

## THIRD DIVISION

[ G.R. No. 217044, January 16, 2019 ]

### **SPOUSES RAINIER JOSE M. YULO AND JULIET L. YULO, PETITIONERS, VS. BANK OF THE PHILIPPINE ISLANDS, RESPONDENT.**

#### **DECISION**

##### **LEONEN, J.:**

When issuing a pre-screened or pre-approved credit card, the credit card provider must prove that its client read and consented to the terms and conditions governing the credit card's use. Failure to prove consent means that the client cannot be bound by the provisions of the terms and conditions, despite admitted use of the credit card.

This resolves the Petition for Review on Certiorari<sup>[1]</sup> filed by Spouses Rainier Jose M. Yulo (Rainier) and Juliet L. Yulo (Juliet), assailing the Court of Appeals February 20, 2015 Decision<sup>[2]</sup> in CA-G.R. SP No. 131192, which upheld the June 26, 2013 Decision<sup>[3]</sup> of the Regional Trial Court, Branch 62, Makati City.

On October 9, 2006,<sup>[4]</sup> the Bank of the Philippine Islands issued Rainier a pre-approved credit card. His wife, Juliet, was also given a credit card as an extension of his account. Rainier and Juliet (the Yulo Spouses) used their respective credit cards by regularly charging goods and services on them.<sup>[5]</sup>

The Yulo Spouses regularly settled their accounts with the Bank of the Philippine Islands at first, but started to be delinquent with their payments by July 2008. Their outstanding balance ballooned to P264,773.56 by November 29, 2008.<sup>[6]</sup>

On November 11, 2008, the Bank of the Philippine Islands sent Spouses Yulo a Demand Letter<sup>[7]</sup> for the immediate payment of their outstanding balance of P253,017.62.

On February 12, 2009, the Bank of the Philippine Islands sent another Demand Letter<sup>[8]</sup> for the immediate settlement of their outstanding balance of P325,398.42.

On February 23, 2009, the Bank of the Philippine Islands filed a Complaint<sup>[9]</sup> before the Metropolitan Trial Court of Makati City for sum of money against the Yulo Spouses. This was initially raffled to the Metropolitan Trial Court Branch 67, Makati City, and was docketed as Civil Case No. 97470.

In their Answer,<sup>[10]</sup> the Yulo Spouses admitted that they used the credit cards issued by the Bank of the Philippine Islands but claimed that their total liability was



only P20,000.00. They also alleged that the Bank of the Philippine Islands did not fully disclose to them the Terms and Conditions on their use of the issued credit cards.<sup>[11]</sup>

Several attempts at mediation<sup>[12]</sup> between the parties were unsuccessful; thus, the case was re-raffled to the Metropolitan Trial Court Branch 65, Makati City, and proceeded with both parties presenting their respective witnesses.<sup>[13]</sup>

On June 29, 2012,<sup>[14]</sup> the Metropolitan Trial Court, in its Decision,<sup>[15]</sup> ruled in favor of the Bank of the Philippine Islands and ordered the Spouses Yulo to pay the bank the sum of P229,378.68.

The Metropolitan Trial Court found that the Bank of the Philippine Islands successfully proved by preponderance of evidence that the Yulo Spouses failed to comply with the Terms and Conditions of their contract. Nonetheless, it equitably reduced the monthly three percent (3%) interest and three percent (3%) penalty charged under the Terms and Conditions to one percent (1%) interest and one percent (1%) penalty, to be computed from demand.<sup>[16]</sup>

The dispositive portion of the Metropolitan Trial Court's June 29, 2012 Decision read:

**WHEREFORE**, premises considered, judgment is hereby rendered ordering defendants **SPS. RAINER** (*sic*) **JOSE M. YULO** and **JULIET L. YULO**, jointly and severally, to pay plaintiff the amount of P229,378.68 plus 1% interest and 1% penalty per month from February 12, 2009 until the whole amount is fully paid and the amount of P15,000.00 as and by way of attorney's fees; and, the costs.

**SO ORDERED.**<sup>[17]</sup> (Emphasis in the original, citation omitted)

The Yulo Spouses filed an Appeal, but it was dismissed on June 26, 2013<sup>[18]</sup> by the Regional Trial Court Branch 62, Makati City, which affirmed the Metropolitan Trial Court Decision.

