



Republic of the Philippines
 Supreme Court
 Manila

FIRST DIVISION

METROPOLITAN BANK AND TRUST COMPANY,
Petitioner,

- versus -

CARMELITA CRUZ AND VILMA
 LOW TAY, doing business under the
 name and style "REPUBLIC SHOES
 & HANDBAG MANUFACTURING,"
Respondents.

Present:

PERALTA, C.J.;
 CAGUIOA,
 HERNANDO,*
 CARANDANG, *and*
 GAERLAN, JJ.

Promulgated:

JAN 19 2021

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DECISION

GAERLAN, J.:

This resolves the Petition for Review on *Certiorari*¹ under Rule 45 of the Rules of Court filed by petitioner Metropolitan Bank and Trust Company (Metrobank) praying for the reversal of the February 23, 2015 Decision² and October 21, 2015 Resolution³ of the Court of Appeals (CA) in CA-G.R. CV No. 99886. The CA affirmed the September 21, 2012 Decision⁴ of the Regional Trial Court (RTC) of Marikina City, Branch 192 which ordered Metrobank to render a complete and detailed accounting of the payments made by respondents Carmelita C. Cruz (Cruz) and Vilma Low Tay (Tay) for their loan obligation, and to furnish the respondents the loan documents.

Antecedents

From 1993 to 1998, respondents obtained various loans from Metrobank in the aggregate amount of ₱40,600,000.00 They executed promissory notes to cover said loans.

* Per Raffle dated December 14, 2020.

¹ *Rollo*, Vol. I, pp. 18-49.

² *Id.* at 62-75; penned by Associate Justice Pedro B. Corales, with Associate Justices Sesinando E. Villon and Rodil V. Zalameda (now a Member of this Court), concurring.

³ *Id.* at 78-79.

⁴ *Id.* at 828-837; rendered by Judge Geraldine C. Fiel-Macaraig.

Again, in March 1999, respondents obtained additional loans from Metrobank. They requested a statement of account to determine their total outstanding obligation. Metrobank sent a letter dated May 17, 1999 stating that as of March 26, 1999, respondents owed ₱1,130,444.31.⁵

Over the years, respondents' loans were restructured.⁶ They were made to sign blank promissory notes in bulk.⁷

From 1999 to 2004, respondents remitted cash and check payments to Metrobank. Cruz listed the amounts paid and the check numbers on yellow sheets, and simultaneously asked the bank employees to sign and acknowledge their receipt of her payments.⁸

In September 2004, respondents reviewed their records and discovered that they made an overpayment.⁹ Thus, in October 2004, respondents requested a new statement of account. In response, Metrobank sent a Summary on Application of Payments (SAP) from December 29, 1999 to September 2004, which indicated that respondents' existing obligation was ₱8,344,185.55.¹⁰

Doubtful of Metrobank's computation, respondents hired accountant Michael G. Palisoc (Palisoc). He examined the 1999 to 2004 SAPs, promissory notes, original receipts, cleared checks, and the checks listed in Cruz's yellow sheets. He found that respondents had paid a total of ₱32,648,374.60 but Metrobank only recorded ₱20,507,855.05, thereby resulting in an unaccounted payment of ₱12,140,519.55. Then, he subtracted ₱8,600,000.00 which represented the balance of the restructured loan, and discovered that as of September 21, 2004, respondents made an overpayment of ₱3,540,519.55.¹¹

Palisoc further observed the following questionable practices, Metrobank recorded payments weeks after they were made, which caused the interest rates to increase; it failed to account for a *dacion en pago* that was made before 1999; it failed to issue receipts for some lump sum payments; and its employees did not record some checks they had received from Cruz.¹²

In view of the discrepancies, respondents requested for the reconciliation of their records and demanded a refund of their overpayment. Despite repeated demands, Metrobank failed to produce a complete and

⁵ Id. at 63-64.

⁶ Id. at 64.

⁷ Id. at 66.

⁸ Id.

⁹ Id., Vol. III, p. 1760.

¹⁰ Id., Vol. I, p. 65.

¹¹ Id. at 65-66.

