

RIZAL COMMERCIAL BANKING CORPORATION, PETITIONER, VS. HI-TRI DEVELOPMENT CORPORATION AND LUZ R. BAKUNAWA, RESPONDENTS.*G.R. No. 192413. June 13, 2012*

Ponente: SERENO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-192413/>**SERENO, J.:**

Before the Court is a Rule 45 Petition for Review on Certiorari filed by petitioner Rizal Commercial Banking Corporation (RCBC) against respondents Hi-Tri Development Corporation (Hi-Tri) and Luz R. Bakunawa (Bakunawa). Petitioner seeks to appeal from the 26 November 2009 Decision and 27 May 2010 Resolution of the Court of Appeals (CA),^[1] which reversed and set aside the 19 May 2008 Decision and 3 November 2008 Order of the Makati City Regional Trial Court (RTC) in Civil Case No. 06-244.^[2] The case before the RTC involved the Complaint for Escheat filed by the Republic of the Philippines (Republic) pursuant to Act No. 3936, as amended by Presidential Decree No. 679 (P.D. 679), against certain deposits, credits, and unclaimed balances held by the branches of various banks in the Philippines. The trial court declared the amounts, subject of the special proceedings, escheated to the Republic and ordered them deposited with the Treasurer of the Philippines (Treasurer) and credited in favor of the Republic.^[3] The assailed RTC judgments included an unclaimed balance in the amount of P1,019,514.29, maintained by RCBC in its Ermita Business Center branch.

We quote the narration of facts of the CA^[4] as follows:

x x x Luz [R.] Bakunawa and her husband Manuel, now deceased (“Spouses Bakunawa”) are registered owners of six (6) parcels of land covered by TCT Nos. 324985 and 324986 of the Quezon City Register of Deeds, and TCT Nos. 103724, 98827, 98828 and 98829 of the Marikina Register of Deeds. These lots were sequestered by the Presidential Commission on Good Government [(PCGG)].

Sometime in 1990, a certain Teresita Millan (“Millan”), through her representative, Jerry Montemayor, offered to buy said lots for “P6,724,085.71”, with the promise that she will take care of clearing whatever preliminary obstacles there may[]be to effect a “completion of the sale”. The Spouses Bakunawa gave to Millan the Owner’s Copies of said TCTs and in turn, Millan made a down[]payment of “P1,019,514.29” for the intended purchase. However, for one reason or another, Millan was not able to clear said obstacles. As a result, the Spouses Bakunawa rescinded the sale and offered to return to Millan her down[]payment of P1,019,514.29. However, Millan refused to accept back the P1,019,514.29 down[]payment. Consequently, the Spouses Bakunawa, through their company, the Hi-Tri Development Corporation (“Hi-Tri”) took out on October 28, 1991, a Manager’s Check from RCBC-Ermita in the amount of P1,019,514.29, payable to Millan’s company Rosmil Realty and Development Corporation (“Rosmil”) c/o Teresita Millan and used this as one of their basis for a complaint against Millan and Montemayor which they filed with the Regional Trial Court of Quezon City, Branch 99, docketed as Civil Case No. Q-91-10719 [in 1991], praying that:

- That the defendants Teresita Mil[l]an and Jerry Montemayor may be ordered to return to plaintiffs spouses the Owners’ Copies of Transfer Certificates of Title Nos. 324985, 324986, 103724, 98827, 98828 and 98829;

- That the defendant Teresita Mil[lan] be correspondingly ordered to receive the amount of One Million Nineteen Thousand Five Hundred Fourteen Pesos and Twenty Nine Centavos (P1,019,514.29);
- That the defendants be ordered to pay to plaintiffs spouses moral damages in the amount of P2,000,000.00; and
- That the defendants be ordered to pay plaintiffs attorney's fees in the amount of P50,000.00.

Being part and parcel of said complaint, and consistent with their prayer in Civil Case No. Q-91-10719 that "Teresita Mil[lan] be correspondingly ordered to receive the amount of One Million Nineteen Thousand Five Hundred Fourteen Pesos and Twenty Nine [Centavos] ("P1,019,514.29")", the Spouses Bakunawa, upon advice of their counsel, retained custody of RCBC Manager's Check No. ER 034469 and refrained from canceling or negotiating it.

