



Republic of the Philippines
Supreme Court
Manila

SUPREME COURT OF THE PHILIPPINES
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FIRST DIVISION

**METROPOLITAN BANK & TRUST
CO.,**

G.R. No. 232044

Petitioner,

Present:

- versus -

PERALTA, C.J., Chairperson,
CAGUIOA,
REYES, J. JR.,
LAZARO-JAVIER, and
LOPEZ, JJ.

**JUNNEL'S MARKETING
CORPORATION, ET AL.,**

Respondents.

X-----X
**ASIA UNITED BANK
CORPORATION,**

G.R. No. 232057

Petitioner,

- versus -

**JUNNEL'S MARKETING
CORPORATION, METROBANK &
TRUST CO., PURIFICATION C.
DELIZO, & ZENAIDA CASQUERO,**

Promulgated:

AUG 27 2020

Respondents.

X-----X

DECISION

REYES, J. JR., J.:

This resolves the consolidated Petitions for Review¹ under Rule 45 of the Revised Rules of Court, seeking the reversal of the Decision² dated

¹ Rollo, pp. 9-35.

² Penned by Associate Justice Ma. Luisa C. Quijano-Padilla, with Associate Justices Normandie B. Pizzaro and Samuel H. Gaerlan (now a Member of the Court), concurring, id. at 38-53.

September 20, 2016 and Resolution³ dated May 31, 2017, issued by the Court of Appeals in CA G.R. CV No. 102964.

The Facts

Junnel's Marketing Corporation (JMC) is a depositor of Metropolitan Bank & Trust Co. (Metrobank) F.B. Harrison branch, under Current Account no. 00730-150091-9, against which it draws company checks. In 1998 to 1999, JMC wrote the following checks payable to the following payees, as follows:

DATE	CHECK NUMBER	PAYEE	AMOUNT
01/12/98	3010049202	Brown Forman	Php 64,284.00
10/12/98	3010048904	Charlie Choy	48,330.00
10/27/98	3010048880	Ramon Victor Rance	46,260.00
11/08/98	3010048994	Brown Forman	96,426.00
11/11/98	3010048995	Brown Forman	96,426.00
11/24/98	3010048931	Emmie Malana	70,200.00
12/10/98	3010049229	Nina Valdez	163,600.00
01/08/99	3010049203	Brown Forman	64,284.00
		TOTAL	Php 649,810.00

In an audit conducted by JMC, the above checks were found to be stolen and encashed. These checks found their way to the Pasay City branch of Asiatrust Bank, now Asia United Bank Corporation (AUB), where they were deposited to account no. 1-506-22208-0, in the name of Zenaida Casquero (Casquero).

Casquero allegedly received the checks from a certain Virginia Rosales as payment for the use of her credit line. The checks, according to AUB, contain the indorsement at the back by the payees. AUB then required Casquero to sign a Deed of Undertaking, where she assumed full responsibility for the correctness, genuineness and validity of all the checks and of the indorsement appearing thereon. Thereafter, the checks were presented to Metrobank, which cleared and authorized the payment thereof.

On April 30, 2000, Purificacion Delizo (Delizo) confessed that while she was employed as an Accountant at JMC, she stole several company checks drawn against JMC's Metrobank current account. The stolen checks were not delivered to the named payee therein, but were instead given to a certain Lita Bituin and an unidentified bank manager with whom Delizo

³ Id. at 56-60.

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colluded and connived in encashing said checks, and shared in the proceeds thereof.

Ruling of the RTC

The RTC, in its Decision dated January 14, 2014, ruled that the defendants are jointly and severally liable to JMC. According to the RTC, JMC was able to establish that it lost an amount of ₱649,810.00, representing the total value of the checks subject of litigation. The RTC also found that AUB allowed Casquero to deposit in her checking account the eight checks despite the fact that she is not the named payee therein. Also, the checks, being crossed checks, are meant for payees account only. Moreover, the RTC found that Metrobank cleared the said checks; thereby, allowing AUB to convert the said checks and credit their value to Casquero's account. The dispositive portion of this Decision reads:

WHEREFORE foregoing considered (*sic*) the defendant (*sic*) are hereby held jointly and severally liable to pay plaintiff the total amount of Six Hundred Forty Nine Thousand Eight Hundred Ten (Php 649,810.00) Pesos plus legal interest computed at the prevailing legal rate of twelve percent (12%), attorney's fees in the amount of Php 100,000.00 and the cost of suit. The counterclaims, crossclaim filed by the parties/defendants herein are hereby dismissed for lack of merit.

