

SECOND DIVISION

[G.R. No. 214567, April 04, 2016]

DRA. MERCEDES OLIVER, PETITIONER, VS. PHILIPPINE SAVINGS BANK AND LILIA CASTRO, RESPONDENTS.

DECISION

MENDOZA, J.:

This is a petition for review on *certiorari* seeking to reverse and set aside the October 25, 2013 Decision^[1] and the September 12, 2014 Resolution^[2] of the Court of Appeals (CA) in CA-G.R. CV No. 95656, which reversed the July 22, 2010 Order^[3] of the Regional Trial Court, Branch 276, Muntinlupa City (RTC) in Civil Case No. 99-278, a case for injunction and damages.

Petitioner Mercedes Oliver (*Oliver*) was a depositor of respondent Philippine Savings Bank (*PSBank*) with account number 2812-07991-6. Respondent Lilia Castro (*Castro*) was the Assistant Vice President of PSBank and the Acting Branch Manager of PSBank San Pedro, Laguna.

Oliver's Position

In her Complaint,^[4] dated October 5, 1999, Oliver alleged that sometime in 1997, she made an initial deposit of P12 million into her PSBank account. During that time, Castro convinced her to loan out her deposit as interim or bridge financing for the approved loans of bank borrowers who were waiting for the actual release of their loan proceeds.

Under this arrangement, Castro would first show the approved loan documents to Oliver. Thereafter, Castro would withdraw the amount needed from Oliver's account. Upon the actual release of the loan by PSBank to the borrower, Castro would then charge the rate of 4% a month from the loan proceeds as interim or bridge financing interest. Together with the interest income, the principal amount previously withdrawn from Oliver's bank account would be deposited back to her account. Meanwhile, Castro would earn a commission of 10% from the interest.

Their arrangement went on smoothly for months. Due to the frequency of bank transactions, Oliver even entrusted her passbook to Castro. Because Oliver earned substantial profit, she was further convinced by Castro to avail of an additional credit line in the amount of P10 million. The said credit line was secured by a real estate mortgage on her house and lot in Ayala Alabang covered by Transfer Certificate of Title (TCT) No. 137796.^[5]

Oliver instructed Castro to pay P2 million monthly to PSBank starting on September 3, 1998 so that her credit line for P10 million would be fully paid by January 3, 1999.

Beginning September 1998, Castro stopped rendering an accounting for Oliver. The latter then demanded the return of her passbook. When Castro showed her the passbook sometime in late January or early February 1999, she noticed several erasures and superimpositions therein. She became very suspicious of the many erasures pertaining to the December 1998 entries so she requested a copy of her transaction history register from PSBank.

When her transaction history register^[6] was shown to her, Oliver was surprised to discover that the amount of P4,491,250.00 (estimated at P4.5 million) was entered into her account on December 21, 1998. While a total of P7 million was withdrawn from her account on the same day, Oliver asserted that she neither applied for an additional loan of P4.5 million nor authorized the withdrawal of P7 million. She also discovered another loan for P1,396,310.45, acquired on January 5, 1999 and allegedly issued in connection with the P10 million credit line.

In Oliver's passbook,^[7] there were no entries from December 17, 1998 to December 27, 1998. The transaction history register, however, showed several transactions on these very same dates including the crediting of P4.5 million and the debiting of P7 million on December 21, 1998. Oliver then learned that the additional P4.5 million and P1,396,310.45 loans were also secured by the real estate mortgage,^[8] dated January 8, 1998, covering the same property in Ayala Alabang.

Oliver received two collection letters,^[9] dated May 13, 1999 and June 18, 1999, from PSBank referring to the non-payment of unpaid loans, to wit: (1) P4,491,250.00 from the additional loan and (2) P1,396,310.45 from the P10 million credit line.^[10] In response, Oliver protested that she neither availed of the said loans nor authorized the withdrawal of P7 million from her account.^[11] She also claimed that the P10 million loan from her credit line was already paid in full.^[12]

On July 14, 1999, a final demand letter^[13] was sent to Oliver by PSBank, requiring her to pay the unpaid loans. Oliver, however, still refused to pay. Subsequently, Oliver received a notice of sale^[14] involving the property in Ayala Alabang, issued by Notary Public Jose Celestino Torres on September 15, 1999. The said notice informed her of the impending extra-judicial foreclosure and sale of her house and lot to be held on October 21, 1999.