All throughout the proceedings in Civil Case No. Q-91-10719, especially during negotiations for a possible settlement of the case, Millan was informed that the Manager's Check was available for her withdrawal, she being the payee.

On January 31, 2003, during the pendency of the abovementioned case and without the knowledge of [Hi-Tri and Spouses Bakunawa], x x x RCBC reported the "P1,019,514.29-credit existing in favor of Rosmil" to the Bureau of Treasury as among its "unclaimed balances" as of January 31, 2003. Allegedly, a copy of the Sworn Statement executed by Florentino N. Mendoza, Manager and Head of RCBC's Asset Management, Disbursement & Sundry Department ("AMDSD") was posted within the premises of RCBC-Ermita.

On December 14, 2006, x x x Republic, through the [Office of the Solicitor General (OSG)], filed with the RTC the action below for Escheat [(Civil Case No. 06-244)].

On April 30, 2008, [Spouses Bakunawa] settled amicably their dispute with Rosmil and Millan. Instead of only the amount of "P1,019,514.29", [Spouses Bakunawa] agreed to pay Rosmil and Millan the amount of "P3,000,000.00", [which is] inclusive [of] the amount of ["P1,019,514.29". But during negotiations and evidently prior to said settlement, [Manuel Bakunawa, through Hi-Tri] inquired from RCBC-Ermita the availability of the P1,019,514.29 under RCBC Manager's Check No. ER 034469. [Hi-Tri and Spouses Bakunawa] were however dismayed when they were informed that the amount was already subject of the escheat proceedings before the RTC.

On April 17, 2008, [Manuel Bakunawa, through Hi-Tri] wrote x x x RCBC, viz:

"We understand that the deposit corresponding to the amount of Php 1,019,514.29 stated in the Manager's Check is currently the subject of escheat proceedings pending before Branch 150 of the Makati Regional Trial Court.

Please note that it was our impression that the deposit would be taken from [Hi-Tri's] RCBC bank account once an order to debit is issued upon the payee's presentation of the Manager's Check. Since the payee rejected the negotiated Manager's Check, presentation of the Manager's Check was never made.

Consequently, the deposit that was supposed to be allocated for the payment of the Manager's Check was supposed to remain part of the Corporation's RCBC bank account, which, thereafter, continued to be actively maintained and operated. For this reason, We hereby demand your confirmation that the amount of Php 1,019,514.29 continues to form part of the funds in the Corporation's RCBC bank account, since pay-out of said amount was never ordered. We wish to point out that if there was any attempt on the part of RCBC to consider the amount indicated in the Manager's Check separate from the Corporation's bank account, RCBC would have issued a statement to that effect, and repeatedly reminded the Corporation that the deposit would

be considered dormant absent any fund movement. Since the Corporation never received any statements of account from RCBC to that effect, and more importantly, never received any single letter from RCBC noting the absence of fund movement and advising the Corporation that the deposit would be treated as dormant.”

On April 28, 2008, [Manuel Bakunawa] sent another letter to x x x RCBC reiterating their position as above-quoted.

In a letter dated May 19, 2008, x x x RCBC replied and informed [Hi-Tri and Spouses Bakunawa] that:

“The Bank’s Ermita BC informed Hi-Tri and/or its principals regarding the inclusion of Manager’s Check No. ER034469 in the escheat proceedings docketed as Civil Case No. 06-244, as well as the status thereof, between 28 January 2008 and 1 February 2008.

xxx xxx xxx

Contrary to what Hi-Tri hopes for, the funds covered by the Manager’s Check No. ER034469 does not form part of the Bank’s own account. By simple operation of law, the funds covered by the manager’s check in issue became a deposit/credit susceptible for inclusion in the escheat case initiated by the OSG and/or Bureau of Treasury.

xxx xxx xxx

Granting arguendo that the Bank was duty-bound to make good the check, the Bank’s obligation to do so prescribed as early as October 2001.”

(Emphases, citations, and annotations were omitted.)

The RTC Ruling

The escheat proceedings before the Makati City RTC continued. On 19 May 2008, the trial court rendered its assailed Decision declaring the deposits, credits, and unclaimed balances subject of Civil Case No. 06-244 escheated to the Republic. Among those included in the order of forfeiture was the amount of ₱1,019,514.29 held by RCBC as allocated funds intended for the payment of the Manager’s Check issued in favor of Rosmil. The trial court ordered the deposit of the escheated balances with the Treasurer and credited in favor of the Republic. Respondents claim that they were not able to participate in the trial, as they were not informed of the ongoing escheat proceedings.