SO ORDERED.⁴

Ruling of the Court of Appeals

Aggrieved, Delizo, Casquero, AUB and Metrobank appealed before the CA. The CA, however, found no merit in the appeal. It ruled that the fiduciary nature of banking requires the banks to observe the highest standard of integrity and diligence in the exercise of their function. Both Metrobank and AUB, in handling the subject checks, acted inconsistently with the standard required of them.

The CA pointed out that the checks with numbers 3010048880 and 301004229 are crossed-checks, and as such, they serve as a warning to the holder that the checks have been issued for a definite purpose such that the holder must inquire if the checks have been received pursuant to that purpose. The crossing of a check gives some measure of protection to the drawer and drawee bank inasmuch as it ensures that the check will be encashed by the rightful payee. The subject crossed checks, however, were deposited to the account of Casquero in AUB, and not to the account of the named payees. Metrobank, as the drawee bank is under strict liability to pay the check only to the payee named therein; otherwise, it would be violating the instructions of the drawer. By paying the value of the crossed checks and charging JMC's account therefore, Metrobank violated the latter's

⁴ Id. at 92.

instructions. Thus, it should be held liable for the amount charged to JMC's account. On the other hand, the CA ruled that AUB, the collecting bank, is an indorser, and as such, it has the duty to ascertain the genuineness of all prior indorsements. When AUB allowed its client to collect on crossed checks issued in the name of another, it committed negligence. Thus, the CA ruled that AUB is liable to JMC for the amount of these checks.

With regard to the checks with numbers 3010049202, 3010048904, 3010048994, 3010048995, and 3010049203, the CA ruled that as these checks are payable to order, AUB, the collecting bank which indorsed the check upon presentment with the drawee bank, is bound by its warranties as indorser. Metrobank, on the other hand, is under strict liability to follow the instructions of the drawer as reflected on the face of the checks, that is, to pay the checks to the order of the payee named therein. By allowing the checks to be encashed in favor of Casquero, Metrobank failed to follow JMC's instructions; hence, it must suffer the consequence thereof.

As regards check number 3010048931, the CA ruled that since this is payable to bearer, Casquero acquired title to said instrument and is authorized to encash the same.

The CA also ruled that Delizo, whose action made it possible for the subject checks to end up in the hands of Casquero, and Casquero, who received the proceeds of the checks, are liable to AUB for the payment of the amount reimbursed by the latter to Metrobank.


The dispositive portion of the Decision dated September 20, 2016 states:

WHEREFORE, We **DENY** the appeal. The January 14, 2014 Decision of the RTC, Branch 108, Pasay City in Civil Case No. 02-0194 is hereby **AFFIRMED with MODIFICATION** that Metropolitan Bank and Trust Co. is ordered to pay Junnel's Marketing Corporation the sum of Five Hundred Seventy-Nine Thousand Six Hundred and Ten Pesos (Php579,610.00) plus an interest of six percent (6%) per annum. Asia United Bank is ordered to reimburse Metrobank the above-mentioned amount. Purificacion C. Delizo and Zenaida Casquero are also ordered to pay Asiatrust the above-mentioned amount. All defendants-appellants are ordered to pay jointly and severally, plaintiff-appellee attorney's fees in the amount of Php100,000.00 and the cost of suit. In all other respects, the said decision is **AFFIRMED**.

SO ORDERED.⁵

JMC filed a Motion for Partial Reconsideration of the above Decision, arguing that the prevailing interest rate of 6% shall not apply to the instant case, and instead submitted that it is entitled to 12% interest from April 30, 2002, and 6% from July 1, 2013 up to the finality of the decision.

⁵ Id. at 52-53.



Delizo, Metrobank and AUB also filed their motions for reconsideration of the CA Decision.

The CA, however, in its Resolution dated May 31, 2017, denied the motions of Delizo, Metrobank and AUB, but granted JMC's Motion for Partial Reconsideration. The decretal portion of said Resolution reads:

WHEREFORE, premises considered we:

- a. DENY Purificacion Delizo's motion for reconsideration;
- b. DENY Metrobank's motion for partial reconsideration;
- c. DENY AUB's motion for reconsideration; and
- d. GRANT Junnel's Marketing Corporation's motion for partial reconsideration. The Court hereby orders Metrobank to pay Junnel's Marketing Corporation the sum of Five Hundred Seventy-Nine Thousand Six Hundred and Ten Pesos Php579,610.00) (sic) plus an interest from April 30, 2002 of 12% per annum and 6% per annum from July 1, 2013 until full payment. In all other respects, the September 20, 2016 Decision of this Court is AFFIRMED.