As a result, Oliver filed the subject complaint against PSBank and Castro.

Castro's Position

In her Answer,^[15] Castro admitted that she and Oliver agreed that the latter would lend out money to borrowers at 4% to 5% interest per month provided that the former would screen them. She also acknowledged having been instructed by Oliver to pay the bank P2 million every month to settle the P10 million credit line. Nonetheless, Castro informed Oliver that the payment thereof was subject to the availability of funds in her account. She disclosed that she made some alterations and erasures in Oliver's passbook so as to reconcile the passbook with the computer printout of the bank, but denied any attempt to hide the passbook as she was able to return it sometime in January 1999.

Castro also denied the deceit imputed against her. She asserted that their arrangement was not "interim or bridge financing" inasmuch as the loans were entirely new and distinct from that granted by PSBank. When Oliver's clients multiplied, Castro advised her to apply for a credit line of P10 million. The said credit line was first approved in December 1997 with a term of one year.^[16]

Sometime in August 1998, Castro informed Oliver about the impending expiration of her credit line. Subsequently, Oliver applied for another loan in the amount of P4.5 million as evidenced by a promissory note,^[17] dated December 21, 1998. On January 5, 1999, another promissory note^[18] was executed by Oliver to cover a loan in the amount of P1,396,310.45.

Castro asserted that, on December 21, 1998, upon Oliver's instruction, a total of P7 million was withdrawn from the latter's account and was then deposited to the account of one Ben Lim (*Lim*) on the same date. Lim was a businessman who borrowed money from Oliver. Castro knew him because he was also a depositor and borrower of PSBank San Pedro Branch.^[19]

As to the amount of P1,396,310.45, Castro explained that it was a separate and personal loan obtained by her from Oliver. To secure the payment of such obligation, Castro mortgaged a property located in Camella Homes III in Tunasan, Muntinlupa City.

Castro admitted that on October 19, 1999, she was terminated by PSBank because of certain problems regarding client accommodation and loss of confidence.^[20]

PSBank's Position

In its defense, PSBank averred that Oliver applied for a credit line of P10 million which was granted by the bank and which secured by a real estate mortgage. Because Oliver failed to pay the P10 million loan, she obtained another loan in the amount of P4.5 million, as evidenced by a promissory note. Days later, she again acquired a separate loan amounting to P1,396,310.45 as shown by another promissory note. Both loans were secured by a real estate mortgage, dated January 8, 1998, and the proceeds thereof were issued as proved by the release tickets,^[21] dated December 21, 1998 and January 5, 1999, respectively.^[22]

The RTC Decision

In its March 30, 2010 Decision,^[23] the RTC dismissed the complaint and rendered judgment in favor of PSBank and Castro. According to the RTC, PSBank and Castro should not be held liable for the loan of P4.5 million and the withdrawal of the P7 million. Castro was able to submit the Debit Credit Memo^[24] and the Savings Account Check Deposit Slip^[25] to prove that there were some previous loan transactions between Oliver and Lim. Considering that neither PSBank nor Castro obtained the P7 million, there was no obligation on their part to return the amount.

Moreover, the trial court- stated that Oliver failed to controvert PSBank's allegation

that she had unpaid loan obligations. Thus, it concluded that PSBank had the right to foreclose the mortgaged property. The *fallo* reads:

WHEREFORE, finding lack of merit, the instant case is hereby DISMISSED. Accordingly, the Writ of Preliminary Injunction is hereby LIFTED and SET ASIDE.

