

PHILIPPINE COMMERCIAL & INDUSTRIAL BANK AND JOSE HENARES, PETITIONERS, VS. THE HON. COURT OF APPEALS AND MARINDUQUE MINING AND INDUSTRIAL CORPORATION, RESPONDENTS.

G.R. No. 84526. January 28, 1991

Ponente: SARMIENTO, J.

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SARMIENTO, J.:

This is a petition for review on certiorari which assails both the resolution[1] dated June 27, 1988 of the Court of Appeals[2] which reconsidered and set aside its a earlier decision[3] dated February 26, 1988 reversing the decision[4] of the trial court and the subsequent resolution[5] dated August 3, 1988 which denied the petitioners' motion for reconsideration. The dispositive portion of the resolution in question dated June 27, 1988 reads as follows:

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For the reasons above adduced, We are constrained to reconsider Our aforesaid decision and to set it aside, and in lieu thereof hereby enter another decision AFFIRMING the decision dated January 15, 1985 of the Regional Trial Court of Manila, Branch II, in Civil Case No. 103100 entitled "Marinduque Mining and industrial Corporation (MMIC) vs. Philippine Commercial and Industrial Bank, et al." [6]

The undisputed facts[7] as gathered from the findings of the trial court are as follows:

The instant case originated from an action[8] filed with the National Labor Relations Commission (NLRC) by a group of laborers who obtained therefrom a favorable judgment for the payment of backwages amounting to P205,853.00 against the private respondent.

On April 26, 1976, the said Commission issued a writ of execution directing the Deputy Sheriff of Negros Occidental, one Damian Rojas, to enforce the aforementioned judgment. The pertinent portion of the said writ reads as follows:

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Further, you are to collect from same respondent the total amount of P205,853.00 as their backwage (sic) for twelve (12) months and then turn over said amount to this commission for further disposition. In case you fail to collect said amount in cash, you are to cause the satisfaction of the same on the movable or immovable properties of the respondent not exempt from execution. (Exhs. G, G-1 and G-3, also Exh. 3; underlinings supplied). [9]

Accordingly, on April 28, 1976, the aforementioned deputy sheriff went to the mining site of the private respondent and served the writ of execution on the persons concerned, but nothing seemed to have happened thereat.

Thereafter, the Sheriff prepared on his own a Notice of Garnishment dated April 29, 1976 addressed to six (6)

banks, all located in Bacolod City, one of which being the petitioner herein, directing the bank concerned to immediately issue a check in the name of the Deputy Provincial Sheriff of Negros Occidental in an amount equivalent to the amount of the garnishment and that proper receipt would be issued therefore.

Incidentally, the house lawyer of the private respondent, Atty. Rexes V. Alejano, acting on a tip regarding the existence of the said notice of garnishment, communicated with the bank manager, the petitioner Jose Henares, verbally at first at around 2:00 o'clock in the afternoon of that day, April 29, 1976, and a later confirmed in a formal letter received by the petitioner Henares at about 5:00 o'clock of that same day, requesting the withholding of any release of the deposit of the private respondent with the petitioner bank.

Meanwhile, at about 9:30 in the morning of April 29, 1976, the deputy sheriff presented the Notice of Garnishment and the Writ of Execution attached therewith to the petitioner Henares and later in the afternoon, demanded from the latter, under pain of contempt, the release of the deposit of the private respondent.

The petitioner Henares, upon knowing from the Acting Provincial Sheriff that there was no restraining order from the National Labor Relations Commission and on the favorable advice of the bank's legal counsel, issued a debit memo for the full balance of the private respondent's account with the petitioner bank. Thereafter, he issued a manager's check in the name of the Deputy Provincial Sheriff of Negros Occidental for the amount of P37,466.18, which was the exact balance of the private respondent's account as of that day.

On the following day, April 30, 1976, at about 1:00 o'clock in the afternoon, the deputy sheriff returned to the bank in order to encash the check but before the actual encashment, the petitioner Henares once again inquired about any existing restraining order from the NLRC and upon being told that there was none, the latter allowed the said encashment.

