



Republic of the Philippines  
 Supreme Court  
 Manila

FIRST DIVISION

REMEDIOS T. BANTA,  
*Petitioner,*

G.R. No. 223694

- versus -

Present:

EQUITABLE BANK, INC. (now  
 BDO UNIBANK, INC.), ANTONIO  
 BANTA, ARMANDO BANTA,  
 SONIA BANTA, ERLINDA TAN  
 AND THE REGISTER OF DEEDS  
 OF MALABON CITY,  
*Respondents.*

PERALTA, C.J.,  
 CAGUIOA,  
 CARANDANG,  
 ZALAMEDA, and  
 GAERLAN, JJ.

Promulgated:  
 FEB 10 2021

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DECISION

GAERLAN, J.:

This is a petition for review under Rule 45 of the Rules of Court filed by Remedios T. Banta (petitioner), assailing the Decision<sup>1</sup> dated July 8, 2015 and the Resolution<sup>2</sup> dated March 30, 2016 of the Court of Appeals (CA) in CA-G.R. CV No. 98638, absolving Equitable Bank (now BDO Unibank, Inc.) (Bank) from joint and several liability in the payment of damages and attorney's fees.

**The Antecedent Facts**

The facts of the instant case are not contested.

The petitioner and Antonio Banta (Antonio) were married in 1975. However, they ceased to live together as husband and wife since 1991. Subsequently, in June 1997, the petitioner discovered that Antonio, using her forged signature, executed in favor of the Bank a Deed of Real Estate Mortgage dated September 1, 1994, over real properties in Malabon City registered under their names and which were covered by Transfer Certificates of Title (TCT) Nos. M-10421, M-10422, and M-9155. The real estate mortgage secured the loan

<sup>1</sup> *Rollo*, pp. 103-124; penned by Associate Justice Ramon A. Cruz, with Associate Justices Marlene Gonzales-Sison and Ma. Luisa Quijano-Padilla, concurring.

<sup>2</sup> *Id.* at 146-147.

which was supposedly extended to them by Equitable Bank in the amount of ₱1,000,000.00.<sup>3</sup>

The petitioner further uncovered that on May 11, 1995, Antonio, Armando T. Banta (Armando), Sonia O. Banta (Sonia), and Erlinda B. Tan (Tan) executed an "Amendment to Real Estate Mortgage" with additional collateral in favor of Equitable Bank, again with the petitioner's forged signature. It covered five of Antonio and the petitioner's real properties covered by TCT Nos. M-1989, R-41303, R-49374, R-34869, and R-41682, securing the loans extended by the Bank in the amount of ₱4,500,000.00.<sup>4</sup>

In view of the foregoing, the petitioner initiated a Complaint<sup>5</sup> for Annulment of Deed of Real Estate Mortgage with Damages before the Regional Trial Court (RTC) of Malabon City, against the Bank, Antonio Banta (Antonio), Armando, Sonia, Erlinda, and the Register of Deeds, Malabon Branch.

### **The RTC Ruling**

In a Decision<sup>6</sup> dated August 17, 2009, the RTC ruled that the petitioner has no cause of action against Armando, Tan, and Sonia since it was clear based on TCT Nos. M-10421, M-10422, and M-9155 that these properties were registered under the names of Armando and Tan.<sup>7</sup> However, with respect to the "Amendment to the Real Estate Mortgage" covering TCT Nos. R-41303, R-41682, R-34869, R-49374, and M-1989 in the name of the petitioner and Antonio, the RTC declared the same as null and void in view of the petitioner's forged signature therein. The forgery of the petitioner's signature was established by unrebutted evidence from handwriting experts of the Philippine National Police and the National Bureau of Investigation.<sup>8</sup>

As for the Bank, the RTC stated that it was negligent and remiss in exercising extraordinary diligence when it accepted as security the properties owned by the petitioner and Antonio without verifying the authenticity of the petitioner's signature.<sup>9</sup>

The dispositive portion of the decision reads as follows:

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<sup>3</sup> Id. at 36-37.

<sup>4</sup> Id. at 37-39.

<sup>5</sup> Id. at 35-42.

<sup>6</sup> Id. at 44-48; penned by Assisting Judge Edwin G. Larida, Jr.

<sup>7</sup> Id. at 47.

<sup>8</sup> Id.

<sup>9</sup> Id.

