



Republic of the Philippines
Supreme Court
Manila

SUPREME COURT OF THE PHILIPPINES
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SECOND DIVISION

BANK OF THE PHILIPPINE ISLANDS and ANA C. GONZALES,
Petitioners,

G.R. No. 199562

Present:

CARPIO, J., Chairperson,
PERLAS-BERNABE,
CAGUIOA,
REYES, J., JR., and
HERNANDO,* JJ.

- versus -

SPOUSES FERNANDO V. QUIAOIT and NORA L. QUIAOIT,
Respondents.

Promulgated:

16 JAN 2019

[Signature] x

x-----

DECISION

CARPIO, J.:

The Case

Before the Court is a petition for review on certiorari¹ assailing the 22 September 2011 Decision² and the 29 November 2011 Resolution³ of the Court of Appeals in CA-G.R. CV No. 94141. The Court of Appeals affirmed the 15 May 2009 Decision⁴ of the Regional Trial Court of Quezon City, Branch 100 in Civil Case No. Q-00-42619.

The Antecedent Facts

Fernando V. Quiaoit (Fernando) maintains peso and dollar accounts with the Bank of the Philippine Islands (BPI) Greenhills-Crossroads Branch (BPI Greenhills). On 20 April 1999, Fernando, through Merlyn Lambayong (Lambayong), encashed BPI Greenhills Check No. 003434 dated 19 April 1999 for US\$20,000.

* Designated additional member per Special Order No. 2630 dated 18 December 2018.
1 Under Rule 45 of the Revised Rules of Court.
2 *Rollo*, pp. 34-64. Penned by Associate Justice Remedios A. Salazar-Fernando, with Associate Justices Michael P. Elbinias and Elihu A. Ybañez concurring.
3 *Id.* at 66-67. Penned by Associate Justice Remedios A. Salazar-Fernando, with Associate Justices Jane Aurora C. Lantion and Elihu A. Ybañez concurring.
4 Petitioners did not attach a copy of the trial court's decision with the petition.

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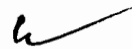
In a complaint filed by Fernando and his wife Nora L. Quiaoit (Nora) against BPI, they alleged that Lambayong did not count the US\$20,000 that she received because the money was placed in a large Manila envelope. They also alleged that BPI did not inform Lambayong that the dollar bills were marked with its "chapa" and the bank did not issue any receipt containing the serial number of the bills. Lambayong delivered the dollar bills to the spouses Quiaoit in US\$100 denomination in US\$10,000 per bundle. Nora then purchased plane tickets worth US\$13,100 for their travel abroad, using part of the US\$20,000 bills withdrawn from BPI.

On 22 April 1999, the spouses Quiaoit left the Philippines for Jerusalem and Europe. Nora handcarried US\$6,900 during the tour. The spouses Quiaoit alleged that on 19 May 1999, Nora was placed in a shameful and embarrassing situation when several banks in Madrid, Spain refused to exchange some of the US\$100 bills because they were counterfeit. Nora was also threatened that she would be taken to the police station when she tried to purchase an item in a shop with the dollar bills. The spouses Quiaoit were also informed by their friends, a priest and a nun, that the US dollar bills they gave them were refused by third persons for being counterfeit. Their aunt, Elisa Galan (Galan) also returned, via DHL, the five US\$100 bills they gave her and advised them that they were not accepted for deposit by foreign banks for being counterfeit.

On 21 May 1999, while the spouses Quiaoit were still abroad, they asked their daughter Maria Isabel, who was employed with BPI Makati, to relay their predicament to BPI Greenhills. However, Ana C. Gonzales⁵ (Gonzales), branch manager of BPI Greenhills, failed to resolve their concern or give them a return call. When the spouses Quiaoit returned, they personally complained to Gonzales who went to Fernando's office with three bank personnel. Gonzales took from Fernando the remaining 44 dollar bills worth US\$4,400 and affixed her signature on the photocopy of the bills, acknowledging that she received them. Chito Bautista (Bautista), a bank representative, and another bank employee informed the spouses Quiaoit that an investigation would be conducted but they were not furnished any report. They gathered from a telephone conversation with Clemente Banson (Banson), the bank-designated investigator, that the dollar bills came from BPI Vira Mall and were marked with "chapa" by the BPI Greenhills. On 9 June 1999, Fernando tried to submit to Banson the five US\$100 bills returned by Galan but Banson refused to accept them because they were counterfeit. On 18 August 1999, Gonzales informed Fernando that the absence of the identification mark ("chapa") on the dollar bills meant they came from other sources and not from BPI Greenhills.

