



Republic of the Philippines
 Supreme Court
 Manila

THIRD DIVISION

UNION BANK OF THE PHILIPPINES, G.R. No. 236419

Petitioner,

Present:

- versus -

LEONEN, J.,
 Chairperson,
 HERNANDO,
 INTING,
 DELOS SANTOS, and
 LOPEZ, J., JJ.

SY LIAN TENG, EMERENCIANA
 SYLIANTENG, ROBERTO
 SYLIANTENG, LORRAINE
 SYLIANTENG, CESAR
 SYLIANTENG, CLARITA TANG,
 ROBERTO TANG,* MARGARET
 TANG, PATRICK TANG,
 FREDERICK TANG, GLORIA
 LIM, ALBERT TANG, and HELEN
 TANG,

Promulgated:

Respondents.

March 17, 2021

MisDCCBatt

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DECISION

DELOS SANTOS, J.:

“*Qui per alium facit per seipsum facere videtur.*” He who does a thing by an agent is considered as doing it himself.¹

The Case

This is a Petition for Review on *Certiorari*² under Rule 45 of the Rules of Court assailing the Decision³ of the Court of Appeals (CA) dated

* Also referred to as “Robert Tang” in some parts of the *rollos*.

¹ *Prudential Bank v. Court of Appeals*, 295 Phil. 399, 408 (1993).

² *Rollo*, pp. 131-241.

³ Id. at 250-299-A; penned by Associate Justice Maria Elisa Sempio Diy, with Associate Justices Ramon M. Bato and Manuel M. Barrios, concurring.

July 19, 2016, its Amended Decision⁴ dated March 24, 2017, and the Resolution⁵ dated December 15, 2017, in CA-G.R. CV No. 101661. The CA affirmed with modification the Decision⁶ of the Regional Trial Court (RTC) dated January 11, 2013 which granted respondents' action for Recovery of Sum of Money with Damages against petitioner.

The Factual Antecedents

The case stemmed from the action for Recovery of Sum of Money with Damages filed by respondents, the Sylianteng and the Tang families (respondents) against petitioner Union Bank of the Philippines (Union Bank) and Raymond Buñag (Buñag). The Syliantengs are composed of the spouses Sy Lian Teng and Emerenciana Sylianteng (Emerenciana), their children Roberto Sylianteng (Roberto) and Cesar Sylianteng (Cesar), and Roberto's wife, Lorraine Sylianteng (Lorraine; collectively, the Syliantengs). The Tangs, on the other hand, are composed of the spouses Roberto Tang (Robert) and Clarita Tang (Clarita), their children Margaret Tang (Margaret), Patrick Tang, and Frederick Tang (collectively, the Tangs). The Tangs also include Robert's brother, Albert Tang, the latter's wife, Helen Tang (Helen), and Clarita's sister, Gloria Lim (Gloria).⁷

The complaint alleged that Roberto and Lorraine were acquainted with Buñag when the latter was still a staff assistant of one Vicky Lu, then the branch manager of the Urban Bank Escolta Branch, where the Syliantengs made money market placements. At the Urban Bank Escolta Branch, the Syliantengs' business transactions were attended to and facilitated by Buñag.⁸

Sometime in 1996, Buñag informed the Syliantengs that he had moved to Union Bank Cubao-Aurora West Branch as the newly-designated branch manager and persuaded the Syliantengs to invest in money market placements at the said Union Bank branch. To assure themselves that they will be dealing with authorized officers of the bank, the Syliantengs inquired from Union Bank's Head Office and Union Bank Cubao-Aurora West Branch if Buñag was authorized to offer and quote rates for Union Bank's money market placements. The inquiries were answered in the affirmative.⁹

Thus, taking into consideration Union Bank's reputation of financial stability, the bank's assurance of Buñag's authority, as well as the fact that Buñag had been transacting with them since his stint at Urban Bank, the

⁴ Id. at 302-316.

⁵ Id. at 319-323.

⁶ Id. at 329-345.

⁷ Id. at 251.

⁸ Id.

⁹ Id. at 251-252.

Syantengs, through Roberto and Lorraine, invested substantial funds in Union Bank's money market placements.¹⁰

From November 1996 to July 1999, the Syliantengs consistently invested in money market placements with Union Bank at its Cubao-Aurora West Branch in Philippine Peso and US Dollar which were rolled over from time to time after the market placements have matured. The transactions were facilitated by Buñag in his capacity as Branch Manager. These placements were evidenced by Certificates of Time Deposit, Certificates of Participation, and passbooks, and were registered in the name of the Syliantengs.¹¹

The financial transactions of the Syliantengs with Union Bank are summarized as follows:

On November 4, 1996, the Syliantengs, through Roberto and Lorraine, gave Buñag Hongkong and Shanghai Banking Corporation Cashier's Check Nos. 0000000346,¹² 0000000348,¹³ and 0000000349,¹⁴ each with a face value of ₱4,076,821.04, or a total amount of ₱12,230,46[3].¹² These checks were received and cleared by Union Bank. The funds were then invested in money market instruments and successively rolled over as follows:¹⁵

Placement	Date of Placement	Rate/No. of Days	Maturity Date	Interest Earned	Balance on Maturity
₱12,230,463.12	11/5/96	10.75/30 days	12/5/96	₱109,564.56	₱12,340,027.68
₱12,340,037.68	12/5/96	10.75/32 days	01/6/97	₱117,915.82	₱12,457,943.50
₱12,457,943.50	01/6/97	11.00/31 days	02/6/97	₱118,004.41	₱12,575,947.92
₱12,575,947.99	02/6/97	10.25/40 days	03/18/97	₱143,226.07	₱12,719,173.99
₱12,719,173.99	03/18/97	9.5/38 days	04/25/97	₱127,545.05	₱12,846,719.04

On February 6, 1997, the Syliantengs gave Buñag Solid Bank Corporation Check No. 089494¹⁶ payable to the order of Union Bank in the amount of ₱4,000,000.00. Union Bank received and cleared the check. The proceeds thereof were then invested in money market instruments, which were likewise rolled over as follows:¹⁷

Placement	Date of Placement	Rate/No. of Days	Maturity Date	Interest Earned	Balance on Maturity
₱4,000,000.00	2/6/97	10.275/40 days	3/18/97	₱45,555.56	₱4,045,555.56
₱4,045,555.56	3/18/97	9.5/38 days	4/25/97	₱40,567.93	₱4,086,123.49

¹⁰ Id. at 252.

¹¹ Id. at 252-260.

¹² Id. at 937.

¹³ Id. at 936.

¹⁴ Id. at 938.

¹⁵ Id. at 252-253.

¹⁶ Id. at 939.

¹⁷ Id. at 253.

On April 25, 1997, the maturity values of the two placements – ₱12,846,719.04 and ₱4,086,123.49 – were consolidated.¹⁸ The aggregate amount of ₱16,932,842.53 was then reinvested in money market instruments and rolled over as follows:¹⁹

Placement	Date of Placement	Rate/No. of Days	Maturity Date	Interest Earned	Balance on Maturity
₱16,932,842.53	4/25/97	9.75/35 days	5/30/97	₱160,509.24	₱17,093,351.77
₱17,093,351.77	5/30/97	9.75/31 days	6/30/97	₱143,512.93	₱17,236,864.70
₱17,236,864.70	6/30/97	10.90/38 days	8/7/97	₱198,319.70	₱17,435,184.40
₱17,435,184.40	8/7/97	16/39 days	9/15/97	₱302,209.86	₱17,737,394.26
₱17,737,394.26	9/15/97	15.5/35 days	10/20/97	₱267,292.68	₱18,004,686.94

From the maturity value of ₱18,004,686.94, the Syliantengs withdrew the amount of ₱2,000,000.00, leaving a balance of ₱16,004,686.94 – which amount was then reinvested and rolled over as follows:²⁰

Placement	Date of Placement	Rate/No. of Days	Maturity Date	Interest Earned	Balance on Maturity
₱16,004,686.94	10/20/97	17/30 days	11/19/97	₱226,733.06	₱16,231,419.99
₱16,231,419.99	10/30/97	17.5/30 days	12/19/97	₱236,708.21	₱16,468,128.20
₱16,468,128.20	12/19/97	19/35 days	1/23/98	₱304,202.92	₱16,772,331.12
₱16,772,331.12	1/23/97	21/35 days	2/27/98	₱342,435.09	₱17,114,776.21

On February 27, 1998, the Syliantengs withdrew the amount of ₱7,114,776.21 from the maturity amount of ₱17,114,776.21, leaving a balance of ₱10,000,000.00 – which amount was reinvested and earned interest as follows:²¹

Placement	Date of Placement	Rate/No. of Days	Maturity Date	Interest Earned	Balance on Maturity
₱10,000,000.00	2/27/98	15.4/33 days	4/1/98	₱141,166.67	₱10,141,166.67

The Syliantengs alleged that they pre-terminated the latest placement on March 16, 1998, however, they reinvested the amount of ₱2,072,722.22 thereof in Union Bank's money market instruments under the following terms:²²

Placement	Date of Placement	Rate/No. Of Days	Maturity Date	Interest Earned	Balance on Maturity
₱2,072,722.22	3/16/98	15.4/16 days	4/1/98	₱14,186.63	₱2,086,908.85

¹⁸ Id. at 692.

¹⁹ Id. at 253-254.

²⁰ Id.

²¹ Id. at 254-255.

²² Id.

Earlier on February 25, 1998, the Syliantengs endorsed International Exchange Bank Manager's Check No. 0000001868²³ in the amount of ₱4,935,080.75 to Union Bank, which the bank cleared. The amount was likewise placed in money market instruments and earned interest as follows:²⁴

Placement	Date of Placement	Rate/No. Of Days	Maturity Date	Interest Earned	Balance on Maturity
₱4,935,080.75	2/25/98	14.8/35 days	4/1/98	₱71,010.33	₱5,006,091.08

On April 1, 1998, the amounts of ₱5,006,091.08 and ₱2,086,908.85 were consolidated, reinvested, and rolled over as follows:²⁵

Placement	Date of Placement	Rate/No. of Days	Maturity Date	Interest Earned	Balance on Maturity
₱7,092,999.93	4/1/98	15.4/37 days	5/8/98	₱112,266.43	₱7,205,266.36
₱7,205,266.36	5/8/98	15.4/34 days	6/11/98	₱104,796.60	₱7,310,062.95
₱7,310,062.95	6/11/98	13.8/36 days	7/17/98	₱100,878.87	₱7,410,941.82
₱7,410,941.82	7/17/98	13.8/35 days	8/21/98	₱99,430.14	₱7,510,371.95
₱7,510,371.95	8/21/98	13.8/31 days	9/21/98	₱89,248.25	₱7,599,620.20
₱7,599,620.20	9/21/98	13.6487/35 days	10/26/98	₱100,843.86	₱7,700,104.06
₱7,700,104.06	10/26/98	13.6/36 days	12/1/98	₱104,721.42	₱7,804,825.48
₱7,804,825.48	12/1/98	13.7264/37 days	1/7/99	₱110,107.89	₱7,914,933.37
₱7,914,933.37	1/7/99	13.6/35 days	2/11/99	₱104,653.01	₱8,019,586.58
₱8,019,586.58	2/11/99	12.5/35 days	3/18/99	₱97,460.25	₱8,117,046.83
₱8,117,046.83	3/18/99	12.5/90days	6/16/99	₱253,657.71	₱8,370,704.54
₱8,370,704.54	6/16/99	8.75[/44 days]	7/30/99	₱89,520.03	₱8,460,224.57

On July 30, 1999, the Syliantengs demanded for the payment of the maturity amount of ₱8,460,224.57, as evidenced by Certificate of Time Deposit No. 662424.²⁶ However, Union Bank refused to accede to their demand.

Prior thereto, on May 14, 1999, the Syliantengs issued Solid Bank Check No. 0231422²⁷ payable to the order of "Union Bank A/C of Sy Lian Teng &/or Roberto Sylianteng &/or A.S. Sylianteng" in the amount of ₱3,000,000.00. Union Bank duly received the check and cleared the same. The proceeds of the check were then invested in Union Bank's money market instruments and rolled over as follows:²⁸

²³ Id. at 619.

²⁴ Id. at 255.

²⁵ Id. at 255-256.

²⁶ Id. at 621.

²⁷ Id. at 944.

²⁸ Id. at 256-257.

