

SPOUSES KISHORE LADHO CHUGANI AND PRISHA KISHORE CHUGANI, ET AL., PETITIONERS, V. PHILIPPINE DEPOSIT INSURANCE CORPORATION, RESPONDENT.

G.R. No. 230037. March 19, 2018

Ponente: TIJAM, J.

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TIJAM, J.:

Before Us is a Petition for Review on Certiorari filed by the petitioners assailing the Decision[1] dated June 29, 2016 of the Court of Appeals (CA) in CA-G.R. SP No. 141770 dismissing the appeal of the petitioners and affirming the Consolidated Order[2] dated December 27, 2013 of the Regional Trial Court (RTC), Branch 62 of Makati City in SCA Nos. 13-763, 13-764, 13-765, 13-801, 13-802, 13-803, 13-807, 13-1049, and 13-1050, which dismissed the Petition for Certiorari for lack of jurisdiction.

The factual antecedents of the case are as follows:

Petitioners, upon the invitation of Raymundo Garan (Garan), the President of Rural Bank of Mawab (Davao), Inc., (RBMI), signified their intention to open Time Deposits with RBMI.[3]

RBMI then sent to petitioners, through courier, the Time Deposit Specimen Signature Cards and Personal Information Sheet with the instruction that petitioners send them back, through mail, to RBMI.[4]

Petitioners then opened Time Deposit Accounts with RBMI through inter-branch deposits to the accounts of RBMI maintained in Metrobank and China Bank- Tagum, Davao Branches. Thereafter, Certificates of Time Deposits (CTDs) and Official Receipts were issued to petitioners.[5]

Sometime in September 2011, petitioners came to know that the Monetary Board of the Bangko Sentral ng Pilipinas placed RBMI under receivership and thereafter closed the latter. Petitioners, then filed claims for insurance of their time deposits.[6]

Respondent Philippine Deposit Insurance Corporation (PDIC) denied the claims on the following grounds: 1.) based on bank records submitted by RBMI, petitioners' deposit accounts are not part of RBMI's outstanding deposit liabilities; 2.) the time deposits of petitioners are fraudulent and their CTDs were not duly issued by RBMI, but were mere replicas of unissued CTD's in the inventory submitted by RBMI to PDIC; and 3.) the amounts purportedly deposited by the petitioners were credited to the personal account of Garan, hence, they could not be construed as valid liabilities of RBMI.[7]

Petitioners filed a request for reconsideration of PDIC's denial of their claim. PDIC however rejected the same in its Letter[8] dated May 22, 2013.

Hence, petitioners filed a Petition for Certiorari under Rule 65 of the Rules of Court with the Regional Trial Court (RTC).

On December 27, 2013, the RTC issued a Consolidated Order[9] dismissing the Petition for Certiorari filed by the

petitioners, to wit:

WHEREFORE, the instant petitions docketed as SCA Nos. 13-763, 13-764, 13-765, 13-801, 13-802, 13-803, 13-807, 13-1049, and 13-1050 are all DISMISSED for lack of jurisdiction

SO ORDERED.

Aggrieved, the petitioners appealed the RTC's Decision to the CA.

The CA in its Decision[10] dated June 29, 2016, denied the appeal of the petitioners, thus:

WHEREFORE, premises considered, the appeal is hereby DISMISSED, and the Consolidated Order dated December 27, 2013 of the Regional Trial Court of Makati City, Branch 62 in SCA Nos. 13-763, 13-764, 13-765, 13-801, 13-802, 13-803, 13-807, 13-1049, and 13-1050 is AFFIRMED.

SO ORDERED.[11]

Petitioners now come before Us raising the issues of 1) Whether the CA is correct in ruling that the RTC has no jurisdiction over the Petitions for Certiorari filed by the petitioners; and 2) Whether the PDIC committed grave abuse of discretion in denying petitioners claim for deposit insurance.

The petition has no merit.

The PDIC was created by Republic Act (R.A.) No. 3591[12] on June 22, 1963 as an insurer of deposits in all banks entitled to the benefits of insurance under the PDIC Charter to promote and safeguard the interests of the depositing public by way of providing permanent and continuing insurance coverage of all insured deposits.[13]

Based on its charter, the PDIC has the duty to grant or deny claims for deposit insurance. Specifically, under Section 4(f) of R.A. No. 3591, as amended by R.A. No. 9576,[14] provides that:

"(f) The term "deposit" means the unpaid balance of money or its equivalent received by a bank in the usual course of business and for which it has given or is obliged to give credit to a commercial, checking, savings, time or thrift account, or issued in accordance with Bangko Sentral rules and regulations and other applicable laws, together with such other obligations of a bank, which, consistent with banking usage and practices, the Board of Directors shall determine and prescribe by regulations to be deposit liabilities of the bank: Provided, That any obligation of a bank which is payable at the office of the bank located outside of the Philippines shall not be a deposit for any of the purposes of this Act or included as part of the total deposits or of insured deposits: Provided, further, That, subject to the approval of the Board of Directors, any insured bank which is incorporated under the laws of the Philippines which maintains a branch outside the Philippines may elect to include for insurance its deposit obligations payable only at such branch.

