



Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

NOTICE

Sirs/Mesdames:

Please take notice that the Court's First Division issued a Resolution dated October 4, 2023, which reads as follows:

“G.R. No. 216797 (*Equitable PCI Bank, Inc.* vs. Fr. Roberto C. Crisol*). – Before the Court is a Petition for Review on *Certiorari*¹ under Rule 45 of the Rules of Court assailing the February 4, 2014 Decision² and the February 4, 2015 Resolution³ of the Court of Appeals (CA) in CA-G.R. CV No. 97429, which affirmed with modification the November 17, 2010 Decision⁴ of the Regional Trial Court of Tabaco City, Albay, Branch 15 (RTC) rendered in Civil Case No. T-2466.

Antecedents

Father Roberto C. Crisol (*respondent*) opened a trust account with Equitable PCI Bank, Inc. (*petitioner*) at its Legazpi City branch, under the Prime Life Investment⁵ product, with an initial cash deposit of ₱500,000.00. Under the Revocable Trust Agreement dated February 22, 2001, duly signed by petitioner's branch manager, Jesus Dycoco, Jr. (*Dycoco, Jr.*), respondent's deposit shall earn an initial interest at the rate of 13.95% *per annum*. The agreement also provided that respondent may withdraw the fund anytime.⁶

* Now BDO Unibank, Inc.

¹ *Rollo*, pp. 10-42.

² Id. at 44-62; penned by Associate Justice Leoncia Real-Dimagiba and concurred in by Associate Justices Amelita G. Tolentino and Ricardo R. Rosario (now a Member of this Court).

³ Id. at 64-69; penned by Associate Justice Leoncia Real-Dimagiba and concurred in by Associate Justices Ricardo R. Rosario (now a Member of this Court) and Romeo F. Barza.

⁴ Id. at 391-520; penned by Judge Alben C. Rabe.

⁵ Records, p. 8.

⁶ *Rollo*, p. 46.

The Investment Status Report⁷ dated April 5, 2001 sent by petitioner to respondent showed that the latter's trust deposit had a balance of ₱869,868.17 as of March 31, 2001.⁸ Respondent claimed that on various dates until January 2004, he made additional deposits and placements in the aggregate sum of ₱10,362,416.50 based on his copies of the bank's Letter of Instruction (*LOI*) Contribution Forms.⁹ He likewise made withdrawals on different dates, as shown by the bank's withdrawal forms for its Prime Life Investment Revocable Trust Account.¹⁰

Sometime in February 2005 and after respondent made several demands, petitioner sent him a summary of his trust investment which indicated a trust fund balance of ₱7,736,164.33 as of January 31, 2005.¹¹ Respondent then checked his records of deposits, as well as his withdrawals amounting to ₱3,665,979.82, and arrived at the figure of ₱7,196,436.68 as his existing balance excluding interest.¹²

Consequently, respondent was able to secure an Investment Status Report as of June 30, 2005¹³ indicating that his total investment was only ₱505,140.78. Since a total of ₱6,691,295.90 remained unaccounted for, respondent through counsel, sent two Demand Letters¹⁴ dated July 11, 2005 and March 9, 2006 to petitioner, demanding the restitution and payment of his investment including interest. Respondent also alleged that he tried to withdraw the sum of ₱505,140.78 from his trust account, but petitioner refused without providing any reason. This prompted respondent to file a Complaint¹⁵ for recovery of money with damages against the petitioner.¹⁶

Petitioner filed its Answer¹⁷ partially admitting the opening of the trust account by respondent in the amount of ₱500,000.00, the additional deposits and placements made thereon, as well as withdrawals made. However, it denied the interest rate and all other allegations on the ground that it still had to compare the original copies of those documents attached to the Complaint from the available and verifiable bank records to distinguish the spurious forms from the valid forms.¹⁸

⁷ Records, pp. 12-13.

⁸ *Rollo*, pp. 46-47; 232-233.

⁹ Records, pp. 14-60.

¹⁰ *Id.* at 66-71.

¹¹ *Id.* at 61-65.

¹² *Id.* at 2.

¹³ *Id.* at 72.

¹⁴ *Id.* at 73-77.

¹⁵ *Rollo*, pp. 76-82.

¹⁶ *Id.* at 78-79.

¹⁷ *Id.* at 83-94.

¹⁸ *Id.* at 88.

RTC Ruling

On November 17, 2010, the RTC rendered a Decision in favor of respondent, the *fallo* of which reads:

WHEREFORE, foregoing premises considered, judgment is hereby rendered in favor of the plaintiff and against the defendant ordering the latter and its successor-in-interest:

- (1) to return to the plaintiff the amount of [P]505,140.78 (FIVE HUNDRED FIVE THOUSAND AND ONE HUNDRED FORTY PESOS AND SEVENTY[-]EIGHT CENTAVOS) Philippine currency together with the lawful rate of interest to be computed not from the time of the filing of the complaint but from February 22, 2001, the date when the initial deposit was made;
- (2) to account and restitute to plaintiff the amount of [P]6,691,295.90 (SIX MILLION SIX HUNDRED NINETY[-]ONE THOUSAND TWO HUNDRED NINETY[-]FIVE PESOS AND NINETY CENTAVOS) Philippine currency together with the lawful rate of interest thereon not from the time of the filing of the complaint but to be reckoned from the respective dates the various deposits were made as reflected in the series of Prime Life Investment Contribution Slips marked as Exhibits D, D-1 to D-136;
- (3) to account for and restitute to plaintiff the incomes, profits, proceeds[,] and dividends due thereon based upon the rate of return provided for and in accordance with the Revocable Trust Agreement;
- (4) to pay plaintiff exemplary damages at no less than [P]50,000.00;
- (5) to pay plaintiff the amount of equivalent to 15% of the total award as and for attorney's fees and litigation expenses of no less than [P]200,000.00; and
- (6) to pay the cost of suit.

