CITYTRUST BANKING CORPORATION (NOW BANK OF THE PHILIPPINE ISLANDS), PETITIONER, VS. ISAGANI C. VILLANUEVA, RESPONDENT.

G.R. No. 141011. July 19, 2001

Ponente: DAVIDE, JR., C.J.

Read online (full-text search, related cases, audio case brief): https://batas.org/library/g-r-no-141011/

DAVIDE, JR., C.J.:

In these consolidated cases, the Court is called upon to determine whether the repeated dishonor of a check drawn against a well-funded account but bearing the account number of another depositor with the same name and surname as the drawer would entitle the drawer to compensatory and moral damages and to attorney's fees.

The antecedent facts are as follows:

Sometime in February 1984, Isagani C. Villanueva (hereafter VILLANUEVA) opened a savings account and a current account with Citytrust Banking Corporation (hereafter the BANK), which were assigned account numbers 1-033-02337-1 and 33-00977-5, respectively, with an automatic transfer arrangement.

On 21 May 1986, VILLANUEVA deposited some money in his savings account with the BANK's Legaspi Village Branch in Makati, Metro Manila. Realizing that he had run out of blank checks, VILLANUEVA requested a new checkbook from one of the BANK's customer service representatives. He then filled up a checkbook requisition slip with the obligatory particulars, except for his current account number which he could not remember. He expressed his predicament to a lady customer service representative of the BANK, who in turn assured him that she could supply the information from the BANK's account records. After signing the requisition slip, he gave it to her.[1]

Pia Rempillo, another customer service representative of the BANK, saw VILLANUEVA's checkbook requisition slip. She took it and proceeded to check the BANK's checkbook register which contained all the names and account numbers of the BANK's clients who were issued checkbooks. Upon seeing the name "Isagani Villanueva -- Account No. 33-00446-3" in the checkbook register, Rempillo copied the aforesaid account number on the space intended for it in VILLANUEVA's requisition slip.[2]

On 17 June 1986, VILLANUEVA received from the BANK his requested checkbook. On the same day, he immediately signed Check No. 396701 bearing the amount of P50,000 payable to the order of Kingly Commodities Traders and Multi Resources, Inc. (hereafter Kingly Commodities). VILLANUEVA thereafter delivered the check to Helen Chu, his investment consultant at Kingly Commodities, with his express instruction to use said check in placing a trading order at Kingly Commodities' future trading business as soon as a favorable opportunity presented itself.[3]

Two days later, or on 19 June 1986, VILLANUEVA received a call from Helen Chu, informing him that she had already placed a trading order in his behalf and delivered the check to Kingly Commodities. The check was deposited with the China Banking Corporation. The next day, he deposited P31,600 in cash to his savings account

to cover the full amount of the check he issued. His deposits in both accounts totalled P51,304.91.[4]

However, on 23 June 1986, VILLANUEVA's Check No. 396701 was dishonored due to insufficiency of funds and disparity in the signature. VILLANUEVA called Kingly Commodities and explained that there was a mistake in the dishonor of the check because he had sufficient funds. Forthwith on the same day, VILLANUEVA called up the BANK's Legaspi Village Branch Operations Manager, Maritess Gamboa, and inquired about the dishonor of his well-funded check. Gamboa promised to look into the matter and instructed VILLANUEVA to advise his payee, Kingly Commodities, to re-deposit the check. Gamboa assured VILLANUEVA that the check would be honored after the sufficiency of the funds was ascertained.[5]

On 26 June 1986 at about 4:00 p.m., VILLANUEVA learned that his check was again dishonored due to insufficiency of funds and a stop- payment order he allegedly issued. Dismayed by the turn of events, VILLANUEVA called up the BANK and inquired from Gamboa the reason for the dishonor of his well-funded check and the alleged stop-payment order which he never issued. Gamboa promised to investigate the matter and to call VILLANUEVA in fifteen (15) minutes.[6] In the meantime, she advised VILLANUEVA to re-deposit the check.