On July 6, 1976, the private respondent, then plaintiff, filed a complaint before the Regional Trial Court of Manila, Branch II, against the petitioners and Damian Rojas, the Deputy Provincial Sheriff of Negros Occidental, then defendants, alleging that the former's current deposit with the petitioner bank was levied upon, garnished, and with undue haste unlawfully allowed to be withdrawn, and notwithstanding the alleged unauthorized disclosure of the said current deposit and unlawful release thereof, the latter have failed and refused to restore the amount of P37,466.18 to the former's account despite repeated demands.

Both the petitioners and the Deputy Sheriff filed their respective answers denying the material averments of the said complaint and alleged that their actuations were all in accordance with law and likewise filed counterclaims for damages, including a cross-claim of the former against the latter. The third-party complaint of the petitioners against the forty-nine (49) laborers in the NLRC case was, however, dismissed for failure of the sheriff to serve summons upon the latter.

On January 23, 1982, after several postponements, the pre-trial was finally conducted and terminated with only the petitioners and the private respondent participating, through their respective counsel.

On January 15, 1985, the trial court rendered its judgment in favor of the private respondent, the dispositive portion of which reads:

WHEREFORE, judgment is hereby rendered in favor of the plaintiff and against the three (3) defendants by ordering the latter to pay, jointly and severally, the plaintiff the following amounts, to wit:

(a) the sum of P37,466.18, with interest thereon at the rate of 12% per annum from date of first demand on April 29, 1976 until the amount shall have been fully and completely restored and paid;

(b) the sum of P10,00.00 as attorney's fees.

Defendants are ordered to pay, jointly and severally, double costs.[10]

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On appeal, the respondent court in a decision dated February 26, 1988, first reversed the said judgment of the lower court, but however, on the motion for reconsideration filed by the private respondent, subsequently annulled and set aside its said decision in a resolution dated June 27, 1988. On August 3, 1988, the respondent court denied the petitioners' own motion for reconsideration.

Hence, this petition.

The petitioners raise two issues,[11] to wit:

1. Whether or not petitioners had legal basis in releasing the garnished deposit of private respondent to the sheriff.
2. Whether or not petitioners violated Republic Act No. 1405, otherwise known as the Secrecy of Bank Deposits Act, when they allowed the sheriff to garnish the deposit of private respondent.

The petition is impressed with merit.

The crux of the instant controversy boils down to the question of whether or not a bank is liable for releasing its depositor's funds on the strength of the notice of garnishment made by the deputy sheriff pursuant to a writ of execution issued by the National Labor Relations Commission (NLRC).

The respondent court in its questioned resolution dated June 27, 1988, held that the petitioners were liable, in this wise:

In the case at bar, defendant-appellant PCIB, despite vigorous objections from plaintiff-appellee, with indecent haste disclosed and released the deposit of plaintiff-appellee on the strength of a mere notice of garnishment which the Honorable Supreme Court ruled upon is no authority for the release of the deposit, thus:

In the second place, the mere garnishment of funds belonging to a party upon order of the court does not have the effect of delivering the money garnished to the sheriff or to the party in whose favor the attachment is issued. The fund is retained by the garnishee or the person holding the money for the defendant.

The garnishee, or one in whose hands property is attached or garnished, is universally regarded as charged with its legal custody pending outcome of the attachment or garnishment unless, by local statute and practice, he is permitted to surrender or pay the garnished property or funds into court, to the attaching officer, or to a receiver or trustee appointed to receive them. (5 Am. Jur. 14)

The effect of the garnishment, therefore, was to require the Philippine Trust Company, holder of the funds of the Luzon Surety Co., to set aside said amount from the funds of the Luzon Surety Co., and keep the same subject to the final orders of the Court. In the case at bar there was never an order to deliver the full amount garnished to the plaintiff-appellee; all that was ordered to be delivered after the judgment had become final was the amount found by the Court of Appeals to be due. The balance of the amount garnished, therefore, remained all the time in the possession of the bank as part of the funds of the Luzon Surety Co. although the same could not be disposed of by the owner. (De la Rama vs. Villarosa, et al., L-17927, June 29, 1963, 8 SCRA 413, 418-419; underlinings supplied).[12]

The above-mentioned contention citing De la Rama is not exactly on all fours with the facts of the case at bar. In De la Rama, the amount garnished was not actually taken possession of by the sheriff, even from the time of garnishment, because the judgment debtor was able to appeal to the Court of Appeals and obtain from the Court an injunction prohibiting execution of the judgment.

