

SECOND DIVISION

[G.R. No. 192413, June 13, 2012]

**RIZAL COMMERCIAL BANKING CORPORATION, PETITIONER, VS.
HI-TRI DEVELOPMENT CORPORATION AND LUZ R. BAKUNAWA,
RESPONDENTS.**

D E C I S I O N

SERENO, J.:

Before the Court is a Rule 45 Petition for Review on Certiorari filed by petitioner Rizal Commercial Banking Corporation (RCBC) against respondents Hi-Tri Development Corporation (Hi-Tri) and Luz R. Bakunawa (Bakunawa). Petitioner seeks to appeal from the 26 November 2009 Decision and 27 May 2010 Resolution of the Court of Appeals (CA),^[1] which reversed and set aside the 19 May 2008 Decision and 3 November 2008 Order of the Makati City Regional Trial Court (RTC) in Civil Case No. 06-244.^[2] The case before the RTC involved the Complaint for Escheat filed by the Republic of the Philippines (Republic) pursuant to Act No. 3936, as amended by Presidential Decree No. 679 (P.D. 679), against certain deposits, credits, and unclaimed balances held by the branches of various banks in the Philippines. The trial court declared the amounts, subject of the special proceedings, escheated to the Republic and ordered them deposited with the Treasurer of the Philippines (Treasurer) and credited in favor of the Republic.^[3] The assailed RTC judgments included an unclaimed balance in the amount of P1,019,514.29, maintained by RCBC in its Ermita Business Center branch.

We quote the narration of facts of the CA^[4] as follows:

x x x Luz [R.] Bakunawa and her husband Manuel, now deceased ("Spouses Bakunawa") are registered owners of six (6) parcels of land covered by TCT Nos. 324985 and 324986 of the Quezon City Register of Deeds, and TCT Nos. 103724, 98827, 98828 and 98829 of the Marikina Register of Deeds. These lots were sequestered by the Presidential Commission on Good Government [(PCGG)].

Sometime in 1990, a certain Teresita Millan ("Millan"), through her representative, Jerry Montemayor, offered to buy said lots for "P6,724,085.71", with the promise that she will take care of clearing whatever preliminary obstacles there may[]be to effect a "completion of the sale". The Spouses Bakunawa gave to Millan the Owner's Copies of said TCTs and in turn, Millan made a down[]payment of "P1,019,514.29" for the intended purchase. However, for one reason or another, Millan was not able to clear said obstacles. As a result, the Spouses Bakunawa rescinded the sale and offered to return to Millan her down[]payment of P1,019,514.29. However, Millan refused to accept back the

P1,019,514.29 down[]payment. Consequently, the Spouses Bakunawa, through their company, the Hi-Tri Development Corporation ("Hi-Tri") took out on October 28, 1991, a Manager's Check from RCBC-Ermita in the amount of P1,019,514.29, payable to Millan's company Rosmil Realty and Development Corporation ("Rosmil") c/o Teresita Millan and used this as one of their basis for a complaint against Millan and Montemayor which they filed with the Regional Trial Court of Quezon City, Branch 99, docketed as Civil Case No. Q-91-10719 [in 1991], praying that:

1. That the defendants Teresita Mil[l]an and Jerry Montemayor may be ordered to return to plaintiffs spouses the Owners' Copies of Transfer Certificates of Title Nos. 324985, 324986, 103724, 98827, 98828 and 98829;
2. That the defendant Teresita Mil[l]an be correspondingly ordered to receive the amount of One Million Nineteen Thousand Five Hundred Fourteen Pesos and Twenty Nine Centavos (P1,019,514.29);
3. That the defendants be ordered to pay to plaintiffs spouses moral damages in the amount of P2,000,000.00; and
4. That the defendants be ordered to pay plaintiffs attorney's fees in the amount of P50,000.00.

