

ALLIED BANKING CORPORATION, PETITIONER, VS. LIM SIO WAN, METROPOLITAN BANK AND TRUST CO., AND PRODUCERS BANK, RESPONDENTS.

G.R. No. 133179. March 27, 2008

Ponente: VELASCO JR., J.

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VELASCO JR., J.:

To ingratiate themselves to their valued depositors, some banks at times bend over backwards that they unwittingly expose themselves to great risks.

The Case

This Petition for Review on Certiorari under Rule 45 seeks to reverse the Court of Appeals' (CA's) Decision promulgated on March 18, 1998[1] in CA-G.R. CV No. 46290 entitled *Lim Sio Wan v. Allied Banking Corporation, et al.* The CA Decision modified the Decision dated November 15, 1993[2] of the Regional Trial Court (RTC), Branch 63 in Makati City rendered in Civil Case No. 6757.

The Facts

The facts as found by the RTC and affirmed by the CA are as follows:

On November 14, 1983, respondent Lim Sio Wan deposited with petitioner Allied Banking Corporation (Allied) at its Quintin Paredes Branch in Manila a money market placement of PhP 1,152,597.35 for a term of 31 days to mature on December 15, 1983,[3] as evidenced by Provisional Receipt No. 1356 dated November 14, 1983.[4]

On December 5, 1983, a person claiming to be Lim Sio Wan called up Cristina So, an officer of Allied, and instructed the latter to pre-terminate Lim Sio Wan's money market placement, to issue a manager's check representing the proceeds of the placement, and to give the check to one Deborah Dee Santos who would pick up the check.[5] Lim Sio Wan described the appearance of Santos so that So could easily identify her.[6]

Later, Santos arrived at the bank and signed the application form for a manager's check to be issued.[7] The bank issued Manager's Check No. 035669 for PhP 1,158,648.49, representing the proceeds of Lim Sio Wan's money market placement in the name of Lim Sio Wan, as payee.[8] The check was cross-checked "For Payee's Account Only" and given to Santos.[9]

Thereafter, the manager's check was deposited in the account of Filipinas Cement Corporation (FCC) at respondent Metropolitan Bank and Trust Co. (Metrobank),[10] with the forged signature of Lim Sio Wan as indorser.[11]

Earlier, on September 21, 1983, FCC had deposited a money market placement for PhP 2 million with respondent Producers Bank. Santos was the money market trader assigned to handle FCC's account.[12] Such deposit is evidenced by Official Receipt No. 317568[13] and a Letter dated September 21, 1983 of Santos addressed to Angie Lazo of FCC, acknowledging receipt of the placement.[14] The placement matured on October 25, 1983 and was rolled-over until December 5, 1983 as evidenced by a Letter dated October 25, 1983.[15] When the

placement matured, FCC demanded the payment of the proceeds of the placement.[16] On December 5, 1983, the same date that So received the phone call instructing her to pre-terminate Lim Sio Wan's placement, the manager's check in the name of Lim Sio Wan was deposited in the account of FCC, purportedly representing the proceeds of FCC's money market placement with Producers Bank.[17] In other words, the Allied check was deposited with Metrobank in the account of FCC as Producers Bank's payment of its obligation to FCC.

To clear the check and in compliance with the requirements of the Philippine Clearing House Corporation (PCHC) Rules and Regulations, Metrobank stamped a guaranty on the check, which reads: "All prior endorsements and/or lack of endorsement guaranteed." [18]

The check was sent to Allied through the PCHC. Upon the presentment of the check, Allied funded the check even without checking the authenticity of Lim Sio Wan's purported indorsement. Thus, the amount on the face of the check was credited to the account of FCC.[19]

On December 9, 1983, Lim Sio Wan deposited with Allied a second money market placement to mature on January 9, 1984.[20]

On December 14, 1983, upon the maturity date of the first money market placement, Lim Sio Wan went to Allied to withdraw it.[21] She was then informed that the placement had been pre-terminated upon her instructions. She denied giving any instructions and receiving the proceeds thereof. She desisted from further complaints when she was assured by the bank's manager that her money would be recovered.[22]