SO ORDERED.⁶

Hence, Metrobank and AUB appealed before this Court through a Petition for Review under Rule 45.

In G.R. No. 232044, Metrobank raised the following grounds:

I.

WHETHER OR NOT THE HONORABLE COURT OF APPEALS GRAVELY ERRED WHEN IT ORDERED THE DRAWEE BANK, METROBANK HEREIN, TO PAY RESPONDENT JUNNEL'S MARKETING CORP. THE AMOUNT OF FIVE HUNDRED SEVENTY-NINE THOUSAND SIX HUNDRED AND TEN PESOS (Php 579,610.00) DESPITE EXISTING JURISPRUDENCE WHICH STATES THAT IN CHECK TRANSACTIONS, THE COLLECTING BANK OR LAST ENDORSER, GENERALLY SUFFERS THE LOSS BECAUSE IT HAS THE DUTY TO ASCERTAIN THE GENUINENESS OF ALL PRIOR ENDORSEMENTS.

II.

WHETHER OR NOT THE HONORABLE COURT OF APPEALS GRAVELY ERRED IN AWARDING A TWELVE PERCENT (12%) PER ANNUM ON THE JUDGMENT AWARD FROM APRIL 30, 2002 AND SIX PERCENT (6%) PER ANNUM FROM JULY 1, 2013 UNTIL FULL PAYMENT.

Metrobank argues that as the drawee bank, it is only obliged to confirm the due execution of the checks and to verify the signature on the checks *vis-à-vis* the signature on the signature cards of the account holder. It insists that it had no way of knowing that the checks were not deposited to the intended payee's account, precisely because the checks were not presented to it for deposit, but to the presenting bank, AUB. Metrobank also

⁶ Id. at 59-60.

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maintained that JMC's own negligence is the proximate cause of its loss. According to Metrobank, had JMC formulated an efficient accounting system, it would have discovered right away that the subject checks were missing. Thus, Metrobank argues that JMC is liable for its own loss.

Metrobank also maintained that AUB was negligent by allowing the deposit of eight checks in the account of a person who was not the named payee thereof. According to Metrobank, AUB, as the collecting bank, has the responsibility of ensuring that the crossed checks were deposited to the account of the rightful payee considering that it holds the account of the depositor and is in the position to identify the latter's identity. Metrobank likewise posits that a collecting bank which indorses the check upon presentment with the drawee bank is an indorser. As such, under Section 66 of the Negotiable Instruments Law (NIL), AUB warrants that the instrument is genuine and in all respect what it purports to be; that it has a good title to it and all prior parties had the capacity to contract; and the instrument is, at the time of the indorsement, valid and subsisting. Metrobank, thus, argues that AUB, in presenting the checks for clearing and payment, made an express guaranty on the validity of all prior indorsements.

Finally, Metrobank questions the interest rate imposed on the judgment award. It argues that when an obligation not constituting a loan or forbearance of money is breached, the imposable interest rate should be 6% per annum, as clearly explained in the case of *Nacar v. Gallery Frames*.⁷

In G.R. No. 232057, AUB raised the following issues:

I.

WHETHER OR NOT JUNNEL'S IS ENTITLED TO RELY ON THE INDORSEMENT OF AUB ON THE CHECK.

II.

WHETHER OR NOT NEGOTIABILITY IS DESTROYED EVEN IF THE SUBJECT INSTRUMENT IS A CROSSED CHECK.

III.

WHETHER OR NOT AUB IS THE RIGHT PARTY TO BE HELD LIABLE FOR THE IRREGULARITIES AND LOSSES RESULTING FROM THE CLEARANCE OF THE SEVEN (7) CHECKS.

IV.

WHETHER OR NOT JUNNEL'S, BEING THE PROXIMATE CAUSE OF THE LOSS, IS SOLELY RESPONSIBLE AND SHOULD SUFFER THE LOSSES IT INCURRED.

V.

WHETHER OR NOT JUNNEL'S IS LIABLE TO PETITIONER FOR ATTORNEY'S FEES.