SO ORDERED.¹⁹

The RTC accorded credence to the documentary evidence presented by respondent consisting of Prime Life Investment LOI contribution (deposit) and withdrawal slips, copies of which were in the custody of petitioner which issued the same to bank clients in triplicate copies. Such carbon copies are

¹⁹ Id. at 519-520.

considered duplicate originals pursuant to Section (*Sec.*) 4, Rule 130 of the Revised Rules on Evidence (*Rules on Evidence*), which the bank can easily compare with its own copies.²⁰

On the issue of genuineness and due execution of the Prime Life Investment LOI slips, the RTC held that petitioner failed to make a proper denial of said documents in accordance with Sec. 8, Rule 8 of the 1997 Rules of Civil Procedure (*Rules on Civil Procedure*). The RTC noted that petitioner merely denied the existence of respondent's documentary evidence, without specifying and setting forth what it claimed to be the facts, and instead made bare allegations that some of the LOI slips were not machine validated. The RTC opined that since these documents are deemed admitted, petitioner cannot be allowed to claim otherwise pursuant to Sec. 4, Rule 129 of the Rules on Evidence. Besides, the matter of genuineness and execution of these bank slips were within the knowledge of or ought to be known by petitioner in the pursuit of its banking and trust business.²¹

Further, the RTC also found that petitioner have been negligent since its employees, particularly, Dycoco, Jr., Carlo Quiron and Glenna Orogo, had personally entertained and processed the bank transactions made by respondent in connection with his Prime Life Investment trust account.²² It also declared petitioner liable for delay and breach of contract under Article 1169 of the Civil Code when it unjustifiably refused respondent to withdraw his investment. For the same reason, the RTC also awarded exemplary damages and attorney's fees in favor of respondent.²³

Petitioner filed a Motion for Reconsideration²⁴ of the foregoing Decision but the RTC denied the same in its April 11, 2011 Order.²⁵ Undeterred, petitioner filed a Notice of Appeal.²⁶

CA Ruling

On February 4, 2014, the CA denied petitioner's appeal and affirmed the Decision of the RTC. It concurred with the RTC that petitioner failed to specifically deny, and thus, deemed to have admitted the due execution and genuineness of the Revocable Trust Agreement and respondent's copies of the

²⁰ Id. at 506-508.

²¹ Id. at 508-510.

²² Id. at 515.

²³ Id. at 516-518.

²⁴ Records, pp. 774-794.

²⁵ Id. at 814-820.

²⁶ Id. at 828-833.

Prime Life Investment LOI contribution slips.²⁷ It also agreed with the conclusion reached by the RTC that the denial made by petitioner was insincere and lacked good faith considering that it was in control and possession of the original copies of the subject documents.²⁸

The appellate court also concurred with the RTC's observation that petitioner could have easily presented the testimonies of its concerned personnel to buttress its claim that the LOI contribution slips were dubious or forgeries. However, petitioner did not go to that extent and did not even comply with the July 17, 2008 Order²⁹ of the RTC to provide respondent with verifiable records in their possession which could have clarified and reconciled the deposits made in his trust account. The CA believed that such failure by petitioner lent credence to the cardinal rule that evidence willfully suppressed would be adverse if produced.³⁰

Petitioner filed a Motion for Reconsideration³¹ that the CA partially granted in its February 4, 2015 Resolution which disposed as follows:

WHEREFORE, all the foregoing considered, the Motion for Reconsideration is **PARTIALLY GRANTED**. Accordingly, our 04 February 2014 Decision is **MODIFIED** in that the attorney's fees is reduced to [P]100,000.00 and the costs of litigation is likewise reduced from [P]200,000.00 to [P]100,000.00.

SO ORDERED.³²

Issues

Unperturbed, petitioner lodged the present Petition for Review and attributed the following errors on the part of the CA:

A.

THE COURT OF APPEALS COMMITTED SERIOUS AND REVERSIBLE ERROR IN RESORTING TO TECHNICALITIES IN FINDING PETITIONER EPCIB LIABLE TO RESPONDENT FR. CRISOL IN THE AMOUNT OF [P]6,691,295.90 NOTWITHSTANDING THE FAILURE OF RESPONDENT FR. CRISOL TO PROVE WITH PREPONDERANCE OF EVIDENCE HIS CAUSE OF ACTION;

²⁷ *Rollo*, pp. 56-57.

²⁸ *Id.* at 58.

²⁹ *Records*, pp. 419-422.

³⁰ *Rollo*, pp. 60-61.

³¹ *Id.* at 525-545.

³² *Id.* at 68-69.

B.

THE COURT OF APPEALS COMMITTED SERIOUS AND REVERSIBLE ERROR IN AWARDING LAWFUL INTEREST IN FAVOR OF RESPONDENT FR. CRISOL RECKONED NOT FROM THE DATE OF FILING OF THE COMPLAINT BUT FROM FEBRUARY 22, 2001 WHEN THE INITIAL DEPOSIT WAS MADE EVEN IF THE SAME HAD NOT BEEN PRAYED FOR IN THE COMPLAINT NOR SUPPORTED BY THE EVIDENCE; [and]

C.

