

**PHILIPPINE DEPOSIT INSURANCE CORPORATION, PETITIONER, VS.
THE HONORABLE COURT OF APPEALS AND JOSE ABAD, LEONOR
ABAD, SABINA ABAD, JOSEPHINE “JOSIE” BEATA ABAD-ORLINA,
CECILIA AB...***G.R. No. 126911. April 30, 2003*

Ponente: CARPIO MORALES, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-126911/>**CARPIO MORALES, J.:**

The present petition for review assails the decision of the Court of Appeals affirming that of the Regional Trial Court of Iloilo City, Branch 30, finding petitioner Philippine Deposit Insurance Corporation (PDIC) liable, as statutory insurer, for the value of 20 Golden Time Deposits belonging to respondents Jose Abad, Leonor Abad, Sabina Abad, Josephine “Josie” Beata Abad-Orlina, Cecilia Abad, Pio Abad, Dominic Abad, and Teodora Abad at the Manila Banking Corporation (MBC), Iloilo Branch.

Prior to May 22, 1987, respondents had, individually or jointly with each other, 71 certificates of time deposits denominated as “Golden Time Deposits” (GTD) with an aggregate face value of P1,115,889.96.[1]

On May 22, 1987, a Friday, the Monetary Board (MB) of the Central Bank of the Philippines, now Bangko Sentral ng Pilipinas, issued Resolution 505[2] prohibiting MBC to do business in the Philippines, and placing its assets and affairs under receivership. The Resolution, however, was not served on MBC until Tuesday the following week, or on May 26, 1987, when the designated Receiver took over.[3]

On May 25, 1987, the next banking day following the issuance of the MB Resolution, respondent Jose Abad was at the MBC at 9:00 a.m. for the purpose of pre-terminating the 71 aforementioned GTDs and re-depositing the fund represented thereby into 28 new GTDs in denominations of P40,000.00 or less under the names of herein respondents individually or jointly with each other.[4] Of the 28 new GTDs, Jose Abad pre-terminated 8 and withdrew the value thereof in the total amount of P320,000.00.[5]

Respondents thereafter filed their claims with the PDIC for the payment of the remaining 20 insured GTDs.[6]

On February 11, 1988, PDIC paid respondents the value of 3 claims in the total amount of P120,000.00. PDIC, however, withheld payment of the 17 remaining claims after Washington Solidum, Deputy Receiver of MBC-Iloilo, submitted a report to the PDIC[7] that there was massive conversion and substitution of trust and deposit accounts on May 25, 1987 at MBC-Iloilo.[8] The pertinent portions of the report stated:

X X X

On May 25, 1987 (Monday) or a day prior to the official announcement and take-over by CB of the assets and liabilities of The Manila Banking Corporation, the Iloilo Branch was found to have recorded an unusually heavy movements in terms of volume and amount for all types of deposits and trust accounts. It appears that the impending receivership of TMBC was somehow already known to many depositors on account of the massive withdrawals paid on this day which practically wiped out the branch’s entire cash position. . . .

x x x

. . . The intention was to maximize the availment of PDIC coverage limited to P40,000 by spreading out big accounts to as many certificates under various nominees. . . .[9]

x x x

Because of the report, PDIC entertained serious reservation in recognizing respondents' GTDs as deposit liabilities of MBC-Iloilo. Thus, on August 30, 1991, it filed a petition for declaratory relief against respondents with the Regional Trial Court (RTC) of Iloilo City, for a judicial declaration determination of the insurability of respondents' GTDs at MBC-Iloilo.[10]

In their Answer filed on October 24, 1991 and Amended Answer[11] filed on January 9, 1992, respondents set up a counterclaim against PDIC whereby they asked for payment of their insured deposits.[12]

In its Decision of February 22, 1994,[13] Branch 30 of the Iloilo RTC declared the 20 GTDs of respondents to be deposit liabilities of MBC, hence, are liabilities of PDIC as statutory insurer. It accordingly disposed as follows:

WHEREFORE, premises considered, judgment is hereby rendered:

- Declaring the 28 GTDs of the Abads which were issued by the TMBC-Iloilo on May 25, 1987 as deposits or deposit liabilities of the bank as the term is defined under Section 3 (f) of R.A. No. 3591, as amended;
- Declaring PDIC, being the statutory insurer of bank deposits, liable to the Abads for the value of the remaining 20 GTDs, the other 8 having been paid already by TMBC-Iloilo on May 25, 1987;
- Ordering PDIC to pay the Abads the value of said 20 GTDs less the value of 3 GTDs it paid on February 11, 1988, and the amounts it may have paid the Abads pursuant to the Order of this Court dated September 8, 1992;
- Ordering PDIC to pay immediately the Abads the balance of its admitted liability as contained in the aforesaid Order of September 8, 1992, should there be any, subject to liquidation when this case shall have been finally decide; and
- Ordering PDIC to pay legal interest on the remaining insured deposits of the Abads from February 11, 1988 until they are fully paid.

