328 Phil. 486

THIRD DIVISION

[G.R. No. 108052, July 24, 1996]

PHILIPPINE NATIONAL BANK, PETITIONER, VS. THE COURT OF APPEALS AND RAMON LAPEZ,[1] DOING BUSINESS UNDER THE NAME AND STYLE SAPPHIRE SHIPPING, RESPONDENTS.

D E C I S I O N

PANGANIBAN, J.:

Does a local bank, while acting as local correspondent bank, have the right to intercept funds being coursed through it by its foreign counterpart for transmittal and deposit to the account of an individual with another local bank, and apply the said funds to certain obligations owed to it by the said individual?

Assailed in this petition is the Decision of respondent Court of Appeals[2] in CA-G.R. CV No. 27926 rendered on June 16, 1992 affirming the decision of the Regional Trial Court, Branch 107 of Quezon City, the dispositive portion of which read:[3]

> "WHEREFORE, judgment is hereby rendered:
>
> "`1) In the main complaint, ordering the defendant (herein petitioner PNB) to pay the plaintiff (private respondent herein) the sum of US$2,627.11 or its equivalent in Philippine currency with interest at the legal rate from January 13, 1987, the date of judicial demand;
>
> "`2) The plaintiff's supplemental complaint is hereby dfismissed (sic);
>
> "`3) The defendant's counterclaims are likewise dismissed.'`

The Facts

The factual antecedents as quoted by the respondent Court are reproduced hereinbelow, the same being undisputed by the parties:[4]

> "The body of the decision reads:
>
> "'After a close scrutiny and analysis of the pleadings as well as the evidence of both parties, the Court makes the following conclusions:
>
> "'(a) The defendant applied/appropriated the amounts of $2,627.11 and P34,340.38 from remittances of the plaintiff's principals (sic) abroad. These were admitted by the defendant, subject to the affirmative defenses of compensation for what is owing to it on the principle of solution (sic) indebiti;

"'(b) The first remittance was made by the NCB of Jeddah for the benefit of the plaintiff, to be credited to his account at Citibank, Greenhills Branch; the second was from Libya, and was intended to be deposited at the plaintiff's account with the defendant, No. 830-2410;

"'(c) The plaintiff made a written demand upon the defendant for remittance of the equivalent of P2,627.11 by means of a letter dated December 4, 1986 (Exh. D). This was answered by the defendant on December 22, 1986 (Exh. 13), inviting the plaintiff to come for a conference;

"'(d) There were indeed two instances in the past, one in November 1980 and the other in January 1981 when the plaintiff's account No. 830-2410 was doubly credited with the equivalents of $5,679.23 and $5,885.38, respectively, which amounted to an aggregate amount of P87,380.44. The defendant's evidence on this point (Exhs. 1 thru 11, 14 and 15; see also Annexes C and E to defendant's Answer), were never refuted nor impugned by the plaintiff. He claims, however, that plaintiff's claim has prescribed.

"'(e) Defendant PNB made a demand upon the plaintiff for refund of the double or duplicated credits erroneously made on plaintiff's account, by means of a letter (Exh. 12) dated October 23, 1986 or 5 years and 11 months from November 1980, and 5 years and 9 months from January 1981. Such letter was answered by the plaintiff on December 2, 1986 (Annex C, Complaint). This plaintiff's letter was likewise replied to by the defendant through Exh. 13;

"'(f) The deduction of P34,340.38 was made by the defendant not without the knowledge and consent of the plaintiff, who was issued a receipt No. 857576 dated February 18, 1987 (Exh. E) by the defendant.'"

"'There is no question that the two erroneous double payments made to plaintiff's accounts in 1980 and 1981 created an extra-contractual obligation on the part of the plaintiff in favor of the defendant, under the principle of solutio indebiti, as follows:

"'If something is received when there is no right to demand it, and it was unduly delivered throughg (sic) mistake, the obligation to return it arises."' (Article 2154, Civil Code of the Phil.)

Two issues were raised before the trial court, namely, *first,* whether the herein petitioner was legally justified in making the compensation or set-off against the two remittances coursed through it in favor of private respondent to recover on the double credits it erroneously made in 1980 and 1981, based on the principle of *solutio indebiti,* and *second,* whether or not petitioner's claim is barred by the statute of limitations. The trial court's ratiocination, as quoted by the appellate Court, follows:[5]

"'Article 1279 of the Civil Code provides:

"'In order that compensation may prosper, it is necessary:

(1) That each one of the obligors be bound principally, and that he be at the same time a principal creditor of the other;

(2) That both debts consists in a sum of money, or if the things due are consumable, they be of the same kind, and also of the same quality if the latter has been stated;

(3) That the two debts be due;

(4) That they be liquidated and demandable;

(5) That over neither of them there by any retention or controversy, commenced by third persons and communicated in due time to the debtor."'

