

PREMIERE DEVELOPMENT BANK, PETITIONER, V. PRIMITIVA M. MANALO, HEIRS OF VERONIDIA C. SATURNINO, GENSU CAPITAL MANAGEMENT CORPORATION, EQUITABLE PCI BANK (NOW BANCO DE ORO) AND A...

G.R. No. 190359. October 06, 2021

Ponente: GAERLAN, J.

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GAERLAN, J.:

The fiduciary nature of banking requires banks to perform their duties with extraordinary care and utmost diligence. Thus, a drawee bank who negligently allows an unauthorized withdrawal from its depositor's account shall be ordered to return the lost funds. In the same vein, a collecting bank who heedlessly endorses and clears a crossed check, shall be liable for its face value.

This resolves three (3) consolidated petitions for review on certiorari[1] under Rule 45 of the Rules of Court. In G.R. Nos. 190359 and 190374, petitioners Premiere Development Bank (Premiere Bank) and Asian Development Bank (Asian Bank), respectively, assail the November 26, 2007 Decision[2] and November 16, 2009 Resolution[3] of the Court of Appeals (CA) in CA-G.R. CV No. 81650. While in G.R. No. 223057, Philippine Commercial and Industrial Bank (PCI Bank) [formerly Equitable Philippine Commercial and Industrial Bank] prays for the reversal of the November 26, 2007 Decision[4] and February 17, 2016 Resolution[5] of the CA in CA-G.R. CV No. 81650. In the assailed November 26, 2007 Decision, the CA affirmed the July 9, 2003 Decision[6] of the Regional Trial Court (RTC) of Makati City, Branch 138, declaring Premiere Bank, Asian Bank and PCI Bank liable for actual damages.

Antecedents

Primitiva Manalo (Manalo) sold her property at Timog, Quezon City to Transit Automotive Supply (Transit).[7] As payment, Transit issued five (5) checks payable to Manalo, to wit:

Check No.: Amount: Date:

PCI Bank Check No. 315674 P7,235,000.00 June 10, 1992

PCI Bank Check No. 315675 P1,265,000.00 June 10, 1992

PCI Bank Check No. 315676 P2,833,333.00 August 10, 1992

PCI Bank Check No. 315677 P2,833,333.00 October 10, 1992

PCI Bank Check No. 315678 P2,833,334.00 December 10, 1992

On June 11, 1992, Manalo opened Savings Account No. 0903-20855-5 with PCI Bank (now BDO Unibank, Inc.), and deposited PCI Bank Check Nos. 315674 and 315675. Meanwhile, on June 26, 1992, Manalo executed a Special Power of Attorney (SPA) in favor of her niece Veronidia Saturnino (Saturnino) authorizing the latter to

collect rentals and other outstanding accounts due her, and deposit them with any authorized banks.[8] Manalo left for the United States, and entrusted PCI Bank Check Nos. 315676, 315677, and 315678 to Saturnino.[9]

PCI Bank Check No. 315676

On August 10, 1992, Saturnino deposited PCI Bank Check No. 315676 in the amount of P2,833,333.00 in Manalo's PCI Bank Savings Account. When cleared, the proceeds of the check were apportioned as follows: (i) P133,333.00 was maintained in Savings Account No. 0903-20855-5; and (ii) P2,600,000.00 was deposited in Time Deposit Account No. 090-015344 on August 13, 1992 to mature on September 14, 1992.[10] On September 18, 1992, the proceeds of Time Deposit Account No. 090-015344 amounting P2,618,195.53 were deposited in PCI GS Fund No. 086578 with a redemption date of October 19, 1992. On the redemption date, the proceeds of PCI GS Fund No. 086578 were rolled over until November 27, 1992, purportedly pursuant to Manalo's instructions.[11]

Subsequently, PCI GS Fund No. 086578, then amounting to P2,670,314.87 was pre-terminated upon Saturnino's instructions. Thus, on November 27, 1992, PCI Bank issued Manager's Check No. 090 L-045694, in the amount of P2,670,314.87, with Manalo as the indicated payee. The check was a crossed check with the annotation "Payee's Account Only" written across the front. It was released to Saturnino.[12]

In turn, Saturnino handed Manager's Check No. 090 L-045694 to Gensu Capital Management Corporation (GENSCOR) for investment. GENSCOR deposited said manager's check in its account with Premiere Bank (now Security Bank Savings Corporation), Pasong Tamo Branch. Premiere Bank accepted the deposit, and credited the same to GENSCOR's account.[13]

PCI Bank Check No. 315677

On October 12, 1992, Saturnino deposited PCI Bank Check No. 315677 in the amount of P2,833,333.00 in Asian Bank (now Metropolitan Bank and Trust Company)[14] Savings Account No. SA-2016-12-00027-8 in Manalo's name. After clearance, the proceeds of the check were apportioned as follows: (i) P133,333.00 was kept in Savings Account No. SA-2016-12-00027-8; (ii) P1,200,000.00 was deposited in Common Trust Fund (CTF) CC92-19-31-42; and (iii) P1,500,000.00 was deposited into an Asian Bank Capital Investment Corporation (ABCIC) placement.[15]

On November 18, 1992, Asian Bank released the proceeds of the ABCIC Placement amounting to P1,519,609.34 to Saturnino by way of Asian Bank Manager's Check No. 001396 AP dated November 18, 1992. Manager's Check No. 001396 AP was a crossed check payable to Manalo.[16]

Then, on March 31, 1993, the proceeds of the Common Trust Fund in the amounts of P1,200,000.00 as principal, and P71,453.59 as interest were released by Asian Bank to Saturnino by way of Manager's Check Nos. 001839 AP and 001840 AP, respectively. The checks were crossed checks payable to Manalo.[17]

Thereafter, Saturnino invested Asian Bank Manager's Check Nos. 001396 AP and 001839 AP with GENSCOR. GENSCOR deposited said checks in its account with Premiere Bank, which accepted and cleared the checks and credited the proceeds to GENSCOR's account.[18]

Meanwhile, Saturnino deposited Manager's Check No. 001840 AP in Manalo's Asian Bank Savings Account. Saturnino withdrew the funds on May 14, 1993.[19]

PCI Bank Check No. 315678

On December 17, 1992, Saturnino deposited PCI Bank Check No. 315678 in GENSCOR's account with Premiere

