

THE METROPOLITAN BANK AND TRUST COMPANY, PETITIONER, VS. ANA GRACE ROSALES AND YO YUK TO, RESPONDENTS.

G.R. No. 183204. January 13, 2014

Ponente: DEL CASTILLO, J.

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DEL CASTILLO, J.:

Bank deposits, which are in the nature of a simple loan or mutuum,[1] must be paid upon demand by the depositor.[2]

This Petition for Review on Certiorari[3] under Rule 45 of the Rules of Court assails the April 2, 2008 Decision[4] and the May 30, 2008 Resolution[5] of the Court of Appeals (CA) in CA-G.R. CV No. 89086.

Factual Antecedents

Petitioner Metropolitan Bank and Trust Company is a domestic banking corporation duly organized and existing under the laws of the Philippines.[6] Respondent Ana Grace Rosales (Rosales) is the owner of China Golden Bridge Travel Services,[7] a travel agency.[8] Respondent Yo Yuk To is the mother of respondent Rosales.[9]

In 2000, respondents opened a Joint Peso Account[10] with petitioner's Pritil-Tondo Branch.[11] As of August 4, 2004, respondents' Joint Peso Account showed a balance of P2,515,693.52.[12]

In May 2002, respondent Rosales accompanied her client Liu Chiu Fang, a Taiwanese National applying for a retiree's visa from the Philippine Leisure and Retirement Authority (PLRA), to petitioner's branch in Escolta to open a savings account, as required by the PLRA.[13] Since Liu Chiu Fang could speak only in Mandarin, respondent Rosales acted as an interpreter for her.[14]

On March 3, 2003, respondents opened with petitioner's Pritil-Tondo Branch a Joint Dollar Account[15] with an initial deposit of US\$14,000.00.[16]

On July 31, 2003, petitioner issued a "Hold Out" order against respondents' accounts.[17]

On September 3, 2003, petitioner, through its Special Audit Department Head Antonio Ivan Aguirre, filed before the Office of the Prosecutor of Manila a criminal case for Estafa through False Pretences, Misrepresentation, Deceit, and Use of Falsified Documents, docketed as I.S. No. 03I-25014,[18] against respondent Rosales.[19] Petitioner accused respondent Rosales and an unidentified woman as the ones responsible for the unauthorized and fraudulent withdrawal of US\$75,000.00 from Liu Chiu Fang's dollar account with petitioner's Escolta Branch.[20] Petitioner alleged that on February 5, 2003, its branch in Escolta received from the PLRA a Withdrawal Clearance for the dollar account of Liu Chiu Fang;[21] that in the afternoon of the same day, respondent Rosales went to petitioner's Escolta Branch to inform its Branch Head, Celia A. Gutierrez (Gutierrez), that Liu Chiu Fang was going to withdraw her dollar deposits in cash;[22] that Gutierrez told respondent Rosales to come back the following day because the bank did not have enough dollars;[23] that on February 6, 2003, respondent Rosales accompanied an unidentified impostor of Liu Chiu Fang to the bank;[24] that the impostor

was able to withdraw Liu Chiu Fang's dollar deposit in the amount of US\$75,000.00;[25] that on March 3, 2003, respondents opened a dollar account with petitioner; and that the bank later discovered that the serial numbers of the dollar notes deposited by respondents in the amount of US\$11,800.00 were the same as those withdrawn by the impostor.[26]

Respondent Rosales, however, denied taking part in the fraudulent and unauthorized withdrawal from the dollar account of Liu Chiu Fang.[27] Respondent Rosales claimed that she did not go to the bank on February 5, 2003.[28] Neither did she inform Gutierrez that Liu Chiu Fang was going to close her account.[29] Respondent Rosales further claimed that after Liu Chiu Fang opened an account with petitioner, she lost track of her.[30] Respondent Rosales' version of the events that transpired thereafter is as follows:

On February 6, 2003, she received a call from Gutierrez informing her that Liu Chiu Fang was at the bank to close her account.[31] At noon of the same day, respondent Rosales went to the bank to make a transaction.[32] While she was transacting with the teller, she caught a glimpse of a woman seated at the desk of the Branch Operating Officer, Melinda Perez (Perez).[33] After completing her transaction, respondent Rosales approached Perez who informed her that Liu Chiu Fang had closed her account and had already left.[34] Perez then gave a copy of the Withdrawal Clearance issued by the PLRA to respondent Rosales.[35] On June 16, 2003, respondent Rosales received a call from Liu Chiu Fang inquiring about the extension of her PLRA Visa and her dollar account.[36] It was only then that Liu Chiu Fang found out that her account had been closed without her knowledge.[37] Respondent Rosales then went to the bank to inform Gutierrez and Perez of the unauthorized withdrawal.[38] On June 23, 2003, respondent Rosales and Liu Chiu Fang went to the PLRA Office, where they were informed that the Withdrawal Clearance was issued on the basis of a Special Power of Attorney (SPA) executed by Liu Chiu Fang in favor of a certain Richard So.[39] Liu Chiu Fang, however, denied executing the SPA.[40] The following day, respondent Rosales, Liu Chiu Fang, Gutierrez, and Perez met at the PLRA Office to discuss the unauthorized withdrawal.[41] During the conference, the bank officers assured Liu Chiu Fang that the money would be returned to her.[42]

On December 15, 2003, the Office of the City Prosecutor of Manila issued a Resolution dismissing the criminal case for lack of probable cause.[43] Unfazed, petitioner moved for reconsideration.

On September 10, 2004, respondents filed before the Regional Trial Court (RTC) of Manila a Complaint[44] for Breach of Obligation and Contract with Damages, docketed as Civil Case No. 04110895 and raffled to Branch 21, against petitioner. Respondents alleged that they attempted several times to withdraw their deposits but were unable to because petitioner had placed their accounts under "Hold Out" status.[45] No explanation, however, was given by petitioner as to why it issued the "Hold Out" order.[46] Thus, they prayed that the "Hold Out" order be lifted and that they be allowed to withdraw their deposits.[47] They likewise prayed for actual, moral, and exemplary damages, as well as attorney's fees.[48]

Petitioner alleged that respondents have no cause of action because it has a valid reason for issuing the "Hold Out" order.[49] It averred that due to the fraudulent scheme of respondent Rosales, it was compelled to reimburse Liu Chiu Fang the amount of US\$75,000.00[50] and to file a criminal complaint for Estafa against respondent Rosales.[51]

While the case for breach of contract was being tried, the City Prosecutor of Manila issued a Resolution dated February 18, 2005, reversing the dismissal of the criminal complaint.[52] An Information, docketed as Criminal Case No. 05-236103,[53] was then filed charging respondent Rosales with Estafa before Branch 14 of the RTC of Manila.[54]

Ruling of the Regional Trial Court

On January 15, 2007, the RTC rendered a Decision[55] finding petitioner liable for damages for breach of contract.[56] The RTC ruled that it is the duty of petitioner to release the deposit to respondents as the act of withdrawal of a bank deposit is an act of demand by the creditor.[57] The RTC also said that the recourse of petitioner is against its negligent employees and not against respondents.[58] The dispositive portion of the Decision reads:

WHEREFORE, premises considered, judgment is hereby rendered ordering [petitioner] METROPOLITAN BANK & TRUST COMPANY to allow [respondents] ANA GRACE ROSALES and YO YUK TO to withdraw their Savings and Time Deposits with the agreed interest, actual damages of P50,000.00, moral damages of P50,000.00, exemplary damages of P30,000.00 and 10% of the amount due [respondents] as and for attorney's fees plus the cost of suit.

The counterclaim of [petitioner] is hereby DISMISSED for lack of merit.

SO ORDERED.[59]

Ruling of the Court of Appeals

Aggrieved, petitioner appealed to the CA.

On April 2, 2008, the CA affirmed the ruling of the RTC but deleted the award of actual damages because "the basis for [respondents'] claim for such damages is the professional fee that they paid to their legal counsel for [respondent] Rosales' defense against the criminal complaint of [petitioner] for estafa before the Office of the City Prosecutor of Manila and not this case." [60] Thus, the CA disposed of the case in this wise:

WHEREFORE, premises considered, the Decision dated January 15, 2007 of the RTC, Branch 21, Manila in Civil Case No. 04-110895 is AFFIRMED with MODIFICATION that the award of actual damages to [respondents] Rosales and Yo Yuk To is hereby DELETED.

