

****Title**:** *Geraldez v. Kenstar Travel Corporation*

****Facts**:**

Lydia L. Geraldez filed an action for damages due to breach of contract against Kenstar Travel Corporation (KTC) in the Regional Trial Court (RTC) of Quezon City. The dispute arose from a European tour package, advertised by KTC, which Geraldez availed for herself and her sister for \$2,990 or approximately P190,000. She alleged that the promised European tour manager was absent, accommodations were substandard, a specified leather factory was not visited, and the tour guide was inexperienced. Geraldez moved for a writ of preliminary attachment, granted by the RTC but later lifted when KTC posted a counterbond of P990,000. Additionally, Geraldez filed complaints against KTC with the Department of Tourism and the Securities and Exchange Commission, resulting in fines against KTC.

The RTC ruled in favor of Geraldez, awarding damages. KTC appealed, and the Court of Appeals (CA) modified the ruling, significantly reducing the damages awarded. Geraldez then appealed to the Supreme Court (SC).

****Issues**:**

1. Whether KTC committed bad faith or gross negligence in fulfilling its obligations under the tour contract.
2. The appropriateness of the damages awarded to Geraldez by the lower courts.

****Court's Decision**:**

The SC scrutinized the records and determined that KTC acted in bad faith by not fulfilling the commitments as per the Volare 3 tour program, particularly in failing to provide an experienced European tour manager and assigning an inexperienced tour guide. It also failed to visit designated sites and did not provide first-class accommodations as promised.

The Court held that KTC's misrepresentations constituted fraudulent acts of such a serious nature that they amounted to bad faith. Consequently, the SC reinstated the awards for moral and exemplary damages, further adjusting the amounts deemed fitting for the circumstances and setting aside the CA's decision on these points.

****Doctrine**:**

The case reiterates the doctrine that moral damages may be awarded in breach of contract situations where the defendant acted fraudulently or in bad faith. It also underscores the principle that contracts of adhesion must be construed strictly against the party who drafted it, especially when such contracts are drafted in a manner that leaves the other party with

no option but to accept the terms as is.

****Class Notes**:**

- Contracts of adhesion are interpreted strictly against the drafter.
- Moral damages can be awarded for breach of contract if bad faith or fraud is proven.
- Exemplary damages serve as a deterrent for public benefit and can be awarded alongside moral damages.
- In consumer transactions, representations made in advertisements can bind the provider and form part of the contract.
- Deceptive practices in contractual obligations amount to bad faith, warranting compensation for damages caused.

****Historical Background**:**

This case illuminates the legal recourse available to consumers against service providers failing to fulfill contractual obligations, particularly in the tourism sector. It highlights the imperative for transparency and honesty in business transactions and the judicial mechanisms available to aggrieved parties seeking redress for fraudulent or bad faith actions by businesses.