Placement	Date of Placement	Rate/No. of Days	Maturity Date	Interest Earned	Balance on Maturity
₱3,000,000.00	5/14/99	12.5/31 days	6/14/99	₱32,291.67	₱3,032,291.67
₱3,032,291.67	6/14/99	8.6/29 days	7/13/99	₱21,007.04	₱3,053,298.71

Upon maturity of the placement on July 13, 1999, Union Bank remitted the principal amount plus interest through a Manager's Check in the amount of ₱3,037,407.04, which was short by ₱15,891.67 of the maturity balance of ₱3,053,298.71, as indicated in Certificate of Time Deposit No. 662423.²⁹

Also, on June 22, 1999, the Syliantengs gave Buñag Urban Bank Check No. 0027422³⁰ with face value of ₱5,000,000.00, payable to Union Bank for the account of Roberto and Cesar. Union Bank received the check, cleared the same, and consequently invested the proceeds thereof. The placement purportedly earned interest as follows:³¹

Placement	Date of Placement	Rate/No. of Days	Maturity Date	Interest Earned	Balance on Maturity
₱5,000,000.00	6/22/99	11.5/31 days	10/7/99	₱136,722.22	₱5,136,722.22

However, on August 30, 1999, the Syliantengs were forced to pre-terminate the placement after they learned of the anomalies perpetrated by Buñag. Union Bank issued Manager's Check in the amount of ₱5,053,634.14. However, according to the Syliantengs, the amount was deficient by ₱83,088.08 of the maturity amount of ₱5,136,722.22, as indicated in Certificate of Time Deposit No. 747550.³²

The Syliantengs likewise invested in US Dollar Time Deposits. On November 27, 1997, the Syliantengs gave Buñag US\$10,000.00. On February 25, 1998, the Syliantengs made another placement of US\$10,000.00. Thereafter, on November 24, 1998, the Syliantengs placed an additional US\$640.00. The total amount was then invested and successively rolled over. The last two rollovers of these placements were as follows:³³

Placement	Date of Placement	Rate/No. of Days	Maturity Date	Interest Earned	Balance on Maturity
\$22,224.86	2/22/99	6.875/91 days	5/24/99	\$386.23	\$22,611.09
\$22,611.09	5/24/99	6.875/91 days	8/23/99	\$392.95	\$23,004.04

²⁹ Id. at 623.

³⁰ Id. at 624.

³¹ Id. at 257.

³² Id. at 694.

³³ Id. at 258.

When the placements matured on August 23, 1999, Union Bank refused to pay the Syliantengs the amount of US\$23,004.04 representing the principal amount plus interest, as indicated in the US Dollar Time Deposit Passbook No. 14-011-000223-9.³⁴

The Syliantengs also gave Buñag US\$13,176.64 to be invested in money market instruments on January 12, 1999, which was successively rolled over as follows:³⁵

Placement	Date of Placement	Rate/No. of Days	Maturity Date	Interest Earned	Balance on Maturity
\$13,176.64	1/12/99	6.125/90 days	3/16/99	\$141.24	\$13,317.88
\$13,317.88	3/16/99	6.25/90 days	6/14/99	\$231.44	\$13,549.32
\$13,549.32	6/14/99	6.875/91 days	9/13/99	\$231.44	\$13,784.79

On July 20, 1999, Union Bank paid the Syliantengs the amount of US\$13,528.17 representing principal and earned interest. However, the said amount was deficient by US\$256.62 of the maturity value of US\$13,784.79, as indicated in Certificate of Time Deposit No. 740567.³⁶

In summary, the Syliantengs claimed that Union Bank owed them the following outstanding unpaid fund placements, exclusive of interest:³⁷

A. Certificate of Time Deposit (Philippine Peso)

Certificate of Time Deposit	Date Issued	Maturity Date	Principal	Maturity Value
No. 662424	6/16/99	7/30/99	₱8,370,704.54	<u>₱8,460,224.57</u>
No. 747550	6/22/99	10/7/99	₱5,000,000.00	<u>₱5,136,722.22</u>
	(Paid by Union Bank)			<u>₱5,053,634.14</u>
	Outstanding Balance			₱83,088.08
No. 662423	6/14/99	7/13/99	₱3,032,291.97	<u>₱3,053,298.71</u>
	(Paid by Union Bank)			<u>₱3,037,407.04</u>
	Outstanding Balance			₱15,891.67
	Total Peso Outstanding Balance			<u>₱8,559,204.32</u>

³⁴ Id. at 698.

³⁵ Id. at 258.

³⁶ Id. at 626.

³⁷ Id. at 259-260.

B. US Dollar Placements

Certificate of Time Deposit/Passbook No.	Date Issued	Maturity Date	Principal	Maturity Value
740567	6/14/99	9/13/99	\$13,549.32	\$13,784.79
	Paid by Union Bank			\$13,528.17
	Outstanding Balance			\$256.62
14-011-000223-9	5/24/99	8/23/99	\$22,611.09	\$23,004.04
	Total US\$ Outstanding Balance			\$23,260.66

The Tangs, on the other hand, became acquainted with Buñag sometime in 1998 when the latter was introduced to Clarita by Roberto and Lorraine. The Syliantengs assured Clarita that they had verified Buñag's authority from Union Bank's Head Office and that the bank had confirmed Buñag's authority to transact with clients regarding the bank's money market instruments. Thus, relying on such assurance and Union Bank's reputation of financial stability and integrity, the Tangs, through Clarita, invested money market placements with Union Bank Cubao-Aurora West Branch from December 1998 to June 1999. These investments were covered by Certificates of Time Deposits and Certificates of Participation and bank passbooks in various amounts. The money market placements of the Tangs were likewise facilitated by Buñag who rolled over the same as they matured. According to respondents, since the money market placements were rolled over successively, it became a usual arrangement between them and Union Bank that the maturing instruments were retrieved by Buñag or by Union Bank's authorized messenger and replaced with current instruments.³⁸ However, sometime in June 1999, Union Bank failed to pay the matured money market placements of the Tangs.

The financial transactions of the Tangs with Union Bank are summarized as follows:

On December 10, 1998, Clarita issued Security Bank and Trust Company (SBTC) Check No. 0371523³⁹ payable to the order of Union Bank in the amount of ₱1,400,000.00 to be invested in money market placements, which was received and cleared by Union Bank. The amounts of ₱1,000,000.00 and ₱400,000.00 were separately invested and rolled over.⁴⁰

³⁸ Id. at 261.

³⁹ Id. at 627.

⁴⁰ Id. at 261.

Insofar as the amount of ₱1,000,000.00, the investment and re-investments are hereunder shown as follows:⁴¹

Placement	Date of Placement	Rate/No. of Days	Maturity Date	Interest Earned	Balance on Maturity
₱1,000,000.00	12/10/98	13.6 (N)/28 days	1/7/99	₱10,577.78	₱1,010,577.78
₱1,000,000.00	1/7/99	13.6 (N)/35 days	2/11/99	₱13,222.00	₱1,013,222.00
₱1,000,000.00	2/11/99	12.5 (N)/35 days	3/18/99	₱12,152.78	₱1,012,152.78
₱1,000,000.00	3/18/99	12.5 (N)/32 days	4/19/99	₱11,111.11	₱1,011,111.11
₱1,000,000.00	4/19/99	12.5 (N)/35 days	5/24/99	₱12,152.75	₱1,012,152.78
₱1,000,000.00	5/24/99	12.5 (N)/35 days	6/28/99	₱12,152.78	₱1,012,152.78
₱1,000,000.00	6/28/99	8.5 (N)/30 days	7/28/99	₱7,083.33	₱1,007,083.33

As shown in the table above, Clarita withdrew the interests earned when the placement matured, but the amount of ₱1,000,000.00 was successively reinvested.⁴²

The Tangs claimed that when the ₱1,000,000.00 that was reinvested on June 28, 1999 matured on July 28, 1999, they demanded the withdrawal of the maturity amount of ₱1,007,083.33, as evidenced by Certificate of Participation No. 000846.⁴³ However, Union Bank refused to accede to their request.⁴⁴

As to the amount of ₱400,000.00, another Certificate of Participation was issued for the same. When the amount matured on January 7, 1999, the Tangs made an additional investment in the amount of ₱100,000.00 by issuing SBTC Check No. 0141855.⁴⁵ The said check was accepted and cleared by Union Bank. The amount was then rolled over as follows:⁴⁶

Placement	Date of Placement	Rate/No. of Days	Maturity Date	Interest Earned	Balance on Maturity
₱400,000.00	12/10/98	13.6 (N)/28 days	1/7/99	₱4,231.11	₱404,231.11
₱404,231.11 + ₱100,000.00	1/7/99	13.6 (N)/35 days	2/11/99	₱6,667.06	₱510,898.17
₱510,898.17	2/11/99	12.5 (N)/35 days	3/18/99	₱6,208.83	₱517,107.00
₱517,107.00	3/18/99	12.5 (N)/32 days	4/19/99	₱5,745.63	₱522,852.63
₱522,852.63	4/19/99	12.5 (N)/35 days	5/24/99	₱6,354.11	₱529,206.74
₱529,206.74	5/24/99	12.5 (N)/35 days	6/28/99	₱6,431.33	₱535,638.07
₱535,638.07	6/28/99	8.5 (N)/30 days	7/28/99	₱3,794.10	₱540,380.70

⁴¹ Id. at 261-262.

⁴² Id. at 261.

⁴³ Id. at 628.

⁴⁴ Id. at 262.

⁴⁵ Id. at 629.

⁴⁶ Id. at 262.

Upon maturity, the Tangs tried to withdraw the maturity amount of ₱540,380.70, as indicated in Passbook No. 0335803.⁴⁷ Union Bank, however, refused.⁴⁸

The Tangs also issued SBTC Check No. 0129030⁴⁹ in the amount of ₱900,000.00 payable to the order of Union Bank on January 7, 1999. The check was duly received and cleared by Union Bank. The proceeds were then invested and rolled over as follows:⁵⁰

Placement	Date of Placement	Rate/No. of Days	Maturity Date	Interest Earned	Balance on Maturity
₱900,000.00	1/7/99	15.625 (G) 13.6 (N)/32 days (sic)	2/11/99	₱[1]1,900.00	₱911,900.00
₱911,900.00	2/11/99	12.5(N)/35 days	3/18/99	₱11,082.12	₱922,982.12
₱922,982.12	3/18/99	15.625 (G) 12.5 (N)/32 days (sic)	4/19/99	₱10,255.36	₱933,237.48
₱933,237.48	4/19/99	15.625(G) 12.5(N)/35 days (sic)	5/24/99	₱11,341.43	₱944,578.91
₱944,578.91	5/24/99	15.625(G) 12.5(N)/35 days	6/28/99	₱11,474.26	₱956,058.17
₱956,058.17	6/28/99	10.625(G) 8.5(N)/30 days	7/28/99	₱8,465.10	₱964,523.27

When the amount of ₱956,058.17 invested on June 28, 1999 matured on July 28, 1999, the Tangs tried to withdraw the full maturity value of ₱964,523.27, as evidenced by Passbook No. 0335797.⁵¹ However, Union Bank again refused despite repeated demands.⁵²

The Tangs had also issued SBTC Check No. 0141874⁵³ in the amount of ₱1,275,000.00 payable to the order of Union Bank on January 19, 1999. The check was received and cleared by Union Bank. The proceeds of the check were likewise intended for investment in Union Bank's money market instruments. The Tangs averred that it was agreed that every month thereafter, the amount of ₱215,213.09 would be withdrawn and remitted to Clarita through manager's checks to be issued by Union Bank. The transactions from the said placement and the monthly withdrawals are summarized as follows:⁵⁴

⁴⁷ Id. at 630.

⁴⁸ Id. at 262.

⁴⁹ Id. at 631.

⁵⁰ Id. at 263.

⁵¹ Id. at 632.

⁵² Id. at 263.

⁵³ Id. at 633.

⁵⁴ Id. at 263-264.



Placement	Date of Placement	Rate/No. of Days	Maturity Date	Interest Earned	Balance on Maturity
₱1,275,000.00	1/19/99	17(G)/31 days	2/19/99 2/19/99	₱14,931.67	₱1,289,931.67 <u>- 215,213.09</u> ₱1,074,718.58
₱1,074,718.58	2/19/99	17/28 days	3/19/99 3/19/99	₱11,368.13	₱1,086,086.71 <u>- 215,213.09</u> ₱870,873.63
₱870,873.63	3/19/99	15.625/31 days	4/19/99	₱9,373.99	₱880,247.62 <u>- 215,213.09</u> ₱665,034.53
₱665,034.53	4/19/99	15.625/30 days	5/19/99	₱6,927.44	₱671,961.97 <u>- 215,213.09</u> ₱456,748.88
₱456,748.88	5/19/99	15.625/30 days	6/19/99	₱4,757.80	₱461,506.68 <u>- 215,213.09</u> ₱246,293.39
₱246,293.39	6/18/99	10.9375/31 days	7/19/99	₱2,319.69	₱248,613.28

Upon maturity, the Tangs tried to withdraw the maturity value of ₱248,613.28 when it matured on July 17, 1999, as evidenced by Passbook No. 0335799.⁵⁵ However, Union Bank also refused the demands.⁵⁶

On March 23, 1999, the Tangs also issued Solid Bank Check No. 0000367981⁵⁷ payable to the order of "Union Bank for the A/C of Roberto N. Tang &/or Clarita S. Tang" in the amount of ₱600,000.00. The proceeds of the said check were to be invested in Union Bank's money market instruments, with the agreement that every time the amount is rolled over, any interest earned thereon would be withdrawn by Clarita. The proceeds of the check were invested and rolled over as follows:⁵⁸

⁵⁵ Id. at 634.

⁵⁶ Id. at 264.

⁵⁷ Id. at 635.

⁵⁸ Id. at 264-265.

Placement	Date of Placement	Rate/No. of Days	Maturity Date	Interest Earned	Balance on Maturity
₱600,000.00	3/23/99	15.625 (G) 12.5 (N)/30 days	4/22/99	₱6,250.00	₱606,250.00
₱600,000.00	4/22/99	15.625(G)/33 days	5/24/99	₱6,875.00	₱606,875.00
₱600,000.00	5/24/99	15.625(G)/35 days	6/28/99	₱7,291.67	₱607,291.67
₱600,000.00	6/28/99	10.625%(G)/30 days	7/28/99	₱4,250.00	₱604,250.00

When the Tangs tried to withdraw the principal and interest in this placement when it matured on July 28, 1999 with a total maturity value of ₱604,250.00, as evidenced by Passbook No. 0441235,⁵⁹ Union Bank refused to heed the demand.