THE COURT OF APPEALS COMMITTED SERIOUS AND REVERSIBLE ERROR IN AWARDING RESPONDENT FR. CRISOL EXEMPLARY DAMAGES AND ATTORNEY'S FEES IN THE ABSENCE OF EVIDENCE TO SHOW GROSS NEGLIGENCE AND BAD FAITH ON THE PART OF PETITIONER EPCIB.³³

Petitioner asserts that it had specifically denied in its Answer the genuineness and due execution of the subject Prime Life Investment LOI contribution slips on the grounds that they are spurious and bogus. It cites the pronouncement of the Court in *Equitable Cardnetwork Inc. v. Capistrano*³⁴ that a defendant who had denied the genuineness and due execution of plaintiff's actionable documents merely "for lack of knowledge," is not barred from introducing evidence that the documents were forged. Thus, petitioner theorizes that the CA should have considered its affirmative allegation that the documents were "spurious and bogus," and should not have been barred during trial from introducing evidence that the documents were forged.³⁵

Also, petitioner attributes error on the part of the CA for imposing legal interest on the ₱505,140.78 trust deposit from February 22, 2001 or the date when respondent made the initial deposit. It maintains that the reckoning period was not prayed for by respondent, who instead claimed that legal interest should accrue from July 1, 2005. Since respondent likewise admitted that his initial investment was only ₱500,000.00, then the balance of ₱505,140.78, as of June 30, 2005, already included the interest based on the agreement.³⁶

³³ Id. at 23-24.

³⁴ 681 Phil. 462 (2012).

³⁵ *Rollo*, pp. 30-33.

³⁶ Id. at 34-37.

Lastly, petitioner submits that the CA erred in ordering payment of exemplary damages and attorney's fees because respondent failed to establish that it acted in bad faith and committed gross negligence. Petitioner insists that there was no evidence showing that it had acted in a wanton, fraudulent, reckless and oppressive manner when it refused to pay respondent the full amount of his monetary claim. Petitioner had simply verified from its records and found that there was no evidence to support respondent's claims of additional contributions to the balance of ₱520,260.65 as of December 2005. Petitioner had likewise made it clear in its Answer, that respondent may withdraw such amount any time during banking hours upon submission of the requisite documents.³⁷

In his Comment,³⁸ respondent maintains that the CA did not resort to technicalities when it affirmed petitioner's liability; that the denials made by petitioner on the Prime Life Investment LOI contribution slips were ineffective and insufficient; that the bank forms in question are in the custody and possession of petitioner which are prepared and made available to clients only when deposits and contributions were made in the trust account; that respondent has been constantly assisted by petitioner's officers and employees, some of whom are known to him;³⁹ and that these bank personnel had processed, checked, approved, and validated the documents.⁴⁰

On the correctness of the award of damages in his favor, respondent contends that petitioner miserably failed to comply with its obligations as a banking institution. Respondent argues that since a trust account is not an ordinary savings/current account or time deposit, it involves greater responsibility and higher standard of care in the handling of his trust account in faithful compliance with the terms of the Revocable Trust Agreement. Notably, such gross negligence of petitioner was highlighted in another related case, *Jesus Dycoco, Jr. v. Equitable PCI Bank (now Banco de Oro)*,⁴¹ where this Court upheld the dismissal of Dycoco, Jr. for gross negligence in allowing the disappearance, theft, illegal abstractions and forgery of several accounts in its branch, among which was respondent's account.⁴²

³⁷ Id. at 37-38.

³⁸ Id. at 712-794.

³⁹ Namely, Carlo Quirong, Investment Clerk; Ms. Glenna Orogo, Investment Officer; and Jesus Dycoco, Jr., Branch Manager.

⁴⁰ *Rollo*, pp. 751-761.

⁴¹ 642 Phil. 494 (2010).

⁴² *Rollo*, pp. 775-780.

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Ruling of the Court

The petition lacks merit.

Petitioner failed to specifically deny the genuineness and due execution of the actionable documents attached to respondent's Complaint.

Sec. 8, Rule 8 of the Rules of Civil Procedure lays down the rule in denying the genuineness and due execution of actionable documents:

SEC. 8. How to contest such documents. – When an action or defense is founded upon a written instrument, copied in or attached to the corresponding pleading as provided in the preceding Section, the **genuineness and due execution of the instrument shall be deemed admitted unless the adverse party, under oath, specifically denies them, and sets forth what he claims to be the facts;** but the requirement of an oath does not apply when the adverse party does not appear to be a party to the instrument or when compliance with an order for an inspection of the original instrument is refused. (Emphasis supplied)

Accordingly, actionable documents should be denied under oath, except (1) when the adverse party is not a party to the document, or (2) in compliance with an order for inspection of the original document has been refused.

In the case of juridical entities, the rule is that the physical acts of the corporation, like the signing of documents, can be performed only by natural persons duly authorized for the purpose by corporate by-laws or by a specific act of the board.⁴³ Verily, the oath may be executed by the duly authorized director or officer of the corporation who has knowledge of the matter being certified,⁴⁴ or even by the bank personnel who processed respondent's bank documents by way of an affidavit.

⁴³ *Esguerra v. Holcim Philippines, Inc.*, 717 Phil. 77, 90 (2013); *Ellice Agro-Industrial Corporation v. Young*, 699 Phil. 48, 60 (2012), citing *Salenga v. Court of Appeals*, 680 Phil. 648, 672 (2012).

⁴⁴ See *Pyro Copper Mining Corporation v. Mines Adjudication Board-Department of Environment and Natural Resources*, 611 Phil. 583, 599 (2009), where the Court held that the signatory in the Certificate Against Forum Shopping should be the duly authorized director or officer who has knowledge of the matter being certified.