On the other hand, nowhere in the record of the present case is there any evidence of an appeal by the private respondent from the decision of the NLRC or the existence of any restraining order to prevent the release of the private respondent's deposit to the deputy sheriff at the time of the service of the notice of garnishment and writ of execution to the petitioners.

On the contrary, the uncontroverted statements in the deposition of the petitioner Henares that he had previously sought the advice of the bank's counsel and that he had checked twice with the Acting Provincial Sheriff who had informed him of the absence of any restraining order, belie any allegation of undue and indecent haste in the release of the said deposit in question.

The cases more in point to the present controversy are the recent decisions in *Engineering Construction Inc. v. National Power Corporation*[13] and *Rizal Commercial Banking Corporation (RCBC) vs. De Castro*[14] where the Court absolved both garnishees, MERALCO and RCBC, respectively, from any liability for their prompt compliance in the release of garnished funds.

The rationale behind *Engineering Construction, Inc.* and which was quoted in *Rizal Commercial Banking Corporation* is persuasive:

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But while partial restitution is warranted in favor of NPC, we find that the Appellate Court erred in not absolving MERALCO, the garnishee, from its obligations to NPC with respect to the payment to ECI of P1,114,543.23, thus in effect subjecting MERALCO to double liability. MERALCO should not have been faulted for its prompt obedience to a writ of garnishment. Unless there are compelling reasons such as: a defect on the face of the writ or actual knowledge on the part of the garnishee of lack of entitlement on the part of the garnisher, it is not incumbent upon the garnishee to inquire or to judge for itself whether or not the order for the advance execution of a judgment is valid.

Section 8, Rule 57 of the Rules of Court provides:

Effect of attachment of debts and credits. -- All persons having in their possession or under their control any credits or other similar personal property belonging to the party against whom attachment is issued, or owing any debts to the same, at the time of service upon them of a copy of the order of attachment and notice as provided in the last preceding section, shall be liable to the applicant of the amount of such credits, debts or other property, until the attachment be discharged, or any judgment recovered by him be satisfied, unless such property be delivered or transferred, or such debts be paid, to the clerk, sheriff or other proper officer of the court issuing the attachment.

Garnishment is considered as a specie of attachment for reaching credits belonging to the judgment debtor and owing to him from a stranger to the litigation. Under the above-cited rule, the garnishee [the third person] is obliged to deliver the credits, etc. to the proper officer issuing the writ and "the law exempts from liability the person having in his possession or under his control any credits or other personal property belonging to the defendant, x x x, if such property be delivered or transferred, x x x, to the clerk, sheriff, or other officer of the court in which the action is pending."

Applying the foregoing to the case at bar, MERALCO, as garnishee, after having been judicially compelled to pay the amount of the judgment represented by funds in its possession belonging to the judgment debtor or NPC, should be released from all responsibilities over such amount after delivery thereof to the sheriff. The reason for the rule is self-evident. To expose garnishees to risks for obeying court orders and processes would only undermine the administration of justice. (Emphasis ours.)[15]

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Moreover, there is no issue concerning the indebtedness of the petitioner bank to the private respondent since the latter has never denied the existence of its deposit with the former, the said deposit being considered a credit in favor of the depositor against the bank.[16] We therefore see no application for Sec. 39, Rule 39 of the Rules of Court invoked by the private respondent as to necessitate the "examination of the debtor of the judgment debtor." [17]

Rather, we find the immediate release of the funds by the petitioners on the strength of the notice of garnishment and writ of execution, whose issuance, absent any patent defect, enjoys the presumption of regularity, sufficiently supported by Sec. 41, Rule 39 of the Rules of Court which reads:

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After an execution against property has issued, a person indebted to the judgment debtor may pay to the officer holding the execution the amount of his debt or so much thereof as may be necessary to satisfy the execution, and the officer's receipt shall be a sufficient discharge for the amount so paid or directed to be credited by the judgment creditor on the execution.

