

The negotiable instruments law

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Honorable Court of Appeals, Dy Hian Tat, Siy Chee and Gaw Suy An 51 Luis S. Wong vs. Court of Appeals and People of The Philippines 53 Michael A. Osmeña vs. Citibank, N. A., Associated Bank and Frank Tan 55 Benito Sy Y Ong vs. People of the Philippines And Court of Appeals 57 Far East Bank & Trust Company vs. Diaz Realty, Inc. 59 Raul Sesbreño vs. Hon. Court of Appeals, Delta Motors Corporation and Pilipinas Bank 62 Victoria Vda. De Gaston vs. Republic of the Philippines 64 Spouses Natalio and Felicidad Salonga vs. Spouses Manuel and Nenita Concepcion and Florencia Realty Corporation 66 Case 1: Full Title: ASSOCIATED BANK (Now WESTMONT BANK), petitioner, vs. VICENTE HENRY TAN, respondent. G. R. No. 156940 December 14, 2004 Associated Bank (Now Westmont Bank) vs. Vicente Henry Tan Story: A post-dated check in the amount of 101, 000. 00 was deposited by Vicente Henry Tan, a businessman and a regular depositor-creditor of the Associated Bank, with the said bank which was issued to him by a certain Willy Cheng. The check was duly entered in his bank record in the amount of 297, 000. 00 from the original deposit of 196, 000. 00. Allegedly, upon advice and instruction of the bank that the check was already cleared and backed up by sufficient funds, Tan, on the same date, withdrew a sum of 240, 000. 00. The next day, because he has issued several checks to his business partners, Tan deposited the amount of 50, 000. 00, making the existing balance 107, 793. 45. However, his suppliers and business partners went back to him declaring that the checks he issued bounced for insufficiency of funds. Thereafter, Tan, thru his lawyer, informed the bank to take positive steps regarding the matter for he has adequate and sufficient funds to pay the amount of the subject checks. Nonetheless, the

bank did not bother nor offer any apology regarding the incident.

Consequently, Tan, as plaintiff, sued the bank for damages. Issue: Whether or not the petitioner, which is acting as a collecting bank, has the right to debit the account of its client for a check deposit which was dishonored by the drawee bank. Decision: While banks are granted by law the right to debit the value of a dishonored check from a depositor's account, they must do so with the highest degree of care, so as not to prejudice the depositor unduly. The fiduciary nature of banking, previously imposed by case law, is now enshrined in Republic Act No. 8791 or the General Banking Law of 2000. Section 2 of the law specifically says that the State recognizes the "fiduciary nature of banking that requires high standards of integrity and performance." Did petitioner treat respondent's account with the highest degree of care? From all indications, it did not. It is undisputed -- nay, even admitted -- that purportedly as an act of accommodation to a valued client, petitioner allowed the withdrawal of the face value of the deposited check prior to its clearing. That act certainly disregarded the clearance requirement of the banking system. Such a practice is unusual, because a check is not legal tender or money and its value can properly be transferred to a depositor's account only after the check has been cleared by the drawee bank. Under ordinary banking practice, after receiving a check deposit, a bank either immediately credit the amount to a depositor's account; or infuse value to that account only after the drawee bank shall have paid such amount. Before the check shall have been cleared for deposit, the collecting bank can only "assume" at its own risk -- as herein petitioner did -- that the check would be cleared and paid out. Reasonable business practice and prudence, moreover,

dictated that petitioner should not have authorized the withdrawal by respondent of P240, 000 on October 1, 1990, as this amount was over and above his outstanding cleared balance of P196, 793. 45. Hence, the lower courts correctly appreciated the evidence in his favor. Case 2: Full Title: Banco De Oro vs. Equitable Banking Corp. 157 SCRA 188 Jan. 20, 1988 Story: Six crossed Manager's checks which are payable to member establishments of Visa Card were drawn by Banco de Oro. These were deposited to Aida Trencio's account with Equitable Bank. The checks were sent for clearing through Philippine Clearing House Corporation (PCHC). These were cleared and paid by Banco de Oro. Later on, Banco de Oro discovered that the endorsements at the back of the checks were forged and unauthorized. With this reason, Banco de Oro presented the checks to Equitable Bank for reimbursement but the latter refused. So, Banco de Oro filed a case against Equitable Bank. Issue: Whether or not BDO can collect reimbursement from Equitable Bank Decision: Banco de Oro contends that PCHC did not have the authority because the clearing rules only apply to genuinely negotiable checks. However the Supreme Court ruled that " checks" as used in the PCHC Articles of Incorporation refers to checks in general use in commercial and business activities so it cannot be conceived to be limited to negotiable checks only. Furthermore, the Court said, the involvement of Oro and Equitable in the clearing operations of PCHC is an indication of their submission to its jurisdiction. In addition to this, the act of Oro stamping its guarantee in order to clear the checks with Equitable shows that Oro, for all legal intents and purposes, treated the checks as negotiable and accordingly assumed the warranty of the endorser. Therefore Oro cannot deny its liability

as it assumed the liability of an endorser. The Court continued " Thus we hold that while the drawer (Equitable) generally owes no duty of diligence to the collecting bank (Oro), 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. " Case 3: Full Title: BPI Family Bank, Petitioner vs. Edgardo Buenaventura, Myrna Lizardo And Yolanda Tica, Respondents G. R. No. 148196 BPI Family Bank vs. Edgardo Buenaventura, Myrna Lizardo And Yolanda Tica Story: Officers of the International Baptist Church and International Baptist Academy in Malabon, Metro Manila, Edgardo Buenaventura, Myrna Lizardo and Yolanda Tica filed a complaint for " Reinstatement of Current Account/Release of Money plus Damages" against BPI Family Bank (BPI-FB) on May 23, 1990 at the Manila RTC, docketed as Civil Case No. 90-53154. They claim that on August 30, 1989, they accepted from Amado Franco BPI-FB Check No. 129004 which is dated August 29, 1989 in the amount of P500, 000. 00, issued jointly by Eladio and Joseph Teves. Furthermore, they opened Current Account No. 807-065314-0 with BPI-FB Branch at Bonifacio Market, Edsa, Caloocan City and deposited the check as initial deposit. The check was cleared and the amount was credited against their Current Account. On September 3, 1989, they drew a check for P91, 270. 00 which was dishonoured because the account was " closed", in spite of the balance in the Current Account of P490, 328. 50. Thereafter they learned from BPI-FB that their account had been frozen upon the instruction of Severino P. Coronacion, VP of BPI-FB on the ground that the

