

FIRST DIVISION

[G.R. No. 137147, January 29, 2002]

BANK OF THE PHILIPPINE ISLANDS, PETITIONER, VS. CARLOS LEOBRERA AND COURT OF APPEALS, RESPONDENTS.

DECISION

PARDO, J.:

The Case

The case is an appeal *via* certiorari from the decision of the Court of Appeals affirming^[1] that of the trial court sentencing petitioner to pay actual and moral damages and to reconvey to respondent Leobrera property mortgaged to petitioner which it acquired in the auction sale following foreclosure of mortgage, and costs of suit.^[2]

The Facts

The facts, as found by the Court of Appeals, are as follows:

"Carlos B. Leobrera, plaintiff-appellee herein is engaged in shell manufacturer, retail and shell craft export. He has been a valued client of Bank of Philippine Islands (BPI), herein defendant-appellant for several years.

"On November 15, 1985, plaintiff-appellee obtained a loan of Five Hundred Thousand Pesos (P500,000.00) from defendant-appellant Bank. The same is covered by a Promissory Note (PN017-85/0224-0) to be paid within three (3) years from date of execution, with a quarterly amortization of Forty One Thousand Six Hundred Sixty Six Pesos and Sixty Six Centavos (P41,666.66). As security, a real estate mortgage on certain properties was executed by plaintiff-appellee in favor of defendant-appellant.

"On November 12, 1986, Darlene Shells (with which plaintiff-appellee had export transaction) sent a remittance in favor of herein plaintiff-appellee through defendant-appellant Bank amounting to Eight Thousand Three Hundred Fifty Dollars and Ninety Four Cents (\$8,350.94). Unfortunately, however, as the lower court found, the latter maliciously and in bad faith, refused to accept the said remittance and credit the same to plaintiff-appellee's account with defendant-appellant. The latter reasoned that the name of the beneficiary in the remittance was not "Carfel Shell Export" but 'Car Sales Shell Export,' notwithstanding earlier and repeated advice by plaintiff-appellee upon defendant-appellant that the remittance of Carfel Shell Export from Darlene Shells is forth-

coming, and that it could have verified that the correct beneficiary thereof is Carfel Shell Export. From the evidence on record, plaintiff-appellee already had export business transactions with defendant-appellant for more than ten (10) years.

"The defendant-appellant unilaterally sent back the remittance of Darlene Shells in the amount of US\$8,350.00 to the bank of origin in the United States, which, as found by the court a quo, adversely affected and caused damage and prejudice to the plaintiff-appellee's business. The more apparent damage caused is the fact that the plaintiff-appellee was unduly deprived of receiving the said remittance which would answer for the amortization on his loan.

"On January 16, 1987, when plaintiff-appellee was about to leave for the United States, he wrote the defendant-appellant a letter of the same date, received by the latter on January 20, 1987, directing BPI to debit from his account therein, the amortization due on February 9, 1987. This letter of authorization was written by plaintiff-appellee for the reason that he had expected the remittance from Darlene Shells to have arrived. Unfortunately, defendant Bank returned the remittance in bad faith as a form of another harassment as it already had a case with plaintiff-appellee on another matter. The fact is when plaintiff-appellee learned that the remittance was not received immediately upon his arrival from the United States on February 11, 1987, he deposited to BPI the amount of Twenty Six Thousand Three Hundred Pesos (P26,300.00) which if added to P28,000.00 already in his account with said bank, would be sufficient to cover his amortization. The deposit was made on February 11, 1987 or two (2) days after the amortization was due on February 9, 1987.

"However, considering that plaintiff-appellee did not make the payment on the due date, defendant-appellant, in a letter dated February 12, 1987, advised plaintiff-appellee that the amount deposited was no longer sufficient as defendant-appellant decided to accelerate the maturity of the account and requested the full payment of the balance in the amount of Thirty Three Thousand Three Hundred Thirty Three Pesos and Thirty Two Centavos (P33,333.32) including interest and penalties to be paid on or before February 27, 1987. The P54,000.00 amortization due on February 27, 1987 and covered by the deposit of plaintiff-appellee on February 11, 1987 was considered late and had to be accelerated.

"Subsequently, defendant-appellant fore-closed the two (2) properties of plaintiff-appellee subject to the real estate mortgage, namely" one (1) parcel of land with improvements located in Quezon City covered by Transfer Certificate of Title (TCT) No. 66144 (which was sold on October 19, 1987, as shown in the Sheriff's Certificate of Sale); and one (1) parcel of land with improvements located in Paranaque, covered by TCT No. S-20708 (consolidated in favor of defendant-appellant as shown in TCT No. 14958).

"In another incident, plaintiff-appellee, who was doing business with a foreign buyer, was unable to negotiate with defendant-appellant

(plaintiff-appellee was restricted to withdraw only from defendant-appellant) the Letter or Credit in his favor (LC No. 5600053 C) in the amount of One Thousand Seven Hundred Sixty Three US Dollars and Fifty Cents (US\$1,763.50). This occurred despite defendant-appellant's collection from plaintiff-appellee of the handling fee of Three Hundred Sixty Pesos (P360.00).

"After a prolonged trial, the Court a quo rendered a decision dated May 13, 1992, resolving the case in favor of the plaintiff-appellee and against defendant-appellant, the dispositive portion of which reads as follows:

'WHEREFORE, judgment is rendered as follows:

'Ordering defendant to pay plaintiff the following sums: One Million Pesos (P1,000,000.00), Philippine Currency, as actual damages; Four Million Pesos (P4,000,000.00), Philippine Currency, as moral damages; Five Hundred Thousand Pesos (P500,000.00), Philippine Currency, as and for attorney's fees and the costs of suit; and 'Ordering defendant to execute the necessary, document conveying ownership to plaintiff of the Quezon City property covered by Transfer Certificate of Title No. 66144, and the Paranaque property covered by Transfer Certificate of Title No. 14958, within fifteen (15) days from the finality of this decision.

'SO ORDERED.'

"Defendant-appellant filed an appeal arguing that the lower court erred: (1) in not making its own findings of facts and conclusions of law which are in violation of the law and constitution; (2) in not inhibiting itself from the case below inspite of BPI's motion to inhibit; (3) in holding that plaintiff did not violate the loan agreement; (4) in holding that BPI had no factual and legal basis to accelerate maturity of the loan and to foreclose that mortgage; (5) in concluding that BPI was negligent in refusing to accept the \$8,350.94 remittance from Darlene Shells; (6) in holding that plaintiff is entitled to P1,000,000.00 actual damages, P4,000,000.00 moral damages and P500,000.00 attorney's fees; (7) in holding that the foreclosure of mortgage was void and ordering the reconveyance of the Quezon City and Paranaque properties; (8) in not awarding damages and attorney's fees in favor of BPI.

"In refutation thereto, plaintiff-appellee counter-argued that the trial court did not err (1) in adopting plaintiff's memorandum in its decision, because it is within the court's power and authority to do so; (2) in denying the defendant-appellant's motion to inhibit, because the same has no legal and/or factual basis; (3) in subscribing to plaintiff-appellee's argument that he did not violate his original agreement with defendant-appellant with respect to the Five Hundred Thousand Pesos (P500,000.00) loan; (4) in holding that defendant-appellant had no legal basis to accelerate plaintiff-appellee's P500,000.00 loan and subsequently illegally foreclose the real estate mortgages; (5) in holding that defendant-appellant was grossly negligent in unreasonably refusing to