⁷ *Nacar v. Gallery Frames*, 716 Phil. 267 (2013).

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AUB argues that JMC is not entitled to rely on its indorsement. The warranty of an endorser under Article 66 of the NIL benefits all subsequent holders in due course, or the holders of the check to whom it is thereafter presented. JMC, according to AUB, is a drawer, not a holder in due course nor the entity to whom the subject checks were presented after the alleged indorsement by AUB. Thus, AUB argues that JMC cannot hinge its claim on Section 66 of the NIL.

AUB also reasons that negotiability is not destroyed by the fact that the check was crossed. It argues that crossed checks may be negotiated only once to one who has an account with a bank. In this case, the checks were negotiated once to Casquero, an account holder in AUB. Thus, the deposit of the checks to her account is allowed.

AUB maintains that it exercised the proper diligence and caution when it allowed the deposit of the checks to Casquero's account. It followed the normal banking protocol of confirming the deposit with Metrobank, which gave clearance for the funding. It also required Casquero to sign a Deed of Undertaking where she assumed full responsibility for the endorsed checks.

AUB also argues that Metrobank should be held liable for the irregularities and losses resulting from the clearance of the seven other checks. AUB alleged that as the collecting bank, it credited the amount of the checks to Casquero's account only after Metrobank cleared the checks for deposit. Thus, AUB claims that Metrobank, as the drawee bank, is responsible for the lapses in verification and liable for the amount charged to the drawer's account.

AUB also urges this Court to enforce the Deed of Undertaking executed by Casquero, where she assumed full responsibility over the indorsed checks; thereby, absolving AUB from liability arising from the transaction and holding Casquero as the party ultimately liable for the final amount to the Court. According to AUB, contracts such as this Deed should be upheld, unless it clearly contravenes public right or welfare.

AUB likewise maintains that JMC's failure to prevent the fraud and its subsequent act of allowing the clearance of the checks are the proximate causes of its own loss. It also argued that the doctrine of contributory negligence, pursuant to the case of *Associated Bank v. Court of Appeals*,⁸ applies in the instant case. JMC's failure to exercise due care contributed to a significant degree to the loss it suffered. Hence, AUB claims that JMC is not entitled to relief and must bear the consequence of its own negligence.

⁸ 322 Phil. 677 (1996).

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The Ruling of the Court

We deny the consolidated Petitions. The CA correctly ruled that Metrobank and AUB are sequentially liable for the entire amount of the seven checks.

Sequence of Recovery in Unauthorized Payment of Checks

We agree with the appellate court that in cases of unauthorized payment of checks to persons other than the named payee therein or his order, the drawee bank is liable to the drawer for the amount of the checks. In turn, the drawee bank may seek reimbursement from the collecting bank. This rule is already embedded in our jurisprudence.⁹

In *BDO Unibank v. Lao*,¹⁰ this Court explained:

The liability of the drawee bank is based on its contract with the drawer and its duty to charge to the latter's accounts only those payables authorized by him. A drawee bank is under strict liability to pay the check only to the payee or to the payee's order. When the drawee bank pays a person other than the payee named in the check, it does not comply with the terms of the check and violates its duty to charge the drawer's account only for properly payable items.

On the other hand, the liability of the collecting bank is anchored on its guarantees as the last endorser of the check. Under Section 66 of the Negotiable Instruments Law, an endorser warrants "that the instrument is genuine and in all respects what it purports to be; that he has good title to it; that all prior parties had capacity to contract; and that the instrument is at the time of his endorsement valid and subsisting." (Citations omitted)

Metrobank is Liable to JMC

The drawee bank, or the bank on which a check is drawn, is bound by its contractual obligation to its client, the drawer, to pay the check only to the payee or to the payee's order. The drawee bank is duty-bound to follow strictly the instructions of its client, which is reflected on the face of, and by the terms of, the check. When the drawee bank pays a person other than the named payee on the check, the drawee bank violates its contractual obligation to its client. Thus, it shall be held liable for the amount charged to the drawer's account.¹¹ When an unauthorized payment on the checks is made, the liability of Metrobank to JMC attaches even if it merely acted upon the guarantee of the collecting bank.¹²

⁹ *BDO Unibank, Inc. v. Lao*, 811 Phil. 280 (2017), *Bank of America, NT & SA v. Associated Citizens Bank*, 606 Phil. 35, 42-48 (2009); *Traders Royal Bank v. Radio Philippines Network, Inc.*, 439 Phil. 475, 482-484 (2002).

