

METROPOLITAN BANK AND TRUST COMPANY, PETITIONER, VS. SPOUSES EDMUND CO AND LILY CO, RESPONDENTS.*G.R. No. 220914, August 06, 2025*

Ponente: GAERLAN, J.

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This is a Rule 45 Petition[1] filed by Metropolitan Bank and Trust Company, Inc. (Metrobank, or the bank) against the May 28, 2015 Decision[2] and September 30, 2015 Resolution[3] of the Court of Appeals (CA) Manila, in CA-G.R. CV. No. 103440. The assailed Decision and Resolution reversed and set aside the May 9, 2014 Order[4] and the June 17, 2014 Resolution[5] of Branch 96 of the Regional Trial Court (RTC) of Quezon City (QC), in Civil Case No. Q-02-47584, which is an action for breach of contract and annulment of mortgage filed by the spouses Edmund and Lily Co (spouses Co, or the spouses).

Antecedents

The spouses Co have been running a bed and furniture manufacturing business under the name Mega Bedding Industries (MBI) since 1992.[6] They regularly obtain bank loans and credit accommodations to finance their business.[7] One of their credit sources was Metrobank's Magdalena Center branch, whose manager, a certain Go Bon Juan (Go),[8] had been giving them "loan accommodations without collateral" since July 1997.[9]

From July to October 1997, Metrobank extended several unsecured short-term loans[10] to the spouses Co,[11] which they repaid by depositing the postdated checks they received from their customers as payment.[12] On October 29, 1997, Metrobank and the spouses Co entered into a credit line agreement in the amount of PHP 10 million (First Credit Line).[13] Thereafter, the spouses' subsequent loans were charged against the First Credit Line.[14] On November 4, 1997, the spouses Co mortgaged to Metrobank two parcels of land covered by Transfer Certificate of Title (TCT) Nos. N-183564 and N-183565, to secure their indebtedness in the amount of PHP 8.1 million.[15] By November 1997, the spouses had exhausted the First Credit Line.[16] On December 9, 1997, the spouses Co mortgaged another parcel of land covered by TCT No. N-175697, to secure their indebtedness in the amount of PHP 7 million.[17] Despite the exhaustion of the First Credit Line, Metrobank extended more short-term loans to the spouses between December 1997 and May 1998.[18] On May 13, 1998, Metrobank and the spouses Co entered into another credit line agreement for PHP 7 million (Second Credit Line).[19] On September 9, 1998, Edmund Co mortgaged to Metrobank a property in San Juan (San Juan lot) covered by TCT No. 7755-R, to secure their indebtedness in the amount of PHP 2 million[20] By July 1998, the spouses Co had also exhausted the Second Credit Line.[21]

The business relationship between Metrobank and the spouses began to sour when Go was removed as Magdalena Center branch manager sometime in 1999.[22] By that time, the two Credit Lines had lapsed.[23] Go's successor refused to extend fresh loans to the spouses[24] and demanded payment of their outstanding principal.[25] Nevertheless, Metrobank accommodated the spouses' request to renew and restructure their mature loans until 2000.[26] As a result of Metrobank's refusal to extend additional loans, MBI suffered capital and liquidity problems; nevertheless, the spouses continued to pay off their existing loans, as a gesture of good faith.[27] The

spouses offered to pay off the remaining balance by transferring ownership of the QC lots but Metrobank refused the offer since it deemed the properties insufficient to cover the spouses' total obligation.[28] According to Metrobank, the spouses Co started missing out on their loan payments in September 1998, as evinced by the renewal of Loan No. 2574 for another year as Loan No. 1801/98.[29] Metrobank further alleged that the loans it subsequently extended to the spouses from November 1998 to May 2000 were renewals of unpaid mature loans.[30] Eventually, the spouses' total outstanding obligation was restructured into 13 promissory notes bearing dates from November 23, 2000 up to October 26, 2001, with a total amount of PHP 27,968,744.00,[31] broken down as follows:[32]

Promissory Note

Amount (in Philippine pesos)

Interest Rate (per annum)

Date of Execution

Predecessor or Loan

BD#0862'00[33]

4,525,000.00

Not specified

November 23, 2000

Not specified

BDS#0116'01[34]

1,250,000.00

18%

February 22, 2001

BD#0112'00[35]

BDS#0117'01[36]

270,000.00

18%

February 22, 2001

BDS#0206'00[37]

BDS#0118'01[38]

1,600,000.00

18%

February 22, 2001

BDS#0207'00[39]

BDS#0119'01[40]

990,000.00

18%

February 22, 2001

BDS#0208'00[41]

BDS#0120'01[42]

2,700,000.00

18%

February 22, 2001

BDS&0209'00[43]

BDS#0121'01[44]

5,400,000.00

18%

February 22, 2001

BDS#0210'00[45]

BDS#0122'01[46]

2,000,000.00

18%

February 22, 2001

BDS#0211'00[47]

BDS#0123'01[48]

2,490,000.00

18%

February 22, 2001

BDS#0212'00[49]

BDS#0124'01[50]

300,000.00

18%

February 22, 2001

BDS#0213'00[51]

BDS#0505'01[52]

490,000.00

16.25%

July 27, 2001

Not specified

BDS#0571'01[53]

5,400,000.00

16.75%

September 3, 2001

Not specified

BDS#0127'01[54]

553,744.00

Not specified

October 28, 2001

Not specified

Total Amount

27,968,744.00

Still suffering from liquidity problems, the spouses stopped paying their outstanding obligation sometime in late 2001.[55] In October 2001, Metrobank formally demanded payment of the spouses' entire obligation.[56] By February 2002, the spouses Co owed a total of PHP 29,448,608.31 to Metrobank.[57]

On May 14, 2002, Metrobank filed petitions for the extrajudicial foreclosure of the QC lots and the San Juan lot.[58] The petition for the QC lots was subsequently amended.[59] On July 10, 2002, an Amended Notice of Sale by Notary Public was issued for the QC lots.[60] At about the same time, Edmund received formal notice of the impending foreclosure sales.[61] The auction sale of the QC lots proceeded on August 23, 2002,[62] despite the filing of the present complaint on August 22, 2002,[63] wherein the spouses Co prayed for: 1) the nullification of the real estate mortgages; 2) the issuance of a temporary restraining order (TRO) and/or preliminary injunctive writ to stop the foreclosure sale; and 3) the recomputation of their total outstanding balance without the allegedly unconscionable interest rates imposed by Metrobank.[64]

Metrobank acquired the lots as the sole bidder in the auction sale.[65]

On September 17, 2002, the RTC denied the spouses' prayer for TRO, ruling that the certificate of sale must be registered so that the spouses may exercise their redemption rights.[66] On May 20, 2003, the spouses Co executed a Deed of Assignment[67] of their interest in the QC lots in favor of Eduardo Rayo and Winston Linwy Chua. On August 27, 2003, the RTC denied the spouses' application for a preliminary injunctive writ.[68] On December 11, 2003, Metrobank petitioned the QC RTC for a writ of possession over the QC lots.[69] On June 23, 2005, the QC RTC directed the issuance a writ of possession in favor of Metrobank.[70]

During the trial, the spouses Co argued that: 1) they had established a PHP 48 million credit line agreement with Metrobank; 2) Metrobank breached said agreement in 1999 by refusing to grant them additional loans; and 3) they

were not yet in default when Metrobank foreclosed on the mortgages. To prove their case, Edmund testified that the loans extended to MBI by Metrobank between 1997 and 1999 during Go's tenure as Magdalena Center branch manager were part of said PHP 48 million credit line.[71] These loans were not one-off transactions but were granted on a recurring basis as needed for MBI's operations.[72] The amount of MBI's credit accommodation was fixed at PHP 48 million after the spouses offered real estate as collateral.[73] The spouses further averred that they signed the real estate mortgages and the First and Second Credit Line Agreements as mere formalities.[74] Edmund also admitted that there was no written agreement to evince the grant of the PHP 48 million credit line; however, as a matter of practice, Go always allowed them to re-avail of any amount less than or equivalent to their current total loan payment, subject to the PHP 48 million limit.[75] Through this arrangement, the spouses were able to finance MBI's expansion.[76] The arrangement ended in 1999 when Go was removed as Magdalena Center branch manager, as his successor refused to grant new loans to the spouses Co. As a result, MBI started to suffer liquidity problems, causing the spouses to default on their obligations to their suppliers and regular customers. In turn, they were unable to make further payments on their outstanding loans,[77] particularly with respect to the principals.[78]

For its part, Metrobank argued that: 1) prior to the execution of the First and Second Credit Line agreements, it extended loans to the spouses Co strictly on a case-to-case basis; 2) it never agreed to give the spouses Co a PHP 48 million credit line; and 3) foreclosure was justified as the accumulated loans of the spouses Co had become due and demandable without full payment.

Metrobank averred that the loans it extended to the spouses Co prior to the execution of the First Credit Line were case-to-case short-term loans.[79] Each loan was a discrete instance of credit access that was approved by the bank's Executive Committee, as the spouses had no credit line with the bank at that time.[80] After the execution of the Credit Line agreements, the spouses' drawdowns were charged against the First and Second Credit Lines.[81] In September 1998, the spouses Co started to miss out on scheduled payments.[82] By November 1998, the spouses Co had exhausted the credit lines, but they were nevertheless allowed to draw an additional PHP 2 million, secured by the mortgage over the San Juan lot.[83] By the end of 1998, the spouses Co had drawn a total of PHP 31.5 million in loans.[84] After the removal of Go as Magdalena Center branch manager in 1999, MBI was not allowed to obtain fresh loans anymore because the securities offered by the spouses Co were no longer sufficient to cover any additional loan availment.[85] Despite this, Metrobank extended additional credit accommodations to MBI in the form of restructuring schemes for its outstanding loan obligations in 1999, 2000 and 2001; however, beginning October 2001, MBI stopped paying its outstanding loan obligations altogether.[86] Since 1998, MBI was only able to liquidate the amount of PHP 4,431,256.00 from its total availments of PHP 31.5 million, thereby leaving an outstanding balance of PHP 27,068,744.00 as of October 2001. As of February 22, 2002, MBI's outstanding obligation stood at PHP 29,448,608.31, inclusive of unpaid principal, interest and penalty charges. The demand to pay the entire principal and accrued interest obligations of MBI was made by Metrobank only in October 2001 when MBI defaulted in the payment of its interest amortizations.[87] Go had no authority, by himself, to grant an increase in the credit line of any of Metrobank's clients, as this power is lodged solely in the bank's Executive Committee.[88] Metrobank further averred that it rejected the dacion en pago offer because the properties were not sufficient to cover the spouses' total outstanding obligation;[89] and that the spouses Co were duly notified of every stage of the foreclosure proceeding.[90] Finally, Metrobank argued that the interest rates on the loans are just, legal, and voluntarily agreed upon by the parties.[91]

On August 27, 2013, the CA affirmed the RTC's 2005 order directing the issuance of a possession writ in favor of Metrobank.[92] The spouses Co sought recourse before this Court, which We denied for lack of merit through a minute resolution dated October 20, 2014.[93]

Trial Court Ruling

On February 10, 2014, the RTC rendered a decision[94] (February 2014 Decision) in favor of the spouses Co, disposing of the case thus:

WHEREFORE, premises considered, judgment is rendered in favor of the plaintiffs and against the defendant bank by:

1. Declaring the extra-judicial foreclosure proceedings NULL and VOID and without any legal effect and the defendants are prohibited to consolidate the titles in the name of the bank without prejudice to the filing of the action for collection or recovery of the sum of money secured by the real estate mortgage in the proper forum;
2. That the titles in the name of defendant bank be cancelled and new titles be issued in favor of Eduardo Rayo.
3. That the subsequent Writ of Possession, if issued in favor of defendant Metrobank be likewise cancelled.
4. That the interest rates on the plaintiffs' indebtedness be reduced to 12% per annum; and the excess be applied to principal.
5. Declaring that the counterclaims and damages being collected by defendant bank to be devoid of any legal basis;
6. Ordering the defendant bank to pay the plaintiffs the following sums, to wit:
 - a) [PHP] 5,000,000.00 – loss of capital investment
 - b) [PHP] 5,000,000.00 - expected profits
 - c) [PHP] 150,000 - for actual damages
 - d) [PHP] 50,000 - moral damages
 - e) [PHP] 50,000 - exemplary damages
 - f) Cost of suit.

