

LUZAN SIA, PETITIONER, VS. COURT OF APPEALS AND SECURITY BANK AND TRUST COMPANY, RESPONDENTS.

G.R. No. 102970. May 13, 1993

Ponente: DAVIDE, JR., J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-102970/>

DAVIDE, JR., J.:

The Decision of public respondent Court of Appeals in CA--G.R. CV No. 26737, promulgated on 21 August 1991,[1] reversing and setting aside the Decision, dated 19 February 1990,[2] of Branch 47 of the Regional Trial Court (RTC) of Manila in Civil Case No. 87-42601, entitled “LUZAN SIA vs. SECURITY BANK and TRUST CO.,” is challenged in this petition for review on certiorari under Rule 45 of the Rules of Court.

Civil Case No. 87-42601 is an action for damages arising out of the destruction or loss of the stamp collection of the plaintiff (petitioner herein) contained in Safety Deposit Box No. 54 which had been rented from the defendant pursuant to a contract denominated as a Lease Agreement.[3] Judgment therein was rendered in favor of the plaintiff, the dispositive portion of which reads:

“WHEREFORE, premises considered, judgment is hereby rendered in favor of the plaintiff and against the defendant, Security Bank & Trust Company, ordering the defendant bank to pay the plaintiff the sum of -?

- a) Twenty Thousand Pesos (P20,000.00), Philippine Currency, as actual damages;
- b) One Hundred Thousand Pesos (P100,000.00), Philippine Currency, as moral damages; and
- c) Five Thousand Pesos (P5,000.00), Philippine Currency, as attorney’s fees and legal expenses.

The counterclaim[s] set up by the defendant are hereby dismissed for lack of merit.

No costs.

SO ORDERED.”[4]

The antecedent facts of the present controversy are summarized by the public respondent in its challenged decision as follows:

“The plaintiff rented on March 22, 1985 the Safety Deposit Box No. 54 of the defendant bank at its Binondo Branch located at the Fookien Times Building, Soler St., Binondo, Manila wherein he placed his collection of stamps. The said safety deposit box leased by the plaintiff was at the bottom or at the lowest level of the safety deposit boxes of the defendant bank at its aforesaid Binondo Branch.

During the floods that took place in 1985 and 1986, floodwater entered into the defendant bank’s premises, seeped into the safety deposit box leased by the plaintiff and caused, according to the plaintiff, damage to his stamps collection. The defendant bank rejected the plaintiff’s claim for compensation for his damaged stamps collection, so, the plaintiff instituted an action for damages against the defendant bank.

The defendant bank denied liability for the damaged stamps collection of the plaintiff on the basis of the

‘Rules and Regulations Governing the Lease of Safe Deposit Boxes’ (Exhs. “A-1”, “1-A”), particularly paragraphs 9 and 13, which reads (sic):

‘9. The liability of the Bank, by reason of the lease, is limited to the exercise of the diligence to prevent the opening of the safe by any person other than the Renter, his authorized agent or legal representative;

X X X

13. The Bank is not a depository of the contents of the safe and it has neither the possession nor the control of the same. The Bank has no interest whatsoever in said contents, except as herein provided, and it assumes absolutely no liability in connection therewith.’

The defendant bank also contended that its contract with the plaintiff over safety deposit box No. 54 was one of lease and not of deposit and, therefore, governed by the lease agreement (Exhs. “A”, “L”) which should be the applicable law; that the destruction of the plaintiff’s stamps collection was due to a calamity beyond its control; and that there was no obligation on its part to notify the plaintiff about the floodwaters that inundated its premises at Binondo branch which allegedly seeped into the safety deposit box leased to the plaintiff.

The trial court then directed that an ocular inspection on (sic) the contents of the safety deposit box be conducted, which was done on December 8, 1988 by its clerk of court in the presence of the parties and their counsels. A report thereon was then submitted on December 12, 1988 (Records, p. 98-A) and confirmed in open court by both parties thru counsel during the hearing on the same date (Ibid, p.102) stating:

‘That the Safety Box Deposit No. 54 was opened by both plaintiff Luzan Sia and the Acting Branch Manager Jimmy B. Ynion in the presence of the undersigned, plaintiff’s and defendant’s counsel. Said Safety Box when opened contains two albums of different sizes and thickness, length and width and a tin box with printed word ‘Tai Ping Shiang Roast Pork in pieces with Chinese designs and character.’

