

METROPOLITAN BANK AND TRUST COMPANY, PETITIONER, VS. LARRY MARIÑAS, RESPONDENT.

G.R. No. 179105. July 26, 2010

Ponente: NACHURA, J.

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NACHURA, J.:

This is a petition for review on certiorari under Rule 45 of the Rules of Court, seeking to annul and set aside the Court of Appeals (CA) Decision[1] dated July 31, 2007, affirming with modification the Regional Trial Court (RTC) decision[2] dated October 14, 2004.

The factual and procedural antecedents are as follows:

Sometime in April 1998, respondent Larry Mariñas returned to the Philippines from the United States of America. He opened a personal dollar savings account[3] by depositing US\$100,000.00 with petitioner Metropolitan Bank and Trust Company. On April 13, 1998, respondent obtained a loan from petitioner in the amount of P2,300,000.00, evidenced by Promissory Note No. 355873.[4] From the initial deposit of US\$100,000.00, respondent withdrew[5] US\$67,227.95,[6] then deposited it under Account No. 0-26400171-6 (Foreign Currency Deposit [FCD] No. 505671),[7] which he used as security[8] for the P2,300,000.00 loan.

Respondent subsequently opened two more foreign currency accounts – Account No. 0-26400244-5 (FCD No. 505688)[9] and Account No. 0-264-00357-3 (FCD No. 739809)[10] – depositing therein US\$25,000.00 and US\$17,000.00, respectively. On April 30, 1999, respondent obtained a second loan of P645,150.00,[11] secured[12] by Account No. 0-264-00357-3 (FCD No. 739809).

When he inquired about his dollar deposits, respondent discovered that petitioner made deductions against the former's accounts. On May 31, 1999, respondent, through his counsel, demanded from petitioner a proper and complete accounting of his dollar deposits, and the restoration of his deposits to their proper amount without the deductions.[13] In response, petitioner explained that the deductions made from respondent's dollar accounts were used to pay the interest due on the latter's loan with the former. These deductions, according to petitioner, were authorized by respondent through the Deeds of Assignment with Power of Attorney voluntarily executed by respondent.[14]

Unsatisfied, and believing that the deductions were unauthorized, respondent commenced an action for Damages against petitioner and its Kabihhasnan, Parañaque City Branch Manager Expedito Fernandez (Fernandez) before the RTC, Las Piñas City. The case was docketed as Civil Case No. 99-0172 and was raffled to Branch 255. While admitting the existence of the P2,300,000.00 and P645,150.00 loans, respondent claimed that when he signed the loan documents, they were all in blank and they were actually filled up by petitioner. Aside from the complete accounting of his dollar accounts and the restoration of the true amounts of his deposits, respondent sought the payment of P400,000.00 as moral damages, P100,000.00 as exemplary damages, and P100,000.00 as attorney's fees.[15]

On its part, petitioner insisted that respondent freely and voluntarily signed the loan documents. While admitting the full payment of respondent's P2,300,000.00 and P645,150.00 loans, petitioner claimed that the payments were made using the former's US\$67,227.95, US\$25,000.00, and US\$17,000.00 time deposits. Accordingly, there was nothing to account for and restore. By way of counterclaim, petitioner prayed for the payment of P200,000.00 as attorney's fees, P1,000,000.00 as moral damages, and P500,000.00 as exemplary damages.[16]

As no amicable settlement was reached, trial on the merits ensued.

On October 14, 2004, the RTC rendered a decision in favor of respondent, the dispositive portion of which reads:

WHEREFORE, the foregoing considered, judgment is hereby rendered in favor of plaintiff Larry Mari[xi]as, and against the defendants Metropolitan Bank and Trust Company and Expedito Fernandez, ordering the said defendants to account for the dollar deposits of the plaintiff in the amounts of US\$30,000.00 and US\$25,000.00, respectively, and then return the same, including the interests due thereon reckoned from 31 May 1999 until fully paid.

Likewise, the defendants are hereby directed to pay to the herein plaintiff the following amounts, to wit:

- P100,000.00 in moral damages;
- P50,000.00 in exemplary damages;
- P50,000.00 as and by way of attorney's fees; and
- Costs of suit.

