

**BPI FAMILY SAVINGS BANK, INCORPORATED,
PLAINTIFF-APPELLANT, VS. VIOLETA L. CHUA, UNION MOTOR
CORPORATION AND THE FIRST NATIONWIDE ASSURANCE
CORPORATION, DEFENDANT-APPELLEE.**

Ponente: BATO, JR., J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/c0ffc9a1e5fb/>

BATO, JR., J.:

This is an appeal from the Decision of the Regional Trial Court of Manila, Branch 34, in Civil Case No. 95-73539 for Sum of Money the dispositive portion of which reads as follows:

“WHEREFORE, premises considered, judgment is hereby rendered dismissing the complaint against all defendants further dismissing all of defendant’s counterclaim against the plaintiff, all for lack of merit.[1]

On July 14, 1993, defendant-appellee Violeta L. Chua purchased from Union Motor Corporation (“Union” for brevity) a motor vehicle described as a Mitsubishi Galant 2000 GTI 92(M) 1992 Model with Serial Number E33ASNG-01199 for nine hundred twenty-nine thousand nine hundred fifty-two pesos (P929,952.00) payable in forty-eight (48) months starting August 21, 1993, at a monthly installment of nineteen thousand three hundred seventy-four pesos (P19,374.00) as reflected in the promissory note[2] duly signed by appellee Chua. The promissory note further provides that in case appellee Chua fails to pay any installment on its due date, the same shall cause the subsequent installments and the entire balance immediately due and payable. Likewise, a 36% late payment charge on any overdue sum, attorney’s fees equivalent to 25% of the total sum due and another 25% as liquidated damages, shall also be imposed in case of default. As security for the payment of said promissory note, appellee Chua executed a chattel mortgage[3] over the same motor vehicle in favor of Union. On the same day, July 14, 1993, Union, with the conformity of appellee Chua, assigned to plaintiff-appellant BPI Family Savings Bank, Inc., all its rights, title, and interests in the promissory note and chattel mortgage by virtue of a Deed of Assignment.[4]

In its Complaint dated April 6, 1995, plaintiff-appellant BPI Family Savings Bank, Inc., alleged that appellee Chua violated the terms and conditions of the promissory note and the chattel mortgage as she failed, despite repeated demands, to pay seven (7) consecutive monthly installments, from September 21, 1994 to March 21, 1995. Thus, the entire outstanding balance of appellee Chua’s obligation in the principal amount of six hundred seventy-eight thousand ninety pesos (P678,090.00), exclusive of interest and other charges, became immediately due and payable. Aside from the P678,090.00 principal amount due, appellant bank further claimed that appellee Chua is liable to pay interest equivalent to 36% of the principal amount due from August 23, 1994 until fully paid, liquidated damages in the amount of 25% of the total sum due; and attorney’s fees equivalent to 25% of the total sum due plus collection expenses and other charges.

For her part, appellee Chua in her answer dated May 30, 1995 alleged that she stopped paying the monthly amortization because the vehicle which she got from Union has a factory defect. Hence, the suspension of her monthly installments was brought about by appellee’s failure as well as Union’s failure to remedy and repair the

factory defect of the subject vehicle. Appellee Chua further alleged that appellant bank, being the assignee of Union, has the obligation to repair the vehicle or to assist her in recovering from the vehicle's insurer, The First Nationwide Assurance Company. Accordingly, appellee cannot demand payment without making or causing to make the subject car in good running condition.

In view of appellee Chua's answer, appellant bank amended its complaint[5] to implead Union and The First Nationwide Assurance Corporation as defendants.

For its part, defendant-appellee Union claimed that appellant bank has no cause of action against it as it has already assigned all its rights and interest over the promissory note and chattel mortgage and that it is merely a dealer of the vehicle and any factory defect therein should be addressed to the manufacturer. Besides, the defect in appellee Chua's vehicle cannot be considered a factory defect since the cause as to why the engine conked-up was due to its misuse, that is, it was driven in a flooded area thereby causing the water to enter into the inner chamber of the engine which caused the engine block to crack.

Defendant-appellee The First Nationwide Assurance Corporation, on the other hand, claimed that it is not liable because the loss or damage suffered by appellee Chua's vehicle was not covered by the insurance policy.

On February 25, 1999, the trial court, as stated at the outset, dismissed appellant bank's complaint and the counterclaims of the appellees. The trial court ruled that there was no legal basis in appellee Chua's act of withholding payment since the defect in appellee Chua's vehicle was neither a factory defect nor caused by its misuse, rather, the defect was caused by a fortuitous event. Be that as it may, defendant-appellee The First Nationwide Assurance Corporation cannot be held liable for the damage on the subject vehicle since the cause of damage, i.e., flood, was an excepted risk under the insurance policy covering the said vehicle. Notwithstanding its pronouncement that appellee Chua has no legal basis in withholding payment, still, the trial court ruled that appellee Chua has no obligation to pay the balance of the promissory note since the appellant bank had already chosen to foreclose the mortgaged vehicle.

Hence this appeal wherein appellant bank imputes to the trial court the following errors:

- "1. THE HONORABLE LOWER COURT ERRED IN HOLDING THAT APPELLANT AGREED TO ACCEPT THE MORTGAGED MOTOR VEHICLE BEING SURRENDERED BY APPELLEE CHUA.
2. THE HONORABLE LOWER COURT ERRED IN DISMISSING THE COMPLAINT AGAINST APPELLEE 'CHUA'
3. THE HONORABLE LOWER COURT ERRED IN NOT ORDERING APPELLEE 'CHUA' TO PAY APPELLANT THE UNPAID BALANCE ON HER OBLIGATION, PLUS THE STIPULATED INTEREST AND OTHER CHARGES THEREON."[6]

The first issue to be resolved is whether or not appellant bank had already opted to foreclose the mortgaged vehicle such that it has no more right to demand payment from appellee Chua. Apropos hereto is Article 1484 of the Civil Code quoted hereunder:

"ART. 1484. In a contract of sale of personal property the price of which is payable in installments, the vendor may exercise any of the following remedies:

- (1) Exact fulfillment of the obligation, should the vendee fail to pay;
- (2) Cancel the sale, should the vendee's failure to pay cover two or more installments;
- (3) Foreclose the chattel mortgage on the thing sold, if one has been constituted, should the vendee's failure to pay cover two or more installments. In this case, he shall have no further action against the purchaser to

recover any unpaid balance of the price. Any agreement to the contrary shall be void.”

In ruling that appellant bank had already decided to foreclose the chattel mortgage such that it is now barred from suing for the unpaid balance of the promissory note, the trial court interpreted the November 11, 1994 letter of Irene E. Chuaseco, Assistant Manager of appellant bank’s Loans Administration Department as its consent to accept the vehicle in lieu of further payments. However, after scrutinizing the said letter, we do not concur with the trial court that the same manifested appellant bank’s acceptance of appellee Chua’s offer to surrender the vehicle. Pertinent portion of the letter is herein reproduced as follows:

“With regards to your client’s decision to voluntarily surrender the unit, we would like to request her to visit our Asset Recovery Section at the Mezzanine Floor of BPI-Family Bank Head Office because of some documents which she needs to sign in order to effect the voluntary surrender.”[7]

