

SIMEX INTERNATIONAL (MANILA), INCORPORATED, PETITIONER, VS. THE HONORABLE COURT OF APPEALS AND TRADERS ROYAL BANK, RESPONDENTS.

G.R. NO. 88013. March 19, 1990

Ponente: CRUZ, J.

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CRUZ, J.:

We are concerned in this case with the question of damages, specifically moral and exemplary damages. The negligence of the private respondent has already been established. All we have to ascertain is whether the petitioner is entitled to the said damages and, if so, in what amounts.

The parties agree on the basic facts. The petitioner is a private corporation engaged in the exportation of food products. It buys these products from various local suppliers and then sells them abroad, particularly in the United States, Canada and the Middle East. Most of its exports are purchased by the petitioner on credit.

The petitioner was a depositor of the respondent bank and maintained a checking account in its branch at Romulo Avenue, Cubao, Quezon City. On May 25, 1981, the petitioner deposited to its account in the said bank the amount of P100,000.00, thus increasing its balance as of that date to P190,380.74.[1] Subsequently, the petitioner issued several checks against its deposit but was surprised to learn later that they had been dishonored for insufficient funds.

The dishonored checks are the following:

- Check No. 215391 dated May 29, 1981, in favor of California Manufacturing Company, Inc. for P16,480.00;
- Check No. 215426 dated May 28, 1981, in favor of the Bureau of Internal Revenue in the amount of P3,386.73;
- Check No. 215451 dated June 4, 1981, in favor of Mr. Greg Pedreño in the amount of P7,080.00;
- Check No. 215441 dated June 5, 1981, in favor of Malabon Longlife Trading Corporation in the amount of P42,906.00;
- Check No. 215474 dated June 10, 1981, in favor of Malabon Longlife Trading Corporation in the amount of P12,953.00;
- Check No. 215477 dated June 9, 1981, in favor of Sea-Land Services, Inc. in the amount of P27,024.45;
- Check No. 215412 dated June 10, 1981, in favor of Baguio Country Club Corporation in the amount of P4,386.02; and
- Check No. 215480 dated June 9, 1981, in favor of Enriqueta Bayla in the amount of P6,275.00.[2]

As a consequence, the California Manufacturing Corporation sent on June 9, 1981, a letter of demand to the petitioner, threatening prosecution if the dishonored check issued to it was not made good. It also withheld

delivery of the order made by the petitioner. Similar letters were sent to the petitioner by the Malabon Long Life Trading, on June 15, 1981, and by the G. and U. Enterprises, on June 10, 1981. Malabon also canceled the petitioner's credit line and demanded that future payments be made by it in cash or certified check. Meantime, action on the pending orders of the petitioner with the other suppliers whose checks were dishonored was also deferred.

The petitioner complained to the respondent bank on June 10, 1981.[3] Investigation disclosed that the sum of P100,000.00 deposited by the petitioner on May 25, 1981, had not been credited to it. The error was rectified on June 17, 1981, and the dishonored checks were paid after they were re-deposited.[4]

In its letter dated June 20, 1981, the petitioner demanded reparation from the respondent bank for its "gross and wanton negligence." This demand was not met. The petitioner then filed a complaint in the then Court of First Instance of Rizal claiming from the private respondent moral damages in the sum of P1,000,000.00 and exemplary damages in the sum of P500,000.00, plus 25% attorney's fees, and costs.

After trial, Judge Johnico G. Serquiña rendered judgment holding that moral and exemplary damages were not called for under the circumstances. However, observing that the plaintiff's right had been violated, he ordered the defendant to pay nominal damages in the amount of P20,000.00 plus P5,000.00 attorney's fees and costs.[5] This decision was affirmed in toto by the respondent court.[6]

The respondent court found with the trial court that the private respondent was guilty of negligence but agreed that the petitioner was nevertheless not entitled to moral damages. It said:

The essential ingredient of moral damages is proof of bad faith (*De Aparicio vs. Parogurga*, 150 SCRA 280). Indeed, there was the omission by the defendant-appellee bank to credit appellant's deposit of P100,000.00 on May 25, 1981. But the bank rectified its records. It credited the said amount in favor of plaintiff-appellant in less than a month. The dishonored checks were eventually paid. These circumstances negate any imputation or insinuation of malicious, fraudulent, wanton and gross bad faith and negligence on the part of the defendant-appellant.

