

FIRST DIVISION

[G.R. No. 221220, January 19, 2021]

**METROPOLITAN BANK AND TRUST COMPANY, PETITIONER, VS.
CARMELITA CRUZ AND VILMA LOW TAY, DOING BUSINESS
UNDER THE NAME AND STYLE "REPUBLIC SHOES & HANDBAG
MANUFACTURING," RESPONDENTS.**

DECISION

GAERLAN, J.:

This resolves the Petition for Review on *Certiorari*^[1] under Rule 45 of the Rules of Court filed by petitioner Metropolitan Bank and Trust Company (Metrobank) praying for the reversal of the February 23, 2015 Decision^[2] and October 21, 2015 Resolution^[3] of the Court of Appeals (CA) in CA-G.R. CV No. 99886. The CA affirmed the September 21, 2012 Decision^[4] of the Regional Trial Court (RTC) of Marikina City, Branch 192 which ordered Metrobank to render a complete and detailed accounting of the payments made by respondents Carmelita C. Cruz (Cruz) and Vilma Low Tay (Tay) for their loan obligation, and to furnish the respondents the loan documents.

Antecedents

From 1993 to 1998, respondents obtained various loans from Metrobank in the aggregate amount of P40,600,000.00 They executed promissory notes to cover said loans.

Again, in March 1999, respondents obtained additional loans from Metrobank. They requested a statement of account to determine their total outstanding obligation. Metrobank sent a letter dated May 17, 1999 stating that as of March 26, 1999, respondents owed P1,130,444.31.^[5]

Over the years, respondents' loans were restructured.^[6] They were made to sign blank promissory notes in bulk.^[7]

From 1999 to 2004, respondents remitted cash and check payments to Metrobank. Cruz listed the amounts paid and the check numbers on yellow sheets, and simultaneously asked the bank employees to sign and acknowledge their receipt of her payments.^[8]

In September 2004, respondents reviewed their records and discovered that they made an overpayment.^[9] Thus, in October 2004, respondents requested a new statement of account. In response, Metrobank sent a Summary on Application of Payments (SAP) from December 29, 1999 to September 2004, which indicated that

respondents' existing obligation was P8,344,185.55.^[10]

Doubtful of Metrobank's computation, respondents hired accountant Michael G. Palisoc (Palisoc). He examined the 1999 to 2004 SAPs, promissory notes, original receipts, cleared checks, and the checks listed in Cruz's yellow sheets. He found that respondents had paid a total of P32,648,374.60 but Metrobank only recorded P20,507,855.05, thereby resulting in an unaccounted payment of P12,140,519.55. Then, he subtracted P8,600,000.00 which represented the balance of the restructured loan, and discovered that as of September 21, 2004, respondents made an overpayment of P3,540,519.55.^[11]

Palisoc further observed the following questionable practices, Metrobank recorded payments weeks after they were made, which caused the interest rates to increase; it failed to account for a *dacion en pago* that was made before 1999; it failed to issue receipts for some lump sum payments; and its employees did not record some checks they had received from Cruz.^[12]

In view of the discrepancies, respondents requested for the reconciliation of their records and demanded a refund of their overpayment. Despite repeated demands, Metrobank failed to produce a complete and detailed application of all the payments respondents made from 1993 to 2004. Likewise, Metrobank insisted on the payment of P8,344,188.55.^[13]

Thus, on May 4, 2005, respondents filed a complaint for accounting^[14] before the RTC. They prayed for the production of all pertinent loan records, as well as the reimbursement of their excess payment, with damages.

On June 10, 2005, Metrobank filed its Answer with Counterclaim.^[15] It denied the material allegations in the Complaint and countered that the respondents' payments were properly accounted for. Metrobank further averred that it provided respondents a concise accounting of their loan account and furnished the necessary loan documents, save for some records that were executed beyond the bank's holding period. Some of the documents respondents requested have been superseded and cancelled by subsequent loan documents executed in view of the respondents' repeated requests for loan restructuring every time they defaulted. Respondents admitted their existing indebtedness when they signed the latest promissory note, and are thus, estopped from claiming otherwise. By way of counterclaim, Metrobank prayed for moral and exemplary damages plus attorney's fees.