source of fund was illegal or unauthorized. Buenaventura et al. demanded the reinstatement of the account, but BPI-FB refused. Issue: Manila RTC rendered its decision, finding that: BPI-FB had no right to unilaterally freeze the deposits of Buenaventura, et al. since the latter had no participation in any fraud that may have attended the prior fund transfers from FMIC to Tevesteco; as holders in good faith and for value of the BPI-FB Check No. 129004, their rights to the sum embodied in the said check should have been respected; BPI-FB's unilateral action of freezing the Current Account amounted to an unlawful confiscation of their property without due process. Decision: The court ruled in favour of Buenaventura, et al. The defendant was asked to: 1. To pay the plaintiff the sum of P490, 328. 50 representing the balance of the plaintiff's deposit under Account No. 807-065-313-0 which was unlawfully frozen by the bank and finally debited against said account with legal rate of interest from date of closure; 2. To pay the sum of P200, 000. 00 as moral damages; 3. To pay the amount of P50, 000. 00 as exemplary damages to serve as an example and lesson to serve as a deterrent for similar action which the bank may take against its depositors in the future (originally 200, 000 but the court reduced it to 50, 000) 4. To pay the sum of P50, 000. 00 as attorney's fees. Case 4: Full Title: ADALIA FRANCISCO, petitioner, vs. COURT OF APPEALS , HERBY COMMERCIAL & CONSTRUCTION CORPORATION AND JAIME C. ONG, respondents GR No 116320 29 Nov 1999 Francisco vs. Court Of Appeals Story: Adalia Francisco, president of A. Francisco Realty & Development Corporation (AFRDC), had a contract with Jaime Ong, president of Herby Commercial & Construction Corporation (HCCC) stating that HCCC will lead a housing project by AFRDC

in San Jose Del Monte, Bulacan and will be financed by the Government Service Insurance System (GSIS). It was also agreed that terms of payment by Francisco to Ong was on the basis of completed housing units and developed lands delivered and accepted by AFRDC and the GSIS. AFRDC and GSIS also put up an account with the Insular Bank of Asia & America (IBAA) in the amount of P4, 000, 000. 00 from which checks would be issued and will be co-signed by Francisco and GSIS Vice President Armando Diaz. Ong was also authorized by Francisco to collect the payments directly from GSIS. On February 10, 1978, HCCC filed a complaint against Francisco, AFRDC and the GSIS for the collection of the unpaid balance in the amount of P515, 493. 89 for completed and delivered housing units and developed lands. Yet, after a few months, the parties have executed a Memorandum Agreement which had the following stipulations: HCCC had already turned over 83 housing units which have been accepted and paid for by the GSIS; the GSIS also acknowledged that it owed HCCC an amount of P520, 177. 50 representing incomplete construction of housing units incomplete land development and 5% retention fee which will be paid when the housing units and the incomplete developed land were completed; it was also stated that HCCC owed AFRDC an amount of P180, 234. 91 but the parties agreed that the amount will be paid out of the proceeds of the 40 housing units still to be turned in to the AFRDC. The court had dismissed the case after the Memorandum Agreement was issued. A year after, after an examination of GSIS' records, Ong discovered that Diaz and Francisco had signed seven checks, drawn against the IBAA and payable to HCCC for completed work yet none of them was received by Ong. It was later found out that Diaz had

entrusted Francisco the said checks since she promised to give the checks to Ong. Francisco didn't really deliver the checks, instead she forged the signature of Ong and showed that Ong indorsed the checks to her and then she deposited the checks to her personal savings account. This event had prompted Ong to file a complaint against Francisco charging estafa thru falsification of commercial documents. Issue: Whether petitioner cannot be held liable on the questioned checks by virtue of the Certification executed by Ong giving her the authority to collect such checks from the GSIS.

Decision: The Court of Appeals agreed with the lower court's finding that Francisco forged the signature of Ong on the checks to make it appear as if Ong had indorsed the said checks and that, after indorsing the checks for a second time by signing her name at the back of the checks, Francisco deposited said checks in her savings account with IBAA. The checks were proved to be forged and were examined by an NBI handwriting expert making the findings established. However, the petitioner, Francisco, claims that she was, in any event, authorized to sign Ong's name on the checks by virtue of the Certification executed by Ong in her favor giving her the authority to collect all the receivables of HCCC from the GSIS, including the questioned checks. But to her dismay, her alternative defense also failed. According to the Negotiable Instruments Law, an agent, when so signing, should indicate that he is merely signing in behalf of the principal and must disclose the name of his principal; otherwise he shall be held personally liable. Even assuming that Francisco was authorized by HCCC to sign Ong's name, still, Francisco did not indorse the instrument in accordance with law. Instead of signing Ong's name, Francisco should have signed her own name

and expressly indicated that she was signing as an agent of HCCC. Thus, the Certification cannot be used by Francisco to validate her act of forgery.

Therefore, because of the event that it was proven that Francisco forged the signature of Ong, she is liable to pay Ong with compensatory damages in the amount of P370, 475. 00, but with a modification as to the interest rate which shall be six percent (6%) per annum, to be computed from the date of the filing of the complaint since the amount of damages was alleged in the complaint; however, the rate of interest shall be twelve percent (12%) per annum from the time the judgment in this case becomes final and executory until its satisfaction and the basis for the computation of this twelve percent (12%) rate of interest shall be the amount of P370, 475. 00 with other conditions in case of breach of obligation. Case 5: Full Title: NATIVIDAD

GEMPESAW, petitioner, vs. THE HONORABLE COURT OF APPEALS and PHILIPPINE BANK OF COMMUNICATIONS, respondents. L. B. Camins for petitioner. Angara, Abello, Concepcion, Regals & Cruz for private respondent G. R. No. 92244 February 9, 1993 Natividad Gempesaw vs. The Honorable Court of Appeals and Philippine Bank Of Communications Story: Natividad Gempesaw is a businesswoman who owns several grocery stores entrusted the preparation of checks to her bookkeeper, Alicia Galang. The following checks were to be issued as payments for her business' suppliers and for her business' transations. From 1984 to 1986, 82 checks amounting to P1, 208, 606. 89, were prepared and were supposed to be delivered to Gempesaw's clients as payees named thereon. However, through Galang, these checks were never delivered to the supposed payees. Instead these checks were fraudulently indorsed in the form of forgery to Alfredo Romero and Benito

Lam. Issue: The petitioner claims whether or not she should be refunded by the drawee bank the money that was lost due to the forged indorsements.