The said letter does not indicate an absolute acceptance on the part of appellant bank. Appellant bank merely instructed appellee Chua to go to its office to “effect”, meaning to “bring about” or “cause” the voluntary surrender of the car. As the letter states, appellee Chua has to sign the necessary documents, but as it is, she was not able to do so because appellant bank was not willing to accept the car as evidenced by a letter dated March 16, 1995, wherein appellant bank’s counsel wrote to appellee Chua that his client cannot accept the vehicle in lieu of further payments due to the vehicle’s state of disrepair.[8] As per appraisal report,[9] the engine of the car was busted due to the sudden engulfment of cold water when it was submerged in the onrushing floodwater while the engine was running. The engine blocked causing water to be sucked in thus destroying all the internal parts of the engine. The engine has to be replaced by a brand new one costing between two hundred thousand pesos (P200,000.00) to two hundred forty-one thousand pesos (P241,000.00), while a surplus unit will cost at least fifty thousand pesos (P50,000.00). For sure, its insurer, defendant-appellee The First Nationwide Assurance Corporation cannot be made liable since, as correctly found by the trial court, the cause of damage, i.e., flood, was an excepted risk under the general exceptions in the insurance policy.[10] Appellee Union cannot also be made liable because it already assigned all its rights to appellant bank and besides, it has been established that such a defect cannot be classified as a hidden defect. Consequently, appellee Chua must shoulder the expenses for the repair of her car.

What writes finis to the present issue is appellee Chua’s own admission in paragraph 8 of her Answer that plaintiff-appellant did not accept her offer, to wit:

“8. Payment of the monthly installments to plaintiff is dependent on the car’s condition to the effect that its factory defect has to be remedied by it. The car is heavily insured, still almost brand new and was offered surrendered ‘as is and where is’ in exchange for the balance owing to it. Unfortunately, said offer was not accepted leaving defendant no alternative but to continue not paying the monthly installments until her car is put back to its former good running condition.”[11] [emphasis supplied]

Pursuant to Rule 129, Section 4 of the Rules of Court, such particular allegation is tantamount to a judicial admission on the part of appellee Chua to which she must be bound.

Having resolved that appellant bank did not accept appellee Chua’s offer to surrender the vehicle in lieu of further payments, appellee Chua should therefore pay the balance under the promissory note in the amount of P678,090.00. However, this does not mean that appellee Chua is bound to pay the interest, litigation expenses and attorney’s fees stipulated in the promissory note. This Court agrees with the trial court’s finding that it was appellee Chua’s honest belief that she had a justifiable ground to withhold payment until appellant bank’s assignor or the insurance company can restore the vehicle to its previous running condition. In view of the factual milieu of the instant case, the stipulated interest under the promissory note equivalent to 36% of the principal amount due from August 23, 1994 until fully paid, liquidated damages in the amount of 25% of the total sum due;

and attorney's fees equivalent to 25% of the total sum due plus collection expenses and other charges, are iniquitous and unconscionable stipulations which this Court can reduce.[12] In its stead, a 12% per annum legal interest is hereby imposed on the unpaid installments to be reckoned from August 23, 1994, the date of default.[13]

WHEREFORE, the assailed decision is REVERSED and SET ASIDE. Defendant-appellee Chua is hereby ordered to pay plaintiff-appellant BPI Family Savings Bank, Inc., the amount of six hundred seventy-eight thousand ninety pesos (P678,090.00) with twelve percent (12%) per annum legal interest from August 23, 1994 until fully paid.

SO ORDERED.

Tijam[*], and Maambong[**], JJ., concur.

[*]Acting Chairman vice J. Sabio, Jr. per Office Order No. 238-06-RTR dated September 18, 2006.

[**]Acting Senior Member vice J. Asuncion-Vicente per Office Order No. 232-06-RTR dated September 14, 2006.

[1] Records, pp. 284-292, 92.

[2] Exhibit "B", p. 3.

[3] Exhibit "C", p. 4.

[4] Exhibit "D", p. 5.

[5]Records, pp. 57-64.

[6] Appellant's Brief, Rollo, pp. 24-49, 40.

[7] Exhibit "10", Exhibit for Defendant Chua, p. 26.

[8] Exhibit I, p. 16.

[9] Exhibit "M", pp. 3-4.

[10] Exhibit "1", Exhibit for Defendant Chua, p. 6

[11] Records, pp. 19-23, 21.

[12] Dino vs. Jardines, 481 SCRA 226, 238 [2006].

[31] Ibid, p. 239.

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.