Ruling of the RTC

In a Decision^[16] dated September 21, 2012, the RTC ordered Metrobank to render a complete accounting of respondents' payments. Metrobank is not excused from complying with its obligation, simply because the documents requested were too old and were executed beyond the holding period. Neither may it rely on the principle of estoppel. The RTC refused to rule on whether or not an overpayment was made absent a complete and detailed accounting.

The dispositive portion of the RTC ruling reads:

WHEREFORE, judgment is hereby rendered:

- a. DIRECTING defendant bank to render a complete and detailed accounting of the payments made by [respondents] of their loan obligation from 1993 to 2004;
- b. DIRECTING [Metrobank] to furnish [respondents] with copies of all promissory notes and other loan documents signed by them, within the same period; and,
- c. DISMISSING defendant bank's counterclaim for lack of merit.

SO ORDERED.^[17]

Aggrieved, Metrobank filed an appeal with the CA.

Ruling of the CA

On February 23, 2015, the CA affirmed the RTC's ruling that respondents are entitled to a complete and detailed accounting of all their payments.^[18] The fiduciary nature of banking imposes on Metrobank the duty to maintain accurate records of all the payments, and to furnish respondents with financial statements relating to their account. The documents submitted by Metrobank before the RTC contained discrepancies and lacked the necessary details to obtain an accurate computation of respondents' outstanding obligation. Metrobank may not hide behind their alleged company policy of discarding all records of paid loans after the five-year holding period. It was not physically impossible for Metrobank to produce the documents. Likewise, Metrobank's invocation of the doctrine of estoppel does not relieve it of its obligation to render an accounting. Finally, the CA opined that a proper and complete accounting would be beneficial to both parties, and would finally settle the issue of whether respondents made an overpayment, and correspondingly, help determine the total indebtedness.^[19]

The dispositive portion of the CA ruling states:

WHEREFORE, the appeal is DENIED. The September 21, 2012 Decision of the Regional Trial Court, Branch 192, Marikina City in Civil Case No. 2005-1035-MK is AFFIRMED. The case is REMANDED to the Regional Trial Court, Branch 192, Marikina City for proper accounting and reception of such evidence as may be needed to determine the actual amount of [respondents'] indebtedness, and to adjudicate the parties' respective claims as such evidence may warrant.

SO ORDERED.^[20]

Undeterred, Metrobank filed the instant Petition for Review on *Certiorari*^[21] under Rule 45 of the Rules of Court.

Issues

The pivotal issues raised in the instant case are whether or not Metrobank should be ordered to (i) render a full and detailed accounting of the respondents' payments;

and (ii) furnish the respondents all pertinent loan documents.

Metrobank maintains that it rendered a true and complete accounting of the respondents' outstanding obligation.^[22] Likewise, it complied with the RTC's order for production of documents, and submitted a detailed, accurate, and complete computation of the respondents' outstanding balance.^[23] Contrary to the CA's ruling, there is no unexplained discrepancy that would necessitate the accounting of the respondents' remaining indebtedness.^[24] Likewise, Metrobank urges that the respondents have the burden of proving full payment.^[25]

Moreover, Metrobank claims that the production of all loan documents, especially those executed as early as 1994 is impossible. Pursuant to its five-year retention policy, it only keeps ledgers for active accounts, and disposes of the ledgers and documents of closed accounts.^[26] This five-year retention period is likewise prescribed in the Anti-Money Laundering Act (AMLA) and implemented in the Manual of Regulations for Banks, which ordain that all records and transactions of covered institutions shall be maintained and safely stored for five years from the date of the transaction.^[27] In view thereof, compliance with the RTC's and the CA's orders are utterly impossible. The law on contracts does not force parties to perform impossible obligations.^[28]