The corporation shall not pay deposit insurance for the following accounts or transactions, whether denominated, documented, recorded or booked as deposit by the bank:

- "(1) investment products such as bonds and securities, trust accounts, and other similar instruments;
- "(2) Deposit accounts or transactions which are unfunded, or that are fictitious or fraudulent;
- "(3) Deposits accounts or transactions constituting, and/or emanating from, unsage and unsound banking practice/s, as determined by the Corporation, in consultation with the BSP, after due notice and hearing, and publication of a cease and desist order issued by the Corporation against such deposit accounts or transactions; and
- "(4) Deposits that are determined to be the proceeds of an unlawful activity as defined under republic act 9160, as amended.

"The actions of the Corporation taken under this section shall be final and executory, and may not be restrained or

set aside by the court, except on appropriate petition for certiorari on the ground that the action was taken in excess of jurisdiction or with such grave abuse of discretion as to amount to a lack or excess of jurisdiction. The petition for certiorari may only be filed within thirty (30) days from notice of denial of claim for deposit insurance."

As held in the case of *Monetary Board, et. al., v. Philippine Veterans Bank*,^[15] this Court defined a quasi-judicial agency, to wit:

A quasi-judicial agency or body is an organ of government other than a court and other than a legislature, which affects the rights of private parties through either adjudication or rule-making. The very definition of an administrative agency includes its being vested with quasi-judicial powers. The ever increasing variety of powers and functions given to administrative agencies recognizes the need for the active intervention of administrative agencies in matters calling for technical knowledge and speed in countless controversies which cannot possibly be handled by regular courts. A "quasi-judicial function" is a term which applies to the action, discretion, etc. of public administrative officers or bodies, who are required to investigate facts, or ascertain the existence of facts, hold hearings, and draw conclusions from them, as a basis for their official action and to exercise discretion of a judicial nature.^[16]

In the instant case, the PDIC has the power to prepare and issue rules and regulations to effectively discharge its responsibilities.^[17] The power of the PDIC as to whether it will deny or grant the claim for deposit insurance based on its rules and regulations partakes of a quasi-judicial function. Also, the fact that decisions of the PDIC as to deposit insurance shall be final and executory, such that it can only be set aside by a petition for certiorari evinces the intention of the Congress to make PDIC as a quasi-judicial agency.

Consistent with Section 4,^[18] Rule 65, the CA has the jurisdiction to rule on the alleged grave abuse of discretion of the PDIC. Therefore, the CA is correct when it held that the RTC has no jurisdiction over the Petitions for Certiorari filed by the petitioners questioning the PDIC's denial of their claim for deposit insurance. Nevertheless, any question as to where the petition for certiorari should be filed to question PDIC's decision on claims for deposit insurance has been put to rest by R.A. No. 10846.^[19] Section 7 therein provides:

x x x x

"The actions of the Corporation taken under Section 5(g) shall be final and executory, and may only be restrained or set aside by the Court of Appeals, upon appropriate petition for certiorari on the ground that the action was taken in excess of jurisdiction or with such grave abuse of discretion as to amount to a lack or excess of jurisdiction. The petition for certiorari may only be filed within thirty (30) days from notice of denial of claim for deposit insurance. (Emphasis ours)

As it now stands, the remedy to question the decisions of the PDIC is through a Petition for Certiorari under Rule 65 and filed before the CA.

Nevertheless, even if We treat the appeal filed by the petitioners to the CA as a Petition for Certiorari, the same is still without merit.

Grave abuse of discretion is the capricious and whimsical exercise of the judgment of a court, tribunal or quasi-judicial agency that is equivalent to lack of jurisdiction. It must be so grave such that the power was exercised in an arbitrary or despotic manner by reason of passion or personal hostility.^[20]

In this case, it cannot be said that PDIC committed grave abuse of discretion in denying petitioners claim for deposit insurance.

Section 4(f) of R.A. No. 3591, as amended by R.A. No. 9576 states that deposit means the unpaid balance of

money or its equivalent received by a bank in the usual course of business and for which it has given or is obliged to give credit to a commercial, checking, savings, time or thrift account, or issued in accordance with Bangko Sentral rules and regulations and other applicable laws, together with such other obligations of a bank, which, consistent with banking usage and practices.

Section 2(d) of PDIC Regulatory Issuance No. 2011-02[21] states that for deposit to be considered as legitimate, it should be 1) received by a bank as a deposit in the usual course of business; 2) recorded in the books of the bank as such; 3) opened in accordance with established forms and requirements of the BSP and/or the PDIC.