SO ORDERED.^[26]

Oliver seasonably filed her motion for reconsideration.^[27] She insisted that the P7 million was unlawfully withdrawn. She claimed that what happened in this case was a "cash savings withdrawal" and that *there should have been a corresponding withdrawal slip for such transaction*. Also, if indeed the P7 million was withdrawn from her account and was credited to the account of Lim, the deposit slip for his account should have been presented.

The RTC Order

On July 22, 2010, the RTC resolved the motion and issued an order reversing its earlier decision. According to the RTC, Oliver's assertion that the withdrawal was made without her consent prevailed in the absence of any proof to the contrary. The *cash savings withdrawal slips* should have been offered in evidence by either PSBank or Castro to settle the issue of whether the amount of P7 million was actually withdrawn by Oliver or by her authorized representative or agent.

The RTC also rejected the position of PSBank and Castro that the erasures and alterations in Oliver's passbook were made simply to reconcile the same with the transaction history register of the bank because even after the alleged corrections, the said documents still contained different entries. Although Oliver and Lim had previous transactions, none of them pertained to the P7 million purportedly transferred on December 21, 1998.

With regard to PSBank, the RTC stated that it failed to exercise utmost diligence in safekeeping Oliver's deposit. Had it not been for the unauthorized, withdrawal which was attributable to the bank and Castro, the P4.5 million and the P1,396,310.45 loans would not have remained outstanding, considering that the improperly withdrawn P7 million was more than sufficient to discharge those liabilities.^[28] The dispositive portion of the order reads:

WHEREFORE, premises considered, the Motion for Reconsideration is hereby GRANTED. The Decision dated March 30, 2010 is hereby reconsidered and set aside. In lieu thereof, a new one is hereby rendered ordering the defendants Lilia Castro and Philippine Savings Bank to jointly and solidarity pay plaintiff Dra. Mercedes Oliver, the sums of

1. P1,111,850.77 as actual damages;
2. P100,000.00 as moral damages;
3. P100,000.00 as attorney's fees; and
4. P100,000.00 as exemplary damages

Moreover, the Writ of Preliminary Injunction is hereby made permanent.

SO ORDERED.^[29]

Aggrieved, Castro and PSBank appealed before the CA.

The CA Decision

On October 25, 2013, the CA granted the appeal. It *reversed* the July 22, 2010 of the RTC order and reinstated its March 30, 2010 decision. The appellate court found no compelling evidence to prove that fraud attended the processing and release of the P4.5 million loan as well as. the withdrawal of P7 million from Oliver's account. The CA found that Oliver admitted signing the loan documents, the promissory notes and the release tickets pertaining to the obligations that she had contracted with PSBank. In addition, the CA stated that Oliver also failed to establish her assertion that she was manipulated and defrauded into signing the said loan documents.

The CA also found that PSBank exercised extraordinary diligence in handling Oliver's account, thus, the awards of damages were deleted. The dispositive portion of the CA decision reads:

WHEREFORE, the Appeal is hereby GRANTED. The Order dated 22 July 2010 of the Regional Trial Court of Muntinlupa City, Branch 276, is REVERSED and SET ASIDE, and another one entered REINSTATING the Decision dated March 30, 2010, in Civil Case No. 99-278.

SO ORDERED.^[30]

Oliver filed her motion for reconsideration but the same was denied in the CA Resolution, dated September 12, 2014.

Hence, this petition.

ISSUES

I

WHETHER OR NOT THE COURT OF APPEALS GRAVELY ERRED IN RULING THAT THE PETITIONER FAILED TO SHOW COMPELLING EVIDENCE TO PROVE THAT FRAUD ATTENDED THE PROCESSING AND RELEASE OF THE LOAN OF P4.5 MILLION AS WELL AS THE WITHDRAWAL OF P7 MILLION PESOS FROM HER ACCOUNT.

II

WHETHER OR NOT THE COURT OF APPEALS GRAVELY ERRED WHEN IT RULED THAT THERE WAS NO EVIDENCE TO PROVE THAT THE SUM OF P7 MILLION WAS DEBITED FROM THE ACCOUNT OF PETITIONER SANS HER AUTHORIZATION.

III