Consequently, respondents filed an Omnibus Motion dated 11 June 2008, seeking the partial reconsideration of the RTC Decision insofar as it escheated the fund allocated for the payment of the Manager’s Check. They asked that they be included as party-defendants or, in the alternative, allowed to intervene in the case and their motion considered as an answer-in-intervention. Respondents argued that they had meritorious grounds to ask reconsideration of the Decision or, alternatively, to seek intervention in the case. They alleged that the deposit was subject of an ongoing dispute (Civil Case No. Q-91-10719) between them and Rosmil since 1991, and that they were interested parties to that case.[5]

On 3 November 2008, the RTC issued an Order denying the motion of respondents. The trial court explained that the Republic had proven compliance with the requirements of publication and notice, which served as notice to all those who may be affected and prejudiced by the Complaint for Escheat. The RTC also found that the motion failed to point out the findings and conclusions that were not supported by the law or the evidence presented, as required by Rule 37 of the Rules of Court. Finally, it ruled that the alternative prayer to intervene was filed out of time.

The CA Ruling

On 26 November 2009, the CA issued its assailed Decision reversing the 19 May 2008 Decision and 3 November 2008 Order of the RTC. According to the appellate court,[6] RCBC failed to prove that the latter had communicated with the purchaser of the Manager's Check (Hi-Tri and/or Spouses Bakunawa) or the designated payee (Rosmil) immediately before the bank filed its Sworn Statement on the dormant accounts held therein. The CA ruled that the bank's failure to notify respondents deprived them of an opportunity to intervene in the escheat proceedings and to present evidence to substantiate their claim, in violation of their right to due process. Furthermore, the CA pronounced that the Makati City RTC Clerk of Court failed to issue individual notices directed to all persons claiming interest in the unclaimed balances, as well as to require them to appear after publication and show cause why the unclaimed balances should not be deposited with the Treasurer of the Philippines. It explained that the jurisdictional requirement of individual notice by personal service was distinct from the requirement of notice by publication. Consequently, the CA held that the Decision and Order of the RTC were void for want of jurisdiction.

Issue

After a perusal of the arguments presented by the parties, we cull the main issues as follows:

- Whether the Decision and Order of the RTC were void for failure to send separate notices to respondents by personal service
- Whether petitioner had the obligation to notify respondents immediately before it filed its Sworn Statement with the Treasurer
- Whether or not the allocated funds may be escheated in favor of the Republic

Discussion

Petitioner bank assails[7] the CA judgments insofar as they ruled that notice by personal service upon respondents is a jurisdictional requirement in escheat proceedings. Petitioner contends that respondents were not the owners of the unclaimed balances and were thus not entitled to notice from the RTC Clerk of Court. It hinges its claim on the theory that the funds represented by the Manager's Check were deemed transferred to the credit of the payee or holder upon its issuance.

We quote the pertinent provision of Act No. 3936, as amended, on the rule on service of processes, to wit:

Sec. 3. Whenever the Solicitor General shall be informed of such unclaimed balances, he shall commence an action or actions in the name of the People of the Republic of the Philippines in the Court of First Instance of the province or city where the bank, building and loan association or trust corporation is located, in which shall be joined as parties the bank, building and loan association or trust corporation and all such creditors or depositors. All or any of such creditors or depositors or banks, building and loan association or trust corporations may be included in one action. Service of process in such action or actions shall be made by delivery of a copy of the complaint and summons to the president, cashier, or managing officer of each defendant bank, building and loan association or trust corporation and by publication of a copy of such summons in a newspaper of general circulation, either in English, in Filipino, or in a local dialect, published in the locality where the bank, building and loan association or trust corporation is situated, if there be any, and in case there is none, in the City of Manila, at such time as the court may order. Upon the trial, the court must hear all parties who have appeared therein, and if it be determined that such unclaimed balances in any defendant bank, building and loan association or trust corporation are unclaimed as hereinbefore stated, then the court shall render judgment in favor of the Government of the Republic of the Philippines, declaring that said unclaimed balances have escheated to the Government of the Republic of the Philippines and commanding said bank, building and loan association or trust corporation to forthwith deposit the same with

the Treasurer of the Philippines to credit of the Government of the Republic of the Philippines to be used as the National Assembly may direct.