Decision: The case is hereby ordered REMANDED to the trial court for the reception of evidence to determine the exact amount of loss suffered by the petitioner, considering that she partly benefited from the issuance of the questioned checks since the obligation for which she issued them were apparently extinguished, such that only the excess amount over and above the total of these actual obligations must be considered as loss of which one half must be paid by respondent drawee bank to herein petitioner. Case 6:

Full Title: THE GREAT EASTERN LIFE INSURANCE CO., plaintiff-appellant, vs. HONGKONG & SHANGHAI BANKING CORPORATION and PHILIPPINE NATIONAL BANK, defendants-appellees. G. R. No. L-18657 The Great Eastern Life

Insurance Co. vs. Hongkong & Shanghai Banking Corporation and Philippine National Bank Story: The plaintiff is the Great Eastern Life Insurance Co., and the Hongkong & Shanghai Banking Corporation (HSBC) And Philippine

National Bank, and each is duly licensed to do its respective business in the Philippines Islands. On May 3, 1920, the plaintiff drew its check for P2, 000

on the Hongkong and Shanghai Banking Corporation with whom it had an account, payable to the order of Lazaro Melicor. E. M. Maasim then obtained possession of the check fraudulently then forged Melicor's signature, as an endorser, and then personally endorsed and then presented it to the

Philippine National Bank . The amount of the check was then placed to his account. After paying the check, the Philippine national Bank endorsed the check to the Hongkong and Shanghai Banking Corporation the next day. The Hongkong and Shanghai Banking Corporation then paid it and charged the

amount of the check to the account of the plaintiff. The Hongkong Shanghai Banking Corporation rendered a bank statement to the plaintiff showing that the amount of the check was charged to its account, and no objection was then made to the statement. After about four months when the check was charged to the account of the plaintiff, it was discovered that Lazaro Melicor, to whom the check was made payable, never received it, and that his signature, as an endorser, was forged by Maasim, who presented and deposited it to his private account in the Philippine National Bank. The plaintiff then promptly made a demand upon the Hongkong and Shanghai Banking Corporation that the amount of the forged check should be returned to its account, which the bank refused to do, The plaintiff commenced this action to recover the P2, 000 which was paid on the forged check. On the petition of the Shanghai Bank, the Philippine National Bank was made defendant. The Shanghai Bank denies any liability, but prays that, if a judgment should be rendered against it, in turn, it should have like judgment against the Philippine National Bank which denies all liability to either party. Upon the issues being joined, a trial was had and judgment was rendered against the plaintiff and in favor of the defendants, from which the plaintiff appeals, claiming that the court erred in dismissing the case, notwithstanding its finding of fact, and in not rendering a judgment in its favor, as prayed for in its complaint. Issue: The main issue in this case is who is responsible for the refund to the drawer of the amount of the check drawn and payable to order, when its value was collected by a third person by means of forgery of the signature of the payee. It is a question whether it is the drawee, the last indorser, who ignored the forgery at the time of making

the payment, or the forger who will be rendered responsible for the refund.

Decision: The lower court decided that either bank incurred in any responsibility arising from that crime, nor was either of the said banks by subsequent acts, guilty of negligence or fault. The lower court said that the the National Bank should not be held responsible for the payment of made to Maasim in good faith of the amount of the check, because the indorsement of Maasim is unquestionable and his signature perfectly genuine, and the bank was not obliged to identify the signature of the former indorser. Neither could the Hongkong and Shanghai Banking Corporation be held responsible in making payment in good faith to the National Bank, because the latter is a holder in due course of the check in question. It is said that the two defendant banks cannot be held civilly responsible for the consequences of the falsification or forgery of the signature of Lazaro Melicor, the National Bank having had no notice of said forgery in making payment to Maasim, nor the Hongkong bank in making payment to National Bank. This is said to be a fundamental error. The money on deposit of Shanghai Bank and it has no right to pay it out to anyone except for the plaintiff or its order. In this case, the Shanghai Bank was ordered to pay the P2, 000 to Melicor, and the money was actually paid to Maasim and was never paid to Melicor, and he never paid to Melicor, and he never personally endorsed the check, or authorized any one to endorse it for him, and the alleged endorsement was a forgery. It is admitted that the Philippine National Bank cashed the check upon a forged signature, and placed the money to the credit of Maasim, who was a forger. The Philippine National Bank had no license or authority to pay the money to Maasim or anyone else upon a forge signature. It was its legal

duty to know that Melicor's endorsement was genuine before cashing the check. Its remedy is against Maasim to whom it paid the money. The judgment of the lower court is then reversed, and the decision entered here in favor of the plaintiff and against the Hongkong and Shanghai Banking Corporation for the P2, 000, with interest thereon from November 8, 1920 at the rate of 6 per cent per annum, and the costs of this action, and a corresponding judgment will be entered in favor of the Hongkong Shanghai Banking Corporation against the Philippine National Bank for the same amount, together with the amount of its costs in this action. So ordered.

Case 7: Full Title: Jai Alai Corporation of the Philippines vs BPI [66 SCRA 229]

GR No. L — 29432 Story: A petitioner deposited several checks in its current account with a respondent bank. The checks were acquired from Antonio J. Ramirez. Ramirez was a sales agent of Inter-Island Gas Service Inc., and a regular bettor in the Jai-Alai games. These checks were credited to the petitioner's account momentarily. Ramirez then resigned and Inter-Island found out that the indorsements on the checks were forgeries. Inter-Island informed all the parties involved and filed a criminal complaint against Ramirez. The bank then debited the petitioner's account and returned the checks. The petitioner drew a check to its account but it was dishonored because after debiting the said checks, its funds became insufficient. Hence, the petitioner filed a complaint in opposition to the bank. Issue: Whether BPI had the right to debit from petitioner's current account the value of the checks with the forged indorsements and was not liable for damages

Decision: The respondent bank acted within legal bounds when it debited the petitioner's current account. Under Section 23, a forged signature is wholly

inoperative and no right to discharge it or enforce its payment can be acquired through or under the forged signature except against a party who cannot invoke the forgery. Thus it did not create a creditor-debtor relationship between the petitioner and the bank. The respondent bank was to collect from the drawee bank the sum of the said checks. The petitioner then shall shoulder the loss. Case 8: Full Title: Philippine Commercial International Bank (PCIB) vs Court of Appeals 350 SCRA 446

