

FIRST DIVISION

[G.R. No. 172652, November 26, 2014]

**METROPOLITAN BANK AND TRUST COMPANY, PETITIONER, VS.
WILFRED N. CHIOK, RESPONDENT.**

[G.R. No. 175302]

**BANK OF THE PHILIPPINE ISLANDS, PETITIONER, VS. WILFRED
N. CHIOK, RESPONDENT.**

[G.R. No. 175394]

**GLOBAL BUSINESS BANK, INC., PETITIONER, VS. WILFRED N.
CHIOK, RESPONDENT.**

D E C I S I O N

LEONARDO-DE CASTRO, J.:

The three consolidated petitions herein all assail the Decision^[1] of the Court of Appeals in CA-G.R. CV No. 77508 dated May 5, 2006, and the Resolution^[2] in the same case dated November 6, 2006.

Respondent Wilfred N. Chiok (Chiok) had been engaged in dollar trading for several years. He usually buys dollars from Gonzalo B. Nuguid (Nuguid) at the exchange rate prevailing on the date of the sale. Chiok pays Nuguid either in cash or manager's check, to be picked up by the latter or deposited in the latter's bank account. Nuguid delivers the dollars either on the same day or on a later date as may be agreed upon between them, up to a week later. Chiok and Nuguid had been dealing in this manner for about six to eight years, with their transactions running into millions of pesos. For this purpose, Chiok maintained accounts with petitioners **Metropolitan Bank and Trust Company (Metrobank)** and **Global Business Bank, Inc. (Global Bank)**, the latter being then referred to as the Asian Banking Corporation (Asian Bank). Chiok likewise entered into a Bills Purchase Line Agreement (BPLA) with Asian Bank. Under the BPLA, checks drawn in favor of, or negotiated to, Chiok may be purchased by Asian Bank. Upon such purchase, Chiok receives a discounted cash equivalent of the amount of the check earlier than the normal clearing period.

On July 5, 1995, pursuant to the BPLA, Asian Bank "bills purchased" Security Bank & Trust Company (SBTC) Manager's Check (MC) No. 037364 in the amount of P25,500,000.00 issued in the name of Chiok, and credited the same amount to the latter's Savings Account No. 2-007-03-00201-3.

On the same day, July 5, 1995, Asian Bank issued MC No. 025935 in the amount of P7,550,000.00 and MC No. 025939 in the amount of P10,905,350.00 to Gonzalo

Bernardo, who is the same person as Gonzalo B. Nuguid. The two Asian Bank manager's checks, with a total value of P18,455,350.00 were issued pursuant to Chiok's instruction and was debited from his account. Likewise upon Chiok's application, **Metrobank** issued Cashier's Check (CC) No. 003380 in the amount of P7,613,000.00 in the name of Gonzalo Bernardo. The same was debited from Chiok's Savings Account No. 154-42504955. The checks bought by Chiok for payee Gonzalo Bernardo are therefore summarized as follows:

Drawee Bank/Check No.	Amount (P)	Source of fund
Asian Bank MC No. 025935	7,550,000.00	Chiok's Asian Bank Savings Account No. 2-007-03-00201-3 , which had been credited with the value of SBTC MC No. 037364 (P25,500,000.00) when the latter was purchased by Asian Bank from Chiok pursuant to their BPLA.
Asian Bank MC No. 025939	10,905,350.00	(aggregate value of Asian Bank MCs: 18,455,350.00)
Metrobank CC No. 003380	7,613,000.00	Chiok's Metrobank Savings Account No. 154-42504955 ^[3]
TOTAL	26,068,350.00	

Chiok then deposited the three checks (Asian Bank MC Nos. 025935 and 025939, and Metrobank CC No. 003380), with an aggregate value of P26,068,350.00 in Nuguid's account with Far East Bank & Trust Company (FEBTC), the predecessor-in-interest of petitioner Bank of the Philippine Islands (BPI). Nuguid was supposed to deliver US\$1,022,288.50,^[4] the dollar equivalent of the three checks as agreed upon, in the afternoon of the same day. Nuguid, however, failed to do so, prompting Chiok to request that payment on the three checks be stopped. Chiok was allegedly advised to secure a court order within the 24-hour clearing period.

