

Case Title: Cruz and Ibias vs. Atty. Delfin Gruspe

Facts:

The case originated from an accident on October 24, 1999, when a mini bus owned by Rodolfo G. Cruz, collided with the car of Atty. Delfin Gruspe, causing significant damage. The following day, Cruz and Leonardo Q. Ibias (later substituted by his widow, Esperanza, due to his death) went to Gruspe's office, apologized, and executed a Joint Affidavit of Undertaking. This document pledged to replace Gruspe's car or, failing that, to pay its cost (P350,000.00) with interest for any delay in payment post-November 15, 1999. When Cruz and Ibias failed to fulfill this promise, Gruspe filed for a claim for the sum of money in the Regional Trial Court (RTC) of Bacoor, Cavite on November 19, 1999. Cruz and Ibias contested, alleging they were coerced into signing the document unawares due to its preparation by Gruspe, a lawyer. The RTC ruled in favor of Gruspe, a decision affirmed by the Court of Appeals (CA) with a minor adjustment in the interest rate.

Issues:

1. Whether the Joint Affidavit of Undertaking constitutes a contract enforceable by law.
2. Whether consent to the Joint Affidavit of Undertaking was vitiated.
3. Whether the demand for payment was necessary for Cruz and Ibias to be considered in default.

Court's Decision:

The Supreme Court found the petition partly meritorious. It held that contracts are obligatory regardless of form if the essential requisites are present. By examining the content over the title of the Joint Affidavit of Undertaking, the Court recognized it as a contract due to its stipulations. Further, it determined that Cruz and Ibias failed to prove their consent was vitiated, undermining their claim of coercion. However, the Court modified the CA's decision regarding the computation of interest, ruling it should accrue from the date of judicial demand (November 19, 1999), not the date specified in the affidavit, due to the absence of prior demand.

Doctrine:

- Contracts are binding regardless of their form when the essential elements are present.
- The nature of a document is determined by its content, not its title.
- Consent is deemed vitiated only upon sufficient proof.
- Interest due on delayed payments begins from the time of judicial or extrajudicial demand unless otherwise stipulated.

Class Notes:

- Essential Elements of a Contract: Consent, object certain, and lawful cause (Article 1318, Civil Code of the Philippines).
- Consent Vitiating: Must be proven by preponderance of evidence. The mere assertion of vitiating, like coercion without proof, is insufficient.
- Default and Demand: Generally, for a debtor to be in default, there must be a demand made by the creditor (Article 1169, Civil Code). The computation of interest due to delay starts from this demand.

Historical Background:

This case reflects the application of contract law principles in the context of settlement agreements following vehicular accidents. It underscores the judiciary's role in scrutinizing the validity of contracts and the extent of consent among parties, particularly in situations where a power imbalance (i.e., legal knowledge or economic status) may affect the free will of a contracting party.