Story: On October 19, 1977, the plaintiff Ford drew and issued its Citibank Check No. SN-04867 in the amount of P4, 746, 114. 41, in favor of the Commissioner of Internal Revenue as payment of its percentage or manufacturer's sales taxes for the third quarter of 1977. The said check was deposited with the defendant IBAA (now PCIB) and was then cleared at the Central Bank. The proceeds of the check was paid to IBAA as collecting or depository bank upon presentment with the defendant Citibank. The proceeds of the same Citibank check of the plaintiff was never paid to or received by the payee thereof, the Commissioner of Internal Revenue. As a consequence, upon demand of the Bureau and/or Commissioner of Internal Revenue, Ford was compelled to make a second payment to the Bureau of Internal Revenue of its percentage/manufacturers' sales taxes for the third quarter of 1977 and that said second payment of Ford in the amount of P4, 746, 114. 41 was duly received by the Bureau of Internal Revenue. It addition, the defendant Citibank further admitted that during the time of the transactions in question, plaintiff had been maintaining a checking account with Citibank; that Citibank Check No. SN-04867 which was drawn and issued by the plaintiff in favor of the Commissioner of Internal Revenue was a

crossed check in that, on its face were two parallel lines and written in between said lines was the phrase " Payee's Account Only"; and that defendant Citibank paid the full face value of the check in the amount of P4, 746, 114. 41 to the defendant IBAA (now PCIB). It has also been duly established that for the payment of plaintiff's percentage tax for the last quarter of 1977, the Bureau of Internal Revenue issued Revenue Tax Receipt No. 18747002, dated October 20, 1977, designating therein in Muntinlupa, Metro Manila, as the authorized agent bank of Metrobank, Alabang branch to receive the tax payment of the plaintiff. On December 19, 1977, plaintiff's Citibank Check No. SN-04867, together with the Revenue Tax Receipt No. 18747002, was deposited with defendant IBAA, through its Ermita Branch. The latter accepted the check and sent it to the Central Clearing House for clearing on the same day, with the indorsement at the back " all prior indorsements and/or lack of indorsements guaranteed. " Thereafter, defendant IBAA presented the check for payment to defendant Citibank on same date, December 19, 1977, and the latter paid the face value of the check in the amount of P4, 746, 114. 41. Consequently, the amount of P4, 746, 114. 41 was debited in plaintiff's account with the defendant Citibank and the check was returned to the plaintiff. Ford, the plaintiff discovered that its Citibank Check No. SN-04867 in the amount of P4, 746, 114. 41 was not paid to the Commissioner of Internal Revenue upon verification. Hence, in separate letters dated October 26, 1979, addressed to the defendants, the plaintiff notified the latter that in case it will be re-assessed by the BIR for the payment of the taxes covered by the said checks, then plaintiff shall hold the defendants liable for reimbursement of the face value of the same. Both

defendants denied liability and refused to pay. In a letter dated February 28, 1980 by the Acting Commissioner of Internal Revenue addressed to the plaintiff, Ford was officially informed, among others, that its check in the amount of P4, 746, 114. 41 was not paid to the government or its authorized agent and instead it was encashed by unauthorized persons, hence, plaintiff has to pay the said amount within fifteen days from receipt of the letter.

Upon advice of the plaintiff's lawyers, plaintiff on March 11, 1982, paid to the Bureau of Internal Revenue, the amount of P4, 746, 114. 41, representing payment of plaintiff's percentage tax for the third quarter of 1977. As a consequence of defendant's refusal to reimburse plaintiff of the payment it had made for the second time to the BIR of its percentage taxes, plaintiff filed on January 20, 1983 its original complaint before this Court. On December 24, 1985, defendant IBAA was merged with the Philippine Commercial International Bank (PCIB) with the latter as the surviving entity. Defendant Citibank maintains that; the payment it made of plaintiff's Citibank Check No. SN-04867 in the amount of P4, 746, 114. 41 " was in due course"; it merely relied on the clearing stamp of the depository/collecting bank, the defendant IBAA that " all prior indorsements and/or lack of indorsements guaranteed"; and the proximate cause of plaintiff's injury is the gross negligence of defendant IBAA in indorsing the plaintiff's Citibank check in question. On December 19, 1977 it was admitted that when the proceeds of plaintiff's Citibank Check No. SN-048867 was paid to defendant IBAA as collecting bank, plaintiff was maintaining a checking account with defendant Citibank. Issue: Whether or not PCIB and Citibank are liable for the tortuous acts of their employees. Decision: Citibank and IBAA (now PCIB)

were jointly and severally ordered to pay the plaintiff the amount of P4, 746, 114. 41 representing the face value of the plaintiff's Citibank Check No. SN-04867, with interest thereon at the legal rate starting January 20, 1983 which is the date when the original complaint was filed until the amount is fully paid, plus costs. In the case of the defendant Citibank's cross-claim, the cross-defendant IBAA (now PCIB) is ordered to reimburse Citibank for whatever amount the latter has paid or may pay to the plaintiff. The counterclaims asserted by the defendants against the plaintiff, as well as that asserted by the cross-defendant against the cross-claimant were dismissed for lack of merits and costs against the defendants. SO ORDERED.

Case 9: Full Title: PHILIPPINE NATIONAL BANK petitioner, vs. HON. ROMULO S. QUIMPO, Presiding Judge, Court of First Instance of Rizal, Branch XIV, and FRANCISCO S. GOZON II, respondents. G. R. No. L-53194 March 14, 1988

Philippine National Bank vs Hon. Romulo S. Quimpo Story: Francisco Gozon was a depositor of the Philippine National Bank (PNB Caloocan). Ernesto Santos, Gozon's friend, took a check from the latter's checkbox which was left in the car, filled it up for the amount of P5000, forged Gozon's signature and encashed it. Gozon learned about the transaction upon receipt of the bank's statement of his account, and requested the bank to recredit the amount of his account. The bank refused. Issue: Who shall bear the loss resulting from the forged check? Decision: The bank bears the loss. The prime duty of a bank is to ascertain the genuineness of the signature of the drawer or depositor on the check being encashed. It is expected to use reasonable business prudence in accepting and cashing a check being encashed or presented to it. Gozon's act in leaving his checkbook in the car

where his trusted friend remained in, cannot be considered negligence sufficient to excuse the bank from its own negligence. Case 10: Full Title: REPUBLIC OF THE PHILIPPINES, plaintiff-appellant, vs. EQUITABLE BANKING CORPORATION, defendant-appellee. G. R. No. L-15894 January 30, 1964

Republic of the Phil vs Equitable Banking Corp Story: The Republic of the Philippines seeks to recover the sum of P17, 100, representing the aggregate value of four (4) treasury warrants from the Equitable Banking Corporation paid to said bank by the Treasurer of the Philippines thru the Clearing Office of the Central Bank of the Philippines. The Republic of the Philippines, hereinafter referred to as the Government, seeks to recover: (1) from the Equitable Banking Corporation - in case G. R. No. L-15894, the sum of P17, 100, representing the aggregate value of four (4) treasury warrants paid to said bank by the Treasurer of the Philippines thru the Clearing Office of the Central Bank of the Philippines; and (2) from the Bank of the Philippine Islands - in G. R. No. L-15895, the total sum of P342, 767. 63, representing the aggregate value of twenty-four (24) warrants similarly paid by the Treasurer to the PI Bank. These claims for refund are based upon a common ground - although said twenty-eight (28) warrants were executed on genuine government forms, the signature thereon of the drawing office and that of the representative of the Auditor General in that office are forged. Four (4) warrants involved were deposited with the Equitable Bank by its depositors or customers, namely, Robert Wong, Lu Chill Kau and Chung Ching. In due course, the Equitable Bank cleared the warrants, thru the Clearing Office, then collected the corresponding amounts from the Treasurer and credited said amounts to the accounts of the respective depositors. On January 15,

