

VAR BUILDINGS, INC., PETITIONER, VS. PHILIPPINE DEPOSIT INSURANCE CORPORATION, RESPONDENT.

Ponente: DICDICAN, J.

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DICDICAN, J.:

Before us is a Petition for Review[1] filed by the petitioner VAR Buildings, Inc. (“petitioner”) seeking a review of the Decision[2] dated August 29, 2012 issued by the Philippine Deposit Insurance Corporation (“PDIC”) which denied its claim for deposit insurance on Savings Deposit Account No. 2113001486 in the closed Export and Industry Bank, Inc. (“EIBI”).

The material and relevant facts of the case, as culled from the record, are as follows:

On March 25, 1999, the petitioner entered into a Contract of Lease[3] with the Export and Industry Bank, Inc. whereby the latter occupied the premises owned by the petitioner located at Rufino Center Building, Ayala Avenue, Makati City.

On August 10, 1999, the petitioner opened a savings deposit account with EIBI – Ayala Rufino branch, with an initial deposit of One Hundred Thousand Pesos (P100,000.00). Thereafter, monthly rental payments for the lease of the petitioner's premises were deposited by EIBI on this account.

By a sudden turn of events, EIBI was placed under the receivership of the PDIC which took over the bank's assets, records and affairs, in accordance with Monetary Board's Resolution No. 686.

Consequently, the petitioner, through its President, Macario S. Rufino, filed a claim for deposit insurance with the PDIC under Claim No. 406 for its Savings Deposit Account No. 2113001486 in the closed EIBI Ayala Rufino Branch[4].

On August 29, 2012, the PDIC issued a Letter Decision, pertinent portions of which read as follows:

“This pertains to your claim for deposit insurance for Savings/Current/Special Savings/Certificate of Time Deposit No. 2113001486 maintained in the closed Export Industry Bank – Ayala Rufino.

“Please be informed that, based on verification/examination of available bank records, your account was issued in payment of the bank's rent expense/payable when the bank was experiencing problems in its cash position. The bank credited the payment of said rent expense/payable to your deposit instead of paying in cash.

“Therefore, it is not a deposit eligible for insurance as provided by Section 4(f) of R.A. 3591 as amended (The PDIC Charter), which provides that:

“... The term deposit means the unpaid balance of money or its equivalent received by a bank in the usual course of business...”

“In view of this, we regret to inform you that your deposit insurance claim on said account is DENIED. xxx”

Appalled, the petitioner filed a Request for Reconsideration[5] with the PDIC dated September 21, 2012.

On August 5, 2013, the PDIC denied the petitioner's Request for Reconsideration, pertinent portions of which read:

“Bank records, which were certified and turned over by the former employees/officers of EIBI to PDIC, show that the said deposit account was funded through the booking of expenses, more particularly the payment of 'Rent Expenses', at a time when the bank's liquidity position was determined to be critically deficient. Hence, your claim for deposit insurance was denied pursuant to the mandate of Section 4(f) of R.A. 3591, as amended, otherwise known as the 'PDIC Charter', which states that:

'(f) The term 'deposit' means the unpaid balance of money or its equivalent received by a bank in the usual course of business xxx The Corporation shall not pay deposit insurance for the following accounts or transactions, whether denominated, documented, recorded or booked as deposit by the bank: xxx (2) Deposit accounts or transactions which are unfunded, or that are fictitious or fraudulent: xxx'

“On the other hand, PDIC RI No. 2011-03, which provides the 'Rules Governing Requests for Reconsideration of Denied Deposit Insurance Claims', requires the claimant to present new fact/s that PDIC may consider in re-validating his/her claim that was already denied. We note that we did not receive any evidence/document from you that would negate the foregoing findings. Accordingly, without new and valid documents, which could negate the foregoing findings. Accordingly, without new and valid documents, which could negate the facts as borne by the records of EIBI, we are constrained to maintain the denial of the subject claim for deposit insurance pursuant to the above-cited provisions of the PDIC Charter.”

Unstirred by the foregoing disposition of the PDIC, the petitioner filed the instant petition with this Court assigning the following errors purportedly committed by the PDIC, to wit:

I.

THE PDIC GRAVELY ABUSED ITS DISCRETION WHEN IT RULED THAT THE SAVINGS DEPOSIT ACCOUNT OF THE PETITIONER WAS NOT A DEPOSIT ELIGIBLE FOR INSURANCE AS PROVIDED BY SECTION 4(f) OF REPUBLIC ACT NO. 3591, AS AMENDED.

