

Title: Asian Construction and Development Corporation vs. Philippine Commercial International Bank (PCIBANK)

Facts:

The case initiated when PCIBANK filed a complaint against ASIAKONSTRUKT for a sum of money with a prayer for a writ of preliminary attachment on February 24, 1999, in the Regional Trial Court (RTC) of Makati City, alleging that ASIAKONSTRUKT had obtained US dollar-denominated credit accommodations amounting to US\$4,487,000.00, which were secured by various deeds of assignment but remained unpaid despite due demands. The trial court issued the writ of preliminary attachment after PCIBANK posted the requisite bond. ASIAKONSTRUKT, in its response, admitted the indebtedness but cited the 1997 Asian financial crisis as the cause of its failure to settle the obligation, further stating that the deeds of assignment were contracts of adhesion.

PCIBANK filed a motion for summary judgment, asserting that the defenses of ASIAKONSTRUKT were unsubstantial, leading the RTC to grant the motion and issuing a summary judgment in favor of PCIBANK. ASIAKONSTRUKT appealed to the Court of Appeals (CA), which affirmed the RTC's decision with a modification on the award of attorney's fees. ASIAKONSTRUKT then brought the case to the Supreme Court via a petition for review under Rule 45 of the Rules of Court.

Issues:

1. Whether there was a genuine issue as to a material fact that could preclude the propriety of a summary judgment.
2. Whether the award of attorney's fees was exorbitant or unconscionable.

Court's Decision:

The Supreme Court denied ASIAKONSTRUKT's petition, affirming the CA's decision in totality. The Court held that there were no genuine issues of material fact requiring a full-blown trial. ASIAKONSTRUKT's defenses were deemed unsubstantial, and the matters they raised did not constitute genuine issues that could preclude the summary judgment. Regarding the attorney's fees, the Supreme Court found no error in the CA's decision to reduce the award, affirming it as just and not unconscionable.

Doctrine:

The Supreme Court reiterated the doctrine on the propriety of summary judgment under Rule 35 of the 1997 Rules of Procedure, stating that a summary judgment is proper when

there are no genuine issues of fact, which necessitates the presentation of evidence in a full-blown trial. A “genuine issue” is defined as an issue of fact requiring the presentation of evidence as opposed to a sham or fictitious claim.

Class Notes:

- **Summary Judgment:** Granted when no genuine issue of material fact exists and the moving party is entitled to judgment as a matter of law.
- **Genuine Issue:** An actual, disputable issue of fact that can affect the outcome of the case and requires evidentiary support.
- **Contracts of Adhesion:** These are prepared by one party and offered to the other on a “take it or leave it” basis, yet are generally enforceable unless shown to be unconscionably unfair or oppressive.
- **Financial Crisis Defense:** The defense claiming inability to fulfill contractual obligations due to a financial crisis does not automatically qualify as a valid defense to breach of contract unless the crisis results in the obligation becoming legally or physically impossible without the fault of the obligor, and is relevant only to obligations “to do.”

Historical Background:

This case emerged in the backdrop of the 1997 Asian financial crisis, impacting businesses and contracts across the region. ASIAKONSTRUKT’s defense centered on this crisis, illustrating the legal challenges that arise in the wake of economic turmoil and how courts adjudicate claims of financial incapacity and the enforceability of contracts during such periods. The Supreme Court’s decision underscores the principle that contractual obligations must be honored unless specifically rendered impossible by unforeseen and uncontrollable events, distinguishing between obligations “to do” and “to give” in the context of legal impossibility.