1958, the Treasurer notified the Equitable Bank of the alleged defect of said warrants and demanded reimbursement of the amounts and this demand was rejected by the Equitable Bank. Hence the institution of G. R. No. L-15894 (Civil Case No. 19600 of the Court of First Instance of Manila), against the Equitable Bank for, the recovery of P17, 100. 00. Upon leave of the lower court, the Equitable Bank filed a third-party complaint against Robert Wong, Lu Chill Kau and Chung Ching in G. R. No. L-15894, for whatever reimbursements the Equitable Bank may respectively be sentenced to make to the Government. This case was jointly heard with G. R. No. L-15895 (Civil Case No. 19599 of the Court of First Instance of Manila), against the Bank of the Philippine Islands, for the recovery of P342, 767. 63, who also filed a similar complaint with the Corporacion (24 warrants). The clearing of the twenty-eight (28) warrants — 24 from Bank of the Philippine Islands and 4 from Equitable Bank, thru the Clearing Office was made pursuant to the " 24-hour clearing house rule", which had been adopted by the Central Bank in a conference with representatives and officials of the different banking institutions in the Philippines. The rule is embodied in Section 4, subsection (c) of Circular No. 9 of the Central Bank, dated February 17, 1949 (Exhibit B), as amended by the letter of the Governor of the Central Bank, dated June 4, 1949 (Exhibit D). The twenty-eight (28) warrants were cleared and paid by the Treasurer, in view which the PI Bank and the Equitable Bank credited the corresponding amounts to the respective depositors of the warrants and then honored their checks for said amounts. Thus, the Treasury had not only been negligent in clearing its own warrants, but had, also, thereby induced the PI Bank and the Equitable Bank to pay the amounts thereof to said

depositors. The gross nature of the negligence of the Treasury becomes more apparent when seeing that each one of the twenty-four (24) warrants involve in G. R. No. L-15895 was for over P5, 000, and, hence; beyond the authority of the auditor of the Treasury - whose signature thereon had been forged - to approve. In other words, the irregularity of said warrants was apparent the face thereof, from the viewpoint of the Treasury. Moreover, the same had not advertised the loss of genuine forms of its warrants. Neither had the PI Bank nor the Equitable Bank been informed of any irregularity in connection with any of the warrants involved in these two (2) cases, until after December 23, 1952, - or after the warrants had been cleared and honored - when the Treasury gave notice of the forgeries adverted to above. As a consequence, the loss of the amounts thereof is mainly imputable to acts and omissions of the Treasury, for which the PI Bank and the Equitable Bank should not and cannot be penalized. Issue: Can the Republic of the Philippines recover the sum of P17, 100, representing the aggregate value of four (4) treasury warrants from the Equitable Banking Corporation paid to said bank by the Treasurer of the Philippines thru the Clearing Office of the Central Bank of the Philippines? Decision: The Equitable Bank had not been informed of any irregularity in connection with any of the warrants involved until after December 23, 1952, - or after the warrants had been cleared and honored - when the Treasury gave notice of the forgeries adverted to above. As a consequence, the loss of the amounts thereof is mainly imputable to acts and omissions of the Treasury, for which the Equitable Bank should not and cannot be penalized. Where a loss, which must be borne by one of two parties alike innocent of forgery, can be traced to the neglect or fault of

either, it is reasonable that it would be borne by him, even if innocent of any intentional fraud, through whose means it has succeeded, (Phil. National Bank v. National City Bank of New York, 63 Phil. 711, 723.) Generally, where a drawee bank otherwise would have a right of recovery against a collecting or indorsing bank for its payment of a forged check its action will be barred if it is guilty of an unreasonable delay in discovering the forgery and in giving notice thereof. (C. J. S. 769-700.). Where defendant bank, on presentation to it on September 2, of forged check drawn on another bank, paid part of amount to presenter, drawee paying check through clearing house on said day, held that the latter, not giving notice of forgery until December 5, could not hold defendant for amount so paid. (First State Bank & Trust Co. v. First Nat. Bank, 145 N. E. 382, 314 Ill. 269, affirming 234 Ill. App. 39.) Case 11:

Full Title: Samsung Construction Philippines vs. Far East bank 436 SCRA 402
Story: Plaintiff Samsung Construction Company Philippines, Inc. (" Samsung Construction"), maintained a current account with defendant Far East Bank and Trust Company (" FEBTC") at the latter's Bel-Air, Makati branch. The sole signatory to Samsung Construction's account was Jong Kyu Lee (" Jong"), its Project Manager, while the checks remained in the custody of the company's accountant, Kyu Yong Lee (" Kyu"). On 19 March 1992, a certain Roberto Gonzaga presented for payment FEBTC Check No. 432100 to the bank's branch in Bel-Air, Makati . The check, payable to cash and drawn against Samsung Construction's current account, was in the amount of Nine Hundred Ninety Nine Thousand Five Hundred Pesos (P999, 500. 00). The bank teller, Cleofe exercise the bank procedure in encashment using check. She then asked Gonzaga to submit proof of his identity, and the latter presented three

(3) identification cards. The bank officer Syfu also noticed Jose Sempio III ("Sempio"), the assistant accountant of Samsung Construction, who supported the claim of Gonzaga. Syfu showed the check to Sempio, who vouched for the genuineness of Jong's signature. Confirming the identity of Gonzaga, Sempio said that the check was for the purchase of equipment for Samsung Construction. Satisfied with the genuineness of the signature of Jong, Syfu authorized the bank's encashment of the check to Gonzaga. The following day Kyu, discovered that a check in the amount of Nine Hundred Ninety Nine Thousand Five Hundred Pesos (P999, 500. 00) had been encashed. Kyu perused the checkbook and found that the last blank check was missing. He reported the matter to Jong, who then proceeded to the bank. Jong learned of the encashment of the check, and realized that his signature had been forged. The Bank Manager reputedly told Jong that he would be reimbursed for the amount of the check. Jong proceeded to the police station and consulted with his lawyers. Subsequently, a criminal case for qualified theft was filed against Sempio before the Laguna court. FEBTC on the other hand, said that it was still conducting an investigation on the matter. Unsatisfied, Samsung Construction filed a Complaint on 10 June 1992 for violation of Section 23 of the Negotiable Instruments Law, before the Regional Trial Court ("RTC") of Manila, Branch 9. During the trial, both sides presented their respective expert witnesses to testify on the claim that Jong's signature was forged. Samsung Corporation, which had referred the check for investigation to the NBI, presented Senior NBI Document Examiner Roda B. Flores. She testified that based on her examination, she concluded that Jong's signature had been forged on the check. On the other hand, FEBTC,