On the following day, July 6, 1995, Chiok filed a Complaint for damages with application for *ex parte* restraining order and/or preliminary injunction with the Regional Trial Court (RTC) of Quezon City against the spouses Gonzalo and Marinella Nuguid, and the depository banks, Asian Bank and Metrobank, represented by their respective managers, Julius de la Fuente and Alice Rivera. The complaint was docketed as Civil Case No. Q-95-24299 and was raffled to Branch 96. The complaint was later amended^[5] to include the prayer of Chiok to be declared the legal owner of the proceeds of the subject checks and to be allowed to withdraw the entire proceeds thereof.

On the same day, **July 6, 1995**, the RTC issued a **temporary restraining order (TRO) directing the spouses Nuguid to refrain from presenting the said checks for payment and the depository banks from honoring the same** until further orders from the court.^[6]

Asian Bank refused to honor MC Nos. 025935 and 025939 in deference to the TRO.

Metrobank claimed that when it received the TRO on July 6, 1995, it refused to honor CC No. 003380 and stopped payment thereon. However, in a letter also dated July 6, 1995, Ms. Jocelyn T. Paz of FEBTC, Cubao-Araneta Branch informed Metrobank that the TRO was issued a day after the check was presented for payment. Thus, according to Paz, the transaction was already consummated and FEBTC had already validly accepted the same. In another letter, FEBTC informed Metrobank that "the restraining order indicates the name of the payee of the check as GONZALO NUGUID, but the check is in fact payable to GONZALO BERNARDO. We believe there is a defect in the restraining order and as such should not bind your bank."^[7] Alice Rivera of Metrobank replied to said letters, reiterating Metrobank's position to comply with the TRO lest it be cited for contempt by the trial court. However, as would later be alleged in Metrobank's Answer before the trial court, Metrobank eventually acknowledged the check when it became clear that nothing more can be done to retrieve the proceeds of the check. Metrobank furthermore claimed that since it is the issuer of CC No. 003380, the check is its primary obligation and should not be affected by any prior transaction between the purchaser (Chiok) and the payee (Nuguid).

In the meantime, FEBTC, as the collecting bank, filed a complaint against Asian Bank before the Philippine Clearing House Corporation (PCHC) Arbitration Committee for the collection of the value of Asian Bank MC No. 025935 and 025939, which FEBTC had allegedly allowed Nuguid to withdraw on July 5, 1995, the same day the checks were deposited. The case was docketed as Arbicom Case No. 95-082. The PCHC Arbitration Committee later relayed, in a letter dated August 4, 1995, its refusal to assume jurisdiction over the case on the ground that any step it may take might be misinterpreted as undermining the jurisdiction of the RTC over the case or a violation of the July 6, 1995 TRO.

On **July 25, 1995**, the RTC issued an **Order directing the issuance of a writ of preliminary prohibitory injunction**:

WHEREFORE, upon filing by the plaintiff of a sufficient bond in the amount of P26,068,350.00, to be executed in favor of the defendants under the condition that the same shall answer for whatever damages they may sustain by reason of this injunction should the Court ultimately determine that he was not entitled thereto, let a writ of preliminary prohibitory injunction issue restraining and preventing during the pendency of the case:

- a) Defendant Asian Bank from paying Manager's Checks No. 025935 in the amount of P7,550,000.00 and No. 025939 in the amount of P10,905,350.00; and
- b) Defendant Metro Bank from paying Cashier's Check No. 003380 in the amount of P7,613,000.00.

The application for *preliminary mandatory injunction* is hereby denied and the order issued on July 7, 1995 directing defendant Metro Bank (Annapolis, Greenhills Branch) to allow the plaintiff to withdraw the proceeds of Cashier's Check No. 003380 in the amount of P7,613,000.00 is hereby set aside.

The plaintiff's urgent motion to declare defendants Asian Bank and Metro Bank in contempt of court filed last July 13, 1995 is hereby denied for lack of legal basis.

The writ of preliminary prohibitory injunction and a copy of this order shall be served on the defendants by Deputy Sheriff Jose Martinez of this Branch.^[8]

Upon the filing by Chiok of the requisite bond, the Writ was subsequently issued on July 26, 1995.