When Lim Sio Wan's second placement matured on January 9, 1984, So called Lim Sio Wan to ask for the latter's instructions on the second placement. Lim Sio Wan instructed So to roll-over the placement for another 30 days.[23] On January 24, 1984, Lim Sio Wan, realizing that the promise that her money would be recovered would not materialize, sent a demand letter to Allied asking for the payment of the first placement.[24] Allied refused to pay Lim Sio Wan, claiming that the latter had authorized the pre-termination of the placement and its subsequent release to Santos.[25]

Consequently, Lim Sio Wan filed with the RTC a Complaint dated February 13, 1984[26] docketed as Civil Case No. 6757 against Allied to recover the proceeds of her first money market placement. Sometime in February 1984, she withdrew her second placement from Allied.

Allied filed a third party complaint[27] against Metrobank and Santos. In turn, Metrobank filed a fourth party complaint[28] against FCC. FCC for its part filed a fifth party complaint[29] against Producers Bank. Summonses were duly served upon all the parties except for Santos, who was no longer connected with Producers Bank.[30]

On May 15, 1984, or more than six (6) months after funding the check, Allied informed Metrobank that the signature on the check was forged.[31] Thus, Metrobank withheld the amount represented by the check from FCC. Later on, Metrobank agreed to release the amount to FCC after the latter executed an Undertaking, promising to indemnify Metrobank in case it was made to reimburse the amount.[32]

Lim Sio Wan thereafter filed an amended complaint to include Metrobank as a party-defendant, along with Allied.[33] The RTC admitted the amended complaint despite the opposition of Metrobank.[34] Consequently, Allied's third party complaint against Metrobank was converted into a cross-claim and the latter's fourth party complaint against FCC was converted into a third party complaint.[35]

After trial, the RTC issued its Decision, holding as follows:

WHEREFORE, judgment is hereby rendered as follows:

- Ordering defendant Allied Banking Corporation to pay plaintiff the amount of P1,158,648.49 plus 12%

interest per annum from March 16, 1984 until fully paid;

- Ordering defendant Allied Bank to pay plaintiff the amount of P100,000.00 by way of moral damages;
- Ordering defendant Allied Bank to pay plaintiff the amount of P173,792.20 by way of attorney's fees; and,
- Ordering defendant Allied Bank to pay the costs of suit.

Defendant Allied Bank's cross-claim against defendant Metrobank is DISMISSED.

Likewise defendant Metrobank's third-party complaint as against Filipinas Cement Corporation is DISMISSED.

Filipinas Cement Corporation's fourth-party complaint against Producer's Bank is also DISMISSED.

SO ORDERED.[36]

The Decision of the Court of Appeals

Allied appealed to the CA, which in turn issued the assailed Decision on March 18, 1998, modifying the RTC Decision, as follows:

WHEREFORE, premises considered, the decision appealed from is MODIFIED. Judgment is rendered ordering and sentencing defendant-appellant Allied Banking Corporation to pay sixty (60%) percent and defendant-appellee Metropolitan Bank and Trust Company forty (40%) of the amount of P1,158,648.49 plus 12% interest per annum from March 16, 1984 until fully paid. The moral damages, attorney's fees and costs of suit adjudged shall likewise be paid by defendant-appellant Allied Banking Corporation and defendant-appellee Metropolitan Bank and Trust Company in the same proportion of 60-40. Except as thus modified, the decision appealed from is AFFIRMED.

SO ORDERED.[37]

Hence, Allied filed the instant petition.

The Issues

Allied raises the following issues for our consideration:

The Honorable Court of Appeals erred in holding that Lim Sio Wan did not authorize [Allied] to pre-terminate the initial placement and to deliver the check to Deborah Santos.

The Honorable Court of Appeals erred in absolving Producers Bank of any liability for the reimbursement of amount adjudged demandable.

The Honorable Court of Appeals erred in holding [Allied] liable to the extent of 60% of amount adjudged demandable in clear disregard to the ultimate liability of Metrobank as guarantor of all endorsement on the check, it being the collecting bank.[38]

The petition is partly meritorious.