which had sought the assistance of the Philippine National Police (PNP), presented Rosario C. Perez, a document examiner from the PNP Crime Laboratory. She testified that her findings showed that Jong's signature on the check was genuine. Issue: Whether or not the signature of Jong in the subject check was forged? Decision: Wherefore, premises considered, the instant Petition is denied. The Decision dated 8 March 2002 and the Resolution dated 26 July 2002 of the Court of Appeals are affirmed with modification that exemplary damages in the amount of P50, 000. 00 be awarded. Costs against the petitioner. Case 12: Full Title: SAN CARLOS MILLING CO., LTD., plaintiff-appellant, vs. BANK OF THE PHILIPPINE ISLANDS and CHINA BANKING CORPORATION, defendants-appellees. Gibbs and McDonough and Roman Ozaeta for appellant. Araneta, De Joya, Zaragosa and Araneta for appellee Bank of the Philippine Islands. G. R. No. L-37467 December 11, 1933 San Carlos Milling Co., Ltd. v. BPI and China Banking Corp. Story: * The plaintiff gave a general power of attorney to Baldwin relative to the dealings with BPI, one of the banks in Manila in which plaintiff maintained a deposit * Wilson, a principal employee of the plaintiff, conspiring with a messenger-clerk in plaintiff's Manila office, requested a telegraphic transfer from its principal office in Hawaii, to the China Banking Corporation of Manila of \$100, 000, likewise a bank in which plaintiff maintained. * Upon its receipt, the China Banking Corporation issued a manager's check payable to plaintiff or order following the instructions of a letter affixed with the forged signature of Baldwin. * A Manager's check on the China Banking Corporation payable to plaintiff or order was receipted for by the messenger-clerk of the plaintiff which was indorsed to BPI again under

a forged signature of Baldwin as an agent. * BPI thereupon credited the current account of plaintiff and passed the cashier's check in the ordinary course of business through the clearing house, where it was paid by the China Banking Corporation. * The next day, Dolores presented a check to BPI for the sum of P200, 000, purporting to be signed by Baldwin as agent. * Shortly thereafter the crime was discovered, and upon the defendant bank refusing to credit plaintiff with the amount withdrawn this suit was brought.

Issue: Whether BPI and China Banking Corporation should be held liable to plaintiff Decision: Only BPI should be held liable. China Banking Corporation, drew its check payable to the order of plaintiff and delivered it to plaintiff's agent who was authorized to receive it. A bank that cashes a check must know to whom it pays. In connection with the cashier's check, this duty was therefore upon the Bank of the Philippine Island, and the China Banking Corporation was not bound to inspect and verify all endorsements of the check, even if some of them were also those of depositors in the bank. It has a right to rely upon the endorsement of the BPI when it gave the latter bank credit for its own cashier's check. Even if it is treated that China Banking Corporation's cashier's check be the same as the check of a depositor and hold the China Banking Corp. indebted to plaintiff, the Court at the same time has to hold that BPI was indebted to the China Banking Corp. in the same amount. As, however, the money was in fact paid to plaintiff corporation, the Court must hold that the China Banking Corp. is indebted neither to plaintiff nor to BPI, and the judgment as it absolved the China Banking Corp. from responsibility is affirmed. As to BPI, a bank is bound to know the signature of its customers; and if it pays a forged check, it must be

considered as making the payment out of its own funds, and cannot ordinarily charge the amount so paid to the account of the depositor whose name was forged. The bank paid out its money because it relied upon the genuineness of the purported signature of Baldwin. The proximate cause of loss was due to the negligence of the BPI in honoring and cashing the two forged checks. Case 13: Full Title: Traders Royal Bank vs. Radio Philippines Network Inc., Intercontinental Broadcasting Corporation, and Banahaw Broadcasting Network, through the board of administrators, and Security Bank and Trust Company, respondents. Story: On April 15, 1985, the Bureau of Internal Revenue (BIR) assessed plaintiffs Radio Philippines Network (RPN), Intercontinental Broadcasting Corporation (IBC), and Banahaw Broadcasting Corporation (BBC) of their tax obligations for the taxable years 1978 to 1983. On March 25, 1987, Mrs. Lourdes C. Vera, plaintiffs' comptroller, sent a letter to the BIR requesting settlement of plaintiffs' tax obligations. The BIR granted the request and accordingly, on June 26, 1986, plaintiffs purchased from defendant Traders Royal Bank (TRB) three (3) manager's checks with check numbers 30652, 30650, and 30796 with the amounts of P4 155 835. 00, P3 949 406. 12, and P1 685 475. 75 respectively to be used as payment for their tax liabilities Defendant TRB, through Aida Nuñez, TRB Branch Manager at Broadcast City Branch, turned over the checks to Mrs. Vera who was supposed to deliver the same to the BIR in payment of plaintiffs' taxes. Sometime in September, 1988, the BIR again assessed plaintiffs for their tax liabilities for the years 1979-82. It was then they discovered that the three (3) managers checks (Nos. 30652, 30650 and 30796) intended as payment for their taxes were never delivered nor paid to the BIR by Mrs. Vera.

Instead, the checks were presented for payment by unknown persons to defendant Security Bank and Trust Company (SBTC), Taytay Branch as shown by the bank's routing symbol transit number (BRSTN 01140027) or clearing code stamped on the reverse sides of the checks. Due to the failure of the plaintiffs to settle their taxes, the BIR issued warrants of levy, distraint and garnishment against them. Thus, they were constrained to enter into a compromise and paid BIR P18, 962, 225. 25 in settlement of their unpaid deficiency taxes. In view of the foregoing considerations, judgment is hereby rendered in favor of the plaintiffs and against the defendants by : a.

Condemning the defendant Traders Royal Bank to pay actual damages in the sum of Nine Million Seven Hundred Ninety Thousand and Seven Hundred Sixteen Pesos and Eighty-Seven Centavos (P9, 790, 716. 87) broken down as follows: 1. To plaintiff RPN-9 - P4, 155, 835. 00 2. To Plaintiff IBC-13 - P3, 949, 406. 12 3. To Plaintiff BBC-2 - P1, 685, 475. 72 plus interest at the legal rate from the filing of this case in court. b) Condemning the defendant Security Bank and Trust Company, being collecting bank, to reimburse the defendant Traders Royal Bank, all the amounts which the latter would pay to the aforementioned plaintiffs; c) Condemning both defendants to pay to each of the plaintiffs the sum of Three Hundred Thousand (P300, 000. 00) Pesos as exemplary damages and attorney's fees equivalent to twenty-five percent of the total amount recovered; and d) Costs of suit. Issue: A petition was made by TRB for the following errors: (a) the Honorable Court of Appeals manifestly overlooked facts which would justify the conclusion that negligence on the part of RPN, IBC and BBC bars them from recovering anything from TRB, (b) the Honorable Court of Appeals plainly erred and

