

SECOND DIVISION

[G.R. No. 133179, March 27, 2008]

ALLIED BANKING CORPORATION, PETITIONER, VS. LIM SIO WAN, METROPOLITAN BANK AND TRUST CO., AND PRODUCERS BANK, RESPONDENTS.

DECISION

VELASCO JR., J.:

To ingratiate themselves to their valued depositors, some banks at times bend over backwards that they unwittingly expose themselves to great risks.

The Case

This Petition for Review on Certiorari under Rule 45 seeks to reverse the Court of Appeals' (CA's) Decision promulgated on March 18, 1998^[1] in CA-G.R. CV No. 46290 entitled *Lim Sio Wan v. Allied Banking Corporation, et al.* The CA Decision modified the Decision dated November 15, 1993^[2] of the Regional Trial Court (RTC), Branch 63 in Makati City rendered in Civil Case No. 6757.

The Facts

The facts as found by the RTC and affirmed by the CA are as follows:

On November 14, 1983, respondent Lim Sio Wan deposited with petitioner Allied Banking Corporation (Allied) at its Quintin Paredes Branch in Manila a money market placement of PhP 1,152,597.35 for a term of 31 days to mature on December 15, 1983,^[3] as evidenced by Provisional Receipt No. 1356 dated November 14, 1983.^[4]

On December 5, 1983, a person claiming to be Lim Sio Wan called up Cristina So, an officer of Allied, and instructed the latter to pre-terminate Lim Sio Wan's money market placement, to issue a manager's check representing the proceeds of the placement, and to give the check to one Deborah Dee Santos who would pick up the check.^[5] Lim Sio Wan described the appearance of Santos so that So could easily identify her.^[6]

Later, Santos arrived at the bank and signed the application form for a manager's check to be issued.^[7] The bank issued Manager's Check No. 035669 for PhP 1,158,648.49, representing the proceeds of Lim Sio Wan's money market placement in the name of Lim Sio Wan, as payee.^[8] The check was cross-checked "For Payee's Account Only" and given to Santos.^[9]

Thereafter, the manager's check was deposited in the account of Filipinas Cement Corporation (FCC) at respondent Metropolitan Bank and Trust Co. (Metrobank),^[10]

with the forged signature of Lim Sio Wan as indorser.^[11]

Earlier, on September 21, 1983, FCC had deposited a money market placement for PhP 2 million with respondent Producers Bank. Santos was the money market trader assigned to handle FCC's account.^[12] Such deposit is evidenced by Official Receipt No. 317568^[13] and a Letter dated September 21, 1983 of Santos addressed to Angie Lazo of FCC, acknowledging receipt of the placement.^[14] The placement matured on October 25, 1983 and was rolled-over until December 5, 1983 as evidenced by a Letter dated October 25, 1983.^[15] When the placement matured, FCC demanded the payment of the proceeds of the placement.^[16] On December 5, 1983, the same date that So received the phone call instructing her to pre-terminate Lim Sio Wan's placement, the manager's check in the name of Lim Sio Wan was deposited in the account of FCC, purportedly representing the proceeds of FCC's money market placement with Producers Bank.^[17] In other words, the Allied check was deposited with Metrobank in the account of FCC as Producers Bank's payment of its obligation to FCC.

To clear the check and in compliance with the requirements of the Philippine Clearing House Corporation (PCHC) Rules and Regulations, Metrobank stamped a guaranty on the check, which reads: "All prior endorsements and/or lack of endorsement guaranteed."^[18]

The check was sent to Allied through the PCHC. Upon the presentment of the check, Allied funded the check even without checking the authenticity of Lim Sio Wan's purported indorsement. Thus, the amount on the face of the check was credited to the account of FCC.^[19]

On December 9, 1983, Lim Sio Wan deposited with Allied a second money market placement to mature on January 9, 1984.^[20]

On December 14, 1983, upon the maturity date of the first money market placement, Lim Sio Wan went to Allied to withdraw it.^[21] She was then informed that the placement had been pre-terminated upon her instructions. She denied giving any instructions and receiving the proceeds thereof. She desisted from further complaints when she was assured by the bank's manager that her money would be recovered.^[22]

When Lim Sio Wan's second placement matured on January 9, 1984, So called Lim Sio Wan to ask for the latter's instructions on the second placement. Lim Sio Wan instructed So to roll-over the placement for another 30 days.^[23] On January 24, 1984, Lim Sio Wan, realizing that the promise that her money would be recovered would not materialize, sent a demand letter to Allied asking for the payment of the first placement.^[24] Allied refused to pay Lim Sio Wan, claiming that the latter had authorized the pre-termination of the placement and its subsequent release to Santos.^[25]

Consequently, Lim Sio Wan filed with the RTC a Complaint dated February 13, 1984^[26] docketed as Civil Case No. 6757 against Allied to recover the proceeds of her first money market placement. Sometime in February 1984, she withdrew her

second placement from Allied.