VILLANUEVA then requested Lawrence Chin of Kingly Commodities to give him until 5:30 p.m. that same day to make good his P50,000 check. He then proceeded to the BANK's Legaspi Village Branch Office, together with his investment consultant and his trading partner, to personally inquire into the matter. They were met by Marilou Genuino, the BANK's Branch Manager. There he complained that his trading order was rejected because of the dishonor of the check and that Kingly Commodities threatened to close his trading account unless his check payment would be made good before 5:30 p.m. that day. After making the necessary investigation, Genuino related to VILLANUEVA that the reason for the dishonor of the check was that the account number assigned to his new checkbook was the account number of another depositor also named "Isagani Villanueva" but with a different middle initial.[7]

To resolve the matter, Genuino promised to send to Kingly Commodities a manager's check for P50,000 before 5:30 p.m., the deadline given to VILLANUEVA. She also personally called Kingly Commodities and explained the reason for the dishonor of the check.[8]

On 30 June 1986, VILLANUEVA sent a letter[9] to the BANK addressed to the President, Jose Facundo, demanding indemnification for alleged losses and damages suffered by him as a result of the dishonor of his well-funded check. He demanded the amount of P70,000 as indemnification for actual damages in the form of lost profits and P2 Million for moral and other damages.

On 10 July 1986, in answer to VILLANUEVA's letter, Gregorio Anonas III, the BANK's Senior Vice-President, apologized for the unfortunate oversight, but reminded VILLANUEVA that the dishonor of his check was due to his failure to state his current account number in his requisition slip. Anonas further stated that as soon as the mistake was discovered, the BANK promptly sent a manager's check to Kingly Commodities before 5:30 p.m. on 26 June 1986 to avoid any damage the dishonor of the check might have caused.[10]

Failing to obtain from the BANK a favorable action on his demand for indemnification, VILLANUEVA filed on 27 August 1986 a complaint for damages based on breach of contract and/or quasi-delict before the Regional Trial Court of Makati City. The case was docketed as Civil Case No. 14749 and was raffled to Branch 63 thereof.

VILLANUEVA alleged in his complaint that the BANK breached its contractual obligation to him as a depositor because of its repeated dishonor of his valid and well-funded check. The breach arose from the BANK's gross negligence and culpable recklessness in supplying the wrong account number. As a consequence, he suffered and

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

sustained (1) actual damages consisting of loss of profits in the amount of at least P240,000, for he was not allowed to trade by Kingly Commodities; and (2) P2 Million as moral damages because of the intolerable physical inconvenience, discomfort, extreme humiliation, indignities, etc., that he had borne before his peers and colleagues in the firm, his trading partners, and the officers of Kingly Commodities. He prayed for an additional award of P500,000 for exemplary damages, attorney's fees, litigation expenses and costs of the suit.[11]

In its answer, the BANK alleged that VILLANUEVA suffered no actionable injury, much less damages, considering his blatant irresponsibility in not remembering his current account number and in failing to bring his checkbook re-order slip form on which his account number was inscribed when he requested a new set of checks. His negligence in verifying the account number of the new set of checks issued to him also contributed to the dishonor of his check. The BANK claimed that it acted in good faith when it twice dishonored the check. It further asserted that VILLANUEVA's negligence was the proximate cause of his self-proclaimed injury; and the alleged losses and damages could not likewise be deemed the natural and probable consequences of the BANK's breach of obligation, had there been any. Finally, it claimed that VILLANUEVA acted with malice in filing the case, and interposed counterclaims of P500,000 as exemplary damages; P250,000 as attorney's fees; and actual damages as may be determined by the court.[12]