7. Ordering the dismissal of the counterclaim for lack of merit.

SO ORDERED.[95] (Emphasis in the original)

The RTC ruled that by extending almost PHP 48 million in loans to the spouses Co between 1997 and 1999, Metrobank had become estopped from denying the existence of the PHP 48 million credit line. The spouses Co relied on Metrobank's repeated extension of credit to finance MBI's operations and expansion. The bank's sudden decision to walk back on what had become an established practice caused prejudice and damage to the spouses Co's finances and business standing. The contracts for the First and Second Credit Line do not embody the parties' agreement, for Metrobank had already loaned almost PHP 43 million to the spouses Co before entering said contracts; and it never waited for the spouses to fully settle their accounts before releasing fresh loans to them.[96] Moreover, the total obligation of the spouses greatly exceeded the combined amount covered by the two Credit Lines.[97] The RTC further observed that Go and the spouses Co were both of Chinese descent, and that it was common practice among the Chinese community to "do business based on trust and confidence, and usually without the burden of cumbersome formalities." [98] Metrobank thus breached the contract when it cut off the credit line in 1999, for the spouses Co had an outstanding balance below PHP 48 million, and were therefore entitled to the balance of the credit line.[99]

The RTC also ruled that Metrobank breached the contract and foreclosed upon the mortgages in bad faith.[100] While the foreclosure was justified by the spouses Co's default, Metrobank should have refrained from doing so,

as the spouses were still entitled to the balance of the PHP 48 million credit line and were still contesting the computation of their total outstanding obligation. Accordingly, the RTC awarded moral and exemplary damages to the spouses Co.[101]

On March 26, 2014, Metrobank filed a motion for reconsideration, essentially arguing that: 1) the application of estoppel has no evidentiary or legal basis; 2) the ruling on the existence of the PHP 48 million credit line is based solely on Edmund's uncorroborated testimony; and 3) foreclosure was justified since the spouses Co's obligation had become due and demandable.[102]

On May 9, 2014, the RTC issued an order[103] (May 2014 Order) granting reconsideration and dismissing the complaint, thus:

WHEREFORE, in light of the foregoing, this Court finds the defendant Metrobank's Motion for Reconsideration dated 25 March 2014 meritorious and the same is hereby given due course. Consequently, the Decision dated 10 February 2014 is hereby REVERSED and/or SET ASIDE and thus, the plaintiffs' Complaint is hereby DISMISSED. All other claims and counterclaim are likewise hereby dismissed.

SO ORDERED.[104] (Emphasis in the original)

The trial court ruled that promissory estoppel did not arise, as the spouses failed to adduce proof that: 1) Metrobank promised to extend them a PHP 48 million credit line, and 2) the spouses undertook concrete steps to expand MBI on the basis of such promise.[105] Without such evidence, the only remaining evidence of the parties' agreement are the Credit Line agreements, real estate mortgages, and promissory notes signed by the spouses Co.[106] Metrobank's lending pattern to the spouses Co does not constitute a PHP 48 million credit line. Metrobank simply extended a series of short-term loans to the spouses which they repaid using postdated customers' checks. As the spouses' credit standing improved, Metrobank extended them long-term loans in the form of two Credit Lines with a total limit of PHP 17 million, secured by the real estate mortgages, even as they continued obtaining the short-term loans they had been previously taking out. Eventually, the spouses neglected to pay off the Credit Lines, leaving Metrobank no option but to call on the mortgages.[107]

Their motion for reconsideration having been denied,[108] the spouses Co elevated the matter to the CA.[109]

Ruling on Appeal

On May 28, 2015, the CA rendered the assailed Decision reinstating the RTCs' February 2014 Decision with modification, thus:

WHEREFORE, in view of the foregoing premises, the appeal filed in this case is hereby GRANTED. The Orders of the lower court dated May 9, 2014 and June 17, 2014 are REVERSED and SET ASIDE. In lieu thereof, judgment is hereby rendered:

1. Declaring that the Writ of Possession issued in favor of appellee bank is null and void, and possession of the mortgaged properties must be restored to appellants;
2. Declaring that the titles to the foreclosed properties issued in the name of appellee be cancelled and the titles revert to their former owners;
3. Ordering that the interest rates on appellants' indebtedness be reduced to 12% per annum; and
4. Reinstating the Decision of the lower court insofar as it ordered appellee to pay appellants the following:
 - a. Consequential damages in the form of lost capital investment in the sum of P5,000,000.00;
 - b. Consequential damages in the form of lost expected profits in the sum of P5,000,000.00;
 - c. Actual damages in the sum of P150,000.00;

- d. Moral damages in the sum of P50,000.00:
- e. Exemplary damages in the sum of P50,000.00; and
- f. Costs of the suit;

5. Dismissing the counterclaims interposed by appellee.

SO ORDERED.[110] (Emphasis in the original)

The CA sustained the RTC's original finding regarding promissory estoppel:

By repeatedly extending loans to the [spouses Co], [Metrobank] therefore became estopped from later on denying that a credit line had been granted to them. Especially, [the spouses Co] relied on the bank's representations that they could draw loans and leave outstanding obligations of up to [PHP] 48,000,000.00, provided that they continued to make the required payments to keep their account current. [Metrobank] can no longer go back on its implied undertaking to continue extending loans to enable [the spouses] to keep their business afloat. To hold otherwise would be to contravene the very purpose of the doctrine of estoppel . . . [Metrobank] may not be allowed to adopt an inconsistent position, attitude or action where it would result in injury.[111]

The appellate court went on to rule that there was a meeting of the parties' minds to establish a PHP 48 million credit line, as the series of loans extended by Metrobank to the spouses Co constituted a partial execution of the PHP 48 million credit line agreement.[112] It did not matter that the parties never reduced their agreement into writing, as contracts are perfected by mere consent and become binding upon the parties regardless of the form they may have been entered into." [113] Since Metrobank breached the agreement by prematurely cutting off the credit line, the spouses Co's obligation never became due and demandable, rendering the foreclosure invalid.[114]

Metrobank filed a motion for reconsideration,[115] which the CA denied through the assailed September 30, 2015 resolution; hence this petition, the resolution of which hinges upon these issues: 1) whether there was an agreement between Metrobank and the spouses Co to establish a credit line for PHP 48 million; 2) whether Metrobank's foreclosure of the mortgages is justified under the circumstances; and 3) whether the interest imposed on the loans is valid.

Ruling of the Court

Case may be reviewed despite mixed questions of fact and law

A question of fact refers to doubt or difference as to the truth or falsehood of the alleged facts, while a question of law refers to doubt or difference as to the application of the law on a certain state of facts.[116] The present case involves a question of fact, as Metrobank vehemently denies the spouses' claim that it agreed to extend them a PHP 48 million credit line. It also involves mixed questions of fact and law,[117] as both the RTC and the CA applied the legal doctrine of promissory estoppel on the basis of their finding that Metrobank's repeated extension of loans to the spouses Co before and after the effectivity of the First and Second Credit Line agreements constituted an implied promise which the spouses Co relied upon. As a general rule, questions of fact or mixed questions of fact and law cannot be considered in a Rule 45 review;[118] however, this Court may consider such questions in order to resolve, explain, or address conflicts[119] and gaps[120] in the factual findings or conclusions of the lower courts. Here, the RTC initially concluded that the parties agreed to create a PHP 48 million credit line. The trial court then reversed itself on the matter; but was then reversed by the CA on appeal.

No agreement to create a PHP 48 million credit line

A credit line is an amount of money or merchandise which a bank or merchant agrees to supply to a person on credit and generally agreed to in advance. "It is the fixed limit of credit granted by a bank, retailer, or credit card issuer to a customer, to the full extent of which the latter may avail himself of his dealings with the former but which he must not exceed and is usually intended to cover a series of transactions in which case, when the customer's line of credit is nearly exhausted, he is expected to reduce his indebtedness by payments before making any further drawings." [121] "[A] credit line . . . is merely a preparatory contract to the contract of loan or mutuum. Under such credit line, the bank is merely obliged, for the considerations specified therefor, to lend to the other party amounts not exceeding the limit provided." [122] A related scheme known as revolving or open credit is "[a] consumer-credit arrangement that allows the borrower to buy goods or secure loans on a continuing basis as long as the outstanding balance does not exceed a specified limit." [123] Thus, from the debtor's viewpoint, the object of the contract in a credit line agreement is the money to be loaned or the goods to be purchased on credit; while the cause or consideration is the amount or maximum limit of loanable money or purchasable goods. This amount or maximum limit is the center of the dispute at bar: the spouses Co claim that Metrobank agreed to set the limit at PHP 48 million, while Metrobank insists that it only agreed to a limit of PHP 17 million.

We find for Metrobank.

Both the RTC and the CA agreed that there is no document or written agreement embodying the claimed PHP 48 million credit line. Edmund himself admitted on the witness stand that they never entered into any written agreement to establish a PHP 48 million credit line with Metrobank. He also admitted that Metrobank never made a promise to do so. Edmund simply inferred the existence of said credit line from the fact that they were able to obtain a series of loans from the bank:

COURT: You said the bank did not any more give you what you previously were availing of, what is that, how much is that you were previously availing from the bank?

[Edmund Co:] [PHP] 48,000,000.00, the totality of the loans, sir.

COURT: Meaning the totality of your loans, what do you mean by totality?

[Edmund Co:] That is the totality of the letters of credit, the passbook loan, and the real estate mortgage, sir, the total of which is [PHP] 48,000,000.00.

COURT: Is this [PHP] 48,000,000.00 released to your company before?

[Edmund Co:] Yes, sir.

COURT: And how much more - but you have paid this [PHP] 48,000,000.00?

[Edmund Co:] I have paid almost more than half of it, sir.

COURT: So you still have an outstanding or you still have a remaining obligation?

[Edmund Co:] Yes, sir.

. . . .

[Atty. Carpio:] When you avail[ed] of your credit line up to P48,000,000.00, did the bank make any undertaking that they are extending to you up to P48,000,000.00?

[Edmund Co:] Its [sic] not an undertaking, but we have been regularly doing that in our almost last year of our transactions, sir.

[Atty. Carpio:] So you are just doing that without any written agreement?

[Edmund Co:] Yes, sir, without any written agreement.

COURT: Did they assure you that you will get the P48,000,000.00?

[Edmund Co:] We have not been assured but we have been doing this

COURT: This time, did they assure you that you will get the P48,000,000.00?

[Edmund Co:] As far as Mr. Go Bun Wan, yes, your honor.

COURT: In what way?

[Edmund Co:] He continued allowing me to re-avail, whatever I have paid. I will be able to re-avail, your honor.

COURT: Was that made in writing or orally?

[Edmund Co:] It was not done in writing but we had been practicing it for almost a year, your honor.

COURT: So you only presumed that the loan you were asking for P48,000,000.00 will be granted because of the practice you were continuing with the bank?

[Edmund Co:] Yes, your honor.[124]

Clearly, Go did not even make a verbal commitment to extend PHP 48 million in credit to the spouses Co.[125] The spouses simply inferred his commitment from a series of loan approvals which were ultimately not attributable to him, as the spouses never refuted Metrobank's claim that the power to approve loans was vested solely in the bank's Executive Committee, and not in individual branch managers like Go.[126]

The record does not contain any statement, affidavit, or testimony from Go, as neither party presented him as a witness. All of his purported acts and statements come to Us either from Edmund's testimony or from the loan documents he signed as branch manager. Records show that Go signed the loan release statements, as well as the two Credit Line Agreements and the corresponding surety agreements on behalf of Metrobank. These agreements were also signed by the spouses Co. These documents are therefore the only definitive manifestations of the agreement between the parties; and they show that Metrobank only offered a total of PHP 17 million in credit lines to the spouses Co, which they accepted. Even assuming that Go "allow[ed] [the spouses] to re-avail whatever [amount they] have paid," and that he had the authority to do so, the spouses Co's own account books show that their total outstanding obligation to Metrobank never reached PHP 48 million. Exhibit Q-121 submitted by the spouses Co shows that their outstanding obligation to Metrobank peaked at PHP 46,576,411.45 for the period from December 22, 1997 to March 18, 1998.[127]

The CA ruled that the parties' consent to the PHP 48 million credit line agreement can be inferred from the fact that Metrobank had already extended PHP 46 million in loans to the spouses Co, which means that Metrobank had already executed the contract partially. However, there can be no partial execution of the PHP 48 million credit line agreement, since the spouses Co failed to prove that the agreement existed in the first place.[128] The CA's reliance on the case of *Spouses Estanislao v. East West Banking Corporation*[129] is misplaced, for that case did not involve the use of parol evidence to prove the existence of an oral contract. The contract subject of that case was a written deed of assignment which was repudiated due to alleged errors and the failure of one party to sign the same. We bound the parties in that case to their written agreement despite the alleged errors and the lack of signature because the agreement had already been executed in full without objection from the repudiating party.[130]

Given the absence of evidence to support the existence of an oral agreement to establish a PHP 48 million credit line between Metrobank and the spouses Co, we sustain the RTC's ruling in its May 2014 Order that "the loan documents consisting of the credit line agreement, promissory notes and deed of real estate mortgage contains the true agreement of the parties as evidenced that the same were all duly signed and voluntarily executed to by [the spouses Co]."[131]

No promissory estoppel

Under the principle of promissory estoppel, a party is estopped from denying a promise relied upon by another, if such denial would work injustice upon the party who relied on the promise, even if the promise was made without consideration.[132] "A promise to do or not to do something in the future usually does not result in estoppel, unless the promise was intended to be relied upon, and a refusal to enforce it would virtually sanction fraud or injustice." [133] "If an unambiguous promise is made in circumstances calculated to induce reliance, and it does so, the promisee if hurt as a result can recover damages." [134] Thus, promissory estoppel has three elements: 1) a promise which is reasonably expected to induce action or forbearance; 2) such promise actually induced such action or forbearance; and 3) the party suffered detriment as a result.[135]

The first and second elements are not present here.