SO ORDERED.

On appeal, the Court of Appeals, by the assailed Decision of October 21, 1996,[14] affirmed the trial court's decision except as to the award of legal interest which it deleted.

Hence, PDIC's present Petition for Review which sets forth this lone assignment of error:

THE HONORABLE COURT OF APPEALS ERRED IN AFFIRMING THE HOLDING OF THE TRIAL COURT THAT THE AMOUNT REPRESENTED IN THE FACES OF THE SO CALLED "GOLDEN TIME DEPOSITS" WERE INSURED DEPOSITS EVEN AS THEY WERE MERE DERIVATIVES OF RESPONDENTS' PREVIOUS ACCOUNT BALANCES WHICH WERE PRE-TERMINATED/TERMINATED AT THE TIME THE MANILA BANKING CORPORATION WAS ALREADY IN SERIOUS FINANCIAL DISTRESS.

In its supplement to the petition, PDIC adds the following assignment of error:

THE HONORABLE COURT OF APPEALS ERRED IN AFFIRMING THE HOLDING OF THE TRIAL COURT ORDERING PETITIONER TO PAY RESPONDENTS' CLAIMS FOR PAYMENT OF INSURED DEPOSITS FOR THE REASON THAT AN ACTION FOR DECLARATORY RELIEF DOES NOT

ESSENTIALLY ENTAIL AN EXECUTORY PROCESS AS THE ONLY RELIEF THAT SHOULD HAVE BEEN GRANTED BY THE TRIAL COURT IS A DECLARATION OF THE RIGHTS AND DUTIES OF PETITIONER UNDER R.A. 3591, AS AMENDED, PARTICULARLY SECTION 3(F) THEREOF AS CONSIDERED AGAINST THE SURROUNDING CIRCUMSTANCES OF THE MATTER IN ISSUE SOUGHT TO BE CONSTRUED WITHOUT PREJUDICE TO OTHER MATTERS THAT NEED TO BE CONSIDERED BY PETITIONER IN THE PROCESSING OF RESPONDENTS' CLAIMS.

Under its charter,[15] PDIC (hereafter petitioner) is liable only for deposits received by a bank "in the usual course of business." [16] Being of the firm conviction that, as the reported May 25, 1987 bank transactions were so massive, hence, irregular, petitioner essentially seeks a judicial declaration that such transactions were not made "in the usual course of business" and, therefore, it cannot be made liable for deposits subject thereof. [17]

Petitioner points that as MBC was prohibited from doing further business by MB Resolution 505 as of May 22, 1987, all transactions subsequent to such date were not done "in the usual course of business."

Petitioner further posits that there was no consideration for the 20 GTDs subject of respondents' claim. In support of this submission, it states that prior to March 25, 1987, when the 20 GTDs were made, MBC had been experiencing liquidity problems, e.g., at the start of banking operations on March 25, 1987, it had only P2,841,711.90 cash on hand and at the end of the day it was left with P27,805.81 consisting mostly of mutilated bills and coins. [18] Hence, even if respondents had wanted to convert the face amounts of the GTDs to cash, MBC could not have complied with it.

Petitioner theorizes that after MBC had exhausted its cash and could no longer sustain further withdrawal transactions, it instead issued new GTDs as "payment" for the pre-terminated GTDs of respondents to make sure that all the newly-issued GTDs have face amounts which are within the statutory coverage of deposit insurance.

Petitioner concludes that since no cash was given by respondents and none was received by MBC when the new GTDs were transacted, there was no consideration therefor and, thus, they were not validly transacted "in the usual course of business" and no liability for deposit insurance was created. [19]

Petitioner's position does not persuade.

While the MB issued Resolution 505 on May 22, 1987, a copy thereof was served on MBC only on May 26, 1987. MBC and its clients could be given the benefit of the doubt that they were not aware that the MB resolution had been passed, given the necessity of confidentiality of placing a banking institution under receivership. [20]

The evident implication of the law, therefore, is that the appointment of a receiver may be made by the Monetary Board without notice and hearing but its action is subject to judicial inquiry to insure the protection of the banking institution. Stated otherwise, due process does not necessarily require a prior hearing; a hearing or an opportunity to be heard may be subsequent to the closure. One can just imagine the dire consequences of a prior hearing: bank runs would be the order of the day, resulting in panic and hysteria. In the process, fortunes may be wiped out, and disillusionment will run the gamut of the entire banking community. (Underlining supplied). [21]

Mere conjectures that MBC had actual knowledge of its impending closure do not suffice. The MB resolution could not thus have nullified respondents' transactions which occurred prior to May 26, 1987.

