

Title: Spouses Lito and Lydia Tumon vs. Radiowealth Finance Company, Inc.

Facts:

The Spouses Tumon secured a loan from Radiowealth finance for their tokwa business in September 2014, amounting to P2,811,456.00, to be repaid within four years. However, they received net proceeds of only P1,500,000.00 after deductions for processing fees and interests. The loan, secured by a real estate mortgage, had a monthly amortization of P58,572.00, with 87% of this amount going towards interest payments, which the Spouses Tumon disputed as unconscionable.

The business struggles led to their default in payments starting October 2015. Radiowealth's subsequent threats to foreclose the property prompted the Tumons to seek a restructuring of their loan terms, which led to a misrepresented agreement and their signing of a Deed of Sale under Pacto de Retro. Arguing the loan documents were signed under fraud, the Tumons initiated a case for the nullification of mortgage documents and for damages.

As Radiowealth pressed for extrajudicial foreclosure, the Tumons sought the Regional Trial Court's (RTC) intervention for a Temporary Restraining Order (TRO)/Writ of Preliminary Injunction (WPI), which was initially granted but subsequently denied following a hearing. Their motion reconsideration was also denied for lack of merit.

Displeased with the RTC's ruling, the Tumons escalated the matter to the Court of Appeals (CA) via a Rule 65 Petition. The CA, maintaining the RTC's decision, dismissed the petition, underscoring no grave misuse of discretion. The Spouses Tumon's subsequent petition to the Supreme Court highlighted their issues with the CA's validation of the RTC's rulings concerning A.M. No. 99-10-05-0 requirements for WPI issuance against foreclosure on grounds of unconscionable interest rates.

Issues:

1. Whether the Court of Appeals committed reversible error in affirming the RTC's decision denying the Tumons' application for a WPI based on alleged unconscionable interest rates.

Court's Decision:

The Supreme Court denied the Petition, upholding the CA and RTC's decisions. It elaborated on the necessary conditions for the issuance of WPI in cases of extrajudicial foreclosures, particularly focusing on A.M. No. 99-10-05-0 guidelines. The Court found the Tumons failed to meet the requirements stipulated therein for proving unconscionable interest rates,

specifically the requisite payment of at least 12% (adjusted to the legal rate of 6% following the issuance of Circular No. 799, Series of 2013) per annum on the principal obligation for the issuance of a WPI. Moreover, the Court clarified the RTC's discretion in evaluating applications for TRO/WPI, indicating that a preliminary investigation into the allegations does not equate to a conclusive determination or prejudgment of the main case.

Doctrine:

The Supreme Court's ruling reaffirmed the stringent criteria under A.M. No. 99-10-05-0, as amended, for the issuance of TRO/WPI against the extrajudicial foreclosure of mortgages, specifically when contesting on grounds of unconscionable interest rates. It underscored the necessity for complainants to demonstrate a clear legal right to be protected and to fulfill the specific requirements, including payment of the legal rate of interest on the principal obligation pending the case.

Class Notes:

- Requirement for WPI against foreclosure: clear right to be protected, urgent necessity, compliance with A.M. No. 99-10-05-0.
- Legal rate of interest since July 1, 2013, is 6% p.a. applicable upon filing for TRO/WPI.
- A.M. No. 99-10-05-0 amendments critical in foreclosure and WPI context, emphasizing strict compliance for exceptions on the unconscionable interest rate issue.
- Preliminary injunction principles: protect legal rights, avoid irreversible damage, not a prejudgment of the main case.

Historical Background:

The case highlights the Philippine judicial system's guardrails against the precipitate foreclosure of properties, stressing the balance between creditor's rights and protecting debtors against unconscionable terms. This scenario also illustrates the procedural nuances in challenging contractual terms and the safeguard measures in place, reflecting the systemic approach towards equitable justice and financial obligations enforcement.