¹⁰ *Id.*

¹¹ *Id.*

¹² *Supra* note 6.

Metrobank, in this case, allowed the payment of eight checks to Casquero. Two of these checks were crossed and were payable to Ramon Victor Rance and Nila Valdes. Five checks were payable to the orders of specified persons, while one check was payable to bearer. With regard to the check payable to bearer, the CA correctly ruled that Casquero acquired title to the said instrument and was authorized to encash the same.

Metrobank, however, denies liability over the payment of the seven other checks. It argues that it has no way of knowing whether or not these checks were deposited to the named payee therein as these checks were not presented to it for deposit.

We are not convinced.

A crossed check is one where two parallel lines are drawn across its face or across its corner, and carries with it the following effects: (a) the check may not be encashed but only deposited in the bank; (b) the check may be negotiated only once to the one who has an account with the bank; and (c) the act of crossing the check serves as a warning to the holder that the check has been issued for a definite purpose and he must inquire if he received the check pursuant to this purpose; otherwise, he is not a holder in due course.¹³ The crossing of a check, thus, means that the check should be deposited only in the account of the payee.¹⁴

It is undisputed that the checks with numbers 3010048880 and 3010049229 are crossed checks. As such, the drawer's instruction is that they should be deposited only to the account of the payees named therein. By paying the checks to the person who is not the named payee thereof, Metrobank violated the instructions of JMC, and is, therefore liable for the amount charged to JMC's account.

As regards the checks payable to the order of specific persons, Metrobank is also under strict liability to pay the checks to the named payee therein. JMC's instruction to pay these checks to the named payee is clearly written on the checks. Metrobank violated this instruction when it paid the amount of the checks deposited to Casquero's account. Hence, Metrobank should suffer the consequence of this wrongful encashment.

AUB is liable to Metrobank

The liability, however, does not fall entirely upon Metrobank. Metrobank which merely relied upon the guaranty of the collecting bank, AUB, may seek reimbursement from the latter.

¹³ *Philippine Deposit Insurance Corp. v. Gidwani*, 606 Phil. 35, 43 (2018).

¹⁴ *Id.*

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A collecting bank where a check is deposited, and which endorses the check upon presentment with the drawee bank, is an endorser.¹⁵ Under Section 66 of the Negotiable Instruments Law, an endorser warrants: (1) that the instrument is genuine and in all respects what it purports to be; (2) that the endorser has good title to it; (3) that all prior parties had capacity to contract; and (4) that the instrument is, at the time of the indorsement, valid and subsisting. When a collecting bank presents a check to the drawee bank for payment, the former thereby assumes the same warranties assumed by an endorser of a negotiable instrument and if any of these warranties turn out to be false, the collecting bank becomes liable to the drawee bank for the payments made under these false warranties.¹⁶

When AUB presented the subject checks to Metrobank for payment, it guaranteed that the checks were genuine and in all respect what it purports to be and deposited to an account that has a good title to these checks. These guaranties, however, turned out to be false as Delizo admitted that she stole the subject checks and that they were not delivered to the named payee therein. These checks were instead deposited to Casquero's account, who was not the named payee thereof. Since these checks were paid under these false guaranties, AUB is liable to reimburse Metrobank with the value of the checks.

AUB cannot absolve itself from liability by arguing that it credited the amount of the checks to Casquero's account only after Metrobank cleared them for payment. Since the subject checks were deposited in Casquero's account in AUB, AUB also has the opportunity to determine whether the checks will be paid to the rightful payee. The fact that two of the checks were crossed should have alerted AUB that these checks are meant to be deposited only to the payee's account.

As regards the checks payable to order, AUB, as the last indorser, is liable for the payment of the checks even if the previous indorsements were forged. This Court has ruled in a long line of cases¹⁷ that "a collecting bank which indorses a check bearing a forged indorsement and presents it to the drawee bank guarantees all prior indorsements, including the forged indorsement itself, and ultimately should be held liable therefor."

Thus, AUB should be liable to reimburse Metrobank for the amount of the seven checks.

¹⁵ Supra note 10.

¹⁶ *Metropolitan Bank and Trust Co. v. Junnel's Marketing Corp.*, G.R. Nos. 235511 & 235565, June 20, 2018.