That no actual money in bills and/or coins was handed by respondents to MBC does not mean that the transactions on the new GTDs did not involve money and that there was no consideration therefor. For the outstanding balance of respondents' 71 GTDs in MBC prior to May 26, 1987 [22] in the amount of P1,115,889.15 as earlier mentioned was re-deposited by respondents under 28 new GTDs. Admittedly, MBC had P2,841,711.90 cash on hand – more than double the outstanding balance of respondent's 71 GTDs – at the start of the banking

day on May 25, 1987. Since respondent Jose Abad was at MBC soon after it opened at 9:00 a.m. of that day, petitioner should not presume that MBC had no cash to cover the new GTDs of respondents and conclude that there was no consideration for said GTDs.

Petitioner having failed to overcome the presumption that the ordinary course of business was followed,[23] this Court finds that the 28 new GTDs were deposited “in the usual course of business” of MBC.

In its second assignment of error, petitioner posits that the trial court erred in ordering it to pay the balance of the deposit insurance to respondents, maintaining that the instant petition stemmed from a petition for declaratory relief which does not essentially entail an executory process, and the only relief that should have been granted by the trial court is a declaration of the parties’ rights and duties. As such, petitioner continues, no order of payment may arise from the case as this is beyond the office of declaratory relief proceedings.[24]

Without doubt, a petition for declaratory relief does not essentially entail an executory process. There is nothing in its nature, however, that prohibits a counterclaim from being set-up in the same action.[25]

Now, there is nothing in the nature of a special civil action for declaratory relief that proscribes the filing of a counterclaim based on the same transaction, deed or contract subject of the complaint. A special civil action is after all not essentially different from an ordinary civil action, which is generally governed by Rules 1 to 56 of the Rules of Court, except that the former deals with a special subject matter which makes necessary some special regulation. But the identity between their fundamental nature is such that the same rules governing ordinary civil suits may and do apply to special civil actions if not inconsistent with or if they may serve to supplement the provisions of the peculiar rules governing special civil actions.[26]

Petitioner additionally submits that the issue of determining the amount of deposit insurance due respondents was never tried on the merits since the trial dwelt only on the “determination of the viability or validity of the deposits” and no evidence on record sustains the holding that the amount of deposit due respondents had been finally determined.[27] This issue was not raised in the court a quo, however, hence, it cannot be raised for the first time in the petition at bar.[28]

Finally, petitioner faults respondents for availing of the statutory limits of the PDIC law, presupposing that, based on the conduct of respondent Jose Abad on March 25, 1987, he and his co-respondents “somehow knew” of the impending closure of MBC. Petitioner ascribes bad faith to respondent Jose Abad in transacting the questioned deposits, and seeks to disqualify him from availing the benefits under the law.[29]

Good faith is presumed. This, petitioner failed to overcome since it offered mere presumptions as evidence of bad faith.

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

SO ORDERED.

Puno, (Chairman), Panganiban, Sandoval-Gutierrez, and Corona, JJ., concur.

[1] Records at 210-211.

[2] Id. at 208-209.

[3] Rollo at 13.

[4] Id. at 12.

[5] Ibid.

[6] Id. at 13.

[7] Records at 214-218; Exhibit “D.”

[8] Rollo at 23.

[9] Records at 214-215.

[10] Rollo at 13-14.

[11] Records at 26-31.

[12] Records at 100-101.

[13] Rollo at 22-34.

[14] Id. at 37-44.

[15] RA 3591, as amended.

[16] Section 3, R.A. 3591, provides: “(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 its certificate of deposit, and trust funds held by such bank whether retained or deposited in any department of such bank or deposited in another bank, together with such other obligations of a bank as the Board of Directors shall find and shall prescribe by regulations to be deposit liabilities of the Bank x x x”

[17] Records at 8-9.

[18] Rollo at 17-18; Records at 59.

[19] Rollo at 18, 122-123.

[20] Vide *Rural Bank of Buhi v. Court of Appeals*, 162 SCRA 288 (1988).

[21] Ibid at 303.

[22] Rollo at 18, 122-123.

[23] Section 3(q), Rule 131, Rules of Court.

[24] Rollo at 82, 125.

[25] *Visayan Packing Corp.*, 155 SCRA 542 (1987).

[26] Id. at 546.

[27] Supplement to Petition for Review and Reply to Respondents’ Comment, Rollo at 82-83 & 108, respectively.

[28] *Philippine Basketball Association v. Court of Appeals*, 337 SCRA 358, 370 (2000) citing *Ruby Industrial Corporation v. Court of Appeals*, 284 SCRA 445; *Salao v. Court of Appeals*, 284 SCRA 493; *Heirs of Pascasio Uriarte v. Court of Appeals*, 284 SCRA 511.

[29] CA Rollo at 49-51.

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.