As regards the first element, there can be no promissory estoppel if no promise has been made. The law further requires a promise that is plain, unambiguous and specific enough, not only to induce action or forbearance on the part of the claiming party, but also to be understood by the courts so that it may be enforced according to its terms.[136] Thus, promissory estoppel does not arise out of a conditional promise.[137]

It has already been established that Metrobank or its employees never made any promise, verbal or written, to give the spouses Co a PHP 48 million credit line. To go around the dearth of evidence on the matter, the RTC and the CA ruled that Metrobank's repeated extension of loans to the spouses Co before, during, and after the effectivity of the two Credit Line Agreements constituted the requisite promise. However, there are several factual circumstances that militate against such a conclusion:

- 1) The spouses Co's running balance never reached PHP 48 million, as the spouses Co's own records show that their total obligation peaked at PHP 46,576,411.45 on December 22, 1997; [138] while Metrobank claimed that it peaked at only PHP 31.5 million.
- 2) Lim, who helped process the spouses Co's accounts in 1997, expressly refuted Edmund's claim that all the loans they received were part of the claimed credit line. Lim testified that the loans extended to the spouses outside the effectivity period of the First and Second Credit Lines were given on a case-to-case basis. The RTC ultimately gave more credence to Lim's testimony, while the CA agreed with Edmund. The fact that the RTC and the CA reached different conclusions on whether the loans were case-to-case or part of one credit line renders the alleged promise doubtful. A series of acts which may be interpreted in at least two different ways can hardly be considered definite and unambiguous.
- 3) The total amount covered by the First and Second Credit Lines is just one-third of the claimed PHP 48 million credit line. If it were truly Metrobank's intention to set the credit line at PHP 48 million, this should have been reflected in the total amount covered by the written credit line agreements that it asked the spouses Co to sign, considering Edmund's claim that the credit line was gradually increased until it reached PHP 48 million.[139]
- 4) It is undisputed that Metrobank refused to extend fresh capital loans to the spouses after Go was replaced as branch manager. The statements of loan release submitted by the spouses show that some of the loans extended to them by Metrobank after 1999 were simply renewals of unpaid mature loans,[140] which was part of the accommodation they requested after they started missing payments.

Mendoza v. Court of Appeals[141] also involved a dispute between a single proprietorship and a bank over loans under a credit line. The single proprietor also fell behind on payments and submitted a proposal to restructure his debts. Instead, the bank made the single proprietor sign two promissory notes which novated the original credit line and loans. The single proprietor failed to fully pay on the notes, which triggered the included escalation clauses. Eventually, the bank foreclosed on the properties securing the promissory notes. One of the issues raised

in the ensuing suit against the foreclosure was whether the bank should be deemed to have accepted the proposed restructuring plan when it made the single proprietor sign the two novatory promissory notes. The trial court found that the bank "has complied with the conditions of the alleged [restructuring plan], [and it] may [no longer] renege on its obligation to honor the five-year restructuring period, under the rule of promissory estoppel." The CA reversed and ruled that the documents and correspondence relied upon by the trial court to support said ruling were too inconclusive and ambiguous to constitute an actionable promise. In sustaining the CA, We held:

There is nothing in the record that even suggests that respondent PNB assented to the alleged five-year restructure of petitioner's overdue loan obligations to PNB. However, the trial court ruled in favor of petitioner Mendoza, holding that since petitioner has complied with the conditions of the alleged oral contract, the latter may not renege on its obligation to honor the five-year restructuring period, under the rule of promissory estoppel. . .

. . . .

The doctrine of promissory estoppel is an exception to the general rule that a promise of future conduct does not constitute an estoppel. In some jurisdictions, in order to make out a claim of promissory estoppel, a party bears the burden of establishing the following elements: (1) a promise reasonably expected to induce action or forbearance; (2) such promise did in fact induce such action or forbearance, and (3) the party suffered detriment as a result.

It is clear from the forgoing that the doctrine of promissory estoppel presupposes the existence of a promise on the part of one against whom estoppel is claimed. The promise must be plain and unambiguous and sufficiently specific so that the Judiciary can understand the obligation assumed and enforce the promise according to its terms. For petitioner to claim that respondent PNB is estopped to deny the five-year restructuring plan, he must first prove that respondent PNB had promised to approve the plan in exchange for the submission of the proposal. As discussed earlier, no such promise was proven, therefore, the doctrine does not apply to the case at bar. A cause of action for promissory estoppel does not lie where an alleged oral promise was conditional, so that reliance upon it was not reasonable. It does not operate to create liability where it does not otherwise exist.[142] (Citations omitted)

Similarly, Metrobank's act of extending a series of loans to the spouses Co is neither definite nor categorical enough to be construed as a promise to establish a PHP 48 million credit line.

As to the second element, a party who alleges a fact has the burden of proving it.[143] Thus, the party claiming the benefit of promissory estoppel has the duty to prove that the promise actually induced action or forbearance on their part. The spouses Co alleged in their complaint that they started construction of a building and bought machines on the basis of Metrobank's promise that they will be given up to PHP 48 million in credit.[144] However, the RTC and the CA found no evidence to support this allegation. The May 2014 Order expounds:

In the case at bench, the Court reviewed the records and found no evidence to support [the spouses Co's] claim that they expanded their business relying on the alleged representation of [Metrobank] to grant them loans up to the extent of [PHP] 48,000,000.00. Save for the testimony of Edmund Co, [the spouses Co] did not present or offer any evidence to prove that they invested in new factories, purchased machineries, expanded their operations and acquired new equipment upon the belief that [Metrobank] will extend them loans up to the extent of [PHP] 48,000,000.00.

Under the principle of estoppel (Article 1431 of the New Civil Code), an admission or representation is rendered conclusive upon the person making it and cannot be denied or disposed as against the person relying thereon. The failure of [the spouses Co] to prove that they expanded their business on the strength of [Metrobank] alleged promise/assurance to grant them loans up to [PHP] 48,000,000.00 is fatal and cannot be understated. Without proof of the expansion, it cannot be said that [the spouses Co] relied on the alleged

promise and were forced to suffer damages when additional loans were no longer allowed.[145]

Even on appeal, the spouses Co did not submit any proof of actual investment in MBI's expansion on the basis of Metrobank's alleged promise. Instead, they argued that "[a]ssuming for the sake of arguments [sic], that there was absence of expansion, the estoppel consists of the promise on the part of the bank, [of] maintaining the credit line agreement of [PHP] 48 million against collateral held by the bank." [146] However, to invoke estoppel on the basis of a promise, case law requires not only an actionable promise, but also proof of actual reliance on said promise, which, in the case at bar, is the alleged investment and business expansion conducted by the spouses based on their reliance upon Metrobank's promise.

There being no proof of an actionable promise on the part of Metrobank, or of actual reliance on such promise on the part of the spouses Co, we rule that Metrobank cannot be estopped from denying the existence of the PHP 48 million credit line.

Refusal to extend further loans under a credit line agreement does not invalidate a foreclosure

Foreclosure of a real estate mortgage is proper when the principal obligation being secured falls due and is not paid despite valid demand.[147] The fact of nonpayment and the existence of a valid demand are not in dispute here, as the spouses Co admit that they failed to fully pay their obligation to Metrobank;[148] and the evidence shows that Metrobank made a final written demand on November 8, 2001,[149] before initiating foreclosure proceedings in May 2002.[150] Instead, the CA used the breach of the alleged PHP 48 million credit line as basis for nullifying the foreclosure, ruling that "the sudden cancellation of the credit line agreement was invalid. Consequently, the obligation of the [spouses Co] did not yet fall due at the time of the foreclosure of their mortgages and the extrajudicial foreclosure thereof applied for by [Metrobank] was premature, thus, null and void." [151] However, as shown above, the alleged PHP 48 million credit line has no evidentiary basis. The records show that Metrobank only extended PHP 17 million in credit lines to the spouses Co, which had been exhausted by 1999.

In any case, a breach of a credit line agreement has no bearing on the maturity of any loan obtained pursuant to such agreement, for a credit line agreement and the loans contracted thereunder are separate contracts:

[O]pening a credit line does not create a credit transaction of loan or mutuum, since the former is merely a preparatory contract to the contract of loan or mutuum. Under such credit line, the bank is merely obliged, for the considerations specified therefor, to lend to the other party amounts not exceeding the limit provided. The credit transaction thus occurred not when the credit line was opened, but rather when the credit line was availed of.[152]

Thus, the remedy of the borrower under a credit line agreement is an action for specific performance to compel the creditor to extend further loans under the terms of the credit line. Here, it is not disputed that the spouses Co defaulted on their obligations to Metrobank starting in 2001; however, even as the spouses Co blame their default on Metrobank's refusal to honor the alleged PHP 48 million credit line. Edmund also admitted that they did not file any action to compel its enforcement:

[Atty. Macasaet:] You earlier testified that you were no longer allowed by the bank to obtain additional loans in 1999, that was your earlier testimony you were not allowed to make draw downs in 1999, in the year 2000 and in the year 2001?

[Edmund Co:] Around 1999, yes, sir[.]

[Atty. Macasaet:] Did you file a case against the bank to compel it to grant you the additional credit that you

claimed you are entitled to in 1999?

[Edmund Co:] I did not because I don't want to antagonize my relationship with the bank, sir[.]

[Atty. Macasaet:] What about in the year 2000, did you file a case?

[Edmund Co:] This case [for annulment of the foreclosure] I filed in the year. . .

[Atty. Macasaet:] No. I am asking a case to compel the bank to grant you the additional credit which you claimed you are entitled to, did you file a case in 1999?

[Edmund Co:] I did not because I do not want to antagonize my relationship with the bank, sir[.]

[Atty. Maeasaet:] How about in the year 2000, did you file a case?

[Edmund Co:] The same, sir, because I don't want to antagonize...

[Atty. Maeasaet:] What about in the year 2001?

[Edmund Co:] I was compelled because the business really calls for me to file this case, sir.

[Atty. Macasaet:] No, this case was filed in 2002 and not in 2001.

[Edmund Co:] Yes, sir[.][153]

Instead of demanding further loans under their claimed credit line, the spouses Co simply stopped paying their mature loans. Thus, Metrobank cannot be faulted for using all available remedies to collect on said loans when the spouses Co refused to exercise their own remedy to compel the extension of additional credit to pay said loans.

Interest rates on the loans are invalid for violating the principle of mutuality of contracts

Like a credit line agreement, an interest rate stipulation in a loan contract also requires the mutual agreement of the parties to be valid and enforceable. In *Security Bank Corporation v. Spouses Mercado*:^[154]

The principle of mutuality of contracts is found in Article 1308 of the New Civil Code, which states that contracts must bind both contracting parties, and its validity or compliance cannot be left to the will of one of them. The binding effect of any agreement between parties to a contract is premised on two settled principles: (1) that any obligation arising from contract has the force of law between the parties: and (2) that there must be mutuality between the parties based on their essential equality. As such, any contract which appears to be heavily weighed in favor of one of the parties so as to lead to an unconscionable result is void. Likewise, any stipulation regarding the validity or compliance of the contract that is potestative or is left solely to the will of one of the parties is invalid. This holds true not only as to the original terms of the contract but also to its modifications. Consequently, any change in a contract must be made with the consent of the contracting parties, and must be mutually agreed upon. Otherwise, it has no binding effect.

