

THIRD DIVISION

[G.R. No. 132390, May 21, 2004]

BPI FAMILY SAVINGS BANK, INC., PETITIONER, VS. FIRST METRO INVESTMENT CORPORATION, RESPONDENT.

D E C I S I O N

SANDOVAL-GUTIERREZ, J.:

For our resolution is the instant petition for review on certiorari under Rule 45 of the 1997 Rules of Civil Procedure, as amended, assailing the Decision^[1] dated July 4, 1997 and Resolution^[2] dated January 28, 1998 of the Court of Appeals in CA-G.R. CV No. 44986, "*First Metro Investment Corporation vs. BPI Family Bank.*"

The facts as found by the trial court and affirmed by the Court of Appeals are as follows:

First Metro Investment Corporation (FMIC), respondent, is an investment house organized under Philippine laws. Petitioner, Bank of Philippine Islands Family Savings Bank, Inc. is a banking corporation also organized under Philippine laws.

On August 25, 1989, FMIC, through its Executive Vice President Antonio Ong, opened current account no. 8401-07473-0 and deposited METROBANK check no. 898679 of P100 million with BPI Family Bank* (BPI FB) San Francisco del Monte Branch (Quezon City). Ong made the deposit upon request of his friend, Ador de Asis, a close acquaintance of Jaime Sebastian, then Branch Manager of BPI FB San Francisco del Monte Branch. Sebastian's aim was to increase the deposit level in his Branch.

BPI FB, through Sebastian, guaranteed the payment of P14,667,687.01 representing 17% per annum interest of P100 million deposited by FMIC. The latter, in turn, assured BPI FB that it will maintain its deposit of P100 million for a period of one year on condition that the interest of 17% per annum is paid in advance.

This agreement between the parties was reached through their communications in writing.

Subsequently, BPI FB paid FMIC 17% interest or P14,667,687.01 upon clearance of the latter's check deposit.

However, on August 29, 1989, on the basis of an Authority to Debit signed by Ong and Ma. Theresa David, Senior Manager of FMIC, BPI FB transferred P80 million from FMIC's current account to the savings account of Tevesteco Arrastre – Stevedoring, Inc. (Tevesteco).

FMIC denied having authorized the transfer of its funds to Tevesteco, claiming that

the signatures of Ong and David were falsified. Thereupon, to recover immediately its deposit, FMIC, on September 12, 1989, issued BPI FB check no. 129077 for P86,057,646.72 payable to itself and drawn on its deposit with BPI FB SFDM branch. But upon presentation for payment on September 13, 1989, BPI FB dishonored the check as it was "drawn against insufficient funds" (DAIF).

Consequently, FMIC filed with the Regional Trial Court, Branch 146, Makati City Civil Case No. 89-5280 against BPI FB. FMIC likewise caused the filing by the Office of the State Prosecutors of an Information for estafa against Ong, de Asis, Sebastian and four others. However, the Information was dismissed on the basis of a demurrer to evidence filed by the accused.

On October 1, 1993, the trial court rendered its Decision in Civil Case No. 89-5280, the dispositive portion of which reads:

"Premises considered, judgment is rendered in favor of plaintiff, ordering defendant to pay:

- a. the amount of P80 million with interest at the legal rate from the time this complaint was filed less P14,667,678.01;
- b. the amount of P100,000.00 as reasonable attorney's fees; and
- c. the cost.

SO ORDERED."

On appeal by both parties, the Court of Appeals rendered a Decision affirming the assailed Decision with modification, thus:

"WHEREFORE, considering all the foregoing, this Court hereby modifies the decision of the trial court and adjudges BPI Family Bank liable to First Metro Investment Corporation for the amount of P65,332,321.99 plus interest at 17% per annum from August 29, 1989 until fully restored. Further, this 17% interest shall itself earn interest at 12% from October 4, 1989 until fully paid.

SO ORDERED."

BPI FB then filed a motion for reconsideration but was denied by the Court of Appeals.

In the instant petition, BPI FB ascribes to the Appellate Court the following assignments of error:

- A. IN VALIDATING A CLEARLY ILLEGAL AND VOID AGREEMENT BETWEEN FMIC AND AN OVERSTEPPING BRANCH MANAGER OF BPI FB, THE COURT OF APPEALS DECIDED THE APPEALED CASE IN A MANNER NOT IN ACCORDANCE WITH LAW OR THE APPLICABLE DECISIONS OF THE HONORABLE COURT.
- B. THE COURT OF APPEALS TOTALLY IGNORED THE JUDICIAL ADMISSIONS MADE BY FMIC WHEN IT CHARACTERIZED THE TRANSACTION BETWEEN FMIC AND BPI FB AS A TIME DEPOSIT WHEN IN FACT IT WAS AN INTEREST-BEARING CURRENT ACCOUNT WHICH, UNDER THE EXISTING BANK REGULATIONS, WAS

AN ILLEGAL TRANSACTION.

- C. THE COURT OF APPEALS COMMITTED AN EGREGIOUS ERROR IN RULING THAT BPI FB CLOTHED ITS BRANCH MANAGER WITH APPARENT AUTHORITY TO ENTER INTO SUCH A PATENTLY ILLEGAL ARRANGEMENT.
- D. THE COURT OF APPEALS COMMITTED REVERSIBLE ERROR WHEN IT REFUSED TO CONSIDER THE NEGLIGENT ACTS COMMITTED BY FMIC ITSELF WHICH LED TO THE TRANSFER OF THE P80 MILLION FROM THE FMIC ACCOUNT TO THE TEVESTECO ACCOUNT.
- E. THE COURT OF APPEALS DID NOT ADHERE TO SETTLED JURISPRUDENCE WHEN IT ADJUDGED BPI FB LIABLE TO FMIC FOR AN AMOUNT WHICH WAS MORE THAN WHAT WAS CONTEMPLATED OR PRAYED FOR IN FMIC'S COMPLAINT, MOTION FOR RECONSIDERATION OF THE TRIAL COURT'S DECISION AND APPEAL BRIEF.
- F. IN SUPPORT OF ITS ALTERNATIVE PRAYER, PETITIONER SUBMITS THAT THE COURT OF APPEALS COMMITTED REVERSIBLE ERROR IN NOT ORDERING THE CONSOLIDATION OF THE INSTANT CASE WITH THE TEVESTECO CASE WHICH IS STILL PENDING BEFORE THE MAKATI REGIONAL TRIAL COURT."

Petitioner BPI FB contends that the Court of Appeals erred in awarding the 17% per annum interest corresponding to the amount deposited by respondent FMIC. Petitioner insists that respondent's deposit is not a special savings account similar to a time deposit, but actually a demand deposit, withdrawable upon demand, **proscribed from earning interest** under Central Bank Circular 777. Petitioner further contends that the transaction is not valid as its Branch Manager, Jaime Sebastian, clearly overstepped his authority in entering into such an agreement with respondent's Executive Vice President.

We hold that the parties did not intend the deposit to be treated as a demand deposit but rather as an interest-earning time deposit not withdrawable any time. This is quite obvious from the communications between Jaime Sebastian, petitioner's Branch Manager, and Antonio Ong, respondent's Executive Vice President. Both agreed that the deposit of P100 million was **non-withdrawable for one year upon payment in advance of the 17% per annum interest**. Respondent's time deposit of P100 million was accepted by petitioner as shown by a deposit slip prepared and signed by Ong himself who indicated therein the account number to which the deposit is to be credited, the name of FMIC as depositor or account holder, the date of deposit, and the amount of P100 million as deposit in check. Clearly, when respondent FMIC invested its money with petitioner BPI FB, they intended the P100 million as a time deposit, to earn 17% per annum interest and to remain intact until its maturity date one year thereafter.

Ordinarily, a **time deposit** is defined as "one the payment of which cannot legally be required within such a specified number of days."^[3]

In contrast, **demand deposits** are "all those liabilities of the Bangko Sentral and of other banks which are denominated in Philippine currency and are **subject to payment in legal tender upon demand by the presentation of (depositor's) checks.**"^[4]