SO ORDERED.[17]

The RTC sustained the validity and regularity of the loan documents signed by respondent, and consequently the existence of the P2,300,000.00 and P645,150.00 loans obtained from petitioner. Acknowledging the full payment of both loans, the trial court found that the payments were made from respondent's foreign currency deposits, particularly Account Numbers 0-26400171-6 (FCD No. 505671) and 0-264-00357-3 (FCD No. 739809), amounting to US\$67,227.95 and US\$17,000.00, respectively. There is no doubt that respondent specifically assigned these accounts to secure the payment of his loans pursuant to the Deeds of Assignment with Power of Attorney. Hence, the deductions made from such accounts were valid. However, the RTC found that petitioner should account for and eventually return the US\$30,000.00 and US\$25,000.00 deposits of respondent since they were not assigned to answer for the latter's loans, and that any deductions made from these accounts were, therefore, illegal. Consequently, petitioner was made to answer for damages suffered by respondent.[18] Being the petitioner's Kabihasnan Branch Manager, Fernandez was declared solidarily liable with petitioner.

On appeal, the CA modified the RTC decision by absolving Fernandez from liability. The appellate court held that Fernandez could not be made to answer for acts done in the performance of his duty absent any showing that he assented to patently unlawful acts of the corporation or was guilty of bad faith or gross negligence in directing its affairs, or that he agreed to hold himself personally and solidarily liable with the corporation.[19] No proof was adduced in this regard.

Hence, the instant petition raising the following issues:

- WHETHER OR NOT THE HONORABLE COURT OF APPEALS ERRED IN ORDERING PETITIONER TO ACCOUNT FOR AND RETURN TO RESPONDENT THE SUMS OF US\$30,000.00 AND US\$25,000.00.
- WHETHER OR NOT THE HONORABLE COURT OF APPEALS ERRED IN HOLDING PETITIONER

LIABLE TO RESPONDENT FOR MORAL AND EXEMPLARY DAMAGES, AS WELL AS ATTORNEY'S FEES AND COSTS OF SUIT.[20]

Petitioner assails the CA Decision affirming the former's culpability for making unlawful deductions from respondent's dollar accounts without the latter's consent. Additionally, it questions the award of moral and exemplary damages, as well as attorney's fees.

We agree with the CA's factual findings as to the deposits and withdrawals made and loans obtained by respondent. We do not, however, agree with its conclusion that petitioner absolutely lacked the authority to make deductions from respondent's deposits for the payment of his outstanding obligations.

It is apt to stress the well-settled principle that factual findings of the trial court, affirmed by the CA, are binding and conclusive upon this Court.[21] In the absence of any showing that the findings complained of are totally devoid of support in the evidence on record, or that they are so glaringly erroneous as to constitute serious abuse of discretion, such findings must stand.[22] The Court is not a trier of facts, its jurisdiction being limited to reviewing only errors of law that may have been committed by the lower courts.[23] It is not the function of the Court to analyze or weigh all over again the evidence or premises supportive of such factual determination.[24] The law creating the CA was intended mainly to take away from the Supreme Court the work of examining the evidence, so that it may confine its task to the determination of questions which do not call for the reading and study of transcripts containing the testimony of witnesses.[25]

In the present case, we find no justification to deviate from the factual findings of the trial court and the appellate court. Petitioner has utterly failed to convince us that the assailed findings are devoid of basis or are not supported by substantial evidence.

It is noteworthy that respondent opened four accounts with petitioner: 1) Account No. 2264-00145-0 for US\$100,000.00; 2) Account No. 0-26400171-6 (FCD No. 505671) for US\$67,227.95; 3) Account No. 0-26400244-5 (FCD No. 505688) for US\$25,000.00; and 4) Account No. 0-264-00357-3 (FCD No. 739809) for US\$17,000.00. Admittedly, respondent withdrew \$70,000.00 from Account No. 2264-00145-0, leaving a balance of \$30,000.00.

It is likewise undisputed that respondent obtained two separate loans from petitioner in amounts of P2,300,000.00 and P645,150.00. These were evidenced by promissory notes and secured by respondent's two dollar accounts – Account Numbers 0-26400171-6 (FCD No. 505671) and 0-264-00357-3 (FCD No. 739809) – for US\$67,227.95 and US\$17,000.00, respectively. Respondent's first loan of P2,300,000.00, obtained on April 13, 1998, was payable on April 8, 1999; while the second loan of P645,150.00, obtained on April 30, 1999, was payable on April 24, 2000. Records show that the first loan was paid on April 21, 1999, with the payment therefor taken from Account No. 0-26400171-6. The second loan, on the other hand, was paid on May 10, 1999, out of respondent's Account No. 0-264-00357-3. It should be clarified, though, that these payments referred only to the payment of the principal (P2,300,000.00 and P645,150.00) of respondent's loans, exclusive of interests stipulated in the promissory notes executed by the latter.