¹² Id. at 66-67.

detailed application of all the payments respondents made from 1993 to 2004. Likewise, Metrobank insisted on the payment of ₱8,344,188.55.¹³

Thus, on May 4, 2005, respondents filed a complaint for accounting¹⁴ before the RTC. They prayed for the production of all pertinent loan records, as well as the reimbursement of their excess payment, with damages.

On June 10, 2005, Metrobank filed its Answer with Counterclaim.¹⁵ It denied the material allegations in the Complaint and countered that the respondents' payments were properly accounted for. Metrobank further averred that it provided respondents a concise accounting of their loan account and furnished the necessary loan documents, save for some records that were executed beyond the bank's holding period. Some of the documents respondents requested have been superseded and cancelled by subsequent loan documents executed in view of the respondents' repeated requests for loan restructuring every time they defaulted. Respondents admitted their existing indebtedness when they signed the latest promissory note, and are thus, estopped from claiming otherwise. By way of counterclaim, Metrobank prayed for moral and exemplary damages plus attorney's fees.

Ruling of the RTC

In a Decision¹⁶ dated September 21, 2012, the RTC ordered Metrobank to render a complete accounting of respondents' payments. Metrobank is not excused from complying with its obligation, simply because the documents requested were too old and were executed beyond the holding period. Neither may it rely on the principle of estoppel. The RTC refused to rule on whether or not an overpayment was made absent a complete and detailed accounting.

The dispositive portion of the RTC ruling reads:

WHEREFORE, judgment is hereby rendered:

a. DIRECTING defendant bank to render a complete and detailed accounting of the payments made by [respondents] of their loan obligation from 1993 to 2004;

b. DIRECTING [Metrobank] to furnish [respondents] with copies of all promissory notes and other loan documents signed by them, within the same period; and,

¹³ Id. at 65.

¹⁴ Id. at 143-150.

¹⁵ Id. at 173-183.

¹⁶ Id. at 828-837.

c. DISMISSING defendant bank's counterclaim for lack of merit.

SO ORDERED.¹⁷

Aggrieved, Metrobank filed an appeal with the CA.

Ruling of the CA

On February 23, 2015, the CA affirmed the RTC's ruling that respondents are entitled to a complete and detailed accounting of all their payments.¹⁸ The fiduciary nature of banking imposes on Metrobank the duty to maintain accurate records of all the payments, and to furnish respondents with financial statements relating to their account. The documents submitted by Metrobank before the RTC contained discrepancies and lacked the necessary details to obtain an accurate computation of respondents' outstanding obligation. Metrobank may not hide behind their alleged company policy of discarding all records of paid loans after the five-year holding period. It was not physically impossible for Metrobank to produce the documents. Likewise, Metrobank's invocation of the doctrine of estoppel does not relieve it of its obligation to render an accounting. Finally, the CA opined that a proper and complete accounting would be beneficial to both parties, and would finally settle the issue of whether respondents made an overpayment, and correspondingly, help determine the total indebtedness.¹⁹

The dispositive portion of the CA ruling states:

WHEREFORE, the appeal is DENIED. The September 21, 2012 Decision of the Regional Trial Court, Branch 192, Marikina City in Civil Case No. 2005-1035-MK is AFFIRMED. The case is REMANDED to the Regional Trial Court, Branch 192, Marikina City for proper accounting and reception of such evidence as may be needed to determine the actual amount of [respondents'] indebtedness, and to adjudicate the parties' respective claims as such evidence may warrant.

SO ORDERED.²⁰

Undeterred, Metrobank filed the instant Petition for Review on *Certiorari*²¹ under Rule 45 of the Rules of Court.

¹⁷ Id. at 837.

¹⁸ Id. at 72.

¹⁹ Id. at 74.

²⁰ Id. at 75.

²¹ Id. at 18-49.

Issues

The pivotal issues raised in the instant case are whether or not Metrobank should be ordered to (i) render a full and detailed accounting of the respondents' payments; and (ii) furnish the respondents all pertinent loan documents.