Bank, as an investment. Premiere Bank accepted the deposit and credited the amount to GENSCOR's account.[20]

In January 1995, Manalo returned to the Philippines. Manalo was surprised to discover that Saturnino withdrew the proceeds of PCI Bank Check Nos. 315676 and 315677 from PCI Bank and Asian Bank, respectively. She was also dismayed to learn that PCI Bank Check No. 315678 was not deposited in her bank account, but to a different account with Premiere Bank.[21] Saturnino informed her that there was a bank scam and promised to give her \$20,000.00 for the time being.[22]

On March 31, 1995, Manalo filed a Complaint for sum of money and damages with prayer for the issuance of a writ of attachment.[23] She alleged that Saturnino misappropriated the total amount of P8,266,666.00 with the aid of Asian Bank, PCI Bank, and Premiere Bank.[24]

In response, Asian Bank denied liability claiming that Manalo authorized the withdrawals from her (Manalo's) account made by Saturnino. It further asserted that it issued a crossed check payable only to Manalo.[25] Asian Bank filed a compulsory cross-claim against Saturnino and Premiere Bank. It alleged that Premiere Bank violated banking rules by accepting the crossed checks when Manalo did not have an account with it. It likewise interposed a counterclaim against Manalo for moral damages and attorney's fees.[26]

Similarly, PCI Bank maintained that it did not violate its duties as a drawee bank when it cleared the checks issued to Manalo.[27] It also claimed that Manalo's complaint was baseless and unfounded. PCI Bank filed a cross-claim against Saturnino.[28]

Premiere Bank denied liability and explained that it credited PCI Bank Check No. 315678 to GENSCOR's account on the latter's representation that Saturnino was authorized to invest the check. Thus, Premiere Bank filed a third-party complaint against GENSCOR.[29]

Meanwhile, Saturnino insisted that she acted pursuant to Manalo's instructions and in accordance with the SPA. She stated that all the withdrawals were made through withdrawal slips signed by Manalo herself.[30] She further claimed that she informed Manalo of the status of her investments. She averred that Manalo failed to cooperate, and may no longer expect a full return on the investments.[31]

Responding to the third-party complaint, GENSCOR retorted that it merely acted on Saturnino's representations that she was fully authorized to transact on the checks. It urged that Saturnino made assurances to hold it free from any liability and damage that may arise from the investment.[32]

Saturnino passed away in December 2000, and was substituted by her heirs.[33]

Ruling of the RTC

On July 9, 2003, the RTC rendered a Decision[34] in favor of Manalo. The RTC noted that Saturnino's authority pursuant to the SPA was only to deposit the checks she received on behalf of Manalo. Thus, it declared that Saturnino's act of investing PCI Bank Check Nos. 315676, 315677, and 315678 in different placements, and eventually with GENSCOR, was beyond her authority. Likewise, the RTC faulted PCI Bank and Asian Bank for negligently allowing Saturnino to withdraw Manalo's money. Accordingly, it found PCI Bank solidarily liable with Saturnino to return the amount P2,600,000.00, representing the funds withdrawn from Manalo's PCI Bank account. Similarly, the RTC declared Asian Bank solidarily liable with Saturnino to pay Manalo P2,791,062.00, representing the money withdrawn from Manalo's Asian Bank account. Finally, the RTC held Premiere Bank liable for crediting the crossed check, PCI Bank Check No. 315678 payable to Manalo, to GENSCOR's account. Thus, it ordered Premiere Bank and Saturnino to pay Manalo P2,833,334.00, which represented the face value of PCI Bank Check No. 315678.[35]

The RTC disposed of the case as follows:

IN VIEW OF ALL THE FOREGOING, judgment is hereby rendered –

On the first cause of action, [PCI Bank] and Saturnino are hereby ordered to return and pay to [Manalo] P2,600,000.00 with interest thereon at the rate of 12% from August 10, 1992;

On the second cause of action, defendants Asian Bank and Saturnino are ordered to return and pay to [Manalo] P2,791,062.00 with interest thereon at the rate of 12% from October 10, 1992; and

On the third cause of action, defendants Premiere Bank and Saturnino are ordered to return and pay [Manalo] P2,833,334 with interest thereon at 12% from December 10, 1992.

No pronouncement as to costs.

SO ORDERED.[36]

Aggrieved, Premiere Bank, PCI Bank, Asian Bank, and the Heirs of Saturnino filed separate appeals. The appeals were consolidated before the CA.

Ruling of the CA

In a Decision[37] dated November 26, 2007, the CA affirmed in toto the RTC ruling. It stressed that the banks have the obligation to observe standards of integrity and performance in view of their fiduciary relationship with their depositors. Consequently, it held PCI Bank liable for allowing Saturnino to pre-terminate Manalo's trust account, and handing over the proceeds to Saturnino by way of a manager's check. In the same vein, the CA declared Asian Bank liable for allowing Saturnino to withdraw and appropriate the proceeds of PCI Bank Check No. 315677 from Manalo's account despite the absence of proper authorization. The CA emphasized that there is nothing in the SPA which grants Saturnino authority to withdraw from Manalo's accounts. Thus, the CA concluded that PCI Bank and Asian Bank were negligent for allowing such withdrawals.[38]

Next, the CA faulted Premiere Bank for negligently allowing the deposit of PCI Bank Check No. 315678 to GENSCOR's account, despite the clear notation in the check, for "Payee's Account Only." The CA further noted that Manalo did not authorize Saturnino to deposit said check with Premiere Bank.[39]

Finally, the CA concluded that preponderance of evidence proves that Saturnino knowingly and willfully went beyond her powers in the SPA, thereby rendering her solidarily liable with the banks.[40]

The dispositive portion of the CA ruling reads:

WHEREFORE, the foregoing considered, the appeals are DENIED and the assailed decision AFFIRMED in toto.

SO ORDERED.[41]

Dissatisfied with the ruling, Asian Bank, PCI Bank, and Premiere Bank separately filed their motions for reconsideration against the CA's Decision.[42]

On November 16, 2009, the CA issued a Resolution[43] denying Asian Bank's and Premiere Bank's motions for reconsideration. However, PCI Bank's motion was inadvertently excluded from the CA rollo, and thus remained unacted upon.[44]

On March 2, 2015, Manalo passed away and was substituted by her surviving children, Priscila M. Gil, Cynthia Manalo, and Proserfina M. Demonteverde.[45]

On February 17, 2016, the CA issued a Resolution[46] denying PCI Bank's Motion for Reconsideration.