At the time of issuing summons in the action above provided for, the clerk of court shall also issue a notice signed by him, giving the title and number of said action, and referring to the complaint therein, and directed to all persons, other than those named as defendants therein, claiming any interest in any unclaimed balance mentioned in said complaint, and requiring them to appear within sixty days after the publication or first publication, if there are several, of such summons, and show cause, if they have any, why the unclaimed balances involved in said action should not be deposited with the Treasurer of the Philippines as in this Act provided and notifying them that if they do not appear and show cause, the Government of the Republic of the Philippines will apply to the court for the relief demanded in the complaint. A copy of said notice shall be attached to, and published with the copy of, said summons required to be published as above, and at the end of the copy of such notice so published, there shall be a statement of the date of publication, or first publication, if there are several, of said summons and notice. Any person interested may appear in said action and become a party thereto. Upon the publication or the completion of the publication, if there are several, of the summons and notice, and the service of the summons on the defendant banks, building and loan associations or trust corporations, the court shall have full and complete jurisdiction in the Republic of the Philippines over the said unclaimed balances and over the persons having or claiming any interest in the said unclaimed balances, or any of them, and shall have full and complete jurisdiction to hear and determine the issues herein, and render the appropriate judgment thereon. (Emphasis supplied.)

Hence, insofar as banks are concerned, service of processes is made by delivery of a copy of the complaint and summons upon the president, cashier, or managing officer of the defendant bank.[8] On the other hand, as to depositors or other claimants of the unclaimed balances, service is made by publication of a copy of the summons in a newspaper of general circulation in the locality where the institution is situated.[9] A notice about the forthcoming escheat proceedings must also be issued and published, directing and requiring all persons who may claim any interest in the unclaimed balances to appear before the court and show cause why the dormant accounts should not be deposited with the Treasurer.

Accordingly, the CA committed reversible error when it ruled that the issuance of individual notices upon respondents was a jurisdictional requirement, and that failure to effect personal service on them rendered the Decision and the Order of the RTC void for want of jurisdiction. Escheat proceedings are actions in rem,[10] whereby an action is brought against the thing itself instead of the person.[11] Thus, an action may be instituted and carried to judgment without personal service upon the depositors or other claimants.[12] Jurisdiction is secured by the power of the court over the res.[13] Consequently, a judgment of escheat is conclusive upon persons notified by advertisement, as publication is considered a general and constructive notice to all persons interested.[14]

Nevertheless, we find sufficient grounds to affirm the CA on the exclusion of the funds allocated for the payment of the Manager's Check in the escheat proceedings.

Escheat proceedings refer to the judicial process in which the state, by virtue of its sovereignty, steps in and claims abandoned, left vacant, or unclaimed property, without there being an interested person having a legal claim thereto.[15] In the case of dormant accounts, the state inquires into the status, custody, and ownership of the unclaimed balance to determine whether the inactivity was brought about by the fact of death or absence of or abandonment by the depositor.[16] If after the proceedings the property remains without a lawful owner interested to claim it, the property shall be reverted to the state "to forestall an open invitation to self-service by the first comers." [17] However, if interested parties have come forward and laid claim to the property, the courts shall determine whether the credit or deposit should pass to the claimants or be forfeited in favor of the state.[18] We

emphasize that escheat is not a proceeding to penalize depositors for failing to deposit to or withdraw from their accounts. It is a proceeding whereby the state compels the surrender to it of unclaimed deposit balances when there is substantial ground for a belief that they have been abandoned, forgotten, or without an owner.[19]

Act No. 3936, as amended, outlines the proper procedure to be followed by banks and other similar institutions in filing a sworn statement with the Treasurer concerning dormant accounts:

Sec. 2. Immediately after the taking effect of this Act and within the month of January of every odd year, all banks, building and loan associations, and trust corporations shall forward to the Treasurer of the Philippines a statement, under oath, of their respective managing officers, of all credits and deposits held by them in favor of persons known to be dead, or who have not made further deposits or withdrawals during the preceding ten years or more, arranged in alphabetical order according to the names of creditors and depositors, and showing:

(a)

The names and last known place of residence or post office addresses of the persons in whose favor such unclaimed balances stand;

(b)

The amount and the date of the outstanding unclaimed balance and whether the same is in money or in security, and if the latter, the nature of the same;

(c)

The date when the person in whose favor the unclaimed balance stands died, if known, or the date when he made his last deposit or withdrawal; and

(d)

The interest due on such unclaimed balance, if any, and the amount thereof.