Stipulations as to the payment of interest are subject to the principle of mutuality of contracts. As a principal condition and an important component in contracts of loan, interest rates are only allowed if agreed upon by express stipulation of the parties, and only when reduced into writing.^[155] (Emphasis and underlining supplied)

Pabalan v. Sabnani^[156] further explains:

Central Bank Circular No. 905, s. 1982 [CBC No. 905-1982,] which suspended the Usury Law[,], has granted contracting parties wide latitude to stipulate interest rates. However, the freedom to contract is still not absolute. Article 1306 of the New Civil Code governing the right to contract provides that agreements cannot be contrary to law, morals, good customs, public order, or public policy. In this regard, the Court has cautioned that lenders do not have the "carte blanche authority to raise interest rates to levels which will either enslave their borrowers or lead to a hemorrhaging of their assets." It thus has discretionary power to intervene in certain cases and reduce stipulated interest rates that are found to be unconscionable, iniquitous, and illegal.

The determination of whether or not interest rates are unconscionable or illegal depends on the circumstances of each case. . . [S]tipulated interest rates are not inherently conscionable or unconscionable. These interest rates may be deemed unconscionable only "in light of the context in which they were imposed or applied."

[The] parties' freedom to stipulate is granted under the assumption that there is a competitive market for loans where the parties are on equal footing. It is only when there are imperfections in the loan market resulting in the parties' unequal bargaining positions that the court can step in to ensure that the agreement is not iniquitous or unconscionable.[157] (Citations omitted)

From 1997 to 2000, the spouses Co obtained 121 loans from Metrobank, with terms ranging from one month to one year.[158] Metrobank charged interest on each loan separately, at the "prevailing market rate," ranging from 15.189 to 35.228% annually, as shown below:[159]

Exhibit

Statement Date

Loan Number

Date of Release

Maturity Date

Amount of Loan [PHP]

