

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. GUALBERTO CATADMAN, RESPONDENT.

G.R. No. 200407. June 17, 2020

Ponente: GAERLAN, J.

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GAERLAN, J.:

Before this Court is a partial appeal by way of a Petition for Review on Certiorari pursuant to Rule 45 of the 1997 Rules of Civil Procedure questioning the March 18, 2011 Decision[1] and January 25, 2012 Resolution[2] of the Court of Appeals (CA) in CA-G.R. SP No. 00131-MIN.

The factual background of the case is as follows:

On March 21, 1999, Land Bank of the Philippines (Land Bank) received the following Development Bank of the Philippines (DBP) Checks: (1) No. 1731263 in the amount of P8,500.00 payable to GCNK Merchandising, owned by respondent Gualberto Catadman (Catadman), to be credited to his Land Bank Account No. 2562-0016-49; (2) No. 151837 in the amount of P100,000.00 payable to National Economic Development Authority (NEDA) - Regional Office XI and to be credited to its Land Bank Account No. 2562-001-46; and (3) No. 358896 in the amount of P6,502.68 payable to Benjamin S. Reyno (Reyno) and to be credited to his Land Bank Account No. 2561-0135-70. These three checks were all drawn by DBP Mati Branch and endorsed to Bajada Branch of Land Bank thru its Davao Branch.[3]

On May 26, 1999, all three checks were cleared. Two days later, however, NEDA's DBP Check No. 151837 and Reyno's DBP Check No. 358896 were erroneously credited to Catadman's account, while his DBP Check No. 1731263 was inadvertently credited twice to his account. Hence, the total amount of P115,062.68 was credited to his account.[4]

On June 25, 2001, Land Bank discovered the erroneous transactions, which prompted it to send a formal demand letter to Catadman for the return of the amount of P115,002.68 which represents the total amount credited to his account less the P8,500.00 which rightfully belonged to him. Catadman, however, did not heed Land Bank's letter.[5]

On October 8, 2001, Land Bank sent another demand letter to Catadman. Thereafter, there was an exchange of correspondence between them. Finally, in his February 11, 2002 letter, Catadman acknowledged that the amount was credited to his account and that he had already spent it. As a way of settlement, he promised to pay the amount of P2,000.00 monthly until the whole amount is returned.[6]

Catadman did as he promised. However, after paying an accumulated amount of P15,000.00, he stopped and refused to make further payments. The matter was referred to the legal counsel of Land Bank. Consequently, the bank sent its letter dated January 21, 2003 to Catadman demanding payment of the entire balance. Catadman failed to respond to the letter. Land Bank was thus constrained to file a case for collection of sum of money before the Municipal Trial Court in Cities (MTCC) of Davao City.[7]

The MTCC Ruling

The MTCC ruled that the obligation of Catadman to reimburse Land Bank the amount erroneously credited to his account was a natural obligation and not a civil obligation. Accordingly, the bank had no right of action to enforce such reimbursement against Catadman. It further ruled that the full reimbursement of the amount sought to be recovered by Land Bank depends upon the conscience of Catadman. It explained that if Catadman would not hearken to his conscience that he had availed of the money which did not rightfully and lawfully belong to him and would not continue to pay the balance, Land Bank must suffer its loss caused by its negligent employee. It advised Land Bank to pursue its employee for reimbursement instead.[8]

The MTCC dismissed the case in favor of Catadman in this wise:

Conformably with all the foregoing premises, the complaint of the plaintiff is dismissed.