misapprehended the facts in relieving SBTC of its liability to TRB as collecting bank and indorser by overturning the trial court's factual finding that SBTC did endorse the three (3) managers checks subject of the instant case, and (c) the Honorable Court of Appeals plainly misapplied the law in affirming the award of exemplary damages in favor of RPN, IBC and BBC. In reply, respondents RPN, IBC, and BBC state that TRB's petition raises questions of fact in violation of Rule 45 of the 1997 Revised Rules on Civil Procedure which restricts petitions for review on certiorari of the decisions of the Court of Appeals on pure questions of law. RPN, IBC and BBC maintain that the issues of whether or not respondent networks had been negligent were already passed upon both by the trial and appellate courts, and that the factual findings of both courts are binding and conclusive upon this Court. SBTC denies liability on the ground that it had no participation in the negotiation of the checks, emphasizing that the BRSTN imprints at the back of the checks cannot be considered as proof that respondent SBTC accepted the disputed checks and presented them to Philippine Clearing House Corporation for clearing. The 3 checks were payable to the BIR. It was established, however, that said checks were never delivered or paid to the payee BIR but were in fact presented for payment by some unknown persons who, in order to receive payment therefor, forged the name of the payee. Despite this fraud, petitioner TRB paid the 3 checks in the total amount of P9, 790, 716. 87. Petitioner must know that where a check is drawn payable to the order of one person and is presented for payment by another and purports upon its face to have been duly indorsed by the payee of the check, it is the primary duty of petitioner to know that the check was duly indorsed

by the original payee and, where it pays the amount of the check to a third person who has forged the signature of the payee, the loss falls upon petitioner who cashed the check. Its only remedy is against the person to whom it paid the money. Decision: The appellant Security Bank and Trust Company is not liable. While the other appellant, Traders Royal Bank, is solely liable for the appellees for the damages and cost of suit. Since TRB did not pay the rightful holder or other person or entity entitled to receive payment, it has no right to reimbursement. Petitioner TRB was remiss in its duty and obligation, and must therefore suffer the consequences of its own negligence and disregard of established banking rules and procedures. Case 14: Full Title: TRAVEL-ON, INC., petitioner, vs. COURT OF APPEALS and ARTURO S. MIRANDA, respondents G. R. No. L-56169 June 26, 1992 Travel-On vs. Court of Appeals Story: * Petitioner Travel-On is a travel agency selling airline tickets on commission basis for and in behalf of different airline companies. * While, private respondent Arturo S. Miranda had a revolving credit line with petitioner. He procured tickets from petitioner on behalf of airline passengers and derived commissions there from. * On June, 1972, Petitioner Travel-on filed a suit against Miranda for the collection of the 6 checks he issued to petitioner, with a total face amount of P115K. * The complaint alleged that from August 1969 to January 1970, petitioner sold and delivered various airline tickets to respondent at a total price of P278, 201. 57; that to settle said account, private respondent paid various amounts in cash and in kind, and thereafter issued six (6) postdated checks amounting to P115, 000. 00 which were all dishonored by the drawee banks. * Further, Travel-on alleged that in March 1972, private respondent made another

payment of P10, 000. 00 reducing his indebtedness to P105, 000. 00. * As his answer, Miranda admitted that he had transactions with Travel-on but claimed that he had already fully paid and even over paid his obligations and that refunds were in fact due to him. * He also argued that he had issued the postdated checks for purposes of accommodation, as he had in the past accorded similar favors to petitioner. * In support of his theory that the checks were issued for accommodation, Miranda testified that he had issued the checks in the name of Travel-On in order that its General Manager, Montilla, could show to Travel-On's Board of Directors that the accounts receivable of the company were still good. He further stated that Montilla tried to encash the same, but that these were dishonored and were subsequently returned to him after the accommodation purpose had been attained. * Montilla, on the other hand explained that the " accommodation" extended to Travel-On by private respondent related to situations where one or more of its passengers needed money in Hongkong, and upon request of Travel-On respondent would contact his friends in Hongkong to advance Hongkong money to the passenger. The passenger then paid Travel-On upon his return to Manila and which payment would be credited by Travel-On to respondent's running account with it. * The trial court ruled that Miranda's indebtedness to Travel-on was not satisfactorily established and that the postdated checks were issued not for the purpose of encashment to pay his indebtedness but to accommodate the General Manager of Travel-On to enable her to show to the Board of Directors that Travel-On was financially stable. * CA affirmed the RTC's ruling. Issue: 1. WON the checks issued by Miranda to Travel-on were accommodation checks. 2. WON Miranda is liable

to Travel-on for the issuance of 6 checks. Decision: 1. No accommodation transaction was shown in the case at bar. * In accommodation transactions recognized by the NIL, an accommodating party lends his credit to the accommodated party, by issuing or indorsing a check which is held by a payee or indorsee as a holder in due course, who gave full value therefor to the accommodated party. The latter, in other words, receives or realizes full value which the accommodated party then must repay to the accommodating party, unless of course the accommodating party intended to make a donation to the accommodated party. But the accommodating party is bound on the check to the holder in due course who is necessarily a third party and is not the accommodated party. Having issued or indorsed the check, the accommodating party has warranted to the holder in due course that he will pay the same according to its tenor. * In the case at bar, Travel-On was payee of all six (6) checks, it presented these checks for payment at the drawee bank but the checks bounced. Travel-On obviously was not an accommodated party; it realized no value on the checks which bounced. 2. SC holds Miranda liable for the 6 checks. * The checks involved in this case constituted as the evidence of indebtedness of Miranda to Travel-on. * Travel-On is entitled to the benefit of the statutory presumption that it was a holder in due course, that the checks were supported by valuable consideration. As maker of the checks, Miranda did not successfully rebut these presumptions. He only claimed that he had issued the checks to Travel-On as payee to "accommodate" its General Manager. It will be seen that this claim was in fact a claim that the checks were merely simulated, that private respondent did not intend to

bind himself thereon. Only evidence of the clearest and most convincing kind will suffice for that purpose; no such evidence was submitted by Miranda. *