It is this ruling that is faulted in the petition now before us.

This Court has carefully examined the facts of this case and finds that it cannot share some of the conclusions of the lower courts. It seems to us that the negligence of the private respondent has been brushed off rather lightly as if it were a minor infraction requiring no more than a slap on the wrist. We feel it is not enough to say that the private respondent rectified its records and credited the deposit in less than a month as if this mere sufficient repentance. The error should not have been committed in the first place. The respondent bank has not even explained why it was committed at all. It is true that the dishonored checks were, as the Court of Appeals put it, "eventually" paid. However, this took almost a month when, properly, the checks should have been paid immediately upon presentment.

As the Court sees it, the initial carelessness of the respondent bank, aggravated by the lack of promptitude in repairing its error, justifies the grant of moral damages. This rather lackadaisical attitude toward the complaining depositor constituted the gross negligence, if not wanton bad faith, that the respondent court said had not been established by the petitioner.

We also note that while stressing the rectification made by the respondent bank, the decision practically ignored the prejudice suffered by the petitioner. This was simply glossed over if not, indeed, disbelieved. The fact is that the petitioner's credit line was canceled and its orders were not acted upon pending receipt of actual payment by the suppliers. Its business declined. Its reputation was tarnished. Its standing was reduced in the business

community. All this was due to the fault of the respondent bank which was undeniably remiss in its duty to the petitioner.

Article 2205 of the Civil Code provides that actual or compensatory damages may be received "(2) for injury to the plaintiff's business standing or commercial credit." There is no question that the petitioner did sustain actual injury as a result of the dishonored checks and that the existence of the loss having been established "absolute certainty as to its amount is not required." [7] Such injury should bolster all the more the demand of the petitioner for moral damages and justifies the examination by this Court of the validity and reasonableness of the said claim.

We agree that moral damages are not awarded to penalize the defendant but to compensate the plaintiff for the injuries he may have suffered. [8] In the case at bar, the petitioner is seeking such damages for the prejudice sustained by it as a result of the private respondent's fault. The respondent court said that the claimed losses are purely speculative and are not supported by substantial evidence, but it failed to consider that the amount of such losses need not be established with exactitude, precisely because of their nature. Moral damages are not susceptible of pecuniary estimation. Article 2216 of the Civil Code specifically provides that "no proof of pecuniary loss is necessary in order that moral, nominal, temperate, liquidated or exemplary damages may be adjudicated." That is why the determination of the amount to be awarded (except liquidated damages) is left to the sound discretion of the court, according to "the circumstances of each case."

From every viewpoint except that of the petitioner's, its claim of moral damages in the amount of P1,000,000.00 is nothing short of preposterous. Its business certainly is not that big, or its name that prestigious, to sustain such an extravagant pretense. Moreover, a corporation is not as a rule entitled to moral damages because, not being a natural person, it cannot experience physical suffering or such sentiments as wounded feelings, serious anxiety, mental anguish and moral shock. The only exception to this rule is where the corporation has a good reputation that is debased, resulting in its social humiliation. [9]

We shall recognize that the petitioner did suffer injury because of the private respondent's negligence that caused the dishonor of the checks issued by it. The immediate consequence was that its prestige was impaired because of the bouncing checks and confidence in it as a reliable debtor was diminished. The private respondent makes much of the one instance when the petitioner was sued in a collection case, but that did not prove that it did not have a good reputation that could not be marred, more so since that case was ultimately settled. [10] It does not appear that, as the private respondent would portray it, the petitioner is an unsavory and disreputable entity that has no good name to protect.

Considering all this, we feel that the award of nominal damages in the sum of P20,000.00 was not the proper relief to which the petitioner was entitled. Under Article 2221 of the Civil Code, "nominal damages are adjudicated in order that a right of the plaintiff, which has been violated or invaded by the defendant, may be vindicated or recognized, and not for the purpose of indemnifying the plaintiff for any loss suffered by him." As we have found that the petitioner has indeed incurred loss through the fault of the private respondent, the proper remedy is the award to it of moral damages, which we impose, in our discretion, in the same amount of P20,000.00.