SO ORDERED.[9]

The RTC Ruling

Land Bank appealed the Decision[10] of the MTCC before the Regional Trial Court (RTC) which, in turn, reversed the same and ruled that Articles 19,[11] 22,[12] and 1456[13] of the Civil Code of the Philippines (Civil Code) are applicable to the case. It held that if Catadman had observed honesty and good faith as required by the said provisions, he should have returned the amount of P115,002.68 instead of keeping quiet about receiving the money. It also ruled that since Catadman knew that the money was not his, Article 1456 obliges him as a trustee to take care of the money which through mistake came into his hands.[14]

The dispositive portion of the RTC Decision is as follows:

WHEREFORE, the April 2, 2004 decision of the first level court is reversed. The appellee shall pay the appellant one hundred thousand and two pesos and sixty eight centavos (P100,002.68) plus legal interest to be computed from June 1, 2001 until fully paid and the costs of suit.

SO ORDERED.[15]

The CA Ruling

Not satisfied with the said judgment, Catadman filed a petition for review before the CA assailing the decision of the RTC which reversed the decision of the MTCC.

Primarily anchoring its decision on the negligence of the bank employee and the fiduciary nature of Land Bank's business, the CA ruled that Land Bank must, as a consequence, bear its loss. In explaining its decision, the CA quoted the ruling in the case of BPI Family Bank v. Franco[16] which cited the ruling in the landmark case of Simex International (Manila), Inc. v. CA.[17] Particularly basing its decision on the role of the banks in the economic life of every civilized nation, the CA held that "[t]o allow Land Bank to secure a reimbursement of the subject amount would open the floodgates of public distrust in the banking industry."[18]

The appellate court also considered into account the bad faith on the part of Catadman when he appropriated the amount subject of this case.[19] Taking into consideration both the negligence of Land Bank and the bad faith of Catadman, the CA applied the ruling in a series of cases.[20] It adopted the 60-40 ratio and disposed of the case thus:

WHEREFORE, the petition is partially GRANTED. The appealed Decision of the Regional Trial Court, Branch 15, Davao City is AFFIRMED with the following MODIFICATIONS: [a] petitioner Gualberto Nador Catadman shall pay the private respondent Land Bank of the Philippines forty percent (40%) of the sum of

P115,062.68, which corresponds to the amount of DBP Check Nos. 1731263, 1513337 and 358896 erroneously credited to petitioner's Land Bank account, less P15,000.00 which petitioner had already paid to private respondent, with interest at 6% per annum from the time of the filing of the complaint until its full payment before the finality of judgment. Thereafter, if the amount adjudged remains unpaid, the interest rate shall be 12% per annum computed from the time the judgment became final and executory until fully satisfied; [b] the remaining 60% of P115,062.68 shall be borne by private respondent Land Bank of the Philippines. Accordingly, the case is ordered remanded to the RTC, Branch 15, Davao City only for the purpose of fixing the exact computation of petitioner Gualberto Nador Catadman's liability.

SO ORDERED.[21]

A motion for reconsideration of the CA Decision was filed by Catadman seeking for its reversal. Land Bank filed its comment/opposition to the said motion and its own motion for reconsideration.

Finding that all the parties' arguments were a mere rehash of the arguments contained in their previous pleadings, the CA denied both motions of reconsideration.[22]

Issues

I.

The Honorable Court of Appeals erred in not affirming in toto the January 26, 2005 Decision of the Regional Trial Court, Branch 15, Davao City, which reversed and set aside the September 7, 2004 Decision of the Municipal Trial Court in Cities, Branch 6, Davao City.

II.

The Honorable Court of Appeals erred in not finding the petitioner liable for the full amount mistakenly credited despite concluding that the latter was unjustly enriched at the expense of Land Bank and acted in bad faith.[23]

The Court's Ruling

Land Bank, in its petition before this Court, questions the application by the CA of the pronouncement of this Court in the case of BPI Family Bank v. Franco[24] which cited the case of Simex International (Manila), Inc. v. CA.[25] It avers that the doctrine in Simex and BPI Family Bank was erroneously applied in favor of Catadman despite the dissimilarity between the factual circumstances of the mentioned cases and that of the present case.

This Court agrees.

