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FIRST DIVISION

[G.R. No. 133107, March 25, 1999]

RIZAL COMMERCIAL BANKING CORPORATION, PETITIONER, VS. COURT OF APPEALS AND FELIPE LUSTRE, RESPONDENTS.

D E C I S I O N

KAPUNAN, J.:

A simple telephone call and an ounce-of good faith on the part of petitioner could have prevented the present controversy.

On March 10, 1993, private respondent Atty. Felipe Lustre purchased a Toyota Corolla from Toyota Shaw, Inc. for which he made a down payment of P164,620.00, the balance of the purchase price to be paid in 24 equal monthly installments. Private respondent thus issued 24 postdated checks for the amount of P14,976.00 each. The first was dated April 10, 1991; subsequent checks were dated every 10th day of each succeeding month.

To secure the balance, private respondent executed a promissory note[1] and a contract of chattel mortgage[2] over the vehicle in favor of Toyota Shaw, Inc. The contract of chattel mortgage, in paragraph 11 thereof, provided for an acceleration clause stating that should the mortgagor default in the payment of any installment, the whole amount remaining unpaid shall become due. In addition, the mortgagor shall be liable for 25% of the principal due as liquidated damages.

On March 14, 1991, Toyota Shaw, Inc. assigned all its rights and interests in the chattel mortgage to petitioner Rizal Commercial Banking Corporation (RCBC).

All the checks dated April 10, 1991 to January 10, 1993 were thereafter encashed and debited by RCBC from private respondent's account, except for RCBC Check No. 279805 representing the payment for August 10, 1991, which was unsigned. Previously, the amount represented by RCBC Check No. 279805 was debited from private respondent's account but was later recalled and re-credited to him. Because of the recall, the last two checks, dated February 10, 1993 and March 10, 1993, were no longer presented for payment. This was purportedly in conformity with petitioner bank's procedure that once a client's account was forwarded to its account representative, all remaining checks outstanding as of the date the account was forwarded were no longer presented for payment.

On the theory that respondent defaulted in his payments, the check representing the payment for August 10, 1991 being unsigned, petitioner, in a letter dated January 21, 1993, demanded from private respondent the payment of the balance of the debt, including liquidated damages. The latter refused, prompting petitioner to file an action for replevin and damages before the Pasay City Regional Trial Court (RTC). Private respondent, in his Answer, interposed a counterclaim for damages.

After trial, the RTC[3] rendered a decision disposing of the case as follows:

> WHEREFORE, in view of the foregoing, judgment is hereby rendered as follows:
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> I. The complaint, for lack of cause of action, is hereby DISMISSED and plaintiff RCBC is hereby ordered,
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> A. To accept the payment equivalent to the three checks amounting to a total of P44,938.00, without interest
>
> B. To release/cancel the mortgage on the car xxx upon payment of the amount of P44,938.00 without interest.
>
> C. To pay the cost of suit
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> II. On The Counterclaim
>
> A. Plaintiff RCBC to pay Atty. Lustre the amount of P200,000.00 as moral damages.
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> B. RCBC to pay P100,000.00 as exemplary damages.
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> C. RCBC to pay Atty. Obispo P50,000.00 as Attorney's fees. Atty. Lustre is not entitled to any fee for lawyering for himself.
>
> All awards for damages are subject to payment of fees to be assessed by the Clerk of Court, RTC, Pasay City.
>
> SO ORDERED.

On appeal by petitioner, the Court of Appeals affirmed the decision of the RTC, thus:

> We xxx concur with the trial court's ruling that the Chattel Mortgage contract being a contract of adhesion that is, one wherein a party, usually a corporation, prepares the stipulations the contract, while the other party merely affixes his signature or his "adhesion" thereto xxx - is to be strictly construed against appellant bank which prepared the form Contract xxx. Hence xxx paragraph 11 of the Chattel Mortgage contract [containing the acceleration clause] should be construed to cover only deliberate and advertent failure on the part of the mortgagor to pay an amortization as it became due in line with the consistent holding of the Supreme Court construing obscurities and ambiguities in the restrictive sense against the drafter thereof xxx in the light of
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> Article 1377 of the Civil Code.
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> In the case at bench, plaintiff-appellant's imputation of default to defendant-appellee rested solely on the fact that the 5th check issued by appellee xxx was recalled for lack of signature. However, the check was recalled only after the amount covered thereby had been deducted from defendant-appellee's account, as shown by the testimony of plaintiff's

> own witness Francisco Bulatao who was in charge of the preparation of the list and trial balances of bank customers xxx. The "default" was therefore not a case of failure to pay, the check being sufficiently funded, and which amount was in fact already debitted [sic] from appellee's account by the appellant bank which subsequently re-credited the amount to defendant-appellee's account for lack of signature. All these actions RCBC did on its own without notifying defendant until sixteen (16) months later when it wrote its demand letter dated January 21, 1993.
>
> Clearly, appellant bank was remiss in the performance of its functions for it could have easily called the defendant's attention to the lack of signature on the check and sent the check to, or summoned, the latter to affix his signature. It is also to be noted that the demand letter contains no explanation as to how defendant-appellee incurred arrearages in the amount of P66,255.70, which is why defendant-appellee made a protest notation thereon.
>
> Notably, all the other checks issued by the appellee dated subsequent to August 10, 1991 and dated earlier than the demand letter, were duly encashed. This fact should have already prompted the appellant bank to review its action relative to the unsigned check. xxx[4]

We take exception to the application by both the trial and appellate courts of Article 1377 of the Civil Code, which states:

> The interpretation of obscure words or stipulations in a contract shall not favor the party who caused the obscurity.

It bears stressing that a contract of adhesion is just as binding as ordinary contracts.[5] It is true that we have, on occasion, struck down such contracts as void when the weaker party is imposed upon in dealing with the dominant bargaining party and is reduced to the alternative of taking it or leaving it, completely deprived of the opportunity to bargain on equal footing.[6] Nevertheless, contracts of adhesion are not invalid per se;[7] they are not entirely prohibited.[8] The one who adheres to the contract is in reality free to reject it entirely; if he adheres, he gives his consent.[9]

While ambiguities in a contract of adhesion are to be construed against the party that prepared the same,[10] this rule applies only if the stipulations in such contract are obscure or ambiguous. If the terms thereof are clear and leave no doubt upon the intention of the contracting parties, the literal meaning of its stipulations shall control.[11] In the latter case, there would be no need for construction.[12]

Here, the terms of paragraph 11 of the Chattel Mortgage Contract[13] are clear. Said paragraph states:

> 11. In case the MORTGAGOR fails to pay any of the installments, or to pay the interest that may be due as provided in the said promissory note, the whole amount remaining unpaid therein shall immediately become due and payable and the mortgage on the property (ies) herein-above