

****Title**:** Ma. Luisa A. Pineda vs. Virginia Zuñiga Vda. de Vega

****Facts**:**

The case started when Ma. Luisa Pineda (petitioner) filed a complaint on June 10, 2005, against Virginia Zuñiga Vde. de Vega (respondent) for failure to pay a loan of P500,000.00 with 8% per month interest rate secured by real estate mortgage. The loan was due within a year from March 25, 2003. Upon maturity, the respondent didn't pay, leading to P232,000.00 of accumulated interest by May 2005. The petitioner claimed that an undated agreement on a previous loan of P200,000.00 with a 3% monthly interest rate was the actual basis for the P500,000.00 indicated in the 2003 Agreement. When mediation failed, the case moved to trial. Respondent argued the interest was excessive, denied receiving the P500,000.00, and challenged the lack of barangay conciliation and non-inclusion of her husband as necessary for the complaint. The RTC ruled in favor of the petitioner, with the judgment including payment of the original amount with interest, nominal damages, and attorney's fees, and foreclosure in default of payment. The CA reversed the RTC ruling for lack of established extrajudicial demand, dismissing the complaint altogether.

****Procedural Posture**:**

The progression from RTC to the Supreme Court unfolded following the petitioner's challenge to the CA's decision and resolution through a Petition for Review under Rule 45 of the Rules of Court. The Supreme Court was tasked with determining the presence and receipt of a demand letter from petitioner to respondent, central to establishing default on the loan repayment obligations.

****Issues**:**

1. Whether a demand letter was sent and received by the respondent, establishing the respondent's default.
2. Applicability of exceptions allowing the Supreme Court to review CA's factual findings.
3. Whether judicial demand via the filing of the complaint sufficed for establishing the respondent's default.
4. The appropriateness of mutually exclusive remedies - personal action for debt and foreclosure of mortgage - pursued successively.
5. Correctness of interest rate and damages awarded by the RTC.

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

The Supreme Court found that:

1. The CA correctly identified the lack of proven extrajudicial demand but erred in its legal

- conclusion by not considering that the filing of the complaint constituted a judicial demand.
2. The RTC improperly allowed for successive remedies of collection and foreclosure which are mutually exclusive.
 3. Revisions to the interest rate applied were necessary, transitioning from 12% per annum to 6% per annum following the guidelines set in *Nacar v. Gallery Frames*.
 4. Removed the award for P50,000.00 nominal damages, and upheld the award for attorney's fees.

****Doctrine**:**

1. The filing of a complaint constitutes a judicial demand for obligations arising from contracts.
2. The remedies of collection and foreclosure are mutually exclusive; the pursuit of one precludes the other.
3. The proper interest rate adjustments in the absence of agreement or upon finding the agreed interest unconscionable as guided by *Nacar v. Gallery Frames*.

****Class Notes**:**

- ****Single Cause of Action Rule**:** For non-payment of a loan secured by mortgage, the creditor has a single cause of action, being either a personal action for debt or real action to foreclose. Pursuing one remedy bars the other.
- ****Interest Rates Adjustments**:** In the absence of a stipulated interest rate or when the rate is found unconscionable, the application of 12% per annum up to June 30, 2013, shifting to 6% per annum thereafter until full satisfaction, aligns with the Supreme Court's guidance in *Nacar v. Gallery Frames*.
- ****Judicial vs. Extrajudicial Demand**:** The initiation of judicial proceedings through filing a complaint serves as a judicial demand for the fulfillment of obligations, setting the debtor in default upon such action.

****Historical Background**:**

This case underscores the evolution of legal doctrines concerning loan repayments, interest rates, and remedies available to creditors. It illustrates the Supreme Court's role in clarifying and adapting legal principles to contemporary scenarios, thus contributing to the jurisprudence on loan securities and creditor-debtor relations in the Philippines.