Condition of the above-stated Items --

‘Both albums are wet, moldy and badly damaged.

1. The first album measures 10 1/8 inches in length, 8 inches in width and 3/4 in thick. The leaves of the album are attached to every page and cannot be lifted without destroying it, hence the stamps contained therein are no longer visible.
2. The second album measures 12½ inches in length, 9¼ in width and 1 inch thick. Some of its pages can still be lifted. The stamps therein can still be distinguished but beyond restoration. Others have lost its original form.
3. The tin box is rusty inside. It contains an album with several pieces of papers stuck up to the cover of the box. The condition of the album is the same as described in the second above-mentioned album.”[5]

The SECURITY BANK AND TRUST COMPANY, hereinafter referred to as SBTC, appealed the trial court’s decision to the public respondent Court of Appeals. The appeal was docketed as CA-G.R. CV No. 26737.

In urging the public respondent to reverse the decision of the trial court, SBTC contended that the latter erred in (a) holding that the lease agreement is a contract of adhesion; (b) finding that the defendant had failed to exercise the required diligence expected of a bank in maintaining the safety deposit box; (c) awarding to the plaintiff actual damages in the amount of P20,000.00, moral damages in the amount of P100,000.00 and attorney’s fees and legal expenses in the amount of P5,000.00; and (d) dismissing the counterclaim.

On 21 August 1991, the public respondent promulgated its decision the dispositive portion of which reads:

“WHEREFORE, the decision appealed from is hereby REVERSED and instead the appellee’s complaint is

hereby DISMISSED. The appellant bank's counterclaim is likewise DISMISSED. No costs.”[6]

In reversing the trial court's decision and absolving SBTC from liability, the public respondent found and ruled that:

- a) the fine print in the “Lease Agreement” (Exhibits “A” and “1”) constitutes the terms and conditions of the contract of lease which the appellee (now petitioner) had voluntarily and knowingly executed with SBTC;
- b) the contract entered into by the parties regarding Safe Deposit Box No. 54 was not a contract of deposit wherein the bank became a depository of the subject stamp collection; hence, as contended by SBTC, the provisions of Book IV, Title XII of the Civil Code on deposits do not apply;
- c) The following provisions of the questioned lease agreement of the safety deposit box limiting SBTC's liability:

“9. The liability of the bank by reason of the lease, is limited to the exercise of the diligence to prevent the opening of the Safe by any person other than the Renter, his authorized agent or legal representative;

x x x

13. The bank is not a depository of the contents of the Safe and it has neither the possession nor the control of the same. The Bank has no interest whatsoever in said contents, except as herein provided, and it assumes absolutely no liability in connection therewith,”

are valid since said stipulations are not contrary to law, morals, good customs, public order or public policy; and

- d) there is no concrete evidence to show that SBTC failed to exercise the required diligence in maintaining the safety deposit box; what was proven was that the floods of 1985 and 1986, which were beyond the control of SBTC, caused the damage to the stamp collection; said floods were fortuitous events which SBTC should not be held liable for since it was not shown to have participated in the aggravation of the damage to the stamp collection; on the contrary, it offered its services to secure the assistance of an expert in order to save most of the stamps, but the appellee refused; appellee must then bear the loss under the principle of “res perit domino.”

Unsuccessful in his bid to have the above decision reconsidered by the public respondent,[7] petitioner filed the instant petition wherein he contends that:

“I

IT WAS A GRAVE ERROR OR AN ABUSE OF DISCRETION ON THE PART OF THE RESPONDENT COURT WHEN IT RULED THAT RESPONDENT SBTC DID NOT FAIL TO EXERCISE THE REQUIRED DILIGENCE IN MAINTAINING THE SAFETY DEPOSIT BOX OF THE PETITIONER CONSIDERING THAT SUBSTANTIAL EVIDENCE EXIST (sic) PROVING THE CONTRARY.

II

THE RESPONDENT COURT SERIOUSLY ERRED IN EXCULPATING PRIVATE RESPONDENT FROM ANY LIABILITY WHATSOEVER BY REASON OF THE PROVISIONS OF PARAGRAPHS 9 AND 13 OF THE AGREEMENT (EXHS. “A” AND “A-1”).

