

Title: **Asiatrust Development Bank vs. Carmelo H. Tuble**

Facts:

- Employee Benefits and Loans**: Carmelo H. Tuble, Vice-President of Asiatrust Development Bank, availed of the bank's car incentive plan and loan privileges, including a Nissan Vanette lease.
- Loans Secured**: Tuble secured three loans: a real estate loan (PN No. 0142), a consumption loan (PN No. 0143 with 18% interest), and a salary loan.
- Resignation and Obligations**: Tuble resigned on March 30, 1995, leaving several obligations including payment for the Nissan Vanette, P100,000 as a consumption loan, P421,800 as a real estate loan, and P16,250 as a salary loan.
- Claim for Offset**: Tuble proposed an offset of his liabilities against the bank's debt to him, which included his pro-rata share in the DIP and his final salary and 13th-month pay.
- Bank's Demand and Foreclosure**: The bank issued a demand for payment on June 1, 1995, then filed for replevin and an extra-judicial foreclosure solely based on the real estate loan.
- Redemption**: Tuble redeemed the foreclosed property on March 17, 1997, for P1,318,401.91, which had ballooned due to additional interests and charges added by the bank.
- Complaint**: Tuble filed for recovery of the excess charges, moral, and exemplary damages in the RTC.
- RTC and CA Rulings**: Both courts sided with Tuble, ruling the redemption price charged by the bank was excessive and unjustified.

Issues:

- Inclusion of 18% Annual Interest in Redemption Price**: Whether the bank could include the 18% interest from Promissory Note No. 0143 in the redemption price of the foreclosed property.
- Legal Basis for Additional Interest**: Whether additional interest charges and other fees included in the redemption price were lawful.
- Application of the Dagnet Clause**: Whether the dragnet clause in the Real Estate Mortgage Contract justified including the consumption loan interest in the redemption price.
- Validity of Compensatory Interest**: Whether Tuble was in default, thereby justifying the compensatory interest claimed by the bank.

Court's Decision:

1. **18% Annual Interest**:

- The General Banking Act, not the Rules of Court, applies. The redemption price should not have included 18% interest specified in the consumption loan.
- The dragnet clause did not justify including the 18% interest from Promissory Note No. 0143, as this was not explicitly stated in the Real Estate Mortgage Contract.

2. **Additional Charges**:

- Many of the additional charges included by the bank were deemed unjustified. Promissory Note No. 0142 contained no stipulation for interest or penalty charges.
- Article 2209 of the Civil Code was cited for compensatory interest, which wasn't valid as Tuble was not deemed in default.

3. **Application of the Dragnet Clause**:

- The reliance on the security test was applied. The consumption loan did not make any reference to the mortgage-related obligations, nor did the bank rely on the property's security for this loan.
- The mortgage's ambiguity was resolved against the bank, it being the party drafting the contract.

4. **Award of Moral and Exemplary Damages**:

- The courts affirmed the award of P200,000 in moral damages and P50,000 in exemplary damages, acknowledging the undue humiliation and unfair treatment Tuble experienced from the bank.

Doctrine:

1. **Interpretation of Dragnet Clause**:

- The dragnet clause does not automatically cover all obligations unless explicitly mentioned in the subsequent obligations.
- Ambiguities in adhesion contracts should be construed against the drafter.

2. **Redemption and Interest Rates**:

- Redemption is governed statutorily and not by creditors' additional stipulations as stated in the General Banking Act.

Class Notes:

- **Adhesion Contracts**: Any ambiguity within the contract should be interpreted against the party that prepared the document.
- **General Banking Act**: Amendments to Act 3135 imply that the redemption amount

should be determined by the mortgage deed, not extra stipulations.

- **Compensatory Interest**: 12% legal rate per Article 2209 of the Civil Code applies only if the debtor defaults.
- **Legal Compensation**: Requires mutual debts to be liquidated and demandable, per Article 1279 of the Civil Code.

Historical Background:

- **Context of Offsetting Debts**: Traditional norms in financial and employment disputes allow offsetting reciprocal debts.
- **Banking Laws Framework**: Interpretation shifts towards more explicit and exact adherence to banking laws, applying them over general guidelines provided earlier than the Banking Act's amendments.
- **Employer-Employee Relations**: Reflects growing jurisprudence on fair treatment of employees even post-resignation.