

## **SECOND DIVISION**

**[ G.R. No. 170984, January 30, 2009 ]**

**SECURITY BANK AND TRUST COMPANY, PETITIONER, VS. RIZAL  
COMMERCIAL BANKING CORPORATION, RESPONDENT.**

**[G.R. NO. 170987]**

**RIZAL COMMERCIAL BANKING CORPORATION, PETITIONER, VS.  
SECURITY BANK AND TRUST COMPANY, RESPONDENT.**

### **D E C I S I O N**

**QUISUMBING, Acting C.J.**

Before us are opposing parties' petitions for review of the Decision<sup>[1]</sup> dated March 29, 2005 and Resolution<sup>[2]</sup> dated December 12, 2005 of the Court of Appeals in CA-G.R. CV No. 67387. The two petitions are herein consolidated as they stem from the same set of factual circumstances.

The facts, as found by the trial and appellate courts, are as follows:

On January 9, 1981, Security Bank and Trust Company (SBTC) issued a manager's check for P8 million, payable to "CASH," as proceeds of the loan granted to Guidon Construction and Development Corporation (GCDC). On the same day, the P8-million check, along with other checks, was deposited by Continental Manufacturing Corporation (CMC) in its Current Account No. 0109-022888 with Rizal Commercial Banking Corporation (RCBC). Immediately, RCBC honored the P8-million check and allowed CMC to withdraw the same.<sup>[3]</sup>

On the next banking day, January 12, 1981, GCDC issued a "Stop Payment Order" to SBTC, claiming that the P8-million check was released to a third party by mistake. Consequently, SBTC dishonored and returned the manager's check to RCBC. Thereafter, the check was returned back and forth between the two banks, resulting in automatic debits and credits in each bank's clearing balance.<sup>[4]</sup>

On February 13, 1981, RCBC filed a complaint<sup>[5]</sup> for damages against SBTC with the then Court of First Instance of Rizal, Branch XXII. Said case was docketed as Civil Case No. 1081 and later transferred to the Regional Trial Court (RTC) of Makati City, Branch 143.

Meanwhile, following the rules of the Philippine Clearing House, RCBC and SBTC stopped returning the checks to each other. By way of a temporary arrangement pending resolution of the case, the P8-million check was equally divided between, and credited to, RCBC and SBTC.<sup>[6]</sup>

On May 9, 2000, the RTC of Makati City, Branch 143, rendered a Decision<sup>[7]</sup> in favor of RCBC. The dispositive portion of the decision reads:

PREMISES CONSIDERED, the Court renders judgment in favor of plaintiff [RCBC] and finds defendant SBTC justly liable to [RCBC] and sentences [SBTC] to pay [RCBC] the amount of:

1. PhP4,000,000.00 as and for actual damages;
2. PhP100,000.00 as and for attorney's fees; and,
3. the costs.

SO ORDERED.<sup>[8]</sup>

On appeal, the Court of Appeals affirmed with modification the above Decision, to wit:

**WHEREFORE,** the appealed Decision is **AFFIRMED** with **MODIFICATION**. Appellant Security Bank and Trust Co. shall pay appellee Rizal Commercial Banking Corporation not only the principal amount of P4,000,000.00 but also interest thereon at (6%) per annum covering appellee's unearned income on interest computed from the time of filing of the complaint on February 13, 1981 to the date of finality of this Decision. For lack of factual and legal basis, the award of attorney's fees is **DELETED**.

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

Now for our resolution are the opposing parties' petitions for review on certiorari of the abovesited decision. On its part, SBTC alleges the following to support its petition:

I.

THE HONORABLE COURT OF APPEALS ERRED GRAVELY IN REFUSING TO APPLY THE LAW BECAUSE, IN ITS OPINION, TO DO SO WOULD "RESULT IN AN INJUSTICE."

II.

THE HONORABLE COURT OF APPEALS ERRED GRAVELY IN HOLDING THAT TO DETERMINE WHETHER OR NOT A BANK IS A HOLDER IN DUE COURSE, ONLY THE NEGOTIABLE INSTRUMENTS LAW NEED BE APPLIED TO THE EXCLUSION OF CENTRAL BANK RULES AND REGULATIONS.

III.

THE HONORABLE COURT OF APPEALS ERRED GRAVELY IN FAILING TO NOTE THAT THE MANAGER'S CHECK IN QUESTION WAS ACCEPTED FOR DEPOSIT BY THE RCBC AND WAS NOT ENCASHED BY THE PAYEE.

IV.

THE HONORABLE COURT OF APPEALS ERRED GRAVELY IN FAILING TO CONSIDER THAT PRIOR TO THE DEPOSIT OF THE CHECKS WORTH PhP53 MILLION, RCBC WAS HOLDING 43 CHECKS TOTALING P49,017,669.66 DRAWN BY CONTINENTAL MANUFACTURING CORPORATION AGAINST ITS CURRENT ACCOUNT WHEN THE BALANCE OF THAT ACCOUNT WAS A MERE P573.62.

