

## THIRD DIVISION

[ G.R. No. 200407, June 17, 2020 ]

### LAND BANK OF THE PHILIPPINES, PETITIONER, VS. GUALBERTO CATADMAN, RESPONDENT.

#### DECISION

**GAERLAN, J.:**

Before this Court is a partial appeal by way of a Petition for Review on *Certiorari* pursuant to Rule 45 of the 1997 Rules of Civil Procedure questioning the March 18, 2011 Decision<sup>[1]</sup> and January 25, 2012 Resolution<sup>[2]</sup> of the Court of Appeals (CA) in CA-G.R. SP No. 00131-MIN.

The factual background of the case is as follows:

On March 21, 1999, Land Bank of the Philippines (Land Bank) received the following Development Bank of the Philippines (DBP) Checks: (1) No. 1731263 in the amount of P8,500.00 payable to GCNK Merchandising, owned by respondent Gualberto Catadman (Catadman), to be credited to his Land Bank Account No. 2562-0016-49; (2) No. 151837 in the amount of P100,000.00 payable to National Economic Development Authority (NEDA) - Regional Office XI and to be credited to its Land Bank Account No. 2562-001-46; and (3) No. 358896 in the amount of P6,502.68 payable to Benjamin S. Reyno (Reyno) and to be credited to his Land Bank Account No. 2561-0135-70. These three checks were all drawn by DBP Mati Branch and endorsed to Bajada Branch of Land Bank thru its Davao Branch.<sup>[3]</sup>

On May 26, 1999, all three checks were cleared. Two days later, however, NEDA's DBP Check No. 151837 and Reyno's DBP Check No. 358896 were erroneously credited to Catadman's account, while his DBP Check No. 1731263 was inadvertently credited twice to his account. Hence, the total amount of P115,062.68 was credited to his account.<sup>[4]</sup>

On June 25, 2001, Land Bank discovered the erroneous transactions, which prompted it to send a formal demand letter to Catadman for the return of the amount of P115,002.68 which represents the total amount credited to his account less the P8,500.00 which rightfully belonged to him. Catadman, however, did not heed Land Bank's letter.<sup>[5]</sup>

On October 8, 2001, Land Bank sent another demand letter to Catadman. Thereafter, there was an exchange of correspondence between them. Finally, in his February 11, 2002 letter, Catadman acknowledged that the amount was credited to his account and that he had already spent it. As a way of settlement, he promised to pay the amount of P2,000.00 monthly until the whole amount is returned.<sup>[6]</sup>

Catadman did as he promised. However, after paying an accumulated amount of P15,000.00, he stopped and refused to make further payments. The matter was

referred to the legal counsel of Land Bank. Consequently, the bank sent its letter dated January 21, 2003 to Catadman demanding payment of the entire balance. Catadman failed to respond to the letter. Land Bank was thus constrained to file a case for collection of sum of money before the Municipal Trial Court in Cities (MTCC) of Davao City.<sup>[7]</sup>

### **The MTCC Ruling**

The MTCC ruled that the obligation of Catadman to reimburse Land Bank the amount erroneously credited to his account was a natural obligation and not a civil obligation. Accordingly, the bank had no right of action to enforce such reimbursement against Catadman. It further ruled that the full reimbursement of the amount sought to be recovered by Land Bank depends upon the conscience of Catadman. It explained that if Catadman would not hearken to his conscience that he had availed of the money which did not rightfully and lawfully belong to him and would not continue to pay the balance, Land Bank must suffer its loss caused by its negligent employee. It advised Land Bank to pursue its employee for reimbursement instead.<sup>[8]</sup>

The MTCC dismissed the case in favor of Catadman in this wise:

Conformably with all the foregoing premises, the complaint of the plaintiff is dismissed.