SO ORDERED.[61]

Petitioner sought reconsideration but the same was denied by the CA in its May 30, 2008 Resolution.[62]

Issues

Hence, this recourse by petitioner raising the following issues:

- THE [CA] ERRED IN RULING THAT THE "HOLD-OUT" PROVISION IN THE APPLICATION AND AGREEMENT FOR DEPOSIT ACCOUNT DOES NOT APPLY IN THIS CASE.
- THE [CA] ERRED WHEN IT RULED THAT PETITIONER'S EMPLOYEES WERE NEGLIGENT IN RELEASING LIU CHIU FANG'S FUNDS.
- THE [CA] ERRED IN AFFIRMING THE AWARD OF MORAL DAMAGES, EXEMPLARY DAMAGES, AND ATTORNEY'S FEES.[63]

Petitioner's Arguments

Petitioner contends that the CA erred in not applying the "Hold Out" clause stipulated in the Application and Agreement for Deposit Account.[64] It posits that the said clause applies to any and all kinds of obligation as it does not distinguish between obligations arising ex contractu or ex delictu.[65] Petitioner also contends that the fraud committed by respondent Rosales was clearly established by evidence;[66] thus, it was justified in issuing the "Hold-Out" order.[67]

Petitioner likewise denies that its employees were negligent in releasing the dollars.[68] It claims that it was the

deception employed by respondent Rosales that caused petitioner's employees to release Liu Chiu Fang's funds to the impostor.[69]

Lastly, petitioner puts in issue the award of moral and exemplary damages and attorney's fees. It insists that respondents failed to prove that it acted in bad faith or in a wanton, fraudulent, oppressive or malevolent manner.[70]

Respondents' Arguments

Respondents, on the other hand, argue that there is no legal basis for petitioner to withhold their deposits because they have no monetary obligation to petitioner.[71] They insist that petitioner miserably failed to prove its accusations against respondent Rosales.[72] In fact, no documentary evidence was presented to show that respondent Rosales participated in the unauthorized withdrawal.[73] They also question the fact that the list of the serial numbers of the dollar notes fraudulently withdrawn on February 6, 2003, was not signed or acknowledged by the alleged impostor.[74] Respondents likewise maintain that what was established during the trial was the negligence of petitioner's employees as they allowed the withdrawal of the funds without properly verifying the identity of the depositor.[75] Furthermore, respondents contend that their deposits are in the nature of a loan; thus, petitioner had the obligation to return the deposits to them upon demand.[76] Failing to do so makes petitioner liable to pay respondents moral and exemplary damages, as well as attorney's fees.[77]

Our Ruling

The Petition is bereft of merit.

At the outset, the relevant issues in this case are (1) whether petitioner breached its contract with respondents, and (2) if so, whether it is liable for damages. The issue of whether petitioner's employees were negligent in allowing the withdrawal of Liu Chiu Fang's dollar deposits has no bearing in the resolution of this case. Thus, we find no need to discuss the same.

The "Hold Out" clause does not apply to the instant case.

Petitioner claims that it did not breach its contract with respondents because it has a valid reason for issuing the "Hold Out" order. Petitioner anchors its right to withhold respondents' deposits on the Application and Agreement for Deposit Account, which reads:

Authority to Withhold, Sell and/or Set Off:

The Bank is hereby authorized to withhold as security for any and all obligations with the Bank, all monies, properties or securities of the Depositor now in or which may hereafter come into the possession or under the control of the Bank, whether left with the Bank for safekeeping or otherwise, or coming into the hands of the Bank in any way, for so much thereof as will be sufficient to pay any or all obligations incurred by Depositor under the Account or by reason of any other transactions between the same parties now existing or hereafter contracted, to sell in any public or private sale any of such properties or securities of Depositor, and to apply the proceeds to the payment of any Depositor's obligations heretofore mentioned.

x x x x

JOINT ACCOUNT

x x x x

The Bank may, at any time in its discretion and with or without notice to all of the Depositors, assert a lien on

any balance of the Account and apply all or any part thereof against any indebtedness, matured or unmatured, that may then be owing to the Bank by any or all of the Depositors. It is understood that if said indebtedness is only owing from any of the Depositors, then this provision constitutes the consent by all of the depositors to have the Account answer for the said indebtedness to the extent of the equal share of the debtor in the amount credited to the Account.[78]

Petitioner's reliance on the "Hold Out" clause in the Application and Agreement for Deposit Account is misplaced.