The Regional Trial Court declared that when it comes to pre-approved credit cards, like those issued to the Yulo Spouses, the credit card provider had the burden of proving that the credit card recipient agreed to be bound by the Terms and Conditions governing the use of the credit card.<sup>[19]</sup>

The Regional Trial Court noted that the Bank of the Philippine Islands presented as evidence the Delivery Receipt for the credit card packet, which was signed by Rainier's authorized representative, Jessica Baitan (Baitan). It held that the Bank of the Philippine Islands successfully discharged its burden, as the signed Delivery Receipt and Rainier's use of credit card were proofs that Rainier agreed to be bound by its Terms and Conditions.<sup>[20]</sup>

The Regional Trial Court further ruled that the charge slips signed by the Yulo Spouses were the best evidence that they had indeed availed of the Bank of the Philippine Islands' credit accommodation. However, the facts established by the bank and the Yulo Spouses' failure to timely challenge the charges in the Statements of Account were sufficient evidence that the Yulo Spouses admitted the



veracity of the Statements of Account.<sup>[21]</sup>

The dispositive portion of the Regional Trial Court's June 26, 2013 Decision read:

**IN VIEW WHEREOF**, the appeals interposed by spouses Yulo is **DISMISSED** and the assailed decision dated June 29, 2011 (2012) of the Metropolitan Trial Court of Makati City Branch 65 is **AFFIRMED in toto**.

**SO ORDERED.**<sup>[22]</sup> (Emphasis in the original)

The Yulo Spouses then filed a Petition for Review before the Court of Appeals.<sup>[23]</sup> On February 20, 2015, the Court of Appeals denied the Petition and affirmed the Regional Trial Court Decision.<sup>[24]</sup>

The Court of Appeals concurred with the Regional Trial Court's finding that Rainier, through his authorized representative, received the pre-approved credit card issued by the Bank of the Philippine Islands, and thus, agreed to be bound by its Terms and Conditions.<sup>[25]</sup>

Moreover, the Court of Appeals found that the Yulo Spouses' failure to contest the charges in the monthly Statements of Account signified that they accepted the veracity of the charges. It further noted that Rainier, an insurance underwriter, was familiar with contractual stipulations; hence, he could not feign ignorance over his own contractual obligation to the Bank of the Philippine Islands.<sup>[26]</sup>

The dispositive portion of the Court of Appeals' February 20, 2015 Decision read:

**WHEREFORE**, the *Petition* is hereby **DENIED**. The *Decision* dated 26 June 2013 of the Regional Trial Court of Makati City, Branch 62, in Civil Case No. 12-945, is **AFFIRMED**.

**SO ORDERED.**<sup>[27]</sup> (Emphasis in the original)

The Yulo Spouses then elevated the case to this Court through this Petition.

In their Petition for Review on Certiorari,<sup>[28]</sup> petitioners, the Yulo Spouses, contend that respondent Bank of the Philippine Islands failed to prove their liability. They claim that the only valid proofs that they availed of respondent's credit line were the transaction slips they signed after purchasing goods or services with their credit cards, not the Statements of Account respondent presented as evidence.<sup>[29]</sup> They also assert that the Terms and Conditions, which petitioner Rainier supposedly agreed to, was never presented as evidence. Moreover, respondent failed to substantiate its claim that he consented to the Terms and Conditions.<sup>[30]</sup>

Petitioners claim that respondent failed to prove that it ascertained the authority of Baitan, petitioner Rainier's purported authorized representative, before handing her the credit card packet.<sup>[31]</sup> They then assailed the Terms and Conditions for being "written in so fine prints and in breathlessly long sentences for the purpose of being ignored altogether, to the prejudice of the public."<sup>[32]</sup> They also claim that the imposed charges and penalties are "excessive and contrary to morals."<sup>[33]</sup>



Petitioners concede that the Court of Appeals did not err in striking down and replacing respondent's original charges and penalties for being usurious. However, they insist that the reckoning period of the lowered interest rates and penalties should be from March 9, 2008, when they were first in default, not from February 12, 2009, when a written demand was sent to them.<sup>[34]</sup>

In its Comment,<sup>[35]</sup> respondent underscores that the Petition raised purely questions of fact improper in a petition for review on certiorari. Further, respondent claims that petitioners brought up the same issues already ruled upon by the lower courts, making it a pro-forma petition, which should be outright denied.<sup>[36]</sup>

Respondent maintains that aside from petitioners' bare allegations that the charges against them were inaccurate, they have neither presented an alternative computation nor contested the supposed error in the billing statements.<sup>[37]</sup> Respondent also asserts that when petitioners used their credit cards, they bound themselves to its Terms and Conditions in the credit card packet's Delivery Receipt.<sup>[38]</sup>

Petitioners were directed<sup>[39]</sup> to reply to respondent's Comment, but they manifested<sup>[40]</sup> that they would no longer be filing their reply.