Effective Interest Rate per annum

Credit Line

Q

08/25/1997

2246 '97

08/25/1997

11/5/1997

993,050.67

24.66%

No

Q-1

08/29/1997

2376 '97

08/29/1997

10/29/1997

548,394.45

23.9%

No

Q-2

09/02/1997

2403 '97

09/02/1997

11/10/1997

1,982,088.53

35.228

No

Q-3

09/04/1997

2413 '97

09/04/1997

11/10/1997

1,835,814.70

32.898

No

Q-4

09/08/1997

2441 '97

09/08/1997

11/25/1997

965,976.50

27.552

No

Q-5

09/08/1997

2440

09/08/1997

11/04/1997

839,566.60

27.116

No

Q-6

09/11/1997

2462 '97

09/11/1997

11/12/1997

1,569,518.99

23.949

No

Q-7

09/16/1997

2508

09/16/1997

11/10/1997

2,664,688.01

21.163

No

Q-8

09/17/1997

2523

09/17/1997

12/03/1997

2,438,955.52

21.44

No

Q-9

09/23/1997

2559

09/23/1997

10/22/1997

4,800,000.00

22.915

No

Q-10

09/24/1997

2567

09/24/1997

09/18/1998

5,000,000.00

22.411

No

Q-11

09/25/1997

2574

09/25/1997

09/18/1998

5,000,000.00

22.397

No

Q-12

09/30/1997

2610

09/30/1997

09/25/1998

6,000,000.00

21.892

No

Q-13

10/06/1997
2636
10/06/1997
10/29/1997
4,000,000.00
29.547
No

Q-14

10/10/1997
2680 '97
10/10/1997
12/23/1997
4,510,978.33
33.11
No

Q-15

10/23/1997
2778
10/23/1997
11/19/1997
2,000,000.00
29.645
No

Q-16

10/31/1997
2829
10/31/1997
01/02/1998
1,066,053.00

29.443

No

Q-17

11/07/1997

2883 '97

11/07/1997

01/22/1998

1,730,788.53

28.07

Yes

Q-18

11/13/1997

2922 '97

11/13/1997

02/12/1998

3,309,177.57

27.829

No

Q-19

11/18/1997

2964 '97

11/18/1997

02/12/1998

814,994.06

27.618

No

Q-20

11/18/1997

2962 '97

11/18/1997

12/19/1997

1,002,106.88

27.119

No

Q-21

11/19/1997

2965 '97

11/19/1997

02/04/1998

2,082,518.42

28.092

No

Q-22

11/25/1997

3002 '97

11/25/1997

12/12/1997

2,108,000.00

26.836

No

Q-23

11/26/1997

3018 '97

11/26/1997

11/20/1998

5,400,000.00

27.16

Yes

Q-24

11/27/1997
3023
11/27/1997
12/15/1997
1,600,000.00
26.856
No

Q-25

12/01/1997
3042
12/01/1997
01/15/1998
2,011,543.00
27.408
No

Q-26

12/03/1997
3072
12/03/1997
01/13/1998
1,538,115.24
28.228
Yes

Q-27

12/10/1997
3113
12/10/1997
02/16/1998
697,404.00

28.451

No

Q-28

12/11/1997

3124 '97

12/11/1997

02/23/1998

1,502,901.90

28.387

Yes

Q-29

12/15/1997

3148 '97

12/15/1997

03/04/1998

1,609,842.54

28.333

No

Q-30

12/16/1997

3150

12/16/1997

03/06/1998

368,263.00

30.998

No

Q-31

12/17/1997

3473

12/17/1997

03/09/1998

373,606.73

31.05

Yes

Q-32

12/18/1997

3182

12/18/1997

03/17/1998

2,189,408.77

31.24

Yes

Q-33

12/22/1997

3195

12/22/1997

03/18/1998

1,370,816.36

30.007

Yes

Q-34

12/29/1997

3218 '97

12/29/1997

04/03/1998

1,197,849.40

29.652

Yes

Q-35

01/02/1998
3237 '98
01/02/1998
04/02/1998
1,020,775.00
29.53
Yes

Q-36

01/12/1998
0080 '98
01/12/1998
01/28/1998
1,159,363.64
29.379
Yes

Q-37

01/05/1998
0003/98
01/05/1998
01/15/1998
750,000.00
27.712
No

Q-38

01/16/1998
013'98
01/16/1998
04/22/1998
252,481.24

31.431

Yes

Q-39

01/19/1998

0146*98

01/19/1998

05/05/1998

1,178,031.92

32.306

No

Q-40

01/15/1998

0116/98

01/15/1998

01/13/1998

750,000 00

29,867

No

Q-41

01/21/1998

0166-98

01/21/1998

01/30/1998

563,804.64

31.68

Yes

Q-42

01/23/1998

0182-98

01/23/1998

04/15/1998

305,447.45

31.625

No

Q-43

01/26/1998

0192/98

01/26/1998

03/09/1998

741,561.20

30.552

Yes

Q-44

01/26/1998

0194/98

01/26/1998

04/29/1998

318,269,10

31.934

Yes

Q-45

01/26/1998

0193/98

01/26/1998

02/05/1998

106,841.00

29.744

Yes

Q-46

01/27/1998

0204/98

01/27/1998

02/ 09/1998

500,000.00

20.818

Yes

Q-47

01/27/1998

0203/98

01/27/1998

04/01/1998

519,180.42

31.133

Yes

Q-48

01/29/1998

0222/98

01/29/1998

04/29/1998

256,901.63

31.849

Yes

Q-49

02/03/1998

0265/98

02/03/1998

03/04/1998

233,150.30

30.218

Yes

Q-50

02/03/1998

0273/98

02/03/1998

05/06/1998

264,034.00

31.905

No

Q-51

02/03/1998

0264/98

02/03/1998

04/02/1998

338,765.18

30.972

Yes

Q-52

02/10/1998

0337/98

02/10/1998

03/04/1998

695,035.33

29.005

Yes

Q-53

02/10/1998

0331/98

02/10/1998

02/05/1998

1,500,000.00

29.193

No

Q-54

02/17/1998

0385/98

02/17/1998

05/06/1998

927,408.09

28.678

Yes

Q-55

02/23/1998

0429'98

02/23/1998

05/25/1998

94,054.80

28.978

Yes

Q-56

02/23/1998

0428'98

02/23/1998

05/13/1998

388,153.05

28.701

Yes

Q-57

02/23/1998

0425/98

02/23/1998

04/02/1998

341,150.00

27.792

Yes

Q-58

02/23/1998

0419'98

02/23/1998

03/06/1998

287,180.00

27.225

Yes

Q-59

03/02/1998

0499/98

03/02/1998

05/25/1998

124,031.00

27.68

Yes

Q-60

03/02/1998

0497'98

03/02/1998

05/05/1998

169,400.00

27.26

Yes

Q-61

03/02/1998

0496

03/02/1998

02/25/1999

1,300,000.00

26.576

Yes

Q-62

03/02/1998

0500/98

03/02/1998

04/07/1998

128,773.55

26.694

Yes

Q-63

03/03/1908

0509'98

03/03/1998

04/16/1998

332,590.57

26.853

No

Q-64

03/09/1998

0537'98

03/09/1998

04/02/1998

143,344.60

24.39

Yes

Q-65

03/09/1998

0536'98

03/09/1998

07/02/1998

68,168.00

25.993

No

Q-66

03/09/1998

0535/98

03/09/1998

05/05/1998

403,072.96

24.948

No

Q-67

03/08/1998

0534/98

03/08/1998

06/03/1998

322,947.30

25.46

No

Q-68

03/11/1998

0558

03/11/1998

04/14/1998

500,000.00

24.557

Yes

Q-69

03/16/1998

0590'98

03/16/1998

04/02/1998

198,687.55

24.235

Yes

Q-70

03/16/1998

0591'98

03/16/1998

04/29/1998

123,588.70

24.725

Yes

Q-71

03/16/1998

0593'98

03/16/1998

05/29/1998

443,623.95

25.245

Yes

Q-72

03/16/1998

0592'98

03/16/1998

06/12/1998

79,515.00

25.496

Yes

Q-73

03/18/1998

0624'98

03/18/1998

03/12/1999

710,000.00

23.969

Yes

Q-74

03/25/1998

0684'98

03/25/1998

07/01/1998

120,514.00

25.106

Yes

Q-75

03/25/1998

0685'98

03/25/1998

05/22/1998

900,000.00

24.423

No

Q-76

03/25/1998

0683/98

03/25/1998

03 19/1998

300,000.00

23.969

Yes

Q-77

03/30/1998

0700

03/30/1998

07/02/1998

163,939.90

24.328

Yes

Q-78

03/30/1998

0696

03/30/1998

06/30/1998

247,419.20

23.861

Q-79

03/30/1998

0701

03/30/1998

05/29/1998

600,000.00

23.781

Yes

Q-80

03/31/1998

0706/98

03/31/1998

06/17/1998

1,000,000.00

23.93

Yes

Q-81

04/01/1998

0730

04/01/1998

06/03/1998

160,000.00

23.693

Yes

Q-82

04/07/1998

0749'98

04/07/1998

06/08/1998

900,000 00

23.407

Yes

Q-83

04/14/1998
0783/98
04/14/1998
06/16/1998
1,300,000.00
22.881
Yes

Q-84

04/20/1998
0826
04/20/1998
07/07/1998
900,000.00
23.101
Yes

Q-85

04/21/1998
0841'98
04/21/1998
07/21/1998
500,000.00
23.296
Yes

Q-86

04/27/1998
0874/98
04/27/1998
07/13/1998
300,000.00

23.086

Yes

Q-87

04/28/1998

0882'98

04/28/1998

07/20/1998

350,000.00

22.62

Yes

Q-88

05/05/1998

0923/98

05/05/1998

07/21/1998

740,000.00

22.811

Yes

Q-89

05/13/1998

0963/98

05/13/1998

07/27/1998

440,000.00

22.782

Yes

Q-90

05/15/1998

0986/98

05/15/1998

05/10/1999

1,900,000.00

22.179

No

Q-91

05/19/1998

1004'98

05/19/1998

08/03/1998

400,000.00

21.17

Yes

Q-92

05/28/1998

1073/98

05/28/1998

08/11/1998

500,000.00

20.326

Yes

Q-93

06/02/1998

1110/98

06/02/1998

08/15/1998

700,000.00

20.337

Yes

Q-94

06/16/1998

1189'98

06/16/1998

09/14/1998

300,000 00

21.953

Yes

Q-95

07/03/1998

1289*98

07/03/1998

08/03/1998

170,000.00

21.123

Yes

Q-96

07/13/1998

1340'98

07/13/1998

07/08/1999

1,600,000.00

20.339

Yes

Q-97

07/20/1998

1387'98

07/20/1998

07/15/1999

2,490,000.00

19.564

No

Q-98

07/27/1998

1418/98

07/27/1998

07/22/1999

1,010,000.00

19.306

Yes

Q-99

08/07/1998

1513/98

08/07/1998

08/02/1999

2,700,000.00

19.305

Yes

Q-100

08/19/1998

1591/98

08/19/1998

08/13/1999

2,000,000.00

20.08

Yes

Q-101

08/24/1998

1632'98

08/24/1998

08/19/1999

600,000.00

19.564

No

Q-102

09/07/1998

1801/98

09/07/1998

09/02/1999

5,000,000.00

18.532

No

Q-103

09/14/1998

1857/98

09/14/1998

09/09/1999

300,000.00

18.531

Yes

Q-104

09/21/1998

1897/98

09/21/1998

09/16/1999

6,000,000.00

18.532

No

Q-105

10/09/1998

2087*98

10/09/1998

10/04/1999

650,000.00

19.048

No

Q-106

11/20/1998

2328'98

11/20/1998

11/15/1999

5,400,000.00

17.502

Yes

Q-107

03/19/1999

0309*99

03/19/1999

03/10/2000

270,000.00

18.274

Yes

Q-108

07/08/1999

0612'99

07/08/1999

03/10/2000

1,600,000.00

15.703

Yes

Q-109

07/15/1999

0632'99

07/15/1999

03/10/2000

2,490,000.00

15.703

Yes

Q-110

07/22/1999

0653'99

07/22/1999

03/10/2000

1,000,000.00

15.19

Yes

Q-111

08/02/1999

0685/99

08/02/1999

03/10/2000

2,700,000.00

15.189

Yes

Q-112

02/04/2000

0112*00

02/04/2000

05/04/2000

1,150,000.00

15.19

No

Q-113

03/10/2000

0206'00

03/10/2000

02/22/2001

270,000.00

15.19

Yes

Q-114

03/10/2000

0207'00

03/10/2000

02/22/2001

1,600,000.00

15.19

Yes

Q-115

03/10/2000

0208'00

03/10/2000

02/22/2001

990,000.00

15.19

Yes

Q-116

03/10/2000
0209'00
03/10/2000
02/22/2001
2,700,000.00
15.19
Yes

Q-117

03/10/2000
0210'00
03/10/2000
02/22/2001
5,400,000.00
15.19
Yes

Q-118

03/10/2000
0211'00
03/10/2000
02/22/2001
2,000,000.00
15.19
Yes

Q-119

03/10/2000
0212*00
03/10/2000
02/22/2001
2,490,000.00

15.19

Yes

Q-120

03/10/2000

0213'00

03/10/2000

02/22/2001

300,000.00

15.19

Yes

The two Credit Line Agreements contain the following provision:

The BANK hereby grants and shall make available to the CLIENT a credit line up to the aggregate principal amount of [PHP 10,000,000.00 in the First Credit Line Agreement and PHP 7,000,000.00 in the Second Credit Line Agreement] in lawful currency of the Republic of the Philippines, to be availed of as follows:

DISCOUNTING LINE in the amount of [PHP 10,000,000.00 in the First Credit Line Agreement and PHP 7,000,000.00 in the Second Credit Line Agreement] for 1 yr. under the following conditions:

- interest at the prevailing rate subject to review every availment
- interest subject to rebate if prepayment made
- waiver of commitment fee
- waiver of credit life insurance
- against CS of LILY CHAN CO & EDMUND CO[160]
- [-against rem[161]]

In their complaint, the spouses Co argued that the variable interest rates on their loans are illegal because: 1) floating or variable interest rates are not authorized by the Usury Law and CBC No. 905-1982; and 2) Presidential Decree No. 116, which authorized the Central Bank "to prescribe the maximum rate or rates of interest for the loan or renewal thereof or the forbearance of any money, goods, or credits, and to change such rate or rates whenever warranted by prevailing economic and social conditions,"[162] is unconstitutional for being an undue delegation of legislative power.[163] Metrobank maintained that the rates were validly agreed upon by the parties, and were at par with the rates charged by other banks at that time, considering the then-prevailing Asian financial crisis.[164] In its February 2014 Decision, the RTC ruled that the spouses Co did not consent to the rates set by Metrobank because they included a demand for accounting in their complaint.[165] In the assailed decision, the CA, without explanation or citation of evidence, ruled that the interest rates were unconscionable and should be reduced to the legal rate.[166]

As to the constitutional objection, suffice it to say that Presidential Decree No. 116 was issued at a time when the President wielded the legislative power,[167] and could not therefore be assailed for being an undue delegation of such power.

Likewise, case law sustains the legality of floating or variable interest rates.[168] "[T]here may be instances wherein an interest rate scheme which does not specifically indicate a particular interest rate may be validly

imposed. Such interest rate scheme refers to what is typically called a floating interest rate system." [169] However, such schemes must still adhere to the mutuality-of-contracts principle, in that the formula or the parameters for calculating the rates cannot be left to the will of one party: [170]

Notably, stipulations on floating rate of interest differ from escalation clauses. Escalation clauses are stipulations which allow for the increase (as well as the mandatory decrease) of the original fixed interest rate. Meanwhile, floating rates of interest refer to the variable interest rate stated on a market-based reference rate agreed upon by the parties. The former refers to the method by which fixed rates may be increased, while the latter pertains to the interest rate itself that is not fixed. Nevertheless, both are contractual provisions that entail adjustment of interest rates subject to the principle of mutuality of contracts. Thus, while the cited cases involve escalation clauses, the principles they lay down on mutuality equally apply to floating interest rate clauses.

The Bangko Sentral ng Pilipinas (BSP) Manual of Regulations for Banks (MORB) allows banks and borrowers to agree on a floating rate of interest, provided that it must be based on market-based reference rates:

§ X305.3 Floating rates of interest. The rate of interest on a floating rate loan during each interest period shall be stated on the basis of Manila Reference Rates (MRRs), T-Bill Rates or other market based reference rates plus a margin as may be agreed upon by the parties.

The MRRs for various interest periods shall be determined and announced by the Bangko Sentral every week and shall be based on the weighted average of the interest rates paid during the immediately preceding week by the ten (10) KBs with the highest combined levels of outstanding deposit substitutes and time deposits, on promissory notes issued and time deposits received by such banks, of [PHP] 100,000 and over per transaction account, with maturities corresponding to the interest periods for which such MRRs are being determined. Such rates and the composition of the sample KBs shall be reviewed and determined at the beginning of every calendar semester on the basis of the banks' combined levels of outstanding deposit substitutes and time deposits as of 31 May or 30 November, as the case may be.

The rate of interest on floating rate loans existing and outstanding as of 23 December 1995 shall continue to be determined on the basis of the MRRs obtained in accordance with the provisions of the rules existing as of 01 January 1989: Provided, however, That the parties to such existing floating rate loan agreements are not precluded from amending or modifying their loan agreements by adopting a floating rate of interest determined on the basis of the TBR or other market based reference rates.

Where the loan agreement provides for a floating interest rate, the interest period, which shall be such period of time for which the rate of interest is fixed, shall be such period as may be agreed upon by the parties.

For the purpose of computing the MRRs, banks shall accomplish the report forms, RS Form 2D and Form 2E (BSP 5-17-34A).

This BSP requirement is consistent with the principle that the determination of interest rates cannot be left solely to the will of one party. It further emphasizes that the reference rate must be stated in writing, and must be agreed upon by the parties. [171] (Citations omitted)

The abovequoted Security Bank case is peculiarly applicable here. In that case, the spouses Mercado also entered into a credit line agreement with interest set by Security Bank at "its prevailing monthly rate". The agreement was also secured by a real estate mortgage, which Security Bank foreclosed upon when the spouses Mercado defaulted. We declared the interest rate stipulation in the credit line agreement violative of the mutuality-of-contracts principle, as the determination of rates was left solely to Security Bank's discretion:

The RTC and CA were correct in holding that the interest provisions in the revolving credit line agreement and

its addendum violate the principle of mutuality of contracts.

First, the authority to change the interest rate was given to Security Bank alone as the lender, without need of the written assent of the spouses Mercado. This unbridled discretion given to Security Bank is evidenced by the clause "I hereby give my continuing consent without need of additional confirmation to the interests stipulated as computed by [Security Bank]." The lopsidedness of the imposition of interest rates is further highlighted by the lack of a breakdown of the interest rates imposed by Security Bank in its statement of account accompanying its demand letter.

Second, the interest rate to be imposed is determined solely by Security Bank for lack of a stated, valid reference rate. The reference rate of "Security Bank's prevailing lending rate" is not pegged on a market-based reference rate as required by the BSP. In this regard, we do not agree with the CA that this case is similar with *Polotan, Sr. v. Court of Appeals (Eleventh Division)*. There, we declared that escalation clauses are not basically wrong or legally objectionable as long as they are not solely potestative but based on reasonable and valid grounds. We held that the interest rate based on the "prevailing market rate" is valid because it cannot be said to be dependent solely on the will of the bank as it is also dependent on the prevailing market rates. The fluctuation in the market rates is beyond the control of the bank. Here, however, the stipulated interest rate based on "Security Bank's prevailing lending rate" is not synonymous with "prevailing market rate." For one, Security Bank is still the one who determines its own prevailing lending rate. More, the argument that Security Bank is guided by other facts (or external factors such as Singapore Rate, London Rate, Inter-Bank Rate) in determining its prevailing monthly rate fails because these reference rates are not contained in writing as required by law and the BSP. Thus we find that the interest stipulations here are akin to the ones invalidated in *Silos* and in *Philippine Savings Bank* for being potestative.[172]

Similarly, We have scoured the records at bar and found no definition, formula, or any other reference which may be used to determine the "prevailing rate" mentioned in the Credit Line Agreements. Edmund testified that the rates for both the case-to-case loans and the credit line loans were unilaterally set by Metrobank, subject only to their acceptance or rejection:

[Atty. Villanueva:] What can you say to that rate of interest of 36% per annum?

[Edmund Co:] In Exhibits Q to Q-120, the average interest is from 24% to 32% reflected particularly in Q-1, Q-2, Q-3, Q-4, Q-5 until Q-120 and these are exceedingly high, the interest, sir.

[Atty. Villanueva:] Did not the bank explain to you that the interest imposes [sic] in that loan agreement averages to 24% to 32%?

[Edmund Co:] Yes, sir, it is a take it or leave it attitude, but we have to sustain our business, sir.[173]

Apart from claiming that the spouses Co consented to the rates imposed on their loans, Metrobank simply alleged, without proof, that the rates were on par with those charged by other banks from 1997 to 2000.[174] Worse, Metrobank even misrepresented in its petition that it only charged a rate of 18% per annum on the spouses Co's loans,[175] when the evidence clearly shows that it charged an undefined "prevailing rate," resulting in a different rate imposed on almost every loan obtained by the spouses Co between July 1997 and July 1999. Metrobank reduced the rate to a uniform 15.19% per annum only after it had deemed the spouses Co a credit risk and limited itself to renewing their unpaid loans. It then increased the rate again to 18% in the final restructuring of the obligation into the thirteen promissory notes mentioned in the foreclosure petition. Worse, the 18% rate in the final promissory notes was subject to unilateral repricing by Metrobank every 30 days, making the rate fully dependent upon the bank's discretion.[176] Metrobank even tried to justify the alleged 18% per annum rate and essentially blamed the spouses Co for agreeing to such rate,[177] when they were in fact faced with a take-it-or-leave-it scenario. Given these circumstances, the CA correctly reduced the interest on the loans to the legal rate, because the variable rate stipulation was subject to the sole, unchecked discretion of Metrobank, and

therefore violative of the principle of mutuality of contracts. In *Security Bank* again:

In striking out these provisions, both in the original and the addendum, we note that there are no other stipulations in writing from which we can base an imposition of interest. Unlike in cases involving escalation clauses that allowed us to impose the original rate of interest, we cannot do the same here as there is none. Nevertheless, while we find that no stipulated interest rate may be imposed on the obligation, legal interest may still be imposed on the outstanding loan. *Eastern Shipping Lines, Inc. v. Court of Appeals* and *Nacar v. Gallery Frames* provide that in the absence of a stipulated interest, a loan obligation shall earn legal interest from the time of default. i.e., from judicial or extrajudicial demand.[178] (Citations omitted)

As a general rule, a court-ordered adjustment of the interest rate on an obligation for a sum of money does not affect the validity of the foreclosure of the mortgage securing such obligation, because the lender retains the right to recover the principal debt even if the stipulated interest rate is invalidated.[179] However, if the rate adjustment results in the alteration of the total amount due so as to invalidate the demand which preceded the foreclosure, then the foreclosure is also invalid. This jurisprudential exception was formulated in *Heirs of Espiritu v. Spouses Landrito*, under the following circumstances:

While the terms of the Real Estate Mortgage remain effective, the foreclosure proceedings held on 31 October 1990 cannot be given effect. In the Notice of Sheriff's Sale dated 5 October 1990, and in the Certificate of Sale dated 31 October 1990, the amount designated as mortgage indebtedness amounted to P874,125.00. Likewise, in the demand letter dated 12 December 1989, Zoilo Espiritu demanded from the Spouses Landrito the amount of [PHP] 874,125.00 for the unpaid loan. Since the debt due is limited to the principal of [PHP] 350,000.00 with 12% per annum as legal interest, the previous demand for payment of the amount of [PHP] 874,125.00 cannot be considered as a valid demand for payment. For an obligation to become due, there must be a valid demand. Nor can the foreclosure proceedings be considered valid since the total amount of the indebtedness during the foreclosure proceedings was pegged at [PHP] 874,125.00 which included interest and which this Court now nullifies for being excessive, iniquitous and exorbitant. If the foreclosure proceedings were considered valid, this would result in an inequitable situation wherein the Spouses Landrito will have their land foreclosed for failure to pay an over-inflated loan only a small part of which they were obligated to pay.