It is further settled that denials based on lack of knowledge or information of matters clearly known to the pleader, or ought to be known to such party, or could have easily been known by the latter are insufficient, and constitute ineffective or sham denials.⁴⁵ Using “specifically” in a general denial also does not automatically convert that general denial to a specific one. The denial in the answer must be so definite as to what is admitted and what is denied.⁴⁶ Nevertheless, while denial of actionable documents merely “for lack of knowledge” may be inadequate, considering that by their nature the adverse party ought to know the truth of the allegations regarding those documents, such inadequacy may be cured by the assertion in the answer that the adverse party is also denying the allegations regarding those actionable documents for the reasons as stated in such party’s special and affirmative defenses.⁴⁷

Thus, to determine if petitioner had effectively denied the genuineness and due execution of respondent’s actionable documents in accordance with the foregoing rules, the Court must look into the allegations contained in respondent’s Complaint and compare it with the denials made by petitioner in its Answer.

The pertinent allegations in respondent’s Complaint are as follows:

3. On February 22, 2001, plaintiff entered into and opened a trust account with and thereafter placed, invested, deposited[,] and delivered to the defendant, at its Legazpi City Branch, an initial investment in the amount of FIVE HUNDRED THOUSAND PESOS ([P]500,000.00), Philippine Currency, under Trust Account No. 117-78824-4 at an initial interest rate of 13.95% [*per annum*], under defendant’s “Prime Life Investment” product covered by and pursuant to the terms and conditions of a Revocable Trust Agreement dated February 22, 2001 executed by plaintiff and defendant, copy of which is hereto attached as Annex “A” x x x. And which initial deposit and placement made by the plaintiff pursuant to the said Revocable Trust Agreement is further evidenced by the client’s copy of defendant’s Equitable PCI Bank Prime Life Investment Letter of Instruction Contribution Form dated February 22, 2001, copy of which is hereto attached as Annex “B” x x x.

4. Thereafter, defendant provided the plaintiff an Investment Status Report of the latter’s (Plaintiff[’s]) money placement with the former (defendant) under Trust Account No. 117-78824-4 as per its (defendant[’s]) letter dated April 5, 2001 with attached Investment Status Report showing

⁴⁵ *Fernando Medical Enterprises, Inc. v. Wesleyan University Philippines, Inc.*, 778 Phil. 836, 851 (2016), citing *Manufacturer’s Bank & Trust Company v. Diversified Industries, Inc.*, 255 Phil. 353, 360 (1989) and *J.P. Juan & Sons, Inc. v. Lianga Industries, Inc.*, 139 Phil. 77, 83 (1969).

⁴⁶ *Republic of the Philippines v. Spouses Gimenez*, 776 Phil. 233, 289 (2016), citing *Aquintey v. Spouses Tibong*, 540 Phil. 422, 441 (2006).

⁴⁷ See *Equitable Cardnetwork, Inc. v. Capistrano*, *supra* note 34, at 473.

that plaintiff had a Total Fund Balance of EIGHT HUNDRED SIXTY-NINE THOUSAND EIGHT HUNDRED SIXTY-EIGHT PESOS AND 17/100 CENTAVOS ([P]869,868.17), Philippine Currency, as of March 31, 2001, copy of which is hereto attached as Annex "C" x x x.

5. That subsequently, pursuant to and in accordance with the said Revocable Trust Agreement, plaintiff, on various dates up to January 2004, made additional deposits and placements in said Trust Account [No.] 117-78824-4 for a total[/]gross aggregate sum of TEN MILLION THREE HUNDRED SIXTY-TWO THOUSAND FOUR HUNDRED SIXTEEN [PESOS] AND 50/100 [CENTAVOS] ([P]10,362,416.50), Philippine currency, aside from plaintiff's initial placement as averred in paragraph 2 herein, and which additional deposits are evidenced by the client's copies of defendant's Equitable PCI Bank Personal Trust Account Letter of Instruction Contribution Forms, copies of which are hereto attached as Annexes "D[.]" "D-1" to "D-136" x x x.

6. That sometime in February 2005, plaintiff, upon demand, was provided by the defendant a summary of his trust investment showing that, as of January 31, 2005, his trust fund balance under said Trust Account No. 117-78824-4 amounted to a total fund balance of SEVEN MILLION THREE HUNDRED SEVENTY[-]SIX THOUSAND ONE HUNDRED SIXTY[-]FOUR PESOS AND 33/100 CENTAVOS ([P]7,376,164.33). Copy of said summary is hereto attached as Annex "E" x x x.

7. That upon receipt of the aforementioned summary, plaintiff cross-checked the same with his records of deposits and withdrawals and, plaintiff discovered that it (Annex "E") did not reflect the correct amount of his total net deposits. Plaintiff's records disclosed that, after deducting the aggregate total withdrawals made in the sum of THREE MILLION SIX HUNDRED SIXTY-FIVE THOUSAND NINE HUNDRED SEVENTY-NINE [PESOS] AND 82/100 CENTAVOS ([P]3,665,979.82), Philippine Currency, as shown by the client's copies of defendant's Equitable PCI Bank Letter of Instruction Withdrawal Forms hereto attached as Annexes "F[.]" "F-1" to "F-16" x x x, the total fund balance with the defendant under said Trust Account [No.] 117-78824-4 should have been in the amount of SEVEN MILLION ONE HUNDRED NINETY[-]SIX THOUSAND FOUR HUNDRED THIRTY[-]SIX PESOS AND 68/100 [CENTAVOS] ([P]7,196,436.68), Philippine Currency[.]⁴⁸

On the other hand, the averments made by petitioner in its Answer are herein quoted:

2) Defendant EPCIB PARTIALLY ADMITS the allegations contained in paragraph 3 of the Complaint, only insofar as it is alleged that the Plaintiff *"entered into and opened a trust account xxx at defendant's Legaspi City Branch[.]" "in the amount of FIVE HUNDRED THOUSAND PESOS ([P]500,000.00). Philippine Currency, under Trust Account No. 117-*

⁴⁸ Rollo, pp. 76-77.

