Title:
William C. Louh, Jr. and Irene L. Louh vs. Bank of the Philippine Islands: A Review on Credit Card Charges and Default Proceedings

Facts:
The case involves the Spouses Louh (William C. Louh, Jr. and Irene L. Louh) and the Bank of the Philippine Islands (BPI). BPI issued a credit card to William, with Irene as the extension cardholder. According to the card's terms, unpaid credit availments would incur a 3.5% finance charge and a 6% late payment charge monthly. The Spouses Louh failed to settle their account from October 14, 2009, leading to an alleged debt of P533,836.27 by September 14, 2010, despite several demand letters from BPI.

Due to non-payment, BPI filed a Complaint for Collection of a Sum of Money at the Regional Trial Court (RTC) of Makati City on August 4, 2011. The Spouses Louh sought an extension to file an answer, which was granted until March 4, 2012, but they failed to meet this deadline. They were consequently declared in default, and the RTC, after an ex-parte presentation of BPI's evidence, ruled in favor of BPI but modified the interest and late payment charges to 1% monthly.

The Spouses Louh filed for reconsideration, which was denied. They then appealed to the Court of Appeals (CA), which affirmed the RTC's decision. The Spouses Louh subsequently appealed to the Supreme Court on grounds of alleged procedural errors by the lower courts and insufficient evidence on BPI's part.

Issues:
1. Whether the CA erred in sustaining BPI's complaint despite the procedural and evidentiary issues raised by the Spouses Louh.
2. Whether the finance and late payment charges, as well as attorney's fees imposed by BPI, were excessive and unconscionable.

Court's Decision:
The Supreme Court affirmed the CA and RTC's decisions but modified the principal amount, the reckoning period for the computation of charges, and attorney's fees. It held that the procedural defaults committed by the Spouses Louh did not entitle them to relief due to their failure to demonstrate diligence and justify a liberal construction of procedural rules. The Court found BPI's evidence sufficient but agreed that the imposed charges and attorney's fees were excessive. Consequently, it reduced the finance and late payment

charges to 12% each per annum and attorney’s fees to five percent of the total amount due.

Doctrine:
– The Court reiterated that procedural rules are to be faithfully complied with, except in instances where, for the most persuasive reasons, they may be relaxed to alleviate unjustifiable hardship.
– It also reinforced the principle that stipulated interest rates found to be excessive, iniquitous, unconscionable, and exorbitant are void, and courts possess the authority to reduce such rates to reasonable and equitable levels.

Class Notes:
– **Procedural Compliance**: Courts typically enforce procedural rules strictly, and deviations are permitted only under exceptional circumstances where non-compliance is justifiable.
– **Interest and Penalty Charges**: Stipulated interest and penalty rates that are deemed unconscionable may be judicially reduced. (Refer to Macalinao v. BPI)
– **Attorney’s Fees**: Courts may equitably reduce attorney’s fees stipulated in a contract if they are found to be iniquitous or unconscionable. (Refer to Article 2227 of the New Civil Code)

Historical Background:
This case underscores the Philippine legal system’s approach towards enforcing contractual obligations, specifically in the context of credit card debts, while emphasizing the judiciary’s role in tempering contract stipulations to prevent unconscionable and inequitable outcomes. It exemplifies how the courts balance the adherence to procedural rules with the principles of justice and equity, particularly in cases involving substantial monetary claims and penalties.