

SECURITY BANK & TRUST COMPANY, PETITIONER, VS. COURT OF APPEALS, CRISPULO “IKE” ARBOLEDA, AND AMADOR LIBONGCO, RESPONDENTS.

G.R. No. 112214. June 18, 1998

Ponente: MENDOZA, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-112214/>

MENDOZA, J.:

This is an appeal from the decision of the Court of Appeals[1] in CA-G.R. No. 33716, affirming the ruling of the Regional Trial Court, Branch 58, of Makati, Metro Manila.

The facts are as follows:

Petitioner filed an action against private respondents for the recovery of a sum of money with damages and preliminary attachment. It alleged that sometime in 1983, A.T. Diaz Realty, through Anita Diaz, bought from Ricardo Lorenzo his undivided share in a parcel of land which he owned in common with Servando Solomon. In connection with this transaction, Diaz issued a check for P60,000.00 in the name of Ricardo Lorenzo’s agent, private respondent Crispulo Arboleda. The check, dated November 7, 1983, was to be drawn against the current account of A.T. Diaz Realty in the Marikina branch of the Security Bank and Trust Co. (SBTC). According to Diaz, the money was part of the purchase price of the land. It was to be used to pay the capital gains tax on the transaction and to reimburse Solomon for payments he had made for delinquent real estate taxes on the land. In return, Solomon would deliver to Diaz the title to the land.

On November 8, 1983, Solomon informed Diaz that, as he had not yet been reimbursed by private respondent, he could not deliver to Diaz the title to the land. Diaz decided to reimburse Solomon and to pay the capital gains tax herself. Consequently, she issued two more checks, one for P20,000.00, in the name of Solomon for the reimbursement, and another one for P40,000.00, payable to bearer, for the payment of the tax. Thereafter, on the same date, she ordered petitioner to stop payment on the check. Diaz allegedly advised private respondent of the order and requested the return of the check to her.

Instead of returning the check to Diaz, however, private respondent encashed it on November 24, 1983. For their part, employees of petitioner bank failed to notice that the check was the subject of a stop payment order and allowed private respondent to encash it. (It appears that the drawer, A.T. Diaz Realty, had two accounts with petitioner, a savings account and a current account. It had an agreement with petitioner for automatic transfer which made it possible for the drawer to draw a check against its current account and have it supported by funds from the savings account, if funds from the current account were insufficient to cover the amount of the check. The stop payment order issued by A.T. Diaz Realty was posted in the current account ledger. However, when the check was presented for encashment, bank personnel consulted not the current account ledger in which the stop payment order was posted but the savings account ledger, to see if the funds therein deposited were sufficient to cover the amount of the check. Since no stop payment order was posted in that ledger, the check was encashed.)

The error was discovered only the next day, November 25, 1983. Petitioner reccredited the amount (P60,000.00) of

the check to A.T. Diaz Realty's account.

Bank officials went to see respondent Arboleda to ask for the return of the amount of P60,000.00. But they were told the money had been turned over to Amador Libongco. When asked by bank officials, Libongco did not deny receipt of the money, but said he would return it provided Diaz showed him the receipt for payment of the capital gains tax.

As Diaz failed to show receipts, Arboleda and Libongco refused to return the money. Petitioner, therefore, filed the instant suit.

In their answer, Arboleda and Libongco denied any obligation to return the money, alleging that it was due them, the P45,000.00 as payment for the balance of the purchase price, and the P15,000.00 as payment for Arboleda's commission as agent. Arboleda also denied having been notified of the stop payment order, while Libongco denied having received the money.[2] Libongco died on January 19, 1989[3] and, accordingly, the case against him was dismissed.[4]

On May 21, 1990, the trial court rendered its decision, dismissing petitioner's complaint. It ruled that private respondent and Libongco had no obligation to return the P60,000.00 to Diaz. First, because private respondent was entitled to P15,000.00 as his commission. Second, because Diaz could not demand reimbursement for the amount she paid for capital gains tax without receipts to show for the payment. The trial court found that no tax had actually been paid as the sale of the land was antedated May 21, 1976 to avoid payment of the capital gains tax. Consequently, it was held, petitioner should not have recredited A.T. Diaz Realty with the P60,000.00.

