

Title: Philippine National Bank vs. Spouses Pedro and Vivian Caguimbal

Facts:

- In 2010, Vivian Caguimbal, a subcontractor of logs for SAMMILIA, delivered logs to Baganga Plywood Corporation, which issued six PNB-Mati checks totaling P3,494,129.50 to her.
- On August 9, 2010, Faith Caguimbal, Vivian's daughter, inquired about the checks at PNB-Butuan Branch and was informed of a Stop Payment Order (SPO) by Baganga Ply on these checks.
- Despite this, on August 12, 2010, the six checks were presented for deposit at PNB-Butuan Branch by Jill Martinez, cousin of Faith, and the bank accepted them for clearing.
- By August 16, 2010, five out of six checks were returned due to the SPO, and their amounts were debited from the joint account of Vivian and Faith.
- The exception was Check No. 42399 worth P1,000,000.00, which remained credited until PNB-Butuan Branch, unaware of the SPO issue, failed to return it, leading Vivian to assume Baganga Ply had lifted the SPO.
- From August 18-31, 2010, Faith conducted deposits and withdrawals, sensing no issue until September 1, 2010 when she discovered a huge deduction in the account balance, which queried.
- PNB clarified the deduction of P1,000,000.00 on September 2, 2010, explaining the previous oversight.
- The Caguimbals demanded a restitution of their account balance claiming gross negligence, yet the bank refused, necessitating a lawsuit for recovery and damages.

Procedural Posture:

- In 2011, Vivian Caguimbal filed a complaint against PNB for return of funds; PNB contended it acted due within statutory banking guidance and asserted counterclaims.
- The RTC ruled in favor of PNB, noting respondents weren't authorized without a lifted SPO; thus, no right arose for restitution.
- On appeal, the CA reversed the RTC ruling, acknowledging PNB's negligence despite respondents' knowledge of the SPO and awarded damages to respondents.
- PNB then filed a Petition for Review under Rule 45 to the Supreme Court challenging the CA's ruling on damages.

Issues:

1. Did PNB arbitrarily debit the Caguimbals' account without due process, particularly when being aware of the SPO?

2. Are the Caguimbals entitled to moral, exemplary damages, and attorney's fees due to PNB's negligence?

**Court's Decision:**

- The Supreme Court denied the Petition for Review, affirming CA's decision which found PNB grossly negligent.

1. On Issue one, the Court found PNB failed to manage customers' accounts with expected diligence, debiting without due notice violated the fiduciary duty owed.

2. On Issue two, the Court upheld moral and exemplary damage awards due to wrongful management of debtor's funds which caused undue distress and reputational harm, confirming attorney's fees were apt to offset litigation costs the Caguimbals incurred.

**Doctrine:**

- Banks bear fiduciary responsibilities, necessitating diligent account management; breaches thereof attract compensatory damages.

- Importantly, despite depositors' awareness of potential non-clearance of fund retention, banks must notify clients before account deductions.

**Class Notes:**

- Key Concepts: Fiduciary duty in banking practice, Stop Payment Order (SPO) handling, negligence leading to reputational and financial damages, remedial measures in litigation.

- Legal Provisions: Civil Code of the Philippines, Articles on obligations pursuant to exacting diligence (e.g., Art. 2217, Art. 2208, Art. 2229).

- These provisions were applied to underscore liabilities arising from mishandling an account, resulting in damages awarded despite procedural ambiguities.

**Historical Background:**

- The case happened within the Philippine banking industry context, highlighting rigorous statutory expectations regarding banking engagements, and increasing trust deficit pressures expected since the 1990's jurisprudence.

- Over decades, precedents pressed elevated diligence due to public trust influx in financial institutions' reliability, meaning this case stuck within reaffirmed confidence scopes intersecting legal and practical banking fidelity trails.