SO ORDERED.<sup>[9]</sup>

### **The RTC Ruling**

Land Bank appealed the Decision<sup>[10]</sup> of the MTCC before the Regional Trial Court (RTC) which, in turn, reversed the same and ruled that Articles 19,<sup>[11]</sup> 22,<sup>[12]</sup> and 1456<sup>[13]</sup> of the Civil Code of the Philippines (Civil Code) are applicable to the case. It held that if Catadman had observed honesty and good faith as required by the said provisions, he should have returned the amount of P115,002.68 instead of keeping quiet about receiving the money. It also ruled that since Catadman knew that the money was not his, Article 1456 obliges him as a trustee to take care of the money which through mistake came into his hands.<sup>[14]</sup>

The dispositive portion of the RTC Decision is as follows:

WHEREFORE, the April 2, 2004 decision of the first level court is reversed. The appellee shall pay the appellant one hundred thousand and two pesos and sixty eight centavos (P100,002.68) plus legal interest to be computed from June 1, 2001 until fully paid and the costs of suit.

SO ORDERED.<sup>[15]</sup>

### **The CA Ruling**

Not satisfied with the said judgment, Catadman filed a petition for review before the CA assailing the decision of the RTC which reversed the decision of the MTCC.

Primarily anchoring its decision on the negligence of the bank employee and the fiduciary nature of Land Bank's business, the CA ruled that Land Bank must, as a consequence, bear its loss. In explaining its decision, the CA quoted the ruling in the

case of *BPI Family Bank v. Franco*<sup>[16]</sup> which cited the ruling in the landmark case of *Simex International (Manila), Inc. v. CA*.<sup>[17]</sup> Particularly basing its decision on the role of the banks in the economic life of every civilized nation, the CA held that "[t]o allow Land Bank to secure a reimbursement of the subject amount would open the floodgates of public distrust in the banking industry."<sup>[18]</sup>

The appellate court also considered into account the bad faith on the part of Catadman when he appropriated the amount subject of this case.<sup>[19]</sup> Taking into consideration both the negligence of Land Bank and the bad faith of Catadman, the CA applied the ruling in a series of cases.<sup>[20]</sup> It adopted the 60-40 ratio and disposed of the case thus:

WHEREFORE, the petition is partially GRANTED. The appealed Decision of the Regional Trial Court, Branch 15, Davao City is AFFIRMED with the following MODIFICATIONS: [a] petitioner Gualberto Nador Catadman shall pay the private respondent Land Bank of the Philippines forty percent (40%) of the sum of P115,062.68, which corresponds to the amount of DBP Check Nos. 1731263, 1513337 and 358896 erroneously credited to petitioner's Land Bank account, less P15,000.00 which petitioner had already paid to private respondent, with interest at 6% per annum from the time of the filing of the complaint until its full payment before the finality of judgment. Thereafter, if the amount adjudged remains unpaid, the interest rate shall be 12% per annum computed from the time the judgment became final and executory until fully satisfied; [b] the remaining 60% of P115,062.68 shall be borne by private respondent Land Bank of the Philippines. Accordingly, the case is ordered remanded to the RTC, Branch 15, Davao City only for the purpose of fixing the exact computation of petitioner Gualberto Nador Catadman's liability.

SO ORDERED.<sup>[21]</sup>

A motion for reconsideration of the CA Decision was filed by Catadman seeking for its reversal. Land Bank filed its comment/opposition to the said motion and its own motion for reconsideration.

Finding that all the parties' arguments were a mere rehash of the arguments contained in their previous pleadings, the CA denied both motions of reconsideration.<sup>[22]</sup>

## **Issues**

### **I.**

The Honorable Court of Appeals erred in not affirming *in toto* the January 26, 2005 Decision of the Regional Trial Court, Branch 15, Davao City, which reversed and set aside the September 7, 2004 Decision of the Municipal Trial Court in Cities, Branch 6, Davao City.

### **II.**

The Honorable Court of Appeals erred in not finding the petitioner liable for the full amount mistakenly credited despite concluding that the latter