On 7 July 1999, Fernando withdrew the remaining balance of his account through his representative, Henry Mainot (Mainot). The dollar bills withdrawn by Mainot were marked and the serial numbers were listed. On 7

⁵ Also referred to in the records as "Ana C. Gonzalez."



July 1999, Fernando's brother Edgardo encashed a US\$500 check from BPI San Juan Branch and while the dollar bills were not marked, the serial numbers thereof were listed.

The spouses Quiaoit alleged that Nora Cayetano, area manager of BPI San Juan, called up Fernando and promised to do something about the refund of the US\$4,400 they surrendered to Gonzales. On 17 January 2000, the spouses Quiaoit demanded in writing for the refund of the US\$4,400 from Gonzales. On 9 February 2000, BPI sent its written refusal to refund or reimburse the US\$4,400.

The spouses Quiaoit alleged that BPI failed in its duty to ensure that the foreign currency bills it furnishes its clients are genuine. According to them, they suffered public embarrassment, humiliation, and possible imprisonment in a foreign country due to BPI's negligence and bad faith.

BPI countered that it is the bank's standing policy and part of its internal control to mark all dollar bills with "chapa" bearing the code of the branch when a foreign currency bill is exchanged or withdrawn. BPI alleged that any local or foreign currency bill deposited or withdrawn from the bank undergoes careful and meticulous scrutiny by highly-trained and experienced personnel for genuineness and authenticity. BPI alleged that the US\$20,000 in US\$100 bills encashed by Fernando through Lambayong were inspected, counted, personally examined, and subjected to a counterfeit detector machine by the bank teller under Gonzales' direct supervision. Gonzales also personally inspected and "piece-counted" the dollar bills which bore the identifying "chapa" and examined their genuineness and authenticity. BPI alleged that after its investigation, it was established that the 44 US\$100 bills surrendered by the spouses Quiaoit were not the same as the dollar bills disbursed to Lambayong. The dollar bills did not bear the identifying "chapa" from BPI Greenhills and as such, they came from another source.

The Decisions of the Trial Court and the Court of Appeals

In its 15 May 2009 Decision, the Regional Trial Court of Quezon City, Branch 100 (trial court), ruled in favor of the spouses Quiaoit. The dispositive portion of the trial court's Decision reads:

WHEREFORE, premises considered, judgment is hereby rendered in favor of the plaintiffs and against the defendants.

Accordingly, defendants are ordered to pay jointly and severally the plaintiffs the following:

1. the amount of Four Thousand Four Hundred US Dollars (US\$4,400) as and for actual damages;



2. the amount of Two Hundred Thousand Pesos (₱200,000.00) as and for moral damages;
3. the amount of Fifty Thousand Pesos (₱50,000.00) as and for exemplary damages;
4. the amount of Fifty Thousand Pesos (₱50,000.00) as and for attorney's fees.

SO ORDERED.⁶

In its 22 September 2011 Decision, the Court of Appeals affirmed the trial court's Decision. The Court of Appeals ruled that BPI did not follow the normal banking procedure of listing the serial numbers of the dollar bills considering the reasonable length of time from the time Fernando advised them of the withdrawal until Lambayong's actual encashment of the check. The Court of Appeals noted that BPI only listed down the serial numbers of the dollar bills when Fernando, through Edgardo, withdrew his remaining money from the bank. According to the Court of Appeals, BPI had been negligent in not listing down the serial numbers of the dollar bills. The Court of Appeals further ruled that, assuming BPI had not been negligent, it had the last clear chance or the last opportunity to avert the injury incurred by the spouses Quiaoit abroad. The Court of Appeals ruled that BPI was the proximate, immediate, and efficient cause of the loss incurred by the spouses Quiaoit.

The Court of Appeals noted that BPI failed to return the call and to attend to the needs of the spouses Quiaoit even when their daughter Maria Isabel called the attention of the bank about the incidents abroad. Gonzales also failed to disclose to Fernando about the identifying "chapa" when she accepted the US\$4,400 from him.

