



**Republic of the Philippines  
Supreme Court  
Manila**

**FIRST DIVISION**

**NOTICE**

Sirs/Mesdames:

*Please take notice that the Court, First Division, issued a Resolution dated **October 19, 2022**, which reads as follows:*

**“G.R. No. 260380 (*Michelle A. Mangaoang v. Bank of the Philippine Islands*)**. – This resolves the Petition for Review on *Certiorari*<sup>1</sup> filed under Rule 45 of the Rules of Court by petitioner Michelle A. Mangaoang (Michelle) against respondent Bank of the Philippine Islands (BPI), seeking to reverse and set aside the Decision<sup>2</sup> dated July 28, 2021 and the Resolution<sup>3</sup> dated February 21, 2022 promulgated by the Court of Appeals (CA) in the case docketed as CA-G.R. SP No. 167509.

The antecedent facts are as follows:

BPI is a domestic commercial banking corporation which, through its credit card system, extends credit accommodations to its cardholders for the purchase of goods and other services from accredited establishments and the availment of cash advances from its authorized branches or automated teller machines to be paid later on by the cardholders. As shown by the delivery receipt,<sup>4</sup> Michelle was issued a BPI credit card.<sup>5</sup>

On November 25, 2016, BPI filed before the Metropolitan Trial Court (MeTC) of Makati City, Branch 63 a Complaint<sup>6</sup> for sum of money against Michelle and Benjamin Mangaoang (Benjamin). Benjamin was impleaded

---

<sup>1</sup> *Rollo*, pp. 3-87.

<sup>2</sup> *Id.* at 88-108. Penned by Associate Justice Pedro B. Corales and concurred in by Presiding Justice Remedios A. Salazar-Fernando and Associate Justice Alfredo D. Ampuan.

<sup>3</sup> *Id.* at 109-111. Penned by Associate Justice Pedro B. Corales and concurred in by Presiding Justice Remedios A. Salazar-Fernando and Associate Justice Alfredo D. Ampuan.

<sup>4</sup> *Id.* at 135.

<sup>5</sup> *Id.* at 89.

<sup>6</sup> *Id.* at 128-132.



pursuant to Rule 3, Section 4 of the Rules of Court, which states that husband and wife shall sue and be sued jointly, except as provided by law.<sup>7</sup>

In the said Complaint, BPI alleged that in using the credit card, Michelle and Benjamin (Spouses Mangaoang) agreed to pay the amount billed in full or the minimum payment indicated in the Statement of Account (SOA). Should they decide to pay the minimum amount, a 3.40% finance charge based on the average balance would be added to the unpaid balance. In the event they fail to pay on the due date, an additional late payment charge of 6% for every month or a fraction of a month's delay would be added to the unpaid balance. In accordance with the terms and conditions governing the issuance and use of a credit card, Michelle undertook to pay all the foregoing charges incurred within a period of 20 calendar days from her assigned cut-off date without necessity of demand.<sup>8</sup>

The Complaint similarly averred that Michelle's last payment was on January 11, 2016, as stated in the SOA<sup>9</sup> dated January 18, 2016. Spouses Mangaoang refused to settle their obligations despite receipt of the demand letter<sup>10</sup> dated March 22, 2016. As shown by the SOA<sup>11</sup> dated September 18, 2016, Spouses Mangaoang had an outstanding principal obligation of ₱218,735.96. In addition to its principal claim, BPI prayed for the award of attorney's fees equivalent to 25% of Michelle's obligation plus costs of suit.<sup>12</sup>

In their Answer with Counterclaims,<sup>13</sup> Spouses Mangaoang argued that the Complaint failed to state a cause of action because BPI did not allege that a demand was made for the payment of ₱218,735.96, and that there was no proof that they even incurred said obligation. Even assuming that BPI had a cause of action against them, its claim should be limited to the amount of ₱127,589.90, the subject of the demand letter. Since the principal amount is below ₱200,000.00, the proceedings should be governed by the Rules of Procedure on Small Claims.

Spouses Mangaoang further contended that BPI failed to comply with Section 4 of Bangko Sentral ng Pilipinas (BSP) Circular No. 702, Series of 2010,<sup>14</sup> which requires banks to inform their cardholders of the endorsement of the collection of their account to a collection agency. Had they been notified, they would have settled their account at the earliest possible

---

<sup>7</sup> Id. at 89.