A Question of Fact

Allied questions the finding of both the trial and appellate courts that Allied was not authorized to release the proceeds of Lim Sio Wan's money market placement to Santos. Allied clearly raises a question of fact. When the CA affirms the findings of fact of the RTC, the factual findings of both courts are binding on this Court.[39]

We also agree with the CA when it said that it could not disturb the trial court's findings on the credibility of witness So inasmuch as it was the trial court that heard the witness and had the opportunity to observe closely her deportment and manner of testifying. Unless the trial court had plainly overlooked facts of substance or value,

which, if considered, might affect the result of the case,[40] we find it best to defer to the trial court on matters pertaining to credibility of witnesses.

Additionally, this Court has held that the matter of negligence is also a factual question.[41] Thus, the finding of the RTC, affirmed by the CA, that the respective parties were negligent in the exercise of their obligations is also conclusive upon this Court.

The Liability of the Parties

As to the liability of the parties, we find that Allied is liable to Lim Sio Wan. Fundamental and familiar is the doctrine that the relationship between a bank and a client is one of debtor-creditor.

Articles 1953 and 1980 of the Civil Code provide:

Art. 1953. A person who receives a loan of money or any other fungible thing acquires the ownership thereof, and is bound to pay to the creditor an equal amount of the same kind and quality.

Art. 1980. Fixed, savings, and current deposits of money in banks and similar institutions shall be governed by the provisions concerning simple loan.

Thus, we have ruled in a line of cases that a bank deposit is in the nature of a simple loan or mutuum.[42] More succinctly, in *Citibank, N.A. (Formerly First National City Bank) v. Sabeniano*, this Court ruled that a money market placement is a simple loan or mutuum.[43] Further, we defined a money market in *Cebu International Finance Corporation v. Court of Appeals*, as follows:

[A] money market is a market dealing in standardized short-term credit instruments (involving large amounts) where lenders and borrowers do not deal directly with each other but through a middle man or dealer in open market. In a money market transaction, the investor is a lender who loans his money to a borrower through a middleman or dealer.

In the case at bar, the money market transaction between the petitioner and the private respondent is in the nature of a loan.[44]

Lim Sio Wan, as creditor of the bank for her money market placement, is entitled to payment upon her request, or upon maturity of the placement, or until the bank is released from its obligation as debtor. Until any such event, the obligation of Allied to Lim Sio Wan remains unextinguished.

Art. 1231 of the Civil Code enumerates the instances when obligations are considered extinguished, thus:

Art. 1231. Obligations are extinguished:

- (1) By payment or performance;
- (2) By the loss of the thing due;
- (3) By the condonation or remission of the debt;
- (4) By the confusion or merger of the rights of creditor and debtor;
- (5) By compensation;
- (6) By novation.

Other causes of extinguishment of obligations, such as annulment, rescission, fulfillment of a resolutory condition, and prescription, are governed elsewhere in this Code. (Emphasis supplied.)

From the factual findings of the trial and appellate courts that Lim Sio Wan did not authorize the release of her

money market placement to Santos and the bank had been negligent in so doing, there is no question that the obligation of Allied to pay Lim Sio Wan had not been extinguished. Art. 1240 of the Code states that "payment shall be made to the person in whose favor the obligation has been constituted, or his successor in interest, or any person authorized to receive it." As commented by Arturo Tolentino:

Payment made by the debtor to a wrong party does not extinguish the obligation as to the creditor, if there is no fault or negligence which can be imputed to the latter. Even when the debtor acted in utmost good faith and by mistake as to the person of his creditor, or through error induced by the fraud of a third person, the payment to one who is not in fact his creditor, or authorized to receive such payment, is void, except as provided in Article 1241. Such payment does not prejudice the creditor, and accrual of interest is not suspended by it.[45] (Emphasis supplied.)

Since there was no effective payment of Lim Sio Wan's money market placement, the bank still has an obligation to pay her at six percent (6%) interest from March 16, 1984 until the payment thereof.

We cannot, however, say outright that Allied is solely liable to Lim Sio Wan.

Allied claims that Metrobank is the proximate cause of the loss of Lim Sio Wan's money. It points out that Metrobank guaranteed all prior indorsements inscribed on the manager's check, and without Metrobank's guarantee, the present controversy would never have occurred. According to Allied:

Failure on the part of the collecting bank to ensure that the proceeds of the check is paid to the proper party is, aside from being an efficient intervening cause, also the last negligent act, x x x contributory to the injury caused in the present case, which thereby leads to the conclusion that it is the collecting bank, Metrobank that is the proximate cause of the alleged loss of the plaintiff in the instant case.[46]

We are not persuaded.