Metrobank maintains that it rendered a true and complete accounting of the respondents' outstanding obligation.²² Likewise, it complied with the RTC's order for production of documents, and submitted a detailed, accurate, and complete computation of the respondents' outstanding balance.²³ Contrary to the CA's ruling, there is no unexplained discrepancy that would necessitate the accounting of the respondents' remaining indebtedness.²⁴ Likewise, Metrobank urges that the respondents have the burden of proving full payment.²⁵

Moreover, Metrobank claims that the production of all loan documents, especially those executed as early as 1994 is impossible. Pursuant to its five-year retention policy, it only keeps ledgers for active accounts, and disposes of the ledgers and documents of closed accounts.²⁶ This five-year retention period is likewise prescribed in the Anti-Money Laundering Act (AMLA) and implemented in the Manual of Regulations for Banks, which ordain that all records and transactions of covered institutions shall be maintained and safely stored for five years from the date of the transaction.²⁷ In view thereof, compliance with the RTC's and the CA's orders are utterly impossible. The law on contracts does not force parties to perform impossible obligations.²⁸

Furthermore, respondents are estopped from claiming an overpayment. They willingly and voluntarily executed subsequent promissory notes where they acknowledged the amount of their outstanding debt.²⁹ Also, they belatedly demanded an accounting of their loans after ten years.³⁰

Finally, Metrobank claims damages on account of the respondents' baseless suit that tarnished its reputation.³¹ Respondents filed the case for the sole purpose of impeding and delaying its legal right to collect payment on the overdue loans.³²

²² Id. at 38.

²³ Id. at 37-38.

²⁴ Id. at 38.

²⁵ Id.

²⁶ Id. at 44.

²⁷ Id. at 42.

²⁸ Id. at 44.

²⁹ Id. at 45-46.

³⁰ Id. at 46.

³¹ Id. at 47.

³² Id.

On the other hand, respondents point out that Metrobank raised factual issues, which may not be done in a petition for review on *certiorari*.³³

Moreover, respondents aver that Metrobank miserably failed to treat their accounts with utmost fidelity. It failed to properly record some of their cash and check payments,³⁴ despite duly acknowledging receipt thereof.³⁵ This failure may have led to an inaccurate outstanding balance which was carried over to the subsequent years.³⁶ Likewise, Metrobank failed to furnish them updated statements of account, until after their request in 1999.³⁷ Furthermore, it did not inform them of how their payments were applied to their loans,³⁸ and even subjected their loans to floating interest rates.³⁹

Respondents further claim that Metrobank may not hide behind its five-year holding policy.⁴⁰ Contrary to its claim, it is not impossible to produce the records requested.⁴¹ Metrobank's witness admitted that he can access records prior to 2004, which are stored in a warehouse. Also, in Metrobank's Manifestation filed in 2007, it enumerated the documents it allowed respondents to examine pursuant to the RTC's order, which included those dating as early as 1993, or more than 14 years.⁴² Its refusal to render a proper accounting stems from the fact that it failed to make an exact recording of the respondents' payments.⁴³

Respondents are not estopped from questioning the total amount of their indebtedness. They immediately notified Metrobank upon discovering their overpayment.⁴⁴ Likewise, they were constantly advised to avail of more loans, and were made to sign blank promissory notes in bulk.⁴⁵ The inaccuracy and dearth of details in Metrobank's statement of account prevented them from validating their payments against Metrobank's records.⁴⁶ They could not calculate whether they were properly charged interest.⁴⁷

Lastly, respondents aver that Metrobank is not entitled to damages, as it was grossly negligent in handling their transactions.⁴⁸

³³ Id., Vol. III, p. 1763.

³⁴ Id. at 1766.

³⁵ Id. at 1771.

³⁶ Id. at 1785.

³⁷ Id. at 1770.

³⁸ Id. at 1776.

³⁹ Id. at 1777.

⁴⁰ Id. at 1781.

⁴¹ Id. at 1782.

⁴² Id. at 1783.

⁴³ Id. at 1782.

⁴⁴ Id. at 1785.

⁴⁵ Id. at 1784.

⁴⁶ Id.

⁴⁷ Id.

⁴⁸ Id. at 1788

Ruling of the Court

The petition is bereft of merit.