Moreover, it is evident from the facts of the case that despite considerable effort on their part, the Spouses Landrito failed to redeem the mortgaged property because they were unable to raise the total amount, which was grossly inflated by the excessive interest imposed. Their attempt to redeem the mortgaged property at the inflated amount of [PHP] 1,595,392.79, as early as 30 October 1991, is reflected in a letter, which creditor-mortgagee Zoilo Landrito acknowledged to have received by affixing his signature herein. They also attached in their Complaint copies of two checks in the amounts of [PHP] 770,000 00 and [PHP] 995,087.00, both dated 13 January 1992, which were allegedly refused by the Spouses Espiritu. Lastly, the Spouses Espiritu even attached in their exhibits a copy of a handwritten letter, dated 27 January 1994, written by Paz Landrito, addressed to the Spouses Espiritu, wherein the former offered to pay the latter the sum of [PHP] 2,000,000.00. In all these instances, the Spouses Landrito had tried, but failed, to pay an amount way over the indebtedness they were supposed to pay - i.e., [PHP] 350,000.00 and 12% interest per annum. Thus, it is only proper that the Spouses Landrito be given the opportunity to repay the real amount of their indebtedness.

Since the Spouses Landrito the debtors in this case, were not given an opportunity to settle their debt, at the correct amount and without the iniquitous interest imposed, no foreclosure proceedings may be instituted. A judgment ordering a foreclosure sale is conditioned upon a finding on the correct amount of the unpaid obligation and the failure of the debtor to pay the said amount. In this case, it has not yet been shown that the Spouses Landrito had already failed to pay the correct amount of the debt and therefore, a foreclosure sale cannot be conducted in order to answer for the unpaid debt. The foreclosure sale conducted upon their failure to pay [PHP] 874,125 in 1990 should be nullified since the amount demanded as the outstanding loan was overstated; consequently it has not been shown that the mortgagors - the Spouses Landrito, have failed to pay

their outstanding obligation. Moreover, if the proceeds of the sale together with its reasonable rates of interest were applied to the obligation, only a small part of its original loans would actually remain outstanding, but because of the unconscionable interest rates, the larger part corresponded to said excessive and iniquitous interest.[180]

Applying Article 1253 of the Civil Code, *Vasquez v. Philippine National Bank*[181] further explained that the invalidity of a foreclosure necessarily follows from a court-ordered interest rate adjustment occasioned by a one-sided interest rate stipulation, because an invalid interest rate stipulation necessarily lifts the state of default and invalidates the demand, which in turn is necessary for a valid foreclosure:

Jurisprudence has held that in a situation wherein a debtor was not given an opportunity to settle his/her debt at the correct amount due to the imposition of a null and void interest rate scheme, no foreclosure proceedings may be instituted. The registration of such foreclosure sale has been held to be invalid and cannot vest title over the mortgaged property.

In a situation wherein null and void interest rates are imposed under a contract of loan, the non-payment of the principal loan obligation does not place the debtor in a state of default, considering that under Article [1253] of the Civil Code, if a debt produces interest, payment of the principal shall not be deemed to have been made until the interests have been covered. Necessarily, since the obligation of making interest payments in the instant case is illegal and thus non-demandable, the payment of the principal loan obligation was likewise not yet demandable on the part of PNB. With *Vasquez* not being in a state of default, the foreclosure of the subject properties should not have proceeded.

In *Heirs of Zoilo Espiritu v. Sps. Landrito*, the loan obligation involved, which was secured by a mortgage, was marred by an iniquitous imposition of monetary interest because the creditors omitted to specifically identify the impossible interest rate, just as in the instant case. Because of the failure of the debtors to pay back the loan, the mortgaged property was foreclosed. The debtors failed to redeem the foreclosed property. The Court in that case held that the foreclosure proceedings should not be given effect. . .

. . . .

Similarly, in *Sps. Albos v. Sps. Embisan*, the extra-judicial foreclosure sale of a mortgaged property, which was foreclosed due to the non-payment of a loan, was invalidated because the interest rates imposed on the loan were found to be null and void due to their unconscionability.

In *Sps. Castro v. Tan*, on the basis of the nullity of the imposed interest rates due to their iniquity, the Court nullified the foreclosure proceedings "since the amount demanded as the outstanding loan was overstated. Consequently, it has not been shown that the respondents have failed to pay the correct amount of their outstanding obligation. Accordingly, we declare the registration of the foreclosure sale invalid and cannot vest title over the mortgaged property."

Also, in *Sps. Andal v. PNB*, the Court upheld the nullification of the foreclosure sale, affirming the appellate court's holding that "since the interest rates are null and void, [respondent] bank has no right to foreclose [petitioners-spouses'] properties and any foreclosure thereof is illegal . . . Since there was no default yet, it is premature for [respondent] bank to foreclose the properties subject of the real estate mortgage contract."

Hence, based on established jurisprudence, the fact that the interest rate scheme imposed upon *Vasquez* was null and void inevitably leads to the invalidity of the foreclosure sale. It would be unjust if the foreclosure sale of the subject properties was considered valid, as this would result in an inequitable situation wherein *Vasquez* would have his properties foreclosed for failure to pay a loan that was unduly inflated due to the unilateral and one-sided imposition of monetary interest.

Therefore, the CA was incorrect in finding that there is no evidence presented that warrants the nullification of

the foreclosure sale of the subject properties. The Court rules that the foreclosure sale of the subject properties is null and void. Necessarily, the said foreclosure sale cannot be deemed to have transferred the right of ownership and possession to PNB and its successors-in-interest.[182] (Citations omitted)

Similar to Vasquez, both the spouses Co's own records and the statements of loan release issued by Metrobank show that the interest rates on the loans varied between 17.502 and 35.228% per annum from 1997 to 1998.[183] When Metrobank stopped extending fresh loans to the spouses in 1999, it still imposed the invalid variable rates on the renewals of their mature loans. Edmund testified that because of the liquidity problems suffered by MBI after Metrobank stopped extending them credit, they only had sufficient funds to cover the interest on their outstanding obligations.[184] Metrobank's sole witness confirmed that the spouses Co were able to pay interest, but not the principal, on their outstanding obligations.[185] Despite the uniform interest rate in the restructured promissory notes which formed the basis of the present foreclosure, the application of Article 1253 in Vasquez remains relevant here, as Metrobank not only reserved the right to reprice the rate in the said promissory notes, but also continued to unilaterally vary the interest rate between the penultimate renewal loans, which bore interest at 15.19% per annum, and the restructured promissory notes, which bore interest rate at either 16.25, 16.75, or 18 % per annum. Clearly, Metrobank used a variable rate of interest throughout its whole credit relationship with the spouses Co from 1997 to 2001, and the spouses Co had no say whatsoever in the computation or determination of these rates.

Following Spouses Espiritu and Vasquez, the CA correctly nullified the interest rate stipulations and the foreclosure of the QC and San Juan lots. Thus, the applicable interest rate should revert to the legal rate, reckoned from the date of the last extrajudicial demand on November 8, 2001.[186] In addition to regular interest, the spouses Co must also pay compensatory interest, as they have not paid the principal obligation since the date of last demand and have therefore incurred delay.[187] The imposition of compensatory interest is governed by Articles 2209 and 2212 of the Civil Code, as clarified by Our rulings in *Nacar v. Gallery Frames*[188] and *Lara's Gifts and Decors v. Midtown Industrial Sales, Inc.*,[189] thus:

With regard to an award of interest in the concept of actual and compensatory damages, the rate of interest, as well as the accrual thereof, is imposed, as follows:

A. In obligations consisting of loans or forbearances of money, goods or credit:

1. The compensatory interest due shall be that which is stipulated by the parties in writing as the penalty or compensatory interest rate, provided it is not unconscionable. In the absence of a stipulated penalty or compensatory interest rate, the compensatory interest due shall be that which is stipulated by the parties in writing as the conventional interest rate, provided it is not unconscionable. In the absence of a stipulated penalty or a stipulated conventional interest rate, or if these rates are unconscionable, the compensatory interest shall be the prevailing legal interest rate prescribed by the *Bangko Sentral ng Pilipinas*. Compensatory interest, in the absence of a stipulated reckoning date, shall be computed from default, i.e., from extrajudicial or judicial demand, until full payment.

2. Interest on conventional/monetary interest and stipulated compensatory interest shall accrue at the stipulated interest rate (compounded interest) from the stipulated reckoning point or, in the absence thereof, from extrajudicial or judicial demand until full payment, provided it is not unconscionable. In the absence of a stipulated compounded interest rate or if this rate is unconscionable, the prevailing legal interest rate prescribed by the *Bangko Sentral ng Pilipinas* shall apply from the time of judicial demand until full payment.[190]

Awards for lost investment, lost profits, and damages have no evidentiary basis

Finally, we delete the award of "consequential" and other damages to the spouses Co. There is no evidence on record to warrant a remuneration for lost profits or lost investment, for the spouses Co failed to present any evidence of capital investment premised on the alleged PHP 48 million credit line, or of the alleged profits they lost as a result. The same is true for the awards of actual, moral, exemplary damages, as they also failed to prove any compensable loss or injury.

ACCORDINGLY, the Petition is PARTIALLY GRANTED. The May 28, 2015 Decision and the September 30, 2015 Resolution of the Court of Appeals in CA-G.R. CV No. 103440 is AFFIRMED with the following MODIFICATIONS:

- 1) The interest rate on the obligation of respondents Spouses Edmund and Lily Co to petitioner Metropolitan Bank and Trust Company is REDUCED to 12% per annum from November 8, 2001 until June 30, 2013, and to 6% per annum from July 1, 2013 until full payment;
- 2) Legal interest at the rate of 12% per annum shall be applied to any unpaid interest from November 8, 2001 until June 30, 2013. From July 1, 2013 until full payment, any unpaid interest shall earn legal interest at the rate of 6% per annum; and
- 3) The monetary awards for lost capital investment, lost expected profits, actual damages, moral damages, exemplary damages, and costs of suit are DELETED.

SO ORDERED.

Caguioa (Chairperson), Inting, and Dimaampao, JJ., concur.
Singh, [***] J., on leave.

[*] Also referred to in the records and transcripts of stenographic notes as "Edmundo Co," "Edmun Co," "Edmund Chua," and "Edmund Chua Co."

[**] Also referred to in the records as "Lili Chan Co."

[***] On leave.

[1] Rollo, pp. 3-47.

[2] Id. at 55-74. Penned by Associate Justice Isaias P. Dicdican and concurred in by Associate Justices Victoria Isabel A. Paredes and Melchor Quirino C. Sadang of the Special Ninth Division, Court of Appeals, Manila.

[3] Id. at 76-77. Penned by Associate Justice Melchor Quirino C. Sadang and concurred in by Presiding Justice Andres B. Reyes, Jr. (now a retired member of this Court) and Associate Justice Victoria Isabel A. Paredes of the Special Former Special Ninth Division of the Court of Appeals, Manila.

[4] Id. at 354-359.

[5] Id. at 378.

[6] Records, vol. I, p. 3. Complaint; TSN, Edmundo Co, May 17, 2007, p. 7.

[7] Id., Complaint.

[8] Also referred to in the records as "Go Bun Juan" and "Go Bun Wan".

[9] TSN, Edmundo Co, May 17, 2007, p. 12; records, vol. II, pp. 513-514, Judicial Affidavit of Steve Robertson

Lim.

[10] Id. at 14-15; id., Judicial Affidavit of Steve Robertson Lim. The loans had terms ranging from one month to one year.

[11] Records, vol. II, p. 323, Exhibit Q-121 (Table of loans and payments to Metrobank); id., Judicial Affidavit of Steve Robertson Lim.

[12] TSN, Edmundo Co, May 17, 2007, pp. 14-17; TSN, Edmundo Co, March 6, 2008, pp. 10-11; Id., Judicial Affidavit of Steve Robertson Lim.