The Tangs also issued nine checks payable to the order of Union Bank on April 23, 1999, the proceeds of which were intended for investment in Union Bank's money market placement. The details of each check are as follows:⁶⁰

Issuing Bank & Check No.	Face Value	Invested in the Names of the Following:
SBTC Check No. 0141993	₱1,000,000.00	Clarita Tang and/or Robert Tang
SBTC Check No. 0141991	₱109,000.00	Clarita Tang and/or Frederick Tang
SBTC Check No. 025643	₱1,435,000.00	Clarita Tang and/or Margaret Tang
SBTC Check No. 0141989	₱1,305,000.00	Clarita Tang and/or Margaret Tang
SBTC Check No. [0]129055	₱1,075,000.00	Clarita Tang and/or Gloria Lim
SBTC Check No. 0180407	₱1,320,000.00	Clarita Tang and/or Cesar Sylianteng
SBTC Check No. 0129057	₱600,000.00	Clarita Tang and/or Gloria Lim
SBTC Check No. 0141992 + SBTC Check No. 0179029 added on June 28, 1999	₱352,650.00 + ₱188,000.00	Clarita Tang and/or her son, Patrick
SBTC Check No. 0129056 + SBTC Check No. 0129062	₱75,000.00 + ₱44,000.00	Clarita Tang and/or Gloria Lim

The checks were allegedly received by Buñag in behalf of Union Bank and which the latter cleared. The proceeds of the checks were then invested and rolled over as follows:⁶¹

A. SBTC Check No. 0141993

Placement	Date of Placement	Rate/No. of Days	Maturity Date	Interest Earned	Balance on Maturity
₱1,000,000.00	4/23/99	15.625/31 days	5/24/99	₱10,763.89	₱1,010,763.89
₱1,010,763.89	5/24/99	15.625/35 days	6/28/99	₱12,283.59	₱1,023,047.48
₱1,023,047.48	6/28/99	10.625/30 days	7/28/99	₱7,246.59	₱1,030,294.07

⁵⁹ Id. at 636.

⁶⁰ Id. at 265-266.

⁶¹ Id. at 266-269.

B. SBTC Check No. 0141991

Placement	Date of Placement	Rate/No. of Days	Maturity Date	Interest Earned	Balance on Maturity
₱109,000.00	4/23/99	15.625(G) 12.5(N)/31 days	5/24/99	₱1,173.26	₱110,173.26
₱110,173.26	5/24/99	12.5/35 days	6/28/99	₱1,338.91	₱111,512.17
₱111,512.17	6/28/99	10.625(G) 8.5(N)/30 days	7/28/99	₱789,88.00	₱112,302.05

C. SBTC Check No. 025643

Placement	Date of Placement	Rate/No. of Days	Maturity Date	Interest Earned	Balance on Maturity
₱1,435,000.00	4/23/99	15.625(G)/31 days	5/24/99	₱15,446.18	₱1,450,446.18
₱1,450,446.18	5/24/99	15.625(G)/35 days	6/28/99	₱17,626.95	₱1,468,073.13
₱1,468,073.13	6/28/99	10.625(G)/30 days	7/28/99	₱10,398.85	₱1,478,471.98

D. SBTC Check No. 0141989

Placement	Date of Placement	Rate/No. of Days	Maturity Date	Interest Earned	Balance on Maturity
₱1,305,000.00	4/23/99	15.625(G) 12.57(N)/31 days	5/24/99	₱14,046.88	₱1,319,046.88
₱1,319,046.88	5/24/99	15.6257(G) 12.57(N)/35 days	6/28/99	₱16,030.08	₱1,335,076.96
₱1,335,076.96	6/28/99	10.625(G) 8.57(N)/30 days	7/28/99	₱9,456.80	₱1,344,533.76

E. SBTC Check No. [0]129055

Placement	Date of Placement	Rate/No. of Days	Maturity Date	Interest Earned	Balance on Maturity
₱1,075,000.00	4/23/99	15.625(G) 12.5(N)/31 days	5/24/99	₱11,571.18	₱1,086,571.18
₱1,086,571.18	5/24/99	15.265(G) 12.5(N)/35 days	6/28/99	₱13,204.86	₱1,099,776.04
₱1,099,776.04	6/28/99	10.625 (G) 8.5(N)/30 days	7/28/99	₱7,790.08	₱1,107,566.12

F. SBTC Check No. 0180407

Placement	Date of Placement	Rate/No. of Days	Maturity Date	Interest Earned	Balance on Maturity
₱1,320,000.00	4/22/99	15.625(G)/31 days	5/24/99	₱14,208.33	₱1,334,208.33
₱1,334,208.33	5/24/99	15.265(G)/35 days	6/28/99	₱16,214.34	₱1,350,422.67
₱1,350,422.67	6/28/99	10.625/30 days	7/28/99	₱9,565.49	₱1,359,988.16

G. SBTC Check No. 0129057

Placement	Date of Placement	Rate/No. of Days	Maturity Date	Interest Earned	Balance on Maturity
₱600,000.00	4/23/99	15.625(G) 12.5(N)/31 days	5/24/99	₱6,458.33	₱606,458.33
₱606,458.33	5/24/99	15.265(G) 12.5(N)/35 days	6/28/99	₱7,370.15	₱613,828.48
₱613,828.48	6/28/99	10.625/30 days	7/28/99	₱4,347.95	₱618,176.43

H. SBTC Check Nos. 0141992 and 0179029

Placement	Date of Placement	Rate/No. of Days	Maturity Date	Interest Earned	Balance on Maturity
₱352,650.00	4/23/99	15.625/31 days	5/24/99	₱3,795.89	₱356,445.89
₱356,445.89	5/24/99	15.265/35 days	6/28/99	₱4,331.81	₱360,777.70
₱360,777.70 + ₱188,000.00 ₱548,777.70	6/28/99	10.625/30 days	7/28/99	₱3,887.18	₱552,664.88

I. SBTC Check Nos. 0129056 and 0129062

Placement	Date of Placement	Rate/No. of Days	Maturity Date	Interest Earned	Balance on Maturity
₱75,000.00	4/23/99	15.625(G) 12.5(N)/31 days	5/24/99	₱807.29	₱75,807.29
₱75,807.29	5/24/99	12.5(N)/35 days	6/28/99	₱921.29	₱76,728.56
₱76,728.56 + ₱44,000.00 ₱120,728.56	6/28/99	10.625(G) 8.5(N)/30 days	7/28/99	₱855.16	₱121,583.72

When all of the placements matured on July 28, 1999, the Tangs sought the withdrawal of the full maturity values, as evidenced by Certificate of Participation No. 000841.⁶² However, Union Bank refused.⁶³

The Tangs had likewise issued SBTC Check No. 0178976⁶⁴ with a face value of ₱1,002,176.54 and payable to the order of Union Bank on May 17, 1999. Union Bank received and cleared the said check. The proceeds of the same were thereafter separately invested. The amount of ₱877,506.54 was invested in the names of Clarita and Margaret, while the amount of ₱124,470.00 was invested in the names of Albert and Helen Tang. The amounts were then rolled over, respectively, as follows:⁶⁵

Placement	Date of Placement	Rate/No. Of Days	Maturity Date	Interest Earned	Balance on Maturity
₱877,506.54	5/17/99	15.625/30 days	6/16/99	₱9,140.69	₱886,647.23
₱886,647.23	6/16/99	10.9375/37 days	7/23/99	₱7,973.67	₱894,620.90

⁶² Id. at 638.

⁶³ Id. at 269.

⁶⁴ Id. at 657.

⁶⁵ Id. at 269.

Placement	Date of Placement	Rate/No. Of Days	Maturity Date	Interest Earned	Balance on Maturity
₱124,470.00	5/17/99	15.625/30 days	6/16/99	₱1,296.56	₱125,766.56
₱125,766.56	6/16/99	10.9375/37 days	7/23/99	₱1,131.03	₱126,897.[59]

However, on July 23, 1999, when the Tangs sought to withdraw the amounts and the earned interest, Union Bank refused to heed the demands.⁶⁶

Prior thereto, or on June 28, 1999, the Tangs had also issued SBTC Check No. 0179030⁶⁷ in the amount of ₱35,000.00 payable to the order of Union Bank, which the latter received and cleared. The check was then invested under the following terms:⁶⁸

Placement	Date of Placement	Rate/No. Of Days	Maturity Date	Interest Earned	Balance on Maturity
₱35,000.00	6/28/99	10.625/30 days	7/28/99	₱[206.60]	₱35,206.60

When this placement matured on July 28, 1999 and the Tangs sought to withdraw the amount and its interest, Union Bank refused to pay the total maturity amount of ₱35,206.60. The said maturity amount is evidenced by Certificate of Participation No. 000839.⁶⁹

The monetary claims of the Tangs against Union Bank are summarized as follows:⁷⁰

A. Certificate of Participation

Certificate No.	Date Issued	Maturity Date	Principal	Maturity Value
000846	6/28/99	7/28/99	₱1,000,000.00	₱1,007,083.33
000841	6/28/99	7/28/99	₱1,023,047.48	₱1,030,294.07
000842	6/28/99	7/28/99	₱111,512.17	₱112,302.05
000831	6/28/99	7/28/99	₱1,468,073.13	₱1,478,471.98
000830	6/28/99	7/28/99	₱1,335,076.96	₱1,344,533.76
000845	6/28/99	7/28/99	₱1,099,776.04	₱1,107,566.12
000829	6/28/99	7/28/99	₱1,350,422.67	₱1,359,988.16
000844	6/28/99	7/28/99	₱613,828.48	₱618,176.43
000840	6/28/99	7/28/99	₱548,777.70	₱552,664.88
000843	6/28/99	7/28/99	₱120,728.56	₱121,583.72
000839	6/28/99	7/28/99	₱35,000.00	₱35,206.60
Total Amount Covered by Certificates of Participation				₱8,767,871.10

B. Certificate of Time Deposit

Certificate No.	Date Issued	Maturity Date	Principal	Maturity Value
747540	6/16/99	7/23/99	₱886,647.23	₱894,620.90
747549	6/16/99	7/23/99	₱125,766.56	₱126,897.[59]
Total Amount Covered by Certificates of Time Deposit				₱1,021,518.44

⁶⁶ Id. at 270.

⁶⁷ Id. at 660.

⁶⁸ Id. at 270.

⁶⁹ Id. at 661.

⁷⁰ Id. at 270-271.

C. Savings Account

Passbook No.	Date Issued	Maturity Date	Principal	Maturity Value
0335803	6/28/99	7/28/99	₱535,638.08	₱540,380.70
0335797	6/28/99	7/28/99	₱956,058.17	₱964,523.27
0335799	6/18/99	7/19/99	₱246,293.59	₱248,613.28
0441235	6/28/99	7/28/99	₱600,000.00	₱604,250.00
Total Amount Covered by Savings Account				₱2,357,767.25
Total Outstanding Balance				₱12,147,156.89

Respondents alleged that on July 7, 1999, Clarita repeatedly tried to get in touch with Buñag to inquire about the discrepancies in the computation of interest payments in one of her investments. When Clarita got hold of Buñag, the latter informed her that inquiries involving Union Bank's money market placements were handled by the Treasury Division of the Union Bank's Head Office. When Clarita had finally reported to the said division, she was directed to transmit a summary of all her fund placements which she immediately complied with. Union Bank's Treasury Division thereafter informed Clarita that it has no records of the bulk of their placements and that the Certificates of Participation which Clarita were holding as evidence of the placements the Tangs have made had been recalled five years earlier. Clarita was likewise informed that Buñag had resigned. Thereafter, the Treasury Division of Union Bank's Head Office sent two of its Cubao-Aurora West Branch to examine the documents in the possession of Clarita.⁷¹

Clarita took no time to inform the Syliantengs of her discovery, which then prompted Lorraine to call Union Bank Cubao-Aurora West Branch. Lorraine was able to talk to one Hazel Geronimo who confirmed that the money market instruments issued to them by Union Bank through Buñag were not officially issued by the bank, and were, thus, not recorded in the books of Union Bank's Treasury Division.⁷²

On July 9, 1999, the Tangs wrote the branch manager of Union Bank's Cubao-Aurora West Branch requesting that all their fund placements be immediately terminated.⁷³ The next day, or on July 10, 1999, the Syliantengs likewise wrote Ramon M. Lim (Lim) of the Head Office, Treasury Division of Union Bank informing them of their fund placements. They also sought Lim's assurance in writing that the funds are intact and are fully available for withdrawal as indicated in the instruments issued to the Syliantengs.⁷⁴

Thereafter, on July 12, 1999, the Syliantengs also wrote Union Bank informing it that they were not renewing their outstanding time deposits, as well as their US Dollar placements upon maturity thereof and gave

⁷¹ Id. at 271-272.

⁷² Id. at 272.

⁷³ Id. at 662.

⁷⁴ Id. at 663.

instructions that manager's checks be issued to them covering the maturity value of their investments.⁷⁵ On July 13, 1999, the Syliantengs also wrote another letter reiterating their earlier decision not to renew their fund placements. They also requested for an explanation why their fund placements were not reflected in Union Bank's treasury books.⁷⁶ In another letter of the same date, the Syliantengs apprised Union Bank's Corporate Secretary and General Counsel, Atty. Fe Macalino (Atty. Macalino), of the certificates of time deposit numbers and product number of their US Dollar placements.⁷⁷

On July 13, 1999, Union Bank paid the Syliantengs the amount of ₱3,037,404.04 for Certificate of Time Deposit No. 662423.⁷⁸ However, the Syliantengs contended that the said amount is deficient by ₱15,891.67.