II.

THE PDIC GRAVELY ABUSED ITS DISCRETION WHEN IT RULED THAT THE PETITIONER MAINTAINED THE SAVINGS DEPOSIT WITH EIBI DURING THE TIME WHEN THE LATTER WAS UNDERGOING FINANCIAL DISTRESS.

The sole question to be resolved in this case is whether the funds corresponding to rental payments which were directly accounted for by the Export and Industry Bank, Inc. through a bank account in the name of the petitioner are insurable deposits under the PDIC Charter and, as such, subject to claims for deposit insurance.

After a careful and judicious scrutiny of the whole matter, together with the applicable laws and jurisprudence in the premises, we find the instant petition to be devoid of merit.

The petitioner averred that the denial by the PDIC of its claims for deposit insurance was patently erroneous and without legal basis because there is no law or regulation that qualifies a savings deposit account for the purpose of claiming deposit insurance. According to the petitioner, the subject deposit account was treated by the bank in the same manner as any other regular deposit account as it was, in fact, even subjected to the same rules and regulations on interests, taxes and maintaining balance imposed by the bank in the ordinary or usual course of its business.

In order that a claim for deposit insurance with the PDIC may prosper, the law requires that a corresponding

deposit be placed in the insured bank. This is implicit from a reading of the following provisions of Republic Act 3519 otherwise known as An Act Establishing the Philippine Deposit Insurance Corporation, Defining its Powers and Duties and for Other Purposes:

“Sec. 1. There is hereby created a Philippine Deposit Insurance Corporation . . . which shall insure, as provided, the deposits of all banks which are entitled to the benefits of insurance under this Act . . . (Emphasis supplied).

xxx xxx xxx

“Sec. 10(a)

xxx xxx xxx

“(c) Whenever an insured bank shall have been closed on account of insolvency, payment of the insured deposits in such bank shall be made by the Corporation as soon as possible . . . (Emphasis supplied.)

A deposit as defined in Section 3(f) of R.A. No. 3591, may be constituted only if money or the equivalent of money is received by a bank:

“Sec. 3. As used in this Act —

“(f) The term 'deposit' means the unpaid balance of money or its equivalent received by a bank in the usual course of business and for which it has given or is obliged to give credit to a commercial, checking, savings, time or thrift account or which is evidenced by passbook, check and/or certificate of deposit printed or issued in accordance with Central Bank rules and regulations and other applicable laws, together with such other obligations of a bank which, consistent with banking usage and practices, the Board of Directors shall determine and prescribe by regulations to be deposit liabilities of the Bank xxx”

A careful perusal of the record of the case would reveal that, although EIBI directed its rental payments for the lease of petitioner's property to the latter's bank account in its branch, there is no adequate proof that EIBI was liquid enough to answer for such amount. As correctly found by the PDIC, it cannot be held liable for deposit insurance from deposit unfunded deposit accounts, whether the same was documented, recorded or booked as deposit by the bank.

Section 3(f) of R.A. No. 3591 clearly provides:

“The corporation shall not pay deposit insurance for the following accounts or transactions, whether denominated, documented, recorded or booked as deposit by the bank:

“(1) Investment products such as bonds and securities, trust accounts, and other similar instruments;

“(2) Deposit accounts or transactions which are unfunded, or that are fictitious or fraudulent; (Emphasis supplied)

Furthermore, Section 3 of PDIC's Regulatory Issuance No. 2011-02 defined what unfunded deposit accounts or transactions are excluded from deposit insurance coverage.

“Section 3. Exclusions from Deposit Insurance Coverage

PDIC shall not pay deposit insurance for the following accounts or transactions whether denominated, documented, recorded or booked as deposits by the bank:

xxx xxx xxx

b. Deposit accounts or transactions which are unfunded or are fictitious or fraudulent.

