

Title: Pasco et al. v. Heirs of Filomena de Guzman et al.

Facts:

The case originated with a Complaint for Sum of Money and Damages dated December 13, 2000, filed by the heirs of Filomena de Guzman (represented by Cresencia de Guzman-Principe) against Lazaro and Lauro Pasco. The complaint dealt with a P140,000.00 loan obtained by the Pascos from Filomena on February 7, 1997, secured by chattel mortgage. Following Filomena's death, her heirs sought repayment, but the Pascos refused to pay or surrender collateral—prompting the case filed at the MTC of Bocaue, Bulacan.

Filomena's heirs provided Cresencia with an SPA dated April 6, 1999, with broad powers including litigation and collection for Filomena's estate.

On February 21, 2002, a Compromise Agreement—with terms to settle the owed amount and incidental expenses—was reached and duly ratified by the MTC. However, the Pascos filed a motion to set aside the agreement, asserting a lack of understanding due to language barriers, jurisdictional issues, and questioning Cresencia's authority. After MTC dismissed their motion and issued a writ of execution, they sought relief at the RTC via Certiorari and Prohibition, which initially granted a TRO but ultimately dismissed the petition. The CA upheld the RTC's dismissal, leading to an appeal at the Supreme Court.

Issues:

1. Whether the Municipal Trial Court (MTC) had jurisdiction over the case.
2. Whether the remedy sought by the Pascos (certiorari under Rule 65) was proper.
3. Whether the Regional Trial Court (RTC) erroneously dismissed the main case when it dissolved the preliminary injunction.
4. Whether Cresencia de Guzman-Principe had authority to enter into the Compromise Agreement.
5. Whether the interest rate stipulated in the agreement was iniquitous and unconscionable.

Court's Decision:

The Supreme Court denied the petition, affirming CA's decision with modifications.

1. The MTC had jurisdiction over the case as the principal amount claimed was within the jurisdictional limit for MTCs.
2. The filing for certiorari under Rule 65 was appropriate as the Pascos' motion was denied by the MTC, leaving no appeal route for consent-based judgments.

3. The RTC acted rightfully in dismissing the Certiorari petition having found that the preliminary injunction was properly denied, especially with no substantial differentiation in issues between the main case and the injunction.

4. Cresencia's authority was upheld. The Special Power of Attorney granted was broad enough to include capacities for such agreements. Additionally, no disputes about the validity of the SPA arose until much later in the litigation.

5. The Supreme Court deemed the 5% monthly interest rate excessive, and lowered it to 12% per annum. The MTC was also directed to ensure that any amount due to Filomena's heirs is held until legal procedures for the settlement of her estate are shown to have been followed.

#### Doctrine:

The Supreme Court reiterated the doctrine that stipulations authorizing iniquitous or unconscionable interests are contrary to morals and, thus, void ab initio. The case also reinforced principles regarding the power of attorney—specific language is not always necessary for an attorney-in-fact to execute actions reasonably within the scope of the powers granted.

#### Class Notes:

- Jurisdiction of MTC: Covers actions where demand does not exceed P200,000.00, exclusive of interest and other costs.
- Special Civil Actions - Certiorari (Rule 65): When a motion to set aside a judgment by consent is denied, certiorari is the appropriate remedy, not direct appeal.
- Authority under Power of Attorney: General powers may implicitly include specific actions like entering a compromise agreement.
- Legal Interest Rate: Excessive interests are iniquitous, unconscionable, and should be recalibrated to a fair legal interest rate, often 12% per annum.
- Settlement of Estate: Any funds from the deceased's debtor must be released only after the estate has been settled and all liabilities satisfied.

#### Historical Background:

This case occurred in the context of Philippine legal standards concerning loan agreements, chattel mortgages, and the authority under Power of Attorney. The judiciary's approach stressed the need for clarity on jurisdictional limits, the proper use of special civil actions, and the adherence to fair practice, including the reduction of unconscionable interest rates.

It highlighted the evolving legal doctrine on interest rates and reiterated the responsibilities of attorneys-in-fact within the Filipino legal context.