

THIRD DIVISION

[G.R. No. 234616, June 20, 2018]

**PHILIPPINE DEPOSIT INSURANCE CORPORATION, PETITIONER,
VS. MANU GIDWANI, RESPONDENT.**

D E C I S I O N

VELASCO JR., J.:

Nature of the Case

For the Court's consideration is the Petition for Review on Certiorari under Rule 45 of the Rules of Court filed by Philippine Deposit Insurance System (PDIC) and docketed as G.R. No. 234616. The petition assails the January 31, 2017 Decision^[1] and October 6, 2017 Resolution^[2] of the Court of Appeals (CA) in CA-G.R. SP No. 146439. The challenged rulings reversed the finding of probable cause to charge respondent Manu Gidwani (Manu) with estafa through falsification under Art. 315(2) (a) in relation to Art. 172(1) and 171(4) of the Revised Penal Code (RPC), and for money laundering as defined in Section 4(a) of Republic Act No. (RA) 9160, otherwise known as the Anti-Money Laundering Act of 2001 (AMLA).

The Facts

Pursuant to several resolutions of the Monetary Board (MB) of the Bangko Sentral ng Pilipinas (BSP), the following rural banks owned and controlled by the Legacy Group of Companies (Legacy Banks) were ordered closed and thereafter placed under the receivership of petitioner Philippine Deposit Insurance Corporation (PDIC):
^[3]

Name of Bank	MB Resolution No.	Date of Closure
Nation Bank, Inc.	1691	12/19/08
Rural Bank of Carmen, Inc.	1695	12/19/08
Dynamic Rural Bank, Inc.	1652	12/16/08
San Pablo Development Bank, Inc.	1653	12/16/08
Bank of East Asia, Inc.	1647	12/12/08
First Interstate Bank, Inc.	1648	12/12/08
Philippine Countryside Rural Bank, Inc.	1649	12/12/08
Rural Bank of San Jose, Inc.	1637	12/11/08

Pilipino Rural Bank, Inc.	1638	12/11/08
Rural Bank of Bais, Inc.	1639	12/11/08
Rural Bank of Paranaque, Inc.	1616	12/09/08
Rural Bank of DARBCI, Inc.	1692	12/19/08
Rural Bank of Polangui, Inc.	353	02/26/10

Respondent Manu, together with his wife Champa Gidwani and eighty-six (86) other individuals, represented themselves to be owners of four hundred seventy-one (471) deposit accounts with the Legacy Banks and filed claims with PDIC. The claims were processed and granted, resulting in the issuance of six hundred eighty-three (683) Landbank of the Philippines (Landbank) checks in favor of the 86 individuals, excluding the spouses Gidwani, in the aggregate amount of P98,733,690.21.

Two diagonal lines appeared in each of the Landbank checks, indicating that they were crossed-checks "Payable to the Payee's Account Only." Despite these explicit instructions, the individuals did not deposit the crossed checks in their respective bank accounts. Rather, the face value of all the checks were credited to a single account with Rizal Commercial Banking Corporation (RCBC)-RCBC Account No. 1-419-86822-8, owned by Manu.

PDIC alleges that it only discovered the foregoing circumstance when the checks were cleared and returned to it. This prompted PDIC to conduct an investigation on the true nature of the deposit placements of the 86 individuals. Based on available bank documents, the spouses Gidwani and the 86 individuals maintained a total of 471 deposit accounts aggregating P118,187,500 with the different Legacy Banks, and that 142 of these accounts, with the total amount of P20,966,439.09, were in the names of helpers and rank-and-file employees of the Gidwani spouses. Thus, they allegedly did not have the financial capacity to deposit the amounts recorded under their names, let alone make the deposits in various Legacy Banks located nationwide. PDIC likewise noted that advance interests on several of the deposits were paid to the Gidwani spouses even though they are not the named owners of the accounts.