The "Hold Out" clause applies only if there is a valid and existing obligation arising from any of the sources of obligation enumerated in Article 1157[79] of the Civil Code, to wit: law, contracts, quasi-contracts, delict, and quasi-delict. In this case, petitioner failed to show that respondents have an obligation to it under any law, contract, quasi-contract, delict, or quasi-delict. And although a criminal case was filed by petitioner against respondent Rosales, this is not enough reason for petitioner to issue a "Hold Out" order as the case is still pending and no final judgment of conviction has been rendered against respondent Rosales. In fact, it is significant to note that at the time petitioner issued the "Hold Out" order, the criminal complaint had not yet been filed. Thus, considering that respondent Rosales is not liable under any of the five sources of obligation, there was no legal basis for petitioner to issue the "Hold Out" order. Accordingly, we agree with the findings of the RTC and the CA that the "Hold Out" clause does not apply in the instant case.

In view of the foregoing, we find that petitioner is guilty of breach of contract when it unjustifiably refused to release respondents' deposit despite demand. Having breached its contract with respondents, petitioner is liable for damages.

Respondents are entitled to moral and exemplary damages and attorney's fees.

In cases of breach of contract, moral damages may be recovered only if the defendant acted fraudulently or in bad faith,[80] or is "guilty of gross negligence amounting to bad faith, or in wanton disregard of his contractual obligations." [81]

In this case, a review of the circumstances surrounding the issuance of the "Hold Out" order reveals that petitioner issued the "Hold Out" order in bad faith. First of all, the order was issued without any legal basis. Second, petitioner did not inform respondents of the reason for the "Hold Out." [82] Third, the order was issued prior to the filing of the criminal complaint. Records show that the "Hold Out" order was issued on July 31, 2003,[83] while the criminal complaint was filed only on September 3, 2003.[84] All these taken together lead us to conclude that petitioner acted in bad faith when it breached its contract with respondents. As we see it then, respondents are entitled to moral damages.

As to the award of exemplary damages, Article 2229[85] of the Civil Code provides that exemplary damages may be imposed "by way of example or correction for the public good, in addition to the moral, temperate, liquidated or compensatory damages." They are awarded only if the guilty party acted in a wanton, fraudulent, reckless, oppressive or malevolent manner.[86]

In this case, we find that petitioner indeed acted in a wanton, fraudulent, reckless, oppressive or malevolent manner when it refused to release the deposits of respondents without any legal basis. We need not belabor the fact that the banking industry is impressed with public interest.[87] As such, "the highest degree of diligence is expected, and high standards of integrity and performance are even required of it." [88] It must therefore "treat the accounts of its depositors with meticulous care and always to have in mind the fiduciary nature of its relationship with them." [89] For failing to do this, an award of exemplary damages is justified to set an example.

The award of attorney's fees is likewise proper pursuant to paragraph 1, Article 2208[90] of the Civil Code.

In closing, it must be stressed that while we recognize that petitioner has the right to protect itself from fraud or suspicions of fraud, the exercise of this right should be done within the bounds of the law and in accordance with due process, and not in bad faith or in a wanton disregard of its contractual obligation to respondents.

WHEREFORE, the Petition is hereby DENIED. The assailed April 2, 2008 Decision and the May 30, 2008 Resolution of the Court of Appeals in CA-G.R. CV No. 89086 are hereby AFFIRMED.

SO ORDERED.

Carpio, (Chairperson), Brion, Perez, and Perlas-Bernabe, JJ. concur.

[1] Allied Banking Corporation v. Lim Sio Wan, 573 Phil. 89, 102 (2008).

