

THE OVERSEAS BANK OF MANILA, PETITIONER, VS. THE HONORABLE COURT OF APPEALS AND JULIAN R. CORDERO, RESPONDENTS.

G.R. No. 56047. April 27, 1982

Ponente: BARREDO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-56047/>

BARREDO, J.:

Petition for review of the decision of the Court of Appeals in its CA-G.R. No. 51339-R, Julian R. Cordero, plaintiff-appellee vs. The Overseas Bank of Manila, defendant-appellant, which modified the judgment of the trial court but nevertheless sentenced herein petitioner thus:

"WHEREFORE, the judgment appealed from is hereby modified. Defendant-appellant The Overseas Bank of Manila is hereby ordered to pay the sum of P30,000.00 with 6% interest per annum from July 20, 1967 until fully paid. In all other respects, the judgment is affirmed.

"SO ORDERED." (P. 33, Record.)

The background facts hereof are parallel in all material respects to those in *The Overseas Bank of Manila vs. Court of Appeals and Tony D. Tapia*, G.R. No. L-49353, June 11, 1981, 105 SCRA 49, and the more recent case of *The Overseas Bank of Manila vs. Vicente Cordero*, G.R. No. L-33582, March 30, 1982.

Briefly stated, in all these three cases Tapia and the Corderos deposited, on time basis, different sums of money respectively with the Overseas Bank of Manila. Before they could withdraw said deposits, "by resolution No. 1327 confirmed on August 13, 1968 (Exh. 1-TOBM), the Monetary Board decided, among others, 'x x x To affirm the decisions of the Board under its Resolution No. 1263 dated July 30, 1968 prohibiting TOBM from participating in clearing and Resolution No. 1290 dated August 1, 1968 authorizing the Board of Directors of TOBM to suspend the operations of the said Bank x x x'. The Board also excluded TOBM from clearing as 'even with the P10 million special fund loan intended to be made available under Section 90 of Republic Act No. 265 to TOBM, the extremely distressed financial condition of said Bank will continue to prevail and that 'x x x there seem to be no other alternative except to liquidate the bank under Section 29 of R.A. 265.' In another resolution (Exh. 2-TOBM) the Monetary Board pursuant to Section 29 of Republic Act No. 265 decided to forbid TOBM to do business in the Philippines; to instruct the Superintendent of Banks to take such further action as may be necessary pursuant to Section 29 of Republic Act 265". (P. 25, Record)

Subsequently, however, on October 24, 1971, this Supreme Court annulled the Central Bank resolution No. 1263. As stated by the Court of Appeals in the decision under review:

"The Supreme Court, in *Ramos, et al. v. Central Bank of the Philippines*,^[1] while recognizing the precarious financial condition of the defendant-appellant bank, ruled that a previous commitment of the Central Bank for the 'continued operation of, and rehabilitation of, the OBM' (defendant-appellant bank) estopped the Central Bank through the Monetary Board from liquidating and declaring the bank insolvent. This commitment is embodied in a Voting Trust Agreement, executed by the petitioners on November 20, 1967 and prepared by

the attorneys of the Central Bank. Thus the Supreme Court said:

'Bearing in mind that the communications Annexes 'B' and 'G' as well as the voting trust agreement, Annex 'A', had been prepared by the CB and the well known rule that ambiguities therein are to be construed against the party that caused them, the record becomes clear that, in consideration of the execution of the voting trust agreement by the petitioner stockholders of OBM, and of the mortgage or assignment of their personal properties to the CB (Res. Nos. 2015, 16 October 1967, Annex 'F' Petition), the CB had agreed to announce its readiness to support the new management, 'in order to allay the fear of depositors and creditors.' (Annex 'B'), and to stave off liquidation' by providing adequate funds for the 'rehabilitation, normalization and stabilization' of the OBM, in a manner similar to what the CB had previously done with the Republic Bank (Petition, Annex 'G', ante). While no express terms in the document refer to the provision of funds by the CB for the purpose, the same is necessarily implied, for in no other way could it rehabilitate, normalize and stabilize a distressed bank.

'Even in the absence of contract, the record plainly shows that the CB made express representations to petitioners herein that it would support the OBM, and avoid its liquidation if the petitioners would execute (a) the Voting Trust Agreement turning over the management of OBM to the CB or its nominees, and (b) mortgage or assign their properties to the Central Bank to cover the overdraft balance of OBM. The petitioners having complied with these conditions and parted with value to the profit of the Central Bank (which thus acquired additional security for its own advances), the CB may not now renege on its representation and liquidate the OBM, to the detriment of its stockholders, depositors and other creditors, under the rule of promissory estoppel (19 Am. Jur., pages 657-658, 28 Am. Jur. 2d, 656-657.)'