V.

THE HONORABLE COURT OF APPEALS ERRED GRAVELY IN FAILING TO CONSIDER THAT THE CHECKS DEPOSITED WITH RCBC THE PROCEEDS OF WHICH WERE IMMEDIATELY WITHDRAWN TO HONOR THE 43 CHECKS TOTALING P49,017,669.66 DRAWN BY CONTINENTAL MANUFACTURING CORPORATION ON ITS CURRENT ACCOUNT WERE NOT ALL MANAGER'S CHECK[S] BUT INCLUDED ORDINARY CHECKS IN THE TOTAL AMOUNT OF PhP15,436,140.81.

VI.

THE HONORABLE COURT OF APPEALS ERRED GRAVELY IN FAILING TO CONSIDER THAT EACH OF THE 43 CHECKS DRAWN BY THE CONTINENTAL MANUFACTURING CORPORATION WERE ALL HONORED BY RCBC ON THE BASIS OF A MIXTURE OF ALL THE MANAGER'S AND ORDINARY CHECKS DEPOSITED ON THAT DAY OF 9 JANUARY 1981.

VII.

THE HONORABLE COURT OF APPEALS ERRED GRAVELY IN HOLDING THAT THE RCBC IS A HOLDER IN DUE COURSE.

VIII.

THE HONORABLE COURT OF APPEALS ERRED GRAVELY IN HOLDING THAT SBTC WAITED FOR THREE (3) DAYS TO NOTIFY THE RCBC OF THE STOP PAYMENT ORDER.

IX.

THE HONORABLE COURT OF APPEALS ERRED GRAVELY IN HOLDING THAT SBTC SHOULD HAVE FIRST ACQUIRED PERSONAL KNOWLEDGE OF THE FACTS WHICH GAVE RISE TO THE REQUEST FOR THE STOP PAYMENT ORDER BEFORE HONORING SUCH REQUEST.

X.

THE HONORABLE COURT OF APPEALS RULED CORRECTLY IN REFUSING TO HOLD SBTC LIABLE FOR DAMAGE CLAIMS BASED SOLELY ON SPECULATION, CONJECTURE AND GUESSWORK.

XI.

THE HONORABLE COURT OF APPEALS RULED CORRECTLY IN HOLDING THAT RCBC IS NOT ENTITLED TO EXEMPLARY DAMAGES.

XII.

THE HONORABLE COURT OF APPEALS ERRED GRAVELY IN HOLDING SBTC LIABLE FOR THE ATTORNEY'S FEES OF RCBC [SIC].<sup>[10]</sup>

On RCBC's part, the following issues are submitted for resolution:

I.

WHETHER OR NOT SBTC IS LIABLE FOR THE MANAGER'S CHECK IT ISSUED.

II.

WHETHER OR NOT RCBC IS ENTITLED TO COMPENSATORY DAMAGES EQUIVALENT TO THE INTEREST INCOME LOST AS A RESULT OF THE ILLEGAL REFUSAL OF SBTC TO HONOR ITS OWN MANAGER'S CHECK, AS WELL AS FOR EXEMPLARY DAMAGES AND ATTORNEY'S FEES.<sup>[11]</sup>

Simply stated, we find that in these consolidated petitions, the legal issues for our resolution are: (1) Is SBTC liable to RCBC for the remaining P4 million? and (2) Is SBTC liable to pay for lost interest income on the remaining P4 million, exemplary damages and attorney's fees?

RCBC avers that the manager's check issued by SBTC is substantially as good as the money it represents because by its peculiar character, its issuance has the effect of an advance acceptance. RCBC claims that it is a holder in due course when it credited the P8-million manager's check to CMC's account. Accordingly, RCBC asserts that SBTC's refusal to honor its obligation justifies RCBC claim for lost interest income, exemplary damages and attorney's fees.

On the other hand, SBTC contends that RCBC violated Monetary Board Resolution No. 2202 of the Central Bank of the Philippines mandating all banks to verify the genuineness and validity of all checks before allowing drawings of the same. SBTC insists that RCBC should bear the consequences of allowing CMC to withdraw the amount of the check before it was cleared.<sup>[12]</sup>

We shall rule on the issues seriatim.

At the outset, it must be noted that the questioned check issued by SBTC is not just an ordinary check but a manager's check. A manager's check is one drawn by a bank's manager upon the bank itself. It stands on the same footing as a certified check,<sup>[13]</sup> which is deemed to have been accepted by the bank that certified it.<sup>[14]</sup> As the bank's own check, a manager's check becomes the primary obligation of the bank and is accepted in advance by the act of its issuance.<sup>[15]</sup>

In this case, RCBC, in immediately crediting the amount of P8 million to CMC's account, relied on the integrity and honor of the check as it is regarded in