

BPI FAMILY SAVINGS BANK, INC., PETITIONER, VS. FIRST METRO INVESTMENT CORPORATION, RESPONDENT.

G.R. No. 132390. May 21, 2004

Ponente: SANDOVAL-GUTIERREZ, J.

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SANDOVAL-GUTIERREZ, J.:

For our resolution is the instant petition for review on certiorari under Rule 45 of the 1997 Rules of Civil Procedure, as amended, assailing the Decision[1] dated July 4, 1997 and Resolution[2] dated January 28, 1998 of the Court of Appeals in CA-G.R. CV No. 44986, “First Metro Investment Corporation vs. BPI Family Bank.”

The facts as found by the trial court and affirmed by the Court of Appeals are as follows:

First Metro Investment Corporation (FMIC), respondent, is an investment house organized under Philippine laws. Petitioner, Bank of Philippine Islands Family Savings Bank, Inc. is a banking corporation also organized under Philippine laws.

On August 25, 1989, FMIC, through its Executive Vice President Antonio Ong, opened current account no. 8401-07473-0 and deposited METROBANK check no. 898679 of P100 million with BPI Family Bank* (BPI FB) San Francisco del Monte Branch (Quezon City). Ong made the deposit upon request of his friend, Ador de Asis, a close acquaintance of Jaime Sebastian, then Branch Manager of BPI FB San Francisco del Monte Branch. Sebastian’s aim was to increase the deposit level in his Branch.

BPI FB, through Sebastian, guaranteed the payment of P14,667,687.01 representing 17% per annum interest of P100 million deposited by FMIC. The latter, in turn, assured BPI FB that it will maintain its deposit of P100 million for a period of one year on condition that the interest of 17% per annum is paid in advance.

This agreement between the parties was reached through their communications in writing.

Subsequently, BPI FB paid FMIC 17% interest or P14,667,687.01 upon clearance of the latter’s check deposit.

However, on August 29, 1989, on the basis of an Authority to Debit signed by Ong and Ma. Theresa David, Senior Manager of FMIC, BPI FB transferred P80 million from FMIC’s current account to the savings account of Tevesteco Arrastre – Stevedoring, Inc. (Tevesteco).

FMIC denied having authorized the transfer of its funds to Tevesteco, claiming that the signatures of Ong and David were falsified. Thereupon, to recover immediately its deposit, FMIC, on September 12, 1989, issued BPI FB check no. 129077 for P86,057,646.72 payable to itself and drawn on its deposit with BPI FB SFDM branch. But upon presentation for payment on September 13, 1989, BPI FB dishonored the check as it was “drawn against insufficient funds” (DAIF).

Consequently, FMIC filed with the Regional Trial Court, Branch 146, Makati City Civil Case No. 89-5280 against BPI FB. FMIC likewise caused the filing by the Office of the State Prosecutors of an Information for estafa against Ong, de Asis, Sebastian and four others. However, the Information was dismissed on the basis of a

demurrer to evidence filed by the accused.

On October 1, 1993, the trial court rendered its Decision in Civil Case No. 89-5280, the dispositive portion of which reads:

“Premises considered, judgment is rendered in favor of plaintiff, ordering defendant to pay:

- the amount of P80 million with interest at the legal rate from the time this complaint was filed less P14,667,678.01;
- the amount of P100,000.00 as reasonable attorney’s fees; and
- the cost.

SO ORDERED.”

On appeal by both parties, the Court of Appeals rendered a Decision affirming the assailed Decision with modification, thus:

“WHEREFORE, considering all the foregoing, this Court hereby modifies the decision of the trial court and adjudges BPI Family Bank liable to First Metro Investment Corporation for the amount of P65,332,321.99 plus interest at 17% per annum from August 29, 1989 until fully restored. Further, this 17% interest shall itself earn interest at 12% from October 4, 1989 until fully paid.

SO ORDERED.”

BPI FB then filed a motion for reconsideration but was denied by the Court of Appeals.