78824-4[.]” Defendant EPCIB specifically DENIES the interest rate and the rest of the allegations contained in paragraph 3, as well as the genuineness, due execution[,] and authenticity of Annexes “A” and “B” of the complaint, for lack of knowledge and information sufficient to form a belief as to the truth or falsity thereof, considering that Defendant EPCIB has yet to see and examine the Plaintiff’s original Revocable Trust Agreement dated February 22, 2001 and Prime Life Investment Letter of Instruction Contribution Form dated February 22, 2001 in his possession, as only photocopies were attached to the Complaint, and for reasons stated in Defendant EPCIB’s Special and Affirmative Defenses;

3) Defendant EPCIB admits allegations contained in paragraph 4 of the complaint;

4) Defendant EPCIB PARTIALLY ADMITS the allegations contained in paragraph 5 of the Complaint only insofar as it is alleged that *“plaintiff, on various dates up to January 2004 made additional deposits and placements in said Trust Account No. 117-78824-4[.]”* Defendant EPCIB specifically DENIES the “total aggregate sum of [P]10,362,416.50 and the rest of the allegations in paragraph 5 of the complaint, as well as the genuineness, due execution and authenticity of Annexes “D[,]” “D-1” to “D-136” of the complaint consisting of photocopies of various PLI Letter of Instruction Contribution Forms, for lack of knowledge and information sufficient to form a belief as to the truth or falsity thereof, considering that upon initial verification of Defendant EPCIB of the records in its possession, there are substantial material differences between EPCIB’s copies as well as the attached Annexes “D[,]” “D-1” to “D-136[,]” as such, there is a need to see and examine the original copies of the said PLI Letter of Instruction Contribution Forms in the Plaintiff’s possession, as only photocopies were attached to the Complaint. Furthermore, some of the PLI Contribution Slips attached by the Plaintiff cannot be properly verified considering that there are no sufficient verifiable source data that could be found in EPCIB’s records at this time, and for reasons stated in Defendant EPCIB’s Special and Affirmative Defenses;

4[A]) Defendant EPCIB vehemently and specifically DENIES all the allegations contained in paragraph 6 of the Complaint, as well as the genuineness, due execution and authenticity of Annex “E” of the complaint for lack of knowledge and information sufficient to form a belief as to the truth or falsity thereof and for reasons stated in Defendant EPCIB’s Special and Affirmative Defenses. Further, the purported *“summary of his trust investment as of January 31, 2005”* denominated as Annex “E” of the Complaint, was NOT prepared by Defendant EPCIB and is considered spurious and falsified[;]

5) Defendant EPCIB partially ADMITS the allegations contained in paragraph 7 of the Complaint only insofar as it is alleged that Plaintiff made several withdrawals from Trust Account No. 117-78824-4 and specifically DENIES the rest of the allegations contained in paragraph 7 of the complaint for being baseless conclusions of facts, and for lack of

knowledge and information sufficient to form a belief as to the truth or falsity thereof and for reasons stated in Defendant EPCIB's Special and Affirmative Defenses. Further, Defendant EPCIB specifically DENIES the genuineness, due execution[,] and authenticity of Annexes "F[.]" "F-1" to "F-16" of the complaint for lack of knowledge and information sufficient to form a belief as to the truth or falsity thereof, considering that Defendant EPCIB has yet to see and examine the original copies of Annexes "F[.]" "F-1" to "F-16" in the Plaintiff's possession, as only photocopies were attached to the Complaint[;]

x x x x

AND BY WAY OF SPECIAL AND AFFIRMATIVE DEFENSES –

x x x x

12) The instant complaint should be dismissed for lack of cause of action and for being baseless and premature. Let us explain.

13) Based on available and verifiable Bank records, Prime Life Investment Account No. 117-78824-4 (the "PLI account[,] for brevity) under the name of Fr. Roberto Crisol was posted on 22 February 2001 in the amount of PHILIPPINE PESOS: FIVE HUNDRED THOUSAND ([P]500,000,00) only.

14) Thereafter, available and verifiable bank records show that there were several deposits and withdrawals made by the Plaintiff from his Trust Account No. 117-78824-4. While there were several PLI Contribution slips as well as Withdrawal Forms attached by the Plaintiff in his complaint, **there is a need to compare the original copies of these documents from the available and verifiable Bank records in order to distinguish the spurious forms from the valid forms. Considering that the Contribution and [Withdrawal] forms attached to the Plaintiff's complaint are mere photocopies, the original copies have to be presented in order to arrive at a proper comparison and evaluation. Notably, most of the Letter of Instruction Contribution Slips attached to the complaint does NOT contain any EPCIB machine validation. Suffice to say that these contributions slips are spurious and bogus.**

15) Based on available and verifiable bank documents with Defendant EPCIB, as of December 2005, Plaintiff's [Trust] Account No. 117-78824-4 has a total amount of [P]520,260,65. This amount may be withdrawn at any time during banking hours upon submission of EPCIB's required documents.⁴⁹ (Emphases supplied)

⁴⁹ Id. at 83-88.

In light of the foregoing and after a careful perusal of the allegations in petitioner's Answer, the Court finds that its averments, specifically paragraph 14 of the Special and Affirmative Defenses, contained a specific denial as petitioner claimed that most of the contribution slips which were not machine-validated were "spurious and bogus." Nonetheless, with respect to those slips/forms which petitioner described as mere photocopies, petitioner asserted that these have to be compared with the original documents from the verifiable records of the bank to distinguish those forms/slips which are spurious. Such indefinite denial with respect to the machine-validated forms/slips is unacceptable.

