

FIRST DIVISION

[G.R. No. 225538, October 14, 2020]

**YON MITORI INTERNATIONAL INDUSTRIES,* PETITIONER, VS.
UNION BANK OF THE PHILIPPINES, RESPONDENT.**

DECISION

CAGUIOA, J:

The Case

This is a Petition for Review on *Certiorari*^[1] (Petition) filed under Rule 45 of the Rules of Court assailing the February 3, 2016 Decision^[2] (assailed Decision) and July 5, 2016 Resolution^[3] (assailed Resolution) rendered by the Court of Appeals (CA), Eleventh Division in CA-G.R. CV No. 102802.

The assailed Decision and Resolution affirmed, with modification, the February 24, 2014 Decision^[4] and May 19, 2014 Order^[5] issued by the Regional Trial Court (RTC) of Pasig City, Branch 166, in Civil Case No. 71670.

The RTC granted the Complaint for Sum of Money filed by Union Bank of the Philippines (Union Bank) against Rodriguez Ong Tan (Tan), the registered owner and operator of Yon Mitori International Industries (Yon Mitori).^[6]

The Facts

The CA summarized the facts as follows:

[Tan], doing business under the name and style of [Yon Mitori], is a depositor, maintaining Current Account No. 027-03-000181-8, [with] the Commonwealth, Quezon City branch of [Union Bank].

On November 12, 2007, Tan deposited in said Union Bank account, the amount of P420,000.00 through Bank of the Philippine Islands (BPI) Check No. 0180724 [(BPI Check)]. x x x

[The BPI Check was drawn against the account of Angli Lumber & Hardware, Inc.^[7] (Angli Lumber), one of Tan's alleged clients.]^[8]

[The BPI Check was entered in Tan's bank record thereby increasing his balance to P513,700.60 from his previous deposit of P93,700.60.^[9] In the morning of November 14, 2007, Tan withdrew from the said account the amount of P480,000.00. Later that day, the BPI Check was returned to Union Bank as the account against which it was drawn had been closed. It was then that Union Bank discovered that Tan's account had been mistakenly credited. Thus, the branch manager of Union Bank's Commonwealth, Quezon City branch immediately called Tan to recover

the funds mistakenly released. However, Tan refused to return the funds, claiming that the BPI Check proceeded from a valid transaction between Angli Lumber and Yon Mitori.^[10]

During the course of its investigation, Union Bank discovered that Tan previously deposited five BPI checks drawn by Angli Lumber against the same BPI account, and that these five checks were all previously dishonored.^[11]

Thereafter, on November 20, 2007, Union Bank [through the bank manager of its Commonwealth branch,^[12] sent Tan a letter demanding reimbursement of the amount of P420,000.00, by reason of the fact that [the] "(f)unds against said deposit was inadvertently allowed due to technical error on the system prior to actual return of your check deposit which was not yet clear on withdrawal date," it appearing that [the BPI Check] was dishonored by BPI for being drawn against a closed account. Tan refused to return the said amount. Union Bank then debited the available balance reflected in [Tan's] account amounting to P34,700.60^[13] and thereafter instituted [a Complaint for Sum of Money (Complaint)] before the RTC, for the recovery of [the remaining balance amounting to] P385,299.40 plus consequential damages.^[14]

RTC Proceedings

In its Complaint, Union Bank alleged that the value of the BPI Check had been inadvertently credited to Tan's account due to a technical error in its system.^[15]

For his part, Tan alleged that the BPI Check had been given to him for value in the course of business. Tan claimed that he should not be faulted for withdrawing the value of said check from his account since Union Bank made the corresponding funds available by updating his account to reflect his new balance. After ascertaining that the value of the BPI Check had been credited, Tan withdrew P480,000.00 from his account to pay one of his suppliers.^[16]

Tan further argued that Union Bank wrongfully and unlawfully deducted the amount of P34,700.60 from his account.^[17]

On February 24, 2014, the RTC ruled in favor of Union Bank. The dispositive portion of the RTC Decision reads:

WHEREFORE, premises considered, judgment is hereby rendered in favor of [Union Bank] and against [Yon Mitori and Tan] by ordering the latter:

1. To pay [Union Bank] the amount of P385,299.40 representing the withdrawal mistakenly given to x x x Tan;
2. To pay [Union Bank] 12% per annum legal interest computed from the time judicial demand was made on June 13, 2008 until the same is fully paid;
3. To pay [Union Bank] the amount of P100,000.00 as attorney's fees; and

4. To pay the duly receipted cost of suit in the amount of P14,954.20.

SO ORDERED.^[18]

The RTC found all the requisites for the application of *solutio indebiti* under Article 2154 of the Civil Code present. It held that since Union Bank mistakenly released the amount of P480,000.00 in favor of Tan without being obligated to do so, Tan must be ordered to return said amount to preclude unjust enrichment at Union Bank's expense.^[19]

Further, the RTC ruled that under Article 1980 of the Civil Code, "fixed, savings, and current deposits of money in banks and similar institutions shall be governed by the provisions concerning [simple] loan." By reason of the erroneous payment made in Tan's favor, Tan and Union Bank became mutual debtors and creditors of each other. This gave rise to Union Bank's right to set-off the erroneous payment made against Tan's remaining deposit, consistent with the principle of legal compensation under the Civil Code.^[20]

Finally, the RTC held that Union Bank should be awarded attorney's fees and cost of suit since it was compelled to litigate due to Tan's unjustified refusal to return the funds mistakenly released to him.^[21]

Aggrieved, Tan filed a motion for reconsideration which the RTC denied in its Order dated May 19, 2014.^[22] The RTC held that "[although [Union Bank may have been] negligent when it paid to [Tan] the face value of the check as alleged by [Tan],"^[23] Tan is still liable to return the funds mistakenly released to him since Union Bank was under no obligation to release these funds in his favor.^[24]

CA Proceedings

Tan filed an appeal *via* Rule 41 and named Yon Mitori as co-appellant.^[25] Therein, Tan maintained that the proximate cause of Union Bank's loss is its own gross negligence.^[26]

Following an exchange of pleadings, the CA issued the assailed Decision, the dispositive portion of which reads:

WHEREFORE, in light of all the foregoing, the [D]ecision dated February 24, 2014 of Branch 166 of the [RTC] of Pasig City in Civil Case No. 71670 is hereby **AFFIRMED with MODIFICATION** in that the award of attorney's fees and cost of suit in favor of [Union Bank] are hereby deleted, and the rate of legal interest imposed on the awarded sum, reduced to six percent (6%) *per annum*.

SO ORDERED. ^[27]

Foremost, the CA stressed that the fact of dishonor of the BPI Check for the reason "Account Closed" is undisputed. On this basis, the CA affirmed the RTC's findings and held that Tan would be unjustly enriched at Union Bank's expense if he were permitted to derive benefit from the funds erroneously credited to his account.^[28] As well, the CA upheld the application of legal compensation in the case.^[29]

Nevertheless, the CA found the award of attorney's fees and cost of suit in favor of Union Bank improper. Since the banking industry is impressed with public interest, all bank personnel are burdened with a high level of responsibility insofar as care and diligence in the custody and management of funds are concerned.^[30] Here, the evidence shows that the proximate cause of the unwarranted crediting of the value of the BPI Check was Union Bank's technical error. Thus, while Union Bank was compelled to litigate to protect its rights, such fact alone does not justify an award of attorney's fees and cost of suit there being no showing that Tan acted in bad faith in refusing to reimburse the amount so credited.^[31]

Finally, the CA modified the legal interest rate applied on the awarded sum from 12% to 6% per annum, in accordance with the Court's ruling in *Nacar v. Gallery Frames*.^[32]

Subsequently, Tan filed a Motion for Reconsideration,^[33] still with Yon Mitori as co-appellant. Tan argued that the uniform findings of the RTC and CA with respect to Union Bank's negligence serves as sufficient basis to hold the latter solely liable for its loss.^[34] Tan also averred that the principle of *solutio indebiti* applies only in cases where the claimant unduly delivers something because of mistake, and *not* when such delivery results from the claimant's negligence, as in this case.^[35]