The reason given for the stop payment order was "transaction incomplete." However, according to the trial court, since the sale of the land had been completed on November 22, 1983, when the sale to A.T. Diaz Realty was annotated on the title while the check was encashed on November 24, 1983, the transaction had already been completed at the time the check was encashed. The reason given for the stop payment order, i.e., that "transaction incomplete" was, thus, a gross misrepresentation.[5]

The trial court ruled that petitioner incurred no liability even if it encashed the check despite a stop payment order, because of a note in the stop payment order form:

[T]he depositor agrees . . . not to hold the bank liable on account of payment contrary to the request . . . if the same occurs through inadvertence, accident or oversight. . . .[6]

Petitioner appealed to the Court of Appeals which, as earlier stated, affirmed the decision of the trial court. Hence, this petition. Petitioner contends:

- The Court of Appeals erred in upholding the decision of the lower court dismissing the complaint and in not ordering respondent Arboleda to return the value of the subject check to petitioner.
- The Court of Appeals erred in affirming the decision of the lower court not ordering respondent Arboleda to pay petitioner interest on the value of the subject check, and exemplary damages, attorney's fees and cost of suit.[7]

The petition must fail.

Petitioner contends that whatever claim respondent has against Anita Diaz is immaterial to this case. It is argued that private respondent has an obligation to return the money he received based on Art. 2154 of the Civil Code, which provides:

If something is received when there is no right to demand it, and it was unduly delivered through mistake, the obligation to return it arises.

This contention has no merit. There was no contractual relation created between petitioner and private respondent as a result of the payment by the former of the amount of the check. Petitioner simply paid the check for and in behalf of Anita Diaz. Therefore, the question whether private respondent Crispulo Arboleda has a right to keep the proceeds of the check is very relevant to this action brought to recover the amount. As private respondent points out:

It is Anita Diaz to whom respondent sold their property. It is Anita Diaz who issued the subject check in payment of the balance of the purchase price, and earmarked for the payment of the capital gains tax and agent's commission for the sale of the property. If the check was dishonored upon presentment for payment, respondent cannot sue petitioner but only the drawer (Anita Diaz) for lack of privity. The funds from which the check shall be paid belong to Anita Diaz and merely deposited with the petitioner bank. The stop payment order was issued by Anita Diaz for alleged "incomplete transaction" which is a misrepresentation.[8]

Whether petitioner is liable to Anita Diaz for cashing the check after it had been ordered not to pay is a matter between them. By restoring the amount it had paid to the account of A.T. Diaz Realty, petitioner merely stepped into the shoes of the drawer. Consequently, its present action is subject to the defenses which private respondent Arboleda might raise had this action been instituted by Anita Diaz.

What appears to have happened in this case is that there was an agreement that if Anita Diaz, the drawer of the check, paid the capital gains tax, she would be reimbursed the amount she had paid to Arboleda. Claiming that she had paid the capital gains tax, Diaz issued a stop payment order to petitioner and asked for the return of the check she had issued to Arboleda. As she could not show any receipt for payment, however, Arboleda refused to return the check. Arboleda instead cashed the check and refused to pay its proceeds.

Not only was there no receipt presented in this case to prove payment of the tax by Anita Diaz. There are circumstances which render Anita Diaz' claim that she has paid the tax doubtful: (1) the Deputy Registrar of Deeds of Marikina testified that they did not have any record showing payment of the capital gains tax;[9] (2) the check for the P40,000.00, which Anita Diaz claimed she had issued in payment of the tax, was payable to cash,[10] and thus, it could not be determined to whom the proceeds of such check were paid; and (3) Jose Angeles, to whom the check was allegedly given by Anita Diaz, was not presented in court.

Petitioner contends that defenses against Anita Diaz should not be considered in this case because she has not been impleaded as a party. It appears, however, that petitioner was ordered by the trial court to implead Diaz but it did not do so on the ground that it was going to present her as a witness.

Indeed, even if petitioner is considered to have paid Anita Diaz in behalf of Arboleda, its right to recover from Arboleda would be only to the extent that the payment benefitted Arboleda, because the payment (recrediting) was made without the consent of Arboleda. Since Arboleda denies owing any obligation to Diaz, petitioner cannot ask for reimbursement. Thus, Art. 1236 of the Civil Code states:

The creditor is not bound to accept payment or performance by a third person who has no interest in the fulfillment of the obligation, unless there is a stipulation to the contrary. Whoever pays for another may demand from the debtor what he has paid, except that if he paid without the knowledge or against the will of the debtor, he can recover only insofar as the payment has been beneficial to the debtor.

WHEREFORE, the decision of the Court of Appeals is AFFIRMED.

SO ORDERED.

Regalado (Chairman), Melo, Puno, and Martinez, JJ., concur.

[1] Per Justice Jainal D. Rasul, concurred in by Justice Gloria C. Paras and Justice Ramon Mabutas, Jr.

[2] Records, pp. 19-21.

[3] Id., p. 59.

[4] Id., p. 66.

[5] Id., p. 50.

[6] Id.

[7] Rollo, pp. 14-15.

[8] Id., p. 44.

[9] TSN, Jan. 20, 1989, p. 19.

[10] Exh. H.

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.