Union Bank also paid the Syliantengs the amount of US\$13,528.17 for Certificate of Time Deposit No. 740567,⁷⁹ but the Syliantengs claimed that the said amount was also deficient considering that the maturity date reflected in the treasury books was July 13, 1999 and not September 13, 1999 as indicated on the face of the certificate.⁸⁰

The Tangs, on the other hand, wrote Union Bank on July 13, 1999 demanding for the immediate payment of their investments and for a categorical answer as to whether such investments were in Union Bank's possession.⁸¹ On the same date, Helen sent a separate letter dated July 13, 1999 to the bank manager of Union Bank Cubao-Aurora West Branch requesting for the pre-termination of her placement covered by Certificate of Time Deposit No. 747549.⁸²

On July 14, 1999, the Tangs transmitted to the branch manager of Union Bank Cubao-Aurora West Branch copies of their money market instruments which they received from Buñag.⁸³

In three separate letters⁸⁴ dated July 20, 1999, Union Bank's Region Service and Operations Officer, Carlos G. Saldua, Jr. (Saldua), requested the Tangs to give the bank time to verify the status of their various placements and for reconciliation of bank records. Saldua likewise asked for time to conduct an investigation into the incident.

⁷⁵ Id. at 664-665.

⁷⁶ Id. at 666.

⁷⁷ Id. at 667.

⁷⁸ Id. at 623.

⁷⁹ Id. at 626.

⁸⁰ Id. at 273.

⁸¹ Id. at 669.

⁸² Id. at 670.

⁸³ Id. at 672.

⁸⁴ Id. at 673-675.

Consequently, on August 10, 1999, not having received any information on the actions taken by Union Bank regarding their investment, the Syliantengs and the Tangs sent a demand letter addressed to Union Bank's Chairman and Chief Executive Officer, Ernesto A. Ortiz.⁸⁵

On August 31, 1999, Atty. Macalino, in Union Bank's behalf, replied to respondents' queries informing them that since they have dealt with Buñag even before his employment with Union Bank, respondents were being included in the fact-finding investigation being undertaken by the Presidential Anti-Organized Crime Task Force (PAOCTF). Atty. Macalino then requested respondents to await the outcome of the PAOCTF's investigation explaining that Union Bank could only appropriately act on respondents' demands after the conclusion of the investigation.⁸⁶

On the same day, August 31, 1999, the Syliantengs pre-terminated Certificate of Time Deposit No. 747550 which was due to mature on October 7, 1999. Union Bank paid the Syliantengs the amount of ₱5,053,634.14 instead of the maturity value of ₱5,136,722.22. The Syliantengs requested for an itemization of the deductions charged against their expected interest payments, however, Union Bank allegedly did not accede to the request.⁸⁷

Respondents further learned that Union Bank, through Saldua, filed a criminal complaint docketed as I.S. No. 99-G-26121⁸⁸ for Qualified Theft against Buñag with the City Prosecutor's Office of Makati. In his Affidavit,⁸⁹ Saldua revealed how Buñag fraudulently obtained funds from the Tangs for placement in selected commercial papers and issued as evidence of such placements Union Prime Fund Certificates of Participation, many of which were not officially recorded in Union Bank's treasury books. Saldua also uncovered as to how Buñag facilitated his fraudulent schemes by opening a checking account in the names of Roberto and Clarita without their knowledge and consent, and forged their signatures in the specimen signature cards. Saldua narrated that upon receipt of the checks issued by Clarita for placement, Buñag would initially place the checks with Union Bank's Treasury Division. Upon maturity, the proceeds were then credited to the fictitious checking account. Thereafter, Buñag would withdraw the funds of the Tangs by (a) issuing checks which he deposited in other accounts with Union Bank, as well as in accounts with other banks under his control; (b) by making over-the-counter withdrawals, by transferring funds to another Union Bank account; (c) by requesting for issuance of manager's check in the names of various payees; and (d) by making on-us check drawings.⁹⁰

⁸⁵ Id. at 676-680.

⁸⁶ Id. at 681.

⁸⁷ Id. at 686.

⁸⁸ Id. at 703.

⁸⁹ Id. at 704-707.

⁹⁰ Id.



Respondents likewise learned that on August 17, 1999, Union Bank, through Saldua, filed another complaint docketed as I.S. No. 99-H-27962⁹¹ for Economic Sabotage through bank swindling against Buñag. It was alleged in the Affidavit⁹² that Buñag took money from Union Bank's depositors and clients, among them the Syliantengs, purportedly for placement in money market instruments or high-yield deposit instruments. However, the money market instruments and the passbooks issued for these placements were either unauthorized or spurious. It was further alleged that the certificates of money market instruments, *i.e.*, Certificates of Participation, Certificates of Time Deposits, Dollar and Peso Accounts Passbooks, which Buñag issued, were supposed to be accountable forms and that they had only discovered that Buñag stole these forms. In a full inventory conducted by Union Bank, it was discovered that the booklets of Certificate of Participation Nos. 000851 to 000900, 000822 to 000846, and 000848 to 000850 were among those missing. It was also confirmed that the instruments issued to the Syliantengs and the Tangs came from these booklets. It was moreover alleged in the affidavit that to carry out the fraud, Buñag opened a checking account in the name of Roberto without the latter's knowledge and consent. Buñag then affixed fictitious signatures to the specimen signature card, which then enabled him to deposit the proceeds of maturing instruments and likewise to effect withdrawals from said bogus checking account.⁹³

As respondents were not advised of the outcome of the investigation conducted by the PAOCTF, they sought the intervention of then Bangko Sentral ng Pilipinas (BSP) Governor, Rafael B. Buenaventura (Buenaventura), and its Deputy Governor, Alberto Reyes (Reyes).⁹⁴ The BSP, thereafter, informed respondents that Union Bank had been directed to submit its report on the investigation conducted on the incident.⁹⁵

On October 29, 1999, respondents wrote Union Bank seeking audience with its directors so they could show the instruments in their possession.⁹⁶ Union Bank's Senior Vice-President, Teodoro M. Panganiban, in a letter dated November 9, 1999,⁹⁷ informed respondents that he had been tasked by Union Bank's Board of Directors to take care of the matter pertaining to respondents' investments. The letter further stated that any action on respondents' claim of payment will depend on the actions of Union Bank's Board of Directors. Thereafter, despite a follow-up letter made by respondents on December 6, 1999, no further information was communicated to them.⁹⁸

⁹¹ Id. at 708.

⁹² Id. at 709-714.

⁹³ Id.

⁹⁴ Id. at 715-729.

⁹⁵ Id. at 276.

⁹⁶ Id. at 730-731.

⁹⁷ Id. at 732.

⁹⁸ Id. at 733.

Subsequently, through the intervention of the BSP, respondents and Atty. Macalino of Union Bank met and conferred on the matter. Respondents were then informed that the payment of their investment could not as yet be effected as Union Bank could not rule out the possibility that respondents and Buñag had connived in committing the fraud. Atty. Macalino pointed out that Buñag was, after all, able to transfer and/or deposit some of the placements and their earnings in the names of respondents and thereafter, was able to withdraw the same. Respondents vehemently denied the accusation and pointed out that the signature specimen cards would show that their signatures were forged and that the checking account was bogus.⁹⁹

Respondents contended that despite Union Bank's suspicions on respondents' complicity in Buñag's fraud, they nevertheless cooperated with Union Bank's investigation. Respondents allowed an employee of Union Bank to scrutinize their banking accounts in which payments received by Buñag, purportedly representing earnings from their placements, were deposited. Respondents likewise allowed the examination of their other banking accounts and to further dispel any doubt and suspicion on their character and reputation, respondents furnished Union Bank and the BSP with character endorsements from prominent professionals and bankers of unquestionable integrity and reputation.¹⁰⁰

However, despite their efforts of cooperating with Union Bank, respondents felt that the bank had not been as sympathetic to their cause, noting that Union Bank has neither given them any report on the investigation conducted on the incident. Thus, in a letter dated June 5, 2000,¹⁰¹ respondents demanded for the payment of their investments. However, the demand still went unheeded.¹⁰²

Hence, on December 22, 2000, respondents were constrained to file the complaint for Recovery of Sum of Money with Damages, with prayer for the issuance of a writ of preliminary attachment.¹⁰³

Respondents contended that the non-payment of their money market placements was due to the fraud committed by Buñag, who, in breach and grave abuse of his official duty and capacity as the branch manager of Union Bank Cubao-Aurora West Branch, stole accountable forms from the bank's branch office. Respondents averred that Buñag opened checking accounts in their names without their knowledge and consent and forged their signatures. That Buñag then deposited the proceeds of respondents' money placements

⁹⁹ Id. at 276-277.

¹⁰⁰ Id. at 277.

¹⁰¹ Id. at 751-753.

¹⁰² Id. at 278.

¹⁰³ Id.

and withdrew the funds from the said fictitious checking accounts and deposited these to his personal savings account.

Respondents further alleged that due to the unjustified refusal of Union Bank and Buñag to pay their money placements, they suffered and continue to suffer mental anguish, anxiety, sleepless nights and besmirched reputation when Union Bank impliedly charged them of connivance with Buñag. Respondents likewise contended that Union Bank should be made to pay exemplary damages by way of example or correction for the public good due to its unlawful evasion of payment of respondents' money placements. Lastly, that due Union Bank and Buñag's unjustified acts, respondents were forced to litigate and engage the services of counsel for which they should be made liable for.

Respondents then prayed that judgment be rendered against Union Bank and Buñag as follows: (a) under the first cause of action, ordering Union Bank and Buñag, jointly and severally, to pay the Syliantengs the amount of ₱8,559,204.32 and US\$23,260.66 and the Tangs in the amount of ₱12,147,156.89, and all interests due on said unpaid amounts at the rates stipulated under the respective fund placements, until the obligation is paid, as and by way of actual damages; (b) under the second cause of action, ordering Union Bank and Buñag, to pay respondents, jointly and severally, ₱2,000,000.00 by way of moral damages; (c) under the third cause of action, ordering Union Bank and Buñag to pay respondents, jointly and severally, ₱1,000,000.00, by way of exemplary damages; and (d) under the fourth cause of action, ordering Union Bank and Buñag to pay respondents, jointly and severally, ₱1,000,000.00 by way of attorney's fees and costs of litigation.¹⁰⁴

In its Answer,¹⁰⁵ Union Bank admitted that it received the following amounts from the Syliantengs as placements:

Issuing Bank & Check No.	Amount
Solid Bank Check No. 089494	₱4,000,000.00
International Exchange Bank Manager's Check No. 0000001868	₱4,935,080.75
Solid Bank Check No. 0231422	₱3,000,000.00
Urban Bank Check No. 0027422	₱5,000,000.00
	US\$13,176.64

However, Union Bank denied any knowledge as to any arrangement agreed upon between the Syliantengs and Buñag on how these amounts would be invested.

¹⁰⁴ Id. at 600-601.

¹⁰⁵ Id. at 884-896.

Union Bank likewise admitted the withdrawal made by the Syliantengs in the amount of ₱2,000,000.00¹⁰⁶ and the payments the bank had made to the Syliantengs in the following amounts: ₱3,037,407.04, ₱5,053,634.14, and US\$13,528.17.¹⁰⁷

As to the investments made by the Tangs, Union Bank admitted receiving the following amounts:¹⁰⁸

Issuing Bank & Check No.	Amount
SBTC Check No. 0371523	₱1,400,000.00
SBTC Check No. 0141855	₱100,000.00
SBTC Check No.0129030	₱900,000.00
SBTC Check No. 0141874	₱1,275,000.00
Solid Bank Check No. 0000367981	₱600,000.00
SBTC Check No. 0141993	₱1,000,000.00
SBTC Check No. 0141991	₱109,000.00
SBTC Check No. 025643	₱1,435,000.00
SBTC Check No. 0141989	₱1,305,000.00
SBTC Check No. 0129055	₱1,075,000.00
SBTC Check No. 0180407	₱1,320,000.00
SBTC Check No. 0129057	₱600,000.00
SBTC Check No. 0141992	₱352,650.00
SBTC Check No. 0179029	₱188,000.00
SBTC Check No. 0129056	₱75,000.00
SBTC Check No. 0179030	₱35,000.00

However, Union Bank likewise denied any knowledge as to any arrangement agreed upon between the Tangs and Buñag as to these amounts, *i.e.*, withdrawal of interest upon maturity and rollover. Union Bank further admitted the exchange of correspondence between the bank and respondents after the fraud committed by Buñag was revealed, and that it filed criminal cases for Qualified Theft and Economic Sabotage through bank swindling against Buñag.¹⁰⁹

By way of affirmative defenses, Union Bank admitted that respondents invested a total of ₱37,649,788.83 with the bank which were placed in different money market placements. However, Union Bank claimed that it had made payment to the Syliantengs in the total amount of ₱75,415,160.74. Union Bank then contended that considering that the Syliantengs admitted receiving the amount of ₱34,037,111.53, the bank had in fact, therefore, overpaid the Syliantengs in the amount of ₱32,818,844.89.

¹⁰⁶ Id. at 884.

¹⁰⁷ Id. at 888.

¹⁰⁸ Id. at 885-887.

¹⁰⁹ Id. at 888.