<sup>8</sup> Id. at 89-90.

<sup>9</sup> Id. at 139-140.

<sup>10</sup> Id. at 141.

<sup>11</sup> Id. at 137-138.

<sup>12</sup> Id. at 90.

<sup>13</sup> Id. at 142-151.

<sup>14</sup> Entitled "AMENDED REGULATIONS TO ENHANCE CONSUMER PROTECTION IN THE CREDIT CARD OPERATIONS OF BANKS AND THEIR SUBSIDIARY OR AFFILIATE CREDIT CARD COMPANIES." Adopted: December 15, 2010.

opportunity. Spouses Mangaoang added that they did not receive a copy of the Rates and Fees Table<sup>15</sup> together with the pre-approved credit card; hence, they should not be held liable for 3.40% finance charge and 6% late payment charge. Lastly, assuming they consented to the terms and conditions, they are still not liable for the said charges as these are iniquitous, unconscionable, and exorbitant.<sup>16</sup>

Subsequently, Spouses Mangaoang filed a Motion to Set Case for Hearing on the Affirmative Defenses<sup>17</sup> (Motion for Hearing) which the MeTC denied in its Order<sup>18</sup> dated February 19, 2018. The MeTC noted:

[T]he BSP Circular No. 702 is intended to regulate the practices of banks. It does not preclude the plaintiff from filing of complaint against the cardholders like the defendants in this case. The regulatory nature of the said Circular merely recommends certain sanctions in case of violations depending upon their severity. Further, nothing in the said Circular states that non-compliance thereof is ground for the dismissal of the case. On record is a demand letter dated 22 March 2016 sent by the plaintiff to the defendants regarding their unpaid account in the amount of P127,589.90. Thus, when the defendants received said demand letter and failed to heed such demand, right of cause of action accrues.<sup>19</sup>

The MeTC further stated that the amount being claimed by BPI against Spouses Mangaoang, inclusive of finance charges, interest and late payment charges aside from the latter's principal obligation, amounting to ₱218,735.96, is evidentiary in nature and may be proven only during trial.<sup>20</sup>

Spouses Mangaoang moved for reconsideration but the MeTC denied the same in its Order<sup>21</sup> dated May 21, 2018.<sup>22</sup>

Thereafter, Spouses Mangaoang elevated the denial of the Motion for Hearing to the Regional Trial Court (RTC) of Makati City, Branch 132 via a Petition for *Certiorari*<sup>23</sup> under Rule 65 of the Rules of Court. In its Decision<sup>24</sup> dated September 27, 2018, the RTC denied the Petition for *Certiorari* for having been filed out of time. It further ruled that BPI's principal claim of ₱218,735.96 is within the MeTC's jurisdiction.<sup>25</sup>

In the ensuing trial in the sum of money case, BPI presented its Account Specialist, Arlito M. Igos, who testified that Spouses Mangaoang

---

<sup>15</sup> *Rollo*, p. 136.

<sup>16</sup> *Id.* at 90.

<sup>17</sup> *Id.* at 152-156.

<sup>18</sup> *Id.* at 157-158.

<sup>19</sup> *Id.*

<sup>20</sup> *Id.* at 158.

<sup>21</sup> Not attached to the petition.

<sup>22</sup> *Rollo*, p. 91.

<sup>23</sup> Not attached to the petition.

<sup>24</sup> Not attached to the petition.

<sup>25</sup> *Rollo*, p. 91.

are bound by the terms and conditions stipulated at the back of the credit card. The Rates and Fees Table expressly provides for the interest and penalty charges included in their obligation. He submitted the SOAs<sup>26</sup> for the period of January 2016 to September 2016 to prove that Michelle used the BPI credit card at various accredited establishments. He added that BPI agreed to pay its counsel attorney's fees equal to 25% of the total obligation plus ₱600.00 appearance fee per court hearing. BPI also incurred ₱15,000.00 as incidental expenses.<sup>27</sup>