Proximate cause is "that cause, which, in natural and continuous sequence, unbroken by any efficient intervening cause, produces the injury and without which the result would not have occurred." [47] Thus, there is an efficient supervening event if the event breaks the sequence leading from the cause to the ultimate result. To determine the proximate cause of a controversy, the question that needs to be asked is: If the event did not happen, would the injury have resulted? If the answer is NO, then the event is the proximate cause.

In the instant case, Allied avers that even if it had not issued the check payment, the money represented by the check would still be lost because of Metrobank's negligence in indorsing the check without verifying the genuineness of the indorsement thereon.

Section 66 in relation to Sec. 65 of the Negotiable Instruments Law provides:

Section 66. Liability of general indorser.--Every indorser who indorses without qualification, warrants to all subsequent holders in due course;

- a) The matters and things mentioned in subdivisions (a), (b) and (c) of the next preceding section; and
- b) That the instrument is at the time of his indorsement valid and subsisting;

And in addition, he engages that on due presentment, it shall be accepted or paid, or both, as the case may be according to its tenor, and that if it be dishonored, and the necessary proceedings on dishonor be duly taken, he will pay the amount thereof to the holder, or to any subsequent indorser who may be compelled to pay it.

Section 65. Warranty where negotiation by delivery, so forth.--Every person negotiating an instrument by delivery or by a qualified indorsement, warrants:

- a) That the instrument is genuine and in all respects what it purports to be;
- b) That he has a good title of it;
- c) That all prior parties had capacity to contract;
- d) That he has no knowledge of any fact which would impair the validity of the instrument or render it valueless.

But when the negotiation is by delivery only, the warranty extends in favor of no holder other than the immediate transferee.

The provisions of subdivision (c) of this section do not apply to persons negotiating public or corporation securities, other than bills and notes. (Emphasis supplied.)

The warranty "that the instrument is genuine and in all respects what it purports to be" covers all the defects in the instrument affecting the validity thereof, including a forged indorsement. Thus, the last indorser will be liable for the amount indicated in the negotiable instrument even if a previous indorsement was forged. We held in a line of cases that "a collecting bank which indorses a check bearing a forged indorsement and presents it to the drawee bank guarantees all prior indorsements, including the forged indorsement itself, and ultimately should be held liable therefor." [48]

However, this general rule is subject to exceptions. One such exception is when the issuance of the check itself was attended with negligence. Thus, in the cases cited above where the collecting bank is generally held liable, in two of the cases where the checks were negligently issued, this Court held the institution issuing the check just as liable as or more liable than the collecting bank.

In isolated cases where the checks were deposited in an account other than that of the payees on the strength of forged indorsements, we held the collecting bank solely liable for the whole amount of the checks involved for having indorsed the same. In *Republic Bank v. Ebrada*, [49] the check was properly issued by the Bureau of Treasury. While in *Banco de Oro Savings and Mortgage Bank (Banco de Oro) v. Equitable Banking Corporation*, [50] Banco de Oro admittedly issued the checks in the name of the correct payees. And in *Traders Royal Bank v. Radio Philippines Network, Inc.*, [51] the checks were issued at the request of Radio Philippines Network, Inc. from Traders Royal Bank.

However, in *Bank of the Philippine Islands v. Court of Appeals*, we said that the drawee bank is liable for 60% of the amount on the face of the negotiable instrument and the collecting bank is liable for 40%. We also noted the relative negligence exhibited by two banks, to wit:

Both banks were negligent in the selection and supervision of their employees resulting in the encashment of the forged checks by an impostor. Both banks were not able to overcome the presumption of negligence in the selection and supervision of their employees. It was the gross negligence of the employees of both banks which resulted in the fraud and the subsequent loss. While it is true that petitioner BPI's negligence may have been the proximate cause of the loss, respondent CBC's negligence contributed equally to the success of the impostor in encashing the proceeds of the forged checks. Under these circumstances, we apply Article 2179 of the Civil Code to the effect that while respondent CBC may recover its losses, such losses are subject to mitigation by the courts. (See *Phoenix Construction Inc. v. Intermediate Appellate Courts*, 148 SCRA 353 [1987]).