Being part and parcel of said complaint, and consistent with their prayer in Civil Case No. Q-91-10719 that "Teresita Mil[l]an be correspondingly ordered to receive the amount of One Million Nineteen Thousand Five Hundred Fourteen Pesos and Twenty Nine [Centavos] ("P1,019,514.29") ["], the Spouses Bakunawa, upon advice of their counsel, retained custody of RCBC Manager's Check No. ER 034469 and refrained from canceling or negotiating it.

All throughout the proceedings in Civil Case No. Q-91-10719, especially during negotiations for a possible settlement of the case, Millan was informed that the Manager's Check was available for her withdrawal, she being the payee.

On January 31, 2003, during the pendency of the abovementioned case and without the knowledge of [Hi-Tri and Spouses Bakunawa], x x x RCBC reported the "P1,019,514.29-credit existing in favor of Rosmil" to the Bureau of Treasury as among its "unclaimed balances" as of January 31, 2003. Allegedly, a copy of the Sworn Statement executed by Florentino N. Mendoza, Manager and Head of RCBC's Asset Management, Disbursement & Sundry Department ("AMDSD") was posted within the premises of RCBC-Ermita.

On December 14, 2006, x x x Republic, through the [Office of the

Solicitor General (OSG)], filed with the RTC the action below for Escheat [(Civil Case No. 06-244)].

On April 30, 2008, [Spouses Bakunawa] settled amicably their dispute with Rosmil and Millan. Instead of only the amount of "P1,019,514.29", [Spouses Bakunawa] agreed to pay Rosmil and Millan the amount of "P3,000,000.00", [which is] inclusive [of] the amount of ["P1,019,514.29". But during negotiations and evidently prior to said settlement, [Manuel Bakunawa, through Hi-Tri] inquired from RCBC-Ermita the availability of the P1,019,514.29 under RCBC Manager's Check No. ER 034469. [Hi-Tri and Spouses Bakunawa] were however dismayed when they were informed that the amount was already subject of the escheat proceedings before the RTC.

On April 17, 2008, [Manuel Bakunawa, through Hi-Tri] wrote x x x RCBC, viz:

"We understand that the deposit corresponding to the amount of Php 1,019,514.29 stated in the Manager's Check is currently the subject of escheat proceedings pending before Branch 150 of the Makati Regional Trial Court.

Please note that it was our impression that the deposit would be taken from [Hi-Tri's] RCBC bank account once an order to debit is issued upon the payee's presentation of the Manager's Check. Since the payee rejected the negotiated Manager's Check, presentation of the Manager's Check was never made.

Consequently, the deposit that was supposed to be allocated for the payment of the Manager's Check was supposed to remain part of the Corporation[s] RCBC bank account, which, thereafter, continued to be actively maintained and operated. For this reason, We hereby demand your confirmation that the amount of Php 1,019,514.29 continues to form part of the funds in the Corporation's RCBC bank account, since pay-out of said amount was never ordered. We wish to point out that if there was any attempt on the part of RCBC to consider the amount indicated in the Manager's Check separate from the Corporation's bank account, RCBC would have issued a statement to that effect, and repeatedly reminded the Corporation that the deposit would be considered dormant absent any fund movement. Since the Corporation never received any statements of account from RCBC to that effect, and more importantly, never received any single letter from RCBC noting the absence of fund movement and advising the Corporation that the deposit would be treated as dormant."

On April 28, 2008, [Manuel Bakunawa] sent another letter to x x x RCBC reiterating their position as above-quoted.

In a letter dated May 19, 2008, x x x RCBC replied and informed [Hi-Tri and Spouses Bakunawa] that:

"The Bank's Ermita BC informed Hi-Tri and/or its principals regarding the inclusion of Manager's Check No. ER034469 in the escheat proceedings docketed as Civil Case No. 06-244, as well as the status thereof, between 28 January 2008 and 1 February 2008.

xxx xxx xxx

Contrary to what Hi-Tri hopes for, the funds covered by the Manager's Check No. ER034469 does not form part of the Bank's own account. By simple operation of law, the funds covered by the manager's check in issue became a deposit/credit susceptible for inclusion in the escheat case initiated by the OSG and/or Bureau of Treasury.

xxx xxx xxx

Granting arguendo that the Bank was duty-bound to make good the check, the Bank's obligation to do so prescribed as early as October 2001."