1. A deposit account or transaction shall be deemed unfunded when no money or equivalent (of money) is received by a bank for such account or transaction.
2. A deposit account or transaction shall be deemed fictitious when it is simulated, feigned or is not a genuine deposit account or transaction, e.g. money or equivalent (of money) was made to appear to have been received by a bank, or the deposit account or the name of the depositor does not appear in the records of the bank.
3. A deposit account or transaction shall be deemed fraudulent whenever the bank and/or depositor knowingly employ means calculated to deceive, including acts, omissions and concealment involving a breach of legal or equitable duty, trust, or confidence justly reposed, resulting in damage to another, or by which an undue and unconscientious advantage is taken of another, e.g. the named depositor denies ownership of the deposit.”
(Emphasis supplied)

On the basis of the evidence presented before the PDIC, at the time of the subject deposits, EIBI was found to be already in a state of financial instability. Noticeably, from the nature of the bank's arrangement with the petitioner, the act of EIBI in crediting its lease payments in favor of the petitioner's account could be classified as an unfunded transaction as no money or its equivalent was received by the bank for such transaction. PDIC does not even dispute the veracity of the internal transactions of the petitioner and EIBI which gave rise to the deposits credited to the petitioner's account which are the funds that are the subject of the present dispute. Verily, the evidence for the petitioner was wanting to support its claim that its deposits with EIBC was covered by deposit insurance.

It is also worth noting that, in the case of *Montemayor v. Bundalian*[6], the Supreme Court laid down the following guidelines for the judicial review of decisions rendered by administrative agencies in the exercise of their quasi-judicial power:

“First, the burden is on the complainant to prove by substantial evidence the allegations in his complaint. Substantial evidence is more than a mere scintilla of evidence. It means such relevant evidence as a reasonable mind might accept as adequate to support a conclusion, even if other minds equally reasonable might conceivably opine otherwise. Second, in reviewing administrative decisions of the executive branch of the government, the findings of facts made therein are to be respected so long as they are supported by substantial evidence. Hence, it is not for the reviewing court to weigh the conflicting evidence, determine the credibility of witnesses, or otherwise substitute its judgment for that of the administrative agency with respect to the sufficiency of evidence. Third, administrative decisions in matters within the executive jurisdiction can only be set aside on proof of gross abuse of discretion, fraud, or error of law. These principles negate the power of the reviewing court to re-examine the sufficiency of the evidence in an administrative case as if originally instituted therein, and do not authorize the court to receive additional evidence that was not submitted to the administrative agency concerned.”

In line with the foregoing principle, factual findings of administrative bodies, charged with their specific field of expertise, are afforded great weight by the courts and, in the absence of substantial showing that such findings were made from an erroneous estimation of the evidence presented, they are conclusive and, in the interest of stability of the governmental structure, should not be disturbed[7]. Factual findings made by quasi-judicial bodies and administrative agencies when supported by substantial evidence are accorded great respect and even finality by the appellate courts[8]. This is because administrative agencies possess specialized knowledge and expertise in their respective fields[9]. As such, their findings of fact are binding upon this Court unless there is a showing of grave abuse of discretion or where it is clearly shown that they were arrived at arbitrarily or in disregard of the evidence on record[10].

All things considered, this Court finds that the funds in question are not deposits within the definition of the PDIC Charter and are, thus, excluded from deposit insurance.

In sum, we find no reversible error in the decision rendered by PDIC on August 29, 2012. Also, we find no grave abuse of discretion, amounting to lack or excess of jurisdiction on the part of the PDIC which would warrant the reversal and/or modification of the assailed Decision. There is grave abuse of discretion when there is an evasion of a positive duty or a virtual refusal to perform a duty enjoined by law or to act in contemplation of law as when the judgment rendered is not based on law and evidence but on caprice, whim and despotism[11], which is wanting in this case.

WHEREFORE, in view of the foregoing premises, judgment is hereby rendered by us DENYING the petition filed in this case.

SO ORDERED.

Peralta, Jr.,[*] and Paredes, JJ., concur.

[*]Acting Senior Member vice J. Elbinias per Office Order No. 221-14-ABR dated May 21, 2014.

[1] Rollo, Petition, pp. 3-9.

[2] Ibid, p. 28.

[3]Ibid, pp. 15-20.

[4] Ibid, p. 27.

[5] Ibid, pp. 29-33.

[6] 453 Phil. 158, 167 (2003).

[7]Lumayna v. Commission on Audit, G.R. No. 185001, September 25, 2009, 601 SCRA 163, 176-177.

[8] Cosmos Bottling Corporation v. Nagrama, Jr., G.R. No. 164403, March 4, 2008, 547 SCRA 571, 586-587.

[9]Ibid.

[10]Letran Calamba Faculty and Employees Association v. National Labor Relations Commission, G.R. No. 156225, January 29, 2008, 543 SCRA 26, 38.

[11] Veloso v. Commission on Audit, G.R. No. 193677, September 6, 2011, 656 SCRA 767, 777.

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