¹⁷ *Allied Banking Corp. v. Lim Sio Wan*, 573 Phil. 89, 108 (2008), *Traders Royal Bank v. Radio Philippines Network, Inc.*, 439 Phil 475, 485 (2002), *Associated Bank v. Court of Appeals*, supra note 8, *Bank of the Philippine Islands v. Court of Appeals*, 290 Phil 452-487 (1992), *Banco De Oro v. Equitable Banking Corp.*, 241 Phil 188-202(1988).

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Time and again, this Court has emphasized that the banking business is imbued with public interest.¹⁸ The stability of banks largely depends on the confidence of the people in the honesty and efficiency of banks.¹⁹ Hence, banks are required to exercise the highest standard of diligence, as well as high standards of integrity and performance in all its transactions.²⁰

This said, Metrobank cannot pass the blame upon its depositor, JMC. Owing to the fiduciary nature of their relationship, Metrobank is under obligation to treat the account of JMC with utmost fidelity and meticulous care.²¹ It is Metrobank's failure to uphold this obligation which caused the unauthorized payment of the checks, to the prejudice of JMC.

Neither can AUB impute liability upon JMC by invoking the doctrine of contributory negligence, as pronounced in the case of *Associated Bank v. Court of Appeals*.²² *Associated Bank* is not on all fours with this case. In *Associated Bank*, the alleged contributory negligence was sufficiently established. The drawer, Province of Tarlac, allowed a retired cashier of the payee to collect the check, and had been releasing the checks to him for nearly three years, despite the fact that the new cashier of the payee was also collecting the check. This Court ruled that the fact that there are two people collecting the check should have alerted the employees in the Treasurer's Office of the fraud being committed. Evidence in *Associated Bank*, however, suggests that the provincial employees were aware of the retirement of the cashier and his consequent dissociation from the payee hospital, but nevertheless allowed him to collect the checks.

Here, the alleged contributory negligence was not established. AUB's mere allegation cannot overcome the fact that AUB, as collecting bank, is remiss in its obligations.

The law imposes a duty of diligence on the collecting bank to scrutinize checks deposited with it for the purpose of determining their genuineness and regularity. The collecting bank being primarily engaged in banking holds itself out to the public as the expert and the law holds it to a high standard of conduct.²³ AUB's negligence and false guaranty, however, violate this duty.

Thus, Metrobank is liable to JMC for the unauthorized encashment of the seven checks. AUB, in turn, is liable to Metrobank for the amount it paid to JMC.

¹⁸ *Citystate Savings Bank v. Tobias*, G.R. No. 227990, March 7, 2018. See also *BDO Unibank, Inc. v. Cruz*, G.R. No. 229465 (Minute Resolution), March 22, 2017.

¹⁹ *Philippine Banking Corporation v. Court of Appeals*, 464 Phil. 614, 641 (2004).

²⁰ Section 2 of Republic Act No. 8791, or The General Banking Law of 2000. See also *Citystate Savings Bank v. Tobias*, supra note 18.

²¹ *Philippine Banking Corp. v. Court of Appeals*, supra note 19.

²² 322 Phil. 623 (1996).

²³ Id.

Liability of Casquero and Delizo

It is settled that the collecting bank which reimbursed the drawee bank may in turn seek reimbursement from the persons who caused the checks to be deposited and received the unauthorized payments.²⁴ The CA affirmed the RTC's findings that Delizo's participation was established by her own written confession and that Casquero received the proceeds of the checks as they were deposited in her account. Thus, the CA correctly ruled that Casquero and Delizo should reimburse AUB of the amount it paid to Metrobank.

Interest

Metrobank asserts that the CA erred in imposing upon the monetary award the interest rate of 12% from April 30, 2002, and 6% from July 1, 2013 up to the finality of the decision. According to Metrobank, an obligation not constituting a loan or forbearance of money is breached, the impossible interest rate should be 6% per annum, as clearly explained in the case of *Nacar v. Gallery Frames*.

We agree. Thus, this Court modifies the interest imposed upon the liability of Metrobank and AUB.

The case of *Nacar v. Gallery Frames*,²⁵ states:

x x x x

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:

x x x x

2. When an obligation, not constituting a loan or forbearance of money, is breached, an interest on the amount of damages awarded may be imposed at the discretion of the court at the rate of 6% per annum. No interest, however, shall be adjudged on unliquidated claims or damages, except when or until the demand can be established with reasonable certainty. Accordingly, where the demand is established with reasonable certainty, the interest shall begin to run from the time the claim is made judicially or extrajudicially (Art. 1169, Civil Code), but when such certainty cannot be so reasonably established at the time the demand is made, the interest shall begin to run only from the date the judgment of the court is made (at which time the quantification of damages may be deemed to have been reasonably ascertained). The actual base for the computation of legal interest shall, in any case, be on the amount finally adjudged.