After due proceedings, the trial court rendered on 3 July 1992 a decision[13] dismissing the complaint and the compulsory counterclaim for lack of merit. To the trial court, the basic issue was whether it was VILLANUEVA's or the BANK's negligence which was the proximate cause of the former's alleged injury. After an evaluation of the respective allegations and evidence of the parties, the trial court found that VILLANUEVA's negligence set the chain of events which resulted in his alleged losses and damages. His negligence consisted in his failure to (a) indicate his current account number when he filled up his requisition slip for a new set of checks; (b) remember his account number; (c) bring the used checkbook to which was attached the pre-order requisition slip on which the account number was pre-indicated; (d) give the requisition slip to the care and custody of a BANK officer or employee instead of leaving the requisition slip on top of one of the tables of the BANK; and (e) verify the account number of the new set of checks when it was delivered to him. These omissions directly resulted in the dishonor of his check drawn from an account bearing the account number of another BANK client whose name and surname were similar to his. VILLANUEVA then must bear the consequent damages and losses he allegedly suffered.

The trial court conceded, however, that the BANK was negligent when it failed to supply VILLANUEVA's correct account number despite its promise to do so; but its negligence was merely contributory, which would have "reduced the damages recoverable" by VILLANUEVA had the latter proved his claims for actual, moral and exemplary damages, and attorney's fees.

Likewise, the trial court doubted that VILLANUEVA sustained actual damages in the amount of P240,000 due to loss of profits as averred in the complaint considering that his initial claim against the BANK for actual loss was merely P70, 000[14] and the evidence presented in support thereof was hearsay, unreliable and not the best evidence.

VILLANUEVA appealed to the Court of Appeals. The appeal was docketed as CA-G.R. CV No. 40931.

In his appeal, VILLANUEVA maintained that the BANK was guilty of gross or culpable negligence amounting to bad faith when its customer service representative furnished an erroneous account number. He further contended that the same was the proximate cause of the repeated dishonor of his check. He should, therefore, be entitled to an award of actual, moral and exemplary damages, including attorney's fees and costs of the suit.

The Court of Appeals, in its decision of 2 February 1999,[15] ruled that when the BANK voluntarily processed

Study hands-free: podcast-style lessons with read-along highlighting - batas.org

the requisition slip without the requisite account number being supplied by the applicant, it in effect took upon itself the obligation to supply the correct account number. Thus, when the new checkbook was released to VILLANUEVA on 17 June 1986, the BANK was deemed to have waived any defect in the requisition slip and estopped from putting the blame on VILLANUEVA's failure to indicate his account number. VILLANUEVA had every right to assume that everything was in order in his application for a new checkbook; for, after all, he was banking with a world class universal bank. The banking industry is imbued with public interest and is mandated by law to serve its clients with extraordinary care and diligence.

The Court of Appeals also considered the BANK's voluntary processing of the requisition slip as the "cause which in the natural and continuous sequence, unbroken by any efficient intervening cause, produced the injury and without which the result would not have occurred."[16] However, although it conceded that the BANK`s negligence was not attended with malice and bad faith, it nonetheless awarded moral damages in the amount of P100,000. It also awarded attorney's fees in the amount of P50,000, since VILLANUEVA was compelled to incur expenses to protect his interests by reason of the unjustified act or omission of the BANK. However, it rejected VILLANUEVA's claim for compensatory damages and affirmed the trial court's finding thereon.

Upon the denial[17] of their respective motions for reconsideration, both VILLANUEVA and the BANK appealed to us by way of petition for review.

In its petition, the BANK ascribes to the Court of Appeals as reversible errors its (1) reversal of the court a quo's decision; (2) declaration that the proximate and efficient cause of the injury allegedly suffered by VILLANUEVA was the BANK's processing of the checkbook and assigning an erroneous account number, and not the negligent act of VILLANUEVA in leaving the checkbook requisition slip on top of one of the desks with the account number entry blank; and (3) award of moral damages and attorney's fees despite the absence of a finding of bad faith on the part of the BANK.