Considering the comparative negligence of the two (2) banks, we rule that the demands of substantial justice are satisfied by allocating the loss of P2,413,215.16 and the costs of the arbitration proceeding in the amount of P7,250.00 and the cost of litigation on a 60-40 ratio. [52]

Similarly, we ruled in *Associated Bank v. Court of Appeals* that the issuing institution and the collecting bank should equally share the liability for the loss of amount represented by the checks concerned due to the negligence of both parties:

The Court finds as reasonable, the proportionate sharing of fifty percent-fifty percent (50%-50%). Due to the negligence of the Province of Tarlac in releasing the checks to an unauthorized person (Fausto Pangilinan), in allowing the retired hospital cashier to receive the checks for the payee hospital for a period close to three years and in not properly ascertaining why the retired hospital cashier was collecting checks for the payee hospital in addition to the hospital's real cashier, respondent Province contributed to the loss amounting to P203,300.00 and shall be liable to the PNB for fifty (50%) percent thereof. In effect, the Province of Tarlac can only recover fifty percent (50%) of P203,300.00 from PNB.

The collecting bank, Associated Bank, shall be liable to PNB for fifty (50%) percent of P203,300.00. It is liable on its warranties as indorser of the checks which were deposited by Fausto Pangilinan, having guaranteed the genuineness of all prior indorsements, including that of the chief of the payee hospital, Dr. Adena Canlas. Associated Bank was also remiss in its duty to ascertain the genuineness of the payee's indorsement.[53]

A reading of the facts of the two immediately preceding cases would reveal that the reason why the bank or institution which issued the check was held partially liable for the amount of the check was because of the negligence of these parties which resulted in the issuance of the checks.

In the instant case, the trial court correctly found Allied negligent in issuing the manager's check and in transmitting it to Santos without even a written authorization.[54] In fact, Allied did not even ask for the certificate evidencing the money market placement or call up Lim Sio Wan at her residence or office to confirm her instructions. Both actions could have prevented the whole fraudulent transaction from unfolding. Allied's negligence must be considered as the proximate cause of the resulting loss.

To reiterate, had Allied exercised the diligence due from a financial institution, the check would not have been issued and no loss of funds would have resulted. In fact, there would have been no issuance of indorsement had there been no check in the first place.

The liability of Allied, however, is concurrent with that of Metrobank as the last indorser of the check. When Metrobank indorsed the check in compliance with the PCHC Rules and Regulations[55] without verifying the authenticity of Lim Sio Wan's indorsement and when it accepted the check despite the fact that it was cross-checked payable to payee's account only,[56] its negligent and cavalier indorsement contributed to the easier release of Lim Sio Wan's money and perpetuation of the fraud. Given the relative participation of Allied and Metrobank to the instant case, both banks cannot be adjudged as equally liable. Hence, the 60:40 ratio of the liabilities of Allied and Metrobank, as ruled by the CA, must be upheld.

FCC, having no participation in the negotiation of the check and in the forgery of Lim Sio Wan's indorsement, can raise the real defense of forgery as against both banks.[57]

As to Producers Bank, Allied Bank's argument that Producers Bank must be held liable as employer of Santos under Art. 2180 of the Civil Code is erroneous. Art. 2180 pertains to the vicarious liability of an employer for quasi-delicts that an employee has committed. Such provision of law does not apply to civil liability arising from delict.

One also cannot apply the principle of subsidiary liability in Art. 103 of the Revised Penal Code in the instant case. Such liability on the part of the employer for the civil aspect of the criminal act of the employee is based on the conviction of the employee for a crime. Here, there has been no conviction for any crime.

As to the claim that there was unjust enrichment on the part of Producers Bank, the same is correct. Allied correctly claims in its petition that Producers Bank should reimburse Allied for whatever judgment that may be rendered against it pursuant to Art. 22 of the Civil Code, which provides: "Every person who through an act of performance by another, or any other means, acquires or comes into possession of something at the expense of the latter without just cause or legal ground, shall return the same to him."