"As a result of these findings, the Supreme Court annulled the Central Bank's Resolution Nos. 1263, 1290 and 1333 (that prohibit the Overseas Bank of Manila to participate in clearing, direct the suspension of its operations, and ordering liquidation of said bank) and directed the Central Bank to comply with its obligations under the Voting Trust Agreement, and further, to desist from taking action in violation thereof." (Pp. 29-31, Record.)

Under the foregoing facts, petitioner bank does not deny and is ready to accept its liability for the return or payment to herein private respondent Julian R. Cordero of the balance of Thirty Thousand (P30,000.00) Pesos of the principal amount deposited by him but submits that it is not liable for the interests thereon during the period that Central Bank's resolutions Nos. 1327 and 1263 were in force and effect and the bank was, consequently, for all practical purposes under a state of liquidation. On the other hand, private respondent maintains, and the Court of Appeals so held, that in view of the decision of this Supreme Court annulling the mentioned Central Bank's resolutions, the herein petitioner bank was "not legally dead", hence "the ordinary laws governing the relationship of a time deposit (sic?) and the bank are applicable."

The issue thus joined by the parties is precisely the very same one We already resolved in *Tapia and Cordero (Vicente)* supra. In this latest case, Mr. Justice Escolin held for the Court thus:

"Thus, with the principal claim of respondent having been satisfied, the only remaining issue to be determined is whether respondent is entitled to (1) interest on his time deposit during the period that petitioner was closed and (2) to attorney's fees.

"We find the answer to be in the negative.

"The pronouncement made by this Court, per Justice Barredo, in the recent case of *Overseas Bank of Manila versus Court of Appeals* (105 SCRA 49) is explicit and categorical. We quote:

'It is a matter of common knowledge which we take judicial notice of, that what enables a bank to pay stipulated interest on money deposited with it is that thru the other aspects of its operation, it is able to generate funds to

cover the payment of such interest. Unless a bank can lend money, engage in international transactions, acquire foreclosed mortgaged properties or their proceeds and generally engage in other banking and financing activities, from which it can derive income, it is inconceivable how it can carry on as a depository obligated to pay stipulated interest. x x x Consequently, it should be deemed read into every contract of deposit with a bank that the obligation to pay interest on the deposit ceases the moment the operation of the bank is completely suspended by the duly constituted authority, the Central Bank.

'We consider it of trivial consequence that the stoppage of the bank's operations by the Central Bank has been subsequently declared illegal by the Supreme Court, for before the Court's order, the bank had no alternative under the law than to obey the orders of the Central Bank. Whatever be the juridical significance of the subsequent action of the Supreme Court, the stubborn fact remained that the petitioner was totally crippled from then on from earning the income needed to meet its obligations to its depositors. If such a situation cannot, strictly speaking be legally denominated as 'force majeure' as maintained by private respondent, We hold it is a matter of simple equity that it be treated as such.'

"And concluding, this Court stated:

'Parenthetically, We may add for the guidance of those who might be concerned and so that unnecessary litigations may be avoided from further clogging the dockets of the courts that in the light of the consideration expounded in the above opinion, the same formula that exempts petitioner from the payment of interest to its depositors during the whole period of factual stoppage of its operations by orders of the Central Bank, modified in effect by the decision as well as the approval of a formula of rehabilitation by this Court, should be, as a matter of consistency, applicable or followed in respect to all other obligations of petitioner which could not be paid during the period of its actual complete closure.'

"Neither can respondent Cordero recover attorney's fees. The trial court found that herein petitioner's refusal to pay was not due to a wilful and dishonest refusal to comply with its obligation but to restrictions imposed by the Central Bank (Record on Appeal [CA] p. 49) Since respondent did not appeal from this decision, he is now barred from contesting the same."

We cannot perceive any justifiable ground or reason to depart from the considerations and judgments in those earlier cases materially identical to the one at bar. Private respondent has not adduced any cogent argument which could persuade Us otherwise.

WHEREFORE, the decision under review is hereby reversed and petitioner is declared not liable for the interests on private respondent's time deposit in question in accordance with the previous rulings of this Court above referred to. No costs.

De Castro, Ericta, and Escolin, JJ., concur.

Aquino, J., concurs. The decision of the CA is modified by eliminating the 6% interest. In all other respects, it is affirmed.

Concepcion, Jr., and Abad Santos, JJ., on leave.

[1]41 SCRA 565.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.