

## CO BUN CHUN, PLAINTIFF-APPELLANT, VS. THE OVERSEAS BANK OF MANILA, DEFENDANT-APPELLEE.

*G.R. No. L-27342. May 24, 1984*

Ponente: AQUINO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/b1cff3e1f5bd/>

---

### AQUINO, J.:

This case is about the liability of a time depo-sitor for the extrajudicial expenses incurred by the bank in collecting the overdraft accounts of other persons which were secured by his time deposit.

Co Bun Chun on January 30, 1964 placed with the Overseas Bank of Manila a time deposit of P66,000 for a period of one year with interest at 4-1/2 interest per annum (Exh. A).

Four days later, or on February 4, he assigned to the bank the said time deposit as security for the six-month overdraft accounts of P75,000 each, or a total of P300,000, of Henry Shoe Supply, Northwest Auto Supply, Mercantile Investment Co., Inc. and Pacific Shoe Supply. The overdraft accounts were all signed by Henry Co (Exh. 1 to 5-A).

It was a condition of the assignment that the time deposit could not be withdrawn unless the over-draft line, the interest due thereon and "the expenses incurred" had been fully paid (Exh. 1).

The overdraft accounts, due on July 17 and August 10, 1964, were fully liquidated only on May 21, 1965. The debtors paid P228,881.37. The bank had to refer the default to its lawyer who undertook the extrajudicial collection of the amounts due and who charged 5%, or P11,444.06, as collection expenses (p. 10, Appellant's brief; p. 8, Appellee's brief).

Out of the time deposit of P66,000, the bank returned to Co Bun Shun P54,555.94. It deducted the said sum of P11,444.06 (Exh. 6 and 6-A). Co Bun Chun filed the instant action in 1965 to recover that sum of P11,444.06. Judge Edilberto Soriano dismissed the action. Co Bun Chun appealed to the Court of Appeals which, through Justice Gatmaitan, certified the appeal to this Court on the ground that only a question of law, arising from un-disputed facts, is involved.

Co Bun Chun contends that the bank had no right to charge attorney's fees and expenses in the extra-judicial collection of the overdraft accounts and to deduct the same from the time deposit given as security. The bank under the overdraft agreements (as distinguished from the deed of assignment of the time deposit, Exh. 1) was entitled to charge 10% of the amount due as attorney's fees and costs of collection in case of court action.

He further contends that to make him liable for the costs of extrajudicial collection and attorney's fees would make his obligation as guarantor more onerous than the principal debtor and that, as the obligation consists in the payment of a sum of money, the only indemnity due is interest (Arts. 2054 and 2209, Civil Code).

On the other hand, the bank contends that Co Bun Chun must shoulder the out-of-court attorney's fees and collection expenses incurred in collecting the long overdue overdraft accounts.

We hold that Co Bun Chun is bound by the terms of the deed assigning his time deposit to the bank. He was not a mere guarantor of the overdraft accounts. The assignment specifically bound him to pay the "expenses incurred" for the extrajudicial collection of the overdraft accounts of what the bank terms "his companies".

The 5% charge was different from the interest on the overdraft accounts. It was a consequence of the default of Co Bun Chun's companies. He could have sought reimbursement from them for what he had to pay the bank.

WHEREFORE, the judgment of the lower court is affirmed. No costs in both instances. SO ORDERED.

Guerrero, Abad Santos, Escolin, and Gutierrez, Jr., JJ., concur.

Makasiar, J., (Chairman), no part.

Concepcion, Jr., J., on leave.

**ABOUT BATAS.ORG**

# Study smarter at BATAS.org

*The Philippine bar review and law-school companion built around how your brain actually remembers.*

**The complete Philippine law library - free for everyone.**

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

**Audio case-brief lectures.**

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

**Bar review built on the science of memory.**

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

**The full law-school curriculum.**

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

**Mock exams that tell you where you stand.**

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

**A study planner that keeps you on pace.**

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

**Start free at <https://batas.org>**

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.