²⁴ *Bank of America v. Associated Citizens Bank*, 606 Phil. 35 (2009).

²⁵ *Supra* note 7.

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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.

Metrobank's obligation here is to return to JMC the amount wrongfully charged to the latter's current account, while AUB's obligation consists in reimbursing Metrobank of this amount. Applying the guidelines in Nacar, Metrobank's and AUB's obligations are subject to the legal interest rate of 6%, per annum from the time of extra-judicial or judicial demand. The legal interest rate then against Metrobank's liability shall start to run from the time JMC instituted the civil case in the RTC on April 30, 2002. The interest rate imposed upon AUB's obligation, on the other hand, shall start to run on March 13, 2003, the date when Metrobank filed its Answer with crossclaim against AUB.

Thus, the CA's imposition of interest rate is modified as follows:

1. Metrobank's liability to JMC in the amount of Five Hundred Seventy-Nine Thousand Six Hundred and Ten Pesos (Php579,610.00) is subject to a legal interest at the rate of 6% per annum from April 30, 2002 until full satisfaction.
2. AUB's liability to Metrobank in the amount of Php579,610.00, is also subject to a legal interest at the rate of 6% per annum from March 13, 2003 until full payment.

Attorney's Fees

We deny AUB's prayer for attorney's fees against JMC for lack of merit. As there is nothing on record which supports AUB's claim, we find no basis for the grant thereof.

WHEREFORE, the consolidated Petitions are **PARTIALLY GRANTED**. The Decision dated September 20, 2016 and the Resolution dated May 31, 2017 are hereby **AFFIRMED** with the following **MODIFICATIONS**:

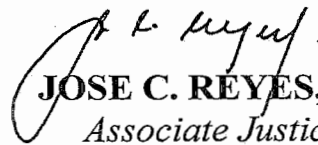
1. Metropolitan Bank & Trust Co. is **ORDERED** to **PAY** Junnel's Marketing Corporation the amount of Five Hundred Seventy-Nine Thousand Six Hundred and Ten Pesos (P579,610.00), subject to a legal interest at the rate of 6% per annum from April 30, 2002 until satisfaction.

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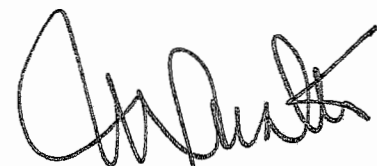
2. Asia United Bank Corporation is **ORDERED** to **REIMBURSE** Metropolitan Bank & Trust Co. the amount of Five Hundred Seventy-Nine Thousand Six Hundred and Ten Pesos (₱579,610.00), plus legal interest at the rate of 6% per annum from March 13, 2003 until satisfaction.

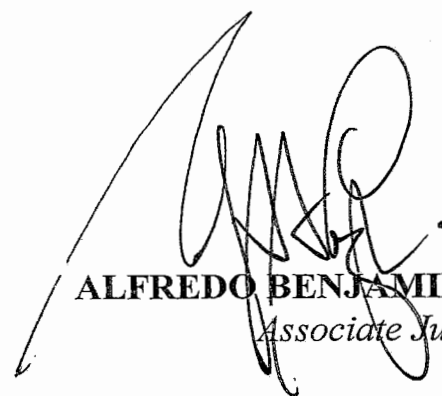
All other aspects of the Decision dated September 20, 2016 and Resolution dated May 31, 2017 that are not in conflict with this Decision are **AFFIRMED**.

SO ORDERED.


JOSE C. REYES, JR.
Associate Justice

WE CONCUR:


DIOSDADO M. PERALTA
Chief Justice
Chairperson

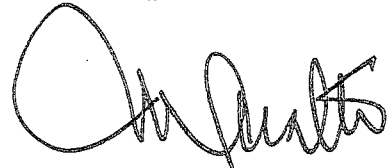

ALFREDO BENJAMIN S. CAGUIOA
Associate Justice


AMY C. LAZARO-JAVIER
Associate Justice


MARION LOPEZ
Associate Justice

CERTIFICATION

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



DIOSDADO M. PERALTA
Chief Justice

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