

THIRD DIVISION

[G.R. NO. 152720, February 17, 2005]

**SOLIDBANK CORPORATION, PETITIONER, VS. SPOUSES
TEODULFO AND CARMEN ARRIETA, RESPONDENTS.**

DECISION

PANGANIBAN, J.:

A bank's gross negligence in dishonoring a well-funded check, aggravated by its unreasonable delay in repairing the error, calls for an award of moral and exemplary damages. The resulting injury to the check writer's reputation and peace of mind needs to be recognized and compensated.

The Case

Before us is a Petition for Review^[1] under Rule 45 of the Rules of Court, seeking to reverse and set aside the March 28, 2001 Decision^[2] and the February 5, 2002 Resolution^[3] of the Court of Appeals (CA) in CA-GR CV No. 55002. The assailed Decision disposed as follows:

"WHEREFORE, the appeal is **DISMISSED**, with costs against defendant-appellant."^[4]

The CA denied reconsideration in its February 5, 2002 Resolution.

The Facts

The facts are summarized by the CA as follows:

"Carmen Arrieta is a bank depositor of Solidbank Corporation under Checking Account No. 123-1996. On March 1990, Carmen issued SBC Check No. 0293984 (Exh. 'A') in the amount of P330.00 in the name of Lopue's Department Store in payment of her purchases from said store. When the check was deposited by the store to its account, the same was dishonored due to 'Account Closed' (Exh. 'B') despite the fact that at the time the check was presented for payment, Carmen's checking account was still active and backed up by a deposit of P1,275.20.

"As a consequence of the check's dishonor, Lopue's Department Store sent a demand letter to Carmen (Exh. 'C') threatening her with criminal prosecution unless she redeemed the check within five (5) days. To avoid criminal prosecution, Carmen paid P330.00 in cash to the store, plus a surcharge of P33.00 for the bouncing check, or a total of P363.00 (Exh. 'F').

"Thereupon, Carmen filed a complaint against Solidbank Corporation for damages alleging that the bank, by its carelessness and recklessness in certifying that her account was closed despite the fact that it was still very much active and sufficiently funded, had destroyed her good name and reputation and prejudiced not only herself but also her family in the form of mental anguish, sleepless nights, wounded feelings and social humiliation. She prayed that she be awarded moral and exemplary damages as well as attorney's fees.

"In its answer, the bank claimed that Carmen, contrary to her undertaking as a depositor, failed to maintain the required balance of at least P1,000.00 on any day of the month. Moreover, she did not handle her account in a manner satisfactory to the bank. In view of her violations of the general terms and conditions governing the establishment and operation of a current account, Carmen's account was recommended for closure. In any event, the bank claimed good faith in declaring her account closed since one of the clerks, who substituted for the regular clerk, committed an honest mistake when he thought that the subject account was already closed when the ledger containing the said account could not be found.

"After trial, the lower court rendered its decision holding that Solidbank Corporation was grossly negligent in failing to check whether or not Carmen's account was still open and viable at the time the transaction in question was made. Hence, the bank was liable to Carmen for moral and exemplary damages, as well as attorney's fees. It held that the bank was remiss in its duty to treat Carmen's account with the highest degree of care, considering the fiduciary nature of their relationship. The dispositive portion of the decision reads:

"WHEREFORE, the Court hereby renders judgment in favor of the plaintiff as against the defendant-bank, and defendant-bank is ordered to pay moral damages of P150,000.00; exemplary damages of P50,000.00; and attorney's fees of P20,000.00, plus costs.

SO ORDERED.'"[5]

Ruling of the Court of Appeals

The CA debunked the contention of the bank that the latter was not liable. According to petitioner, the dishonor of the check by reason of "Account Closed" was an honest mistake of its employee. The appellate court held that the error committed by the bank employee was imputable to the bank. Banks are obliged to treat the accounts of their depositors with meticulous care, regardless of the amount of the deposit. Failing in this duty, petitioner was found grossly negligent. The failure of the bank to immediately notify Respondent Carmen Arrieta of its unilateral closure of her account manifested bad faith, added the CA.

The appellate court likewise affirmed the award of moral damages. It held that the bank's wrongful act was the proximate cause of Carmen's moral suffering. The CA ruled that the lack of malice and bad faith on the part of petitioner did not suffice to exculpate the latter from liability; the bank's gross negligence amounted to a wilful

act. The trial court's award of exemplary damages and attorney's fees was sustained in view of respondent's entitlement to moral damages.