III

THE RESPONDENT COURT SERIOUSLY ERRED IN NOT UPHOLDING THE AWARDS OF THE TRIAL COURT FOR ACTUAL AND MORAL DAMAGES, INCLUDING ATTORNEY'S FEES AND LEGAL EXPENSES, IN FAVOR OF THE PETITIONER.”[8]

We subsequently gave due course to the petition and required both parties to submit their respective memoranda, which they complied with.[9]

Petitioner insists that the trial court correctly ruled that SBTC had failed “to exercise the required diligence expected of a bank maintaining such safety deposit box ... in the light of the environmental circumstances of said safety deposit box after the floods of 1985 and 1986.” He argues that such a conclusion is supported by the evidence on record, to wit: SBTC was fully cognizant of the exact location of the safety deposit box in question; it knew that the premises were inundated by floodwaters in 1985 and 1986 and considering that the bank is guarded twenty-four (24) hours a day, it is safe to conclude that it was also aware of the inundation of the premises where the safety deposit box was located; despite such knowledge, however, it never bothered to inform the petitioner of the flooding or take any appropriate measures to insure the safety and good maintenance of the safety deposit box in question.

SBTC does not squarely dispute these facts; rather, it relies on the rule that findings of fact of the Court of Appeals, when supported by substantial evidence, are not reviewable on appeal by certiorari.[10]

The foregoing rule is, of course, subject to certain exceptions such as when there exists a disparity between the factual findings and conclusions of the Court of Appeals and the trial court.[11] Such a disparity obtains in the present case.

As We see it, SBTC’s theory, which was upheld by the public respondent, is that the “Lease Agreement” covering Safe Deposit Box No. 54 (Exhibits “A” and “1”) is just that -- a contract of lease -- and not a contract of deposit, and that paragraphs 9 and 13 thereof, which expressly limit the bank’s liability as follows:

“9. The liability of the bank by reason of the lease, is limited to the exercise of the diligence to prevent the opening of the Safe by any person other than the Renter, his authorized agent or legal representative;

x x x

13. The bank is not a depository of the contents of the Safe and it has neither the possession nor the control of the same. The Bank has no interest whatsoever in said contents, except as herein provided, and it assumes absolutely no liability in connection therewith,”[12]

are valid and binding upon the parties. In the challenged decision, the public respondent further avers that even without such a limitation of liability, SBTC should still be absolved from any responsibility for the damage sustained by the petitioner as it appears that such damage was occasioned by a fortuitous event and that the respondent bank was free from any participation in the aggravation of the injury.

We cannot accept this theory and ratiocination. Consequently, this Court finds the petition to be impressed with merit.

In the recent case of CA Agro-Industrial Development Corp. vs. Court of Appeals,[13] this Court explicitly rejected the contention that a contract for the use of a safety deposit box is a contract of lease governed by Title VII, Book IV of the Civil Code. Nor did We fully subscribe to the view that it is a contract of deposit to be strictly governed by the Civil Code provision on deposit;[14] it is, as We declared, a special kind of deposit. The prevailing rule in American jurisprudence -- that the relation between a bank renting out safe deposit boxes and its customer with respect to the contents of the box is that of a bailor and bailee, the bailment being for hire and mutual benefit[15] -- has been adopted in this jurisdiction, thus:

“In the context of our laws which authorize banking institutions to rent out safety deposit boxes, it is clear that in this jurisdiction, the prevailing rule in the United States has been adopted. Section 72 of the General Banking Act [R.A. 337, as amended] pertinently provides:

‘SEC. 72. In addition to the operations specifically authorized elsewhere in this Act, banking institutions other than building and loan associations may perform the following services:

(a) Receive in custody funds, documents, and valuable objects, and rent safety deposit boxes for the safeguarding of such effects.

x x x

The banks shall perform the services permitted under subsections (a), (b) and (c) of this section as depositories or as agents. x x x’ (emphasis supplied)

Note that the primary function is still found within the parameters of a contract of deposit, i.e., the receiving in custody of funds, documents and other valuable objects for safekeeping. The renting out of the safety deposit boxes is not independent from, but related to or in conjunction with, this principal function. A contract of deposit may be entered into orally or in writing [Art. 1969, Civil Code] and, pursuant to Article 1306 of the Civil Code, the parties thereto may establish such stipulations, clauses, terms and conditions as they may deem convenient, provided they are not contrary to law, morals, good customs, public order or public policy. The depository’s responsibility for the safekeeping of the objects deposited in the case at bar is governed by Title I, Book IV of the Civil Code. Accordingly, the depository would be liable if, in performing its obligation, it is found guilty of fraud, negligence, delay or contravention of the tenor of the agreement [Art. 1170, id.]. In the absence of any stipulation prescribing the degree of diligence required, that of a good father of a family is to be observed [Art. 1173, id.]. Hence, any stipulation exempting the depository from any liability arising from the loss of the thing deposited on account of fraud, negligence or delay would be void for being contrary to law and public policy. In the instant case, petitioner maintains that conditions 13 and 14 of the questioned contract of lease of the safety deposit box, which read:

‘13. The bank is not a depository of the contents of the safe and it has neither the possession nor control of the same.