The above provision of law was clarified in *Reyes v. Lim*, where we ruled that "[t]here is unjust enrichment when a person unjustly retains a benefit to the loss of another, or when a person retains money or property of another against the fundamental principles of justice, equity and good conscience." [58]

In *Tamio v. Ticson*, we further clarified the principle of unjust enrichment, thus: "Under Article 22 of the Civil Code, there is unjust enrichment when (1) a person is unjustly benefited, and (2) such benefit is derived at the expense of or with damages to another." [59]

In the instant case, Lim Sio Wan's money market placement in Allied Bank was pre-terminated and withdrawn without her consent. Moreover, the proceeds of the placement were deposited in Producers Bank's account in Metrobank without any justification. In other words, there is no reason that the proceeds of Lim Sio Wan's placement should be deposited in FCC's account purportedly as payment for FCC's money market placement and interest in Producers Bank. With such payment, Producers Bank's indebtedness to FCC was extinguished, thereby benefitting the former. Clearly, Producers Bank was unjustly enriched at the expense of Lim Sio Wan. Based on the facts and circumstances of the case, Producers Bank should reimburse Allied and Metrobank for the amounts the two latter banks are ordered to pay Lim Sio Wan.

It cannot be validly claimed that FCC, and not Producers Bank, should be considered as having been unjustly enriched. It must be remembered that FCC's money market placement with Producers Bank was already due and demandable; thus, Producers Bank's payment thereof was justified. FCC was entitled to such payment. As earlier stated, the fact that the indorsement on the check was forged cannot be raised against FCC which was not a part in any stage of the negotiation of the check. FCC was not unjustly enriched.

From the facts of the instant case, we see that Santos could be the architect of the entire controversy. Unfortunately, since summons had not been served on Santos, the courts have not acquired jurisdiction over her. [60] We, therefore, cannot ascribe to her liability in the instant case.

Clearly, Producers Bank must be held liable to Allied and Metrobank for the amount of the check plus 12% interest per annum, moral damages, attorney's fees, and costs of suit which Allied and Metrobank are adjudged to pay Lim Sio Wan based on a proportion of 60:40.

WHEREFORE, the petition is PARTLY GRANTED. The March 18, 1998 CA Decision in CA-G.R. CV No. 46290 and the November 15, 1993 RTC Decision in Civil Case No. 6757 are AFFIRMED with MODIFICATION.

Thus, the CA Decision is AFFIRMED, the fallo of which is reproduced, as follows:

WHEREFORE, premises considered, the decision appealed from is MODIFIED. Judgment is rendered ordering and sentencing defendant-appellant Allied Banking Corporation to pay sixty (60%) percent and defendant-appellee Metropolitan Bank and Trust Company forty (40%) of the amount of P1,158,648.49 plus 12% interest per annum from March 16, 1984 until fully paid. The moral damages, attorney's fees and costs of suit adjudged shall likewise be paid by defendant-appellant Allied Banking Corporation and defendant-appellee Metropolitan Bank and Trust Company in the same proportion of 60-40. Except as thus modified, the decision appealed from is AFFIRMED.

SO ORDERED.

Additionally and by way of MODIFICATION, Producers Bank is hereby ordered to pay Allied and Metrobank the aforementioned amounts. The liabilities of the parties are concurrent and independent of each other.

SO ORDERED.

Quisumbing, (Chairperson), Carpio Morales, Tinga, and Chico-Nazario, JJ., concur.

* Additional member as per Special Order No. 494 dated March 3, 2008.

[1] Rollo, pp. 52-72. Penned by Associate Justice Eduardo G. Montenegro (Chairperson) and concurred in by Associate Justices Salvador J. Valdez, Jr. and Rodrigo V. Cosico.

[2] Id. at 73-81.

[3] Records, p. 1294. TSN, February 27, 1991, p. 5.

[4] Exhibit "A," Exhibits Folder, p. 3.

[5] Records, pp. 1294-1295. TSN, February 27, 1991, pp. 5-6.

[6] Id. at 1295.

[7] Id. at 1296.

[8] Id. at 1297.

[9] Exhibit "K," "3-Allied," Exhibits Folder.

[10] Records, p. 1164. TSN, December 12, 1986, p. 30.