After BPI completed the presentation of its evidence, Spouses Mangaoang filed a Demurrer to Evidence.<sup>28</sup> Citing *Pantaleon v. American Express International, Inc.*<sup>29</sup> (*Pantaleon*), they contended that a credit card contract involves a first contract which is the sales contract between the credit card holder and merchant or business establishment that accepted the credit card; a second contract involving the loan agreement between the credit card issuer and credit card holder; and a third contract which is the credit card holder's promise to pay the credit card issuer. However, BPI neither proved that Michelle used the credit card for her purchases nor did it present a single receipt showing a credit card sale transaction. The SOAs, which were system-generated, merely proved the second contract but not the actual purchases or availments. Resultantly, the finance and late payment charges must be nullified in view of BPI's failure to identify the transactions on which they were based and for lack of evidence that they consented to their imposition.

Spouses Mangaoang claimed that there is also no evidence that they consented to the credit card's terms and conditions and they reiterated that the 3.4% finance charges and 6% late payment fees are void for being unconscionable. They cannot also be considered in default because BPI never made a demand for payment. The letter sent by BPI's counsel is not proof of demand because Article 1169 of the Civil Code requires that the creditor itself, and not any other entity, must make the demand. Lastly, Spouses Mangaoang argued that BPI's claim for attorney's fees and costs of suit has no factual and legal basis.<sup>30</sup>

In its Order<sup>31</sup> dated May 2, 2019, the MeTC denied Spouses Mangaoang's Demurrer to Evidence. It held that "there is significant amount of evidence presented by the plaintiff, which, if given credence and probative value and left unrefuted by the defendants, might establish a claim against them. Hence, there is necessity to consider the evidence to be

<sup>26</sup> Only the SOAs dated January 18, 2016 and September 18, 2016 are attached to the petition. See *rollo*, pp. 137-140.

<sup>27</sup> *Rollo*, pp. 91-92.

<sup>28</sup> *Id.* at 159-180.

<sup>29</sup> 643 Phil. 488 (2010).

<sup>30</sup> *Rollo*, p. 92.

<sup>31</sup> *Id.* at 181-184.

presented by the defendants for this Court to make an appropriate adjudication on the evidence presented against them by the plaintiff.”<sup>32</sup>

During the continuation of the trial, only Benjamin took the witness stand in view of Michelle’s demise.<sup>33</sup>

### **Ruling of the MeTC**

In a Decision<sup>34</sup> dated November 28, 2019, the MeTC ruled that BPI was able to prove by preponderance of evidence its cause of action against Michelle. When Michelle used the credit card to pay for her purchases, she offered to enter into a loan agreement with BPI. BPI’s approval of Michelle’s purchase requests indicated that the latter entered into a binding loan contract with the former, and thus created an obligation to pay the same. However, despite receipt of the demand letter dated March 22, 2016, Michelle failed to settle her indebtedness. The MeTC found Michelle liable to pay BPI, but only for ₱116,759.10, as reflected in the SOA dated January 18, 2016.<sup>35</sup> The MeTC did not consider the amount of ₱218,735.96, as claimed by BPI, because the same includes accumulated interest and penalty charges from the last payment made by Michelle. The stipulated interest and penalty charges were collectively reduced by the MeTC to 6% per *annum*, to be computed from the filing of the Complaint on November 25, 2016 until fully paid. Inasmuch as BPI was constrained to resort to judicial action to protect its interest, the MeTC awarded attorney’s fees and costs of suit. Insofar as Benjamin was concerned, there being no showing that he was issued the credit card or that he used the credit card of Michelle, the MeTC dismissed the case against him.<sup>36</sup>

The dispositive portion of the MeTC Decision reads:

WHEREFORE, judgment is rendered declaring defendant MICHELLE A. MANGAOANG liable to pay plaintiff the following amounts:

1. P116,759.10 plus interest of 6% per annum reckoned from 25 November 2016, the date of the filing of this case until fully [sic] payment;
2. P10,000.00 as attorney’s fees; and
3. Costs of suit.

Let the case against BENJAMIN MANGAOANG be, as it is hereby, DISMISSED.

---

<sup>32</sup> Id. at 184.

<sup>33</sup> Id. at 93.

<sup>34</sup> Id. at 123-127. Penned by Judge Carolina J. Esguerra.

<sup>35</sup> Id. at 126.

<sup>36</sup> Id. at 127.