In the instant petition, BPI FB ascribes to the Appellate Court the following assignments of error:

- IN VALIDATING A CLEARLY ILLEGAL AND VOID AGREEMENT BETWEEN FMIC AND AN OVERSTEPPING BRANCH MANAGER OF BPI FB, THE COURT OF APPEALS DECIDED THE APPEALED CASE IN A MANNER NOT IN ACCORDANCE WITH LAW OR THE APPLICABLE DECISIONS OF THE HONORABLE COURT.
- THE COURT OF APPEALS TOTALLY IGNORED THE JUDICIAL ADMISSIONS MADE BY FMIC WHEN IT CHARACTERIZED THE TRANSACTION BETWEEN FMIC AND BPI FB AS A TIME DEPOSIT WHEN IN FACT IT WAS AN INTEREST-BEARING CURRENT ACCOUNT WHICH, UNDER THE EXISTING BANK REGULATIONS, WAS AN ILLEGAL TRANSACTION.
- THE COURT OF APPEALS COMMITTED AN EGREGIOUS ERROR IN RULING THAT BPI FB CLOTHED ITS BRANCH MANAGER WITH APPARENT AUTHORITY TO ENTER INTO SUCH A PATENTLY ILLEGAL ARRANGEMENT.
- THE COURT OF APPEALS COMMITTED REVERSIBLE ERROR WHEN IT REFUSED TO CONSIDER THE NEGLIGENT ACTS COMMITTED BY FMIC ITSELF WHICH LED TO THE TRANSFER OF THE P80 MILLION FROM THE FMIC ACCOUNT TO THE TEVESTECO ACCOUNT.
- THE COURT OF APPEALS DID NOT ADHERE TO SETTLED JURISPRUDENCE WHEN IT ADJUDGED BPI FB LIABLE TO FMIC FOR AN AMOUNT WHICH WAS MORE THAN WHAT WAS CONTEMPLATED OR PRAYED FOR IN FMIC’S COMPLAINT, MOTION FOR RECONSIDERATION OF THE TRIAL COURT’S DECISION AND APPEAL BRIEF.
- IN SUPPORT OF ITS ALTERNATIVE PRAYER, PETITIONER SUBMITS THAT THE COURT OF APPEALS COMMITTED REVERSIBLE ERROR IN NOT ORDERING THE CONSOLIDATION OF THE

INSTANT CASE WITH THE TEVESTECO CASE WHICH IS STILL PENDING BEFORE THE MAKATI REGIONAL TRIAL COURT.”

Petitioner BPI FB contends that the Court of Appeals erred in awarding the 17% per annum interest corresponding to the amount deposited by respondent FMIC. Petitioner insists that respondent’s deposit is not a special savings account similar to a time deposit, but actually a demand deposit, withdrawable upon demand, proscribed from earning interest under Central Bank Circular 777. Petitioner further contends that the transaction is not valid as its Branch Manager, Jaime Sebastian, clearly overstepped his authority in entering into such an agreement with respondent’s Executive Vice President.

We hold that the parties did not intend the deposit to be treated as a demand deposit but rather as an interest-earning time deposit not withdrawable any time. This is quite obvious from the communications between Jaime Sebastian, petitioner’s Branch Manager, and Antonio Ong, respondent’s Executive Vice President. Both agreed that the deposit of P100 million was non-withdrawable for one year upon payment in advance of the 17% per annum interest. Respondent’s time deposit of P100 million was accepted by petitioner as shown by a deposit slip prepared and signed by Ong himself who indicated therein the account number to which the deposit is to be credited, the name of FMIC as depositor or account holder, the date of deposit, and the amount of P100 million as deposit in check. Clearly, when respondent FMIC invested its money with petitioner BPI FB, they intended the P100 million as a time deposit, to earn 17% per annum interest and to remain intact until its maturity date one year thereafter.

Ordinarily, a time deposit is defined as “one the payment of which cannot legally be required within such a specified number of days.”[3]

In contrast, demand deposits are “all those liabilities of the Bangko Sentral and of other banks which are denominated in Philippine currency and are subject to payment in legal tender upon demand by the presentation of (depositor’s) checks.”[4]

While it may be true that barely one month and seven days from the date of deposit, respondent FMIC demanded the withdrawal of P86,057,646.72 through the issuance of a check payable to itself, the same was made as a result of the fraudulent and unauthorized transfer by petitioner BPI FB of its P80 million deposit to Tevesteco’s savings account. Certainly, such was a normal reaction of respondent as a depositor to petitioner’s failure in its fiduciary duty to treat its account with the highest degree of care.

