

### Title: Spouses Francisco Ong and Betty Lim Ong, and Spouses Joseph Ong Chuan and Esperanza Ong Chuan v. BPI Family Savings Bank, Inc.

### Facts:

The Spouses Francisco Ong and Betty Lim Ong, and Spouses Joseph Ong Chuan and Esperanza Ong Chuan, engaged in printing business under “MELBROS PRINTING CENTER,” were approached in December 1996 by managers of Bank of Southeast Asia (BSA), Ronnie Denila and Rommel Nayve, who discussed various loan facilities for business expansion. In April 1997, the petitioners executed a real estate mortgage over their Manila property as security for a P15 million term loan and P5 million credit line from BSA. Only partial amounts were released, and upon full repayment of the initial credit line release, BSA did not release the remaining balance, leading to the petitioners halting their loan amortizations. BPI Family Savings Bank (BPI) merged with BSA, acquiring its rights and obligations, and filed for extrajudicial foreclosure of the mortgage for default in payment. The petitioners then filed an action for damages and injunction against BPI, leading to a November 10, 2008 trial court decision in favor of the petitioners, awarding over P20 million in damages. BPI appealed, resulting in the reversal of the trial court’s decision by the Court of Appeals (CA), dismissing the petitioners’ complaint. The petitioners’ subsequent motion for reconsideration was denied, prompting the filing of the present petition for review to the Philippine Supreme Court.

### Issues:

1. Was there a binding contract between the petitioners and BSA regarding the omnibus credit line?
2. Did BSA incur delay in performing its obligations?
3. Are the petitioners entitled to damages?
4. Can BPI foreclose the mortgage on the petitioners’ land?

### Court’s Decision:

The Supreme Court found merit in the petitioners’ appeal, ruling in their favor. It held that a contract regarding the omnibus credit line was indeed perfected upon BSA’s release of part of the funds, establishing a reciprocal obligation. BSA (and by extension, BPI as its successor through merger) was found to have incurred delay, violating its agreement with the petitioners. Consequently, the petitioners were justified in ceasing their loan amortizations. The Court also ruled that the petitioners were entitled to damages due to BSA’s breach affecting their business operations. It declared the extrajudicial foreclosure by BPI void, ordering BPI to compensate the petitioners for actual damages, exemplary

damages, and attorney's fees.

### ### Doctrine:

The Supreme Court reiterated that a loan contract is perfected upon the delivery of the object of the contract and that in reciprocal obligations, the performance of one is conditioned upon the simultaneous performance of the other. This case underscored the principle that a creditor cannot enforce a mortgage until it has fulfilled its own obligations under the loan agreement.

### ### Class Notes:

- **Perfection of Contracts**: Contracts are perfected by mere consent and the meeting of the minds upon the thing and cause which are to constitute the contract.
- **Reciprocal Obligations**: The obligations of parties in a reciprocal contract are interdependent, with performance by one contingent upon performance by the other.
- **Breach and Damages**: Parties to a contract are liable for damages if guilty of fraud, negligence, delay, or contravention of the contract's tenor (Civil Code, Art. 1170).
- **Effects of Merger on Liabilities**: A corporation acquiring another through merger or consolidation assumes all rights, privileges, immunities, franchises, and liabilities of the constituent corporation(s) (Corporation Code, Sec. 80).

### ### Historical Background:

This case illustrates the complexities of loan agreements and the obligations of banks towards borrowers, particularly in situations involving mergers and acquisitions. It also highlights the legal protections available to borrowers under Philippine law when lenders fail to honor their commitments.