

THIRD DIVISION

[G.R. No. 138510, October 10, 2002]

TRADERS ROYAL BANK, PETITIONER, VS. RADIO PHILIPPINES NETWORK, INC., INTERCONTINENTAL BROADCASTING CORPORATION AND BANAHAW BROADCASTING CORPORATION, THROUGH THE BOARD OF ADMINISTRATORS, AND SECURITY BANK AND TRUST COMPANY, RESPONDENTS.

DECISION

CORONA, J.:

Petitioner seeks the review and prays for the reversal of the Decision^[1] of April 30, 1999 of Court of Appeals in CA-G.R. CV No. 54656, the dispositive portion of which reads:

WHEREFORE, the appealed decision is AFFIRMED with modification in the sense that appellant SBTC is hereby absolved from any liability. Appellant TRB is solely liable to the appellees for the damages and costs of suit specified in the dispositive portion of the appealed decision. Costs against appellant TRB.

SO ORDERED.^[2]

As found by the Court of Appeals, the antecedent facts of the case are as follows:

On April 15, 1985, the Bureau of Internal Revenue (BIR) assessed plaintiffs Radio Philippines Network (RPN), Intercontinental Broadcasting Corporation (IBC), and Banahaw Broadcasting Corporation (BBC) of their tax obligations for the taxable years 1978 to 1983.

On March 25, 1987, Mrs. Lourdes C. Vera, plaintiffs' comptroller, sent a letter to the BIR requesting settlement of plaintiffs' tax obligations.

The BIR granted the request and accordingly, on June 26, 1986, plaintiffs purchased from defendant Traders Royal Bank (TRB) three (3) manager's checks to be used as payment for their tax liabilities, to wit:

Check Number	Amount
30652	P4,155.835.00
30650	3,949,406.12
30796	1,685,475.75

Defendant TRB, through Aida Nuñez, TRB Branch Manager at Broadcast City Branch, turned over the checks to Mrs. Vera who was supposed to deliver the same to the BIR in payment of plaintiffs' taxes.

Sometime in September, 1988, the BIR again assessed plaintiffs for their tax liabilities for the years 1979-82. It was then they discovered that the three (3) managers checks (Nos. 30652, 30650 and 30796) intended as payment for their taxes were never delivered nor paid to the BIR by Mrs. Vera. Instead, the checks were presented for payment by unknown persons to defendant Security Bank and Trust Company (SBTC), Taytay Branch as shown by the bank's routing symbol transit number (BRSTN 01140027) or clearing code stamped on the reverse sides of the checks.

Meanwhile, for failure of the plaintiffs to settle their obligations, the BIR issued warrants of levy, distraint and garnishment against them. Thus, they were constrained to enter into a compromise and paid BIR P18,962,225.25 in settlement of their unpaid deficiency taxes.

Thereafter, plaintiffs sent letters to both defendants, demanding that the amounts covered by the checks be reimbursed or credited to their account. The defendants refused, hence, the instant suit.^[3]

On February 17, 1985, the trial court rendered its decision, thus:

WHEREFORE, in view of the foregoing considerations, judgment is hereby rendered in favor of the plaintiffs and against the defendants by :

a) Condemning the defendant Traders Royal Bank to pay actual damages in the sum of Nine Million Seven Hundred Ninety Thousand and Seven Hundred Sixteen Pesos and Eighty-Seven Centavos (P9,790,716.87) broken down as follows:

- 1) To plaintiff RPN-9 - P4,155,835.00
- 2) To Plaintiff IBC-13 - P3,949,406.12
- 3) To Plaintiff BBC-2 - P1,685,475.72

plus interest at the legal rate from the filing of this case in court.

b) Condemning the defendant Security Bank and Trust Company, being collecting bank, to reimburse the defendant Traders Royal Bank, all the amounts which the latter would pay to the aforementioned plaintiffs;

c) Condemning both defendants to pay to each of the plaintiffs the sum of Three Hundred Thousand (P300,000.00) Pesos as exemplary damages and attorney's fees equivalent to twenty-five percent of the total amount recovered; and

d) Costs of suit.

SO ORDERED.^[4]

Defendants Traders Royal Bank and Security Bank and Trust Company, Inc. both appealed the trial court's decision to the Court of Appeals. However, as quoted in the beginning hereof, the appellate court absolved defendant SBTC from any liability and held TRB solely liable to respondent networks for damages and costs of suit.

In the instant petition for review on certiorari of the Court of Appeals' decision, petitioner TRB assigns the following errors: (a) the Honorable Court of Appeals manifestly overlooked facts which would justify the conclusion that negligence on the part of RPN, IBC and BBC bars them from recovering anything from TRB, (b) the Honorable Court of Appeals plainly erred and misapprehended the facts in relieving SBTC of its liability to TRB as collecting bank and indorser by overturning the trial court's factual finding that SBTC did endorse the three (3) managers checks subject of the instant case, and (c) the Honorable Court of Appeals plainly misapplied the law in affirming the award of exemplary damages in favor of RPN, IBC and BBC.

In reply, respondents RPN, IBC, and BBC assert that TRB's petition raises questions of fact in violation of Rule 45 of the 1997 Revised Rules on Civil Procedure which restricts petitions for review on certiorari of the decisions of the Court of Appeals on pure questions of law. RPN, IBC and BBC maintain that the issue of whether or not respondent networks had been negligent were already passed upon both by the trial and appellate courts, and that the factual findings of both courts are binding and conclusive upon this Court.

Likewise, respondent SBTC denies liability on the ground that it had no participation in the negotiation of the checks, emphasizing that the BRSTN imprints at the back of the checks cannot be considered as proof that respondent SBTC accepted the disputed checks and presented them to Philippine Clearing House Corporation for clearing.

Setting aside the factual ramifications of the instant case, the threshold issue now is whether or not TRB should be held solely liable when it paid the amount of the checks in question to a person other than the payee indicated on the face of the check, the Bureau of Internal Revenue.

"When a signature is forged or made without the authority of the person whose signature it purports to be, it is wholly inoperative, and no right to retain the instrument, or to give a discharge therefor, or to enforce payment thereof against any party thereto, can be acquired through or under such signature."^[5] Consequently, if a bank pays a forged check, it must be considered as paying out of its funds and cannot charge the amount so paid to the account of the depositor.

In the instant case, the 3 checks were payable to the BIR. It was established, however, that said checks were never delivered or paid to the payee BIR but were in fact presented for payment by some unknown persons who, in order to receive payment therefor, forged the name of the payee. Despite this fraud, petitioner TRB paid the 3 checks in the total amount of P9,790,716.87.

Petitioner ought to have known that, where a check is drawn payable to the order of one person and is presented for payment by another and purports upon its face to have been duly indorsed by the payee of the check, it is the primary duty of petitioner to know that the check was duly indorsed by the original payee and, where it pays the amount of the check to a third person who has forged the signature of the payee, the loss falls upon petitioner who cashed the check. Its only remedy is against the person to whom it paid the money.^[6]

It should be noted further that one of the subject checks was crossed. The crossing of one of the subject checks should have put petitioner on guard; it was duty-bound to ascertain the indorser's title to the check or the nature of his possession.