In his petition, VILLANUEVA asserts that the Court of Appeals erred in holding that his actual losses in the amount of P234,059.04 was not sufficiently proved with reasonable certainty. Had his fully-funded check not been dishonored twice, his four trading orders with Kingly Commodities consisting of two (2) open sell positions on 17 and 18 of June 1986 and two (2) settle buy orders on 26 June 1986 would have earned him profits in the amount he claimed. He emphatically maintains that the loss had been satisfactorily proved by the testimony of Helen Chu, his investment consultant. Ms. Chu's testimony was not controverted; hence, it should have been considered and admitted as factually true. Considering that his claim for actual damages has been adequately established and that the BANK committed gross negligence amounting to bad faith, his concomitant demand for exemplary damages should likewise be awarded.

The issue of whether VILLANUEVA suffered actual or compensatory damages in the form of loss of profits is factual. Both the Court of Appeals and the trial court have ascertained that VILLANUEVA was unable to prove his demand for compensatory damages arising from loss. His evidence thereon was found inadequate, uncorroborated, speculative, hearsay and not the best evidence. Basic is the jurisprudential principle that in determining actual damages, the court cannot rely on mere assertions, speculations, conjectures or guesswork but must depend on competent proof and on the best obtainable evidence of the actual amount of the loss.[18] Actual damages cannot be presumed but must be duly proved with reasonable certainty.[19]

It must also be stressed that the unanimity on the factual ascertainment on this point by the trial court and the Court of Appeals bars us from supplanting their finding and substituting it with our own assessment. Well-entrenched in our jurisprudence is the doctrine that the factual determinations of the lower courts are conclusive and binding upon appellate courts and hence should not be disturbed. None of the recognized

exceptions to said principle exists in this case to warrant a reexamination of such finding. Besides, our jurisdiction in cases brought before us from the Court of Appeals is limited to the review of errors of law.[20]

Nonetheless, is VILLANUEVA entitled to the moral damages and attorney's fees granted by the Court of Appeals?

Moral damages include physical suffering, mental anguish, fright, serious anxiety, besmirched reputation, wounded feelings, moral shock, social humiliation, and similar injury.[21] Although incapable of pecuniary computation, moral damages may be recovered if they are the proximate result of the defendant's wrongful act or omission.[22] Thus, case law establishes the requisites for the award of moral damages, viz: (1) there must be an injury, whether physical, mental or psychological, clearly sustained by the claimant; (2) there must be a culpable act or omission factually established; (3) the wrongful act or omission of the defendant is the proximate cause of the injury sustained by the claimant; and (4) the award of damages is predicated on any of the cases stated in Article 2219 of the Civil Code.[23]

It is beyond cavil that VILLANUEVA had sufficient funds for the check. Had his account number been correct, the check would not have been dishonored. Hence, we can say that VILLANUEVA's injury arose from the dishonor of his well-funded check. We have already ruled that the dishonor of the check does not entitle him to compensatory damages. But, could the dishonor result in his alleged "intolerable physical inconvenience and discomfort, extreme humiliation, indignities, etc, which he had borne before his peers, trading partners and officers of Kingly Commodities?" True, we find that under the circumstances of this case, VILLANUEVA might have suffered some form of inconvenience and discomfort as a result of the dishonor of his check. However, the same could not have been so grave or intolerable as he attempts to portray or impress upon us.

Further, it is clear from the records that the BANK was able to remedy the caveat of Kingly Commodities to VILLANUEVA that his trading account would be closed at 5:30 p.m. on 26 June 1986. The BANK was able to issue a manager's check in favor of Kingly Commodities before the deadline. It was able to likewise explain to Kingly Commodities the circumstances surrounding the unfortunate situation. Verily, the alleged embarrassment or inconvenience caused to VILLANUEVA as a result of the incident was timely and adequately contained, corrected, mitigated, if not entirely eradicated. VILLANUEVA, thus, failed to support his claim for moral damages. In short, none of the circumstances mentioned in Article 2219 of the Civil Code exists to sanction the award for moral damages.

