

### Title: General Milling Corporation vs. Spouses Librado and Remedios Ramos

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### Facts

1. **August 24, 1989**: General Milling Corporation (GMC) and Spouses Librado and Remedios Ramos entered into a Growers Contract. GMC supplied broiler chickens to be raised by the spouses.
2. **Conditions**: The contract was secured by a Deed of Real Estate Mortgage over the spouses' property in Lipa City with a maximum credit line of PhP 215,000 at 12% interest per annum. There was no fixed term for repayment.
3. **Financial Troubles**: The spouses failed to settle their account with GMC, alleging business losses due to GMC's negligence and contract violations.
4. **March 31, 1997**: GMC notified the spouses of impending foreclosure proceedings.
5. **May 7, 1997**: GMC filed a Petition for Extrajudicial Foreclosure of Mortgage.
6. **June 10, 1997**: The property was sold at a public auction to GMC for PhP 935,882,075 covering losses and interests.
7. **October 27, 1997**: GMC announced the closure of its Agribusiness Division and poultry operations.
8. **March 3, 2000**: The spouses filed a complaint for annulment or declaration of nullity of the foreclosure sale with damages, alleging non-compliance with posting and publication requirements of Act No. 3135 and lack of a sheriff's affidavit.
9. **Trial Court (RTC)**: RTC found the Deed of Real Estate Mortgage valid but declared the foreclosure premature due to absence of a fixed term and a court action to set the payment date, and awarded attorney's fees to the spouses.
10. **Court of Appeals (CA)**: CA confirmed the RTC's verdict but noted compliance with Act No. 3135. However, it ruled the procedure as premature due to lack of demand for payment, removing the award for attorney's fees.
11. **GMC Appeal to the Supreme Court**: GMC challenged the CA decision stating errors

regarding demand letter consideration and ruling without accepting usual judicial precedent.

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### ### Issues

1. **Whether the CA erred by considering issues not raised at the lower court and on appeal.**
2. **Whether the CA made an error in ruling that GMC made no demand for payment from the spouses, particularly if GMC's letter dated March 31, 1997, constituted a final demand to pay.**

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### ### Court's Decision

1. **On Matters Not Alleged (First Issue):**
  - The SC upheld that appellate courts have broad discretion to consider matters not assigned as errors if necessary for a complete and just resolution.
  - The CA's consideration of whether the spouses were in default did not violate due process and was essential to resolve the appeal.
2. **On Demand Requirement (Second Issue):**
  - The SC confirmed three requisites for default: demandable obligation, debtor delay, and creditor's demand for performance.
  - The March 31, 1997 letter from GMC did not constitute proper demand, asking the spouses only to discuss settlement rather than demanding payment.
  - Article 1169 of the Civil Code requires judicial or extrajudicial demand for delay unless specifically waived by contract provision, which was absent in this case.

The petition was denied, affirming the CA decision on the need for proper demand before foreclosure.

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### ### Doctrine

- **Proper Demand Requirement:** A creditor must make a proper demand (judicial or

extrajudicial) before declaring a debtor in default and proceeding with foreclosure unless explicitly waived in the contract.

- **Appellate Court Discretion**: Appellate courts can consider unraised issues if doing so serves the interest of justice and ensures complete resolution.

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### ### Class Notes

- **Default Requisites**:

- Demandable and liquidated obligation.
- Debtor delay in performance.
- Creditor's demand (Article 1169, Civil Code).

- **Article 1169, Civil Code**: Requires judicial/extrajudicial demand for default unless waived by contract.

- **Act No. 3135**: Regulates sales under special powers inserted in or annexed to real estate mortgages, including posting and publication requirements.

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### ### Historical Background

- **Economic Context**: The economic downturn during the 1990s led to strained business contracts and increased foreclosures.

- **Legal Evolution**: Court decisions around that period focused on ensuring fair contract enforcement, particularly in the agricultural sector heavily impacted by business closures and asset liquidations.