

****Title:**** Poole-Blunden v. Union Bank of the Philippines: A Case on Bank's Diligence and Fraud in Property Sale

****Facts:****

Joseph Harry Walter Poole-Blunden encountered an advertisement by Union Bank in the Manila Bulletin for a public auction of properties, including a condominium unit in Makati City, purported to be 95 square meters. After visiting the unit and verifying its details, Poole-Blunden successfully bid for it and entered a Contract to Sell with UnionBank. Upon moving in and later planning renovations, he discovered the unit's actual size was around 70 square meters, contrary to their contract. UnionBank, upon being notified, maintained the size included the terrace and common areas based on their appraisal and HLURB submissions. Dissatisfied, Poole-Blunden hired a geodetic engineer who certified the unit was only 74.4 square meters. Despite several communications, UnionBank's responses didn't resolve the discrepancy for Poole-Blunden, leading him to file a Complaint for Rescission of Contract and Damages with the Regional Trial Court in Makati City, which was dismissed. The Court of Appeals later affirmed this decision, citing the sale was made on an "as-is-where-is" basis and no causal fraud was proven by Poole-Blunden. The Supreme Court's review was sought following the dismissal of his Motion for Reconsideration by the Appeals Court.

****Issues:****

The central legal issue was whether Union Bank committed fraud of such degree that would entitle Poole-Blunden to void the Contract to Sell.

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

The Supreme Court overturned the decisions of the lower courts, finding UnionBank's actions constituted gross negligence amounting to bad faith. It highlighted banks' duty to observe a high level of diligence, especially in property deals. The Court found the contract voidable due to causal fraud, emphasizing that as-is-where-is stipulations do not cover non-visible defects nor undue errors in property measurement. Consequently, the contract between Poole-Blunden and UnionBank was declared null and void, with orders for UnionBank to refund Poole-Blunden, alongside paying exemplary damages, attorney's fees, and litigation costs.

****Doctrine:****

The case reiterates the doctrine that banks are required to observe a high degree of diligence in all their dealings, including property transactions. It clarifies that a sale based

on an “as-is-where-is” basis does not absolve sellers, including banks, from responsibility for defects not readily visible or requiring specialized expertise to uncover. Furthermore, it confirms that deceit regarding significant aspects of a property, like its area, can constitute causal fraud, rendering a sale contract voidable.

****Class Notes:****

- ****High Degree of Diligence:**** Banks and similar institutions must exercise extreme care in transactions, especially involving property sales.
- ****As-is-where-is Clause:**** Cannot be invoked to cover hidden defects unknown to the buyer and ones that require expert identification.
- ****Fraud in Property Sales:**** Misrepresentation of significant property aspects, like area, can lead to contract rescission.
- ****Causal Fraud:**** Deceptive acts that directly result in obtaining contractual consent can void the agreement if proven.
- ****Relevant Provisions:**** Civil Code Articles 1390, 1338, 1344, 1561, 1566, and Republic Act No. 4726 (Condominium Act).

****Historical Background:****

Banks’ responsibility in property dealings has evolved, stressing the protection of buyers in transactions. This case underlines the judiciary’s role in holding banks to their duty of care, especially where public interest is concerned. The decision signifies a push towards greater transparency and accountability in the real estate sector, particularly in transactions involving foreclosed properties or those acquired by banks through similar means.