The award of attorney's fees should likewise be deleted. The general rule is that attorney's fees cannot be recovered as part of damages because of the policy that no premium should be placed on the right to litigate. They are not to be awarded every time a party wins a suit. The power of the court to award attorney's fees under Article 2208 of the Civil Code demands factual, legal and equitable justification. Even when a claimant is compelled to litigate with third persons or to incur expenses to protect his rights, still attorney's fees may not be awarded where there is no sufficient showing of bad faith in the parties' persistence of a case other than an erroneous conviction of the righteousness of his cause.[24]

In view of the foregoing discussion, we need not deliberate on the dispute as to whether it was the BANK's or VILLANUEVA's negligence which was the proximate cause of the latter's injury because, in the first place, he did not sustain any compensable injury. If any damage had been suffered at all, it could be equivalent to damnum absque injuria, i.e., damage without injury or damage or injury inflicted without injustice, or loss or damage without violation of a legal right, or a wrong done to a man for which the law provides no remedy.[25]

WHEREFORE, the decision of the Court of Appeals in CA-G.R. CV No. 40931 is hereby REVERSED, and the judgment of the Regional Trial Court of Makati City, Branch 63, in Civil Case No. 14749 dismissing the

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

complaint and the counterclaim is hereby REINSTATED.

No costs.

SO ORDERED.

Puno, Kapunan, Pardo, and Ynares-Santiago, JJ., concur.

---

[1] TSN, 8 April 1987, 3, 6; TSN, 26 June 1987, 28-30.

[2] TSN, 5 June 1991, 16, 19-22.

[3] TSN, 8 April 1987, 7-9.

[4] Id., 10-11.

[5] Id., 12-15.

[6] Id., 15-17, 23-24.

[7] TSN, 8 April 1987, 25-27.

[8] Id., 28; TSN, 26 June 1987, 19-21.

[9] Exhibit "B."

[10] Exhibit "D."

[11] Original Record (OR), Vol. I, 3-5.

[12] OR, 18-22.

[13] Id., 367. Per Judge Julio R. Logarta.

[14] Supra note 9.

[15] Rollo, 30-45. Per Abesamis, B., J., with Rasul, J., and Carpio-Morales, C., JJ. concurring.

[16] Citing Sabena Belgian World Airlines v. Court of Appeals, 255 SCRA 38 [1996].

[17] Rollo, 47.

[18] Lucena v. Court of Appeals, 313 SCRA 47, 61-62 [1999].

[19] Development Bank of the Philippines v. Court of Appeals, 284 SCRA 14, 29-30 [1998]; People v. Oliano, 287 SCRA 158, 179 [1998]; Ong v. Court of Appeals, 301 SCRA 387, 400 [1999]; Luxuria Homes, Inc. v. Court of Appeals, 302 SCRA 315, 327 [1999]; Asuncion v. Evangelista, 316 SCRA 848, 877 [1999].

[20] Tiongco v. Deguma, 317 SCRA 527, 540-541 [1999].

[21] Article 2217, Civil Code.

[22] Id., second sentence.

[23] Expertravel & Tours v. Court of Appeals, 309 SCRA 141, 145 [1999]. Article 2219 of the Civil Code states that moral damages may be recovered in the following and analogous cases:

Study hands-free: podcast-style lessons with read-along highlighting - batas.org

(1) A criminal offense resulting in physical injuries;

(2) Quasi-delicts causing physical injuries;

(3) Seduction, abduction, rape, or other lascivious acts;

(4) Adultery or concubinage;

(5) Illegal or arbitrary detention or arrest;

(6) Illegal search;

(7) Libel, slander or any other form of defamation;

(8) Malicious prosecution;

(9) Acts mention in Article 309;

(10) Acts and actions referred to in Articles 21, 26, 27, 28, 29, 30, 32, 34 and 35.

[24] ABS-CBN Broadcasting Corporation v. Court of Appeals, 301 SCRA 572, 601 [1999]; See also Scotts Consultants and Resource Development Corp., Inc. v. Court of Appeals, 242 SCRA 393, 406 [1995].

[25] Escano v. Court of Appeals, 100 SCRA 197, 203 [1980].

Turn this case into an audio lecture - facts, issues, ruling and doctrine - at batas.org

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.