Petitions Filed Before the Court

Premiere Bank filed a petition for review on certiorari, which was docketed as G.R. No. 190359. Asian Bank likewise filed a petition for review on certiorari, which was docketed as G.R. No. 190374.

On April 12, 2010, the Court issued a Resolution[47] ordering the consolidation of G.R. No. 190374 with G.R. No. 190359.

Meanwhile, PCI Bank filed a petition for review on certiorari. The case was docketed as G.R. No. 223057.[48]

On November 14, 2016, the Court issued a Resolution[49] ordering the consolidation of G.R. No. 223057, with the consolidated cases of G.R. Nos. 190374 and 190359.

Issues

The crux of the case rests on whether or not PCI Bank, Asian Bank, and Premiere Bank are guilty of negligence in the performance of their obligations, and consequently, liable to Manalo.

G.R. No. 190374

Asian Bank claims that it was not negligent in handling Manalo's accounts, and in ultimately allowing Saturnino to withdraw the amount of P2,791,062.[50] It urges that it relied on the SPA, specimen signature cards of Manalo, and withdrawal slips signed by her.[51] It contends that Manalo authorized the withdrawal of her placements, and expressly allowed them to be invested in real estate property. Thus, Manalo is estopped from questioning Saturnino's authority to represent her in her transactions with Asian Bank. It posits that the principle of unjust enrichment bars Manalo from recovery.[52]

Asian Bank further avers that all of the manager's checks it issued were crossed checks payable to the order of Manalo.[53] On this score, it claims that Premiere Bank, as the collecting bank, must suffer the loss. It stresses that Premiere Bank deposited the crossed checks to GENSCOR's account, notwithstanding the fact that they were payable only to Manalo. It argues that Premiere Bank had the duty to ascertain the genuineness of all prior endorsements and was privy to the depositor who negotiated the checks.[54]

G.R. No. 223057

PCI Bank raises similar arguments with Asian Bank. PCI Bank maintains that the SPA granted Saturnino authority to receive funds in Manalo's behalf from any person, corporation or institution, whether in check or in cash. PCI Bank interprets this as a conferment of Saturnino's power to receive the funds deposited in Manalo's PCI Bank account. Alternatively, it argues that assuming Saturnino had no written authority to withdraw, Manalo nonetheless ratified Saturnino's acts. It points out that Manalo admitted during the trial that she authorized Saturnino to transfer her funds from her savings account to a time deposit account, and thereafter to a trust fund account, and also allowed Saturnino to make withdrawals from time to time.[55] Thus, Manalo is estopped from questioning Saturnino's acts.[56]

Moreover, PCI Bank asserts that it issued a crossed check payable only to Manalo.[57] It insists that it exercised the required diligence by ensuring that only Manalo can benefit from said check.[58] It urges that it is not accountable for Saturnino's act of investing Manalo's check with GENSCOR, and for the latter depositing the same with Premiere Bank.[59] PCI Bank stresses that Saturnino, GENSCOR and Premiere Bank should be held liable to Manalo. It contends that Saturnino was bound to deliver the check to Manalo, while Premiere Bank should not have allowed the check to be deposited to an account which did not belong to Manalo. It denies

liability arguing that it merely relied on the express guarantee made by Premiere Bank on the validity of all prior endorsements in the check.[60]

G.R. No. 190359

Premiere Bank claims that it was not grossly negligent in allowing PCI Bank Check No. 315678 to be deposited to GENSCOR's account.[61] It advances that said deposit took place after PCI Bank and Asian Bank recognized Saturnino's authority to transact for and in behalf of Manalo.[62] Hence, it was influenced to likewise recognize the SPA, and accept GENSCOR's deposit of PCI Bank Check No. 315678.[63]

Likewise, Premiere Bank alleges that Saturnino was validly clothed with authority to deposit the subject check through an investment scheme with GENSCOR.[64] It holds that Manalo approved the investments and is estopped from claiming otherwise.[65] It accuses Manalo of negligence in managing her property, and placing too much trust on Saturnino, and thus contends that Manalo should bear her own loss.[66]

Furthermore, Premiere Bank disclaims liability on PCI Bank Check Nos. 315676 and 315677, stating that said checks were deposited to GENSCOR's account as an investment, and by clearing said checks, it merely extended the usual accommodation observed by other banks and/or financial institutions to an investment firm.[67] It contends that Manalo as payee was not prejudiced by the acceptance of GENSCOR's deposit, since the ownership of the investment with GENSCOR still belongs to Manalo.[68]

Lastly, Premiere Bank laments that the RTC and the CA failed to render judgment on Saturnino's liability to reimburse it and the other banks for all the amounts they have been found liable for. Also, it claims that it is entitled to a judgment against GENSCOR based on its third-party complaint.[69] It urges that GENSCOR and Saturnino benefited from PCI Bank Check No. 315678, and hence, it should have a right of reimbursement against GENSCOR and Saturnino.[70]

Manalo's Comments to the Petitions

Manalo counters that Asian Bank and PCI Bank were grossly negligent in allowing Saturnino to withdraw the proceeds of PCI Bank Check Nos. 315676 and 315677. Although she concedes that Saturnino perpetuated the fraud that resulted to the loss of her money, she emphasizes that such fraud would not have been accomplished if not for the banks' reckless negligence.[71] She stresses that the SPA did not grant Saturnino authority to withdraw funds from her bank accounts.[72]

Additionally, Manalo accuses Premiere Bank of wanton and inexcusable negligence in accepting and clearing the checks, and depositing them to GENSCOR's account.[73] She points out that Premiere Bank's breach of standard banking practice was not an isolated incident, but a recurring event that happened on three occasions.[74] Moreover, Manalo contends that Premiere Bank impliedly waived its right to run after GENSCOR and the Heirs of Saturnino when it failed to raise such issue before the CA.[75]

Finally, Manalo opposes PCI Bank's attempt at shifting the liability to Premiere Bank as the collecting bank. Manalo urges that the assumption of liability by the collecting bank for its express warranty as the last endorser of a check applies only in cases of forgery. Hence, since there are no claims that PCI Bank Check No. 315676 was forged, PCI Bank cannot be absolved from its negligent act of allowing Saturnino to withdraw the proceeds of the subject check sans proper authorization.[76] Manalo clarifies that the issue is not the validity or genuineness of the check, but rather, PCI Bank's negligence in clearing the manager's check despite its knowledge of the nature of the check and the purpose for its issuance.[77]

The Heirs of Saturnino did not file a comment.

