

FIRST DIVISION

[G.R. NO. 141408, October 18, 2007]

**METROPOLITAN BANK AND TRUST COMPANY, PETITIONER, VS.
PHILIPPINE BANK OF COMMUNICATIONS, FILIPINAS ORIENT
FINANCE CORPORATION, PIPE MASTER CORPORATION AND TAN
JUAN LIAN, RESPONDENTS.**

G.R. NO. 141429

**SOLID BANK CORPORATION, PETITIONER, VS. FILIPINAS
ORIENT FINANCE CORPORATION, PIPE MASTER CORPORATION,
TAN JUAN LIAN AND/OR PHILIPPINE BANK OF
COMMUNICATIONS, RESPONDENTS.**

D E C I S I O N

SANDOVAL-GUTIERREZ, J

Sometime in 1978, Pipe Master Corporation (Pipe Master) represented by Yu Kio, its president, applied for check discounting with Filipinas Orient Finance Corporation (Filipinas Orient). The latter approved and granted the same.

On July 1, 1978, the Board of Directors of Pipe Master issued a Board Resolution authorizing Yu Kio, in his capacity as president, and/or Tan Juan Lian, in his capacity as vice-president, to execute, indorse, make, sign, deliver or negotiate instruments, documents and such other papers necessary in connection with any transaction coursed through Filipinas Orient for and in behalf of the corporation.

Tan Juan Lian then executed in favor of Filipinas Orient a continuing guaranty that he shall pay at maturity any and all promissory notes, drafts, checks, or other instruments or evidence of indebtedness for which Pipe Master may become liable; that the extent of his liability shall not at any one time exceed the sum of P1,000,000.00; and that in the event of default by Pipe Master, Filipinas Orient may proceed directly against him.

On April 9, 1980, under the check discounting agreement between Pipe Master and Filipinas Orient, Yu Kio sold to Filipinas Orient four Metropolitan Bank and Trust Company (Metro Bank) checks amounting to P1,000,000.00. In exchange for the four Metro Bank checks, Filipinas Orient issued to Yu Kio four Philippine Bank of Communications (PBCom) crossed checks totaling P964,303.62, payable to Pipe Master with the statement "for payee's account only."

Upon his receipt of the four PBCom checks, Yu Kio indorsed and deposited in the Metro Bank, in his personal account, three of the checks valued at P721,596.95. As to the remaining check amounting to P242,706.67, he deposited it in the Solid Bank Corporation (Solid Bank), also in his personal account. Eventually, PBCom paid

Metro Bank and Solid Bank the amounts of the checks. In turn, Metro Bank and Solid Bank credited the value of the checks to the personal accounts of Yu Kio.

Subsequently, when Filipinas Orient presented the four Metro Bank checks equivalent to P1,000,000.00 it received from Yu Kio, they were dishonored by the drawee bank. Pipe Master, the drawer, refused to pay the amounts of the checks, claiming that it never received the proceeds of the PBCom checks as they were delivered and paid to the wrong party, Yu Kio, who was not the named payee.

Filipinas Orient then demanded that PBCom restore to its (Filipinas Orient's) account the value of the PBCom checks. In turn, PBCom sought reimbursement from Metro Bank and Solid Bank, being the collecting banks, but they refused. Thus, Filipinas Orient filed with the Regional Trial Court (RTC), Branch 39, Manila a complaint for a sum of money against Pipe Master, Tan Juan Lian and/or PBCom.

In their answer to the complaint, Pipe Master and Tan Juan Lian averred that they did not authorize Yu Kio to negotiate and enter into discounting transaction with Filipinas Orient, and even if Yu Kio was so authorized, Pipe Master never received the proceeds of the checks. Consequently, they filed a cross-claim against PBCom for gross negligence for having paid the wrong party. In turn, PBCom, Pipe Master and Tan Juan Lian filed third-party complaints against Metro Bank and Solid Bank.

On July 12, 1990, the RTC rendered a Decision against Metro Bank and Solid Bank, the dispositive portion of which reads:

WHEREFORE, premises considered, judgment is hereby rendered:

1. Ordering third-party defendant Metro Bank to pay plaintiff the amount of Seven Hundred Twenty One Thousand Five Hundred Ninety Six Pesos and Ninety-Five Centavos (P721,596.95) plus legal interest;
2. Ordering third-party defendant Solid Bank to pay plaintiff the amount of Two Hundred Forty-Two Thousand Seven Hundred Six Pesos and Sixty-Seven Centavos (P242,706.67) plus legal interest;
3. Ordering third-party defendants to pay the costs of suit.

SO ORDERED.

On appeal, the appellate court affirmed *in toto* the Decision of the trial court. Metro Bank and Solid Bank filed their respective motions for reconsideration but the same were denied.

Hence, the instant consolidated petitions for review on *certiorari* filed by Metro Bank and Solid Bank.

The issue for our resolution is whether Metro Bank and Solid Bank, petitioners, are liable to respondent Filipinas Orient for accepting the PBCom crossed checks payable to Pipe Master.

Petitioner banks contend that respondents Pipe Master, Tan Juan Lian and/or PBCom should be made liable to respondent Filipinas Orient for the value of the checks.