[2] Bank of the Philippine Islands v. Court of Appeals, G.R. No. 104612, May 10, 1994, 232 SCRA 302, 309-310.

[3] Rollo, pp. 11-41.

[4] CA rollo, pp. 125-149; penned by Associate Justice Remedios A. Salazar-Fernando and concurred in by Associate Justices Rosalinda Asuncion-Vicente and Sesonando E. Villon.

[5] Id. at 170-171.

[6] Rollo, p. 276.

[7] Sometimes referred to in the records as "China Golden Bridge Travel and Tours, Inc."

[8] Rollo, p. 239.

[9] Id.

[10] Joint Peso Account No. 224-322405145-0; Records, Volume I, p. 9.

[11] Id.

[12] Id. at 10.

[13] CA rollo, p. 126.

[14] Id. at 135.

[15] Joint Dollar Account No. 0224-01041-0; Records, Volume I, p. 12.

[16] Id. at 14.

[17] CA rollo, p. 126.

[18] Records, Volume I, p. 3.

[19] CA Rollo, pp. 126-127.

[20] Id.

[21] Records, Volume II, p. 388.

[22] Id. at 396.

[23] Id.

[24] Id.

[25] CA rollo, p. 127.

[26] Id. at unpaged to 140.

[27] Records, Volume I, p.223.

[28] Id. at 223-224.

[29] Id.

[30] Id. at 224.

[31] Id.

[32] Id.

[33] Id.

[34] Id.

[35] Id.

[36] Id.

[37] Id.

[38] Id. at 225.

[39] Id. at 224-225.

[40] Id. at 225.

[41] Id.

[42] Id.

[43] Id. at 205-207.

[44] Id. at 2-8.

[45] Id. at 4-5.

[46] Id. at 4.

[47] Id. at 6.

[48] Id. at 7.

[49] Id. at 27-31.

[50] Id. at 25.

[51] Id. at 27.

[52] Id. at 252.

[53] Rollo, p. 280.

[54] Records, Volume I, p. 252.

[55] Records, Volume II, pp. 502-508; penned by Judge Amor A. Reyes.

[56] Id. at 508.

[57] Id.

[58] Id.

[59] Id.

[60] CA rollo, p. 148.

[61] Id. at 148-149.

[62] Id. at 170-171.

[63] Rollo, p. 282.

[64] Id. at 283-284.

[65] Id. at 284.

[66] Id. at 284-295.

[67] Id. at 295.

[68] Id. at 295-296.

[69] Id.

[70] Id. at 297-302.

[71] Id. at 247-248.

[72] Id. at 251.

[73] Id. at 256.

[74] Id. at 260-261.

[75] Id. at 265-270

[76] Id. at 246-247.

[77] Id. at 270-272.

[78] Records, Volume II, p. 346.

[79] Article 1157. Obligations arise from:

- (1) Law;
- (2) Contracts;
- (3) Quasi-contracts;
- (4) Acts or omissions punished by law; and
- (5) Quasi-delicts.

[80] Article 2220. Willful injury to property may be a legal ground for awarding moral damages if the court

should find that, under the circumstances, such damages are justly due. The same rule applies to breaches of contract where the defendant acted fraudulently or in bad faith.

[81] Bankard, Inc. v. Dr. Feliciano, 529 Phil. 53, 61 (2006).

[82] CA rollo, p. 133.

[83] Id. at 126.

[84] Id.

[85] Article 2229. Exemplary or corrective damages are imposed, by way of example or correction for the public good, in addition to the moral, temperate, liquidated or compensatory damages.

[86] Article 2232 of the Civil Code provides that:

In contracts and quasi-contracts, the court may award exemplary damages if the defendant acted in a wanton, fraudulent, reckless, oppressive, or malevolent manner.

[87] Solidbank Corporation v. Spouses Arrieta, 492 Phil. 95, 104-105 (2005) and Prudential Bank v. Lim, 511 Phil. 100, 114 (2005).

[88] Solidbank Corporation v. Spouses Arrieta, id. at 104.

[89] Id.

[90] Article 2208. In the absence of stipulation, attorney's fees and expenses of litigation, other than judicial costs, cannot be recovered except:

(1) When exemplary damages are awarded.

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