Ruling of the Court

The petition is partly impressed with merit.

The unauthorized withdrawals of Manalo's deposits

The banking business is imbued with public interest,[78] and the fiduciary nature of banking requires high standards of integrity and performance.[79] Consequently, banks are mandated to treat the accounts of their depositors with meticulous care[80] and utmost fidelity, whether the accounts consist only of a few hundred pesos or of millions of pesos.[81] This high standard of care is deemed written into every deposit agreement between the bank and its depositor.[82]

In view of the fiduciary nature of banking, PCI Bank and Asian Bank were bound to treat Manalo's deposits with utmost fidelity. Unfortunately, they were remiss in their obligation. They allowed Saturnino to withdraw Manalo's funds amounting to P2,670,314.87 and P2,791,062.93, respectively. They erroneously justified their actions on the SPA which purportedly granted Saturnino authority to withdraw on Manalo's behalf.

The SPA is strictly worded as follows:

That I, Primitiva M. Manalo, x x x hereby name, constitute and appoint Veronidia C. Saturnino, x x x to be my true and lawful Attorney-in-fact, in my name, place and stead, to do and perform any and all acts, deeds and things, to wit:

1. To represent me in any and all transactions regarding collection of rentals and other accounts and collectibles from person or persons, corporation or institutions having outstanding accounts with me whether within Metro Manila or outside thereof;
2. To receive such amounts due me from any person or persons or corporation or institution whether in check or in cash and to deposit the same with any authorized bank or banks;
3. To open safety deposit boxes in my name with any bank or banks;
4. To file any complaint or suit against any person or persons having violated any and all my rights, interests and participation whether in my personal and real estate property and to attend hearings thereto if necessary;
5. To sign an and all contracts, compromise agreements in any court of justice or any amicable settlement outside of court whether criminal, civil or administrative or otherwise;
6. To do and perform any and all acts necessary for the faithful execution of the foregoing acts and deeds.[83]

Verily, there is nothing in the SPA that granted Saturnino authority to withdraw on Manalo's behalf. Rather, Saturnino was only authorized to collect rentals and other outstanding obligations related to Manalo's properties, and deposit them in the latter's bank accounts. Allowing Saturnino to withdraw Manalo's funds would be enlarging the scope of her powers, which was never intended or specified by the parties.

It bears stressing that a special power to deposit funds does not in any way include the authority to withdraw the funds, unless explicitly granted or stated. As correctly opined by the RTC and CA, the act of withdrawal is one of special dominion that requires a special authority, none of which exists in the afore-quoted SPA.

Equally important, a power of attorney must be strictly construed and pursued. Where powers and duties are specified and defined in an instrument, said powers are confined to those expressly stated, and all other powers are excluded.[84] Thus, the agent may not go beyond or deviate from the power of attorney.[85]

PCI Bank argues that Saturnino's authority to withdraw is evident from her second enumerated power, which is "[t]o receive such amounts due [Manalo] from any person or persons or corporation or institution whether in check or in cash and to deposit the same with any authorized bank or banks[.]"[86]

The Court disagrees.

Article 1374 of the Civil Code states that "[t]he various stipulations of a contract shall be interpreted together, attributing to the doubtful ones that sense which may result from all of them taken jointly."[87] Poring over the entire SPA, it is evident that the parties' intention was to empower Saturnino to receive rentals and all other outstanding accounts due Manalo. In fact, the immediately preceding paragraph clearly specifies the funds Saturnino may collect—rentals and other accounts and collectibles from person or persons, corporation or institutions having outstanding accounts" with Manalo.[88]

Moreover, the basic statutory construction principle of *eiusdem generis* instructs that where a general word or phrase follows an enumeration of particular and specific words of the same class, the general word or phrase is to be construed to include—or to be restricted to—things akin to or resembling, or of the same kind or class as, those specifically mentioned.[89] Hence, the general phrase "other accounts and collectibles" pertains to rentals or accounts related to Manalo's properties, which are outstanding at the time of the execution of the SPA.[90] Plainly, the proceeds of the manager's check are not part of the receivable amounts Saturnino may collect under the SPA.[91] Accordingly, PCI Bank's act of allowing Saturnino to receive the proceeds of Manalo's trust fund account reeks of gross-negligence.[92]

Unyielding, PCI Bank and Asian Bank insist that Manalo ratified Saturnino's acts by allowing the latter to withdraw and invest her funds. They further blame Manalo for being negligent in handling her affairs. They harp on documentary and testimonial evidence consisting of the Summary of Primitiva M. Manalo's Investments from August 10, 1992 to February 10, 1996 (Summary of Investments);[93] the Memorandum of Agreement (MOA) dated January 31, 1995;[94] and Manalo's own admission that she authorized Saturnino to withdraw her money from the banks to transfer and invest the same.[95]

The arguments fail to persuade.

First, there is nothing in the MOA and Summary of Investments that explicitly grant Saturnino authority to withdraw Manalo's funds. All that the MOA states is that Manalo is the owner of real estate property in San Andres Manila; that Saturnino shall construct and develop eight (8) new concrete townhouses to be sold to prospective buyers; that Saturnino shall pay the net proceeds of P11,500,000.00 or higher depending upon the sale to Manalo within a period of one year from the signing of the MOA; that in case of failure to comply with the MOA, the lot with eight townhouses shall automatically belong to Manalo; and that the proceeds of the sale shall be deposited at Manalo's PNB account. Clearly, there is nothing that pertains to, or even hints at Saturnino's authority to withdraw funds from Manalo's bank accounts.

Besides, it is odd that PCI Bank and Asian Bank harp on the MOA as proof of Saturnino's authority to withdraw, when said MOA was not even presented to them before they allowed the withdrawals. For all intents and purposes, at the time of the withdrawal, Saturnino had no authority to effect it, or any document that would have proven her authority.