It is well-settled that the jurisdiction of the Court in a petition for review on *certiorari* under Rule 45 is limited only to reviewing errors of law, not of fact.⁴⁹ Metrobank's obligation to render a proper accounting and to furnish copies of all loan documents hinges on the presence of discrepancies in the respondents' accounts and the sufficiency of the documents it submitted – issues which are clearly factual in nature. In fact, the arguments raised by Metrobank in its petition, *i.e.*, that the respondents' payments were properly credited and accounted for, and that the documents it submitted accurately reflect the respondents' current outstanding balance, are best resolved by consulting the evidence extant on the records. However, it is not the Court's function to analyze or weigh the evidence which has been considered in the proceedings below.⁵⁰

More so, the Court finds no justification to deviate from the factual findings of the RTC, which were further affirmed by the CA. Metrobank utterly failed to prove that the assailed findings are devoid of basis.

Besides, the petition likewise fails on the merits.

Significantly, Section 2 of the Banking Law (Republic Act [R.A.] No. 8791) highlights the essential role of banks in our economy and the fiduciary nature of their business:

The State recognizes the vital role of banks providing an environment conducive to the sustained development of the national economy and the fiduciary nature of banking that requires high standards of integrity and performance. In furtherance thereof, the State shall promote and maintain a stable and efficient banking and financial system that is globally competitive, dynamic and responsive to the demands of a developing economy.⁵¹

Although R.A. No. 8791 took effect in 2000, at the time that Metrobank had been transacting with respondents in 1993, jurisprudence had already imposed on banks the same high standard of diligence required under the said law.

⁴⁹ *Tenazas, et. al. v. R. Villegas Taxi Transport, et al.*, 731 Phil. 217, 228 (2014), citing "*J*" *Marketing Corp. v. Taran*, 607 Phil. 414, 424-425 (2009).

⁵⁰ *Primo Miro v. Vda. De Erederos, et al.*, 721 Phil. 772, 785 (2013).

⁵¹ REPUBLIC ACT NO. 8791, Section 2.

Notably, in as early as 1990, case law already solidified the tenet that the banking business is greatly imbued with public interest. In the landmark case of *Simex International (Manila) Inc. v. Court of Appeals*,⁵² the Court underscored the obligation of banks to treat their clients' accounts with utmost care and fidelity:

The banking system is an indispensable institution in the modern world and plays a vital role in the economic life of every civilized nation. Whether as mere passive entities for the safekeeping and saving of money or as active instruments of business and commerce, banks have become an ubiquitous presence among the people, who have come to regard them with respect and even gratitude and, most of all, confidence. Thus, even the humble wage-earner has not hesitated to entrust his life's savings to the bank of his choice, knowing that they will be safe in its custody and will even earn some interest for him. The ordinary person, with equal faith, usually maintains a modest checking account for security and convenience in the settling of his monthly bills and the payment of ordinary expenses. As for business entities like the petitioner, the bank is a trusted and active associate that can help in the running of their affairs, not only in the form of loans when needed but more often in the conduct of their day-to-day transactions like the issuance or encashment of checks.

In every case, the depositor expects the bank to treat his account with the utmost fidelity, whether such account consists only of a few hundred pesos or of millions. The bank must record every single transaction accurately, down to the last centavo, and as promptly as possible. x x x

The point is that as a business affected with public interest and because of the nature of its functions, the bank is under obligation to treat the accounts of its depositors with meticulous care, always having in mind the fiduciary nature of their relationship. x x x.⁵³ (Citations omitted)

Likewise, in *Far East Bank and Trust Co. (now Bank of the Philippine Islands) v. Tentmakers Group, Inc., et al.*,⁵⁴ the Court underscored that "the diligence required of banks is more than that of a Roman *pater familias* or a good father of a family. The highest degree of diligence is expected."⁵⁵

In view of the fiduciary nature of the banking business, banks are mandated to comply with two essential and fundamental obligations – to treat their clients' accounts with utmost fidelity and meticulous care, and to record all transactions accurately and promptly.

⁵² 262 Phil. 387 (1990).

⁵³ Id. at 395-396.

⁵⁴ 690 Phil. 134 (2012).

⁵⁵ Id. at 145-146.

In fact, in *Landbank of the Philippines v. Oñate*,⁵⁶ banks were cautioned “to spare no effort in ensuring the integrity of the records of its clients.”⁵⁷ While in *Phil. Banking Corp. v. Court of Appeals and Leonilo Marcos*,⁵⁸ the Court faulted the bank for failing to produce the original copies of its client’s promissory notes, records and ledgers evidencing the proper offsetting of the loan, and regarded this mishap as a failure to treat the client’s account with “meticulous care.”⁵⁹

Indeed, Metrobank’s business is imbued with public interest. Its relationship with the respondents was based on trust and confidence. Correlatively, it had the duty to accurately and promptly record all the payments made by the respondents, to conduct a precise and thorough accounting of said payments, and to furnish the respondents with the copies of their loan documents. In fulfilling these tasks, it was bound by law and jurisprudence to observe high standards of integrity.

