

****Title:****

BPI Credit Corporation v. Cabacungan (G.R. No. 102383)

****Facts:****

Dominador Cabacungan purchased an Isuzu KBD 26 pickup truck on an installment basis from B.M. Domingo Motor Sales, Inc. (BMD, Inc.) in March 1982, primarily for his furniture business. The total price was PHP 128,765.00, with a down payment of PHP 24,797.00 and the balance payable in 36 monthly installments of PHP 2,888.00 each, starting April 19, 1982, with specified penalties for late payments and discounts for prompt payments. Cabacungan executed a Deed of Chattel Mortgage as security for the purchase and signed a promissory note, which BMD, Inc. later assigned to Filinvest Credit Corporation (Filinvest).

In the course of payments, Cabacungan purposefully withheld payments for June 1982 and February 1983, requesting a recomputation of interest fees as he had made overpayments on other installments. Despite certain delinquent payments, Cabacungan regularly paid subsequent installments.

On September 13, 1983, Filinvest employees seized the vehicle without prior notice or court order from Cabacungan's helper and driver in San Isidro, Isabela. Cabacungan offered a check of PHP 7,555.00 to cover overdue payments, which Filinvest refused. Cabacungan then deposited the check but Filinvest still refused any rectification and Holding out for full balance payment.

In response, Cabacungan filed a complaint for replevin and damages against Filinvest. Despite a writ of replevin being issued, the vehicle was never recovered as it disappeared from Filinvest's stockyard.

****Procedural Posture:****

Cabacungan sued Filinvest in the Regional Trial Court of Cauayan, Isabela (Civil Case No. XX-29). The court ruled in favor of Cabacungan, ordering Filinvest to return PHP 44,914.00 with interest, and awarded moral and exemplary damages plus attorney's fees. Filinvest appealed the decision to the Court of Appeals (C.A.-G.R. CV No. 15036), which affirmed the trial court's decision. Filinvest then petitioned the Supreme Court for review on multiple grounds, claiming errors and misapprehensions of facts by the lower courts.

****Issues:****

1. Whether the taking of the truck by Filinvest was lawful.
2. Whether Cabacungan was in arrears in paying his obligations.

3. Whether the award of damages was proper.
4. Whether the trial court erred in ordering the return of payments made by Cabacungan.
5. Whether the failure to pay docket fees on the increased claim for damages in the amended complaint affected the trial court's jurisdiction.
6. Whether the Deed of Chattel Mortgage is a contract of adhesion.

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

1. ****Lawful Taking of the Truck:**** The Supreme Court held that the taking of the truck by Filinvest was unlawful. Filinvest did not make a formal demand for the return of the vehicle as stipulated in the Chattel Mortgage. The abrupt seizure violated Cabacungan's rights, making the action an illegal act.
2. ****Non-delinquency in Payment:**** The Court found that the evidence supported Cabacungan's claim of non-delinquency at the time of the seizure. Despite missing two payments with notice, subsequent payments were accepted without objection, indicating an absence of formal demand and the existence of delinquency.
3. ****Proper Award of Damages:**** The Court upheld the damages awarded by the trial court, finding them supported by substantial evidence given the unlawful taking and resulting distress and inconvenience caused to Cabacungan.
4. ****Return of Payments to Cabacungan:**** The Supreme Court modified the amount ordered for return from PHP 44,914.00 to PHP 62,255.50, representing the vehicle's value at seizure time. The Court applied Section 9, Rule 60 of the Rules of Court, requiring payment for the property's value since the vehicle could not be returned.
5. ****Effect of Non-payment of Docket Fees on Jurisdiction:**** The Court ruled that under then-applicable law (*Magaspi vs. Ramolete*), the trial court duly acquired jurisdiction despite docket fee deficiencies. The court directed reassessment and collection of deficient fees rather than negate jurisdiction.
6. ****Chattel Mortgage Contract of Adhesion:**** The Deed of Chattel Mortgage was classified as a contract of adhesion pre-drafted by Filinvest, limiting Cabacungan's input and binding him only through adherence. The terms were thus construed strictly against Filinvest, affirming the contract's adhesive nature.

****Doctrine:****

1. ****Unlawful Repossession:**** A mortgagee cannot unilaterally seize mortgaged property

without formal demand or court order. Judicial or extrajudicial foreclosure processes must be strictly followed to repossess property under mortgage conditions.

2. **Contracts of Adhesion:** Contracts prepared by one party with little to no input from the other are strictly interpreted against the drafter, emphasizing fairness and balance in contractual relationships.

Class Notes:

- **Replevin Proceedings:** Remedy to recover possession of personal property wrongfully taken.
- **Chattel Mortgage Law:** The legal framework governing pledges of movable property.
- **Default and Possession:** Legal methods to regain possession per mortgagee rights.

Historical Background:

The case exemplifies challenging the balance between creditors' rights and debtors' protections. In the early 1980s, the legal system emphasized due process in property repossessions and tackled abuses in the enforcement of creditor's remedial actions. The case reflects judicial insistence on maintaining procedural integrity and equitable remedies.