It is PDIC's contention, therefore, that the Gidwani spouses and the 86 individuals, with the indispensable cooperation of RCBC, deceived PDIC into issuing the 683 checks with the total face value of P98,733,690.21. Petitioner posits that the 86 individuals are not entitled to the proceeds of the deposit insurance since they are not the true owners of the accounts with the Legacy Banks, albeit recorded under their names. Rather, it is the spouses Gidwani who are the true beneficial owners thereof and can only be entitled to a maximum deposit coverage of P250,000.00 each pursuant to Sec. 4(g) of the PDIC Charter, as amended. However, with wilful malice and intent to circumvent the law, the Gidwani spouses made it appear that the deposits for which the insurance was paid were owned by 86 distinct individuals when, in truth and in fact, all the deposits were maintained for the sole benefit of the Gidwani spouses.

Pursuant to its mandate to safeguard the deposit insurance fund against illegal

schemes and machinations, PDIC, on November 6, 2012, lodged a criminal complaint^[4] before the Department of Justice (DOJ) Task Force on Financial Fraud (DOJ Task Force) for estafa through falsification under Art. 315(2)(a) in relation to Art. 172(1) and 171(4) of the Revised Penal Code and for money laundering as defined in Section 4(a) of AMLA against the Gidwani spouses and the 86 other individuals. To summarize, the complaint against the respondents, docketed as I.S. No. XVI-INV-12K-00480, was built on the following circumstances:

- a. 683 crossed-checks "for payees account only," representing deposit insurance aggregating P98,733,690.21, were issued to the 86 individuals. Of the amount stated, P97,733,690.21 was deposited to an account controlled by the Spouses Manu and Champa Gidwani;
- b. The funds used to open the questioned deposit accounts were from a single source;
- c. Advance interests on deposits not in the name of the Gidwani spouses were paid to Manu;
- d. 55 of the 86 individual respondents used as their mailing addresses either or both the home and business addresses of the principal respondents.^[5]

In their counter-affidavits, the Gidwani spouses denied the charges against them, particularly on being owners of the accounts in question.^[6] In brief, they claimed that there was no falsification committed by them since what was stated about the 86 individuals being the owners of their respective accounts was true. Manu merely had a fund management agreement with the depositors who got into investing with the Legacy Banks because of him. They sought his help in setting up investment portfolios and in managing them. The funds that were remitted for him to manage were then placed in the different Legacy Banks under their names to prevent co-mingling of funds.^[7]

The circumstances brought to fore by the PDIC do not negate the fact of ownership of the other individual depositors, so Manu claimed.^[8]

First, he explained that he funded the opening of some of the accounts in the name of the depositors merely for convenience and practicality, and in order to avail of better rates and freebies. He also lamented that PDIC left out the fact that the other accounts were funded by respondents themselves.

Second, it was the Legacy Banks themselves that requested that advanced interests for the accounts being managed by Manu as a group to be paid to him, to which set-up the individual depositors agreed for convenience.

Third, the crossed-checks issued by PDIC ended up in his RCBC account because the other respondents did not have other accounts of their own. The payees then requested him to advance the value of their checks in exchange thereof. Manu adds that there was nothing illegal with the arrangement since the checks, although crossed, bore the endorsement of the payees or their duly authorized representatives.

Fourth, the depositors had been using Manu's business and residential address because some of them live abroad and stay at Manu's residence when in the Philippines. This is aside from the fact that it is Manu who was managing their accounts and had to deal with all concerns relating thereto.

Finally, respondent Manu pointed out that PDIC approved and realized the insurance claims not because of any perceived misrepresentation, but because PDIC itself verified that the individual respondents were in fact the owners of the subject bank accounts.

Resolutions of the Department of Justice

On January 14, 2014, the DOJ Task Force promulgated a Resolution^[9] dismissing the Complaint in the following manner:

WHEREFORE, on premises considered, the above-entitled complaint is recommended **DISMISSED** for lack of probable cause.

SO RESOLVED.

The DOJ Task Force's rationale in dismissing the complaint is that the voluminous records of the case allegedly do not support the theory that Manu owned all of the accounts in question, much less falsified commercial and official documents in claiming insurance deposits. It found that less than half of the accounts in question were funded by Manu through his RCBC account while the rest were funded by the account holders themselves.