That the same is also true with the dollar placements made by the Syliantengs. According to Union Bank, the Syliantengs deposited the total amount US\$54,985.57 and that the entire amount had already been withdrawn by them either in cash or draft.¹¹⁰

As to the investments made by the Tangs, Union Bank averred that they invested a total amount of ₱15,045,626.54 in the bank's different money market instruments. However, Union Bank claimed that from January 7, 1999 up to the time that the placements were pre-terminated by Clarita, a total of ₱15,061,972.20 had been remitted by the bank to the Tangs. Thus, according to the bank, the claims of the Tangs had been paid.¹¹¹

Union Bank further alleged that it had not been, in any way, negligent in its banking and accounting practices as it conducts yearly audits, and that prior to the discovery of the fraud, Union Bank Cubao-Aurora West Branch passed the audit with flying colors. According to Union Bank, if it were true that respondents were not paid all the amounts due them, they have no one to blame but themselves in view of their negligence in trusting millions of pesos with Buñag. Union Bank added that respondents should have exerted precautions which any depositor would have taken in the regular course of business, *e.g.*, they would have had their passbooks machine-validated, they would have had each transaction including the interest and withholding taxes noted in the passbook, and they would have had transacted over-the-counter, where proper verification of signatures and validation of the transaction would have passed by at least two different bank employees.¹¹²

Union Bank denied any liability for the acts of Buñag contending that respondents did not rely upon the representations of Buñag as the bank's agent, but on their close relations to Buñag which existed even before the latter transferred to Union Bank. According to Union Bank, respondents would not have invested in the money market instruments of the bank were it not for Buñag.¹¹³

Union Bank further denied any negligence in their observance of proper banking practices and accounting procedures. It stressed that it conducts yearly audits of all its branches and that prior to the discovery of the fraud, Union Bank Cubao-Aurora West Branch was consistent in hurdling these audits with flying colors. Thus, the bank argued that it cannot be made liable for moral and exemplary damages.¹¹⁴

¹¹⁰ Id. at 891.

¹¹¹ Id.

¹¹² Id. at 892-893.

¹¹³ Id. at 892.

¹¹⁴ Id. at 893.

By way of counterclaim, Union Bank alleged that it is entitled to be reimbursed the amount of ₱32,818,844.89 which it overpaid to the Syliantengs. The bank likewise prayed for the award of attorney's fees and litigation costs in the amount of ₱200,000.00.¹¹⁵

Buñag was declared in default on December 3, 2001 for his failure to file his answer.¹¹⁶

The Ruling of the RTC

On January 11, 2013, the RTC rendered a Decision¹¹⁷ in favor of respondents, the dispositive portion of which reads:

WHEREFORE, judgment is hereby rendered in favor of the plaintiffs and against defendants Union Bank of the Philippines and Raymond Buñag, ordering them, jointly and severally, to pay:

1. Plaintiffs Sylianteng the sum of Eight Million Five Hundred Fifty Nine Thousand Two Hundred Four Pesos and 34/100 (₱8,559,204.34) with interest of 10.9375% per annum, compounded annually, effective upon the filing of the complaint on December 22, 2000 until fully paid, and the sum of Twenty Three Thousand and Four Dollar[s] and Four Cents (US\$23,004.04) with interest of 6.875% per annum effective on December 22, 2000, compounded yearly, until fully paid.

2. Plaintiffs Tang the sum of Eleven Million One Hundred Twenty Five Thousand Six Hundred Thirty Eighth and Forty Five Centavos (₱11,125,638.45) representing the placements under Certificates of Participation and Savings Deposits, with interest at the rate of 10.625% per annum, compounded annually, effective December 22, 2000 until fully paid; and the sum of One Million Twenty One Thousand Five Hundred Eighteen and Forty Four Centavos (₱1,021,518.44) with interest of 10.9375% per annum, compounded annually effective December 22, 2000 until fully paid.

3. Plaintiffs Sylianteng and Tang [the] sum of Five Hundred Thousand Pesos (₱500,000.00) as moral damages; Three Hundred Thousand Pesos (₱300,000.00) as exemplary damages and Two Hundred Thousand pesos (₱200,000.00) as attorney's fees.

SO ORDERED.¹¹⁸

The RTC ruled that the acts of Buñag in the performance of his duties, power, and authority as officer of Union Bank is binding against the latter, adding that Union Bank was also grossly remiss of its duties to exercise the

¹¹⁵ Id. at 894.

¹¹⁶ Id. at 282.

¹¹⁷ Id. at 329-345.

¹¹⁸ Id. at 345.

highest degree of diligence, as well as high standards of integrity and performance in all its transactions.¹¹⁹ The RTC found no merit in Union Bank's claim that it had paid, more so overpaid, respondents' money claims pointing out that the Audit Committee Reports presented by the bank were flawed by erroneous and falsified entries in the bank records of the Union Bank Cubao-Aurora West Branch and the faulty and incomplete records of Union Bank's Treasury Division.

Consequently, Union Bank filed a Motion for Reconsideration of the RTC Decision contending that the records produced by respondents do not bear the bank's *imprimatur*, and that neither do the records purport to be authenticated by an appropriate officer of Union Bank. Union Bank then offered into evidence the Audit Committee Reports dated January 5, 2000 and April 26, 2000 which allegedly contain the results of the verification and reconciliation of the records of Union Bank and those presented by respondents.

On April 11, 2013, the RTC issued an Order¹²⁰ denying Union Bank's Motion for Reconsideration for lack of merit.

Not amenable to the RTC Decision, Union Bank appealed to the CA.

The Ruling of the CA

On July 19, 2016, the CA rendered the herein assailed Decision¹²¹ affirming the RTC Decision, with modifications. The dispositive portion of which reads:

WHEREFORE, premises foregoing, the appealed decision is AFFIRMED subject to the following modifications:

1. The amounts of P83,088.08 and US\$256.62 which are part of the monetary claims of the Syliantengs claim are ordered DELETED.
2. In the computation of interest to be imposed on the monetary claims, the appropriate savings deposit rate prevailing at the time of the maturity of the placements shall be applied to the maturity values of unredeemed placements from the time of maturity until the amount is fully paid. The stipulated interest shall then be imposed on the amount arrived at. Legal interest shall further be imposed at six percent (6%) *per annum* reckoned from the time of judicial demand until the amount is fully paid.

¹¹⁹ Id. at 341.

¹²⁰ Id. at 347-348.

¹²¹ Id. at 250-299-A.

3. Interest on claims for mere deficiency in placements which have been terminated shall be computed using the original interest rate stipulated. Said amount shall likewise earn legal interest at six percent *per annum* (6%) in conformity with the ruling in *Nacar v. Gallery Frames, et al.* until the amount is fully paid.

SO ORDERED.¹²²

The CA affirmed the RTC Decision finding Union Bank liable for the acts of Buñag as its agent ratiocinating that a bank is liable for the wrongful acts of its officers done in the interest of the bank or in the course of dealings of its officers in their representative capacity. The CA rejected Union Bank's protestation that respondents were negligent in their dealings with the bank and instead found that it was the bank's inexcusable lapses in the implementation of its internal control system that facilitated the fraud.¹²³

The CA then found that respondents' formal offer of documentary exhibits sufficiently substantiated their monetary claims, except for the amounts of ₱83,088.08 and US\$256.62. According to the CA, the unsubstantiated amounts of ₱83,088.08 and US\$256.62 represent the difference between the maturity values that the Syliantengs were supposed to receive and the payment made by Union Bank on the pre-terminated placements.¹²⁴

As to the award of interest, the CA held that the maturity values of the unredeemed placements shall be subject to the appropriate savings deposit rate prevailing at the time of the maturity of the placements, in view of the condition set forth in the Certificates of Time Deposit providing that time deposits not withdrawn or renewed on its due date shall earn savings deposit prevailing rate from the time of maturity to the date of actual withdrawal or renewal. The total amount of the maturity values plus the interest arrived at using the appropriate savings deposit rate was then subjected by the CA to the rules set forth in *Eastern Shipping Lines, Inc. v. Court of Appeals*,¹²⁵ as modified by *Nacar v. Gallery Frames*¹²⁶ on the imposition of compensatory interest.¹²⁷

On August 11, 2016, Union Bank filed a Motion for Reconsideration of the CA Decision. Union Bank asserted that the transactions entered into by Buñag with respondents in behalf of Union Bank were *ultra vires* and therefore not binding upon the bank. That moreover, the proximate cause of the loss was respondents' own negligence. Union Bank likewise insisted

¹²² Id. at 299-299-A.

¹²³ Id. at 285-290.

¹²⁴ Id. at 294.

¹²⁵ 304 Phil. 236 (1994).

¹²⁶ 716 Phil. 267 (2013).

¹²⁷ *Rollo*, p. 298.

that it has overpaid respondents as shown in the Audit Committee Reports and that in fact, it is entitled to reimbursement for the excess in the payments. It added that even granting it is liable for the monetary claims of respondents, it should only be liable to pay the legal interest rate of 6% per annum since the terms of the contracts are no longer controlling owing to their termination.

Thereafter, on August 22, 2016, respondents filed their Partial Motion for Reconsideration and/or Clarification seeking reconsideration of the amounts ordered to be deleted by the CA and clarification on the computation of the amount that would be ultimately awarded to them.

On October 28, 2016, Union Bank filed its Comment/Opposition to respondents' Motion for Reconsideration, while respondents filed their Vigorous Opposition to Union Bank's motion on November 2, 2016.¹²⁸

On March 24, 2017, the CA rendered an Amended Decision¹²⁹ denying the parties' respective motions for reconsideration, but modifying its original Decision. The dispositive portion of which reads:

WHEREFORE, the parties' motions for reconsideration are DENIED.

In view of the foregoing disquisition, We correct Our dispositive portion and the same is hereby amended to hereinafter read as follows:

WHEREFORE, premises foregoing, the appealed decision is AFFIRMED subject to the following modifications:

1. The amounts of P83,088.08 and US\$256.62 which are part of the monetary claims of the Syliantengs are ordered DELETED.
2. In the computation of interest to be imposed on the monetary claims, the appropriate savings deposit rate prevailing at the time of the maturity of the placements shall be applied to the maturity values of unredeemed placements from the time of maturity until the amount is fully paid. The stipulated interest shall then be imposed on the amount arrived at. The interest due shall itself earn legal interest reckoned from the time it is judicially demanded in conformity with paragraph (II)(1) of the Rules on the imposition of interest set forth in *Eastern Shipping Lines v. Court of Appeals, et al.*, as modified by *Nacar v. Gallery Frames*.

¹²⁸ Id. at 1909-1979.

¹²⁹ Id. at 302-316.

3. Interest on claims for mere deficiency in placements which have been terminated shall be computed using the original interest rate stipulated. Interest due shall also earn legal interest reckoned from the time it is judicially demanded in conformity with paragraph (II)(1) of the Rules on the imposition of interest set forth in *Eastern Shipping Lines v. Court of Appeals, et al.*, as modified by *Nacar v. Gallery Frames*.
4. Upon finality of this decision, the entire amount awarded shall further earn legal interest of six percent (6%) reckoned from the time of finality until full satisfaction in accordance with paragraph (II)(3) of the Rules on the imposition of interest set forth in *Eastern Shipping Lines v. Court of Appeals, et al.*, as modified by *Nacar v. Gallery Frames*.
5. This case is, in the meantime, remanded to the court of origin for reception of evidence on the applicable savings interest rate for the unredeemed placements. The court *a quo* is ordered to resolve this matter with utmost dispatch.

x x x x

SO ORDERED.¹³⁰ (Underscoring in the original)

Thereafter, on April 17, 2017, Union Bank filed a Motion for Reconsideration of the Amended Decision.

On December 15, 2017, the CA rendered a Resolution¹³¹ denying Union Bank's Motion for Reconsideration, the dispositive portion of which provides:

WHEREFORE, defendant-appellant Union Bank of the Philippines' "Motion for Reconsideration" of Our March 24, 2019 Amended Decision is DENIED and Our March 24, 2017 Amended Decision STANDS.

x x x x

SO ORDERED.¹³²

Hence, Union Bank brought the instant Petition before this Court raising the following issues:

¹³⁰ Id. at 314-315.

¹³¹ Id. at 319-323.

¹³² Id. at 323.

- I. WHETHER OR NOT AN AGENT WHO EXCEEDS HIS POWERS BINDS THE PRINCIPAL.
- II. WHETHER OR NOT A PERSON WHO PERSONALLY AND KNOWINGLY DEALT WITH AN AGENT ACTING BEYOND THE SCOPE OF HIS POWERS IS THE PROXIMATE CAUSE OF HIS OWN DAMAGE AND IS CONSEQUENTLY LIABLE FOR HIS OWN NEGLIGENCE.
- III. WHETHER OR NOT AN ACTIONABLE DOCUMENT NOT SPECIFICALLY DENIED UNDER OATH SHOULD BE DEEMED ADMITTED AND DULY CONSIDERED BY THE COURT.
- IV. WHETHER OR NOT A COURT CAN AWARD A RELIEF NOT SUPPORTED BY EVIDENCE.
- V. WHETHER OR NOT A COURT CAN AWARD MORAL AND EXEMPLARY DAMAGES AND ATTORNEY'S FEES IN THE ABSENCE OF A FINDING OF MALICE, FRAUD, AND BAD FAITH.¹³³

Petitioner's Arguments

Union Bank contends that the CA committed reversible error and rendered the assailed Decisions and Resolution not in accord with the law and the applicable jurisprudence in declaring that it is liable for the *ultra vires* acts of Buñag who dealt solely with respondents despite the fact that such acts violated known banking laws and were never sanctioned nor ratified at any time by Union Bank. Union Bank asserts that it cannot be bound by the obligations entered into by Buñag who had exceeded his powers.¹³⁴

Union Bank likewise asseverates that its Audit Committee Reports which clearly established the bank's overpayment of ₱37,781,717.57 are actionable documents and are, thus, entitled to full credence.¹³⁵

On the matter of interest, Union Bank avers that the CA erred in granting compounded interest on the maturity value of the unredeemed placements, arguing that the perpetual application of the stipulated interest rate is not provided for in the Certificates of Time Deposit and Certificates of Participation, especially since there is a specific maturity date stated in the certificates. Union Bank adds that the CA erred in granting interest at the savings deposit rate due to respondents' failure to prove their entitlement thereto before the trial court.¹³⁶

¹³³ Id. at 157-158.

