

BANK OF THE PHILIPPINE ISLANDS AND GRACE ROMERO, PETITIONERS, VS. COURT OF APPEALS AND EDVIN F. REYES, RESPONDENTS.

G.R. No. 116792. March 29, 1996

Ponente: PUNO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-116792/>

PUNO, J.:

Petitioners seek a review of the Decision[1] of respondent Court of Appeals in CA-G.R. CV No. 41543 reversing the Decision[2] of the Regional Trial Court of Quezon City, Branch 79, and ordering petitioners to credit private respondent's Savings

Account No. 3185-0172-56 with P10,556.00 plus interest.

The facts reveal that on September 25, 1985, private respondent Edvin F. Reyes opened Savings Account No. 3 185-0172-56 at petitioner Bank of the Philippine Islands (BPI) Cubao, Shopping Center Branch. It is a joint "AND/OR" account with his wife, Sonia S. Reyes.

Private respondent also held a joint "AND/OR" Savings Account No. 3185-0128-82 with his grandmother, Emeteria M. Fernandez, opened³ on February 11, 1986 at the same BPI branch. He regularly deposited in this account the U.S. Treasury Warrants payable to the order of Emeteria M. Fernandez as her monthly pension.

Emeteria M. Fernandez died on December 28, 1989 without the knowledge of the U.S. Treasury Department. She was still sent U.S. Treasury Warrant No. 21667302 dated January 1, 1990 in the amount of U.S. \$377.00[3] or P10,556.00. On January 4, 1990, private respondent deposited the said U.S. treasury check of Fernandez in Savings Account No. 3 185-0128-82. The U.S. Veterans Administration Office in Manila conditionally cleared the check.[4] The check was then sent to the United States for further clearing.[5]

Two months after or on March 8, 1990, private respondent closed Savings Account No. 3 185-0128-82 and transferred its funds amounting to P13,112.91 to Savings Account No. 3 185-0172-56, the joint account with his wife.

On January 16, 1991, U.S. Treasury Warrant No. 21667302 was dishonored as it was discovered that Fernandez died three (3) days prior to its issuance. The U.S. Department of Treasury requested petitioner bank for a refund.[6] For the first time petitioner bank came to know of the death of Fernandez.

On February 19, 1991, private respondent received a PT & T urgent telegram from petitioner bank requesting him to contact Manager Grace S. Romero or Assistant Manager Carmen Bernardo. When he called up the bank, he was informed that the treasury check was the subject of a claim by Citibank NA, correspondent of petitioner bank. He assured petitioners that he would drop by the bank to look into the matter. He also verbally authorized them to debit from his other joint account the amount stated in the dishonored U.S. Treasury Warrant.[7] On the same day, petitioner bank debited the amount of P10,556.00 from private respondent's Savings Account No. 3185-0172-56.

On February 21, 1991, private respondent with his lawyer Humphrey Tumaneng visited the petitioner bank and the refund documents were shown to them. Surprisingly, private respondent demanded from petitioner bank restitution of the debited amount. He claimed that because of the debit, he failed to withdraw his money when he needed them. He then filed a suit for Damages[8] against petitioners before the Regional Trial Court of Quezon City, Branch 79.

Petitioners contested the complaint and counter-claimed for moral and exemplary damages. By way of Special and Affirmative Defense, they averred that private respondent gave them his express verbal authorization to debit the questioned amount. They claimed that private respondent later refused to execute a written authority.[9]

In a Decision dated January 20, 1993, the trial court dismissed the complaint of private respondent for lack of cause of action.[10]

Private respondent appealed to the respondent Court of Appeals. On August 16, 1994, the Sixteenth Division of respondent court in AC-G.R. CV No. 41543 reversed the impugned decision, viz:

"WHEREFORE, the judgment appealed from is set aside, and another one entered ordering defendant (petitioner) to credit plaintiff's (private respondent's) S.A. No. 3 185-0172-56 with P10,556.00 plus interest at the applicable rates for express teller savings accounts from February 19,1991, until compliance herewith. The claim and counterclaim for damages are dismissed for lack of merit.