[13] Records, vol. I, pp. 250-251, Credit Line Agreement.

[14] Records, vol. II, p. 512, Judicial Affidavit of Steve Robertson Lim.

[15] Id. at 245-250. Real Estate Mortgages. The mortgage only specifies the amount of indebtedness secured. No particular loan or loans are identified as being secured by the mortgage. However, the loan release statements of three loans released on September 17, 1997, October 10, 1997, and November 7, 1997, all bear the notation "REM" or "dl-rem," which, according to Metrobank, indicates that these loans are secured by a real estate mortgage. Records, vol. II, p. 612, Memorandum of Metrobank. These three loans were for a total amount of PHP 8,680,722.18. Records, vol. I, pp. 263, 266, 268.

[16] Records, vol. II p. 323, Exhibit Q-121 (Table of loans and payments to Metrobank).

[17] Id. at 512. Judicial Affidavit of Steve Robertson Lim. The three mortgaged lots are hereinafter referred to as the "QC lots". The mortgage only specifies the amount secured. No particular loan or loans are identified as being secured by the mortgage. However, the loan release statements of five loans released on November 26, 1997, December 3, 1997, December 10, 1997, December 11, 1997, and December 16, 1997, all bear the notation "REM" or "dl-rem," which, according to Metrobank, indicates that these loans are secured by a real estate mortgage. Records, vol. II, p. 612. Memorandum of Metrobank. These five loans were for a total amount of PHP 9,138,789.403. Records, vol. I, pp. 271-274.

[18] Records, vol. I, pp. 273-307. Statements of Loan Release.

[19] Records, vol. I, pp. 258-259; records, vol. II, p. 514. Judicial Affidavit of Steve Robertson Lim.

[20] Records, vol. II, 530-532. Real Estate Mortgage. The mortgage only specifies the amount secured. No particular loan or loans are identified as being secured by the mortgage. However, most of the release statements for the loans released to the spouses Co in the year 1998 prior to the execution of this third mortgage all bear the notation "REM" or "dl-rem" (see records, vol. 2, pp. 277-313), which, according to Metrobank, indicates that these loans are secured by a real estate mortgage. Records, vol. II, p. 612, Memorandum of Metrobank. The loans released to the spouses Co between December 1997 and September 1998 amount to PHP 65,990,656.41. Id.

[21] Records, vol. II, p. 323, Exhibit Q-121 (Table of loans and payments to Metrobank).

[22] Records, vol. I, pp. 5-6. Complaint; id. at 238. Answer.

[23] The First Credit Line lapsed on October 2, 1998, while the Second Credit Line lapsed on April 2, 1999. Rollo, pp. 94-97. Memorandum for Metrobank; records, vol. II, p. 614.

[24] TSN, Edmundo Co, March 6, 2008, p. 15; TSN, Edmundo Co, July 30, 2010, pp. 11-12, 15; Records, vol. II, p. 518. Judicial Affidavit of Steve Robertson Lim.

[25] Records, vol. I, p. 6. Complaint.

[26] Id. at 328. Answer; records, vol. II, pp. 516-518. Judicial Affidavit of Steve Robertson Lim; records, vol. II, pp. 316-322. Statements of Loan Release.

[27] Id. at 7. Complaint.

[28] Id. at 7-8, 241. Answer.

[29] Records, vol. II, p. 313, Statement of Loan Release; 517-518, Judicial Affidavit of Steve Robertson Lim.

[30] Id. at 517-518. Judicial Affidavit of Steve Robertson Lim.

[31] Records, vol. II, pp. 500-507, 577-586A. Formal Offer of Evidence for Metrobank and Promissory Notes.

[32] The table below is based on the remarks in Formal Offer of Evidence for Metrobank. id., and on the allegations in Metrobank's petition for writ of possession, id. at 239-240.

[33] See id. at 239 & 251. Petition for issuance of Writ of Possession. Notice of Foreclosure.

[34] Id. at 577.

[35] Id. at 562.

[36] Id. at 578.

[37] Id. at 569.

[38] Id. at 579.

[39] Id. at 570.

[40] Id. at 580.

[41] Id. at 571.

[42] Id. at 581.

[43] Id. at 572.

[44] Id. at 582.

[45] Id. at 573.

[46] Id. at 583.

[47] Id. at 574.

[48] Id at 584.

[49] Id. at 575.

[50] Id. at 585.

[51] Id. at 576.

[52] Id. at 586.

[53] Id. at 586-A.

[54] See id. at 240 & 251. Petition for Issuance of Writ of Possession. Notice of Foreclosure.

[55] See *id.* at 223 & 225. Formal Offer of Evidence for the spouses Co; TSN, July 30, 2010, pp. 14-15; TSN, Edmundo Co, October 1, 2010, pp. 13-14; TSN, Edmundo Co, February 4, 2011, p. 6; TSN, Edmundo Co, February 16, 2012, pp. 10-13; TSN, Edmundo Co, March 22, 2012, pp. 7-11; TSN, Edmundo Co, September 13, 2012, pp. 5-6.

[56] Records, vol. I, p. 239. Answer.

[57] *Id.* at 240, Answer; records, vol. II, p. 253. Petition for Extrajudicial Foreclosure.

[58] *Id.* at 241, Answer; *id.* at 251-255. Petition for Extrajudicial Foreclosure.

[59] *Id.* at 241-242. Petition for Writ of Possession.

[60] Records, vol. II, pp. 257-258.

[61] Records, vol. I, p. 8. Complaint; p. 241. Answer; p. 33. Notice of Sheriff's Sale dated May 21, 2002.

[62] Records, vol. II, p. 256. Minutes of Auction Sale.

[63] Records, vol. I, p. 1. Complaint; rollo, p. 58. CA Decision.

[64] Records, vol. I, pp. 15-16.

[65] *Id.* at 86. Order dated September 17, 2002; Petition for issuance of writ of possession, p. 242; records, vol. II, p. 256, Minutes of Auction Sale.

[66] Records, vol. I, pp. 86-87.

[67] *Id.* at 190-192.

[68] Records, vol. II, pp. 1-2. Order dated August 27, 2003.

[69] *Id.* at 239-243. Petition for writ of possession.

[70] *Spouses Co v. Hon. Bascos-Sarabia*, CA-G.R. SP No. 129708, August 27, 2013 (Fifth Division, Court of Appeals), p. 3. Accessed March 3, 2023 through the Court of Appeals Case Status Inquiry System at <https://services.ca.judiciary.gov.ph/csisver3-war/>.

[71] TSN, Edmundo Co, March 6, 2008, pp. 21-29; TSN, Edmundo Co, February 4, 2011, p. 8.

[72] Records, vol. I, p. 3. Complaint; TSN, Edmundo Co, March 6, 2008, pp. 21-29.

[73] Records, vol. I, p. 3; TSN, Edmundo Co, May 17, 2007, pp. 19-22.

[74] Records, vol. I, pp. 3-5; TSN, Edmundo Co, May 17, 2007, pp. 19-22.

[75] TSN, Edmundo Co, March 6, 2008, pp. 27-29.

[76] Records, vol. I, pp. 3 & 6, Complaint; TSN, Edmundo Co, March 6, 2008, pp. 17-18.

[77] Records, vol. I, pp. 6-7; TSN, Edmundo Co, March 6, 2008, pp. 17-18; TSN, Edmundo Co, February 4, 2011, p. 6.

[78] Records, vol. II, p. 518. Judicial Affidavit of Steve Robertson Lim.

[79] *Id.* at 513-514, 516.

[80] *Id.*

[81] Id. at 513-514.

[82] Id. at 612, Trial Memorandum for Metrobank.

[83] Records, vol. I, pp. 235-236. Answer.

[84] Id. at 236.

[85] Id. at 238; records, vol. II, p. 518, Judicial Affidavit of Steve Robertson Lim.

[86] Id. at 239; id. at 517-518, Judicial Affidavit of Steve Robertson Lim.

[87] Id.

[88] Id. at 237; records, vol. II, p. 514. Judicial Affidavit of Steve Robertson Lim.

[89] Id. at 241.

[90] Id. at 241-242.

[91] Id. at 245.

[92] Spouses Co v. Hon. Bascos-Sarabia, CA-G.R. SP No. 129708, August 27, 2013 (Fifth Division, Court of Appeals), p. 3. Accessed March 3, 2023 through the Court of Appeals Case Status Inquiry System at <https://services.ca.judiciary.gov.ph/csisver3-war/>.

[93] Rollo, p. 476, Minute Resolution dated October 20, 2014 in G.R. No. 212613 (Spouses Co v. Court of Appeals).

[94] Records, vol. II, pp. 626-652, per Presiding Judge Afable E. Cajigal.

[95] Id. at 650-652.

[96] Id. at 639-642, 645.

[97] Id. at 647-648.

[98] Id. at 645-646.

[99] Id. at 642-644.

[100] Id. at 643-645.

[101] Id. at 648-650.

[102] Id. at 657-667.

[103] Rollo, pp. 354-359, per Presiding Judge Afable E. Cajigal.

[104] Id. at 359.

[105] Id. at 355-357.

[106] Id.

[107] Id. at 357.

[108] Id. at 378, Resolution dated June 17, 2014, per Presiding Judge Afable E. Cajigal.

[109] Id. at 379-380, Notice of Appeal.

[110] Id. at 73-74. CA Decision

[111] Id. at 66-67.

[112] Id. at 67-68.

[113] Id. at 68-72.

[114] Id. at 72.

[115] Id. at 446-466.

[116] Bayan Muna Party-List Representatives Ocampo and Casiño v. President Macapagal-Arroyo, 943 Phil. 114, 117 (2023) [Per J. Gaerlan, En Banc]; Cano v. Galvante, 440 Phil. 821, 825-826 (2002) [Per J. Quisumbing, Second Division]; Sumulong v. Commission on Elections, 70 Phil. 703 (1940) [Per J. Laurel, First Division].

[117] Cano v. Galvante, id.; Sumulong v. Commission on Elections, 440 Phil. 821, 825-826 (2002) [Per J. Quisumbing, Second Division].

[118] RULES OF COURT, Rule 45, sec. 1, which states in part: "A party desiring to appeal by certiorari from a judgment, final order or resolution of the Court of Appeals, the Sandiganbayan, the Court of Tax Appeals, the Regional Trial Court or other courts, whenever authorized by law, may file with the Supreme Court a verified petition for review on certiorari. The petition . . . shall raise only questions of law, which must be distinctly set forth . . ."

[119] Fegarido v. Alcantara, 923 Phil 25, 29-30 (2022) [Per SAJ. Leonen, Second Division]; BPI Family Savings Bank, Inc. v. Sps. Soriano, 873 Phil. 419, 429 (2020) [Per J. Gaerlan, Third Division]; Garcia v. Court of Appeals, 513 Phil. 547, 556 (2015) [Per J. Azcuna, First Division].

[120] One of the exceptions to the general rule against factual review in a Rule 45 proceeding is when the findings of fact are conclusions without citation of specific evidence on which they are based. Ang v. Abaldonado, 868 Phil. 719, 728 (2020) [Per J. J.C. Reyes, Jr., First Division], citing Heirs of Juan M. Dinglasan v. Ayala Corp., 858 Phil. 686, 700 (2019) [Per J. Peralta, Third Division].

[121] Sps. Sia v. Bank of the Philippine Islands, 722 Phil 183, 199 (2013) [Per J. Reyes, First Division], citing Rosario Textile Mills Corporation v. Home Bankers Savings and Trust Co., 500 Phil. 475, 482 (2005) [Per J. Sandoval-Gutierrez, Third Division]. (Emphasis supplied)

[122] United Coconut Planters Bank v. Spouses Beluso, 557 Phil. 326, 356 (2007) [Per J. Chico-Nazario, Third Division]. (Emphasis supplied)

[123] BLACK'S LAW DICTIONARY 242 (9[th] ed., 2009). Some jurisdictions recognize an "open" revolving credit where the borrower is allowed to obtain loans without limitation as to the loanable amount or maximum outstanding balance. See Tucker v. Santander Consumer USA, Civil Action No. 21-CV-02067-CMA-NRN (D. Colo, Apr. 7, 2022) [United States of America]. (Emphasis supplied)

[124] TSN, Edmundo Co, March 6, 2008, pp. 21-23 & 27-29.

[125] See also TSN, Edmundo Co, October 3, 2008, pp. 10-11.

[126] Records, vol. II, p 514, Judicial Affidavit of Steve Robert Lim. Edmund also testified that when he met with Go's successor to ask for additional loans, the latter told him that she had no authority to grant loans. TSN, Edmundo Co, March 6, 2008, pp. 24-25.

[127] Id. at 323. Exhibit Q-121.

