

Title:

****Spouses Genotiva vs. Equitable-PCI Bank (Now Banco De Oro Unibank, Inc.): A Case of Duress and Contract Validity****

Facts:

The case involves the spouses Calvin Luther Genotiva and Violet Genotiva (petitioners) against Equitable-PCI Bank, now Banco De Oro Unibank, Inc. (BDO, respondent). The Genotivas filed a Complaint for Declaration of Nullity of Contract, Reconveyance and Damages with a prayer for a Writ of Preliminary Injunction and/or Temporary Restraining Order against BDO on February 13, 2003. They alleged being forced into securing a real estate mortgage on their property to guarantee an earlier “clean loan” from BDO for Goldland Equity, Inc. Violet Genotiva, a former employee of BDO, claimed the bank withheld her retirement benefits to compel the mortgage. The Regional Trial Court (RTC) decided in favor of the Genotivas, declaring the mortgage null and void and ordering damages. However, BDO appealed to the Court of Appeals (CA), which reversed the RTC’s decision, leading to this petition for review.

Issues:

1. ****Validity of Contract****: Was the real estate mortgage contract entered into by the Genotivas and BDO valid despite claims of vitiated consent due to duress by withholding Violet’s retirement benefits?
2. ****Retention of P500,000****: Did BDO have the right to retain and apply the P500,000.00 offered by the Genotivas for redemption of the property to Goldland’s loan interest instead, considering the Deed of Suretyship?

Court’s Decision:

The Supreme Court held that the real estate mortgage contract was valid. The court found no sufficient evidence of duress or undue influence that vitiated the Genotivas’ consent. They freely entered into the contract as a strategic decision to secure Violet’s retirement benefits, despite regretting it later. The court, however, ruled that BDO wrongfully retained the P500,000.00 meant for the property’s redemption and improperly applied it to Goldland’s loan interest. The Supreme Court ordered BDO to return the P500,000.00 with interest, and also awarded moral damages and attorney’s fees to the Genotivas.

Doctrine:

- ****Duress and Consent in Contracts****: Duress or intimidation affecting consent must meet specific criteria, which were not present in this case. A contract is valid unless proven that

consent was vitiated.

- **Rights of Creditors against Sureties**: Creditors can proceed against any of the solidary debtors or some or all of them simultaneously without affecting their rights to proceed against the others (Article 1216 of the Civil Code).

Class Notes:

- **Vitiated Consent**: Consent is considered vitiated when it is obtained through duress, undue influence, or fraud. In this case, despite the Genotivas' claim of duress, the evidence showed they had a reasonable choice.

- **Solidary Liability and Right of Creditors**: When a creditor has the right to proceed against a solidary debtor, it can demand the whole obligation but cannot take property without due process or consent.

- **Moral Damages and Attorney's Fees**: Awarded when a party's wrongful act causes mental anguish, and the aggrieved party is compelled to litigate to protect their interests.

Historical Background:

The context of this case lies within the realm of contractual obligations, consent, and the enforcement of rights under the Civil Code of the Philippines. It emphasizes the balance between protecting contractual freedom and ensuring fairness, especially in situations involving potential power imbalances between the contracting parties. The outcome reflects the judiciary's role in adjudicating disputes concerning contractual dealings and banks' conduct towards customers and guarantors, particularly in leveraging financial services relationships to compel security for loans.