As emphasized by the RTC and CA, these bank forms/slips are accomplished and signed by petitioner's clients in triplicate copies. Every deposit or withdrawal transaction in a trust account is processed, checked, approved, and recorded by petitioner's employees. Except for the client's copy, these forms/slips remain in the custody and possession of petitioner. Since these forms even indicated the dates, the client's name and trust account name, petitioner could have easily verified with its records, *all* forms/slips pertaining to the trust account of respondent. Hence, the Court fully agrees with the observation of the RTC that petitioner could have easily dispelled any doubt as regards those forms/slips even though they were not machine-validated, thus:

Even if we depart from the foregoing theoretical and jurisprudential ruling and delving upon the factual antecedents, the same reveal the mundane realities of human and practical experience that if only the bank live up to its good reputation as a banking institution in line with good faith and honest dealings with its clientele, the bank could easily present the testimonies of the bank personnel concerned in the course of their presentation of defense evidence in order to buttress the bank's stand that those Letters of Instructions Contributions were dubious or forgeries. Moreso, they could have easily dispel any doubt upon the genuineness and due execution thereof even though the same are not machine validated.⁵⁰

More importantly, even if the actionable documents attached by respondent in his complaint are not deemed admitted, the CA correctly found that the overwhelming documentary, as well as testimonial, evidence presented by the respondent during trial, proved his claims. It noted that petitioner did not comply with the July 17, 2008 Order of the RTC which directed petitioner to provide respondent with verifiable records in its possession in order to reconcile all entries in his trust account.⁵¹ Instead, petitioner unjustifiably insisted on its successive motions to submit the

⁵⁰ Id. at 511.

⁵¹ Id. at 60.

documents to a handwriting expert and to take photographs thereof, despite being rebuffed by the CA on these modes of evaluating respondent's evidence.⁵²

Moreover, the Court notes that petitioner did not only fail to offer a proper specific denial, but also did not make such denial under oath. Petitioner's personality as a juridical entity does not exempt it from complying with the requirements under Sec. 8. Notably, petitioner did not make any other effort to comply with the requirements laid down by Sec. 8 other than offering a general denial of the actionable documents from which respondent based his cause of action.

The exhaustive discussions in the 131-page RTC Decision attest to the meticulous and lengthy proceedings conducted therein whereby the bank's own slips/forms were presented in evidence, and the testimonies of respondent and his witnesses were heard. Petitioner was provided with sufficient opportunity to validate all the documentary evidence adduced by respondent with those original copies from its own records, but it did not. Even the supposed investigation report concerning the trust account of respondent and of some other bank clients, was not produced in evidence when petitioner's lone witness, Ramilto Teoxon, testified during trial. Petitioner was even directed to produce said report in the RTC's May 13, 2009 Order⁵³ but it never did, claiming instead that the same had been lost. At this point, petitioner's suppression of official bank records and documents had only given rise to the presumption that, if produced, such evidence would be adverse or damaging to its defense.

Respondent having established his claims against petitioner by preponderant evidence, the Court finds that the CA did not err in affirming the decision of the RTC in ordering the restitution of the amounts due him.

Petitioner is liable to pay interest reckoned from the date of extrajudicial demand.

While the Court affirms the factual findings by the CA and the RTC, it nonetheless deems proper to modify the interest imposed against petitioner.

⁵² Id. at 65; in the December 18, 2008 Decision of the CA in CA-G.R. SP No. 105275, which had become final and executory, the appellate court held that the RTC did not err, much less commit grave abuse of discretion, in denying petitioner's motion to refer the documents for examination by a handwriting expert.

⁵³ Records, pp. 405-406.

Article (*Art.*) 2209 of the Civil Code states:

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 interest agreed upon, and in the absence of stipulation, the legal interest, which is six per cent *per annum*.

Accordingly, there are two kinds of interest that may be imposed in a judgment. *Monetary interest* refers to a compensation fixed by the parties for the use or forbearance of money. Art. 1956 of the Civil Code specifically mandates that no interest shall be due unless it has been expressly stipulated in writing. Thus, payment of monetary interest shall only be due if: 1) there was an express stipulation for the payment of interest; and 2) the agreement for such payment was reduced into writing.⁵⁴ *Compensatory interest* is imposed by law or by courts as penalty or indemnity for damages. Thus, the right to interest arises only by virtue of a contract or as damages for delay or failure to pay the principal loan on which interest is demanded.⁵⁵

The guidelines in the imposition of interest were established in *Eastern Shipping Lines, Inc. v. Court of Appeals*,⁵⁶ which *Nacar v. Gallery Frames*⁵⁷ (*Nacar*) had modified to incorporate 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.

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.*,

⁵⁴ *Norsk Hydro (Philippines), Inc. v. Premiere Development Bank*, G.R. No. 226771, September 16, 2020, 954 SCRA 234, 255, citing *Spouses Albas v. Spouses Embisan*, 748 Phil. 907, 915 (2014).

⁵⁵ *Siga-an v. Villanueva*, 596 Phil. 760, 769 (2009).

⁵⁶ 304 Phil. 236 (1994), see pp. 252-254.

⁵⁷ 716 Phil. 267 (2013).

from judicial or extrajudicial demand under and subject to the provisions of Article 1169 of the Civil Code.