Let the counterclaims be, as they are hereby likewise,  
DISMISSED.

SO ORDERED.<sup>37</sup>

Dissatisfied with the MeTC Decision, Benjamin, representing his deceased wife, filed a Notice of Appeal<sup>38</sup> on January 29, 2020, insisting that BPI's failure to comply with BSP Circular No. 702 was fatal to its claim; that BPI failed to offer proof that demand was made for the payment of any account; that the Complaint should have been dismissed upon the death of Michelle; that BPI failed to prove the existence of a cause of action since it did not offer any merchant receipts which could identify the transactions for which the credit card was supposedly used; and that the finance and late payment charges, which were declared iniquitous, should be deducted from the liability imposed.<sup>39</sup>

### Ruling of the RTC

In a Decision<sup>40</sup> dated September 21, 2020, the RTC affirmed *in toto* the findings of the MeTC. The RTC held that BSP Circular No. 702 refers to the sanctions for violating the BSP rules, but does not state that the same is a condition precedent before an action may be filed; that the finance and late payment charges are obligations arising from contracts which have the force of law between the contracting parties and should be complied with in good faith; and that the MeTC did not err in denying the Demurrer to Evidence as it had the prerogative to hear the case as a whole. The RTC disposed the appeal in this wise:

**WHEREFORE**, premises considered, the *Decision* rendered on 28 November 2019 by the Metropolitan Trial Court, Branch 63, Makati City is hereby **AFFIRMED** in toto.

SO ORDERED.<sup>41</sup>

On November 4, 2020, Benjamin moved for reconsideration. However, finding no cogent reason to disturb its Decision, the RTC denied the Motion for Reconsideration in its Order<sup>42</sup> dated December 7, 2020.

Undeterred, Benjamin filed before the CA a Petition for Review<sup>43</sup> under Rule 42 of the Rules of Court, reiterating the issues raised before the courts *a quo*. Moreover, Benjamin maintained that demand was not

---

<sup>37</sup> Id.

<sup>38</sup> Not attached to the petition.

<sup>39</sup> *Rollo*, p. 113.

<sup>40</sup> Id. at 112-119. Penned by Judge Rommel O. Baybay.

<sup>41</sup> Id. at 119.

<sup>42</sup> Id. at 120-122.

<sup>43</sup> Not attached to the petition.

sufficiently made by BPI upon the Spouses Mangaoang, and that attorney's fees were not properly awarded.<sup>44</sup> On May 24, 2021, BPI filed its Comment.<sup>45</sup> Subsequently, Benjamin filed his Reply.<sup>46</sup>

### **Ruling of the CA**

On July 28, 2021, the CA promulgated the assailed Decision,<sup>47</sup> affirming the identical findings made by the courts *a quo*, and likewise holding that Michelle agreed to the credit card's terms and conditions and availed of BPI's credit accommodations; that there was valid demand for payment made by BPI; that ascertaining the extent of BPI's principal claim requires further reception of evidence regarding Michelle's credit history; that the finance and late payment charges determined by the MeTC must be modified, while the attorney's fees and costs of suit were properly awarded; and that BPI's money claim was not extinguished upon Michelle's death. The dispositive portion of the assailed CA Decision reads:

**WHEREFORE**, the instant petition for review is **PARTIALLY GRANTED**. The September 21, 2020 Decision and December 7, 2020 Order of the Regional Trial Court, Branch 132, Makati City in Civil Case No. M-MKT-16-06604-CV-R00-00 are **AFFIRMED** with **MODIFICATIONS**. As modified, petitioner Michelle Mangaoang, as represented by her husband Benjamin Mangaoang, is ordered to pay respondent Bank of the Philippine Islands her principal obligation with 12% finance charges *per annum* and 12% late payment charges *per annum* from the time of default until fully paid, plus ₱10,000.00 attorney's fees and costs of suit. The 12% finance charges *per annum* and 12% late payment charges *per annum* shall earn 6% legal interest *per annum* from the date of judicial demand on November 25, 2016 until full payment. The case is **REMANDED** to the Metropolitan Trial Court, Branch 63, Makati City for the proper computation and determination of the principal amount due to respondent Bank of the Philippine Islands, in conformity with Our disquisition.