Before the RTC, Asian Bank pointed out that SBTC returned and issued a Stop Payment Order on SBTC MC No. 037364 (payable to Chiok in the amount of P25,500,000.00) on the basis of an Affidavit of Loss & Undertaking executed by a certain Helen Tan. Under said Affidavit of Loss & Undertaking, Tan claims that she purchased SBTC MC No. 037364 from SBTC, but the manager's check got lost on that day. Asian Bank argued that Chiok would therefore be liable for the dishonor of the manager's check under the terms of the BPLA, which provides for recourse against the seller (Chiok) of the check when it is dishonored by the drawee (SBTC) for any reason, whether valid or not.

On October 18, 1995, FEBTC filed a Complaint-in-Intervention in Civil Case No. Q-95-24299. On February 6, 1996, the RTC initially denied FEBTC's intervention in the case. On Motion for Reconsideration, however, the RTC, on April 15, 1996, reversed itself and allowed the same.

In the Complaint-in-Intervention, FEBTC claimed that it allowed the immediate withdrawal of the proceeds of Asian Bank MC Nos. 025935 and 025939 on the ground that, as manager's checks, they were the direct obligations of Asian Bank and were accepted in advance by Asian Bank by the mere issuance thereof. FEBTC presented the checks for payment on July 5, 1995 through the PCHC. Asian Bank, as admitted in its Answer before the RTC, received the same on that day. Consequently, Asian Bank was deemed to have confirmed and booked payment of the subject checks in favor of FEBTC or, at the latest, during the first banking hour of July 6, 1995, when payment should have been made. FEBTC claimed that Asian Bank exhibited bad faith when, in anticipation of the TRO, it opted to float the checks until it received the TRO at 12:00 noon of July 6, 1995 to justify the nonpayment thereof.

In their own Answer, the spouses Nuguid claimed that Gonzalo Nuguid had delivered much more dollars than what was required for the three checks at the time of payment. By way of special affirmative defense, the spouses Nuguid also claims that since the subject checks had already been paid to him, Chiok is no longer entitled to an injunction (to hold the payment of the subject checks), and Civil Case No. Q-95-24299 has already become moot.

On August 29, 2002, the RTC rendered its Decision, the dispositive portion of which states:

WHEREFORE, judgment is rendered:

1. Declaring as permanent the writ of preliminary injunction issued under the Order of July 25, 1995;

2. Ordering **Global Business Bank, Inc.** to pay the plaintiff [Chiok]:

a.) The amount of P34,691,876.71 (less the attorney's fees of P255,000.00 which shall remain with Global Business Bank, Inc.), plus interest at the legal rate of 12%/p.a. from September 30, 1999 until fully paid;

b.) The amount of P215,000.00, representing the excess amount debited from the plaintiff's deposit in his account with Global Business Bank, Inc. on July 7, 1995, plus interest of 12%/p.a. from July 7, 1995, until fully paid;

c.) Attorney's fees equivalent of 5% of the total amount due; and

3. Ordering **Metropolitan Bank & Trust Company** to pay the plaintiff:

a. The amount of his deposit of P7,613,000.00, plus interest of 12%/p.a. from July 5, 1995 until said amount is fully paid; and

b. Attorney's fees of 5% of the total amount due;

4. Ordering **Spouses Gonzalo B. Nuguid and Marinella O. Nuguid** liable jointly and severally with **Global Business Bank, Inc.** and **Metropolitan Bank & Trust Company, Inc.** for the respective attorney's fees;

5. Dismissing the *complaint-in-intervention* of BPI for lack of merit;

6. Ordering the **defendants** and the **intervenor** to pay, jointly and severally, the costs of suit.^[9] (Emphases supplied.)

The RTC held that Nuguid failed to prove the delivery of dollars to Chiok. According to the RTC, Nuguid's claim that Chiok was still liable for seven dishonored China Banking Corporation (CBC) checks with a total worth of P72,984,020.00 is highly doubtful since such claim was not presented as a counterclaim in the case. Furthermore, the court ruled that the certification of CBC stating the reasons^[10] for the stop payment order "are indicative of Chiok's non-liability to Nuguid." The RTC further noted that there was a criminal case filed by Chiok against Nuguid on March 29, 1996 for estafa and other deceit on account of Nuguid's alleged failure to return the originals of the seven CBC checks.^[11]

The RTC went on to rule that manager's checks and cashier's checks may be the subject of a Stop Payment Order from the purchaser on the basis of the payee's contractual breach. As explanation for this ruling, the RTC adopted its