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 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.
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.⁵⁸

More recently in *Lara's Gifts & Decors, Inc. v. Midtown Industrial Sales, Inc.*,⁵⁹ the Court summarized the amended rules in the imposition of interest, *viz.*:

With regard 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:

A. In obligations consisting of loans or forbearances of money, goods or credit:

1. The compensatory interest due shall be that which is stipulated by the parties in writing as the penalty or compensatory interest rate, provided it is not unconscionable. In the absence of a stipulated penalty or

⁵⁸ Id. at 281-283.

⁵⁹ G.R. No. 225433, September 20, 2022.

compensatory interest rate, the compensatory interest due shall be that which is stipulated by the parties in writing as the conventional interest rate, provided it is not unconscionable. In the absence of a stipulated penalty or a stipulated conventional interest rate, or if these rates are unconscionable, the compensatory interest shall be the prevailing legal interest rate prescribed by the Bangko Sentral ng Pilipinas. Compensatory interest, in the absence of a stipulated reckoning date, shall be computed from default, *i.e.*, from extrajudicial or judicial demand, *until full payment*.

2. Interest on conventional/monetary interest and stipulated compensatory interest shall accrue at the stipulated interest rate (compounded interest) from the stipulated reckoning point or, in the absence thereof, from extrajudicial or judicial demand *until full payment*, provided it is not unconscionable. In the absence of a stipulated compounded interest rate or if this rate is unconscionable, the prevailing legal interest rate prescribed by the Bangko Sentral ng Pilipinas shall apply from the time of judicial demand *until full payment*.

B. In obligations *not consisting of loans or forbearances of money, goods or credit*:

1. For liquidated claims:

The compensatory interest due shall be that which is stipulated by the parties in writing as the penalty or compensatory interest rate, provided it is not unconscionable. In the absence of a stipulated penalty or compensatory interest rate, or if these rates are unconscionable, the compensatory interest shall be at the rate of 6%. Compensatory interest, in the absence of a stipulated reckoning date, shall be computed from default, *i.e.*, from extrajudicial or judicial demand, *until full payment*.

- a. Interest on stipulated compensatory interest shall accrue at the stipulated interest rate (compounded interest) from the stipulated reckoning point or, in the absence thereof, from extrajudicial or judicial demand *until full payment*, provided it is not unconscionable. In the absence of a stipulated compounded interest rate or if this rate is unconscionable, legal interest at the rate of 6% shall apply from the time of judicial demand *until full payment*.

2. For *unliquidated* claims:

Compensatory interest on the amount of damages awarded may be imposed in the discretion of the court at the rate of *6% per annum. No compensatory interest, however, shall be adjudged on unliquidated claims or damages until the demand can be established with reasonable certainty.* Thus, 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 of the judgment of the trial court (at which time the quantification of damages may be deemed to have been reasonably ascertained) *until full payment.* The actual base for the computation of the interest shall, in any case, be on the principal amount finally adjudged.⁶⁰ (Emphases supplied; citations omitted)

A loan or forbearance of money, goods, or credit describes a contractual obligation whereby a lender or creditor has refrained during a given period from requiring the borrower or debtor to repay the loan or debt then due and payable.⁶¹ Where a case does not involve an acquiescence to the temporary use of a party's money but the performance of a particular service such as for computation of customs duties and taxes and transmission of such payment to the Bureau of Customs for the release of imported fertilizers,⁶² or for brokerage service,⁶³ there is no forbearance of money.

On the other hand, a *trust* refers to a fiduciary relationship wherein legal title funds and/or properties of the trustor is transferred to the trustee, subject to an equitable obligation of the trustee to administer, hold and manage such funds and/or properties for the use, benefit or advantage of the trustor or other designated beneficiaries. All the expenses in the management and administration of the trust fund, as well as the payment of taxes due, shall be deducted from the trust fund. Upon the death of the trustor or termination of the trust agreement, the total fund balance shall be distributed to the named beneficiaries or delivered to the trustor.

The Revocable Trust Agreement between petitioner and respondent is a type of personal management trust referred to as "a living trust created by an agreement whereby the trustor conveys property or a sum of money to be managed by the trustee, as the agreement dictates, generally for the preservation of the assets or property for future use of the beneficiaries and/or

⁶⁰ Id.

⁶¹ *S.C. Megaworld Construction and Development Corporation v. Engr. Parada*, 717 Phil. 752, 771 (2013), citing *Sunga-Chan v. Court of Appeals*, 578 Phil. 262, 276 (2008).

⁶² *Norsk Hydro (Philippines), Inc. v. Premiere Development Bank*, supra note 54, at 254.

⁶³ *Ignacio v. Ragasa*, G.R. No. 227896, January 29, 2020, 930 SCRA 506, 520.

to answer for their current needs.”⁶⁴ Petitioner as trustee shall have revocable legal title to the moneys deposited by respondent (trust fund), as well as the proceeds, interest, dividends and income or profits realized from the management and investment/reinvestment of the trust fund. This notwithstanding, the trust agreement expressly declares that there is no debtor-creditor relationship⁶⁵ between petitioner and respondent – a basic characteristic of trust – and all loss to the trust fund shall be for the exclusive account of respondent.⁶⁶

Under the terms of the Revocable Trust Agreement, it shall be the duty of petitioner “to maintain records and accounts of all investments, receipts, disbursements and other transactions,” and to allow the respondent or his legal representative to inspect such records, books, and accounts “at all reasonable times.”⁶⁷ Petitioner is further obligated to render “monthly reports on the management and administration of the Trust which reports shall include all transactions of the Trust” and “such other reports for which the requesting party shall be charged a separate fee.”⁶⁸

Undoubtedly, respondent is entitled to recover the funds he invested with petitioner due to the latter’s violation of their trust agreement. Petitioner failed to comply with its duties and obligations as trustee when it neglected to regularly send monthly reports on the status of respondent’s trust account, refused to allow respondent to withdraw his initial investment and fund balance as of June 30, 2005 (P505,140.78), and in not crediting the amount of P6,691,295.90. Respondent was able to prove during trial that he had a total fund balance of P7,196,436.68 under Trust Account No. 117-78824-4. Petitioner’s status report, however, showed that respondent had a total fund balance of only P505,140.78 as of June 30, 2005. Thus, the total amount of P6,691,295.90 was unaccounted for in respondent’s Trust Account No. 117-78824-4. Had petitioner diligently observed proper procedures in the processing of deposits/withdrawals of its client and prepared the monthly reports on the status of their client’s trust accounts, it could have readily provided the respondent with an accurate statement of his trust fund balance and spared him the difficult ordeal of litigating for several years just to recover the “missing funds” he had invested and held in trust by petitioner.