The sole issue for this Court's resolution is whether or not petitioners Rainier Jose M. Yulo and Juliet L. Yulo are bound by the Terms and Conditions on their use of credit cards issued by respondent.

When a credit card provider issues a credit card to a pre-approved or pre-screened client, the usual screening processes "such as the filing of an application form and submission of other relevant documents prior to the issuance of a credit card, are dispensed with and the credit card is issued outright."<sup>[41]</sup> As the recipient of an unsolicited credit card, the pre-screened client can then choose to either accept or reject it.<sup>[42]</sup>

The Regional Trial Court found that the credit card packet from respondent, which contained petitioner's pre-approved credit card and a copy of its Terms and Conditions, was duly delivered to petitioner Rainier through his authorized representative, Baitan, as shown in the Delivery Receipt:

As record shows, [the Bank of the Philippine Islands] presented as evidence the Delivery Receipt marked in evidence as Exhibit "C". The [Bank of the Philippine Islands] credit card issued in favor [of] defendant-appellant Rainier Jose M. Yulo was received by his duly authorized representative, one Jessica Baitan. In fact, defendants-appellants admitted having made [use] and availed of the credits which plaintiff-appellees may have in its member establishments.<sup>[43]</sup>

This was affirmed by the Court of Appeals, which stated, "The [Bank of the Philippine Islands] credit card issued to petitioner Rainier was received by his authorized representative, a certain Jessica Baitan, as evidenced by a Delivery Receipt."<sup>[44]</sup>



As a pre-screened client, petitioner Rainier did not submit or sign any application form as a condition for the issuance of a credit card in his account. Unlike a credit card issued through an application form, with the applicant explicitly consenting to the Terms and Conditions on credit accommodation use, a pre-screened credit card holder's consent is not immediately apparent.

Thus, respondent, as the credit card provider, had the burden of proving its allegation that petitioner Rainier consented to the Terms and Conditions surrounding the use of the credit card issued to him.<sup>[45]</sup>

While the Delivery Receipt<sup>[46]</sup> showed that Baitan received the credit card packet for petitioner Rainier, it failed to indicate Baitan's relationship with him. Respondent also failed to substantiate its claim that petitioner Rainier authorized Baitan to act on his behalf and receive his pre-approved credit card. The only evidence presented was the check mark in the box beside "Authorized Representative" in the Delivery Receipt. This self-serving evidence is obviously insufficient to sustain respondent's claim.

A contract of agency is created when a person acts for or on behalf of a principal, with the latter's consent or authority.<sup>[47]</sup> Unless required by law, an agency does not require a particular form, and may be express or implied from the acts or silence of the principal.<sup>[48]</sup> *Rallos v. Felix Go Chan & Sons Realty Corporation*<sup>[49]</sup> lays down the elements of agency:

Out of the above given principles, sprung the creation an acceptance of the *relationship of agency* whereby one party, called the principal (*mandante*), authorizes another, called the agent (*mandatario*), to act for find (sic) in his behalf in transactions with third persons. The essential elements of agency are: (1) there is consent, express or implied, of the patties to establish the relationship; (2) the object is the execution of a juridical act in relation to a third person; (3) the agents (*sic*) acts as a representative and not for himself; and (4) the agent acts within the scope of his authority.<sup>[50]</sup> (Emphasis in the original, citation omitted)

Respondent fell short in establishing an agency relationship between petitioner Rainier and Baitan, as the evidence presented did not support its claim that petitioner Rainier authorized Baitan to act on his behalf. Without proof that petitioner Rainier read and agreed to the Terms and Conditions of his pre-approved credit card, petitioners cannot be bound by it.

Petitioners do not deny receiving and using the credit cards issued to them. They do, however, insist that respondent failed to establish their liability because the Statements of Account submitted into evidence "merely reflect [their] alleged incurred transactions[,]"<sup>[51]</sup> but are not the source of their obligation or liability.

Petitioners are mistaken.

When petitioners accepted respondent's credit card by using it to purchase goods and services, a contractual relationship was created between them, "governed by the Terms and Conditions found in the card membership agreement. Such terms and