A copy of the above sworn statement shall be posted in a conspicuous place in the premises of the bank, building and loan association, or trust corporation concerned for at least sixty days from the date of filing thereof: Provided, That immediately before filing the above sworn statement, the bank, building and loan association, and trust corporation shall communicate with the person in whose favor the unclaimed balance stands at his last known place of residence or post office address.

It shall be the duty of the Treasurer of the Philippines to inform the Solicitor General from time to time the existence of unclaimed balances held by banks, building and loan associations, and trust corporations. (Emphasis supplied.)

As seen in the afore-quoted provision, the law sets a detailed system for notifying depositors of unclaimed balances. This notification is meant to inform them that their deposit could be escheated if left unclaimed. Accordingly, before filing a sworn statement, banks and other similar institutions are under obligation to communicate with owners of dormant accounts. The purpose of this initial notice is for a bank to determine whether an inactive account has indeed been unclaimed, abandoned, forgotten, or left without an owner. If the depositor simply does not wish to touch the funds in the meantime, but still asserts ownership and dominion over the dormant account, then the bank is no longer obligated to include the account in its sworn statement.[20] It is not the intent of the law to force depositors into unnecessary litigation and defense of their rights, as the state is only interested in escheating balances that have been abandoned and left without an owner.

In case the bank complies with the provisions of the law and the unclaimed balances are eventually escheated to the Republic, the bank “shall not thereafter be liable to any person for the same and any action which may be

brought by any person against in any bank xxx for unclaimed balances so deposited xxx shall be defended by the Solicitor General without cost to such bank.”[21] Otherwise, should it fail to comply with the legally outlined procedure to the prejudice of the depositor, the bank may not raise the defense provided under Section 5 of Act No. 3936, as amended.

Petitioner asserts[22] that the CA committed a reversible error when it required RCBC to send prior notices to respondents about the forthcoming escheat proceedings involving the funds allocated for the payment of the Manager’s Check. It explains that, pursuant to the law, only those “whose favor such unclaimed balances stand” are entitled to receive notices. Petitioner argues that, since the funds represented by the Manager’s Check were deemed transferred to the credit of the payee upon issuance of the check, the proper party entitled to the notices was the payee – Rosmil – and not respondents. Petitioner then contends that, in any event, it is not liable for failing to send a separate notice to the payee, because it did not have the address of Rosmil. Petitioner avers that it was not under any obligation to record the address of the payee of a Manager’s Check.

In contrast, respondents Hi-Tri and Bakunawa allege[23] that they have a legal interest in the fund allocated for the payment of the Manager’s Check. They reason that, since the funds were part of the Compromise Agreement between respondents and Rosmil in a separate civil case, the approval and eventual execution of the agreement effectively reverted the fund to the credit of respondents. Respondents further posit that their ownership of the funds was evidenced by their continued custody of the Manager’s Check.

An ordinary check refers to a bill of exchange drawn by a depositor (drawer) on a bank (drawee),[24] requesting the latter to pay a person named therein (payee) or to the order of the payee or to the bearer, a named sum of money.[25] The issuance of the check does not of itself operate as an assignment of any part of the funds in the bank to the credit of the drawer.[26] Here, the bank becomes liable only after it accepts or certifies the check.[27] After the check is accepted for payment, the bank would then debit the amount to be paid to the holder of the check from the account of the depositor-drawer.

