

****Title:****

International Exchange Bank (iBank) Now Union Bank of the Philippines v. Spouses Jerome and Quinnie Briones

****Facts:****

On July 2, 2003, Spouses Jerome and Quinnie Briones borrowed P3,789,216.00 from International Exchange Bank (iBank), now Union Bank of the Philippines, to buy a BMW Z4 Roadster. They executed a promissory note with chattel mortgage, obligating them to insure the vehicle, with insurance proceeds payable to iBank in the event of loss or damage. The note appointed iBank as the attorney-in-fact with power to file insurance claims.

On November 5, 2003, the BMW was stolen by armed men. Jerome promptly reported this to the police, and the loss was declared to iBank. iBank instructed the spouses to make the next three monthly payments “as a sign of good faith,” which they did.

On March 26, 2004, after completing the prescribed payments, iBank demanded full loan payment for the stolen vehicle. The spouses filed an insurance claim on April 30, 2004, which was denied on June 29, 2004, due to a delay in reporting. Consequently, iBank filed a replevin and/or sum of money complaint against the spouses for defaulting on the loan.

The Regional Trial Court dismissed the complaint, reasoning that iBank, as the attorney-in-fact, should have ensured the filing of the insurance claim. Compensation between the obligations of both parties extinguished any remaining obligations. iBank appealed this decision to the Court of Appeals, which upheld the trial court’s ruling, stating that iBank, as the agent, failed to act in the interests of its principal, the spouses. iBank’s motion for reconsideration was denied, prompting an appeal to the Supreme Court.

****Issues:****

1. Whether an agency relationship existed between the parties.
2. Whether the agency relationship was revoked or terminated.
3. Whether iBank is entitled to the return of the mortgaged vehicle or payment of the outstanding loan balance.

****Court’s Decision:****

1. ****Existence of Agency Relationship:****

- The Supreme Court affirmed that an agency relationship did exist, as indicated in Sections 6 and 22 of the promissory note, which explicitly appointed iBank as the attorney-in-fact for the purpose of filing insurance claims if the vehicle were lost or damaged. This fulfills all elements of agency: consent, execution of a judicial act in relation to a third person, representation for someone else, and action within authority.

2. **Revocation or Termination of Agency:**

- The Supreme Court clarified that the agency was not revoked despite the spouses filing a claim. Such action was out of necessity due to iBank's inaction. The case did not involve revocation as stipulated under Article 1924 of the Civil Code, as the spouses did not bypass iBank. Article 1927 also supports that such agency was irrevocable, being part of a bilateral contract intended to fulfill an obligation.

3. **Petitioner's Entitlement to Return or Payment:**

- iBank was not entitled to demand full payment after failing to fulfill its duty as the agent. Since the claim denial was attributable to its negligence, such a demand further evidenced bad faith, especially after instructing the spouses to continue payments as a show of good faith. iBank should have facilitated the insurance claim or informed the spouses of any changes in responsibilities.

Doctrine:

The principal-agent relationship implies a fiduciary duty to act in good faith toward the principal's interests. An agency coupled with an interest cannot be revoked at will, particularly where fulfilling a bilateral contract or other obligations depends upon it (Article 1927, Civil Code). Agents are accountable for damages incurred through their non-performance or self-interest prioritization (Articles 1884 and 1889, Civil Code).

Class Notes:

- **Elements of Agency:** Consent, juridical act with third person, representation, action within authority.
- **Fiduciary Duty:** Agents must prioritize the principal's interests over their own.
- **Irrevocable Agency:** Exists where a bilateral contract depends on the agency or serves to fulfill an existing obligation.
- **Good Faith:** In agency relations, failure to act in good faith can result in damages.
- **Relevant Statutes:** Civil Code Articles 1868, 1884, 1889, 1924, 1927.

****Historical Background:****

This case reflects the complexities of agency law within contractual agreements, particularly regarding financial dealings involving secured loans and insurances, aligning with historical commitments to upholding fiduciary duties in the banking sector. The decision reinforces the importance of agents acting in complete alignment with contractual and legal obligations, a focus seen in evolving case law emphasizing detailed agency relationships in commercial transactions.