¹³⁴ Id. at 158.

¹³⁵ Id. at 159.

¹³⁶ Id. at 160.

Finally, Union Bank alleges that the CA erred in awarding moral and exemplary damages and attorney's fees to respondents contending that it did not act with malice, fraud, or bad faith in dealing with respondents and that it only acted within its legal rights in conducting an investigation into the transactions between Buñag and respondents.¹³⁷

Respondents' Arguments

Respondents maintain that Union Bank is liable for the acts of Buñag as its agent, applying the well-entrenched doctrine of apparent authority to banks. Respondents asseverate that it was Union Bank's negligence and inexcusable lapses which facilitated the fraud committed by Buñag against respondents, taking into consideration that the bank, being engaged in a business affected with public interest, is required to exercise the highest degree of diligence in the performance of its fiduciary obligation and in the selection and supervision of its branch manager.

Respondents further aver that as correctly ruled by the CA, the Audit Committee Reports cannot be considered as actionable documents since Union Bank failed to set forth the contents of the purported reports and attach copies thereof to its Answer. Respondents add that even assuming that the Audit Committee Reports are actionable documents, these are still grossly insufficient to show payment, more so, overpayment, since as found by the RTC, the documents are flawed by erroneous and falsified entries.

As regards the imposition of compounded interest, respondents echo the CA's justification that it is conformable with *Eastern Shipping Lines v. Court of Appeals*¹³⁸ and *Nacar v. Gallery Frames*.¹³⁹

Lastly, respondents claim that they are entitled to the award of moral damages, exemplary damages, and attorney's fees contending that Union Bank clearly acted with malice, fraud, and bad faith when, despite its acknowledgment that its branch manager, Buñag, had defrauded respondents, it nonetheless unjustifiably and maliciously refused to pay their investments.

The Ruling of the Court

The Petition lacks merit.

The General Banking Act of 2000 demands of banks the highest standards of integrity and performance.¹⁴⁰ The business of banking is

¹³⁷ Id.

¹³⁸ Supra note 125.

¹³⁹ Supra note 126.

¹⁴⁰ *Philippine Savings Bank v. Chowking Food Corporation*, 579 Phil. 589, 600-601 (2008).

imbued with public interest; it is an industry where the general public's trust and confidence in the system is of paramount importance. Consequently, banks are expected to exert the highest degree of, if not the utmost, diligence. They are obligated to treat their depositors' accounts with meticulous care, always keeping in mind the fiduciary nature of their relationship.¹⁴¹

To exculpate itself from liability for the breach of its contractual obligations towards respondents brought about by the fraudulent acts of its branch manager, Buñag, Union Bank asserts that it cannot be bound by the obligations entered into by Buñag in excess of his powers.

The liability of the principal for the acts of the agent is unequivocally provided in the Civil Code, *viz.*:

Art. 1910. The principal must comply with all the obligations which the agent may have contracted within the scope of his authority.

Art. 1911. Even when the agent has exceeded his authority, the principal is solidarily liable with the agent if the former allowed the latter to act as though he had full powers.

In *Prudential Bank v. Court of Appeals*,¹⁴² the Court laid down the doctrine of apparent authority with reference to banks, thus:

Conformably, we have declared in countless decisions that the principal is liable for obligations contracted by the agent. The agent's apparent representation yields to the principal's true representation and the contract is considered as entered into between the principal and the third person.

A bank is liable for wrongful acts of its officers done in the interests of the bank or in the course of dealings of the officers in their representative capacity but not for acts outside the scope of their authority. A bank holding out its officers and agent as worthy of confidence will not be permitted to profit by the frauds they may thus be enabled to perpetuate in the apparent scope of their employment; nor will it be permitted to shirk its responsibility for such frauds, even though no benefit may accrue to the bank therefrom. **Accordingly, a banking corporation is liable to innocent third persons where the representation is made in the course of its business by an agent acting within the general scope of his authority even though, in the particular case, the agent is secretly abusing his authority and attempting to perpetrate a fraud upon his principal or some other person, for his own ultimate benefit.**

¹⁴¹ *Land Bank of the Philippines v. Kho*, 789 Phil. 306, 314-315 (2016).

¹⁴² *Supra* note 1, at 408-409.

Application of these principles is especially necessary because banks have a fiduciary relationship with the public and their stability depends on the confidence of the people in their honesty and efficiency. Such faith will be eroded where banks do not exercise strict care in the selection and supervision of its employees, resulting in prejudice to their depositors. (Emphasis supplied)

In *Citystate Savings Bank v. Tobias*,¹⁴³ the Court further elucidated the doctrine of apparent authority, thus:

The doctrine of apparent authority or what is sometimes referred to as the “holding out” theory, or the doctrine of ostensible agency, imposes liability, *not “as the result of the reality of a contractual relationship*, but rather because of the actions of a principal or an employer in somehow misleading the public into believing that the relationship or the authority exists.” It is defined as:

[T]he power to affect the legal relations of another person by transactions with third persons arising from the other’s manifestations to such third person such that the liability of the principal for the acts and contracts of his agent extends to those which are within the apparent scope of the authority conferred on him, although no actual authority to do such acts or to make such contracts has been conferred.

Succinctly stating the foregoing principles, the liability of a bank to third persons for acts done by its agents or employees is limited to the consequences of the latter’s acts which it has ratified, or those that resulted in performance of acts within the scope of actual or apparent authority it has vested.

The evidence on record sufficiently established that Buñag, as branch manager, was “clothed” or “held out” as having the power to enter into the subject agreements with respondents. Both the RTC and the CA uniformly found that Buñag, as branch manager, was authorized to solicit investments in money market instruments, such as Certificate of Time Deposit and Certificate of Participation, from clients. As branch manager, Buñag was allowed to service the marketed clients at their respective homes and offices. Records show that Saldua, a ranking employee of Union Bank, admitted that respondents were among those considered as “marketed clients.” Saldua likewise acknowledged that Buñag had the authority to promote banking products and services and to solicit business for the bank from prospective clients outside of the bank’s premises. The respondents’ transactions with Union Bank made outside of the bank’s premises were therefore allowed and sanctioned by the bank. Certainly, as held by the CA, respondents cannot be faulted for the fact that the transactions were facilitated outside the bank premises.

¹⁴³ 827 Phil. 430, 442-443 (2018).

In *Citystate*, the Court upheld the regularity of the transactions made by respondents' therein with the bank's branch manager outside the bank premises. In that case, the witnesses admitted that while the bank's general policy requires that transactions be completed inside the bank premises, exceptions are made in favor of valued clients, in which case, banking transactions are allowed to be done in the residence or place of business of the depositor, since the same are verified subsequently by the bank cashier.

The existence of apparent or implied authority is measured by previous acts that have been ratified or approved or where the accruing benefits have been accepted by the principal. It may also be established by proof of the course of business, usages, and practices of the bank; or knowledge that the bank or its officials have, or is presumed to have of its responsible officers' acts regarding bank branch affairs.¹⁴⁴ If a corporation knowingly permits its officer, or any other agent, to perform acts within the scope of an apparent authority, holding him out to the public as possessing power to do those acts, the corporation will, as against any person who has dealt in good faith with the corporation through such agent, be estopped from denying such authority.¹⁴⁵

In the same vein, Union Bank cannot impute negligence on respondents in relying on the validity of the transactions facilitated by its branch manager, Buñag. As branch manager, Buñag is recognized "within his field and as to third persons as the general agent and is in general charge of the corporation, with apparent authority commensurate with the ordinary business entrusted him and the usual course and conduct thereof."¹⁴⁶ The public has the right to rely on the trustworthiness of bank managers and their acts. Obviously, confidence in the banking system, which necessarily includes reliance on bank managers, is vital in the economic life of our society.¹⁴⁷

In *BPI Family Savings Bank, Inc. v. First Metro Investment Corp.*,¹⁴⁸ in rejecting petitioner bank's contention that respondent should have first inquired whether the deposit of ₱100 Million and the fixing of the interest rate were pursuant to the bank's internal procedures, the Court held that what transpires in the corporate board room is entirely an internal matter. Thus, the bank may not impute negligence on the part of respondent's representative in failing to find out the scope of authority of petitioner bank's branch manager. The Court declared that the public has the right to rely on the trustworthiness of bank managers and their acts.

¹⁴⁴ *Citystate Savings Bank v. Tobias*, id. at 446.

¹⁴⁵ *BPI Family Savings Bank v. First Metro Investment Corp.*, 472 Phil. 911, 921 (2004).

¹⁴⁶ *Citystate Savings Bank v. Tobias*, supra note 144, at 448.

¹⁴⁷ *BPI Family Savings Bank v. First Metro Investment Corp.*, supra note 145, at 923.

¹⁴⁸ Supra note 145.

A bank is liable to innocent third persons where the representation is made in the course of its normal business by an agent like Buñag as branch manager, even though such agent is abusing his authority. The representations of Buñag were evidently made in the course of Union Bank's normal business, and pursuant to his functions as a branch manager of one of Union Bank's branches. Understandably, therefore, respondents safely assumed that his representations were made in pursuant to, and under the authority of Union Bank. If the Court were to rule otherwise, the public's faith in the banking system would be eroded, and the fiduciary relationship of banks with the public would be rendered nugatory.¹⁴⁹

A bank holding out its officers and agents as worthy of confidence will not be permitted to profit by the frauds they may thus be enabled to perpetrate in the apparent scope of their employment; nor will it be permitted to shirk its responsibility for such frauds, even though no benefit may accrue to the bank therefrom. Accordingly, a banking corporation is liable to innocent third persons where the representation is made in the course of its business by an agent acting within the general scope of his authority even though the agent is secretly abusing his authority and attempting to perpetrate a fraud upon his principal or some other persons for his own ultimate benefit.¹⁵⁰

In passing upon the liability of a corporation in cases of this kind, it is always well to keep in mind the situation as it presents itself to the third party with whom the contract is made. Naturally, he can have little or no information as to what occurs in corporate meetings; and he must necessarily rely upon the external manifestations of corporate consent. The integrity of commercial transactions can only be maintained by holding the corporation strictly to the liability fixed upon it by its agents in accordance with law.¹⁵¹

It cannot be gainsaid that the obligation of observing the highest standards of integrity and performance devolves upon the banks and not upon its clients. A banking institution like Union Bank is obliged to exercise the highest degree of diligence, as well as high standards of integrity and performance in all its transactions because its business is imbued with public interest.¹⁵² The stability of banks largely depends on the confidence of the people in the honesty and efficiency of banks.¹⁵³

¹⁴⁹ *Tolentino v. Philippine Postal Savings Bank, Inc.*, G.R. No. 241329, November 13, 2019.

¹⁵⁰ *BPI Family Savings Bank v. First Metro Investment Corp.*, supra note 145, at 921-922.

¹⁵¹ *Francisco v. Government Service Insurance System*, 117 Phil. 586, 593 (1963), citing *Ramirez v. Orientalist Co.*, 38 Phil. 634, 654-655 (1918).

¹⁵² See *Philippine National Bank v. Spouses Cheah*, 686 Phil. 760, 771-772 (2012); *Solidbank Corporation v. Spouses Arrieta*, 492 Phil. 95, 104 (2005); *Philippine Commercial International Bank v. Court of Appeals*, 403 Phil. 361, 388 (2001).

¹⁵³ *Philippine National Bank v. Pike*, 507 Phil. 322, 340 (2005).

A bank is under obligation to treat the accounts of its depositors with meticulous care, whether such account consists only of a few hundred pesos or of millions of pesos.¹⁵⁴ Here, Union Bank cannot claim that it exercised the degree of care required of it as it was also greatly remiss in its duty to exercise extraordinary diligence as shown in the following circumstances.

First, the CA aptly pointed out that the instruments issued to respondents are accountable forms, the custody of which is subject to stringent guidelines under the Manual of Regulations for Banks (MORB). Under Section X185.3(c)(2) of the MORB, such accountable forms are under joint custody, meaning, the processing of transactions involving accountable forms shall be in the presence of and under direct supervision of a second person. Both persons shall equally be accountable for the physical protection of the items and records involved.¹⁵⁵ Moreover, physical protection shall be deemed established through the use of two locks or combinations on a file chest or vault compartment. Certainly, therefore, had the rule on joint custody been observed, Buñag could not have easily perpetrated the fraud by unlawfully using the bank's accountable forms. Indeed, as rightly put by the CA, there clearly were inexcusable lapses on the part of Union Bank in implementing its internal control system.