There are checks of a special type called manager’s or cashier’s checks. These are bills of exchange drawn by the bank’s manager or cashier, in the name of the bank, against the bank itself.[28] Typically, a manager’s or a cashier’s check is procured from the bank by allocating a particular amount of funds to be debited from the depositor’s account or by directly paying or depositing to the bank the value of the check to be drawn. Since the bank issues the check in its name, with itself as the drawee, the check is deemed accepted in advance.[29] Ordinarily, the check becomes the primary obligation of the issuing bank and constitutes its written promise to pay upon demand.[30]

Nevertheless, the mere issuance of a manager’s check does not ipso facto work as an automatic transfer of funds to the account of the payee. In case the procurer of the manager’s or cashier’s check retains custody of the instrument, does not tender it to the intended payee, or fails to make an effective delivery, we find the following provision on undelivered instruments under the Negotiable Instruments Law applicable:[31]

Sec. 16. Delivery; when effectual; when presumed. – Every contract on a negotiable instrument is incomplete and revocable until delivery of the instrument for the purpose of giving effect thereto. As between immediate parties and as regards a remote party other than a holder in due course, the delivery, in order to be effectual, must be made either by or under the authority of the party making, drawing, accepting, or indorsing, as the case may be; and, in such case, the delivery may be shown to have been conditional, or for a special purpose only, and not for the purpose of transferring the property in the instrument. But where the instrument is in the hands of a holder in due course, a valid delivery thereof by all parties prior to him so as to make them liable to him is conclusively presumed. And where the instrument is no longer in the possession of a party whose signature appears thereon, a valid and intentional delivery by him is presumed until the contrary is proved.

(Emphasis supplied.)

Petitioner acknowledges that the Manager's Check was procured by respondents, and that the amount to be paid for the check would be sourced from the deposit account of Hi-Tri.[32] When Rosmil did not accept the Manager's Check offered by respondents, the latter retained custody of the instrument instead of cancelling it. As the Manager's Check neither went to the hands of Rosmil nor was it further negotiated to other persons, the instrument remained undelivered. Petitioner does not dispute the fact that respondents retained custody of the instrument.[33]

Since there was no delivery, presentment of the check to the bank for payment did not occur. An order to debit the account of respondents was never made. In fact, petitioner confirms that the Manager's Check was never negotiated or presented for payment to its Ermita Branch, and that the allocated fund is still held by the bank.[34] As a result, the assigned fund is deemed to remain part of the account of Hi-Tri, which procured the Manager's Check. The doctrine that the deposit represented by a manager's check automatically passes to the payee is inapplicable, because the instrument – although accepted in advance – remains undelivered. Hence, respondents should have been informed that the deposit had been left inactive for more than 10 years, and that it may be subjected to escheat proceedings if left unclaimed.

After a careful review of the RTC records, we find that it is no longer necessary to remand the case for hearing to determine whether the claim of respondents was valid. There was no contention that they were the procurers of the Manager's Check. It is undisputed that there was no effective delivery of the check, rendering the instrument incomplete. In addition, we have already settled that respondents retained ownership of the funds. As it is obvious from their foregoing actions that they have not abandoned their claim over the fund, we rule that the allocated deposit, subject of the Manager's Check, should be excluded from the escheat proceedings. We reiterate our pronouncement that the objective of escheat proceedings is state forfeiture of unclaimed balances. We further note that there is nothing in the records that would show that the OSG appealed the assailed CA judgments. We take this failure to appeal as an indication of disinterest in pursuing the escheat proceedings in favor of the Republic.

WHEREFORE the Petition is DENIED. The 26 November 2009 Decision and 27 May 2010 Resolution of the Court of Appeals in CA-G.R. SP No. 107261 are hereby AFFIRMED.

SO ORDERED.

Carpio, (Chairperson), Brion, Perez, Sereno, and Reyes, JJ., concur.

[1] The Decision and Resolution in CA-G.R. SP No. 107261 were penned by CA Associate Justice Vicente S.E. Veloso and concurred in by Associate Justices Andres B. Reyes, Jr. and Marlene Gonzales-Sison.

[2] The Decision and Order in Civil Case No. 06-244 (for Escheat) was penned by Judge Elmo M. Alameda.

[3] CA Decision at 1-2 (Hi-Tri Development Corporation v. Republic of the Philippines, CA-G.R. SP No. 107261, 26 November 2009), rollo, pp. 61-62; RTC Decision at the 18[th] to the 19[th] pp. (unpaged) (Republic of the Philippines v. Allied Banking Corporation, Civil Case No. 06-244, 19 May 2008), rollo, pp. 210-211.

[4] CA Decision at 2-7, supra, rollo, pp. 62-67.

[5] Omnibus Motion at 3-7 (Republic of the Philippines v. Allied Banking Corporation, Civil Case No. 06-244, decided on 19 May 2008), rollo, pp. 217-221. See also RTC Judgment (Bakunawa v. Milan, Civil Case No. Q-91-10719, 17 June 2008), rollo, pp. 287-289.