Based on the established facts of the case, Catadman, as a depositor, did not suffer any financial loss or damage when his account was credited with an additional P115,002.68. It was the bank which suffered the loss albeit it was primarily caused by the negligent act of its employee. Truth be told, however, that Catadman was unjustly enriched when he chose to not return and just appropriated to himself the P115,002.68 knowing fully well that the same does not belong to him.

Unlike Catadman, Franco, the depositor in the case of BPI Family Bank, directly suffered the financial loss when his bank froze his accounts and dishonored his checks without any right to do so. It merely based its decision on suspicion that the funds in Franco's account were proceeds of the multi-million peso scam he was allegedly involved in. Similarly, Simex suffered humiliation and financial loss due to Traders Royal Bank's negligence. The checks issued by Simex were all dishonored by the bank despite having sufficient funds in its account to clear the same.

Verily, this Court recognized that Franco and Simex suffered injury because of their bank's negligence that caused

the dishonor of the checks they had respectively issued. Their banks' blunder caused them not just a little embarrassment as depositors but also financial loss and perhaps even civil and criminal litigation.[26] It must also be emphasized that Franco and Simex were both not at fault in dealing with their banks.

Here, Land Bank had caused no loss or damage to Catadman. In truth, Catadman is undeniably at fault when he appropriated the P115,002.68 even knowing fully well that it did not belong to him.

Being so, the doctrine in the cases of Simex and BPI Family Bank cannot be utilized by Catadman to protect himself as the cases are not on all fours. He shall not be permitted to consciously twist the jurisprudence for his protection, to unduly benefit therefrom, and to unjustly enrich himself at the expense of Land Bank. As correctly stated by the CA, Catadman shall not be allowed to hide behind the cloak of Land Bank's negligence in order to evade his obligation to return the amount of the subject checks. To sustain Catadman's argument would be to countenance a clear case of unjust enrichment.[27] To agree with his arguments would result in an absurd situation where a dishonest man is rewarded for keeping his silence about receiving money he does not own and choosing to appropriate the same for himself.

Catadman, in his letter dated February 1, 2002, admitted that he had spent the whole amount credited to his account and promised to pay the amount of P2,000.00 monthly until the amount is fully settled. True to his word, he paid monthly. However, for reasons only known to him, Catadman stopped further payments. When the balance of the amount was demanded from him, he refused to settle. These facts make the dishonesty and bad faith on the part of Catadman more than evident. Further, the bank employee's negligence will not change the fact that the money Catadman received through his account does not belong to him.

Article 19 of the Civil Code requires that every person must, in the exercise of his rights and in the performance of his duties, act with justice, give everyone his due, and observe honesty and good faith. This provision of law sets standards which must be observed in the exercise of one's rights as well as in the performance of its duties, to wit: to act with justice; give everyone his due; and observe honesty and good faith.[28]

Moreover, under Article 22 of the Civil Code, "every 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 or legal ground, shall return the same to him." There is unjust enrichment "when a person unjustly retains a benefit to the loss of another, or when a person retains money or property of another against the fundamental principles of justice, equity and good conscience."[29]

The principle of unjust enrichment has two conditions. First, a person must have been benefited without a real or valid basis or justification. Second, the benefit was derived at another person's expense or damage.[30]

In this case, Catadman received the amount of P115,002.68 through his bank account when the same was erroneously credited with the amount. Notwithstanding the knowledge that the money was not his, he spent the same and kept his silence about it at the expense of Land Bank.

Pursuant to Article 22 of the Civil Code, Catadman must unconditionally return the P115,002.68 to Land Bank, less the P15,000.00 he has already paid. Contrary to his claim, the doctrine on the fiduciary nature of banking institutions in the cases of Simex and BPI Family Bank does not preclude Land Bank from recovering the money from him. The ruling of this Court would have been different if it were NEDA and Reyno who filed a complaint against Land Bank.

