

Title: **\*\*Union Bank of the Philippines vs. Spouses Gueco\*\***

Facts:

The case revolves around the Spouses Francis S. Gueco and Ma. Luz E. Gueco (respondents) who obtained a car loan from the International Corporate Bank (now Union Bank of the Philippines, petitioner). To secure the loan, they executed promissory notes and a chattel mortgage over the purchased vehicle. Eventually, they defaulted in their payments. The petitioner filed a civil action for the sum of money with a prayer for writ of replevin in the Metropolitan Trial Court of Pasay City, Branch 45, to recover the unpaid balance and the car. The negotiations between the parties led the bank to reduce the debt from P184,000.00 to P150,000.00. However, the release of the car stalled over Dr. Gueco's refusal to sign a Joint Motion to Dismiss, which the bank insisted on. Continuous demands and meetings failed to resolve the deadlock, prompting the Guecos to file a civil action for damages in Quezon City's Metropolitan Trial Court, which was initially dismissed but later overturned by the Regional Trial Court. This decision was affirmed by the Court of Appeals, leading to the petitioner's appeal to the Supreme Court.

Issues:

1. Whether the execution of the Joint Motion to Dismiss was a condition for the compromise agreement.
2. The grant of moral and exemplary damages and attorney's fees to the respondents.
3. The order for the petitioner to return the subject car without provision for the issuance of a new manager's/cashier's check in lieu of the original that had become stale.

Court's Decision:

The Supreme Court sided with the respondents on the first issue, validating the findings of the lower courts that the inclusion of the Joint Motion to Dismiss as a condition was not established. It held the factual findings of lower courts, especially when affirmed by the Court of Appeals, are binding and did not find any exception applicable. Regarding the second issue, the Supreme Court found for the petitioner, stating there was no evidence of fraud or bad faith that would justify the award of damages. On the third issue, it also sided with the petitioner, elucidating that a stale check does not negate the underlying obligation and criticized the respondents' refusal to accommodate a standard procedure, which stalled the settlement. The Court set aside the Court of Appeals' decision and ordered the respondents to pay the original obligation upon which the subject vehicle would be returned.

Doctrine:

The Supreme Court reiterated the doctrine that findings of fact of lower courts, especially when affirmed by the Court of Appeals, are binding on the Supreme Court unless it falls under specific exceptions. It also held that for breach of contract, moral damages are only recoverable when the breach is attended by fraud or bad faith.

Class Notes:

- The burden of evidence: The party making an affirmative allegation has the burden of providing evidence to support its claim.
- Stale Checks: A stale check, one not presented for payment within a reasonable time after its issue, is valueless and should not be paid. However, failure to present a check within a reasonable time does not erase the underlying obligation.
- Compromise Agreements: The elements and conditions of a compromise agreement must be clear and mutually understood by parties involved; any conditions not explicitly agreed upon cannot be impliedly included afterward.
- Moral Damages: Require evidence of fraud or bad faith in contractual breaches to be awarded.

Historical Background:

This case highlights the Philippine judiciary's approach to resolving disputes involving compromise agreements and the enforceability of agreed conditions that are contested. It underscores the respect accorded to the factual findings of trial courts and the presumption of good faith in contractual obligations. This decision provides a cautionary note about the necessity of clear communication and documentation of all conditions in any settlement agreements, especially in financial transactions involving banks.