Second, the Summary of Investments[96] simply lists down Manalo's funds. Although it contains a paragraph vaguely stating that Manalo's money was withdrawn due to a bank scam and invested in real estate, still it cannot be regarded as an authority to withdraw. Neither does it prove that Manalo ratified Saturnino's act, or should be estopped from questioning Saturnino's unauthorized withdrawals. Records show that the Summary of

Investments was presented to Manalo on January 31, 1995, years after the unauthorized withdrawals. Even more telling, on February 22, 1995, days after being notified of said Summary of Investments, Manalo wrote a letter to Mr. Bobby Reyes, Assistant Vice President of Asian Bank, requesting him to investigate what happened to PCI Bank Check No. 315677, which was deposited with said bank.[97] One month thereafter, or on March 31, 1995, Manalo filed a complaint for collection of sum of money and damages, which proves her lack of knowledge and consent to Saturnino's acts, and her vehement objection thereto.

Third, the testimonies relied upon by the banks merely reveal that Manalo authorized Saturnino to transfer her funds from her savings account to a time deposit account, and later, to a trust fund account.[98] Basically, at the time of the withdrawal, there was no document that authorized Saturnino to terminate Manalo's placements, and withdraw the proceeds thereof.

Based on the foregoing, it is clear that PCI Bank and Asian Bank violated their fiduciary duty to Manalo. Having established said banks' negligence, the next issues to be resolved are their respective liabilities, as well as Premiere Bank's liability as the collecting bank.

Comparative negligence of PCI Bank, Asian Bank, and Premiere Bank for the proceeds of PCI Bank Check Nos. 315676 and 315677

Article 1980 of the Civil Code provides that "[f]ixed, savings, and current deposits of money in banks and similar institutions shall be governed by the provisions concerning simple loan." [99] Simply, a bank deposit is in the nature of a simple loan or mutuum. Consequently, the relationship between a bank and its depositor is one of debtor-creditor.[100]

In relation, Article 1953 of the Civil Code mandates that "[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." [101] Payment made by the debtor to the wrong party does not extinguish his/her obligation to the creditor. This holds true even if the debtor acted in utmost good faith and by mistake as to the person of his/her creditor, or through fraud committed by a third person, paid one who is neither his/her creditor nor authorized to receive payment.[102] As applied to banks, their obligation to their depositor persists, and is not extinguished until they pay the latter. Thus, the banks remain liable even if the payment was made in the name of the depositor, but handed to a person not authorized to receive the payment.[103]

As exhaustively discussed, PCI Bank and Asian Bank negligently allowed the withdrawal of Manalo's funds. Their issuance of a crossed check payable to Manalo is not a proper defense that will exempt them from liability.

Nonetheless, Premiere Bank as a collecting bank is equally liable. To note, Premiere Bank negligently allowed the deposit of Manager's Check Nos. 090 L-045694, as well as 001396 AP and 001839 AP, respectively issued by PCI Bank and Asian Bank. Said manager's checks were crossed checks payable to Manalo. Despite this glaring fact, Premiere Bank still deposited and credited said checks to GENSCOR's account, under the excuse that Manalo authorized Saturnino to invest said checks. However, there is absolutely nothing in the SPA that granted Saturnino the power to invest Manalo's checks. Evidently, Premiere Bank has no excuse for its grossly negligent act.

To stress, a crossed check is one where two parallel lines are drawn across its face. Legally, it has the following effects, (i) the check may not be encashed but only deposited in the bank; (ii) the check may be negotiated only

once to the one who has an account with the bank; and (iii) the act of crossing the check serves as a warning to the holder that the check has been issued for a definite purpose and he must inquire if he received the check pursuant to this purpose; otherwise, he is not a holder in due course.[104] More importantly, the crossing of a check means that said check should be deposited only in the account of the payee.[105]

Interestingly, Premiere Bank never denied that the checks presented to it for deposit were crossed checks. It even admitted that it deposited said checks to GENSCOR's account pursuant to the usual accommodation it accords to investment firms.[106] As a banking institution, Premiere Bank is expected to know the legal significance of a crossed check.

Worse, Premiere Bank's breach of standard banking practice was not an isolated incident. Rather, it accepted and cleared the deposits made by GENSCOR, and credited the amounts to GENSCOR's accounts on three separate occasions – (i) on November 19, 1992 for Asian Bank Manager's Check No. 001396AP for P1,519,609.34; (ii) on November 27, 1992 for PCI Bank Manager's Check No. 090 L-045694 for P2,670,314.87; and (iii) on March 31, 1993 for Asian Bank Manager's Check No. 001839AP for P1,200,000.00.

Generally, the collecting bank is solely liable for the amount of the check it endorsed, except if the check was initially issued through negligence. This rule was enunciated in *Allied Banking Corporation v. Lim Sio Wan, et al.*,^[107] and *Bank of the Philippine Islands v. Court of Appeals*,^[108] where liability was apportioned between the drawee bank, who negligently issued the check, and the collecting bank, who guaranteed, endorsed and authorized the payment of the check to a person other than the payee.

To reiterate, PCI Bank and Asian Bank set the events in motion by negligently issuing the manager's checks and handing them to Saturnino, despite the absence of a specific authority from Manalo. Heedlessly, they did not bother to contact Manalo before terminating her placements and allowing the withdrawal of hefty sums. They could have prevented the loss of funds had they exercised the diligence required of financial institutions. In the same vein, Premiere Bank perpetuated the fraud and participated in the unauthorized release of Manalo's money by accepting the crossed checks payable to Manalo and crediting them to GENSCOR's account.

Accordingly, the Court finds reasonable the imposition of a fifty percent-fifty percent (50%-50%) proportionate sharing of liability between PCI Bank and Premiere Bank for Manager's Check No. 090 L-045694 in the amount of P2,670,314.87; and also a fifty percent-fifty percent (50%-50%) shared liability between Asian Bank and Premiere Bank for Manager's Check No. 001396 AP for P1,519,609.34, and Manager's Check No. 001839 AP for P1,200,000.00.

However, considering that Manager's Check No. 001840 AP with a face value of P71,453.59 was not invested with GENSCOR but deposited by Saturnino to Manalo's Asian Bank savings account and subsequently withdrawn (sans proper authority), Asian Bank is solely liable to return the said amount to Manalo.

Premiere Bank's liability for PCI Bank Check No. 315678

It bears stressing that Saturnino directly deposited PCI Bank Check No. 315678 to GENSCOR's account with Premiere Bank. Thus, a different rule of liability applies for the payment of the face value of said check.