"'In the case of the $2,627.11, requisites Nos. 2 through 5 are apparently present, for both debts consist in a sum of money, are both due, liquidated and demandable, and over neither of them is there a retention or controversy commenced by third persons and communicated in due time to the debtor. The question, however, is, where both of the obligors bound principally, and was each one of them a debtor and creditor of the other at the same time?

"'Analyzing now the relationship between the parties, it appears that:

"'(a) With respect to the plaintiff's being a depositor of the defendant bank, they are creditor and debtor respectively (Guingona, et al. vs. City Fiscal, et al., 128 SCRA 577);

"'(b) As to the relationship created by the telexed fund transfers from abroad: A contract between a foreign bank and local bank asking the latter to pay an amount to a beneficiary is a stipulation pour autrui. (Bank of America NT & SA vs. IAC, 145 SCRA 419).

"'A stipulation pour autrui is a stipulation in favor of a third person (Florentino vs. Encarnacion, 79 SCRA 193; Bonifacio Brothers vs. Mora, 20 SCRA 261; Uy Tam vs. Leonard, 30 Phils. 475).

"'Thus between the defendant bank (as the local correspondent of the National Commercial Bank of Jeddah) and the plaintiff as beneficiary, there is created an implied trust pursuant to Art. 1453 of the Civil Code, quoted as follows:

> "'When the property is conveyed to a person in reliance upon his declared intention to hold it for, or transfer it to another or the grantor, there is an implied trust in favor of the person whose benefit is contemplated (sic).

"'c) By the principle of solutio indebiti (Art. 2154, Civil Code), the plaintiff who unduly received something (sic) by mistake (i.e., the 2 double credits, although he had no right to demand it), became obligated to the

defendant to return what he unduly received. Thus, there was created between them a relationship of obligor and obligee, or of debtor and creditor under a quasi-contract.

"In view of the foregoing, the Court is of the opinion that the parties are not both principally bound with respect to the $2,627.11 from Jeddah neither are they at the same time principal creditor of the other. Therefore, as matters stand, the parties' obligations are not subject to compensation or set off under Art. 1279 of the Civil Code, for the reason that the defendant is not a principal debtor nor is the plaintiff a principal creditor insofar as the amount of $2,627.11 is concerned. They are debtor and creditor only with respect to the double payments; but are trustee-beneficiary as to the fund transfer of $2,627.11.

"'Only the plaintiff is principally bound as a debtor of the defendant to the extent of the double credits. On the other hand, the defendant was an implied trustee, who was obliged to deliver to the Citibank for the benefit of the plaintiff the sum of $2,627.11.

"'Thus while it may be concluded that the plaintiff owes the defendant the equivalent of the sums of $5,179.23 and $5,885.38 erroneously doubly credited to his account, the defendant's actuation in intercepting the amount of $2,627.11 supposed to be remitted to another bank is not only improper; it will also erode the trust and confidence of the international banking community in the banking system of the country, something we can ill afford at this time when we need to attract and invite deposits of foreign currencies."'

"It would have been different has the telex advice from NCB of Jeddah been for deposit of $2,627.11 to plaintiffs account No. 830-2410 with the defendant bank. However, the defendant alleged this for the first time in its Memorandum (Pls. see par. 16, p. 6 of defendant's Memorandum). There was neither any allegation thereof in its pleadings, nor was there any evidence to prove such fact. On the contrary, the defendant admitted that the telex advice was for credit of the amount of $2,627.11 to plaintiffs account with Citibank, Greenhills, San Juan, MetroManila (Pls. see par. of defendant's Answer with Compulsory Counterclaim, in relation to plaintiff's Complaint). Hence, it is submitted that the set-off or compensation of $2,627.11 against the double payments to plaintiff's account is not in accordance with law.

"'On this point, the Court finds the plaintiff's theory of agency to be untenable. For one thing, there was no express contract of agency. On the other hand, were we to infer that there was an implied agency, the same would not be between the plaintiff and defendant, but rather, between the National Commercial Bank of Jeddah as principal on the one hand, and the defendant as agent on the other. Thus, in case of violation of the agency, the cause of action would accrue to the NCB and not to the plaintiff.

"'The P34,340.38 subject of the supplemental complaint is quite another thing. The plaintiff's Exh. "E", which is a receipt issued to the plaintiff by