The dispositive portion of the Court of Appeals' Decision reads:

WHEREFORE, premises considered, the Decision dated May 15, 2009 of the RTC, Branch 100, Quezon City in Civil Case No. Q-00-42619 is hereby AFFIRMED.

SO ORDERED.⁷

BPI filed a motion for reconsideration. In its 29 November 2011 Resolution, the Court of Appeals denied the motion for lack of merit.

Thus, BPI came to this Court for relief.

⁶ *Rollo*, pp. 34-35.

⁷ *Id.* at 64.



BPI raised the following issues in its petition:

- A. The Court of Appeals erred in its legal conclusions in disregarding the preponderance of evidence showing no irreconcilable inconsistencies in the testimonies of the bank's witnesses. The "listing process" being imposed by the [court a quo] did not impeach the credibility of petitioner[s'] witnesses which proved that the 44 pieces of fake USD 100 dollar bills shown by Mr. [Quiaoit] could not have come from BPI Greenhills-Crossroads branch.
- B. The Court of Appeals erred in its legal conclusions by holding that there [was] "gross negligence amounting to bad faith" because petitioner bank, through its officers and employees[,] followed its [then] existing procedure in handling dollar withdrawals. Respondents' own negligence was the proximate cause of the loss.⁸

The Issues

Whether the counterfeit US dollar bills came from BPI;

Whether BPI exercised due diligence in handling the withdrawal of the US dollar bills; and

Whether BPI is liable for damages.

The Ruling of this Court

We deny the petition.

BPI failed to exercise due diligence in the transaction

In *Spouses Carbonell v. Metropolitan Bank and Trust Company*,⁹ the Court emphasized that the General Banking Act of 2000 demands of banks the highest standards of integrity and performance. The Court ruled that banks are under obligation to treat the accounts of their depositors with meticulous care.¹⁰ The Court ruled that the bank's compliance with this degree of diligence has to be determined in accordance with the particular circumstances of each case.¹¹

In this case, BPI failed to exercise the highest degree of diligence that is not only expected but required of a banking institution.

It was established that on 15 April 1999, Fernando informed BPI to prepare US\$20,000 that he would withdraw from his account. The

⁸ Id. at 18.

⁹ G.R. No. 178467, 26 April 2017, 825 SCRA 1.

¹⁰ Id.

¹¹ Id.



withdrawal, through encashment of BPI Greenhills Check No. 003434, was done five days later, or on 20 April 1999. BPI had ample opportunity to prepare the dollar bills. Since the dollar bills were handed to Lambayong inside an envelope and in bundles, Lambayong did not check them. However, as pointed out by the Court of Appeals, BPI could have listed down the serial numbers of the dollar bills and erased any doubt as to whether the counterfeit bills came from it. While BPI Greenhills marked the dollar bills with “chapa” to identify that they came from that branch, Lambayong was not informed of the markings and hence, she could not have checked if all the bills were marked.

BPI insists that there is no law requiring it to list down the serial numbers of the dollar bills. However, it is well-settled that the diligence required of banks is more than that of a good father of a family.¹² Banks are required to exercise the highest degree of diligence in its banking transactions.¹³ In releasing the dollar bills without listing down their serial numbers, BPI failed to exercise the highest degree of care and diligence required of it. BPI exposed not only its client but also itself to the situation that led to this case. Had BPI listed down the serial numbers, BPI’s presentation of a copy of such listed serial numbers would establish whether the returned 44 dollar bills came from BPI or not.

We agree with the Court of Appeals that the action of BPI is the proximate cause of the loss suffered by the spouses Quiaoit. Proximate cause is defined as the cause which, in natural and continuous sequence, unbroken by any efficient intervening cause, produces injury and without which the result would not have occurred.¹⁴ Granting that Lambayong counted the two bundles of the US\$100 bills she received from the bank, there was no way for her, or for the spouses Quiaoit, to determine whether the dollar bills were genuine or counterfeit. They did not have the expertise to verify the genuineness of the bills, and they were not informed about the “chapa” on the bills so that they could have checked the same. BPI cannot pass the burden on the spouses Quiaoit to verify the genuineness of the bills, even if they did not check or count the dollar bills in their possession while they were abroad.