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Finally, we likewise take cognizance of the subject of the judgment sought to be enforced in the writ of execution in question, namely, laborers' backwages. We believe that the petitioners should rather be commended for having acted with urgent dispatch despite attempts by the private respondent, as with so many scheming employers, to frustrate or unjustifiably delay the prompt satisfaction of final judgments which often result in undue prejudice to the legitimate claims of labor.

With regard to the second issue, we find no violation whatsoever by the petitioners of Republic Act No. 1405, otherwise known as the Secrecy of Bank Deposits Act. The Court in *China Banking Corporation vs. Ortega* [18] had the occasion to dispose of this issue when it stated, thus:

It is clear from the discussion of the conference committee report on Senate Bill No. 351 and House Bill No. 3977, which later became Republic Act 1405, that the prohibition against examination of or inquiry into a bank deposit under Republic Act 1405 does not preclude its being garnished to insure satisfaction of a judgment. Indeed there is no real inquiry in such a case, and if existence of the deposit is disclosed the disclosure is purely incidental to the execution process. It is hard to conceive that it was ever within the intention of Congress to enable debtors to evade payment of their just debts, even if ordered by the Court, through the expedient of converting their assets into cash and depositing the same in a bank.

Since there is no evidence that the petitioners themselves divulged the information that the private respondent had an account with the petitioner bank and it is undisputed that the said account was properly the object of the notice of garnishment and writ of execution carried out by the deputy sheriff, a duly authorized officer of the court, we can not therefore hold the petitioners liable under R.A. 1405.

While the general rule is that the findings or fact of the appellate court are binding on this Court, the said rule however admits of exceptions, such as when a the Court of Appeals clearly misconstrued and misapplied the law, drawn from the incorrect conclusions of fact established by evidence and otherwise at certain conclusions which are based on misapprehension facts,[19] as in the case at bar.

The petitioners are therefore absolved from any liability for the disclosure and release of the private respondent's deposit to the custody of the deputy sheriff in satisfaction of the final judgment for the laborers' backwages.

WHEREFORE, the petition is GRANTED and the challenged Resolutions dated June 27, 1988 and August 13, 1988 of the Court of Appeals are hereby ANNULLED and SET ASIDE and its Decision dated February 26, 1988

dismissing the complaint is hereby REINSTATED. With costs against the private respondent. SO ORDERED.

Melencio-Herrera, (Chairman), Padilla, and Regalado, JJ., concur.

Paras, J., no part, Justice Gloria C. Paras, the wife of Justice E. Paras, took part in the Court of Appeals.

[1] Limcaoco, C.T., J., ponente; Mendoza, V.V. and Paras, G.C., JJ., concurring.

[2] Marinduque Mining and Industrial Corporation vs. Philippine Commercial and Industrial Bank and Jose Henares, CA-G.R. CV No. 06701.

[3] Rollo, 93-101.

[4] Hon Rosalio A. de Leon. Presiding Judge, Regional Trial Court of Manila, Branch 11, Civil Case No. 103100.

[5] Supra.

[6] Rollo, 22.

[7] Id., 82-89.

[8] "Rodolfo Acumabeg, et al. vs. Marinduque Mining and Industrial Corporation, et al.," NLRC Case No. MC-440-74.

[9] Rollo, 8.

[10] Id., 93-94.

[11] Id., 11.

[12] Marinduque Mining and Industrial Corporation vs. Philippine Commercial and Investment Bank and Jose A. Henares, CA-G.R. CV No. 06701, June 27, 1988, 2-3.

[13] G.R. No. L-34589, June 29, 1988, 163 SCRA 9.

[14] G.R. No. L-34548, November 29, 1988, 168 SCRA 49.

[15] Supra, 17-18.

[16] Serrano vs. Central Bank of the Philippines, No. L-30511, February 14, 1980, 96 SCRA 96, 102, citing Article 1980, Civil Code and Gullas vs. Phil. National Bank, 62 Phil. 519.

[17] Tayabas Land Co. vs. Sheriff, 41 Phil. 382.

[18] G.R. No. L-34964, January 31, 1973, 49 SCRA 355.

[19] Pajunar v. Court of Appeals, G.R. No. 77266, July 19, 1989, 175 SCRA 464.

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