Furthermore, respondents are estopped from claiming an overpayment. They willingly and voluntarily executed subsequent promissory notes where they acknowledged the amount of their outstanding debt.^[29] Also, they belatedly demanded an accounting of their loans after ten years.^[30]

Finally, Metrobank claims damages on account of the respondents' baseless suit that tarnished its reputation.^[31] Respondents filed the case for the sole purpose of impeding and delaying its legal right to collect payment on the overdue loans.^[32]

On the other hand, respondents point out that Metrobank raised factual issues, which may not be done in a petition for review on *certiorari*.^[33]

Moreover, respondents aver that Metrobank miserably failed to treat their accounts with utmost fidelity. It failed to properly record some of their cash and check payments,^[34] despite duly acknowledging receipt thereof.^[35] This failure may have led to an inaccurate outstanding balance which was carried over to the subsequent years.^[36] Likewise, Metrobank failed to furnish them updated statements of account, until after their request in 1999.^[37] Furthermore, it did not inform them of how their payments were applied to their loans,^[38] and even subjected their loans to floating interest rates.^[39]

Respondents further claim that Metrobank may not hide behind its five-year holding policy.^[40] Contrary to its claim, it is not impossible to produce the records requested.^[41] Metrobank's witness admitted that he can access records prior to 2004, which are stored in a warehouse. Also, in Metrobank's Manifestation filed in 2007, it enumerated the documents it allowed respondents to examine pursuant to the RTC's order, which included those dating as early as 1993, or more than 14

years.^[42] Its refusal to render a proper accounting stems from the fact that it failed to make an exact recording of the respondents' payments.^[43]

Respondents are not estopped from questioning the total amount of their indebtedness. They immediately notified Metrobank upon discovering their overpayment.^[44] Likewise, they were constantly advised to avail of more loans, and were made to sign blank promissory notes in bulk.^[45] The inaccuracy and dearth of details in Metrobank's statement of account prevented them from validating their payments against Metrobank's records.^[46] They could not calculate whether they were properly charged interest.^[47]

Lastly, respondents aver that Metrobank is not entitled to damages, as it was grossly negligent in handling their transactions.^[48]

Ruling of the Court

The petition is bereft of merit.

It is well-settled that the jurisdiction of the Court in a petition for review on *certiorari* under Rule 45 is limited only to reviewing errors of law, not of fact.^[49] Metrobank's obligation to render a proper accounting and to furnish copies of all loan documents hinges on the presence of discrepancies in the respondents' accounts and the sufficiency of the documents it submitted - issues which are clearly factual in nature. In fact, the arguments raised by Metrobank in its petition, *i.e.*, that the respondents' payments were properly credited and accounted for, and that the documents it submitted accurately reflect the respondents' current outstanding balance, are best resolved by consulting the evidence extant on the records. However, it is not the Court's function to analyze or weigh the evidence which has been considered in the proceedings below.^[50]

More so, the Court finds no justification to deviate from the factual findings of the RTC, which were further affirmed by the CA. Metrobank utterly failed to prove that the assailed findings are devoid of basis.

Besides, the petition likewise fails on the merits.

Significantly, Section 2 of the Banking Law (Republic Act [R.A.] No. 8791) highlights the essential role of banks in our economy and the fiduciary nature of their business:

The State recognizes the vital role of banks providing an environment conducive to the sustained development of the national economy and the fiduciary nature of banking that requires high standards of integrity and performance. In furtherance thereof, the State shall promote and maintain a stable and efficient banking and financial system that is globally competitive, dynamic and responsive to the demands of a developing economy.^[51]

Although R.A. No. 8791 took effect in 2000, at the time that Metrobank had been transacting with respondents in 1993, jurisprudence had already imposed on banks