Allied filed a third party complaint^[27] against Metrobank and Santos. In turn, Metrobank filed a fourth party complaint^[28] against FCC. FCC for its part filed a fifth party complaint^[29] against Producers Bank. Summonses were duly served upon all the parties except for Santos, who was no longer connected with Producers Bank.^[30]

On May 15, 1984, or more than six (6) months after funding the check, Allied informed Metrobank that the signature on the check was forged.^[31] Thus, Metrobank withheld the amount represented by the check from FCC. Later on, Metrobank agreed to release the amount to FCC after the latter executed an Undertaking, promising to indemnify Metrobank in case it was made to reimburse the amount.^[32]

Lim Sio Wan thereafter filed an amended complaint to include Metrobank as a party-defendant, along with Allied.^[33] The RTC admitted the amended complaint despite the opposition of Metrobank.^[34] Consequently, Allied's third party complaint against Metrobank was converted into a cross-claim and the latter's fourth party complaint against FCC was converted into a third party complaint.^[35]

After trial, the RTC issued its Decision, holding as follows:

WHEREFORE, judgment is hereby rendered as follows:

1. Ordering defendant Allied Banking Corporation to pay plaintiff the amount of P1,158,648.49 plus 12% interest per annum from March 16, 1984 until fully paid;
2. Ordering defendant Allied Bank to pay plaintiff the amount of P100,000.00 by way of moral damages;
3. Ordering defendant Allied Bank to pay plaintiff the amount of P173,792.20 by way of attorney's fees; and,
4. Ordering defendant Allied Bank to pay the costs of suit.

Defendant Allied Bank's cross-claim against defendant Metrobank is DISMISSED.

Likewise defendant Metrobank's third-party complaint as against Filipinas Cement Corporation is DISMISSED.

Filipinas Cement Corporation's fourth-party complaint against Producer's Bank is also DISMISSED.

SO ORDERED.^[36]

The Decision of the Court of Appeals

Allied appealed to the CA, which in turn issued the assailed Decision on March 18,

1998, modifying the RTC Decision, as follows:

WHEREFORE, premises considered, the decision appealed from is MODIFIED. Judgment is rendered ordering and sentencing defendant-appellant Allied Banking Corporation to pay sixty (60%) percent and defendant-appellee Metropolitan Bank and Trust Company forty (40%) of the amount of P1,158,648.49 plus 12% interest per annum from March 16, 1984 until fully paid. The moral damages, attorney's fees and costs of suit adjudged shall likewise be paid by defendant-appellant Allied Banking Corporation and defendant-appellee Metropolitan Bank and Trust Company in the same proportion of 60-40. Except as thus modified, the decision appealed from is AFFIRMED.

SO ORDERED.^[37]

Hence, Allied filed the instant petition.

The Issues

Allied raises the following issues for our consideration:

The Honorable Court of Appeals erred in holding that Lim Sio Wan did not authorize [Allied] to pre-terminate the initial placement and to deliver the check to Deborah Santos.

The Honorable Court of Appeals erred in absolving Producers Bank of any liability for the reimbursement of amount adjudged demandable.

The Honorable Court of Appeals erred in holding [Allied] liable to the extent of 60% of amount adjudged demandable in clear disregard to the ultimate liability of Metrobank as guarantor of all endorsement on the check, it being the collecting bank.^[38]

The petition is partly meritorious.

A Question of Fact

Allied questions the finding of both the trial and appellate courts that Allied was not authorized to release the proceeds of Lim Sio Wan's money market placement to Santos. Allied clearly raises a question of fact. When the CA affirms the findings of fact of the RTC, the factual findings of both courts are binding on this Court.^[39]

We also agree with the CA when it said that it could not disturb the trial court's findings on the credibility of witness So inasmuch as it was the trial court that heard the witness and had the opportunity to observe closely her deportment and manner of testifying. Unless the trial court had plainly overlooked facts of substance or value, which, if considered, might affect the result of the case,^[40] we find it best to defer to the trial court on matters pertaining to credibility of witnesses.

Additionally, this Court has held that the matter of negligence is also a factual question.^[41] Thus, the finding of the RTC, affirmed by the CA, that the respective parties were negligent in the exercise of their obligations is also conclusive upon this

Court.

The Liability of the Parties

As to the liability of the parties, we find that Allied is liable to Lim Sio Wan. Fundamental and familiar is the doctrine that the relationship between a bank and a client is one of debtor-creditor.

Articles 1953 and 1980 of the Civil Code provide:

Art. 1953. A person who receives a loan of money or any other fungible thing acquires the ownership thereof, and is bound to pay to the creditor an equal amount of the same kind and quality.

Art. 1980. Fixed, savings, and current deposits of money in banks and similar institutions shall be governed by the provisions concerning simple loan.

Thus, we have ruled in a line of cases that a bank deposit is in the nature of a simple loan or mutuum.^[42] More succinctly, in *Citibank, N.A. (Formerly First National City Bank) v. Sabeniano*, this Court ruled that a money market placement is a simple loan or mutuum.^[43] Further, we defined a money market in *Cebu International Finance Corporation v. Court of Appeals*, as follows:

[A] money market is a market dealing in standardized *short-term credit* instruments (involving large amounts) where lenders and borrowers do not deal directly with each other but through a middle man or dealer in open market. In a money market transaction, the investor is a lender who loans his money to a borrower through a middleman or dealer.

In the case at bar, the money market transaction between the petitioner and the private respondent is in the nature of a loan.^[44]

Lim Sio Wan, as creditor of the bank for her money market placement, is entitled to payment upon her request, or upon maturity of the placement, or until the bank is released from its obligation as debtor. Until any such event, the obligation of Allied to Lim Sio Wan remains unextinguished.

Art. 1231 of the Civil Code enumerates the instances when obligations are considered extinguished, thus:

Art. 1231. Obligations are extinguished:

- (1) **By payment or performance;**
- (2) By the loss of the thing due;
- (3) By the condonation or remission of the debt;
- (4) By the confusion or merger of the rights of creditor and debtor;
- (5) By compensation;