PDIC's motion for reconsideration from the January 14, 2014 Resolution was denied through the DOJ Task Force's Resolution^[10] dated December 3, 2014. Unperturbed, PDIC interposed a petition for review with the Office of the Secretary of Justice (SOJ).

On September 11, 2015, then Undersecretary of Justice Jose F. Justiniano issued a Resolution (Justiniano Resolution)^[11] denying PDIC's appeal thusly:

WHEREFORE, premises considered, the petition is hereby DENIED.

SO ORDERED.^[12]

Based on the Justiniano Resolution, PDIC failed to overcome the presumption of ownership over the subject deposits. On the contrary, the respondents bolstered their position by proffering a practical and plausible set-up, pursuant to an internal fund management agreement, that resulted in Manu's relation with the subject deposits.^[13]

Moreover, PDIC allegedly failed to prove that respondents lied in their insurance claims. Respondents could not have worked fraud into the claims without detection under the rigorous claims process. Rather, the fault in the perceived error in payment lies with PDIC for its negligence in processing the claims, in failing to conduct a thorough investigation, and in its failure to detect the red flags earlier on.

On June 3, 2016, then SOJ Emmanuel Caparas, however, overturned the Justiano Resolution through his own ruling granting PDIC's motion for reconsideration (Caparas Resolution).^[14] The dispositive portion of the ruling states:

WHEREFORE, the motion for reconsideration is hereby **GRANTED**. The Resolution of this Office dated 11 September 2015, and the Resolutions dated 14 January 2014 and 03 December 2014 of the DOJ Task Force on Financial Fraud, are hereby **REVERSED** and **SET ASIDE**.

The Prosecutor General is hereby directed to: (1) file separate informations for the complex crime of estafa under Article 315(2)(a) in relation to Articles 172(1) and 171(4) of the Revised Penal Code against each of the respondents pursuant to the attached Annex "A"; (2) file the corresponding informations for violation of Article 183 of the Revised Penal Code against the respondents, except as to respondents RCBC and Andrew Jereza and respondents Manu and Champa Gidwani; (3) file the corresponding informations for violation of Section 4(a) of the Anti-Money Laundering Act of 2001 or R.A. 9160 against the 86 respondents and respondents Spouses Manu and Champa Gidwani, and for violation of Section 4(c) of the Anti-Money Laundering Act against respondent Andrew Jereza; and (4) to report the action taken thereon within ten (10) days from receipt hereof

SO ORDERED.^[15]

In so ruling, SOJ Caparas ratiocinated that, on the charge of estafa through falsification, the individual depositors committed false pretenses when they made it appear that they were the legitimate owners of the subject bank accounts with the Legacy Banks, which information was used in the processing of the insurance claims with PDIC, even when in truth and in fact, the accounts were owned and controlled by Manu. Had the depositors truthfully divulged to PDIC that the true and beneficial owner of the subject bank accounts was Manu, PDIC would not have been duped into treating the bank accounts individually and separately. It would have only paid the Gidwani Spouses P250,000.00, and not P98,733,690.21.^[16]

SOJ Caparas did not give credence to the defense that there existed a fund management agreement between Manu, on the one hand, and the 86 respondents, on the other. For aside for the self-serving and barren allegation, no other piece of evidence was offered to support the claim. Besides, a fund management agreement, being essentially an investment contract, would have required registration with the Securities and Exchange Commission, so SOJ Caparas ruled.^[17]

Aggrieved, several of the respondents filed their respective motions for reconsideration of the Caparas Resolution. Meanwhile, herein respondent Manu immediately elevated the matter to the CA, ascribing grave abuse of discretion on the part of SOJ Caparas in finding probable cause to charge him with estafa and for violation of the AMLA. The case was docketed as CA-G.R. SP No. 149497.

On November 29, 2016, SOJ Vitaliano N. Aguirre granted the motions for reconsideration of several of Manu's co-respondents a quo, reinstating the Justiniano