On July 5, 2016, the CA issued the assailed Resolution denying said Motion for Reconsideration for lack of merit.^[36] Tan received a copy of the assailed Resolution on July 11, 2016.^[37]

Subsequently, Tan's counsel filed a "Motion for Additional Time to File Appeal"^[38] (Motion for Time) before the Court, praying for an additional period of thirty (30) days from July 26, 2016, or until August 25, 2016 to file a petition for review.^[39]

On August 25, 2016, Tan's counsel filed this Petition. Notably, the Petition names Yon Mitori as sole petitioner even as it describes Yon Mitori as "a single proprietorship duly registered under Philippine law, owned and operated by [Tan]."^[40]

On November 9, 2016, the Court issued a Resolution^[41] granting the Motion for Time and directing Union Bank to file its comment on the Petition within ten (10) days from notice.

In compliance with the Court's Resolution, Union Bank filed its Comment^[42] on April 17, 2017, to which a Reply^[43] had been filed.

The Petition maintains that the proximate cause of Union Bank's loss is its own gross negligence. Thus, it is barred from recovering damages under Article 2179 of the Civil Code.^[44]

In addition, the Petition reiterates that Union Bank's gross negligence also precludes the application of *solutio indebiti* in this case^[45] as there can be no reimbursement under this principle if payment is made as a result of one's negligence.^[46] The Petition relies on the Court's ruling in *Philippine National Bank v. Cheah Chee Chong*^[47] (*PNB v. Cheah*) where the Court held that under the principle of *solutio indebiti*, no recovery is due "if the mistake done is one of gross negligence."^[48]

Finally, the Petition contends that as collecting agent, Union Bank is responsible for losses arising from its own negligence pursuant to Article 1909 of the Civil Code. Thus, the Petition argues that Article 1909 should be applied to hold Union Bank solely liable for its own loss, based on the Court's ruling in *Metropolitan Bank and Trust Company v. Court of Appeals*^[49] (*Metrobank v. CA*).^[50]

Issue

The sole issue for the Court's resolution is whether the CA erred when it affirmed the RTC Decision directing Tan to return the value of the BPI Check with legal interest.

The Court's Ruling

The Petition is denied for lack of merit.

Yon Mitori has no separate juridical personality.

Before delving into the substantive issues, the Court must emphasize that as a general rule, every civil action must be prosecuted, or defended in the name of the real party in interest, that is, the party who stands to be benefited or injured by the judgment in the suit, or the party entitled to the avails of the suit.^[51]

In turn, Section 1, Rule 3 of the 1997 Rules of Court provides that only natural and juridical persons or entities authorized by law may be parties in a civil action. A single proprietorship is *not* considered a separate juridical person under the Civil Code.^[52]

The Petition was filed solely in the name of Yon Mitori. As a single proprietorship, Yon Mitori has no juridical personality separate and distinct from its owner and operator Tan. Accordingly, the Petition should have been filed in Tan's name, the latter being the real party in interest who possesses the legal standing to file this Petition.

Nevertheless, the Court permits the substitution of Tan as petitioner herein in the interest of justice, pursuant to Section 4, Rule 10 of the 1997 Rules of Court:

SEC. 4. Formal Amendments. — A defect in the designation of the parties and other clearly clerical or typographical errors may be summarily **corrected by the court at any stage of the action, at its initiative or on motion, provided no prejudice is caused thereby to the adverse party.** (Emphasis supplied)

In *Juasing Hardware v. Mendoza*^[53] (*Juasing*), the Court held that the filing of a civil action in the name of a single proprietorship is merely a formal, and not a substantial defect. Substitution of the party in such cases would not constitute a change in the identity of the parties, and would not cause any prejudice on the adverse party, thus:

Contrary to the ruling of respondent Judge, the defect of the complaint in the instant case is merely formal, not substantial. Substitution of the party plaintiff would not constitute a change in the identity of the parties. No unfairness or surprise to private respondent Dolla, defendant in the