Hence, this Petition.^[6]

Issues

Petitioner raises the following issues for our consideration:

"I.

Whether or not x x x respondents are entitled to recovery of moral and exemplary damages and attorney's fees.

"II.

Whether or not the award of moral and exemplary damages and attorney's fees is excessive, arbitrary and contrary to prevailing jurisprudence."^[7]

The Court's Ruling

The Petition is partly meritorious.

Main Issue:

Petitioner's Liability for Damages

Petitioner contends that the award of moral damages was erroneous because of the failure of Respondent Carmen to establish that the dishonor of Check No. 0293984 on March 30, 1990 was the direct and only cause of the "social humiliation, extreme mental anguish, sleepless nights, and wounded feelings suffered by [her]." It referred to an occasion fifteen days before, on March 15, 1990, during which another check (Check No. 0293983) she had issued had likewise been dishonored.

According to petitioner, highly illogical was her claim that extreme mental anguish and social humiliation resulted from the dishonor of Check No. 0293984, as she claimed none from that of her prior Check No. 0293983, which had allegedly been deposited by mistake by the payee's wife. Given the circumstances, petitioner adds that the dishonor of the check -- subject of the present case -- did not really cause respondent mental anguish, sleepless nights and besmirched reputation; and that her institution of this case was clearly motivated by opportunism.

We are not persuaded.

The fact that another check Carmen had issued was previously dishonored does not necessarily imply that the dishonor of a succeeding check can no longer cause moral injury and personal hurt for which the aggrieved party may claim damages. Such prior occurrence does not prove that respondent does not have a good reputation that can be besmirched.^[8]

The reasons for and the circumstances surrounding the previous issuance and eventual dishonor of Check No. 0293983 are totally separate -- the payee of the

prior check was different -- from that of Check No. 0293984, subject of present case. Carmen had issued the earlier check to accommodate a relative,^[9] and the succeeding one to pay for goods purchased from Lopue's Department Store. That she might not have suffered damages as a result of the first dishonored check does not necessarily hold true for the second. In the light of sufficient evidence showing that she indeed suffered damages as a result of the dishonor of Check No. 0293984, petitioner may not be exonerated from liability.

Case law^[10] lays out the following conditions for the award of moral damages: (1) there is an injury -- whether physical, mental or psychological -- clearly sustained by the claimant; (2) the culpable act or omission is factually established; (3) the wrongful act or omission of the defendant is the proximate cause of the injury sustained by the claimant; and (4) the award of damages is predicated on any of the cases stated in Article 2219^[11] of the Civil Code.

In the instant case, all four requisites have been established. *First*, these were the findings of the appellate court: "Carmen Arrieta is a bank depositor of Solidbank Corporation of long standing. She works with the Central Negros Electric Cooperative, Inc. (CENECO), as an executive secretary and later as department secretary. She is a deaconess of the Christian Alliance Church in Bacolod City. These are positions which no doubt elevate her social standing in the community." Understandably -- and as sufficiently proven by her testimony -- she suffered mental anguish, serious anxiety, besmirched reputation, wounded feelings and social humiliation; and she suffered thus when the people she worked with -- her friends, her family and even her daughter's classmates -- learned and talked about her bounced check.

Second, it is undisputed that the subject check was adequately funded, but that petitioner wrongfully dishonored it.

Third, Respondent Carmen was able to prove that petitioner's wrongful dishonor of her check was the proximate cause of her embarrassment and humiliation in her workplace, in her own home, and in the church where she served as deaconess.

Proximate cause has been defined as "any cause which, in natural and continuous sequence, unbroken by any efficient intervening cause, produces the result complained of and without which would not have occurred x x x."^[12] It is determined from the facts of each case upon combined considerations of logic, common sense, policy and precedent.^[13] Clearly, had the bank accepted and honored the check, Carmen would not have had to face the questions of -- and explain her predicament to -- her office mates, her daughters, and the leaders and members of her church.

Furthermore, the CA was in agreement with the trial court in ruling that her injury arose from the gross negligence of petitioner in dishonoring her well-funded check.

Unanimity of the CA and the trial court in their factual ascertainment of this point bars us from supplanting their finding and substituting it with our own. Settled is the doctrine that the factual determinations of the lower courts are conclusive and binding upon this Court.^[14] Verily, the review of cases brought before the Supreme