

**REPUBLIC OF THE PHILIPPINES, PLAINTIFF AND APPELLANT, VS.
EQUITABLE BANKING CORPORATION, DEFENDANT AND APPELLEE.***G. R. No. L-15894-5. January 30, 1964*

Ponente: CONCEPCION, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/b7ef96bd4536/>**CONCEPCION, J.:**

Appeal from a decision of the Court of First Instance of Manila dismissing the complaints and the third-party complaints in the above entitled cases, without special pronouncement as to costs. The cases are before us, only questions of law being raised in the appeal, apart from the fact that the amount involved in G. R. No. L-15895 exceeds P200,000, and that the evidence introduced therein is the same evidence in G. R. No. L-15894.

The Republic of the Philippines, hereinafter referred to as the Government, seeks to recover: (1) from the Equitable Banking Corporation—hereinafter referred to as the Equitable Bank—in case G. R. No. L-15894, the sum of P17,100, representing the aggregate value of four (4) treasury warrants—hereinafter referred to as warrants.—paid to said bank by the Treasurer of the Philippines—hereinafter referred to as the Treasurer—thru the Clearing Office of the Central Bank of the Philippines; and (2) from the Bank of the Philippine Islands—hereinafter referred to as the PI Bank—in G. R. No. L-15895, the total sum of P342,767.63, representing the aggregate value of twenty-four (24) warrants similarly paid by the Treasurer to the PI Bank. These claims for refund are based upon a common ground—although said twenty-eight (28) warrants were executed on genuine government forms, the signature thereon of the drawing office and that of the representative of the Auditor General in that office are forged.

It is not disputed that, from July to December 1952, the Corporation de los Padres Dominicos—hereinafter referred to as the Corporacion—had acquired the twenty-four (24) treasury warrants involved in case G. R. No. L-15895 by accommodating its former trusted employee—one Jacinto Carranza—who asked the Corporacion to cash the warrants, alleging that it was difficult to do so directly with the Government and that his wife expected a sort of commission for the encashment; that the Corporacion acceded to Carranza's request, provided that the warrants would first be deposited with the PI Bank, and that actual payment of the value of the warrants would be made only after the same had been duly accepted and cleared by the Treasurer and the proceeds thereof duly credited to the account of the Corporacion in the PI Bank; that the warrants were, accordingly, deposited by the Corporacion with said bank, which accepted them "subject to collection only"; that when the warrants were deposited with the PI Bank, each bore the indorsement of the respective payees and that of the Corporacion; that subsequently, the PI Bank presented the warrants for payment to the drawee thereof—the Government;—thru the Clearing Office of the Central Bank—hereinafter referred to as the Clearing Office; that after being cleared, the warrants were paid by the Treasurer as follows:

T/W No.

Payee

Date Issued

Amount

Date Cleared

2132655

Marcela Antonio Domingo

6-18-52

P8,722.37

7-1-52

2132650

Gregoria Santos Castro

6-23-52

14,605.91

7-8-52

2468943

Josefa Castro de Villanueva

10-24-52

14,250.16

11-14-52

2159698

Anaclea Santos de Angeles

10-18-52

15,800.00

12-5-52

2159668

Virginia Salem de Marcelino

11-13-52

16,900.00

12-10-52

2159692

Brigida San Luis de Santos

9-15-52

13,900.00

11-3-52

2159673

Silva Sanches de Apolinario

10-14-52

14,810.00

11-11-52

2159667

Francisca Gomez de Galvez

10-12-52

16,200.75

11-11-52

2451488

Gaudencia Ruiz Alvarez

7-1-52

12,702.76

7-15-52

2132653

Anastacia Capili Trinidad

6-25-52

8,794.21

7-15-52

2468979

Monica Ansehno de Pascua

7-12-52

13,870.24

9-8-52

2468944

Rosalia Manalo de Nazario

7-10-52

14,701.76

9-8-52

2159682

Luisa Santos de Arellano

11-18-52

16,400.50

12-8-52

2169669

Leticia Moreno de Ocampo

11-16-62

15,880.75

12-8-52

2159670

Juana Castro de Jesus

10-12-62

16,200.00

12-16-52

2159671

Antonia Sison de Mauricio

9-9-52

12,900.75

11-10-52

2159660

Rosario Pilapil de Rodrigo

9-4-62

13,950.39

9-23-52

2159668

Mauricia Sison de Angeles

9-12-52

15,200.76

9-28-52

2159686

Lucia Angeles de Natalio

9-12-52

12,890.74

10-27-52

2468977

Nicolasa Alvares Jaranilla

7-2-52

15,340.76

7-25-62

2468978

Maria Antonio de los Reyes

7-2-52

14,722.31

7-25-52

2159659

Je Jastive de Fernandez

8-16-52

14,820.00

8-27-52

2159656

Gregoria Pascual de Lira

8-16-52

12,900.75

8-27-52

2169666

Luisa Dancel de Mendoza

10-11-58

16,300.75

12-2-52

and that, accordingly, the PI Bank credited the proceeds of said warrants to the Corporation, which, in turn,

withdrew said proceeds by means of its own checks and eventually paid the corresponding amounts to Jacinto Carranza.

On December 23, 1952, the Treasurer returned three (3) of said warrants (Nos. 2159659, 2159656, and 2159666) to the Central Bank, and demanded, on the ground that they had been forged, that the value thereof be charged against the accounts of the PI Bank in the Clearing Office and credited back to the demand deposit of the Bureau of the Treasury, hereinafter referred to as the Treasury. Four (4) days later, two (2) more warrants (Nos. 2468977 and 2468S78), and, finally, on January 16, 1953, the remaining nineteen (19) warrants were returned by the Treasury to the Central Bank for the same reason and with the same demand. The Central Bank in turn referred said warrants, together with the letters of demand of the Treasurer, for appropriate action to the PI Bank, which opposed the return of the warrants or to have the value thereof charged against its account in the Clearing Office and requested the Central Bank to return the warrants to the Treasurer.

The records of G. R. No. L-15894 show that the four (4) warrants involved therein were deposited with the Equitable Bank by persons known thereto as its depositors or customers, namely, Robert Wong, Lu Chiu Kau and Chung Ching; that, in due course, the Equitable Bank cleared said warrants, thru the Clearing Office, then collected the corresponding amounts from the Treasurer and thereafter credited said amounts to the accounts of the respective depositors; that on January 15, 1953, the Treasurer notified the Equitable Bank of the alleged defect of said warrants and demanded reimbursement of the amounts thereof; and that this demand was rejected by the Equitable Bank. Hence, the institution of G. R. No. L-15895 (Civil Case No. 19599 of the Court of First Instance of Manila), against the PI Bank, for the recovery of P342,767.63, and of G. R. No. L-15894 (Civil Case No. 19600 of the Court of First Instance of Manila), against the Equitable Bank or, the recovery of P17,100.00.

Upon leave of the lower court, the PI Bank filed a third-party complaint against the Corporation in G. R. No. L-15895, and the Equitable Bank filed a similar complaint against Robert Wong, Lu Chiu Kau and Chung Ching in G. R. No. L-15894, for whatever reimbursements the PI Bank and the Equitable Bank may respectively be sentenced to make to the Government. By agreement of the parties, the two (2) cases were jointly heard, and after appropriate proceedings, the lower court rendered the decision adverted to above.

The clearing of the aforementioned twenty-eight (28) warrants thru the Clearing Office was made pursuant to the "24-hour clearing house rule", which had been adopted by the Central Bank in a conference with representatives and officials of the different banking institutions in the Philippines. The rule is embodied in Section 4, subsection (c) of Circular No. 9 of the Central Bank, dated February 17, 1949 (Exhibit B), as amended by a letter of the Governor of the Central Bank, dated June 4, 1949 (Exhibit D), reading:

"Items which should be returned for any reason whatsoever shall be returned directly to the bank, institution or entity from which the item was received. For this purpose, the Receipt for Returned Checks (Cash Form No. 9) should be used. The original and duplicate copies of said Receipt shall be given to the bank, institution or entity which returned the items and the triplicate copy should be retained by the bank, institution or entity whose demand is being returned. At the following clearing, the original of the Receipt for Returned Checks shall be presented through the Clearing Office as demand against the bank, institution or entity whose item has been returned. Nothing in this section shall prevent the returned items from being settled by direct reimbursement to the bank, institution or entity returning the items. All items cleared at 11:00 o'clock a.m. shall be returned not later than 2:00 o'clock p.m. on the same day and all items cleared at 3:00 o'clock p.m. shall be returned not later than 8:30 a.m. of the following business day, except for items cleared on Saturday which may be returned not later than 8:30 a.m. of the following day." (Italics supplied.)