WHEREFORE, premises considered, the prayer to declare the Deed of Real Estate Mortgage in favor of defendant Bank secured by properties covered by TCT Nos. M-10421, M-10422, and M-9155 null and void is DENIED for lack of cause of action on the part of the plaintiff and the complaint, with respect to defendants Armando and Sonia Banta and Erlinda Tan is DISMISSED. However, the prayer to declare the Amendment to Real Estate Mortgage with additional collateral secured by properties covered by TCT No. M-1989, M-R 41303, R-49374, R-34869, and R-41682 in the names of plaintiff and the defendant Antonio null and void is hereby GRANTED. The defendants Antonio Banta and Equitable Bank are ordered to cancel the said mortgage agreement and to jointly and severally pay to the plaintiff the amount of fifty thousand pesos (P50,000.00) as attorney's fees. All counterclaims are ordered DISMISSED for lack of merit. The defendant bank's cross-claim is hereby GRANTED but only with respect to defendant Antonio Banta.

SO ORDERED.<sup>10</sup>

Disconcerted with the RTC ruling, both the Bank and the petitioner lodged an appeal before the CA. The petitioner prayed for the award of moral damages, exemplary damages, and increase in the amount of attorney's fees granted by the RTC,<sup>11</sup> while the Bank entreated that it should not be held solidarily liable with Antonio.<sup>12</sup>

### The CA Ruling

The CA granted the petitioner's prayer for moral damages, exemplary damages, and increase in attorney's fees<sup>13</sup> but at the same time held that the Bank cannot be held jointly and severally liable with Antonio in the absence of showing that it is guilty of bad faith.<sup>14</sup> Thus, the *fallo* of the Decision<sup>15</sup> dated July 8, 2015 of the CA states:

WHEREFORE, premises considered, the appeals of Plaintiff-Appellant Remedios Banta and Defendant-Appellant Equitable Bank, respectively, are PARTLY GRANTED. The Decision dated August 17, 2009 rendered by the Regional Trial Court of Malabon, Branch 74, in Civil Case No. 2908-M is AFFIRMED with MODIFICATION, in that Defendant-Appellee Antonio Banta is ordered to pay Plaintiff-Appellant Remedios Banta moral damages in the amount of P300,000.00, exemplary damages in the amount of P100,000.00, and attorney's fees in the amount of P100,000.00. The joint liability of Defendant-Appellant Equitable Bank for attorney's fees is deleted. The rest of the disposition stands.

SO ORDERED.<sup>16</sup>

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<sup>10</sup> Id. at 47-48.

<sup>11</sup> Id. at 61.

<sup>12</sup> Id. at 99.

<sup>13</sup> Id. at 120-121.

<sup>14</sup> Id. at 121.

<sup>15</sup> Id. at 103-124.

<sup>16</sup> Id. at 121.

The CA explained that by forging the petitioner's signatures in the questioned documents, Antonio clearly acted in bad faith. Given that the petitioner was able to satisfactorily prove the psychological and mental trauma she suffered as a result of Antonio's acts, the grant of moral damages is warranted under the circumstances.<sup>17</sup> As for the award of exemplary damages, the CA ratiocinated that the same is justified since the petitioner was able to demonstrate her entitlement to moral damages, as required under Article 2229 of the Civil Code.<sup>18</sup> To reiterate, the CA released the Bank from any joint and several liability in the payment of damages and attorney's fees since there was no showing that it participated in Antonio's scheme to forge the petitioner's signature.

Aggrieved, the petitioner moved for partial reconsideration of the CA Decision, but the motion was denied in the Resolution<sup>19</sup> dated March 30, 2016.

The petitioner is now before the Court raising as issue the exculpation of the Bank from joint and several liability with Antonio in the assailed CA Decision and Resolution.

### Issue

Whether the Bank should be held jointly and severally liable with Antonio for payment of moral and exemplary damages, and attorney's fees to the petitioner

### The Court's Ruling

The petitioner claims that the CA ruled that the Bank was not an innocent mortgagee in good faith and yet, it absolved the bank from any liability in the payment of damages and attorney's fees.<sup>20</sup> She posits that by virtue of its business as a banking institution, the Bank is required to exercise more care and prudence, and higher degree of diligence than other private individuals. Yet, the Bank failed in this aspect as it was negligent and remiss in exercising the degree of care required of it.<sup>21</sup> That the finding of the CA that there is no conspiracy between Antonio and the Bank is immaterial—the mere fact that Equitable Bank was found negligent in the performance of its duties should have been sufficient

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<sup>17</sup> Id. at 120.

<sup>18</sup> Id.

<sup>19</sup> Id. at 146-147; penned by Associate Justice Ramon A. Cruz, with Associate Justices Marlene Gonzales-Sison and Ma. Luisa Quijano-Padilla, concurring.

<sup>20</sup> Id. at 19.