Aside from obligating himself to pay P2,300,000.00 as principal, respondent also agreed to pay interest at the rate of 22.929% per annum (not monthly) from April 13, 1998 until full payment. As respondent made full payment of the principal on April 21, 1999, respondent was also obliged to pay interest until that date. As to the P645,150.00 loan, respondent agreed to pay interest at the rate of 16.987% per annum.

Respondent later discovered that his accounts with petitioner were all depleted. Upon inquiry from petitioner, it explained that pursuant to the Deeds of Assignment with Power of Attorney executed by respondent, it deducted from respondent's accounts the interest due on his loans.

Contrary to the conclusions of the RTC and the CA, we find that petitioner is empowered to make lawful deductions from respondent's accounts for such amounts due it. This is authorized in the Promissory Notes and Deeds of Assignment with Power of Attorney executed by respondent, to wit:

I/We hereby give the Bank a general lien upon, and/or right of set-off and/or right to hold and/or apply to the loan account, or any claim of the Bank against any of us, all my/our rights, title and interest in and to the balance of every deposit account, money, negotiable instruments, commercial papers, notes, bonds, stocks, dividends, securities, interest, credits, chose in action, claims, demands, funds or any interest in any thereof, and in any other property, rights and interest of any of us or any evidence thereof, which have been, or at any time shall be delivered to, or otherwise come into the possession, control or custody of the Bank or any of its subsidiaries, affiliates, agents or correspondents now or anytime hereafter, for any purpose, whether or not accepted for the purpose or purposes for which they are delivered or intended. For this purpose, I/We hereby appoint the Bank as my/our irrevocable Attorney-in-fact with full power of substitution/delegation to sign or endorse any and all documents and perform any and all acts and things required or necessary in the premises.[26]

Effective upon default in the payment of CREDIT, or any part thereof, the ASSIGNOR hereby grants to the ASSIGNEE, full power and authority to collect/withdraw the deposit/proceeds/receivables/investments/securities and apply the collection/deposit to the payment of the outstanding principal, interest and other charges on the CREDIT. For this purpose, the ASSIGNOR hereby names, constitutes and appoints the ASSIGNEE as his/its true and lawful Attorney-in-Fact, with powers of substitution, to ask, demand, collect, sue for, recover and receive the deposit/proceeds/receivables/investments/securities or any part thereof, as well as to encash, negotiate and endorse checks, drafts and other commercial papers/instruments received by and paid to the ASSIGNEE, incident thereto and to execute all instruments and agreements connected therewith. A written Certification by the ASSIGNEE of the amount of its claims from the ASSIGNOR and/or the BORROWER shall be conclusive on the ASSIGNOR and/or the BORROWER absent manifest error.[27]

As provided in Article 1159 of the Civil Code, "obligations arising from contract have the force of law between the contracting parties and should be complied with in good faith." Verily, parties may freely stipulate their duties and obligations which perforce would be binding on them. Not being repugnant to any legal proscription, the agreement entered into between petitioner and respondent must be respected and given the force of law between them.[28]

Upon the maturity of the first loan on April 8, 1999, petitioner was authorized to automatically deduct, by way of offsetting, respondent's outstanding debt (including interests) to it from the latter's deposit accounts and their accumulated interest. Respondent did not object to the deduction made from the proceeds of Account No. 0-26400171-6, but would limit such deduction only to the payment of the principal of P2,300,000.00. However, it should be borne in mind that in addition to the authority to effect the said deduction for the principal loan amount, petitioner was authorized to make further deductions for interest payments at the rate of 22.929% per annum until April 21, 1999.

With respect to the second loan, barely a month after the execution of the promissory note and definitely prior to the maturity date, respondent already paid the principal of P645,150.00 out of the deposited amount in Account No. 0-264-00357-3. Pursuant to the promissory note, respondent agreed to pay interest at the rate of 16.987% per annum. While it is conceded that petitioner had the right to offset the unpaid interests due it against the deposits of respondent, the issue of whether it acted judiciously is an entirely different matter.[29] As business affected with public interest, and because of the nature of their functions, banks are under obligation to treat the accounts of their depositors with meticulous care, always having in mind the fiduciary nature of their relationship.[30]

Pursuant to the above disquisition, it is clear that despite such authority, petitioner should still account for

whatever excess deductions made on respondent's deposits and return to respondent such amounts taken from him. To be sure, respondent had interest-earning deposits with petitioner in accordance with their agreement. On the other hand, after respondent paid the principal on April 21, 1999 and May 10, 1999 on the two loans which he obtained from petitioner, the latter had the authority to make deductions for the payment of interest as stipulated in respondent's promissory notes.