⁶⁴ BSP’s *Financial Reporting Package for Trust Institutions* (updated as of 31 May 2019); 2020 *Manual of Regulations for Banks*, Sec. 403(v).

⁶⁵ *Records*, p. 8; Revocable Trust Agreement form for Trust Account No. 117-78824-4, par. 6.

⁶⁶ *Id.*

⁶⁷ *Id.* at par. 9.

⁶⁸ *Id.* at par. 10.

Patently, petitioner's obligation does not involve a forbearance of money but arose from the fault or negligence of its officers and employees in handling respondent's trust account. Their contract is described as a trust arrangement whereby a bank (trust institution) renders fund/asset management services to its client (trustor).

Considering that the subject obligation does not involve a loan or forbearance of money, the applicable rate of interest in this case is six percent (6%) *per annum* computed from the date when respondent's counsel sent the formal Demand Letter⁶⁹ dated July 11, 2005, and duly received by petitioner's Legazpi City Branch on July 14, 2005 based on the registry return card.⁷⁰ Such date of extrajudicial demand is further supported by the testimony of petitioner's witness, Ramlito Teoxon, former Auditor of PCI Equitable Bank, who admitted conducting an investigation relative to the complaint of Fr. Crisol regarding his trust account "between July and August of 2005,"⁷¹ presumably arising from the demand made by respondent.

On the other hand, the portion of the RTC Decision which ordered petitioner to account for and restitute to respondent "the incomes, profits, proceeds and dividends due thereon based upon the rate of return provided for and in accordance with the Revocable Trust Agreement" must be deleted. Unrealized income or gains being in the nature of actual damages, the same requires competent proof. Here, there is no "rate of return" in the sense of guaranteed income or interest earnings stipulated in the Revocable Trust Agreement. Annex "A" of the Revocable Trust Agreement only indicated the portfolio mix structure chosen by respondent, which is "Conservative: Minimum Exposure of 10% in equity investment "for investors who want safety of capital, are contented with *potential* returns slightly above fixed-income yielding instruments, and can tolerate minimal risk."⁷²

Pursuant to our ruling in *Nacar*, the six percent (6%) interest *per annum* shall be further imposed on the monetary awards from the finality of this resolution until full satisfaction.

⁶⁹ Id. at 73-74.

⁷⁰ Id. at 74.

⁷¹ TSN, May 13, 2009, p. 6.

⁷² *Rollo*, p. 299; Investment Guidelines; underscoring supplied.

Exemplary Damages and attorney's fees are affirmed.

Finally, by its very nature, the business of petitioner bank is greatly impressed with public trust. Banks are mandated to exercise a higher degree of diligence in the handling of its affairs than that expected of an ordinary business enterprise. Banks handle transactions daily involving millions of pesos and properties worth considerable sums of money. It behooves on petitioner to handle the accounts of its clients with utmost diligence, fidelity and responsibility. Hence, the award of exemplary damages and attorney's fees shall be upheld.

WHEREFORE, the Petition is **DENIED**. The Decision dated November 17, 2010 of the Regional Trial Court of Tabaco City, Albay, Branch 15 in Civil Case No. T-2466 is hereby **AFFIRMED** with **MODIFICATIONS**, in that petitioner Equitable PCI Bank, Inc. is hereby **ORDERED**:

- (1) to return to respondent Fr. Roberto C. Crisol the amount of ₱505,140.78 with six percent (6%) interest per annum computed from July 14, 2005 until full payment;
- (2) to account and restitute to respondent the amount of ₱6,691,295.90 with six percent (6%) interest per annum computed from July 14, 2005 until full payment;
- (3) to pay respondent exemplary damages in the amount of ₱50,000.00;
- (4) to pay respondent the amount of ₱100,000.00 as attorney's fees and litigation expenses of ₱100,000.00; and
- (5) to pay legal interest at the rate of six percent (6%) *per annum* on the foregoing amounts from the finality of this Resolution until full payment.

SO ORDERED.” *Hernando, J., on leave; Rosario, J., no part due to participation in the proceedings before the Court of Appeals; Lopez, J., J., designated additional Member per Raffle dated February 23, 2021.*

By authority of the Court:



MARIA TERESA B. SIBULO

Division Clerk of Court *of 10/11/23*

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BDO Unibank, Inc.
LEGAL SERVICES GROUP
Counsel for Petitioner
21/F, BDO Towers Valero
8741 Paseo de Roxas, Salcedo Village
1227 Makati City

Court of Appeals (x)
1000 Manila
(CA-G.R. CV No. 97429)

BERNABE LAW OFFICE
Counsel for Respondent
2/F, Pineda Building I, Rizal Street
Legazpi City, 4500 Albay

The Hon. Presiding Judge
Regional Trial Court, Branch 15
Tabaco City, 4511 Albay
(Civil Case No. T-2466)

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