Under this circumstance, the withdrawal of deposit by respondent FMIC before the one- year maturity date did not change the nature of its time deposit to one of demand deposit.

On another tack, petitioner’s argument that Central Bank regulations prohibit demand deposit from earning interest is bereft of merit.

Under Central Bank Circular No. 22, Series of 1994, “demand deposits shall not be subject to any interest rate ceiling.” This, in effect, is an open authority to pay interest on demand deposits, such interest not being subject to any rate ceiling.

Likewise, time deposits are not subject to interest rate ceiling. In fact, the rate ceiling was abolished and even allowed to float depending on the market conditions. Sections 1244 and 1244.1 of the Manual of Regulations of the Central Bank of the Philippines provide:

“Sec. 1244. Interest on time deposit. Time deposits shall not be subject to any interest rate ceiling.

Sec. 1244.1. Time of payment. Interest on time deposit may be paid at maturity or upon withdrawal or in

advance. Provided, however, That interest paid in advance shall not exceed the interest for one year.”

Thus, even assuming that respondent’s account with petitioner is a demand deposit, still it would earn interest.

Going back to the unauthorized transfer of respondent’s funds to Tevesteco, in its attempt to evade any liability therefor, petitioner now impugns the validity of the subject agreement on the ground that its Branch Manager, Jaime Sebastian, overstepped the limits of his authority in accepting respondent’s deposit with 17% interest per annum. We have held that if a corporation knowingly permits its officer, or any other agent, to perform acts within the scope of an apparent authority, holding him out to the public as possessing power to do those acts, the corporation will, as against any person who has dealt in good faith with the corporation through such agent, be estopped from denying such authority.[5] We reiterated this doctrine in *Prudential Bank vs. Court of Appeals*,[6] thus:

“A bank holding out its officers and agent as worthy of confidence will not be permitted to profit by the frauds they may thus be enabled to perpetrate in the apparent scope of their employment; nor will it be permitted to shirk its responsibility for such frauds, even though no benefit may accrue to the bank therefrom. Accordingly, a banking corporation is liable to innocent third persons where the representation is made in the course of its business by an agent acting within the general scope of his authority even though the agent is secretly abusing his authority and attempting to perpetrate a fraud upon his principal or some other person for his own ultimate benefit.”

In *Francisco vs. Government Service Insurance System*,[7] we ruled:

“Corporate transactions would speedily come to a standstill were every person dealing with a corporation held duty-bound to disbelieve every act of its responsible officers, no matter how regular they should appear on their face. This Court has observed in *Ramirez vs. Orientalist Co.*, 38 Phil. 634, 654-655, that –

‘In passing upon the liability of a corporation in cases of this kind it is always well to keep in mind the situation as it presents itself to the third party with whom the contract is made. Naturally he can have little or no information as to what occurs in corporate meetings; and he must necessarily rely upon the external manifestations of corporate consent. The integrity of commercial transactions can only be maintained by holding the corporation strictly to the liability fixed upon it by its agents in accordance with law; and we would be sorry to announce a doctrine which would permit the property of a man in the city of Paris to be whisked out of his hands and carried into a remote quarter of the earth without recourse against the corporation whose name and authority had been used in the manner disclosed in this case. As already observed, it is familiar doctrine that if a corporation knowingly permits one of its officers, or any other agent, to do acts within the scope of an apparent authority, and thus holds him out to the public as possessing power to do those acts, the corporation will, as against any one who has in good faith dealt with the corporation through such agent, be estopped from denying his authority; and where it is said ‘if the corporation permits,’ this means the same as ‘if the thing is permitted by the directing power of the corporation.’”