(Emphases, citations, and annotations were omitted.)

The RTC Ruling

The escheat proceedings before the Makati City RTC continued. On 19 May 2008, the trial court rendered its assailed Decision declaring the deposits, credits, and unclaimed balances subject of Civil Case No. 06-244 escheated to the Republic. Among those included in the order of forfeiture was the amount of ₱1,019,514.29 held by RCBC as allocated funds intended for the payment of the Manager's Check issued in favor of Rosmil. The trial court ordered the deposit of the escheated balances with the Treasurer and credited in favor of the Republic. Respondents claim that they were not able to participate in the trial, as they were not informed of the ongoing escheat proceedings.

Consequently, respondents filed an Omnibus Motion dated 11 June 2008, seeking the partial reconsideration of the RTC Decision insofar as it escheated the fund allocated for the payment of the Manager's Check. They asked that they be included as party-defendants or, in the alternative, allowed to intervene in the case and their motion considered as an answer-in-intervention. Respondents argued that they had meritorious grounds to ask reconsideration of the Decision or, alternatively, to seek intervention in the case. They alleged that the deposit was subject of an ongoing dispute (Civil Case No. Q-91-10719) between them and Rosmil since 1991, and that they were interested parties to that case.^[5]

On 3 November 2008, the RTC issued an Order denying the motion of respondents. The trial court explained that the Republic had proven compliance with the

requirements of publication and notice, which served as notice to all those who may be affected and prejudiced by the Complaint for Escheat. The RTC also found that the motion failed to point out the findings and conclusions that were not supported by the law or the evidence presented, as required by Rule 37 of the Rules of Court. Finally, it ruled that the alternative prayer to intervene was filed out of time.

The CA Ruling

On 26 November 2009, the CA issued its assailed Decision reversing the 19 May 2008 Decision and 3 November 2008 Order of the RTC. According to the appellate court,^[6] RCBC failed to prove that the latter had communicated with the purchaser of the Manager's Check (Hi-Tri and/or Spouses Bakunawa) or the designated payee (Rosmil) immediately before the bank filed its Sworn Statement on the dormant accounts held therein. The CA ruled that the bank's failure to notify respondents deprived them of an opportunity to intervene in the escheat proceedings and to present evidence to substantiate their claim, in violation of their right to due process. Furthermore, the CA pronounced that the Makati City RTC Clerk of Court failed to issue individual notices directed to all persons claiming interest in the unclaimed balances, as well as to require them to appear after publication and show cause why the unclaimed balances should not be deposited with the Treasurer of the Philippines. It explained that the jurisdictional requirement of individual notice by personal service was distinct from the requirement of notice by publication. Consequently, the CA held that the Decision and Order of the RTC were void for want of jurisdiction.

Issue

After a perusal of the arguments presented by the parties, we cull the main issues as follows:

- I. Whether the Decision and Order of the RTC were void for failure to send separate notices to respondents by personal service
- II. Whether petitioner had the obligation to notify respondents immediately before it filed its Sworn Statement with the Treasurer
- III. Whether or not the allocated funds may be escheated in favor of the Republic

Discussion

Petitioner bank assails^[7] the CA judgments insofar as they ruled that notice by personal service upon respondents is a jurisdictional requirement in escheat proceedings. Petitioner contends that respondents were not the owners of the unclaimed balances and were thus not entitled to notice from the RTC Clerk of Court. It hinges its claim on the theory that the funds represented by the Manager's Check were deemed transferred to the credit of the payee or holder upon its issuance.

We quote the pertinent provision of Act No. 3936, as amended, on the rule on service of processes, to wit: