



Republic of the Philippines  
Supreme Court  
Manila

SECOND DIVISION

PHILIPPINE NATIONAL BANK,      G.R. No. 208293  
Petitioner,

-versus-

CARMELITA S. SANTOS, REYME  
L. SANTOS, ANGEL L. SANTOS,  
NONENG S. DIANCO, ET AL.,  
Respondents.

X-----X      G.R. No. 208295  
LINA B. AGUILAR,  
Petitioner,

Present:

CARPIO, J., Chairperson,  
DEL CASTILLO,  
VILLARAMA,\*  
MENDOZA, and  
LEONEN, JJ.

-versus-

CARMELITA S. SANTOS, REYME  
L. SANTOS, ANGEL L. SANTOS,  
BUENVENIDO L. SANTOS, ET  
AL.,  
Respondents.

Promulgated:

10 DEC 2014

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\* Designated Acting Member per S.O. No. 1888 dated December 1, 2014.

## DECISION

### LEONEN, J.:

The standard of diligence required of banks is higher than the degree of diligence of a good father of a family.

Respondents are children of Angel C. Santos who died on March 21, 1991.<sup>1</sup>

Sometime in May 1996, respondents discovered that their father maintained a premium savings account with Philippine National Bank (PNB), Sta. Elena-Marikina City Branch.<sup>2</sup> As of July 14, 1996, the deposit amounted to ₱1,759,082.63.<sup>3</sup> Later, respondents would discover that their father also had a time deposit of ₱1,000,000.00 with PNB.<sup>4</sup>

Respondents went to PNB to withdraw their father's deposit.<sup>5</sup>

Lina B. Aguilar, the Branch Manager of PNB-Sta. Elena-Marikina City Branch, required them to submit the following: "(1) original or certified true copy of the Death Certificate of Angel C. Santos; (2) certificate of payment of, or exemption from, estate tax issued by the Bureau of Internal Revenue (BIR); (3) Deed of Extrajudicial Settlement; (4) Publisher's Affidavit of publication of the Deed of Extrajudicial Settlement; and (5) Surety bond effective for two (2) years and in an amount equal to the balance of the deposit to be withdrawn."<sup>6</sup>

By April 26, 1998, respondents had already obtained the necessary documents.<sup>7</sup> They tried to withdraw the deposit.<sup>8</sup> However, Aguilar informed them that the deposit had already "been released to a certain Bernardito Manimbo (Manimbo) on April 1, 1997."<sup>9</sup> An amount of ₱1,882,002.05 was released upon presentation of: (a) an affidavit of self-adjudication purportedly executed by one of the respondents, Reyme L. Santos; (b) a certificate of time deposit dated December 14, 1989 amounting to ₱1,000,000.00; and (c) the death certificate of Angel C. Santos, among others.<sup>10</sup> A special power of attorney was purportedly executed by Reyme L.

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<sup>1</sup> *Rollo* (G.R. No. 208295), p. 23.

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> *Id.* at 24–25.

<sup>5</sup> *Id.* at 23.

<sup>6</sup> *Rollo* (G.R. No. 208293), p. 11.

<sup>7</sup> *Rollo* (G.R. No. 208295), p. 24.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> *Id.*

Santos in favor of Manimbo and a certain Angel P. Santos for purposes of withdrawing and receiving the proceeds of the certificate of time deposit.<sup>11</sup>

On May 20, 1998, respondents filed before the Regional Trial Court of Marikina City a complaint for sum of money and damages against PNB, Lina B. Aguilar, and a John Doe.<sup>12</sup> Respondents questioned the release of the deposit amount to Manimbo who had no authority from them to withdraw their father's deposit and who failed to present to PNB all the requirements for such withdrawal.<sup>13</sup> Respondents prayed that they be paid: (a) the premium deposit amount; (b) the certificate of time deposit amount; and (c) moral and exemplary damages, attorney's fees, and costs of suit.<sup>14</sup>

PNB and Aguilar denied that Angel C. Santos had two separate accounts (premium deposit account and time deposit account) with PNB.<sup>15</sup> They alleged that Angel C. Santos' deposit account was originally a time deposit account that was subsequently converted into a premium savings account.<sup>16</sup> They also alleged that Aguilar did not know about Angel C. Santos' death in 1991 because she only assumed office in 1996.<sup>17</sup> Manimbo was able to submit an affidavit of self-adjudication and the required surety bond.<sup>18</sup> He also submitted a certificate of payment of estate tax dated March 31, 1997.<sup>19</sup> All documents he submitted appeared to be regular.<sup>20</sup>

PNB and Aguilar filed a third-party complaint against Manimbo, Angel P. Santos, and Capital Insurance and Surety Co., Inc.<sup>21</sup>

Angel P. Santos denied having anything to do with the special power of attorney and affidavit of self-adjudication presented by Manimbo.<sup>22</sup> He also alleged that Manimbo presented the certificate of time deposit without his knowledge and consent.<sup>23</sup>

Capital Insurance and Surety Co., Inc. alleged that its undertaking was to pay claims only when persons who were unduly deprived of their lawful participation in the estate filed an action in court for their claims.<sup>24</sup> It did not undertake to pay claims resulting from PNB's negligence.<sup>25</sup>

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<sup>11</sup> Id.

<sup>12</sup> Id. at 45.

<sup>13</sup> Id. at 24–25 and 50.

<sup>14</sup> Id. at 51.

<sup>15</sup> Id. at 25.

<sup>16</sup> Id. at 25 and 54.

<sup>17</sup> Id. at 25.

<sup>18</sup> Id.

<sup>19</sup> Id. at 61.

<sup>20</sup> Id. at 25.

<sup>21</sup> Id. at 25–26.

<sup>22</sup> Id. at 26.

<sup>23</sup> Id.

<sup>24</sup> Id.

<sup>25</sup> Id.

In the decision<sup>26</sup> dated February 22, 2011, the trial court held that PNB and Aguilar were jointly and severally liable to pay respondents the amount of ₱1,882,002.05 with an interest rate of 6% starting May 20, 1998.<sup>27</sup> PNB and Aguilar were also declared jointly and severally liable for moral and exemplary damages, attorney's fees, and costs of suit.<sup>28</sup> Manimbo, Angel P. Santos, and Capital Insurance and Surety Co., Inc. were held jointly and severally liable to pay PNB ₱1,877,438.83 pursuant to the heir's bond and ₱50,000.00 as attorney's fees and the costs of suit.<sup>29</sup> The dispositive portion of the trial court's decision reads:

**WHEREFORE,** foregoing premises considered, judgment is hereby rendered as follows:

1. ordering the defendants PNB and LINA B. AGUILAR jointly and severally liable to pay the plaintiffs the amount of P1,882,002.05, representing the face value of PNB Manager's Check No. AF-974686B as balance of the total deposits of decedent Angel C. Santos at the time of its issue, with interest thereon at the rate of 6% starting on May 20, 1998, the date when the complaint was filed, until fully paid;
2. ordering both defendants jointly and severally liable to pay plaintiffs the amount of Php 100,000.00 as moral damages, another Php100,000.00 as exemplary damages and Php 50,000.00 as attorney's fees and the costs of suit;

On the Third party complaint:

3. Ordering the third party defendants Bernardito P. Manimbo, Angel P. Santos and Capital Insurance & Surety Co., Inc., jointly and severally liable to pay third party plaintiff PNB, the amount of Php 1,877,438.83 pursuant to the Heir's Bond and the amount of Php 50,000.00 as attorney's fees and the costs of suit.

SO ORDERED.<sup>30</sup>

The trial court found that Angel C. Santos had only one account with PNB.<sup>31</sup> The account was originally a time deposit, which was converted into

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<sup>26</sup> Id. at 136–157.

<sup>27</sup> Id. at 156–157.

<sup>28</sup> Id. at 157.

<sup>29</sup> Id.

<sup>30</sup> Id. at 156–157.

<sup>31</sup> Id. at 153.

a premium savings account when it was not renewed on maturity.<sup>32</sup> The trial court took judicial notice that in 1989, automatic rollover of time deposit was not yet prevailing.<sup>33</sup>

On the liability of PNB and Aguilar, the trial court held that they were both negligent in releasing the deposit to Manimbo.<sup>34</sup> The trial court noted PNB's failure to notify the depositor about the maturity of the time deposit and the conversion of the time deposit into a premium savings account.<sup>35</sup> The trial court also noted PNB's failure to cancel the certificate of time deposit despite conversion.<sup>36</sup> PNB and Aguilar also failed to require the production of birth certificates to prove claimants' relationship to the depositor.<sup>37</sup> Further, they relied on the affidavit of self-adjudication when several persons claiming to be heirs had already approached them previously.<sup>38</sup>

Aguilar filed a motion for reconsideration<sup>39</sup> of the February 22, 2011 Regional Trial Court decision. This was denied in the June 21, 2011 Regional Trial Court order.<sup>40</sup>

PNB and Aguilar appealed before the Court of Appeals.<sup>41</sup>

Aguilar contended that she was not negligent and should not have been made jointly and severally liable with PNB.<sup>42</sup> She merely implemented PNB's Legal Department's directive to release the deposit to Manimbo.<sup>43</sup>

PNB argued that it was not negligent.<sup>44</sup> The release of the deposit to Manimbo was pursuant to an existing policy.<sup>45</sup> Moreover, the documents submitted by Manimbo were more substantial than those submitted by respondents.<sup>46</sup> Respondents could have avoided the incident "had they accomplished the required documents immediately."<sup>47</sup>

In the decision<sup>48</sup> promulgated on July 25, 2013, the Court of Appeals

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<sup>32</sup> Id.

<sup>33</sup> Id.

<sup>34</sup> Id. at 151.

<sup>35</sup> Id. at 153–154.

<sup>36</sup> Id. at 154.

<sup>37</sup> Id.

<sup>38</sup> Id.

<sup>39</sup> Id. 159–164. (dated March 25, 2011)

<sup>40</sup> Id. at 166.

<sup>41</sup> *Rollo* (G.R. No. 208293), p. 15.

<sup>42</sup> *Rollo* (G.R. No. 208295), p. 178–179.

<sup>43</sup> Id. at 177 and 180.

<sup>44</sup> *Rollo* (G.R. No. 208293), p. 18.

<sup>45</sup> Id. at 17.

<sup>46</sup> Id. at 18.

<sup>47</sup> Id.

<sup>48</sup> Id. at 9–25. The decision was penned by Associate Justice Amelita G. Tolentino and concurred in by

sustained the trial court's finding that there was only one account.<sup>49</sup> Angel C. Santos could not have possibly opened the premium savings account in 1994 since he already died in 1991.<sup>50</sup> The Court of Appeals also held that PNB and Aguilar were negligent in handling the deposit.<sup>51</sup> The deposit amount was released to Manimbo who did not present all the requirements, particularly the Bureau of Internal Revenue (BIR) certification that estate taxes had already been paid.<sup>52</sup> They should also not have honored the affidavit of self-adjudication.<sup>53</sup>

The Court of Appeals ruled that Aguilar could not escape liability by pointing her finger at PNB's Legal Department.<sup>54</sup> As the Bank Manager, she should have given the Legal Department all the necessary information that must be known in order to protect both the depositors' and the bank's interests.<sup>55</sup>

The Court of Appeals removed the award of exemplary damages, upon finding that there was no malice or bad faith.<sup>56</sup>

The Court of Appeals considered the deposit as an ordinary loan by the bank from Angel C. Santos or his heirs.<sup>57</sup> Therefore, the deposit was a forbearance which should earn an interest of 12% per annum.<sup>58</sup> The dispositive portion of the Court of Appeals' decision reads:

**WHEREFORE**, premises considered, the assailed decision of the court a quo dated February 22, 2011 is **AFFIRMED** with the **MODIFICATIONS** in that the rate of interest shall be twelve percent (12%) per annum computed from the filing of the case until fully satisfied. The interest due shall further earn an interest of 12% per annum to be computed from the date of the filing of the complaint until fully paid. Meanwhile, the award of exemplary damages is **DELETED**.

**SO ORDERED.**<sup>59</sup>

PNB and Aguilar filed their separate petitions for review of the Court of Appeals' July 25, 2013 decision.<sup>60</sup>

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Associate Justices Ramon R. Garcia and Danton Q. Bueser of the Fourth Division.

<sup>49</sup> Id. at 18–19.

<sup>50</sup> Id. at 19.

<sup>51</sup> Id.

<sup>52</sup> Id. at 19–20.

<sup>53</sup> Id.

<sup>54</sup> Id. at 20.

<sup>55</sup> Id.

<sup>56</sup> Id. at 21.

<sup>57</sup> Id. at 22.

<sup>58</sup> Id. at 23.

<sup>59</sup> Id. at 24.

<sup>60</sup> Id. at 27–43; *Rollo* (G.R. No. 208295), pp. 10–20.

We resolve the following issues:

- I. Whether Philippine National Bank was negligent in releasing the deposit to Bernardito Manimbo;
- II. Whether Lina B. Aguilar is jointly and severally liable with Philippine National Bank for the release of the deposit to Bernardito Manimbo; and
- III. Whether respondents were properly awarded damages.

Petitioner Aguilar argued that the Court of Appeals had already found no malice or bad faith on her part.<sup>61</sup> Moreover, as a mere officer of the bank, she cannot be made personally liable for acts that she was authorized to do.<sup>62</sup> These acts were mere directives to her by her superiors.<sup>63</sup> Hence, she should not be held solidarily liable with PNB.<sup>64</sup>

Petitioner PNB argued that it was the presumptuousness and cavalier attitude of respondents that gave rise to the controversy and not its judgment call.<sup>65</sup> Respondents were lacking in sufficient documentation.<sup>66</sup> Petitioner PNB also argued that respondents failed to show any justification for the award of moral damages.<sup>67</sup> No bad faith can be attributed to Aguilar.<sup>68</sup>

In their separate comments to the petitions, respondents argued that the trial court and the Court of Appeals did not err in finding that petitioners PNB and Aguilar were negligent in handling their father's deposit.<sup>69</sup> The acceptance of invalid and incomplete documents to support the deposit's release to Manimbo was a violation of the bank's fiduciary duty to its clients.<sup>70</sup> These acts constituted gross negligence on the part of petitioners PNB and Aguilar.<sup>71</sup>

However, according to respondents, the Court of Appeals erred in deleting the award for exemplary damages because the acts in violation of the bank's fiduciary were done in bad faith.<sup>72</sup>

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<sup>61</sup> *Rollo* (G.R. No. 208295), p. 16.

<sup>62</sup> *Id.*

<sup>63</sup> *Id.* at 17.

<sup>64</sup> *Id.* at 18.

<sup>65</sup> *Rollo* (G.R. No. 208293), p. 35.

<sup>66</sup> *Id.* at 36–37.

<sup>67</sup> *Id.* at 38.

<sup>68</sup> *Id.*

<sup>69</sup> *Id.* at 94 and 100.

<sup>70</sup> *Id.* at 96.

<sup>71</sup> *Rollo* (G.R. No. 208295), p. 218.

<sup>72</sup> *Id.* at 223.

We rule for the respondents.

The trial court and the Court of Appeals correctly found that petitioners PNB and Aguilar were negligent in handling the deposit of Angel C. Santos.

The contractual relationship between banks and their depositors is governed by the Civil Code provisions on simple loan.<sup>73</sup> Once a person makes a deposit of his or her money to the bank, he or she is considered to have lent the bank that money.<sup>74</sup> The bank becomes his or her debtor, and he or she becomes the creditor of the bank, which is obligated to pay him or her on demand.<sup>75</sup>

The default standard of diligence in the performance of obligations is “diligence of a good father of a family.” Thus, the Civil Code provides:

ART. 1163. *Every person obliged to give something is also obliged to take care of it with the proper diligence of a good father of a family, unless the law or the stipulation of the parties requires another standard of care.*

. . . .

ART. 1173. The fault or negligence of the obligor consists in the omission of that diligence which is required by the nature of the obligation and corresponds with the circumstances of the persons, of the time and of the place. When negligence shows bad faith, the provisions of articles 1171 and 2201, paragraph 2, shall apply.

*If the law or contract does not state the diligence which is to be observed in the performance, that which is expected of a good father of a family shall be required. (Emphasis supplied)*

“Diligence of a good father of a family” is the standard of diligence expected of, among others, usufructuaries,<sup>76</sup> passengers of common carriers,<sup>77</sup> agents,<sup>78</sup> depositaries,<sup>79</sup> pledgees,<sup>80</sup> officious managers,<sup>81</sup> and persons deemed by law as responsible for the acts of others.<sup>82</sup> “The diligence of a good father of a family requires only that diligence which an

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<sup>73</sup> CIVIL CODE, art. 1980; *The Consolidated Bank and Trust Corporation v. Court of Appeals, et al.*, 457 Phil. 688, 705 (2003) [Per J. Carpio, First Division].

<sup>74</sup> *The Consolidated Bank and Trust Corporation v. Court of Appeals, et al.*, 457 Phil. 688, 705 (2003) [Per J. Carpio, First Division].

<sup>75</sup> *Id.*

<sup>76</sup> CIVIL CODE, art. 589.

<sup>77</sup> CIVIL CODE, art. 1761.

<sup>78</sup> CIVIL CODE, art. 1887.

<sup>79</sup> CIVIL CODE, art. 2008.

<sup>80</sup> CIVIL CODE, art. 2099.

<sup>81</sup> CIVIL CODE, art. 2145.

<sup>82</sup> CIVIL CODE, art. 2180.



ordinary prudent man would exercise with regard to his own property.”<sup>83</sup>

Other industries, because of their nature, are bound by law to observe higher standards of diligence. Common carriers, for example, must observe “extraordinary diligence in the vigilance over the goods and for the safety of [their] passengers”<sup>84</sup> because it is considered a business affected with public interest. “Extraordinary diligence” with respect to passenger safety is further qualified as “carry[ing] the passengers safely as far as human care and foresight can provide, using the utmost diligence of very cautious persons, with a due regard for all the circumstances.”<sup>85</sup>

Similar to common carriers, banking is a business that is impressed with public interest. It affects economies and plays a significant role in businesses and commerce.<sup>86</sup> The public reposes its faith and confidence upon banks, such that “even the humble wage-earner has not hesitated to entrust his life’s savings to the bank of his choice, knowing that they will be safe in its custody and will even earn some interest for him.”<sup>87</sup> This is why we have recognized the fiduciary nature of the banks’ functions, and attached a special standard of diligence for the exercise of their functions.

In *Simex International (Manila), Inc. v. Court of Appeals*,<sup>88</sup> this court described the nature of banks’ functions and the attitude expected of banks in handling their depositors’ accounts, thus:

In every case, the depositor expects the bank to treat his account with the utmost fidelity, whether such account consists only of a few hundred pesos or of millions. . . .

The point is that as a business affected with public interest and because of the nature of its functions, the bank is under obligation to treat the accounts of its depositors *with meticulous care, always having in mind the fiduciary nature of their relationship*.<sup>89</sup> (Emphasis supplied)

The fiduciary nature of banking is affirmed in Republic Act No. 8791 or The General Banking Law, thus:

SEC. 2. *Declaration of Policy*.—The State recognizes the vital role of banks in providing an environment conducive to the sustained development of the national economy and *the fiduciary*

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<sup>83</sup> *Wildvalley Shipping Co., Ltd. v. Court of Appeals*, 396 Phil. 383, 397 (2000) [Per J. Buena, Second Division].

<sup>84</sup> CIVIL CODE, art. 1733.

<sup>85</sup> CIVIL CODE, art. 1755.

<sup>86</sup> *Simex International (Manila), Inc. v. Court of Appeals*, 262 Phil. 387, 395–396 (1990) [Per J. Cruz, First Division].

<sup>87</sup> *Id.* at 395.

<sup>88</sup> 262 Phil. 387 (1990) [Per J. Cruz, First Division].

<sup>89</sup> *Id.* at 396.

*nature of banking that requires high standards of integrity and performance. In furtherance thereof, the State shall promote and maintain a stable and efficient banking and financial system that is globally competitive, dynamic and responsive to the demands of a developing economy. (Emphasis supplied)*

In *The Consolidated Bank and Trust Corporation v. Court of Appeals*,<sup>90</sup> this court explained the meaning of fiduciary relationship and the standard of diligence assumed by banks:

*This fiduciary relationship means that the bank's obligation to observe "high standards of integrity and performance" is deemed written into every deposit agreement between a bank and its depositor. The fiduciary nature of banking requires banks to assume a degree of diligence higher than that of a good father of a family. Article 1172 of the Civil Code states that the degree of diligence required of an obligor is that prescribed by law or contract, and absent such stipulation then the diligence of a good father of a family.<sup>91</sup> (Emphasis supplied, citation omitted)*

Petitioners PNB and Aguilar's treatment of Angel C. Santos' account is inconsistent with the high standard of diligence required of banks. They accepted Manimbo's representations despite knowledge of the existence of circumstances that should have raised doubts on such representations. As a result, Angel C. Santos' deposit was given to a person stranger to him.

Petitioner PNB pointed out that since petitioner Aguilar assumed office as PNB-Sta. Elena-Marikina City Branch Manager only five (5) years from Angel C. Santos' death, she was not in the position to know that respondents were the heirs of Angel C. Santos.<sup>92</sup> She could not have accepted the unsigned and unnotarized extrajudicial settlement deed that respondents had first showed her.<sup>93</sup> She was not competent to make a conclusion whether that deed was genuine.<sup>94</sup> Neither could petitioners PNB and Aguilar pass judgment on a letter from respondents' lawyer stating that respondents were the nine heirs of Angel C. Santos.<sup>95</sup>

Petitioners PNB and Aguilar's negligence is not based on their failure to accept respondents' documents as evidence of their right to claim Angel C. Santos' deposit. Rather, it is based on their failure to exercise the diligence required of banks when they accepted the fraudulent representations of Manimbo.

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<sup>90</sup> 457 Phil. 688 (2003) [Per J. Carpio, First Division].

<sup>91</sup> Id. at 706.

<sup>92</sup> *Rollo* (G.R. No. 208293), p. 36.

<sup>93</sup> Id. at 36–37.

<sup>94</sup> Id. at 37.

<sup>95</sup> Id.

Petitioners PNB and Aguilar disregarded their own requirements for the release of the deposit to persons claiming to be heirs of a deceased depositor. When respondents asked for the release of Angel C. Santos' deposit, they were required to present the following: "(1) original or certified true copy of the Death Certificate of Angel C. Santos; (2) certificate of payment of, or exemption from, estate tax issued by the Bureau of Internal Revenue (BIR); (3) Deed of Extrajudicial Settlement; (4) Publisher's Affidavit of publication of the Deed of Extrajudicial Settlement; and (5) Surety bond effective for two (2) years and in an amount equal to the balance of the deposit to be withdrawn."<sup>96</sup>

Petitioners PNB and Aguilar, however, accepted Manimbo's representations, and they released Angel C. Santos' deposit based on only the following documents:

1. Death certificate of Angel C. Santos;
2. Birth certificate of Reyme L. Santos;
3. Affidavit of self-adjudication of Reyme L. Santos;
4. Affidavit of publication;
5. Special power of attorney that Reyme L. Santos executed in favor of Bernardito Manimbo and Angel P. Santos;
6. Personal items of Angel C. Santos, such as photocopies or originals of passport, residence certificate for year 1990, SSS I.D., etc.;
7. Surety good for two (2) years; and
8. Certificate of Time Deposit No. 341306.<sup>97</sup>

Based on these enumerations, petitioners PNB and Aguilar either have no fixed standards for the release of their deceased clients' deposits or they have standards that they disregard for convenience, favor, or upon exercise of discretion. Both are inconsistent with the required diligence of banks. These threaten the safety of the depositors' accounts as they provide avenues for fraudulent practices by third persons or by bank officers themselves.

In this case, petitioners PNB and Aguilar released Angel C. Santos' deposit to Manimbo without having been presented the BIR-issued certificate of payment of, or exception from, estate tax. This is a legal requirement before the deposit of a decedent is released. Presidential Decree No. 1158,<sup>98</sup> the tax code applicable when Angel C. Santos died in 1991, provides:

SEC. 118. *Payment of tax antecedent to the transfer of shares, bonds, or rights.* — There shall not be transferred to any new

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<sup>96</sup> Id. at 11.

<sup>97</sup> Id. at 21 and 30–31.

<sup>98</sup> A Decree to Consolidate and Codify all the Internal Revenue Laws of the Philippines (1977).

owner in the books of any corporation, *sociedad anonima*, partnership, business, or industry organized or established in the Philippines, any shares, obligations, bonds or rights by way of gift *inter vivos* or *mortis causa*, legacy, or inheritance unless a certification from the Commissioner that the taxes fixed in this Title and due thereon have been paid is shown.

*If a bank has knowledge of the death of a person who maintained a bank deposit account alone, or jointly with another, it shall not allow any withdrawal from the said deposit account, unless the Commissioner has certified that the taxes imposed thereon by this Title have been paid; Provided, however, That the administrator of the estate or any one of the heirs of the decedent may upon authorization by the Commissioner of Internal Revenue, withdraw an amount not exceeding ₱10,000 without the said certification. For this purpose, all withdrawal slips shall contain a statement to the effect that all of the joint depositors are still living at the time of withdrawal by any one of the joint depositors and such statement shall be under oath by the said depositors.*<sup>99</sup> (Emphasis supplied)

This provision was reproduced in Section 97 of the 1997 National Internal Revenue Code, thus:

**SEC. 97. Payment of Tax Antecedent to the Transfer of Shares, Bonds or Rights.** - There shall not be transferred to any new owner in the books of any corporation, *sociedad anonima*, partnership, business, or industry organized or established in the Philippines any share, obligation, bond or right by way of gift *inter vivos* or *mortis causa*, legacy or inheritance, unless a certification from the Commissioner that the taxes fixed in this Title and due thereon have been paid is shown.

*If a bank has knowledge of the death of a person, who maintained a bank deposit account alone, or jointly with another, it shall not allow any withdrawal from the said deposit account, unless the Commissioner has certified that the taxes imposed thereon by this Title have been paid: Provided, however, That the administrator of the estate or any one (1) of the heirs of the decedent may, upon authorization by the Commissioner, withdraw an amount not exceeding Twenty thousand pesos (₱20,000) without the said certification. For this purpose, all withdrawal slips shall contain a statement to the effect that all of the joint depositors are still living at the time of withdrawal by any one of the joint depositors and such statement shall be under oath by the said depositors.* (Emphasis supplied)

Taxes are created primarily to generate revenues for the maintenance of the government. However, this particular tax may also serve as guard against the release of deposits to persons who have no sufficient and valid claim over the deposits. Based on the assumption that only those with

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<sup>99</sup> As amended by Pres. Decree No. 1705 (1980), sec. 21.

sufficient and valid claim to the deposit will pay the taxes for it, requiring the certificate from the BIR increases the chance that the deposit will be released only to them.

In their compulsory counterclaim,<sup>100</sup> petitioners PNB and Aguilar claimed that Manimbo presented a certificate of payment of estate tax.<sup>101</sup> During trial, however, it turned out that this certificate was instead an authority to accept payment, which is not the certificate required for the release of bank deposits.<sup>102</sup> It appears that Manimbo was not even required to submit the BIR certificate.<sup>103</sup> He, thus, failed to present such certificate. Petitioners PNB and Aguilar provided no satisfactory explanation why Angel C. Santos' deposit was released without it.

Petitioners PNB and Aguilar's negligence is also clear when they accepted as bases for the release of the deposit to Manimbo: (a) a mere photocopy of Angel C. Santos' death certificate;<sup>104</sup> (b) the falsified affidavit of self-adjudication and special power of attorney purportedly executed by Reyne L. Santos;<sup>105</sup> and (c) the certificate of time deposit.<sup>106</sup>

Petitioner Aguilar was aware that there were other claimants to Angel C. Santos' deposit. Respondents had already communicated with petitioner Aguilar regarding Angel C. Santos' account before Manimbo appeared. Petitioner Aguilar even gave respondents the updated passbook of Angel C. Santos' account.<sup>107</sup> Yet, petitioners PNB and Aguilar did not think twice before they released the deposit to Manimbo. They did not doubt why no original death certificate could be submitted. They did not doubt why Reyne L. Santos would execute an affidavit of self-adjudication when he, together with others, had previously asked for the release of Angel C. Santos' deposit. They also relied on the certificate of time deposit and on Manimbo's representation that the passbook was lost when the passbook had just been previously presented to Aguilar for updating.<sup>108</sup>

During the trial, petitioner PNB's counsel only reasoned that the photocopy of the death certificate was also submitted with other documents, which led him to no other conclusion than that Angel C. Santos was already dead.<sup>109</sup> On petitioners PNB and Aguilar's reliance special power of attorney allegedly executed by Reyne L. Santos, Aguilar admitted that she did not contact Reyne L. Santos for verification. Her reason was that

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<sup>100</sup> *Rollo* (G.R. No. 208295), pp. 53–63.

<sup>101</sup> *Id.* at 61.

<sup>102</sup> *Id.* at 142–143.

<sup>103</sup> *Id.* at 56.

<sup>104</sup> *Id.* at 144.

<sup>105</sup> *Id.* at 154.

<sup>106</sup> *Id.*

<sup>107</sup> *Id.* at 137.

<sup>108</sup> *Id.* at 140–144.

<sup>109</sup> *Id.* at 144.

Reyme L. Santos was not their client. Therefore, they had no obligation to do so.<sup>110</sup>

Given the circumstances, “diligence of a good father of a family” would have required petitioners PNB and Aguilar to verify. A prudent man would have inquired why Reyme L. Santos would issue an affidavit of self-adjudication when others had also claimed to be heirs of Angel C. Santos. Contrary to petitioner Aguilar’s reasoning, the fact that Reyme L. Santos was not petitioner PNB’s client should have moved her to take measures to ensure the veracity of Manimbo’s documents and representations. This is because she had no previous knowledge of Reyme L. Santos his representatives, and his signature.

Petitioner PNB is a bank from which a degree of diligence higher than that of a good father of a family is expected. Petitioner PNB and its manager, petitioner Aguilar, failed to meet even the standard of diligence of a good father of a family. Their actions and inactions constitute gross negligence. It is for this reason that we sustain the trial court’s and the Court of Appeals’ rulings that petitioners PNB and Aguilar are solidarily liable with each other.<sup>111</sup>

For the same reason, we sustain the award for moral damages. Petitioners PNB and Aguilar’s gross negligence deprived Angel C. Santos’ heirs what is rightfully theirs. Respondents also testified that they experienced anger and embarrassment when petitioners PNB and Aguilar refused to release Angel C. Santos’ deposit.<sup>112</sup> “The bank’s negligence was the result of lack of due care and caution required of managers and employees of a firm engaged in so sensitive and demanding business as banking.”<sup>113</sup>

Exemplary damages should also be awarded. “The law allows the grant of exemplary damages by way of example for the public good. The public relies on the banks’ sworn profession of diligence and meticulousness in giving irreproachable service. The level of meticulousness must be maintained at all times by the banking sector.”<sup>114</sup>

Since exemplary damages are awarded and since respondents were compelled to litigate to protect their interests,<sup>115</sup> the award of attorney’s fees is also proper.

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<sup>110</sup> Id. at 144–145.

<sup>111</sup> CIVIL CODE, art. 20 and 1207.

<sup>112</sup> *Rollo* (G.R. No. 208295), p. 128.

<sup>113</sup> *Prudential Bank v. Court of Appeals*, 384 Phil. 817, 826 (2000) [Per J. Quisumbing, Second Division].

<sup>114</sup> Id.

<sup>115</sup> CIVIL CODE, art. 2208(1) and (2).

The Court of Appeals' award of interest should be modified to 12% from demand on April 26, 1998 until June 30, 2013, and 6% from July 1, 2013 until fully paid. In *Nacar v. Gallery Frames*:<sup>116</sup>

Thus, from the foregoing, in the absence of an express stipulation as to the rate of interest that would govern the parties, the rate of legal interest for loans or forbearance of any money. . . shall no longer be twelve percent (12%) per annum. . . but will now be six percent (6%) per annum effective July 1, 2013. It should be noted, nonetheless, that. . . the twelve percent (12%) per annum legal interest shall apply only until June 30, 2013. Come July 1, 2013 the new rate of six percent (6%) per annum shall be the prevailing rate of interest when applicable.

....

1. When the obligation is breached, and it consists in the payment of a sum of money, *i.e.*, a loan or forbearance of money, the interest due should be that which may have been stipulated in writing. Furthermore, the interest due shall itself earn legal interest from the time it is judicially demanded. In the absence of stipulation, the rate of interest shall be 6% *per annum* to be computed from default, *i.e.*, from judicial or extrajudicial demand. . .

....

3. When the judgment of the court awarding a sum of money becomes final and executory, the rate of legal interest, whether the case falls under paragraph 1 or paragraph 2, above, shall be 6% *per annum* from such finality until its satisfaction, this interim period being deemed to be by then an equivalent to a forbearance of credit.<sup>117</sup>

**WHEREFORE**, the Court of Appeals' decision dated July 25, 2013 is **AFFIRMED** with the **MODIFICATIONS** in that petitioners Philippine National Bank and Lina B. Aguilar are ordered solidarily liable to pay respondents ₱100,000.00 as exemplary damages. Further, the interest rate for the amount of P1,882,002.05, representing the face value of PNB Manager's Check No. AF-974686B is modified to 12% from April 26, 1998 until June 30, 2013, and 6% from July 1, 2013 until satisfaction. All monetary awards shall then earn interest at the rate of 6% per annum from finality of the decision until full satisfaction.

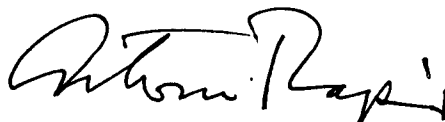
**SO ORDERED.**

  
MARVIC M.V.F. LEONEN  
Associate Justice

<sup>116</sup> G.R. No. 189871, August 13, 2013, 703 SCRA 439 [Per J. Peralta, En Banc].

<sup>117</sup> Id. at 457-458.

WE CONCUR:



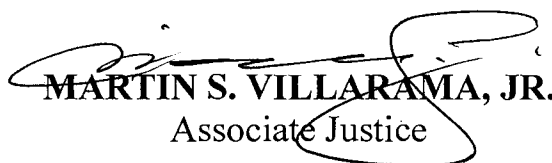
**ANTONIO T. CARPIO**

Associate Justice  
Chairperson



**MARIANO C. DEL CASTILLO**

Associate Justice



**MARTIN S. VILLARAMA, JR.**

Associate Justice

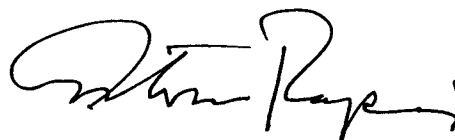


**JOSE CANRAL MENDOZA**

Associate Justice

**ATTESTATION**

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



**ANTONIO T. CARPIO**

Associate Justice  
Chairperson, Second Division

**CERTIFICATION**

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



**MARIA LOURDES P. A. SERENO**

Chief Justice