Further, in *Phil. Deposit Insurance Corp. v. CA*,[22] this Court held that in order for the claim for deposit insurance with the PDIC may prosper, it is necessary that the corresponding deposit must be placed in the insured bank.

Here, upon investigation by the PDIC, it was discovered that 1) the money allegedly placed by the petitioners in RBMI was in fact credited to the personal account of Garan, hence, they could not be construed as valid liabilities of RBMI to petitioners; 2) based on bank records and the certified list of the bank's outstanding deposit liabilities, the alleged deposits of petitioners are not part of RBMI's outstanding liabilities; and 3) the CTDs are not validly issued by RBMI, but were mere replicas of the unissued and unused CTDs still included in the inventory of RBMI. Further, the act of petitioners in opening Time Deposits and thereafter depositing several amounts of money through inter-branch deposits with Metrobank and China Bank for the account of RBMI can hardly be considered as in the ordinary course of business.

Considering the above disquisitions, it is sufficiently established that the PDIC, did not commit any grave abuse of discretion in denying petitioners' claim for deposit insurance as the same were validly grounded on the facts, law and regulations issued by the PDIC.

WHEREFORE, the petition is DENIED. The Decision dated June 29, 2016 of the Court of Appeals in CA-G.R. SP No. 141770 is hereby AFFIRMED.

SO ORDERED.

Leonardo-De Castro,[*] Del Castillo, and Jardeleza, JJ., concur.
Sereno, C.J. (Chairperson), on leave.

[*] Designated as Acting Chairperson pursuant to Special Order No. 2540 dated February 28, 2018.

[1] Penned by Associate Justice Ramon A. Cruz with Associate Justices Marlene B. Gonzales-Sison and Henri Jean Paul B. Inting, concurring. Rollo, pp. 44-55.

[2] *Id.* at 47.

[3] *Id.* at 13-14.

[4] *Id.* at 14.

[5] *Id.*

[6] *Id.*

[7] *Id.* at 54.

[8] *Id.* at 64-65.

[9] The Consolidated Order was not attached in the records, but was merely quoted in the CA Decision. *Id.* at 47.

[10] *Id.* at 44-55.

[11] *Id.* at 54.

[12] AN ACT ESTABLISHING THE PHILIPPINE DEPOSIT INSURANCE CORPORATION, DEFINING ITS POWERS AND DUTIES AND FOR OTHER PURPOSES.

[13] *Phil. Deposit Insurance Corp. v. Phil. Countryside Rural Bank, Inc. et al.*, 655 Phil. 313 (2011).

[14] AN ACT INCREASING THE MAXIMUM DEPOSIT INSURANCE COVERAGE, AND IN CONNECTION THEREWITH, TO STRENGTHEN THE REGULATORY AND ADMINISTRATIVE AUTHORITY, AND FINANCIAL CAPABILITY OF THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC), AMENDING FOR THIS PURPOSE REPUBLIC ACT NUMBERED THREE THOUSAND FIVE HUNDRED NINETY-ONE, AS AMENDED, OTHERWISE KNOWN AS THE PDIC CHARTER, AND FOR OTHER PURPOSES.

[15] 751 Phil. 176 (2015).

[16] *Id.* at 186.

[17] Section 2(1) of R.A. No. 3591.

[18] Section 4. When and where petition filed. — The petition shall be filed not later than sixty (60) days from notice of the judgment, order or resolution. In case a motion for reconsideration or new trial is timely filed, whether such motion is required or not, the sixty (60) day period shall be counted from notice of the denial of said motion.

If it relates to the acts or omissions of a lower court or of a corporation, board, officer or person, in the Regional Trial Court exercising jurisdiction over the territorial area as defined by the Supreme Court. It may also be filed in the Court of Appeals or with the Sandigan Bayan whether or not the same is in aid of its appellate jurisdiction. If it involves the acts or omissions of a quasi-judicial agency, unless otherwise provided by law or these rules, the petition shall be filed with and be cognizable only by the Court of Appeals.

x x x x (As amended by A.M. No. 07-7-12-SC, December 12, 2007). (Emphasis ours)

[19] AN ACT ENHANCING THE RESOLUTION AND LIQUIDATION FRAMEWORK FOR BANKS, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 3591, AS AMENDED, AND OTHER RELATED LAWS.

[20] *Pascual v. Burgos, et. al.*, 776 Phil. 167 (2016) citing *United Coconut Planters Bank v. Looyuko*, 560 Phil. 581, 591-592 (2007).

[21] Rules and Regulations Governing Deposit Accounts or Transactions Excluded from the Coverage of Deposit Insurance.

[22] 347 Phil. 741 (1997).

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