As held by both the RTC and the CA, Metrobank failed to furnish the respondents with a detailed and comprehensive accounting of their loan payments from 1993 to 2004. The documents it provided were incomplete and could not aid the trial court in the proper determination of the respondents’ outstanding obligation.⁶⁰ Worse, there were discrepancies in the respondents’ accounts, which necessitate a through examination of all the loan records.⁶¹

In its defense, Metrobank contends that it is utterly impossible to produce the needed documents which spanned from 1993. All documents pertaining to closed accounts and settled loans have already been disposed. Further, pursuant to its five-year holding policy, it only keeps records of accounts for five years from the date of the transaction. Purportedly, this policy is in accordance with Section 9 of the AMLA⁶² and Section X808 of the Manual of Regulations for Banks,⁶³ which require covered institutions to

⁵⁶ 724 Phil. 564 (2014).

⁵⁷ Id. at 598-599, citing *Dycoco, Jr. v. Equitable PCI Bank, et al.*, 642 Phil. 494, 500 (2010).

⁵⁸ 464 Phil. 614 (2004).

⁵⁹ Id. at 640-641.

⁶⁰ *Rollo*, p. 836.

⁶¹ Id. at 73.

⁶² Section 9. *Prevention of Money Laundering; Customer Identification Requirements and Record Keeping*. –

(b) Record Keeping – All records of all transactions of covered institutions shall be maintained and safely stored for five (5) years from the date of transactions. With respect to closed accounts, the records on customer identification, account files and business correspondence, shall be preserved and safely stored for at least five (5) years from the dates when they were closed.

⁶³ D. RECORD KEEPING AND RETENTION

Sec. X808 Record Keeping. All customer identification records of covered persons shall be maintained and safely stored as long as the account exists. All transaction records and documents of covered persons shall be maintained and safely stored for five (5) years from the date of transaction.

Said records and files shall contain the full and true identity of the owners or holders of the accounts involved in the transactions such as the ID card and photo of individual customers and the documents mentioned in Subsec. X806.2(b) for entities, customer information file, signature card of authorized

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keep records of their clients' transactions for up to five years.

Plainly, the law and regulation cited are not particularly applicable to Metrobank's cause. Section 9 of the AMLA pertains to the obligation of covered institutions to maintain and safely store all records of transactions for five years for purposes of determining possible violations of the AMLA. In the same vein, as amended, Section X808 of the Manual of Regulations for Banks mandates that all customer identification records of covered persons shall be maintained and safely stored for five years from the date of the transaction, again for purposes of determining violations of the AMLA.⁶⁴

It bears emphasis that the documents respondents requested are not simply general records, but documents that are essential to their existing loan with Metrobank. Although the loans have been restructured, the accuracy of the outstanding obligation depends on a full and complete computation of the previous loans. Metrobank cannot hide behind its five-year policy to renege on its obligation to render an accurate accounting of the respondents' payments. As between its five-year holding policy versus its legal and jurisprudential fiduciary duty to exercise the highest degree of care in conducting its affairs, the latter consideration certainly prevails.

Suffice to say, contrary to Metrobank's claim, the production of the loan records is not impossible. As observed by the CA, Metrobank's own employee admitted that the documents are stored in a warehouse.⁶⁵ Only the computer records are deleted.⁶⁶ This admission, which was subjected to a rigorous cross-examination deserves more weight than a general policy.⁶⁷

Moreover, Metrobank pointed out in its petition for review on *certiorari* that in 2007, it submitted before the RTC documents relevant to the respondents' loan obligations. Interestingly, these documents consisted of credit line agreements, promissory notes and agreements on mortgages⁶⁸ dated as late as 1993 to 1998, or 14 years earlier than 2007 and obviously way beyond its purported five-year holding policy. It is certainly bewildering that

signatory/ies, and all other pertinent customer identification documents as well as all factual circumstances and records involved in the transaction. Covered persons shall undertake the necessary adequate security measures to ensure the confidentiality of such file. Covered persons shall prepare and maintain documentation, in accordance with the aforementioned client identification requirements, on their customer accounts relationships and transactions such that any account, relationship or transaction can be reconstructed as to enable the AMLC, and/ or the courts to establish an audit trail for money laundering. (Circular No. 706 dated 05 January 2011, as amended by Circular No. 950 dated 15 March 2017).

⁶⁴ Manual of Regulations for Banks.

⁶⁵ *Rollo*, Vol. IV, pp. 2041-2042.

⁶⁶ *Id.*, Vol. I, p. 73.

⁶⁷ *Id.*

⁶⁸ *Id.* at 39-40.

Metrobank claims that documents executed beyond five years are discarded, yet it easily produced records as old as fourteen years when required by the RTC. Unfortunately, both the RTC and the CA regarded these documents as insufficient for purposes of thoroughly determining the respondents' balance.

Furthermore, it bears noting that the demand for accounting was spurred by the alleged inconsistent and inaccurate manner in which Metrobank recorded the respondents' payments. Respondents asked Metrobank's employees to sign an acknowledgment proving receipt of their payments. However, for unknown reasons, some of these payments were not shown to have been recorded and credited against the respondents' outstanding loan.

In refutation, all that Metrobank latches on is the general averment that the statements of account are accurate and the respondents are estopped from claiming otherwise. Notably, without the complete loan documents, it is impossible to determine the veracity of Metrobank's averment.


Anent Metrobank's defense that respondents are estopped from questioning the amount of their indebtedness, it bears noting that estoppel shall not be used as a tool for injustice, or serve as an excuse to escape from its obligation to render a proper accounting. Respondents were made to sign blank promissory notes in bulk. Likewise, respondents immediately requested for a statement of account to verify the accuracy of their outstanding loan. There was no silence or inaction on their part which misled Metrobank.

Finally, the Court denies Metrobank's claim for damages and attorney's fees for lack of factual and legal bases. As discussed, the respondents were well-within their rights in filing the complaint for accounting.

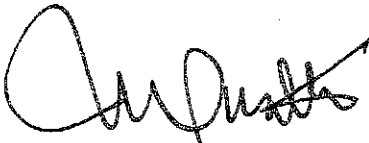
All told, a circumspect scrutiny of the loan documents and a proper accounting of the payments remitted will finally settle the question of whether or not there was an overpayment of the loan. It is Metrobank's fiduciary obligation to treat the respondents' accounts with the highest degree of diligence. Accordingly, the Court affirms the RTC's and CA's directive for Metrobank to provide a full accounting of all payments made, and to furnish all pertinent loan documents.

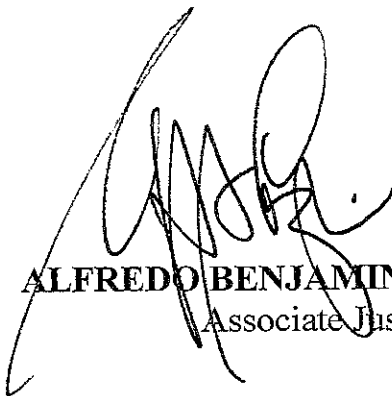
WHEREFORE, premises considered, the petition is **DENIED**. The February 23, 2015 Decision and the October 21, 2015 Resolution of the Court of Appeals in CA-G.R. CV No. 99886 are **AFFIRMED**.

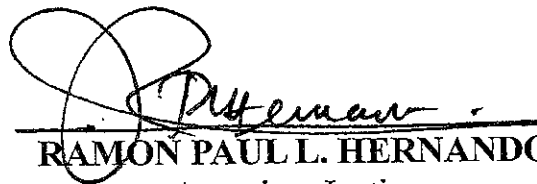
SO ORDERED.


SAMUEL H. GAERLAN
Associate Justice

WE CONCUR:


DIOSDADO M. PERALTA
Chief Justice



ALFREDO BENJAMIN S. CAGUIOA
Associate Justice


RAMON PAUL L. HERNANDO
Associate Justice


ROSMAR D. CARANDANG
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


DIOSDADO M. PERALTA
Chief Justice