[128] A party alleging that an oral contract has been partially executed must first prove the existence of such contract. See *Heirs of Natividad v. Mauricio-Natividad*, 781 Phil. 803, 811-812 (2016) [Per J. Peralta, Third Division].

[129] 568 Phil. 339 (2008) [Per J. Ynares-Santiago, Third Division].

[130] Id. at 344-350. (Emphasis supplied)

[131] Rollo, p. 355, May 2014 Order. (Emphasis supplied)

[132] *National Power Corp. v. Judge Alonzo-Legasto*, 485 Phil. 732, 758 (2004) [Per J. Tinga, Second Division].

[133] 4 JOSE B.L. REYES & RICARDO C. PUNO, AN OUTLINE OF PHILIPPINE CIVIL LAW 278 (3rd ed., 1958). (Emphasis supplied)

[134] *GoldStick v. ICM Realty*, 788 F.2d 456, 462 (1986) [United States of America]. (Emphasis supplied)

[135] *Riingen v. Western Union Financial Services (Hong Kong United, Philippines Representative Office)*, 897 Phil. 1028, 1032 (2021) [Per J. Carandang, First Division], citing *Accessories Specialist Inc. v. Alabanza*, 581 Phil. 517, 526 (2008) [Per J. Nachura, Third Division]; *Philippine National Bank v. Bulatao*, 876 Phil. 936, 952-953 (2019) [Per J. Hernando, Second Division]; *Mendoza v. Court of Appeals*, 412 Phil. 14, 29 (2001) [Per J. De Leon, Jr., Second Division].

[136] *Mendoza v. Court of Appeals*, id.

[137] *National Power Corp. v. Judge Alonzo-Legasto*, 485 Phil. 732, 759 (2004) [Per J. Tinga, Second Division].

[138] Records, vol. II, p. 323, Exhibit Q-121; TSN, *Edmundo Co*, February 4, 2011, p. 5; TSN, *Edmundo Co*, February 16, 2012, p. 23.

[139] TSN, *Edmundo Co*, May 17, 2007, pp. 18-19.

[140] Records, vol. II, pp. 313-322, which are Statements of Loan Release with the word "Renewal" typewritten on the "Remarks" field, as opposed to other Statements of Loan Release with the phrase "additional working capital" typewritten on the "Purpose" field., id. at 259-291.

[141] 412 Phil. 14 (2001) [Per J. De Leon, Jr., Second Division].

[142] Id. at 28-30.

[143] RULES OF COURT, rule 131, sec. 1; *Survivors of Agrichemicals in Gensan (SAGING), Inc. v. Standard Fruit Company*, 940 Phil. 18, 39 (2023) [Per SAJ. Leonen, Second Division]; *Ganancial v. Cabugao*, 876 Phil. 1, 12 (2020) [Per J. Hernando, Second Division]; *Sps. Ramos v. Obispo, et al.*, 705 Phil. 221, 234 (2013) [Per J. Villarama, First Division]; *Spouses Montecalvo v. Heirs of Eugenia T. Primero*, 638 Phil. 562, 564 (2010) [Per J. Del Castillo, First Division]; *Villaflor v. Court of Appeals*, 345 Phil. 524, 545 (1997) [Per J. Panganiban, Third Division], *Republic v. Court of Appeals*, 261 Phil. 393, 404 (1990) [Per J. Medialdea, First Division]; *San Mauricio Mining Co. v. Judge Ancheta*, 192 Phil. 624 (1981) [Per J. Barredo, Second Division]; *Bollozos v. Court of Tax Appeals*, 121 Phil. 440 (1965) [Per J. Regala, En Banc]; *Ramcar Inc. v. Garcia*, 114 Phil. 1026 (1962) [Per J. Paredes, En Banc].

[144] Records, vol. I p. 3, Complaint.

[145] Rollo, pp. 355-356, May 2014 Order.

[146] CA rollo, p. 59, Appellant's Brief. (Emphasis supplied)

[147] CIVIL CODE, Article 2087; BPI Family Saving Bank v. Sps. Veloso, 479 Phil. 627, 632 (2004) [Per J. Corona, Third Division]; United Coconut Planters Bank v. Spouses Beluso, 557 Phil. 326, 350 (2007) [Per J. Chico-Nazario, Third Divisions]; Spouses Rodriguez v. Export and Industry Bank Inc., 903 Phil. 473, 484 (2021) [Per J. Caguioa, First Division].

[148] At various points in his testimony, Edmund maintained that he stopped payments to Metrobank because of the liquidity problems they faced after Go's successor stopped giving them new loans. TSN, Edmundo Co, October 1, 2010, p. 13; TSN, Edmundo Co, February 1, 2011, pp. 5-6; TSN, Edmundo Co, March 22, 2012, pp. 10-11, 14-15; TSN, Edmundo Co, September 13, 2012, pp. 5-6.

[149] Records vol. II, p. 254. Petition for Extrajudicial Foreclosure. The spouses Co admitted the fact of demand in their complaint, records, vol. I, p. 8, and did not refute Metrobank's averment that demand for payment of the entire loan obligation was made in October 2001. Records, vol. II, p. 329. Answer; 303-304. Reply.

[150] Records, vol. II, pp. 251-254. Petition for Extrajudicial Foreclosure.

[151] Rollo, p. 72, CA Decision. (Emphasis supplied)

[152] United Coconut Planters Bank v. Spouses Beluso, 557 Phil. 326, 356 (2007) [Per J. Chico-Nazario, Third Division].

[153] TSN, Edmundo Co, July 30, 2010, pp 15-16.

[154] 834 Phil. 286 (2018), [Per J. Jardeleza, First Division].

[155] Id. at 305-306.

[156] 936 Phil. 600 (2023) [Per J. Gaerlan, En Banc].

[157] Id. at 610-611.

[158] Records, vol. II, pp. 323-326. Exhibit Q-121 for the spouses Co. The record contains no copies of, or references to, individual loan contracts. The only reference to the interest rates and other terms of the loans are in the Statements of Loan Release submitted by the spouses Co.

[159] Id. at 209-211, Formal Offer of Evidence for the spouses Co; pp. 259-322. Statements of Loan Release. According to Metrobank, the notation "dl-rem" in the loan release statements means that the loan was drawn under the two credit lines and covered by the mortgages. Id. at 612. Trial Memorandum of Metrobank.

[160] Records, vol. I, pp 250 & 258. Credit Line Agreements dated October 29, 1997 and May 13, 1998. (Emphasis and underlining supplied)

[161] Additional stipulation in the Second Credit Line Agreement. Id. at 258. Credit line Agreement dated May 13, 1998.

[162] PRESIDENTIAL DECREE NO. 116 (1973), sec. 2. (Emphasis supplied)

[163] Records, vol. 1, pp. 12-13, Complaint. The spouses' trial memorandum is silent on the matter, see records, vol. II, pp. 600-610.

[164] Records, vol. II, p. 519. Judicial Affidavit of Steve Robertson Lim.

[165] Rollo, p. 329, RTC Decision. (Emphasis supplied)

[166] *Id.* at 72. CA Decision. (Emphasis supplied)

[167] PRESIDENTIAL DECREE NO. 116 (1973), fourth perambulatory clause, in relation to the following cases: *Aquino, Jr. v. Commission on Elections*, 159 Phil. 328 [Per J. Makasiar, En Banc]; *David v. Macapagal-Arroyo*, 522 Phil. 705 (2006) [Per J. Sandoval-Gutierrez, En Banc]; *Philippine Association of Service Exporters, Inc. v. Torres*, 296-A Phil. 427 (1993) [Per J. Belosillo, En Banc]; *Guingona, Jr. v. Carague*, 273 Phil. 443 (1993) [Per J. Gancayco, En Banc]; *Garcia v. Commission on Elections*, 307 Phil. 296 (1994) [Per J. Puno, En Banc]; *Gonzales v. Philippine Amusement and Gaming Corp.*, 473 Phil. 582 (2004) [Per J. Carpio-Morales, Third Division], and cases cited therein. See also CONST., art. XVIII, sec. 3, upholding the validity of Presidential Decrees until their repeal or modification.

[168] *Lotto Restaurant Corp v. BPI Family Savings Bank Inc.*, 662 Phil. 267 (2011) [Per J. Abad, Second Division]; *Polotan, Sr. v. Court of Appeals*, 357 Phil. 250 (1998) [Per J. Romero, Third Division].

[169] *Vasquez v. Philippine National Bank*, 860 Phil. 922 (2019) [Per J. Caguioa, Second Division]. (Emphasis supplied)

[170] *Spouses Silos v. Philippine National Bank*, 738 Phil. 156 (2014) [Per J. Del Castillo, Second Division]; *Vasquez v. Philippine National Bank, id.*, J. Zalameda, Dissenting Opinion in *United Coconut Planters Bank v. Ang*, 916 Phil. 482 (2021) [Per J. Carandang, Third Division].

[171] *Security Bank Corporation v. Spouses Mercado*, 834 Phil. 286, 310-311 (2018) [Per J. Jardeleza, First Division].

[172] *Id.* at 311-312.

[173] TSN, *Edmundo Co*, February 16, 2012, p. 15.

[174] *Records*, vol. II, p. 519. Judicial Affidavit of Steve Robinson Lim.

[175] *Rollo*, p. 44. Petition for Review.

[176] See provision in the promissory notes, *id.* at 147-677 stating that the interest rates were to be either reviewed or repriced every 30 days.

[177] *Id.* at 44-45, paragraphs 8.66 to 8.68 of the Petition for Review.

[178] *Security Bank Corporation v. Spouses Mercado*, 834 Phil. 286, 313 (2018) [Per J. Jardeleza, First Division].

[179] *Security Bank Corporation v. Spouses Mercado, id.* at 312.

[180] *Heirs of Espiritu v. Spouses Landrito*, 549 Phil. 180, 197 (2007) [Per J. Chico-Nazario, Third Division].

[181] 860 Phil. 922 (2019) [Per J. Caguioa, Second Division].

[182] *Id.* at 949-952.

[183] *Records*, vol. II, pp. 259-315.

[184] TSN, *Edmundo Co*, March 6, 2008, p. 20; TSN, *Edmundo Co*, October 3, 2008, p. 9.

[185] *Records*, vol. II, p. 518. Judicial Affidavit of Steve Robertson Lim.

[186] Courts have the power to reduce stipulated interest rates if found to be unconscionable, giving due consideration to the circumstances of each case in setting the new rate. *Imperial v. Jaucian*, 471 Phil. 484 (2004) [Per J. Panganiban, First Division], where the Court affirmed the trial court's setting of the rate at 14 % per

annum; *Arrofo v. Quino*, 490 Phil. 179 (2005) [Per J. Carpio, First Division], where the Court reduced the rate to 18% per annum. In the exercise of this discretion to reduce unconscionable interest rates, the Supreme Court has often deferred to interest rates prescribed in statutes or regulation (the "legal rate"), regardless of whether these rates pertain to compensatory or conventional interest. See *Eastern Shipping Lines v. Court of Appeals*, 304 Phil. 236 (1994) [Per J. Vitug, En Banc], in relation to cases cited in HECTOR S. DE LEON & HECTOR M. DE LEON, JR., *COMMENTS AND CASES ON CREDIT TRANSACTIONS* 92-94 (14th ed., 2021); J. Caguioa, Concurring and Dissenting Opinion in *Lara's Gifts and Decors v. Midtown Industrial Sales, Inc.*, 860 Phil. 744, 797-810 (2019) [Per J. Carpio, En Banc]. See also *Megalopolis Properties, Inc. v. D'NheW Lending Corporation*, 902 Phil. 180 (2021) [Per J. Delos Santos, Third Division], which described the legal rate of interest as "the presumptive reasonable compensation for borrowed money".

[187] "[I]f the debtor is not in delay, it is properly liable only for the principal of the loan and conventional interest. Even if the debtor is not liable for compensatory interest, this does not mean that it is, as a matter of law, relieved from the payment of conventional interest. The conventional interest continues to accrue under the terms of the loan until actual payment is effected. The payment of conventional interest, specifically monetary interest, constitutes the price or cost of the use of money and thus, continues to accrue until the principal sum due is returned to the creditor. Corollary to this, if the debtor were in delay, then compensatory interest, as a matter of law, will accrue in addition to conventional interest." *Lara's Gifts and Decors v. Midtown Industrial Sales, Inc.*, 929 Phil. 754, 764-765 (2022) [Per J. Leonen, En Banc].

[188] 716 Phil. 267 (2013) [Per J. Peralta, En Banc].

[189] 929 Phil. 754, 764-765 (2022) [Per J. Leonen, En Banc].

[190] *Id.* at 779-780.

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