

THE OVERSEAS BANK OF MANILA, PETITIONER, VS. VICENTE CORDERO AND COURT OF APPEALS, RESPONDENTS.

G.R. No. L-33582. March 30, 1982

Ponente: ESCOLIN, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/59f8e8f0f44f/>

ESCOLIN, J.:

Again, We are confronted with another case in-volving the Overseas Bank of Manila, filed by one of its depositors.

This is a petition for review on certiorari of the decision of the Court of Appeals which affirmed the judgment of the Court of First Instance of Manila, holding petitioner bank liable to respondent Vicente Cordero in the amount of P80,000.00 representing the latter's time deposit with petitioner, plus interest thereon at 6% per annum until fully paid, and costs.

On July 20, 1967, private respondent opened a one-year time deposit with petitioner bank in the amount of P80,000.00 to mature on July 20, 1968 with interest at the rate of 6% per annum. However, due to its distressed financial condition, petitioner was unable to pay Cordero his said time deposit together with the interest. To enforce payment, Cordero instituted an action in the Court of First Instance of Manila.

Petitioner, in its answer, raised as special defense the finding by the Monetary Board of its state of insolvency. It cited the Resolution of August 1, 1968 of the Monetary Board which authorized petition-er's board of directors to suspend all its operations, and the Resolution of August 13, 1968 of the same Board, ordering the Superintendent of Banks to take over the assets of petitioner for purposes of liquidation.

Petitioner contended that although the Resolu-tion of August 13, 1968 was then pending review before the Supreme Court,[1] it effectively barred or abated the action of respondent for even if judgment be ulti-mately rendered in favor of Cordero, satisfaction thereof would not be possible in view of the restrict-ion imposed by the Monetary Board, prohibiting peti-tioner from issuing manager's and cashier's checks and the provisions of Section 85 of Rep. Act 337, otherwise known as the General Banking Act, forbidding its directors and officers from making any payment out of its funds after the bank had become insolvent. It was further claimed that a judgment in favor of res-pondent would create a preference in favor of a par-ticular creditor to the prejudice of other creditors and/or depositors of petitioner bank.

After pre-trial, petitioner filed on November 29, 1968, a motion to dismiss, reiterating the same defenses raised in its answer. Finding the same unmeritorious, the lower court denied the motion and proceeded with the trial on the merits. In due time, the lower court rendered the aforesaid decision. Dissatisfied, petitioner appealed to the Court of Appeals, which affirmed the decision of the lower court.

Hence, this petition for review on certiorari.

The issues raised in this petition are quite novel. Petitioner stands firm on its contentions that the suit filed by respondent Cordero for recovery of his time de-posit is barred or abated by the state of insolvency of petitioner as

found by the Monetary Board of the Central Bank of the Philippines; and that the judgment rendered in favor of respondent would in effect create a preference in his favor to the prejudice of other creditors of the bank.

Certain supervening events, however, have rendered these issues moot and academic. The first of these supervening events is the letter of Julian Cordero, brother and attorney-in-fact of respondent Vicente Cordero, addressed to the Commercial Bank of Manila (Combank), successor of petitioner Overseas Bank of Manila. In this letter dated February 13, 1981, copy of which was furnished this Court, it appears that respondent Cordero had received from the Philippine Deposit Insurance Company the amount of P10,000.00.

The second is a Manifestation by the same Julian Cordero dated July 3, 1981, acknowledging receipt of the sum of P73,840.00. Said Manifestation is in the nature of a quitclaim, pertinent portions of which We quote:

"I, the undersigned acting for and in behalf of my brother Vicente R. Cordero who resides in Canada and by virtue of a Special Power of Attorney issued by Vicente Romero, our Consul General in Vancouver, Canada, xerox copy attached, do hereby manifest to this honorable court that we have decided to waive all and any damages that may be awarded to the above-mentioned case and we hereby also agree to accept the amount of Seventy Three Thousand Eight Hundred Forty Pesos (P73,840.00) representing the principal and interest as computed by the Commercial Bank of Manila. We also agree to hold free and harmless the Commercial Bank of Manila against any claim by any third party or any suit that may arise against this agreement of payment.