**SO ORDERED.**<sup>48</sup>

Hence, this Petition.

### **Ruling of the Court**

Upon a careful evaluation of the records of the case and the applicable law and jurisprudence, We find the Petition bereft of merit. We note that the issues raised in the Petition before Us are a mere rehash of the same issues that were already considered and resolved by the CA. Having adequately

---

<sup>44</sup> *Rollo*, pp. 95-96.

<sup>45</sup> Not attached to the petition.

<sup>46</sup> Not attached to the petition.

<sup>47</sup> *Rollo*, pp. 88-108.

<sup>48</sup> *Id.* at 107.

addressed the matters raised by Benjamin in the petition for review, the CA committed no reversible error when it denied the petition and affirmed the RTC Decision. Nonetheless, consistent with prevailing case law, the Court finds it necessary to re-compute the amount of interests awarded in the assailed Decision.

*Extent of BPI's principal claim*

Benjamin posits that the CA erred in ruling in favor of BPI inasmuch as the latter failed to discharge the burden of proving each use of the credit card as independent loan obligations. While BPI was not obliged to provide a detailed list of all the credit card transactions every time it sends a SOA to a credit card user, courts which are not privy to the transactions need evidence other than such SOA.

While Benjamin's point may warrant consideration, it is apparent that the CA has already properly addressed the same when it remanded the case to the MeTC for the presentation of additional evidence.

The CA observed that a careful reading of the SOAs subject of this case reveals that they do not contain the particular purchases and other transactions entered into by Michelle. The said SOAs merely indicated the payment made, late charges and finance charges imposed, previous balance, past due, and ending balance.

The manner in which the foregoing SOAs were worded shows that the respective total amounts due therein are a running balance, a continuing and mounting bill of charges consisting of a combined principal amount with finance and penalty charges imposed, which Michelle appears to have failed to pay in the past. What was clear therefrom was that she repeatedly failed to pay her credit card debt arising out of past credit card purchase transactions, which thus resulted in a mounting pile of charges imposed upon her outstanding account as reflected in a statement or bill of charges or accounts regularly sent to her.

In the case of *Bankard, Inc. v. Alarte*,<sup>49</sup> which was heavily relied upon by Benjamin as it also involved a SOA with no particular details on the purchase transactions made by the cardholder therein, We held that:

[I]t can be said that, from the point of view of petitioner's business dealings with respondent, the former is not obliged, *each and every time*, to send a statement of account to the latter containing a detailed list of all the credit card transactions she made in the past which remain unsettled and outstanding as of the date of issuance of the latest statement of account, as she is presumed to know these from past statements of account

---

<sup>49</sup> 809 Phil. 169 (2017).



received. The matter, however, is not so simple from the viewpoint of someone who is not privy to their transactions, such as the courts.

This Court cannot completely blame the MeTC, RTC, and CA for their failure to understand or realize the fact that a monthly credit card statement of account does not always necessarily involve purchases or transactions made immediately prior to the issuance of such statement; certainly, it may be that the card holder did not at all use the credit card for the month, and the statement of account sent to him or her refers to principal, interest, and penalty charges incurred from past transactions which are too multiple or cumbersome to enumerate but nonetheless remain unsettled by the card holder. This Court cannot judge them for their lack of experience or practical understanding of credit card arrangements, although it would have helped if they just endeavored to derive such an understanding of the process.

Thus, it would not hurt the cause of justice to remand the case to the MeTC where petitioner would be required to amend its Complaint and adduce additional evidence to prove its case; that way, the lower court can better understand the nature of the claim, and this time it may arrive at a just resolution of the case. This is to say that while the Court believes that petitioner's claim may be well-founded, it is not enough as to allow judgment in its favor on the basis of extant evidence. It must prove the validity of its claim; this it may do by amending its Complaint and adducing additional evidence of respondent's credit history and proving the loan transactions between them. After all, credit card arrangements are simple loan arrangements between the card issuer and the card holder.<sup>50</sup> (Emphasis in the original)

Conformably with the above pronouncement, the CA appropriately decided it is more prudent to remand the case to the MeTC for further reception of evidence regarding Michelle's credit history. Hence, We find no cogent reason to reverse or modify such ruling.