Second, as noted by the CA, most of respondents' investments were made through crossed checks. Thus, considering that some of these investments were made through crossed checks issued to Union Bank, and since it admitted receiving and clearing these checks endorsed to it as well, it can be presumed that the checks were deposited in Union Bank's account and that it underwent the procedure of acceptance and subsequent clearing with the appropriate officers or employees of the bank. Hence, other bank officers must have known, or at least are presumed to know, about respondents' investments.

Third, the fact that the embezzlement by Union Bank's branch manager was not immediately discovered and had spanned for years negates an effective and efficient audit mechanism which is highly expected of a banking institution considering its fiduciary nature.

In answer to Union Bank's contention that accountability for non-observance of the requirements of the MORB should likewise apply to respondents, the CA rightly expounded that the MORB is more for the guidance of, and compliance by, bank officers and employees, rather than for the public which they are supposed to serve. The MORB is designed to guide the operations of banks in the Philippines, and merely serves as a useful reference material for any individual, institution, or agency involved

¹⁵⁴ *BPI Family Savings Bank v. First Metro Investment Corp.*, supra note 145, at 924.

¹⁵⁵ Manual of Regulations for Banks, September 30, 2017
<<http://bsp.gov.ph/Regulations/MORB/Sep2017MORB2.pdf>> (visited August 3, 2021).

in the domestic banking system. Indeed, the observance of the requirements of the MORB devolves more on Union Bank than on respondents.

The banking business is impressed with public trust. A higher degree of diligence is imposed on banks relative to the handling of their affairs than that of an ordinary business enterprise. Depositors, and the investing public in general, entrust with it their funds, giving rise to the obligation of the bank to live up to this trust and take all reasonable measures to prevent the dissipation of such funds due to the fault or negligence of its employees.¹⁵⁶ Needless to say, Union Bank has the legal responsibility to exercise due diligence not only in the selection, but also in the supervision of its employees. Indisputably, in this case, Union Bank failed to meet the high standard of diligence required by the circumstances to prevent the fraud perpetrated by its branch manager, Buñag. Union Bank cannot simply pass on this responsibility to respondents who acted in good faith and in full trust in their dealings with the bank's duly authorized officer.

In its attempt to prove its defense of payment, Union Bank insists that the Audit Committee Reports, being actionable documents, should be deemed admitted and duly considered. The CA correctly rejected Union Bank's contention.

The relevant rule on actionable documents is Section 7, Rule 8 of the 1997 Rules of Court which provides:

Sec. 7. Action or defense based on document. – Whenever an action or defense is based upon a written instrument or document, the substance of such instrument or document shall be set forth in the pleading, and the original or a copy thereof shall be attached to the pleading as an exhibit, which shall be deemed to be a part of the pleading, or said copy may with like effect be set forth in the pleading.

An “actionable document” is a written instrument or document on which an action or defense is founded. It may be pleaded in either of two ways: (1) by setting forth the substance of such document in the pleading and attaching the document thereto as an annex; or (2) by setting forth said document verbatim in the pleading.¹⁵⁷ In this case, however, records reveal that the contents of the Audit Committee Reports were not set forth in Union Bank's Answer and the original or copy thereof were not attached to the Answer.

At any rate, the Audit Committee Reports miserably failed to prove Union Bank's claim that it had already paid, more so overpaid, respondents. The CA aptly ratiocinated its observations in this wise:

¹⁵⁶ *Lim Sio Bio v. Court of Appeals*, 293 Phil. 322, 332 (1993).

¹⁵⁷ *Metropolitan Bank and Trust Company v. Ley Construction and Development Corporation*, 749 Phil. 257, 275-276 (2014).

A cursory look at the Audit Committee Reports would indeed show that the amounts received by plaintiffs-appellees from UBP exceed the total amount that plaintiffs-appellees have invested. However, a closer examination of the Manager's Checks and their corresponding vouchers would negate UBP's claim of overpayment. The vouchers either do not state the purpose for such disbursement or the instruction for said disbursement is indecipherable. And if the vouchers indicate the instruction for the same, these merely state that these are for "matured CP placement" and additionally state a reference number. These vouchers, to Our mind, bolster plaintiffs-appellees' claim that the investments were rolled over and that several amounts had been withdrawn by plaintiffs-appellees as earnings on their investments. We are thus inclined to believe plaintiffs-appellees' explanation that these manager's checks and their vouchers substantiate plaintiffs-appellees' claim that these are payments advanced for previous matured placements rather than UBP's contention that the amounts constitute full payment for plaintiffs-appellees' entire claim made on a staggered basis. Moreover, UBP's justification of full payment effected on installment basis militates against the common accounting practice of disbursements of funds as full payment. We further reiterate that the burden of proving payment devolved upon UBP. The latter was unable to convincingly substantiate its claim of full payment on installment basis. The vouchers do not state that the [checks] disbursements were partial payments.¹⁵⁸

Moreover, as found by the RTC, the witnesses presented by Union Bank to testify on the validity of the Audit Committee Reports, instead, established that the said reports are seriously flawed by erroneous and falsified entries. The witnesses presented by Union Bank even admitted that they have no personal knowledge regarding the preparation of the said reports. The RTC further noted that except for a few falsified applications for payment/fund transfer and copies of manager's checks, Union Bank's witnesses failed to produce the original and authentic copies of the acknowledgment receipts, applications for payment/fund transfers, and manager's checks which were supposedly the bases of the reports.

It is a settled rule in evidence that the one who alleges payment has the burden of proving it. The burden of proving that the debt had been discharged by payment rests upon the debtor once the debt's existence has been fully established by the evidence on record. When the debtor introduces some evidence of payment, the burden of going forward with the evidence — as distinct from the burden of proof — shifts to the creditor. Consequently, the creditor has a duty to produce evidence to show non-payment.¹⁵⁹

As found by the RTC, and affirmed by the CA, Union Bank has not paid respondents the amounts evidenced by the Certificates of Time Deposit, Certificates of Participation, and Passbooks which are still in the possession of respondents. The fact that the subject certificates of deposit are still in the

¹⁵⁸ *Rollo*, pp. 293-294.

¹⁵⁹ *Gumabon v. Philippine National Bank*, 791 Phil. 101, 117 (2016).

possession of respondents and have not been indorsed or delivered to Union Bank is substantiated by the record and should therefore stand.

Verily, Union Bank is contractually bound to pay respondents what is due them as specified in the terms and conditions embodied in the Certificates of Participation, Certificates of Time Deposit, and Passbooks in the possession of respondents and failure of the bank to do so constituted breach of contract, for which it should be held liable.

There is, however, a need to revisit the imposition of interest made by the CA in this case.

It is significant to emphasize that the Certificates of Participation, Certificates of Time Deposit, and Passbooks evidencing respondents' unpaid money market placements with Union Bank specifically contain the following agreement of the parties: (1) the agreed interest rate to be applied on the principal for the duration of the specified term of the investment; (2) the interest earned on the principal at maturity date computed based on the agreed interest rate applied for the duration of the agreed term; and (3) the determined maturity value which is the sum of the principal and the interest earned, as itemized in the tables below, with the corresponding computation of the maturity value using the following formula:

$$\text{Maturity Value} = \text{Principal} + \text{Interest Earned}$$

$$[\text{Interest Earned} = \text{Principal} \times \text{Stipulated Interest Rate} \times \text{Term} \div 360 \text{ days}]$$

A. SYLIANTENGS

I. CERTIFICATE OF TIME DEPOSIT NO. 662424

Certificate of Time Deposit	Date of Placement/ Value Date	Principal/ Placement	Agreed Rate	Agreed Term	Maturity/ Due Date	Interest Earned	Maturity Value
No. 662424	6/16/99	₱8,370,704.54	10.9375% (gross) OR 8.75%(net) ¹⁶⁰	44 days	7/30/99	₱89,520.03	₱8,460,224.57

Maturity Value: ₱8,460,224.57 = ₱8,370,704.54 + ₱89,520.03

[Interest Earned: ₱89,520.03 = ₱8,370,704.54 x 8.75% x 44 days ÷ 360 days]

II. CERTIFICATE OF TIME DEPOSIT NO. 662423

Certificate of Time Deposit	Date of Placement/ Value Date	Principal/ Placement	Agreed Rate	Agreed Term	Maturity/ Due Date	Interest Earned	Maturity Value
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¹⁶⁰ NATIONAL INTERNAL REVENUE CODE, Sec. 24(B)(1):

(B) *Rate of Tax on Certain Passive Income.*

(1) Interests, Royalties, Prizes, and Other Winnings. – A final tax at the rate of twenty percent (20%) is hereby imposed upon the amount of interest from any currency bank deposit and yield or any other monetary benefit from deposit substitutes and from trust funds and similar arrangements[.]



No. 662423	6/14/99	₱3,032,291.67	10.75% (gross) OR 8.6% (net) ¹⁶¹	29 days	7/13/99	₱21,007.04	₱3,053,298.71 (minus ₱3,037,407.04 paid by Union Bank) Outstanding Balance: ₱15,891.67
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Maturity Value: ₱3,053,298.71 = ₱3,032,291.67 + ₱21,007.04

[Interest Earned: ₱21,007.04 = ₱3,032,291.67 x 8.6% x 29 days ÷ 360 days]

III. CERTIFICATE OF TIME DEPOSIT/PASSBOOK NO.
14-011-000223-9

Certificate of Time Deposit	Date of Placement/ Value Date	Principal/ Placement	Agreed Rate	Agreed Term	Maturity/ Due Date	Interest Earned	Maturity Value
No. 14-011-000223-9	5/27/99	\$22,611.09	6.875% (gross) OR 5.5% (net) ¹⁶²	91 days	8/23/99	\$392.95	\$23,004.04

Maturity Value: \$23,004.04 = \$22,611.09 + \$392.95

[Interest Earned: \$392.95 = \$22,611.09 x 5.5% x 91 days ÷ 360 days]

B. TANGS

I. CERTIFICATES OF PARTICIPATION

Certificate No.	Principal/ Placement	Value Date/Date of Placement	Agreed Rate	Agreed Term	Due/ Maturity Date	Interest Earned	Maturity Value
000846	₱1,000,000.00	6/28/99	10.625% (gross) OR 8.5% (net)	30 days	7/28/99	7,246.59	₱1,030,294.07
000841	₱1,023,047.48	6/28/99	10.625% (gross) OR 8.5% (net)	30 days	7/28/99	789.88	₱1,112,302.05
000842	₱111,512.17	6/28/99	10.625% (gross) OR 8.5% (net)	30 days	7/28/99	10,398.85	₱1,478,471.98
000831	₱1,468,073.13	6/28/99	10.625% (gross) OR 8.5% (net)	30 days	7/28/99	9,456.80	₱1,344,533.76
000830	₱1,335,076.96	6/28/99	10.625% (gross) OR 8.5%	30 days	7/28/99	7,790.08	₱1,107,566.12

¹⁶¹ Id.

¹⁶² Id.



000845	₱1,099,776.04	6/28/99	(net) 10.625% (gross) OR 8.5% (net)	30 days	7/28/99	7,246.59	₱1,030,294.07
000829	₱1,350,422.67	6/28/99	10.625% (gross) OR 8.5% (net)	30 days	7/28/99	789.88	₱112,302.05
000844	₱613,828.48	6/28/99	10.625% (gross) OR 8.5% (net)	30 days	7/28/99	10,398.85	₱1,478,471.98
000840	₱548,777.70	6/28/99	10.625% (gross) OR 8.5% (net)	30 days	7/28/99	9,456.80	₱1,344,533.76
000843	₱120,728.56	6/28/99	10.625% (gross) OR 8.5% (net)	30 days	7/28/99	7,790.08	₱1,107,566.12
000839	₱35,000.00	6/28/99	10.625% (gross) OR 8.5% (net)	30 days	7/28/99	206.60	₱35,206.60
Total Amount Covered by Certificates of Participation							₱8,767,871.10

Total Maturity Value: ₱8,767,871.10 = ₱8,706,243.19 (Total Principal) + ₱61,627.91 (Total Interest Earned)

II. CERTIFICATES OF TIME DEPOSIT

Certificate of Time Deposit	Principal/ Placement	Value Date/Date of Placement	Agreed Rate	Agreed Term	Due/ Maturity Date	Interest Earned	Maturity Value
No. 747540	₱886,647.23	6/16/99	10.9375% (gross) OR 8.75% (net)	37 days	7/23/99	₱7,973.67	₱894,620.90
No. 747549	₱125,766.56	6/16/99	10.9375% (gross) OR 8.75% (net)	37 days	7/23/99	₱1,131.03	₱126,897.54
Total Amount Covered by Certificates of Time Deposit							₱1,021,518.44

Total Maturity Value: ₱1,021,518.44 = ₱1,012,413.79 (Total Principal) + ₱9,104.65 (Total Interest Earned)

III. SAVINGS ACCOUNT

Passbook No.	Principal/ Placement	Value Date/Date of Placement	Agreed Rate	Agreed Term	Due/ Maturity Date	Interest Earned	Maturity Value
0335803	₱535,638.07	6/28/99	10.625%(gross) OR 8.5%(net)	30 days	7/28/99	₱3,794.10	₱540,380.70

0335797	₱956,058.17	6/28/99	10.625(gross) OR 8.5%(net)	30 days	7/28/99	₱8,465.10	₱964,523.27
0335799	₱246,293.59	6/28/99	10.625(gross) OR 8.5%(net)	30 days	7/28/99	₱2,319.69	₱248,613.28
0441235	₱600,000.00	6/28/99	10.625(gross) OR 8.5%(net)	30 days	7/28/99	₱4,250.00	₱604,250.00
Total Amount Covered by Savings Deposit							₱2,357,767.25

Total Maturity Value: ₱2,357,767.25 = ₱2,337,989.83 (Total Principal) + ₱19,777.42 (Total Interest Earned)

Clearly, the interest rates agreed upon by the parties as contained in the money market instruments were imposed for a specified time, that is, the agreed term or duration of the holding period of the investment. This is bolstered by the fact that each instrument contains a specific maturity date with specific and pre-determined maturity value. The maturity date contained in the certificates represents a day certain, the arrival of which terminates the obligation to pay the agreed interest rate. Concomitantly, as there is nothing in the instruments that shows any agreement by the parties on the compounding of the agreed interest rate should the bank breach its contractual obligation to return respondents' investment with the earned interest upon maturity, the same cannot be made. Hence, the CA erred when it affirmed the RTC in compounding the agreed interest rate by imposing the same on the maturity values of the unpaid money market placements.

