused by the negligence. Additionally, the SC reinstated the award for exemplary damages to set a public example and ensure high standards of diligence by banks. The SC also upheld the award of attorney's fees given the respondents' necessity to go to court to recover the funds.

Doctrine:

- The standard of diligence required of banks is higher than the degree of diligence of a good father of a family.
- Banks are fiduciaries of their depositors and must treat deposit accounts with utmost care, adhering to high standards of diligence and integrity.
- A bank's negligence resulting in unauthorized withdrawal from an account holds both the institution and its officers liable for damages.

Class Notes:

1. **Fiduciary Duty of Banks:** Banks must treat deposit accounts with the highest standard of care due to their fiduciary relationship with depositors.
2. **Negligence and Liability:** Negligence that fails the "good father of a family" standard can hold both the financial institution and its officers jointly and severally liable.
3. **Documentation Requirements:** Fulfilling all legal and procedural requirements is mandatory before releasing deposits of a deceased person.
4. **Compensation for Damages:** Emotional suffering resulting from a breach of duty warrants moral damages; exemplary damages may be awarded for gross negligence to set a precedent.

Historical Background:

This case underscores the importance of banking scrutiny and adherence to procedural regulations in the Philippines, within the broader context of fiduciary obligations of financial institutions. It also highlights the protections afforded to depositors against negligence and establishes stricter standards of care expected from banks. The doctrines established reinforce the critical oversight role of banks in ensuring the security of depositor funds, and the severe consequences they can face for lapses in these duties, in a historically trust-

dependent banking system.