When we consider the total amount of respondent's deposits in his dollar accounts inclusive of interests earned vis-a-vis his total obligations to petitioner, we find that the total depletion of his accounts is not warranted. Hence, we find no reason to disturb the CA conclusion on the award of damages. As aptly explained in *Bank of the Philippine Islands v. Court of Appeals*:

For the above reasons, the Court finds no reason to disturb the award of damages granted by the CA against petitioner. This whole incident would have been avoided had petitioner adhered to the standard of diligence expected of one engaged in the banking business. A depositor has the right to recover reasonable moral damages even if the bank's negligence may not have been attended with malice and bad faith, if the former suffered mental anguish, serious anxiety, embarrassment and humiliation. Moral damages are not meant to enrich a complainant at the expense of defendant. It is only intended to alleviate the moral suffering she has undergone. The award of exemplary damages is justified, on the other hand, when the acts of the bank are attended by malice, bad faith or gross negligence. The award of reasonable attorney's fees is proper where exemplary damages are awarded. It is proper where depositors are compelled to litigate to protect their interest.[31]

WHEREFORE, premises considered, the Court of Appeals Decision dated July 31, 2007 is hereby **AFFIRMED** with **MODIFICATION**. Petitioner is ordered to account for respondent's dollar deposits inclusive of interests, subject to its right to deduct from the said deposits his loan obligations amounting to P2,300,000.00, plus interest at 22.929% per annum until full payment on April 21, 1999; and P645,150.00, plus interest at 16.987% per annum until full payment on May 10, 1999. After such accounting, petitioner shall restore to respondent whatever excess amounts may have been deducted from such deposits, together with the earned interests.

All other aspects of the assailed decision **STAND**.

SO ORDERED.

Carpio, (Chairperson), Peralta, Abad, and Mendoza, JJ., concur.

[1] Penned by Associate Justice Myrna Dimaranan Vidal, with Associate Justices Jose L. Sabio, Jr. and Jose C. Reyes, Jr., concurring; rollo, pp. 32-42.

[2] Penned by Judge Raul Bautista Villanueva; records, pp. 425-439.

[3] Covered by Account No. 2264-00145-0; id. at 137.

[4] Id. at 138.

[5] Evidenced by the Debit Account Slip signed by respondent; id. at 246.

[6] Or US\$70,000.00.

[7] Records, p. 248.

[8] Evidenced by the Deed of Assignment with Power of Attorney; id. at 140.

- [9] Id. at 142.
- [10] Id. at 256.
- [11] Evidenced by Promissory Note No. 355961; id. at 252.
- [12] Evidenced by Deed of Assignment with Power of Attorney; id. at 254.
- [13] Id. at 143.
- [14] Id. at 258.
- [15] Id. at 2-13.
- [16] Id. at 38-52.
- [17] Supra note 2, at 439.
- [18] Records, pp. 10-13.
- [19] Supra note 1.
- [20] Rollo, p. 18.
- [21] Citibank, N.A. v. Jimenez, Sr., G.R. No. 166878, December 18, 2007, 540 SCRA 573, 581.
- [22] Philippine National Bank v. Pike, G.R. No. 157845, September 20, 2005, 470 SCRA 328, 340.
- [23] Prudential Bank v. Lim, G.R. No. 136371, November 11, 2005, 474 SCRA 485, 491.
- [24] Id.
- [25] Citibank, N.A. v. Jimenez, Sr., supra note 21, at 581, citing Sta. Ana, et al. v. Hernandez, 125 Phil. 61 (1966).
- [26] Records, pp. 138 and 252.
- [27] Id. at 140 and 254.
- [28] National Sugar Trading v. Philippine National Bank, 444 Phil. 599 (2003).
- [29] Bank of the Philippine Islands v. Court of Appeals, G.R. No. 136202, January 25, 2007, 512 SCRA 620; Associated Bank v. Tan, 487 Phil. 512 (2004).
- [30] Bank of the Philippine Islands v. Court of Appeals, supra, at 638-639.
- [31] Id. at 641.

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