

Title

Sps. Rainier Jose M. Yulo and Juliet L. Yulo vs. Bank of the Philippine Islands [G.R. No. 218566]

Facts

On October 9, 2006, the Bank of the Philippine Islands (BPI) issued Rainier a pre-approved credit card. An extension card was also provided to his wife, Juliet. The spouses regularly used the cards for purchases and initially settled their accounts on time.

Beginning July 2008, the Yulos became delinquent in their payments, accumulating an outstanding balance that reached P264,773.56 by November 29, 2008. Subsequently, BPI sent demand letters seeking the settlement of these balances but received no payment. On February 23, 2009, BPI filed a Complaint for a sum of money before the Metropolitan Trial Court (MTC) of Makati City, Branch 67, latterly re-raffled to Branch 65.

In their Answer, the Yulo spouses admitted to using the credit cards but contested the total demand, claiming their liability was only P20,000. They argued that BPI had not disclosed the Terms and Conditions governing the credit card's use. Mediation attempts failed, and a trial was conducted where both parties presented evidence.

On June 29, 2012, the MTC found in favor of BPI, ordering the Yulos to pay P229,378.68 plus monthly 1% interest and penalty. The Yulos appealed, but the Regional Trial Court (RTC), Branch 62 of Makati City, affirmed the MTC decision on June 26, 2013. The spouses then petitioned for review in the Court of Appeals (CA), which also denied their petition on February 20, 2015.

The Yulos further appealed to the Supreme Court, primarily arguing that BPI failed to prove they were bound by the Terms and Conditions of the credit card agreement and disputed the reckoning of interest charges.

Issues

1. Whether the Yulo spouses are bound by the Terms and Conditions of the credit cards issued to them by BPI.
2. Whether the penalties and interest rates applied by BPI are valid.
3. Whether the awards of attorney's fees were appropriately justified.

Court's Decision

1. Binding Nature of Terms and Conditions:

The Supreme Court held that BPI failed to prove that petitioner Rainier consented to the Terms and Conditions governing the credit card's use. The mere receipt of the card by an alleged authorized representative, without sufficient proof of an agency relationship, was inadequate. Contract of agency requires specific elements—none of which were convincingly demonstrated by BPI.

****2. Validity of Penalties and Interest Rates:****

Since BPI did not establish the Yulos' consent to the contractual Terms and Conditions, the high charges and interest rates could not be imposed. Citing *Alcaraz v. Court of Appeals*, the court ruled that the Yulos are liable for the principal amount used but without the contractual interest; instead, only the legal interest would apply.

****3. Attorney's Fees:****

The award of P15,000 as attorney's fees was deleted because the trial court did not provide a proper factual or legal basis within the decision body, contrary to established judicial standards.

Doctrine

****Contractual Consent:**** When issuing pre-screened or pre-approved credit cards, the provider must unequivocally prove that the client agreed to the Terms and Conditions. Failing to provide such proof negates the imposition of specified charges and interest rates.

****Legal Interest in Absence of Contractual Terms:**** In the absence of proof of acceptance to specific contract terms, obligations on forbearance of money must rely on legal interest rates as provided by statutory laws and jurisprudence.

Class Notes

- ****Contract Law:**** Consent to contractual terms must be clear and unequivocal.
- ****Agency Law:**** Creation of an agency relationship requires express or implied consent and should be supported by adequate evidence.
- ****Credit Card Agreements:**** Cardholders must explicitly consent to the terms for them to be bound by interest rates and penalties imposed.
- ****Alcaraz v. Court of Appeals:**** Establishes precedence that without proof of consent, only legal interest rates can apply.
- ****Legal Interest Rates:**** Based on *Nacar v. Gallery Frames*, 12% legal interest per annum applies until June 30, 2013, subsequently 6% per annum.

Historical Background

Credit card agreements in the Philippines are closely monitored to protect consumer rights, given the widespread use of unsolicited or pre-approved credit cards. This case exemplifies the judiciary's role in ensuring banks and financial institutions adhere to consumer protection principles, affirming that consumers are not bound to undisclosed and unagreed terms. Historically, this fits into ongoing efforts to balance corporate practices with consumer rights, preventing unfair impositions on clients who accept credit facilities.