Petitioner maintains that respondent should have first inquired whether the deposit of P100 Million and the fixing of the interest rate were pursuant to its (petitioner’s) internal procedures. Petitioner’s stance is a futile attempt to evade an obligation clearly established by the intent of the parties. What transpires in the corporate board room is entirely an internal matter. Hence, petitioner may not impute negligence on the part of respondent’s representative in failing to find out the scope of authority of petitioner’s Branch Manager. Indeed, the public has the right to rely on the trustworthiness of bank managers and their acts. Obviously, confidence in the banking system, which necessarily includes reliance on bank managers, is vital in the economic life of our society.

Significantly, the transaction was actually acknowledged and ratified by petitioner when it paid respondent in advance the interest for one year. Thus, petitioner is estopped from denying that it authorized its Branch Manager to enter into an agreement with respondent’s Executive Vice President concerning the deposit with the

corresponding 17% interest per annum.

Anent the award of interest, petitioner contends that such award is not in order as it had not been prayed for by respondent in its complaint nor was it an issue agreed upon by the parties during the pre-trial of the case. Nonetheless, the rule is well settled that when the obligation is breached, and it consists in the payment of a sum of money, i.e., a loan or forbearance of money, the interest due should be that which may have been stipulated in writing, as in this case. Furthermore, the interest due shall itself earn legal interest from the time it is judicially demanded.[8] Besides, the matter of how much interest respondent is entitled to falls squarely within the issues framed by the parties in their respective pleadings filed with the court a quo. At any rate, courts may indeed grant the relief warranted by the allegations and proof even if no such specific relief is prayed for if only to conclude a complete and thorough resolution of the issues involved.[9]

Finally, petitioner faults the Court of Appeals in not ordering the consolidation of Civil Case No. 89-4996 (filed by petitioner against Tevesteco) with Civil Case No. 89-5280 (the instant case). According to petitioner, had there been consolidation of these two cases, it would have been shown that the P80 Million transferred to Tevesteco's account were proceeds of a loan extended by respondent FMIC to Tevesteco. Suffice it to state that as found by both the trial court and the Appellate Court, petitioner's transfer of respondent's P80M to Tevesteco was unauthorized and tainted with fraud.

At this point, we must emphasize that this Court is not a trier of facts. Thus, we uphold the finding of both lower courts that petitioner failed to exercise that degree of diligence required by the nature of its obligations to its depositors. A bank is under obligation to treat the accounts of its depositors with meticulous care, whether such account consists only of a few hundred pesos or of million of pesos.[10] Here, petitioner cannot claim it exercised such a degree of care required of it and must, therefore, bear the consequence.

WHEREFORE, the petition is DENIED. The assailed Decision dated July 4, 1997 and the Resolution dated January 28, 1998 of the Court of Appeals in CA-G.R. CV No. 44986 are hereby AFFIRMED. Costs against petitioner.

SO ORDERED.

Vitug, (Chairman), Corona, and Carpio Morales, JJ., concur.

* Owned by petitioner BPI Family Savings Bank, Inc.

[1] Annex "A", Petition for Review on Certiorari, Rollo at 67-79.

[2] Annex "B", id. at 80-90.

[3] 10 Am Jur 2d § 652, citing 12 CFR § 204.2 (c) (1).

[4] See Section 58, Republic Act No. 7653 "The New Central Bank Act."

[5] Francisco vs. GSIS, G.R. No. L-18287, March 30, 1963, 117 Phil 587, 593.

[6] G.R. No. 108957, June 14, 1993, 223 SCRA 350.

[7] Supra.

[8] Eastern Shipping Lines, Inc. vs. Court of Appeals, G.R. No. 97412, July 17, 1994, 234 SCRA 78; Eastern Assurance and Surety Corporation vs. Court of Appeals, G.R. No. 127135, January 18, 2000, 322 SCRA 73, cited in Rizal Commercial Banking Corporation vs. Alfa RTW Manufacturing Corporation, G.R. No. 133877,

November 14, 2001, 368 SCRA 611, 619.

[9] Robleza vs. Court of Appeals, G.R. No. 80364, June 28, 1989, 174 SCRA 354.

[10] Firestone Tire & Rubber Company of the Philippines vs. Court of Appeals, G.R. No. 113236, March 5, 2001, 353 SCRA 601, 609, citing Philippine Bank of Commerce vs. Court of Appeals, 269 SCRA 695, 699 (1997).

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