Essentially, the collecting bank or last endorser generally suffers the loss because it has the obligation to ascertain the genuineness of all prior indorsements, and is privy to the depositor who negotiated the check.^[109] The law imposes on the collecting bank the duty to diligently scrutinize the check deposited with it, to determine its

genuineness and regularity. The collecting bank holds itself out to the public as the expert on this field, and thus, the law holds it to a high standard of conduct.[110]

Significantly, the crossing of a check with the phrase “Payee’s Account Only” serves as a warning that the check should be deposited in the account of the payee. In such instance, the collecting bank must scrutinize the check and know its depositor before it makes the clearing indorsement, “all prior indorsements and/or lack of indorsement guaranteed.” The collecting bank must ensure that the check is in fact deposited in accordance with the instructions stated therein.[111]

In the case at bar, PCI Bank Check No. 315678 was a crossed check that bore the annotation “For Payee’s Account Only”. This clearly means that the drawer, Transit Automotive Supply, intended the check for deposit only by the rightful person, the payee named therein – Manalo. Lamentably, Premiere Bank accommodated GENSCOR, and accepted said crossed check. Premiere Bank stamped at the back thereof that “all prior indorsements and/or lack of indorsements are guaranteed.” In doing so, it became a general endorser. Under Section 66 of the Negotiable Instruments Law, an endorser warrants (i) that the instrument is genuine and in all respects what it purports to be; (ii) that he has a good title to it; (iii) that all prior parties had capacity to contract; and (iv) that the instrument is at the time of his endorsement valid and subsisting. Clearly, Premiere Bank, as an endorser, cannot deny liability.

Remarkably, in *Metropolitan Bank and Trust Co. (formerly Asianbank Corp.) v. BA Finance Corp., et al.*;^[112] *Associated Bank v. Court of Appeals*;^[113] *Westmont Bank v. Ong*;^[114] and *Asia Brewery, et al. v. Equitable PCI Bank*,^[115] the Court affirmed the right of the payee to go after the collecting bank for the unauthorized payment of the checks issued in the former’s name.

Particularly, in *Associated Bank v. Court of Appeals*,^[116] the Court allowed the payee to go directly against the collecting bank to abbreviate and simplify what would have eventually been a tedious process of sequential recovery:

As the Court stressed in *Banco de Oro Savings and Mortgage Bank vs. Equitable Banking Corp.*, “the law imposes a duty of diligence on the collecting bank to scrutinize checks deposited with it, for the purpose of determining their genuineness and regularity. The collecting bank, being primarily engaged in banking, holds itself out to the public as the expert on this field, and the law thus holds it to a high standard of conduct.”

The petitioners [collecting bank] insist that the private respondent [payee] has no cause of action against them because they have no privity of contract with her. They also argue that it was Eddie Reyes, the private respondent’s own husband, who endorsed the checks.

Assuming that Eddie Reyes did endorse the crossed checks, we hold that the Bank would still be liable to the private respondent because he was not authorized to make the endorsements. And even if the endorsements were forged, as alleged, the Bank would still be liable to the private respondent for not verifying the endorser’s authority. There is no substantial difference between an actual forging of a name to a check as an endorsement by a person not authorized to make the signature and the affixing of a name to a check as an endorsement by a person not authorized to endorse it.

The Bank does not deny collecting the money on the endorsement. It was its responsibility to inquire as to the authority of Rafael Sayson to deposit crossed checks payable to Melissa’s RTW upon a prior endorsement by Eddie Reyes. The failure of the Bank to make this inquiry was a breach of duty that made it liable to the private respondent for the amount of the checks.

There being no evidence that the crossed checks were actually received by the private respondent, she would have a right of action against the drawer companies, which in turn could go against their respective drawee banks, which in turn could sue the herein petitioner as collecting bank. In a similar situation, it was held that, to

simplify proceedings, the payee of the illegally encashed checks should be allowed to recover directly from the bank responsible for such encashment regardless of whether or not the checks were actually delivered to the payee. We approve such direct action in the case at bar.[117] (Citations omitted; emphasis and underscoring supplied)

Concededly, the cases cited involved forgeries of the payee's indorsement. However, the rule granting the payee direct recourse against the collecting bank applies to the case at bar. What matters is that the unauthorized payment ultimately stemmed from the wrongful deposit of the crossed check, and the negligence of the collecting bank in clearing said check. Likewise, the common thread between the cases cited and the case at bar, is that the payee did not receive the proceeds of the check due to the fraud or maneuvering of third persons. In this respect, Saturnino's unwarranted acts are akin to an unauthorized endorsement. Accordingly, Premiere Bank is liable to Manalo for the face value of PCI Bank Check No. 315678.

PCI Bank, Asian Bank, and Premiere Bank may recover from Saturnino

The Court recognizes that Saturnino authored the whole scheme that led to the misappropriation of Manalo's funds. Hence, the banks may recover from her, pursuant to the principle of unjust enrichment.

Article 22 of the Civil Code states that "[e]very 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." [118] Unjust enrichment happens when a person unjustly retains a benefit to the loss of another, or retains money or property of another against the fundamental principles of justice, equity and good conscience.[119]

This equitable recourse was recognized in *Allied Banking Corporation v. Lim Sio Wan, et al.*, [120] where the drawee bank and collecting bank were ordered to return the depositor's money that was unlawfully withdrawn and deposited in another person's account, with a right of reimbursement against the parties who ultimately benefited from the unlawful transaction.[121]

The same holds true with respect to a collecting bank who negligently allowed the misappropriation of checks. In *Metropolitan Bank and Trust Company v. Philippine Bank of Communications, et al.*, [122] the collecting bank was allowed to recover from the person/s who actually caused the fraud. Thus, PCI Bank, Asian Bank, and Premiere Bank may go after Saturnino for all the amounts they have been held liable for.

However, Premiere Bank may no longer recover from GENSCOR. It bears noting that although Premiere Bank filed a third-party complaint against GENSCOR, the RTC did not hold it liable, directly or indirectly, for the amount of the subject checks. In effect, the RTC denied Premiere Bank's third-party complaint. In the same vein, the CA did not rule on GENSCOR's liability. Regrettably, Premiere Bank failed to assert its right to run after GENSCOR in its appeal before the CA, thereby impliedly waiving the same. Premiere Bank may not be allowed to raise such issue for the first time in its Petition before the Court, without violating GENSCOR's right to due process. Accordingly, the RTC's Decision is final as against GENSCOR.