The Government maintains that it is not bound by this rule because: (1) the Treasury is not a bank; and (2) the Treasurer has objected to the application of said rule to his office. This contention is, however, untenable for,

admittedly, the Treasury is a member of the aforementioned Clearing Office and Exh. A clearly shows that the former "has agreed to clear its clearable items through" the latter "subject to the rules and regulations of the Central Bank." Besides, the above quoted rule applies not only to banks, but, also, to the institutions and entities therein alluded to. Then, too, the opposition of the Treasurer to the "24-hour clearing house rule" is not sufficient to exempt the Treasury from the operation thereof.

Upon the other hand, said opposition is predicated upon the allegation that it is physically impossible for the Treasury to check and verify the genuineness of treasury warrants within twenty-four (24) hours, because, during 1952, said office used to receive daily from 3,000 to 4,000 warrants, which, considering its very limited personnel at that time, would have required one (1) or two (2) months to clear. This claim is belied, however, by the statements of the Treasurer, Exhibits 38 and 38-A to 38-C, showing that on September 15, 23 and 24 and November 25, 1952, his office had cleared 1,618, 2,851, 1,742 and 2,360 warrants, respectively. Moreover, if the rule was unwise, the Treasurer could have secured the proper remedy through the President of the Philippines, since the Treasury and the Central Bank are both agencies of the Government.

At any rate, the aforementioned twenty-eight (28) warrants were cleared and paid by the Treasurer, in view of which the PI Bank and the Equitable Bank credited the corresponding amounts to the respective depositors of the warrants and then honored their checks for said amounts. Thus, the Treasury had not only been negligent in clearing its own warrants, but had, also, thereby induced the PI Bank and the Equitable Bank to pay the amounts thereof to said depositors. The gross nature of the negligence of the Treasury becomes more apparent when we consider that each one of the twenty-four (24) warrants involved in G. R. No. L-15895 was for over P5,000, and, hence, beyond the authority of the auditor of the Treasury—whose signature thereon had been forged—to approve. In other words, the irregularity of said warrants was apparent on the face thereof, from the viewpoint of the Treasury. Moreover, the same had not advertised the loss of genuine forms of its warrants. Neither had the PI Bank nor the Equitable Bank been informed of any irregularity in connection with any of the warrants involved in, these two (2) cases, until after December 23, 1952—or after the warrants had been cleared and honored—when the Treasury gave notice of the forgeries adverted to above. As a consequence, the loss of the amounts thereof is mainly imputable to acts and omissions of the Treasury, for which the PI Bank and the Equitable Bank should not and cannot be penalized.

"Where a loss, which must be borne by one of two parties alike innocent of forgery, can be traced to the neglect or fault of either, it is reasonable that it would be borne by him, even if innocent of any intentional fraud, through whose means it has succeeded." (Phil. National Bank vs. National City Bank of New York, 63 Phil. 711, 728.)

"Generally, where a drawee bank otherwise would have a right of recovery against a collecting or indorsing bank for its payment of a forged check, its action will be barred if it is guilty of an unreasonable delay in discovering the forgery and in giving notice thereof." (C. J. S. 769-700.)

"Where defendant bank, on presentation to it on September 2, of forged check drawn on another bank, paid part of amount to presenter, drawee paying check through clearing house on said day, held that the latter, not giving notice of forgery until December 5, could not hold defendant for amount so paid." (First State Bank & Trust Co. vs. First Nat. Bank, 145 N. E. 388, 314 111. 269, affirming 234, 111. App. 39.)

Wherefore, the decision appealed from is hereby affirmed, without special pronouncement as to cost. It is so ordered.

Bengzon, C.J., Padilla, Bautista Angelo, Labrador, Reyes, J. B. L., Barrera, Paredes, Dizon, Regala and Makalintal, JJ., concur.

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.