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

to hold it liable.<sup>22</sup> The Bank's display of lack of due diligence constitutes a quasi-delict for which it must be held solidarily liable with Antonio for damages.<sup>23</sup>

In its Comment,<sup>24</sup> the Bank argues that it cannot be held liable for damages or attorney's fees in the absence of any finding that it was guilty of bad faith, or that it was in conspiracy with Antonio in perpetrating the forgery of the petitioner's signature.<sup>25</sup> To support its assertion, the Bank underscores that both the RTC and the CA did not ascribe any bad faith on its part.<sup>26</sup> Assuming *arguendo* that it was negligent, or it failed to exercise due diligence and the degree of care required by law, the Bank posits that negligence is insufficient to render it liable for damages and attorney's fees.<sup>27</sup> Additionally, the Bank contends that moral damages may be recovered only if the act or omission complained of caused physical injuries.<sup>28</sup>

The Bank's arguments are untenable.

Time and again, the Court has emphasized that it is required and expected of banks to exercise the highest degree of diligence, along with high standards of integrity and performance in view of its significant role in commercial transactions, not to mention its contribution, to the economy in general.<sup>29</sup> "Since their business and industry are imbued with public interest, banks are required to exercise extraordinary diligence, which is more than that of a Roman paterfamilias or a good father of a family, in handling their transactions."<sup>30</sup> Even as a mortgagee, a bank is not relieved of its responsibility to exercise a higher degree of caution. In *Land Bank of the Philippines v. Belle Corporation*<sup>31</sup> the Court underscored the following:

When the purchaser or the mortgagee is a bank, the rule on innocent purchasers or mortgagees for value is applied more strictly.<sup>48</sup> Being in the business of extending loans secured by real estate mortgage, banks are presumed to be familiar with the rules on land registration.<sup>49</sup> Since the banking business is impressed with public interest, they are expected to be more cautious, to exercise a higher degree of diligence, care and prudence, than private individuals in their dealings, even those involving registered lands. Banks may not simply rely on the face of the certificate of title. Hence, they cannot assume that, simply because the title offered as security is on its face free of any encumbrances or lien, they are relieved of the responsibility of taking further steps to verify the title and inspect the properties to be mortgaged. As expected,

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<sup>22</sup> Id. at 21-22.

<sup>23</sup> Id. at 26.

<sup>24</sup> Id. at 159-170.

<sup>25</sup> Id. at 161.

<sup>26</sup> Id. at 182.

<sup>27</sup> Id. at 166.

<sup>28</sup> Id. at 168.

<sup>29</sup> *Philippine National Bank v. Vila*, 792 Phil. 86, 98-99 (2016).

<sup>30</sup> *Philippine National Bank v. Raymundo*, 802 Phil. 617, 631-632 (2016).

<sup>31</sup> 768 Phil. 368 (2015).

the ascertainment of the status or condition of a property offered to it as security for a loan must be a standard and indispensable part of a bank's operations.<sup>32</sup>  
(Citations omitted)

The Bank's failure to observe the degree of diligence expected of it clearly constitutes negligence. Verily, the Bank was not able to prove that the petitioner participated in the loan application or in the execution of the documents relative to it. There was no showing that any of the Bank's employees had dealt with the petitioner regarding the loan or the mortgage despite her being one of the registered owners of the mortgaged properties. More importantly, the Bank had not demonstrated how it took steps or what safety measures were adopted and actually practiced to ascertain the authenticity of the petitioner's signature in the "Amendment to Real Estate Mortgage". Simply put, the Bank's lapses in ascertaining the identity of the petitioner as one of the signatories in the document as well as the genuineness of her signature confirm that the Bank fell short in exercising the degree of diligence demanded of it in the conduct of its affairs.

As the Bank is not a mortgagee in good faith, it should be held jointly and severally liable with Antonio in the payment of moral damages, exemplary damages, and attorney's fees in favor of the petitioner. In *Bank of Commerce v. Spouses San Pablo*,<sup>33</sup> the Court adjudged the Bank of Commerce liable for moral damages, exemplary damages, and attorney's fees for failing to observe the necessary degree of caution in ascertaining the genuineness and extent of authority of the mortgagor who forged the signature of the registered owner of the property. Parenthetically, the award of damages and attorney's fees finds basis in several cases<sup>34</sup> where the Court imposed the same against the defendant-banks for negligence or failing to exercise extraordinary diligence in the discharge of its functions.

In *Philippine National Bank v. Vila*,<sup>35</sup> the Court decreed that "moral damages are not awarded to penalize the defendant but to compensate the plaintiff for the injuries he may have suffered. Willful injury to property may be a legal ground for awarding moral damages if the court should find that, under the circumstances, such damages are justly due."<sup>36</sup> This also finds basis in Article 2220 of the Civil Code.<sup>37</sup> Keeping in mind that moral damages should not served as penalty, the amount granted by the CA is adjusted to ₱100,000.00, which is just and reasonable under the circumstances.