To recapitulate, PCI Bank and Asian Bank failed to protect Manalo's deposits. Similarly, Premiere Bank cleared and credited the crossed checks payable to Manalo to GENSCOR. For these negligent acts, PCI Bank and Premiere Bank shall each be ordered to pay fifty percent (50%) of P2,670,314.87, which represents the face value of Manager's Check No. 090 L-045694. Likewise, Asian Bank and Premiere Bank shall each be liable for fifty percent (50%) of P2,719,609.34, which represents Asian Bank Manager's Check Nos. 001396 AP and 001839

AP. Moreover, Asian Bank shall be ordered to return to Manalo P71,453.59, which was unlawfully withdrawn by Saturnino from Manalo's Asian Bank Savings Account. Furthermore, Premiere Bank shall pay Manalo P2,833,334.00, which represents the face value of PCI Bank Check No. 315678. Ultimately however, the banks may recover from Saturnino.

Finally, the interests awarded by the RTC and their reckoning point must be modified. It must be noted that fixed, savings, and current deposits of money in banks and similar institutions partake of simple loans.[123] Following the guidelines set in *Nacar v. Gallery Frames*,[124] when the obligation consists in the payment of money, such as a loan or forbearance of money, the rate of interest, in the absence of stipulation, shall be twelve percent (12%) per annum to be computed from default, i.e., from judicial or extrajudicial demand until June 30, 2013. Thereafter, the legal rate of interest shall be six percent (6%) per annum until full payment.[125] Relatedly, in *BDO v. Lao*,[126] the Court imposed a twelve percent (12%) interest from the date of judicial demand until June 30, 2013, followed by a six percent (6%) interest from July 1, 2013 until the full satisfaction of the amount.

Consequently, the amounts adjudged against PCI Bank, Asian Bank, and Premiere Bank are subject to a legal interest rate of twelve percent (12%) per annum from March 31, 1995, the date Manalo filed a complaint against them, to June 30, 2013; and a six percent (6%) interest per annum from July 1, 2013 until full payment.

All told, banks have the obligation to perform their duties with utmost prudence, care, and fidelity. By doing so, depositors, who entrust their hard-earned money, may confidently rely on the assurance that their accounts are safely kept and managed. In the same manner, payees, who are rightfully entitled to the proceeds of crossed checks, may be protected against misappropriation.

WHEREFORE, premises considered, the petitions are PARTLY GRANTED. The November 26, 2007 Decision, the November 16, 2009 Resolution, and the February 17, 2016 Resolution of the Court of Appeals in CA-G.R. CV No. 81650 are hereby AFFIRMED with MODIFICATION:

1. (a) Philippine Commercial and Industrial Bank and Veronidia Saturnino are ORDERED to solidarily PAY Primitiva M. Manalo fifty percent (50%) of P2,670,314.87; and (b) Premiere Development Bank and Veronidia Saturnino are ORDERED to solidarily PAY Primitiva Manalo fifty percent (50%) of P2,670,314.87;
2. (a) Asian Bank and Veronidia Saturnino are ORDERED to solidarily PAY Primitiva Manalo fifty percent (50%) of P2,719,609.34; and (b) Premiere Development Bank and Veronidia Saturnino are ORDERED to solidarily PAY Primitiva Manalo fifty percent (50%) of P2,719,609.34;
3. Asian Bank and Veronidia Saturnino are ORDERED to solidarily PAY Primitiva Manalo P71,453.59;
4. Premiere Development Bank is ORDERED to PAY Primitiva Manalo P2,833,334.00; and
5. Philippine Commercial and Industrial Bank's and Asian Bank's cross-claims against Veronidia Saturnino are GRANTED. As such, they are allowed to reimburse from Veronidia Saturnino any and all amounts which each of them may have paid to Primitiva Manalo.

All amounts due shall be subject to a legal interest of twelve percent (12%) per annum reckoned from the date of judicial demand, or on March 31, 1995, until June 30, 2013, and six percent (6%) per annum from July 1, 2013 until full payment.

SO ORDERED.

Perlas-Bernabe, S.A.J. (Chairperson), Hernando, Inting, and Dimaampao, JJ., concur.

[*] Also referred to as “Primitiva N. Manalo” in some parts of the rollos.

[1] Rollo (G.R. No. 190359), pp. 3-32; id. (G.R. No. 190374), pp. 45-69; id. (G.R. No. 223057), pp. 35-54.

[2] Id. (G.R. No. 190359) at 39-59. Penned by Associate Justice Jose?na Guevara-Salonga, with Associate Justices Vicente Q. Roxas and Ramon R. Garcia, concurring.

[3] Id. (G.R. No. 190374) at 38-43.

[4] Id. (G.R. No. 190359) at 39-59.

[5] Id. (G.R. No. 223057) at 31-35. Penned by Associate Justice Ramon R. Garcia, with Associate Justices Agnes Reyes Carpio and Jhosep Y. Lopez (now a Member of the Court), concurring.

[6] Id. (G.R. No. 190359) at 67-72. Rendered by Presiding Judge Sixto Marella, Jr.

[7] Id. at 78-79.

[8] Id. (G.R. No. 190374) at 104.

[9] Id. (G.R. No. 190359) at 47.

[10] Id. at 47-48.

[11] Id.

[12] Id. at 48.

[13] Id.

[14] Id. (G.R. No. 190374) at 48.

[15] Id. (G.R. No. 190359) at 49.

[16] Id.

[17] Id. at 49-50.

[18] Id. at 50.

[19] Id.

[20] Id. at 230.

[21] Id. at 51.

[22] Id. at 141.

[23] Id. (G.R. No. 223057) at 103-118.

[24] Id. (G.R. No. 190359) at 141-142.

[25] Id. at 42.

[26] Id. (G.R. No. 190374) at 56.

[27] Id. (G.R. No. 190359) at 42.

[28] Id. at 68.

[29] Id.

[30] Id.

[31] Id. at 43.

[32] Id.

[33] Id. at 143.

[34] Id. at 67-72.

[35] Id.

[36] Id. at 72.

[37] Id. at 39-59.

[38] Id.

[39] Id.

[40] Id.

[41] Id. at 59.

[42] Id. at 39-59.

[43] Id. at 61-66. Rendered by Associate Justice Josefina Guevara-Salonga, with Associate Justices Amelita G. Tolentino and Ramon R. Garcia, concurring.