*Denial of Spouses Mangaoang's Demurrer to Evidence*

Benjamin insists that the MeTC cannot cavalierly deny the Demurrer to Evidence, alleging that the MeTC was "simply curious as to what piece of evidence Petitioner could offer,"<sup>51</sup> He contends that when the filing of a demurrer is proper, the trial court must resolve it on its merits.

The Court is not convinced.

The RTC correctly held that the MeTC had the prerogative to hear the case as a whole, where the evidence of both parties may be laid down and evaluated in its entirety, and after which, render its interpretation of the relevant law.<sup>52</sup> This is in accordance with the case of *Jalandoni v.*

---

<sup>50</sup> Id. at 178-179.

<sup>51</sup> *Rollo*, p. 42.

<sup>52</sup> Id. at 118.

*Ombudsman*<sup>53</sup> (*Jalandoni*), under which this Court pertinently held as follows:

A demurrer to evidence is filed by a party “in an action to the effect that the evidence his [or her] adversary produced is insufficient in point of law, whether true or not, to make out a case or sustain the issue.” The party filing the demurrer “challenges the sufficiency of the whole evidence to sustain a verdict.”

When a demurrer to evidence is filed, the trial court ascertains whether there is competent or sufficient evidence to issue a judgment. Thus, a demurrer’s resolution belongs to the court’s sound discretion. In *People v. Sandiganbayan*:

Under Section 23, Rule 119 of the Revised Rules of Criminal Procedure, as amended, the trial court may dismiss the action on the ground of insufficiency of evidence upon a demurrer to evidence filed by the accused with or without leave of court. Thus, in resolving the accused’s demurrer to evidence, the court is merely required to ascertain whether there is competent or sufficient evidence to sustain the indictment or support a verdict of guilt. The grant or denial of a demurrer to evidence is left to the sound discretion of the trial court, and its ruling on the matter shall not be disturbed in the absence of a grave abuse of discretion.<sup>54</sup> (Citations omitted)

*Jalandoni* categorically identified the remedy in the event of the denial of a demurrer to evidence, as well, noting that the recourse of the aggrieved party is to proceed to trial and there raise his or her claims and contentions on the prosecution’s evidence. In *Espinosa v. Sandiganbayan*,<sup>55</sup> this Court elucidated:

Regarding the denial of the demurrer to evidence, we have likewise ruled that *the question of whether the evidence presented by the prosecution is sufficient to convince the court that the defendant is guilty beyond reasonable doubt rests entirely within the sound discretion of the trial court*. The error, if any, in the denial of the demurrer to evidence *may be corrected only by appeal*. *The appellate court will not review in such special civil action the prosecution’s evidence and decide in advance that such evidence has or has not established the guilt of the accused beyond reasonable doubt*. *The orderly procedure prescribed by the Revised Rules of Court is for the accused to present his [or her] evidence, after which the trial court, on its own assessment of the evidence submitted, will then properly render its judgment of acquittal or conviction*. *If judgment is rendered adversely against the accused, he [or she] may appeal the*

<sup>53</sup> G.R. Nos. 211751, 217212-80, 244467-535, and 245546-614, May 10, 2021.

<sup>54</sup> *Id.*

<sup>55</sup> G.R. Nos. 191834, 191900, and 191951, March 4, 2020.

*judgment* and raise the same defenses and objections for review by the appellate court.<sup>56</sup> (Emphases in the original)

Clearly therefore, the MeTC followed proper procedure when it proceeded with the trial of the action after its denial of Spouses Mangaoang's Demurrer to Evidence. Correlatively, there is neither legal nor factual basis for Spouses Mangaoang to challenge the MeTC's denial of their Demurrer to Evidence.

*Lack of compliance with BSP Circular No. 702*

Benjamin contends that BPI failed to comply with BSP Circular No. 702, which failure is fatal to its claims under the Complaint.

The above contention is untenable.

Indeed, Section 4 of BSP Circular No. 702 requires banks, quasi-banks, and their subsidiary or affiliate credit card companies to inform their cardholders, in writing, of the endorsement of the collection of their account to a collection agency, or the endorsement of their account to a collection agency to another, at least seven days prior to the actual endorsement. However, as consistently found by the lower courts, BPI's failure to comply with the notification requirement neither precludes it from filing the complaint for sum of money, nor will it cause the dismissal of the case. At most, BPI would only be subjected to certain sanctions as provided under Section 632 of BSP Circular No. 702. Nevertheless, the imposition of these sanctions is beyond the jurisdiction of the courts.