14. The bank has no interest whatsoever in said contents, except as herein expressly provided, and it assumes absolutely no liability in connection therewith.’

are void as they are contrary to law and public policy. We find Ourselves in agreement with this proposition for indeed, said provisions are inconsistent with the respondent Bank’s responsibility as a depository under Section 72(a) of the General Banking Act. Both exempt the latter from any liability except as contemplated in condition 8 thereof which limits its duty to exercise reasonable diligence only with respect to who shall be admitted to any rented safe, to wit:

‘8. The Bank shall use due diligence that no unauthorized person shall be admitted to any rented safe and beyond this, the Bank will not be responsible for the contents of any safe rented from it.’

Furthermore, condition 13 stands on a wrong premise and is contrary to the actual practice of the Bank. It is not correct to assert that the Bank has neither the possession nor control of the contents of the box since in fact, the safety deposit box itself is located in its premises and is under its absolute control; moreover, the respondent Bank keeps the guard key to the said box. As stated earlier, renters cannot open their respective boxes unless the Bank cooperates by presenting and using this guard key. Clearly then, to the extent above stated, the foregoing conditions in the contract in question are void and ineffective. It has been said:

‘With respect to property deposited in a safe-deposit box by a customer of a safe-deposit company, the parties, since the relation is a contractual one, may by special contract define their respective duties or provide for increasing or limiting the liability of the deposit company, provided such contract is not in violation of law or public policy. It must clearly appear that there actually was such a special contract, however, in order to vary the ordinary obligations implied by law from the relationship of the parties; liability of the deposit company will not

be enlarged or restricted by words of doubtful meaning. The company, in renting safe-deposit boxes, cannot exempt itself from liability for loss of the contents by its own fraud or negligence or that of its agents or servants, and if a provision of the contract may be construed as an attempt to do so, it will be held ineffective for the purpose. Although it has been held that the lessor of a safe-deposit box cannot limit its liability for loss of the contents thereof through its own negligence, the view has been taken that such a lessor may limit its liability to some extent by agreement or stipulation.’ [10 AM JUR 2d., 446].” (citations omitted)[16]

It must be noted that conditions No. 13 and No. 14 in the Contract of Lease of Safety Deposit Box in CA Agro-Industrial Development Corp. are strikingly similar to condition No. 13 in the instant case. On the other hand, both condition No. 8 in CA Agro-Industrial Development Corp. and condition No. 9 in the present case limit the scope of the exercise of due diligence by the banks involved to merely seeing to it that only the renter, his authorized agent or his legal representative should open or have access to the safety deposit box. In short, in all other situations, it would seem that SBTC is not bound to exercise diligence of any kind at all. Assayed in the light of Our aforementioned pronouncements in CA Agro-Industrial Development Corp., it is not at all difficult to conclude that both conditions No. 9 and No. 13 of the “Lease Agreement” covering the safety deposit box in question (Exhibits “A” and “1”) must be stricken down for being contrary to law and public policy as they are meant to exempt SBTC from any liability for damage, loss or destruction of the contents of the safety deposit box which may arise from its own or its agents’ fraud, negligence or delay. Accordingly, SBTC cannot take refuge under the said conditions.

Public respondent further postulates that SBTC cannot be held responsible for the destruction or loss of the stamp collection because the flooding was a fortuitous event and there was no showing of SBTC’s participation in the aggravation of the loss or injury. It states:

“Article 1174 of the Civil Code provides:

‘Except in cases expressly specified by the law, or when it is otherwise declared by stipulation, or when the nature of the obligation requires the assumption of risk, no person shall be responsible for those events which could not be foreseen, or which, though foreseen, were inevitable.’