"x x x We also confirm receipt of Seventy Three Thousand Eight Hundred Forty Pesos (P73,840.00) with our full satisfaction. x x x."

When asked to comment on this Manifestation, counsel for Combank filed on August 12, 1981 a Comment confirming and ratifying the same, particularly the portions which state:

"We also agree to hold free and harmless the Commercial Bank any third party or any suit that may arise against this agreement of payment", and

"We also confirm receipt of Seventy Three Thousand Eight Hundred Forty Pesos (P73,840.00) with our full satisfaction."

However, upon further examination, this Court noted the absence of the alleged special power of attorney executed by private respondent in favor of Julian Cordero. When directed to produce the same, Julian Cordero submitted the following explanatory Comment, to which was attached the special power of attorney executed by respondent Vicente Cordero:

"3. This manifestation (referring to the Manifestation of July 3, 1981) applies only to third party claims, suit and other damages. It does not mean waiving the interest it should earn while the bank is closed and also the attorney's fees as decided by the lower court. It is very clear. I did not waive the attorney's fees because it belongs to our attorney and interest because it belongs to us and we are entitled to it."

Thus, with the principal claim of respondent having been satisfied, the only remaining issue to be determined is whether respondent is entitled to (1) interest on his time deposit during the period that petitioner was closed and (2) to attorney's fees.

We find the answer to be in the negative.

The pronouncement made by this Court, per Justice Barredo, in the recent case of Overseas Bank of Manila versus Court of Appeals[2] is explicit and categorical. We quote:

"It is a matter of common knowledge which we take judicial notice of, that what enables a bank to pay stipulated interest on money deposited with it is that thru the other aspects of its operation, it is able to generate

funds to cover the payment of such interest. Unless a bank can lend money, engage in international transactions, acquire foreclosed mortgaged properties or their proceeds and generally engage in other banking and financing activities, from which it can derive income, it is inconceivable how it can carry on as a depository obligated to pay stipulated interest. x x x Consequently, it should be deemed read into every contract of deposit with a bank that the obligation to pay interest on the deposit ceases the moment the operation of the bank is completely suspended by the duly constituted authority, the Central Bank.

"We consider it of trivial consequence that the stoppage of the bank's operations by the Central Bank has been subsequently declared illegal by the Supreme Court, for before the Court's order, the bank had no alternative under the law than to obey the orders of the Central Bank. Whatever be the juridical significance of the subsequent action of the Supreme Court, the stubborn fact remained that the petitioner was totally crippled from then on from earning the income needed to meet its obligations to its depositors. If such a situation cannot, strictly speaking be legally denominated as 'force majeure' as maintained by private respondent, We hold it is a matter of simple equity that it be treated as such."

And concluding, this Court stated:

"Parenthetically, We may add for the guidance of those who might be concerned and so that unnecessary litigations may be avoided from further clogging the dockets of the courts that in the light of the consideration expounded in the above opinion, the same formula that exempts petitioner from the payment of interest to its depositors during the whole period of factual stoppage of its operations by orders of the Central Bank, modified in effect by the decision as well as the approval of a formula of rehabilitation by this Court, should be, as a matter of consistency, applicable or followed in respect to all other obligations of petitioner which could not be paid during the period of its actual complete closure."

Neither can respondent Cordero recover attorney's fees. The trial court found that herein petitioner's refusal to pay was not due to a wilful and dishonest refusal to comply with its obligation but to restrictions imposed by the Central Bank.[3] Since respondent did not appeal from this decision, he is now barred from contesting the same.

WHEREFORE, that portion of the lower court's decision ordering petitioner to pay interest on Cordero's time deposit is set aside. It appearing that the amount of the latter's time deposit had been fully paid, this case is hereby dismissed. No costs.

SO ORDERED.

Barredo, (Chairman), Aquino, Concepcion, Jr., De Castro, and Ericta, JJ., concur. Abad Santos, J., on official leave.

[1] Ramos, et al. vs. Central Bank of the Philippines, 41 SCRA 565.

[2] 105 SCRA 49.

[3] Record on Appeal (CA) p. 49.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.