SO ORDERED."[11]

Petitioners now contend that respondent Court of Appeals erred:

"I
RESPONDENT COURT OF APPEALS GRAVELY ERRED IN NOT HOLDING THAT RESPONDENT REYES GAVE EXPRESS AUTHORITY TO PETITIONER BANK TO DEBIT HIS JOINT ACCOUNT WITH HIS WIFE FOR THE VALUE OF THE RETURNED U.S. TREASURY WARRANT.

II
RESPONDENT COURT OF APPEALS GRAVELY ERRED IN NOT HOLDING THAT PETITIONER BANK HAS LEGAL RIGHT TO APPLY THE DEPOSIT OF RESPONDENT REYES TO HIS OUTSTANDING OBLIGATION TO PETITIONER BANK BROUGHT ABOUT BY THE RETURN OF THE U.S. TREASURY WARRANT HE EARLIER DEPOSITED UNDER THE PRINCIPLE OF "LEGAL COMPENSATION."

III
RESPONDENT COURT OF APPEALS GRAVELY ERRED IN NOT APPLYING CORRECTLY THE PRINCIPLES ENUNCIATED BY THE SUPREME COURT IN THE CASE OF GULLAS V. PNB, 62 PHIL. 519.

IV
RESPONDENT COURT OF APPEALS GRAVELY ERRED IN NOT APPRECIATING THE FACT THAT THE MONEY DEBITED BY PETITIONER BANK WAS THE SAME MONEY TRANSFERRED BY RESPONDENT REYES FROM HIS JOINT "AND/OR" ACCOUNT WITH HIS GRANDMOTHER TO HIS JOINT "AND/OR" ACCOUNT WITH HIS WIFE."[12]

We find merit in the petition.

The first issue for resolution is whether private respondent verbally authorized petitioner bank to debit his joint account with his wife for the amount of the returned U.S. Treasury Warrant. We find that petitioners were able to prove this verbal authority by preponderance of evidence. The testimonies of Bernardo and Romero deserve

credence. Bernardo testified:

xxx xxx xxx

"Q:

After that, what happened?

A:

x x x Dr. Reyes called me up and I informed him about the return of the U.S. Treasury Warrant and we are requested to reimburse for the amount

Q:

What was his response if any?

A:

Don't you worry about it, there is no personal problem.

xxx xxx xxx

Q:

And so what was his response?

A:

He said that 'don't you worry about it.'

xxx xxx xxx

Q:

You said that you asked him the advice and he did not answer, what advice are you referring to?

A:

In our conversation, he promised me that he will give me written confirmation or authorization."^[13]

The conversation was promptly relayed to Romero who testified:

xxx xxx xxx

"Q:

x x x Was there any opportunity wherein said Mrs. Bernardo was able to convey to you the contents of their conversation?

A:

This was immediately relayed to me as manager of the Bank of the Philippine Islands, sir.

Q:

What, if any was the content of her conversation, if you know?

A:

Mr. Reyes instructed Mrs. Bernardo to debit his account with the bank. His account was maintained jointly

with his wife then he promised to drop by to give us a written confirmation, sir.

xxx xxx xxx

Q:

You said that you authorized the debiting of the account on February 19, 1991, is that correct?

A:

I did not authorize, we merely followed the instruction of Mr. Reyes, sir." [14]

We are not disposed to believe private respondent's allegation that he did not give any verbal authorization. His testimony is uncorroborated. Nor does he inspire credence. His past and fraudulent conduct is an evidence against him. [15] He concealed from petitioner bank the death of Fernandez on December 28, 1989. [16] As of that date, he knew that Fernandez was no longer entitled to receive any pension. Nonetheless, he still received the U.S. Treasury Warrant of Fernandez, and on January 4, 1990 deposited the same in Savings Account No. 3185-0128-82. To pre-empt a refund, private respondent closed his joint account with Fernandez (Savings Account No. 31-85- 0128-82) on March 8, 1990 and transferred its balance to his joint account with his wife (Savings Account No. 3 185-0172-56). Worse, private respondent declared under the penalties of perjury in the withdrawal slip [17] dated March 8, 1990 that his co-depositor, Fernandez, is still living. By his acts, private respondent has stripped himself of credibility.