Finally, this Court reprimands Land Bank for its negligence. This shall serve as a reminder to Land Bank that the law imposes on banks high standards in view of the fiduciary nature of banking. Section 2 of Republic Act (R.A.) No. 8791,[31] declares that the State recognizes the "fiduciary nature of banking that requires high standards of

integrity and performance." [32]

The bank is under obligation to treat the accounts of all its depositors with meticulous care, always having in mind the fiduciary nature of their relationship. [33] This fiduciary relationship means that the bank's obligation to observe "high standards of integrity and performance" is deemed written into every deposit agreement between a bank and its depositor. [34] The fiduciary nature of banking requires banks to assume a degree of diligence higher than that of a good father of a family. [35] Likewise, Section 2 of R.A. No. 8791 prescribes the statutory diligence required from banks - that banks must observe "high standards of integrity and performance" in servicing their depositors. [36]

WHEREFORE, the petition for review is GRANTED. The Court of Appeals' Decision dated March 18, 2011 and Resolution dated January 25, 2012 in CA-G.R. SP No. 00131-MIN are hereby REVERSED and SET ASIDE. Respondent Gualberto Catadman shall pay petitioner Land Bank of the Philippines the amount of P100,002.68 in actual damages, with interest of twelve percent (12%) interest per annum from the filing of the complaint until June 30, 2013, and six percent (6%) interest per annum from July 1, 2013 until full payment. [37]

SO ORDERED.

Leonen (Chairperson), Gesmundo, Carandang, and Zalameda, JJ., concur.

[1] Rollo, pp. 26-51; penned by Associate Justice Angelita A. Gacutan, with the concurrence of Associate Justices Rodrigo F. Lim, Jr. and Nina G. Antonio-Valenzuela.

[2] Id. at 66-67.

[3] Id. at 6, 63.

[4] Id. at 28.

[5] Id. at 8, 63.

[6] Id. at 54.

[7] Id. at 54-55.

[8] Id. at 60-61.

[9] Id. at 61.

[10] Id. at 53-61; penned by Judge Antonio P. Laolao, Sr.

[11] Art. 19. Every person must, in the exercise of his rights and in the performance of his duties, act with justice, give everyone his due, and observe honesty and good faith.

[12] Art. 22. Every 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 or legal ground, shall return the same to him.

[13] Art. 1456. If property is acquired through mistake or fraud, the person obtaining it is, by force of law, considered a trustee of an implied trust for the benefit of the person from whom the property comes.

[14] Rollo, p. 64.

[15] Id. at 65.

[16] 563 Phil. 495, 508-509 (2007).

[17] 262 Phil. 387 (1990).

[18] Rollo, p. 44.

[19] Id. at 49.

[20] Id. at 49-50; c.f. *Central Bank of the Philippines v. Citytrust Banking Corporation*, 597 Phil. 609 (2009); *Bank of America NT and SA v. Philippine Racing Club*, 611 Phil. 687 (2009); *The Consolidated Bank and Trust Corporation v. Court of Appeals*, 457 Phil. 688 (2003); *Philippine Bank of Commerce, now absorbed by Philippine Commercial International Bank v. Court of Appeals*, 336 Phil. 667 (1997).

[21] Id.

[22] Id. at 66-67.

[23] Id. at 12.

[24] Supra note 16.

[25] Supra note 17.

[26] 262 Phil. 396 (1990).

[27] Rollo, p. 48.

[28] *Dr. Alano v. Magud-Logmao*, 731 Phil. 407, 432 (2014).

[29] *Loria v. Muñoz*, 745 Phil. 506, 517 (2014).

[30] Id; *Locsin II v. Meken Food Corporation*, 722 Phil. 886, 900 (2013).

[31] THE GENERAL BANKING LAW OF 2000.

[32] *The Consolidated Bank and Trust Corporation v. CA*, 457 Phil. 688, 705 (2003).

[33] Id. at 706.

[34] Id.

[35] Id.

[36] Id.

[37] *Nacar v. Gallery Frames*, 716 Phil. 267, 278-280 (2013).

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