The Court has also applied the doctrine of last clear chance in banking transactions. In *Allied Banking Corporation v. Bank of the Philippine Islands*,¹⁵ the Court explained:

The doctrine of last clear chance, stated broadly, is that the negligence of the plaintiff does not preclude a recovery for the negligence of the defendant where it appears that the defendant, by exercising reasonable care and prudence, might have avoided injurious consequences to the plaintiff notwithstanding the plaintiff’s negligence. The doctrine

¹² *Philippine National Bank v. Spouses Cheah*, 686 Phil. 760 (2012).

¹³ *Id.*

¹⁴ *Id.*

¹⁵ 705 Phil. 174 (2013).



necessarily assumes negligence on the part of the defendant and contributory negligence on the part of the plaintiff, and does not apply except upon that assumption. Stated differently, the antecedent negligence of the plaintiff does not preclude him from recovering damages caused by the supervening negligence of the defendant, who had the last fair chance to prevent the impending harm by the exercise of due diligence. Moreover, in situations where the doctrine has been applied, it was defendant's failure to exercise such ordinary care, having the last clear chance to avoid loss or injury, which was the proximate cause of the occurrence of such loss or injury.¹⁶

As pointed out by the Court of Appeals, BPI had the last clear chance to prove that all the dollar bills it issued to the spouses Quiaoit were genuine and that the counterfeit bills did not come from it if only it listed down the serial numbers of the bills. BPI's lapses in processing the transaction fall below the extraordinary diligence required of it as a banking institution. Hence, it must bear the consequences of its action.

Respondents are entitled to moral damages and attorney's fees


We sustain the award of moral damages to the spouses Quiaoit.

In *Pilipinas Bank v. Court of Appeals*,¹⁷ the Court sustained the award of moral damages and explained that while the bank's negligence may not have been attended with malice and bad faith, it caused serious anxiety, embarrassment, and humiliation to respondents. We apply the same in this case. In this case, it was established that the spouses Quiaoit suffered serious anxiety, embarrassment, humiliation, and even threats of being taken to police authorities for using counterfeit bills. Hence, they are entitled to the moral damages awarded by the trial court and the Court of Appeals.

Nevertheless, we delete the award of exemplary damages since it does not appear that BPI's negligence was attended with malice and bad faith. We sustain the award of attorney's fees because the spouses Quiaoit were forced to litigate to protect their rights.

WHEREFORE, we **DENY** the petition. We **AFFIRM** the 22 September 2011 Decision and the 29 November 2011 Resolution of the Court of Appeals in CA-G.R. CV No. 94141 with **MODIFICATION** by deleting the award of exemplary damages.

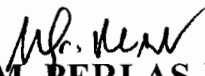
SO ORDERED.



ANTONIO T. CARPIO
Associate Justice

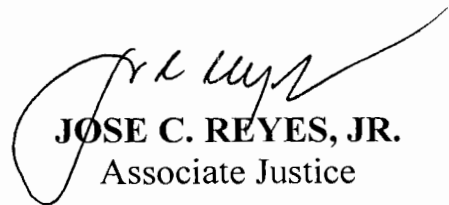
¹⁶ Id. at 182-183.

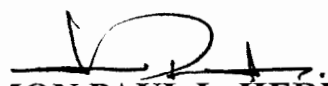
¹⁷ 304 Phil. 601 (1994), citing *Bank of the Philippine Islands v. Intermediate Appellate Court*, 283 Phil. 331 (1992).

WE CONCUR:


ESTELA M. PERLAS-BERNABE
Associate Justice

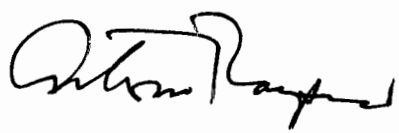

ALFREDO BENJAMIN S. CAGUIOA
Associate Justice


JOSE C. REYES, JR.
Associate Justice


RAMON PAUL L. HERNANDO
Associate Justice

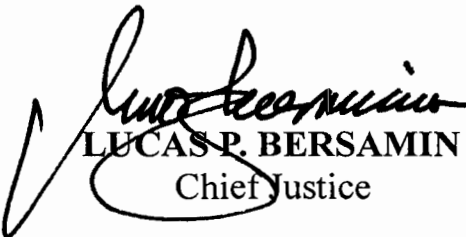
ATTESTATION

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.


ANTONIO T. CARPIO
Associate Justice
Chairperson

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.



LUCAS P. BERSAMIN
Chief Justice