

****Title:**** Banco de Oro Universal Bank v. Spouses Gabriel G. Locsin and Ma. Geraldine R. Locsin

****Facts:****

On September 28, 1995, the Locsins secured a loan from Banco de Oro (BDO) for PHP 700,000.00, which was guaranteed by a Real Estate Mortgage. They entered into a second loan agreement on February 29, 1996, for PHP 800,000.00, again secured by a mortgage. This second loan was cleared, and the mortgage was canceled on July 8, 1996. A subsequent credit agreement for PHP 2.5 million was executed on November 6, 1996, with the Evidente Spouses providing security through a mortgage over their properties.

When the Locsins defaulted on the payments under the Credit Line Agreement (CLA) in October 1997, BDO initiated foreclosure procedures for the mortgaged properties including that of the Locsins. However, an error involving the inclusion of a property not covered by the CLA led BDO to nullify the auction. A corrected foreclosure application was then filed by BDO.

On August 24, 1998, the Locsins filed a Complaint against BDO for Specific Performance, Tort, and Damages, seeking to stop the foreclosure auction scheduled for August 26, 1998. Despite their efforts, the RTC denied their Temporary Restraining Order (TRO) request. Meanwhile, BDO filed a Collection of Sum of Money suit against the Locsins in Mandaluyong after they allegedly failed to address the deficiency from the foreclosure sale conducted on September 23, 1998.

****Issues:****

1. Whether BDO's Collection of Sum of Money suit was a compulsory counterclaim that should have been raised in the Locsins' Specific Performance suit.
2. Whether the principles of *litis pendentia* and *res judicata* apply to BDO's Collection of Sum of Money suit.
3. Whether BDO engaged in forum shopping by filing a separate Collection of Sum of Money suit.

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

The Supreme Court ruled in favor of BDO, finding that:

1. BDO's Collection of Sum of Money suit was not a compulsory counterclaim that should have been raised in the Locsins' earlier suit for Specific Performance. This is because BDO's cause of action (the deficiency from the foreclosure sale) only materialized after the Locsins

filed their suit.

2. The principles of *litis pendentia* and *res judicata* did not apply as the Collection of Sum of Money suit did not have an identity of rights asserted, relief prayed for, and a basis, which are foundational for these doctrines.

3. BDO did not engage in forum shopping as the suits involved different causes of actions, and there was no intent to obtain a favorable judgment by filing multiple suits involving the same parties for the same cause of action either simultaneously or successively.

****Doctrine:****

A compulsory counterclaim must exist at the time of filing the answer. Claims that mature or are acquired after filing the original pleadings are not compulsory counterclaims and may be pursued separately.

****Class Notes:****

- A compulsory counterclaim must arise out of or be connected with the transaction or occurrence constituting the opposing party's claim and must exist at the time the answer is filed.
- The doctrines of *litis pendentia* and *res judicata* require identity of parties, rights asserted, relief prayed for, and factual bases.
- Forum shopping involves filing multiple suits involving the same parties for the same cause of action, either simultaneously or successively, to obtain favorable judgment.

****Historical Background:****

This case illustrates the complex interplay between loan agreements, real estate securities, and foreclosure proceedings in the context of Philippine civil law. It highlights the obligations of parties in a credit agreement and the procedural nuances in pursuing claims related to such agreements within the Philippine legal framework.