In this case, when the subject money market instruments matured, their corresponding maturity values became due and demandable. Consequently, by its failure to perform its obligation to pay respondents the maturity values of their matured and demandable investments, Union Bank had already incurred in delay.

Article 1169 of the Civil Code provides:

Art. 1169. Those obliged to deliver or to do something incur in delay from the time the obligee judicially or extrajudicially demands from them the fulfillment of their obligation.

Corollary thereto, Article 2209 of the Civil Code provides the consequence of payment of interest as an indemnity for damages when the obligor incurs in delay, thus:

Art. 2209. If the obligation consists in the payment of a sum of money, and the debtor incurs in delay, the indemnity for damages, there being no stipulation to the contrary, shall be the payment of the interest agreed upon, and in the absence of stipulation, the legal interest, which is six percent *per annum*.

Accordingly, due to the breach of contract through the refusal of Union Bank to pay respondents the maturity value of their matured placements, respondents are entitled to compensatory interest, pursuant to Article 2209 of the Civil Code.

In the same vein, the imposition by the CA of the savings deposit interest rate on the monetary claims of respondents is improper. The CA imposed the savings deposit interest rate on the maturity value of the unpaid placements of respondents in view of the condition set forth in the Certificates of Time Deposit and pursuant to Section X242.2 of the MORB which states that a time deposit not withdrawn or renewed on its due date shall be treated as a savings deposit and shall earn interest from maturity to the date of actual withdrawal or renewal at a rate applicable to savings deposits.¹⁶³ As earlier pointed out, respondents immediately sought the release of the proceeds of the money market placements upon maturity and from then on, the obligation of Union Bank to release the funds arose. Thus, the matured placements cannot be treated as savings deposit and the imposition of the savings deposit interest rate after the maturity of the placement has no basis. Neither may it be imposed as compensatory interest as it is not an undertaking to assume greater liability in case of breach of obligation.

It will be noted, however, that the CA correctly deleted the deficiency amount of ₱83,088.08 claimed by the Syliantengs on Certificate of Time Deposit No. 747550, and \$256.62 on Certificate of Time Deposit No. 740567 for failure of the Syliantengs to substantiate the same. As shown in the records, these two placements were pre-terminated by the Syliantengs before their maturity date. Pursuant to the provision of the certificates, if the deposit is withdrawn before maturity, the prevailing pre-termination rates prescribed by the Central Bank shall be used as basis for computation, provided that, if the interest has been paid in advance, the corresponding rebate shall be charged against the deposit. Hence, the amount of ₱5,053,634.14 paid by Union Bank to respondents, instead of the maturity value of ₱5,136,722.22 per Certificate of Time Deposit No. 747550; as well as the amount of \$13,528.17 paid by Union Bank to the Syliantengs instead of the maturity value of \$13,784.79 per Certificate of Time Deposit No. 740567, are justified.

In summary, the amounts due to respondents representing their unpaid matured placements as embodied in their respective instruments, are as follows:

A. SYLIANTENGS:

- (1) Per Certificate of Time Deposit No. 662424: **₱8,460,224.57**
- (2) Per Certificate of Time Deposit No. 662423: **₱15,891.67**
- (3) Per US Dollar Time Deposit Passbook No. 14-011-000223-9:
\$23,004.04

¹⁶³ Supra note 155.

B. TANGS:

(1) Per Certificates of Participation & Savings Deposit

₱8,767,871.10

+

₱2,357,767.25**₱11,125,638.45 @ 10.625% per annum**

(2) Per Certificates of Time Deposit:

₱1,021,518.44 @ 10.9375% per annum

Anent the imposition of compensatory interest for Union Bank's breach of its contractual obligation to respondents, *Nacar v. Gallery Frames*,¹⁶⁴ modifying *Eastern Shipping Lines, Inc. v. Court of Appeals*,¹⁶⁵ pursuant to Bangko Sentral ng Pilipinas Monetary Board Circular No. 799, Series of 2013, which reduced the rate of legal interest from 12% per annum to 6% per annum, held:

Thus, from the foregoing, in the absence of an express stipulation as to the rate of interest that would govern the parties, the rate of legal interest for loans or forbearance of any money, goods or credits and the rate allowed in judgments shall no longer be twelve percent (12%) *per annum* - as reflected in the case of [*Eastern Shipping Lines, Inc. v. CA*] and Subsection X305.1 of the Manual of Regulations for Banks and Sections 4305Q.1, 4305S.3 and 4303P.1 of the Manual of Regulations for Non-Bank Financial Institutions, before its amendment by BSP-MB Circular No. 799- but will now be six percent (6%) *per annum* effective July 1, 2013. **It should be noted, nonetheless, that the new rate could only be applied prospectively and not retroactively. Consequently, the twelve percent (12%) *per annum* legal interest shall apply only until June 30, 2013. Come July 1, 2013 the new rate of six percent (6%) *per annum* shall be the prevailing rate of interest when applicable.**¹⁶⁶ (Emphasis supplied; citations omitted)

Nonetheless, *Nacar* retains the guidelines set forth in *Eastern Shipping Lines*, thus:

To recapitulate and for future guidance, the guidelines laid down in the case of *Eastern Shipping Lines* are accordingly modified to embody BSP-MB Circular No. 799, as follows:

I. When an obligation, regardless of its source, *i.e.*, law, contracts, quasi-contracts, delicts or quasi-delicts is breached, the contravenor can be held liable for damages. The provisions under Title XVIII on "Damages" of the Civil Code govern in determining the measure of recoverable damages.

¹⁶⁴ Supra note 126.

¹⁶⁵ Supra note 125.

¹⁶⁶ *Nacar v. Gallery Frames*, supra note 126, at 280-281.

II. **With regard particularly to an award of interest in the concept of actual and compensatory damages**, the rate of interest, as well as the accrual thereof, is imposed, as follows:

(1) When the obligation is breached, and it consists in the payment of a sum of money, *i.e.*, a loan or forbearance of money, the interest due should be that which may have been stipulated in writing. Furthermore, the interest due shall itself earn legal interest from the time it is judicially demanded. **In the absence of stipulation, the rate of interest shall be 6% *per annum* to be computed from default, *i.e.*, from judicial or extrajudicial demand under and subject to the provisions of Article 1169 of the Civil Code.**

x x x x

(3) **When the judgment of the court awarding a sum of money becomes final and executory, the rate of legal interest, whether the case falls under paragraph 1 or paragraph 2, above, shall be 6% *per annum* from such finality until its satisfaction, this interim period being deemed to be by then an equivalent to a forbearance of credit.**

And, in addition to the above, judgments that have become final and executory prior to July 1, 2013, shall not be disturbed and shall continue to be implemented applying the rate of interest fixed therein.¹⁶⁷ (Emphases supplied)

To reiterate, since there was no agreement between the parties as to the compounding of the agreed interest after the maturity date in case of breach of obligation, no such interest can be imposed. Nevertheless, pursuant to the guidelines set forth in *Eastern Shipping Lines* as modified by *Nacar*, as to the award of interest in the concept of compensatory damages in case of breach of contractual obligation, in the absence of an express stipulation as to the rate of interest that would govern the parties, the rate of legal interest for loans or forbearance of any money, good or credit shall apply. Accordingly, with the modification on the legal rate of interest from 12% to 6% beginning July 1, 2013 until finality of judgment, the legal interest due on the monetary claims of respondents shall be as follows:

- (1) 12% per annum from judicial demand on December 22, 2000 until June 30, 2013; and
- (2) 6% per annum beginning July 1, 2013, until finality of judgment.

Furthermore, the legal interest of 6% per annum shall like be imposed on the total amount awarded by the court from the finality of judgment until its satisfaction.

Finally, on the award of damages, Union Bank's argument that respondents are not entitled to the payment of moral and exemplary damages

¹⁶⁷ Id. at 281-283.

and attorney's fees contending that it did not act with malice, fraud, and bad faith is specious.

In *Prudential Bank v. Court of Appeals*,¹⁶⁸ the Court ruled that petitioner bank acted in bad faith when it denied Cruz the obligation she was claiming against when the irregularity had obviously been committed by the bank's personnel. In that case, instead of repairing the injury to Cruz by immediately restoring her money to her, the bank sought to gloss over the anomaly in its own operations. The Court found that Cruz naturally suffered anxious moments and mental anguish over the loss of the investment. The Court further held that by unjustly withholding it from her on the unproved defense that she had already withdrawn it, the bank violated the trust she had reposed in it, and, thus, subjected itself to further liability for moral and exemplary damages.

In this case, it has been indisputably established that the embezzlement of respondents' investments was imputable to Union Bank's employee, Buñag. Nevertheless, despite Union Bank having acknowledged the culpability of Buñag, as shown in the criminal cases filed by the bank against its employee, Union Bank gave respondents the runaround so to speak. It is worthy to note that respondents even exerted efforts to assist Union Bank in expediting its investigation, however, Union Bank was not as obliging to respondents that the latter had to seek the intervention from the Bangko Sentral ng Pilipinas, through Governor Buenaventura and Deputy Governor Reyes, so they could seek an audience with Union Bank in connection with their mature placements which Union Bank refused to pay.

Verily, taking into consideration the huge amounts of money invested by respondents and the peril of not recovering the same, respondents were naturally subjected to serious anxiety, mental anguish, sleepless nights, and even besmirched reputation as they were impliedly charged of connivance with Buñag. Thus, the award of moral and exemplary damages is only proper. Accordingly, in conformity with Article 2208¹⁶⁹ of the Civil Code, attorney's fees is likewise rightly granted.

¹⁶⁸ Supra note 1, at 409.

¹⁶⁹ Art. 2208. In the absence of stipulation, attorney's fees and expenses of litigation, other than judicial costs, cannot be recovered, except:

- (1) When exemplary damages are awarded;
- (2) When the defendant's act or omission has compelled the plaintiff to litigate with third persons or to incur expenses to protect his interest;
- (3) In criminal cases of malicious prosecution against the plaintiff;
- (4) In case of a clearly unfounded civil action or proceeding against the plaintiff;
- (5) Where the defendant acted in gross and evident bad faith in refusing to satisfy the plaintiff's plainly valid, just and demandable claim;
- (6) In actions for legal support;
- (7) In actions for the recovery of wages of household helpers, laborers and skilled workers;
- (8) In actions for indemnity under workmen's compensation and employer's liability laws;
- (9) In a separate civil action to recover civil liability arising from a crime;
- (10) When at least double judicial costs are awarded;
- (11) In any other case where the court deems it just and equitable that attorney's fees and expenses of litigation should be recovered.

In all cases, the attorney's fees and expenses of litigation must be reasonable.

WHEREFORE, the instant Petition for Review on *Certiorari* is **DENIED**. The Amended Decision dated March 24, 2017 of the Court of Appeals in CA-G.R. CV No. 101661 is **AFFIRMED** with the following **MODIFICATIONS**:


1. The savings deposit interest rate imposed on respondents' unpaid matured money market placements is hereby deleted.
2. In the computation of interest on all the amounts due to respondents representing their unpaid matured placements as embodied in their respective instruments, the legal interest rate of 12% per annum shall be imposed from judicial demand on December 22, 2000 until June 30, 2013; and thereafter, the new legal interest rate of 6% per annum shall be imposed from July 1, 2013 until the finality of judgment, pursuant to *Eastern Shipping Lines v. Court of Appeals*, as modified by *Nacar v. Gallery Frames*.
3. From the finality of this Decision, the total amount awarded to respondents shall further earn legal interest of 6% per annum from such finality until its satisfaction, this interim period being deemed to be by then an equivalent to a forbearance of credit.

SO ORDERED.


EDGARDO L. DELOS SANTOS
Associate Justice

WE CONCUR:


MARVIC MARIO VICTOR F. LEONEN
 Associate Justice
 Chairperson



RAMON PAUL L. HERNANDO
 Associate Justice


HENRI JEAN PAUL B. INTING
 Associate Justice


JHOSEP Y. LOPEZ
 Associate Justice

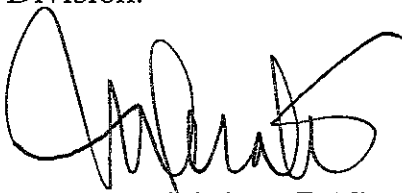
ATTESTATION

I attest 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.


MARVIC MARIO VICTOR F. LEONEN
 Associate Justice
 Chairperson, Third Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, and the Division Chairperson's Attestation, 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