More importantly, the respondent court erred when it failed to rule that legal compensation is proper. Compensation shall take place when two persons, in their own right, are creditors and debtors of each other. [18] Article 1290 of the Civil Code provides that "when all the requisites mentioned in Article 1279 are present, compensation takes effect by operation of law, and extinguishes both debts to the concurrent amount, even though the creditors and debtors are not aware of the compensation." Legal compensation operates even against the will of the interested parties and even without the consent of them. [19] Since this compensation takes place ipso jure, its effects arise on the very day on which all its requisites concur. [20] When used as a defense, it retroacts to the date when its requisites are fulfilled. [21]

Article 1279 states that in order that compensation may be proper, it is necessary:

"(1) That each one of the obligors be bound principally, and that he be at the same time a principal creditor of the other;

(2) That both debts consist in a sum of money, or if the things due are consumable, they be of the same kind, and also of the same quality if the latter has been stated;

(3) That the two debts be due;

(4) That they be liquidated and demandable;

(5) That over neither of them there be any retention or controversy, commenced by third persons and communicated in due time to the debtor."

The elements of legal compensation are all present in the case at bar. The obligors bound principally are at the same time creditors of each other. Petitioner bank stands as a debtor of the private respondent, a depositor. At the same time, said bank is the creditor of the private respondent with respect to the dishonored U.S. Treasury Warrant which the latter illegally transferred to his joint account. The debts involved consist of a sum of money. They are due, liquidated, and demandable. They are not claimed by a third person.

It is true that the joint account of private respondent and his wife was debited in the case at bar. We hold that the

presence of private respondent's wife does not negate the element of mutuality of parties, i.e., that they must be creditors and debtors of each other in their own right. The wife of private respondent is not a party in the case at bar. She never asserted any right to the debited U.S. Treasury Warrant. Indeed, the right of the petitioner bank to make the debit is clear and cannot be doubted. To frustrate the application of legal compensation on the ground that the parties are not all mutually obligated would result in unjust enrichment on the part of the private respondent and his wife who herself out of honesty has not objected to the debit. The rule as to mutuality is strictly applied at law. But not in equity, where to allow the same would defeat a clear right or permit irremediable injustice.[22]

IN VIEW HEREOF, the Decision of respondent Court of Appeals in CA-G.R. CV No. 41543 dated August 16, 1994 is ANNULLED and SET ASIDE and the Decision of the trial court in Civil Case No. Q-91-8451 dated January 20, 1993 is REINSTATED. Costs against private respondent.

SO ORDERED.

Regalado (Chairman), Romero, and Mendoza, JJ., concur.
Torres, J., on leave.

[1] Sixteenth Division.

[2] Honorable Godofredo L. Legazpi, Presiding Judge.

[3] Exhibit "6;" Original Records, p. 117.

[4] TSN of June 17, 1992, pp. 12-14.

[5] TSN of March 27, 1992 p. 14.

[6] Exhibit "5"; Original Records, p. 116.

[7] CA Decision, p. 2; Rollo, p. 43.

[8] Docketed as Civil Case No. Q-9 1-8451.

[9] Id., CA Decision, p. 3; Rollo p. 44.

[10] RTC Decision, p. 11.

[11] Id., CA Decision, p. 9; Rollo, p. 50.

[12] Petition, pp. 7-8; Rollo, pp. 26-27.

[13] TSN of January 9, 1992, pp. 9-12.

[14] TSN of June 17, 1992, pp. 7-8, 23.

[15] See *People v. Maranion*, G.R. Nos. 90672-73, July 18, 1991, 199 SCRA 421.

[16] TSN of November 22, 1991, p.9.

[17] Exhibit "3"; Original Records, p. 114.

[18] Civil Code, Article 1278.

[19] Padilla, Ambrosio, *Civil Law, Civil Code Annotated*, Vol. IV, 1987 ed., pp. 612-613.

[20] See Tolentino, Arturo M., *Commentaries and Jurisprudence on the Civil Code of the Philippines*, Vol. IV,

1991 ed., p. 379.

[21] See *Republic v. CA*, No. L-250 12, July 22, 1975, 65 SCRA 186.

[22] See 10 AM JUR 2d, *Banks*, p. 638, citing *Lamb v. Morris*, 20 NE 746.

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.