[11] Id. at 1165a.

[12] Id. at 1237.

[13] Id. at 171.

[14] Id. at 169.

[15] Id. at 172.

[16] Id. at 1306. TSN, August 3, 1992, p. 4.

[17] Id. at 1308.

[18] Exhibit "3-B," Exhibits Folder, p. 1.

[19] Records, pp. 1308-1309. TSN, August 3, 1992, pp. 6-7.

[20] Id. at 1169. TSN, December 12, 1986, p. 41.

[21] Id. at 1165. Id. at 33.

[22] Id. at 1170. Id. at 43.

[23] Id. at 1300. TSN, February 27, 1991, p. 11.

- [24] Exhibit "F," Exhibits Folder, p. 7.
- [25] Records, p. 1171a. TSN, December 12, 1986, p. 46.
- [26] Id. at 1-6.
- [27] Id. at 16-25.
- [28] Id. at 121-139
- [29] Id. at 146-172.
- [30] Id. at 40.
- [31] Rollo, p. 216.
- [32] Id. at 217.
- [33] Records, pp. 262-269.
- [34] Id. at 293.
- [35] Id. at 295-296.
- [36] Supra note 2, at 80-81.
- [37] Supra note 1, at 71.
- [38] Rollo, pp. 28-29.
- [39] Uy v. Court of Appeals, G.R. No. 109197, 21 June 2001, 359 SCRA 262, 269.
- [40] Rollo, pp. 60-61.
- [41] Pacific Airways v. Tonda, G.R. No. 138478, November 26, 2002, 392 SCRA 625, 629.
- [42] Integrated Realty Corp. v. Philippine National Bank, No. L-60705, June 28, 1989, 174 SCRA 295, 309; Serrano v. Central Bank of the Philippines, No. L-30511, February 14, 1980, 96 SCRA 96, 102; and Central Bank of the Philippines v. Morfe, No. L-38427, March 12, 1975, 63 SCRA 114, 119.
- [43] G.R. No. 156132, October 12, 2006, 504 SCRA 378, 466.
- [44] G.R. No. 123031, October 12, 1999, 316 SCRA 488, 497.
- [45] 4 A.M. Tolentino, Commentaries and Jurisprudence on the Civil Code of the Philippines 285 (1995).
- [46] Rollo, p. 41.
- [47] A.B. Decano, Notes on Torts and Damages 43 (1996).
- [48] Traders Royal Bank v. Radio Philippines Network, Inc., G.R. No. 138510, October 10, 2002, 390 SCRA 608, 617; Associated Bank v. Court of Appeals, G.R. No. 107382, January 31, 1996, 252 SCRA 620, 633; Bank of the Philippine Islands v. Court of Appeals, G.R. No. 102383, November 26, 1992, 216 SCRA 51, 63; Banco de Oro Savings and Mortgage Bank v. Equitable Banking Corporation, G.R. No. 74917, January 20, 1988, 157 SCRA 188, 198; Republic Bank v. Ebrada, No. L-40796, July 31, 1975, 65 SCRA 680, 687-688.
- [49] Supra.
- [50] Supra.

[51] Supra.

[52] Supra note 48, at 77.

[53] Supra note 48, at 640.

[54] Rollo, pp. 79-80.

[55] Sec. 17 of the PCHC Rules and Regulations provides:

Sec. 17.--Bank Guarantee. All checks cleared through the PCHC shall bear the guarantee affixed thereto by the Presenting Bank/Branch which shall read as follows:

Cleared thru the Philippine Clearing House Corporation all prior endorsements and/or lack of endorsement guaranteed NAME OF BANK/BRANCH BRSTN (Date of Clearing).

Checks to which said guarantee has not been affixed shall, nevertheless, be deemed guaranteed by the Presenting Bank as to all prior endorsement and/or lack of endorsement.

[56] Associated Bank v. Court of Appeals, G.R. No. 89802, May 7, 1992, 208 SCRA 465, 469.

[57] Negotiable Instruments Law, Sec. 23.

[58] G.R. No. 134241, August 11, 2003, 408 SCRA 560, 570.

[59] G.R. No. 154895, November 18, 2004, 443 SCRA 44, 53.

[60] Supra note 30.

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