

Title:

Land Bank of the Philippines vs. Maria Josefina G. Miranda

Facts:

This case involves consolidated petitions for review questioning the Court of Appeals' Decision and Resolution in favor of Maria Josefina G. Miranda concerning moral damages, attorney's fees, and the annulment of a foreclosure due to an allegedly fulfilled Mortgage Redemption Insurance (MRI). Miranda, together with co-borrowers, secured a loan from Land Bank of the Philippines (LBP) with a real estate mortgage. Upon a co-borrower's death believed by Miranda to trigger the MRI, covering the loan, she ceased payments, leading to foreclosure by LBP. The dispute revolved around the deductions for MRI premiums, the perfection of the MRI contract, and the subsequent foreclosure's validity.

Procedural Posture:

Miranda's complaint led to an RTC decision, granting her moral damages, attorney's fees, and reimbursement for unduly deducted loan amounts. LBP and Miranda disagreed with portions of the decision, leading to appeals. The Court of Appeals affirmed the RTC's decision, further contested by both parties through petitions for review on certiorari to the Supreme Court.

Issues:

1. Whether LBP is liable to Miranda for moral damages, attorney's fees, and costs of suit.
2. Whether an MRI contract was perfected, and thus, to determine if Miranda's loan obligations were extinguished by the co-borrower's death.

Court's Decision:

The Supreme Court affirmed the CA's decisions with modifications related to monetary awards' interest rates. It found no perfected contract of MRI due to a lack of formal application and acceptance. LBP's act of offering MRI and deducting premiums without real coverage was deemed beyond its authority, rendering it liable for damages under specific Civil Code provisions.

Doctrine:

This case reiterates the principle that for a contract of insurance to be binding, there must be an offer, acceptance, and consideration. Furthermore, it underscores an agent's liability for acting beyond authority without notifying the third party, particularly in cases involving financial institutions acting both as lenders and agents.

Class Notes:

- **Essential Elements of a Contract of Insurance:** Consent, object, and cause (Civil Code, Article 1318).
- **Proximate Cause in Tort Claims:** Defined as the cause producing injury in a natural and continuous sequence, unbroken by an efficient intervening cause.
- **Liability for Acting Beyond Authority (Civil Code, Article 1897):** An agent acting beyond its authority without notifying the third party can be held liable for damages.
- **Moral Damages (Civil Code, Article 2219):** Can be awarded for injuries such as mental anguish, serious anxiety, or similar injuries unjustly caused, and the proximate result of the defendant's wrongful act.

Historical Background:

This litigation underscores the complexities of insurance in loan agreements and the accountability of financial institutions in ensuring clear, accurate, and legitimate offers of auxiliary products like insurance. It also reflects jurisprudential stances on the nature of contractual obligations and the bounds of authority in representations made during such agreements.