- [6] CA Decision at 14-16, *supra* note 3, rollo, pp. 74-76.
- [7] Petition for Review on Certiorari of RCBC at 41-49, rollo, pp. 43-51.
- [8] Act No. 3936, as amended by P.D. 679, Sec. 3; see also *Security Savings Bank v. State of California*, 263 U.S. 282 (1923).
- [9] *Id.*
- [10] *Republic v. Court of First Instance*, 247-A Phil. 85 (1988).
- [11] See *Ramos v. Ramos*, G.R. No. 144294, 11 March 2003, 399 SCRA 43.
- [12] See *Grey v. De la Cruz*, 17 Phil. 49 (1910).
- [13] *Id.*
- [14] *Id.* (citing *Hamilton v. Brown*, 161 U.S. 256 (1896)).
- [15] BLACK'S LAW DICTIONARY 545 (6th ed. 1990); Act No. 3936, as amended by P.D. 679, Secs. 1 and 3. See generally *Republic v. Court of Appeals*, 426 Phil. 177 (2002) and *Roth v. Delano*, 338 U.S. 226 (1949).
- [16] See Act No. 3936, as amended by P.D. 679, Sec. 1 and *Security Savings Bank v. State of California*, *supra* note 8. See generally *Roth v. Delano*, *supra*.
- [17] *Republic v. Court of Appeals*, *supra* note 15, at 183-184.
- [18] See generally *Roth v. Delano*, *supra* note 15.
- [19] See also *Anderson National Bank v. Luckett*, 321 U.S. 233 (1944), cited in *American Express Travel Related Services Co., Inc. v. Kentucky*, 641 F.3d 685 (6th Cir. 2011) (U.S.).
- [20] See generally *Security Savings Bank v. State of California*, *supra* note 8.
- [21] Act No. 3936, as amended by P.D. 679 (1975), Sec. 5.
- [22] Petition for Review on Certiorari of RCBC at 41-49, rollo, pp. 43-51.
- [23] Comment of Respondents at 7-8, rollo, pp. 651-652.
- [24] Act No. 2031 (1911), otherwise known as the Negotiable Instruments Law, Sec. 185.
- [25] *Moran v. Court of Appeals*, G.R. No. 105836, 7 March 1994, 230 SCRA 799.
- [26] Act No. 2031 (1911), otherwise known as the Negotiable Instruments Law, Sec. 189.
- [27] *Id.* at Sec. 127.
- [28] *Bank of the Philippine Islands v. Roxas*, G.R. No. 157833, 15 October 2007, 536 SCRA 168; *International Corporate Bank v. Gueco*, 404 Phil. 353 (2001).
- [29] *International Corporate Bank v. Gueco*, *supra*.
- [30] *Id.*; *Republic v. Philippine National Bank*, 113 Phil. 828 (1961). A manager's or a cashier's check may be treated as a promissory note and is the substantial equivalent of a certified check (*Id.*; *Equitable PCI Bank v. Ong*, 533 Phil. 415 (2006); *New Pacific Timber & Supply Co., Inc. v. Seneris*, 189 Phil. 517 (1980)). Certification signifies that the instrument was drawn upon sufficient funds; that funds have been set apart or assigned for the satisfaction of the check in favor of the payee; and that the funds shall be so applied when the check is presented

for payment (Id.). Here, the deposit represented by the check is transferred from the credit of the maker to that of the payee or holder (Id.). Thus, to all intents and purposes, the payee or holder becomes the depositor of the drawee bank, with rights and duties of one in that situation (Id.).

[31] Act No. 2031 (1911). See also *Malloy v. Smith*, 265 Md. 460, 290 A.2d 486, 57 A.L.R.3d 1076 (Md. Ct. App. 1972)(U.S.) (citing *Pikeville Nat. Bank & Trust Co. v. Shirley*, 281 Ky. 150, 135 S.W.2d 426 (Ky Ct. App. 1939)(U.S.))

[32] Petition for Review on Certiorari of RCBC at 27-29, rollo, pp. 29-31.

[33] Id. at 53, rollo, p. 55.

[34] Letter of RCBC to Hi-Tri at 2, Petition for Review on Certiorari of RCBC, Annex “N,” rollo, p. 180.

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