In its dissertation of the phrase ‘caso fortuito’ the Enciclopedia Juridica Española[17] says: ‘In a legal sense and, consequently, also in relation to contracts, a ‘caso fortuito’ prevents (sic)[18] the following essential characteristics: (1) the cause of the unforeseen and unexpected occurrence, or of the failure of the debtor to comply with his obligation, must be independent of the human will; (2) it must be impossible to foresee the event which constitutes the ‘caso fortuito,’ or if it can be foreseen, it must be impossible to avoid; (3) the occurrence must be such as to render it impossible for one debtor to fulfill his obligation in a normal manner; and (4) the obligor must be free from any participation in the aggravation of the injury resulting to the creditor.’ (cited in *Servando vs. Phil. Steam Navigation Co.*, supra).[19]

Here, the unforeseen or unexpected inundating floods were independent of the will of the appellant bank and the latter was not shown to have participated in aggravating damage (sic) to the stamps collection of the appellee. In fact, the appellant bank offered its services to secure the assistance of an expert to save most of the then good stamps but the appellee refused and let (sic) these recoverable stamps inside the safety deposit box until they were ruined.”[20]

Both the law and authority cited are clear enough and require no further elucidation. Unfortunately, however, the public respondent failed to consider that in the instant case, as correctly held by the trial court, SBTC was guilty of negligence. The facts constituting negligence are enumerated in the petition and have been summarized in this ponencia. SBTC’s negligence aggravated the injury or damage to the petitioner which resulted from the loss or destruction of the stamp collection. SBTC was aware of the floods of 1985 and 1986; it also knew that the

floodwaters inundated the room where Safe Deposit Box No. 54 was located. In view thereof, it should have lost no time in notifying the petitioner in order that the box could have been opened to retrieve the stamps, thus saving the same from further deterioration and loss. In this respect, it failed to exercise the reasonable care and prudence expected of a good father of a family, thereby becoming a party to the aggravation of the injury or loss. Accordingly, the aforementioned fourth characteristic of a fortuitous event is absent and Article 1170 of the Civil Code, which reads:

“Those who in the performance of their obligations are guilty of fraud, negligence, or delay, and those who in any manner contravene the tenor thereof, are liable for damages,”

thus comes to the succor of the petitioner. The destruction or loss of the stamp collection which was, in the language of the trial court, the “product of 27 years of patience and diligence”[21] caused the petitioner pecuniary loss; hence, he must be compensated therefor.

We cannot, however, place Our imprimatur on the trial court’s award of moral damages. Since the relationship between the petitioner and SBTC is based on a contract, either of them may be held liable for moral damages for breach thereof only if said party had acted fraudulently or in bad faith.[22] There is here no proof of fraud or bad faith on the part of SBTC.

WHEREFORE, the instant petition is hereby GRANTED. The challenged Decision and Resolution of the public respondent Court of Appeals of 21 August 1991 and 21 November 1991, respectively, in CA-G.R. CV No. 26737, are hereby SET ASIDE and the Decision of 19 February 1990 of Branch 47 of the Regional Trial Court of Manila in Civil Case No. 87-42601 is hereby REINSTATED in full, except as to the award of moral damages which is hereby set aside.

Costs against the private respondent.

SO ORDERED.

Feliciano, (Chairman), Bidin, Romero, and Melo, JJ., concur.

[1] Rollo, 34-41. Per Associate Justice Lucio L. Victor, concurred in by Associate Justices Santiago M. Kapunan and Segundino G. Chua.

[2] Id., 52-55.

[3] Exhibit “A” and “1”, Original Records of Civil Case No. 87-42601, 87.

[4] Rollo, 55.

[5] Rollo, 34-36.

[6] Rollo, 41.

[7] Rollo, 43-49.

[8] Id., 17.

[9] Id., 63.

[10] Rollo, 61, citing *Gonzales vs. Court of Appeals*, 90 SCRA 183 [1979].

[11] *Sacay vs. Sandiganbayan*, 142 SCRA 593 [1986]; *Remalante vs. Tibe*, 158 SCRA 138 [1988]; *Medina vs.*

Asistio, 191 SCRA 218 [1990].

[12] Exhibit “A-1”, Original Records, dorsal side of page 87.

[13] G.R. No. 90027, 3 March 1993.

[14] Title XII, Book IV, Civil Code.

[15] 10 Am Jur 2d, 440-441.

[16] Entries in brackets appear as footnotes in the decision.

[17] 5 Enciclopedia Juridicada Española.

[18] Should be presents.

[19] 117 SCRA 832 [1982].

[20] Rollo, 40.

[21] Rollo, 54.

[22] Article 2220, Civil Code.

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.