[44] Id. (G.R. No. 223057) at 32-33.

[45] Id. (G.R. No. 190359) at 389.

[46] Id. (G.R. No. 223057) at 31-35.

[47] Id. (G.R. No. 190359) at 109.

[48] Id. at 4-34.

[49] Id. (G.R. No. 190374) at 339.

[50] Id. at 57.

[51] Id. at 61.

[52] Id. at 139.

[53] Id. at 59.

[54] Id. at 138.

[55] Id. (G.R. No. 223057) at 48.

[56] Id. at 49.

[57] Id. at 53.

[58] Id.

[59] Id.

[60] Id. at 51.

[61] Id. (G.R. No. 190359) at 14-15.

[62] Id. at 16.

[63] Id.

[64] Id. at 20.

[65] Id. at 21.

[66] Id. at 21-22.

[67] Id. at 17-18.

[68] Id. at 18.

[69] Id. at 23.

[70] Id. at 24.

[71] Id. at 148.

[72] Id. at 150.

[73] Id. at 156.

[74] Id.

[75] Id. at 159-160.

[76] Id. at 164-165.

[77] Id. at 165.

[78] See *Philippine National Bank v. Pike*, 507 Phil. 322, 329-330 (2005), citing *Bank of the Philippine Islands v. Intermediate Appellate Court*, 283 Phil. 331, 336 (1992), *Tan v. Court of Appeals*, 309 Phil. 295, 304 (1994), *Metropolitan Bank & Trust Company v. Court of Appeals*, 307 Phil. 785, 793 (1994), *Firestone Tire & Rubber Co. v. Court of Appeals*, 406 Phil. 143, 152 (2001).

[79] REPUBLIC ACT NO. 8791, Sec. 2.

[80] See *Philippine National Bank v. Pike*, id. at 340-341, citing *Bank of the Philippine Islands v. Intermediate Appellate Court*, id., *Tan v. Court of Appeals*, id., *Metropolitan Bank & Trust Company v. Court of Appeals*, id. at 791- 792, *Firestone Tire & Rubber Co. v. Court of Appeals*, id.

[81] See *Philippine National Bank v. Pike*, id.

[82] See *Philippine National Bank v. Pike*, id. at 341, citing *Bank of the Philippine Islands v. Court of Appeals*, 290 Phil. 452 (1992).

[83] *Rollo* (G.R. No. 190374), p. 104.

- [84] Mercado v. Allied Banking Corporation, 555 Phil. 411, 423 (2007), citing Bank of the Philippine Islands v. De Coster, 49 Phil. 574, 589 (1926) as cited in Philippine National Bank v. Sta. Maria, 139 Phil. 781, 786 (1969).
- [85] Mercado v. Allied Banking Corporation, id. at 423, citing Angeles v. Philippine National Railways (PNR), 532 Phil. 147, 157 (2006).
- [86] Rollo (G.R. No. 223057), p. 47.
- [87] Mendoza v. Court of Appeals, et al., 340 Phil. 634, 644-645 (1997).
- [88] Rollo (G.R. No. 190374), p. 104.
- [89] Liwag v. Happy Glen Loop Homeowners Association, Inc., 690 Phil. 321, 333 (2012), citing Miranda v. Abaya, 370 Phil. 642, 658-659 (1999).
- [90] Rollo (G.R. No. 190374), p. 104.
- [91] Id. (G.R. No. 223057) at 433.
- [92] Id.
- [93] Id. (G.R. No. 190374) at 117.
- [94] Id. at 118-119.
- [95] Id. at 57.
- [96] Id. at 117.
- [97] Id. at 54.
- [98] Id. at 61.
- [99] CIVIL CODE, Article 1980.
- [100] Allied Banking Corporation v. Lim Sio Wan, et al., 573 Phil. 89, 101 (2008), citing Integrated Realty Corporation v. Phil. National Bank, 256 Phil. 38, 44 (1989), Serrano v. Central Bank of the Philippines, 185 Phil. 54, 61 (1980), and Central Bank of the Phil. v. Judge Morfe, 159 Phil. 727, 736 (1975).
- [101] CIVIL CODE, Article 1953.
- [102] See Allied Banking Corporation v. Lim Sio Wan, et al., supra note 100 at 103.
- [103] Id.
- [104] See Metropolitan Bank and Trust Company v. Junnel's Marketing Corporation, et al., G.R. No. 232044-G.R. No. 232057, August 27, 2020, citing Philippine Deposit Insurance Corp. v. Gidwani, 606 Phil. 35, 43 (2018).
- [105] See Metropolitan Bank and Trust Company v. Junnel's Marketing Corporation, et al., id., citing Philippine Deposit Insurance Corp. v. Gidwani, id.
- [106] Rollo (G.R. No. 190359), pp. 17-18.
- [107] Supra note 100.
- [108] Supra note 82.

[109] See *Metropolitan Bank and Trust Co. v. Philippine Bank of Communications*, 562 Phil. 511, 517-518 (2007), citing *Associated Bank v. CA*, 322 Phil. 677 (1996), citing *Bank of the Philippine Islands v. Court of Appeals*, *supra* note 82.

[110] See *Metropolitan Bank and Trust Co. v. Philippine Bank of Communications*, *id.*, citing *Banco de Oro Savings and Mortgage Bank v. Equitable Banking Corporation*, 241 Phil. 187, 200 (1988).

[111] See *Associated Bank v. Court of Appeals*, 284 Phil. 615, 621 (1992).

[112] 622 Phil. 637 (2009).

[113] *Supra* note 111.

[114] 425 Phil. 836 (2002).

[115] 809 Phil. 289 (2017).

[116] *Supra* note 111.

[117] *Associated Bank v. Court of Appeals*, *id.* at 622-624.

[118] CIVIL CODE, Article 22.

[119] *Yon Mitori International Industries v. Union Bank of the Philippines*, G.R. No. 225538, October 14, 2020, citing *Gaisano v. Development Insurance and Surety Corp.*, 806 Phil. 450, 464 (2017).

[120] *Supra* note 100.

[121] *Id.* at 108.

[122] *Supra* note 109.

[123] CIVIL CODE, Article 1980.

[124] 716 Phil. 267 (2013).

[125] *Id.*

[126] 811 Phil. 280 (2017).

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