Now for the exemplary damages.

The pertinent provisions of the Civil Code are the following:

Art. 2229. Exemplary or corrective damages are imposed, by way of example or correction for the public good, in addition to the moral, temperate, liquidated or compensatory damages.

Art. 2232. In contracts and quasi-contracts, the court may award exemplary damages if the defendant acted in a

wanton, fraudulent, reckless, oppressive, or malevolent manner.

The banking system is an indispensable institution in the modern world and plays a vital role in the economic life of every civilized nation. Whether as mere passive entities for the safekeeping and saving of money or as active instruments of business and commerce, banks have become an ubiquitous presence among the people, who have come to regard them with respect and even gratitude and, most of all, confidence. Thus, even the humble wage-earner has not hesitated to entrust his life's savings to the bank of his choice, knowing that they will be safe in its custody and will even earn some interest for him. The ordinary person, with equal faith, usually maintains a modest checking account for security and convenience in the settling of his monthly bills and the payment of ordinary expenses. As for business entities like the petitioner, the bank is a trusted and active associate that can help in the running of their affairs, not only in the form of loans when needed but more often in the conduct of their day-to-day transactions like the issuance or encashment of checks.

In every case, the depositor expects the bank to treat his account with the utmost fidelity, whether such account consists only of a few hundred pesos or of millions. The bank must record every single transaction accurately, down to the last centavo, and as promptly as possible. This has to be done if the account is to reflect at any given time the amount of money the depositor can dispose of as he sees fit, confident that the bank will deliver it as and to whomever he directs. A blunder on the part of the bank, such as the dishonor of a check without good reason, can cause the depositor not a little embarrassment if not also financial loss and perhaps even civil and criminal litigation.

The point is that as a business affected with public interest and because of the nature of its functions, the bank is under obligation to treat the accounts of its depositors with meticulous care, always having in mind the fiduciary nature of their relationship. In the case at bar, it is obvious that the respondent bank was remiss in that duty and violated that relationship. What is especially deplorable is that, having been informed of its error not crediting the deposit in question to the petitioner, the respondent bank did not immediately correct it but did so only one week later or twenty-three days after the deposit was made. It bears repeating that the record does not contain any satisfactory explanation of why the error was made in the first place and why it was not corrected immediately after its discovery. Such ineptness comes under the concept of the wanton manner contemplated in the Civil Code that calls for the imposition of exemplary damages.

After deliberating on this particular matter, the Court, in the exercise of its discretion, hereby imposes upon the respondent bank exemplary damages in the amount of P50,000.00, "by way of example or correction for the public good," in the words of the law. It is expected that this ruling will serve as a warning and deterrent against the repetition of the ineptness and indifference that has been displayed here, lest the confidence of the public in the banking system be further impaired.

ACCORDINGLY, the appealed judgment is hereby MODIFIED and the private respondent is ordered to pay the petitioner, in lieu of nominal damages, moral damages in the amount of P20,000.00, and exemplary damages in the amount of P50,000.00 plus the original award of attorney's fees in the amount of P5,000.00, and costs.

SO ORDERED.

Narvasa, (Chairman), Gancayco, Griño-Aquino, and Medialdea, JJ., concur.

[1] Rollo, p. 4.

[2] Exhibits 1-a to 1-h.

[3] Rollo, p. 6.

[4] Ibid., pp. 6-7.

[5] Id., p. 24.

[6] Victor, J., with Ejercito and Pe, JJ., concurring.

[7] Cerrano v. Tan Chuco, 38 Phil. 392.

[8] Dee Hua Liong Electrical Equipment Corporation v. Reyes, 145 SCRA 713; San Andres v. Court of Appeals, 116 SCRA 81.

[9] Mambulao Lumber Co. v. Philippine National Bank, 22 SCRA 359.

[10] Rollo, pp. 38-41.

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