Upon the other hand, the " accommodation" or assistance extended to Travel-On's passengers abroad as testified by the General Manager involved, was not the accommodation transactions recognized by the NIL, but rather the circumvention of then existing foreign exchange regulations by passengers booked by Travel-On, which incidentally involved receipt of full consideration by private respondent. * As the checks constitute the best evidence of Miranda's liability to Travel-On, the amount of such liability is the face amount of the checks, reduced only by the P10, 000. 00 which Travel-On admitted in its complaint Case 15: Full Title: Tuazon vs Heirs of Bartolome Ramos 463 SCRA 408 Story: Between the period of May 2, 1988 and June 5, 1988, spouses Leonilo and Maria Tuazon purchased a total of 8, 326 cavans of rice from Bartolome Ramos. That of this quantity only 4, 437 cavans have been paid for, leaving unpaid 3, 889 cavans valued at P1, 211, 919. 00. In payment therefore, the spouses Tuazon issued Traders Royal Bank checks. But when these checks were encashed, all of the checks bounced due to insufficiency of funds. Before issuing said checks, Tuazon spouses already knew that they had no available fund to support the checks, and they failed to provide for the payment of these despite repeated demands made on them. Because of the said insufficiency of the fund of the spouses, they conspired with the Buenaventura spouses to defraud them as creditors by executing fictitious sales of their properties. Included in these said fictitious sales were their residential house and lots at Nueva Ecija and 2 cars. As a result of the said sales, the titles of these properties issued in the

names of spouses Tuazon were cancelled and new ones were issued in favor of the Buenaventura spouses. The Tuazon spouses denied having purchased rice from Bartolome Ramos. They alleged that it was Magdalena Ramos, wife of Bartolome Ramos, who owned and traded the merchandise and Maria Tuazon was merely her agent. They argued that it was Evangeline Santos who was the buyer of the rice and issued the checks to Maria Tuazon as payments therefore. In good faith, the checks were received Maria Tuazon from Evangeline Santos and turned over to Ramos without knowing that these were not funded. And it is for this reason that the Tuazon spouses have been insisting on the inclusion of Evangeline Santos as responsible party, and her non-inclusion was a fatal error. Refuting that the sale of several properties were fictitious or simulated, spouses Tuazon contended that these were sold because they were then meeting financial difficulties but the disposals were made for value and in good faith and done before the filing of the suit. To continuously defend themselves, they argued that there was no sales invoice, official receipts or like evidence to prove this. They insisted that they were merely agents and should not be held liable. The Buenaventura spouses were included in the case and the suit filed against Evangeline Santos by the Tuazon spouses was denied by the court. Issue: The Tuazon spouses raised if whether or not the Court of appeals made a mistake in acclaiming that the spouses are not the agents of Mr. Ramos. They also raised if whether or not the Court of Appeals made a mistake in giving a final verdict of the case despite of denying their suit against Evangeline Santos whom which they claim as the responsible party. Decision: The Bartolome heirs won the case and with this, the Tuazon

spouses are obliged to do and pay the following: 1. The sum of P1, 750, 050. 00, with interests from the filing of the second amended complaint; 2. The sum of P50, 000. 00, as attorney's fees; 3. The sum of P20, 000. 00, as moral damages 4. And to pay the costs of suit Case 16: Full Title: United General Industries, Inc. vs Jose Paler and Jose De La Rama G. R. No. L-30205 March 15, 1982 Story: On January 20, 1962, Jose Paler and wife Purificacion Paler (defendant) purchased from United General Industries, Inc. (plaintiff) Zenith 23" TV set with serial No. 3493594 on installment basis. To secure the payment, Jose Paler and his wife executed in favor of the plaintiff a promissory note in the amount of P2, 690. 00. To consider the guarantee of the payment of the aforementioned promissory, defendant Jose Paler and his wife constituted a chattel mortgage over the television set in favor of the plaintiff which mortgage was duly registered in the chattel mortgage registry. Issue: Defendant Jose Paler and his wife violated the terms and conditions of the chattel mortgage so the plaintiff filed a criminal action against the Palers for estafa under Art. 319 of the Revised Penal Code with the City Fiscal's Office of Pasay City. To settle extra-judicially Jose Paler and his co-defendant, Jose de la Rama, executed in favor of plaintiff a promissory note dated April 11, 1964 in the amount of P3, 083. 58 and notwithstanding repeated demands, the said defendants failed to pay the plaintiff the sum of P3, 083. 58 with 1% interest per month from April 11, 1964 until full payment is made. Decision: The judgment is rendered in favor of the plaintiff and against the defendants, sentencing said defendants to pay to the plaintiff the sum of P3, 083. 58, with 12% interest thereon per annum from the date the complaint was filed on October 14, 1965 until full payment is made and

attorney's fees in the sum of P250. 00. Case 17: Full Title: Westmont Bank vs Ong 373 SCRA 212 G. R. No. 132560 January 30, 2002 Story: Respondent Eugene Ong maintained a current account with petitioner, formerly the Associated Banking Corporation, but now known as Westmont Bank. On an unspecified date in May 1976, Ong sold his shares of stocks through Island Securities Corporation. To pay Ong, Island Securities purchased two (2) Pacific Banking Corporation manager's checks both dated May 4, 1976, issued in the name of Eugene Ong as payee but he did not receive any check or checks. Ong's signatures were forged by his friend, Paciano Tamlinco. Moreover, the checks were deposited in his own account with petitioner. Even though Ong's specimen signature was on file, petitioner accepted and credited both checks to the account of Tanlimco, without verifying the 'signature indorsements' appearing at the back thereof. Tanlimco then immediately withdrew the money and quickly ran away. Ong then seek for payment from Tamlinco's family before he filed a complaint with the Central Bank. As his efforts were delusive to recover his money, he filed an action against the petitioner. After 5 months after the discovery of the fraud, Ong cry foul and demanded in his complaint that petitioner pay the value of the two checks from the bank on whose gross negligence he imputed his loss. In his suit, he insisted that he did not " deliver, negotiate, endorse or transfer to any person or entity" the subject checks issued to him and asserted that the signatures on the back were spurious. The bank did not present evidence to the contrary, but simply contended that since plaintiff Ong claimed to have never received the originals of the two (2) checks in question from Island Securities, much less to have authorized Tanlimco to receive the

same, he never acquired ownership of these checks. Thus, he had no legal personality to sue as he is not a real party in interest. The bank then filed a demurrer to evidence which was denied. Issue: Essentially there are two main issues in this case: (1) whether or not respondent Ong has a cause of action against petitioner Westmont Bank; and (2) whether or not Ong is barred to recover the money from Westmont Bank due to laches. Decision: On February 8, 1989, after trial on the merits, the Regional Trial Court of Manila, Branch 38, rendered a decision, thus: IN VIEW OF THE FOREGOING, the court hereby renders judgment for the plaintiff and against the defendant, and orders the defendant to pay the plaintiff: 1. The sum of P1, 754, 787. 50 representing the total face value of the two checks in question, exhibits " A" and " B", respectively, with interest thereon at the legal rate of twelve percent (12%) per annum computed from October 7, 1977 (the date of the first extrajudicial demand) up to and until the same shall have been paid in full; 2. Moral damages in the amount of P250, 000. 00; 3. Exemplary or corrective damages in the sum of P100, 000. 00 by way of example or correction for the public good; 4. Attorney's fees of P50, 000. 00 and costs of suit. Defendant's counterclaims are dismissed for lack of merit.