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<sup>32</sup> Id. at 385-386.

<sup>33</sup> 550 Phil. 805 (2007).

<sup>34</sup> *Philippine Savings Bank v. Chowking Food Corporation*, 579 Phil. 589, 596-597 (2008), *Gonzales v. Phil. Commercial and International Bank, et al.*, 659 Phil. 244, 272 (2011); *Philippine National Bank v. Vila*, supra note 29 at 98-99.

<sup>35</sup> Id.

<sup>36</sup> Id. at 99.

<sup>37</sup> Article 2220. Willful injury to property may be a legal ground for awarding moral damages if the court should find that, under the circumstances, such damages are justly due. x x x.

The Court likewise sustains the award of exemplary damages to the petitioner in view of the Bank's negligence in verifying the genuineness of her signature. Article 2229 of the Civil Code states that "exemplary or corrective damages are imposed, by way of example or correction for the public good, in addition to the moral, temperate, liquidated or compensatory damages." Concomitant to this, the Court has previously held that:

The law allows the grant of exemplary damages to set an example for the public good. The business of a bank is affected with public interest; thus, it makes a sworn profession of diligence and meticulousness in giving irreproachable service. For this reason, the bank should guard against injury attributable to negligence or bad faith on its part. The banking sector must at all times maintain a high level of meticulousness. The grant of exemplary damages is justified by the initial carelessness of petitioner, aggravated by its lack of promptness in repairing its error.<sup>38</sup>

Lastly, the award of attorney's fees is maintained since the petitioner was compelled to litigate and protect her right over the mortgaged properties. As provided under Article 2208 of the Civil Code, attorney's fees may be recovered if the defendant's act or omission has compelled the plaintiff to litigate with third persons or to incur expenses to protect his interest.

Considering that the Bank's culpability for its failure to exercise extraordinary diligence in ascertaining Antonio's lack of authority to mortgage the properties and the genuineness of the petitioner's signature is established, and that the damages and attorney's fees granted to the petitioner finds basis in prevailing jurisprudence, the other issues raised need not be belaboured.

**WHEREFORE**, the petition is **GRANTED**. The Decision dated July 8, 2015 and the Resolution dated March 30, 2016 of the Court of Appeals in CA-G.R. CV No. 98638 is **AFFIRMED with MODIFICATION** in that Equitable Bank Inc. (now BDO Unibank, Inc.) is held jointly and severally liable with Antonio Banta to pay Remedios Banta the following amounts:

1. ₱100,000.00 as moral damages;
2. ₱100,000.00 as exemplary damages; and
3. ₱100,000.00 as attorney's fees.

The rest of disposition in the Decision dated August 17, 2009 of the Regional Trial Court of Malabon City, Branch 74 in Civil Case No. 2908-MN stands.

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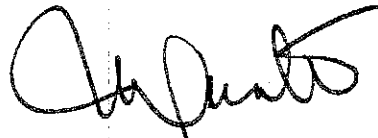
<sup>38</sup> *Comsavings Bank v. Sps. Capistrano*, 716 Phil. 547, 564 (2013).

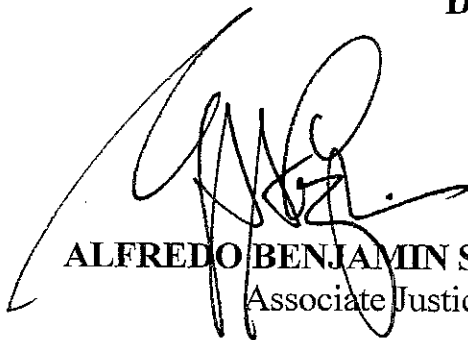
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**SO ORDERED.**

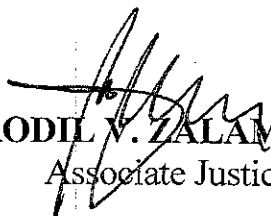
  
**SAMUEL H. GAERLAN**  
Associate Justice

WE CONCUR:

  
**DIOSDADO M. PERALTA**  
Chief Justice

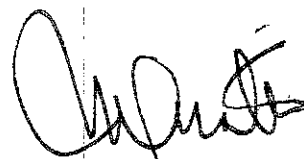
  
**ALFREDO BENJAMIN S. CAGUIOA**  
Associate Justice

  
**ROSMAR D. CARANDANG**  
Associate Justice

  
**RODIL N. ZALAMEDA**  
Associate Justice

**CERTIFICATION**

Pursuant to Section 13, Article VIII of the Constitution, 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.

  
**DIOSDADO M. PERALTA**  
Chief Justice