*Award of attorney's fees and costs of suit*

Benjamin avers that the payment of attorney's fees and costs of suit is erroneous because BPI was never constrained to file the case.

We do not agree.

The lower courts aptly observed that the award of attorney's fees and costs of suit were in conformity with Article 2208 of the Civil Code, which provides that in the absence of stipulation, attorney's fees and expenses of litigation, other than judicial costs, can be recovered when the defendant's act or omission has compelled the plaintiff to incur expenses to protect his or her interest; where the defendant acted in gross and evident bad faith in refusing to satisfy the plaintiff's plainly valid, just, and demandable claim; or in any other case where the court deems it just and equitable that attorney's fees and expenses of litigation should be recovered.

---

<sup>56</sup> Id., citing *Cruz v. People*, 363 Phil. 156, 161 (1999).

Evidently, the circumstances surrounding the case show that BPI was forced to litigate to protect its interest, specifically to recover its money from Michelle who undisputedly defaulted in her credit card obligations. It may likewise be argued that Spouses Mangaoang acted in gross and evident bad faith in refusing to settle BPI's claim, despite the obvious demandable nature of Michelle's loans from BPI. As such, the lower courts were justified in refusing to turn a blind eye to Spouses Mangaoang's attempt to evade their obligations to BPI, and to perpetrate the inequitable scenario of relieving the Spouses Mangaoang of their loans notwithstanding the undisputed benefits that Michelle derived from the use of her BPI credit card.

*Terms and conditions of the credit card*

Benjamin further contends that Michelle could not have been bound by non-existent terms and conditions governing the issuance and use of BPI credit cards.

The above statement is bereft of merit.

As correctly held by the lower courts, nothing in *Pantaleon* requires the presentation of merchant receipts to prove the use of the card. In fact, the pertinent portions of the case are quoted hereunder as follows:

In our jurisdiction, we generally adhere to the *Gray* ruling, recognizing the relationship between the credit card issuer and the credit card holder as a contractual one that is governed by the terms and conditions found in the card membership agreement. This contract provides the rights and liabilities of a credit card company to its cardholders and vice versa.

We note that a card membership agreement is a contract of adhesion as its terms are prepared solely by the credit card issuer, with the cardholder merely affixing his [or her] signature signifying his [or her] adhesion to these terms. This circumstance, however, does not render the agreement void; we have uniformly held that contracts of adhesion are "as binding as ordinary contracts, the reason being that the party who adheres to the contract is free to reject it entirely." The only effect is that the terms of the contract are construed strictly against the party who drafted it.

x x x x

From the loan agreement perspective, the contractual relationship begins to exist only upon the meeting of the offer and acceptance of the parties involved. In more concrete terms, when cardholders use their credit cards to pay for their purchases, they merely offer to enter into loan agreements with the credit card company. Only after the latter approves

the purchase requests that the parties enter into binding loan contracts, in keeping with Article 1319 of the Civil Code x x x.<sup>57</sup>

On this score, the CA, RTC, and MeTC arrived at unanimous findings of fact. The delivery receipt that Michelle signed indubitably proves that she personally received the subject BPI credit card. Notably, the delivery receipt contains a proviso that by signing and using the card when delivered to the credit card holder or in his or her behalf, he or she signifies his or her agreement to the terms and conditions printed at the back of the card carrier accompanying the said card, and accept liability for all charges on the principal card and extension cards. Therefore, in signing the delivery receipt, Michelle signified her conformity to and acceptance of the provisions contained in the terms and conditions printed on the card carrier accompanying the credit card.

Moreover, in the Statement of Facts in this Petition, it is alleged that Michelle had paid the amount stated in the SOA for April 2015.<sup>58</sup> The act of paying the amount due, as indicated in the said SOA, demonstrates that Michelle availed of BPI's credit accommodations. Given the foregoing evidence, the courts *a quo* were justified in disregarding Benjamin's plea to apply the ruling in *Bank of the Philippine Islands v. Spouses Sarda*<sup>59</sup> (*Spouses Sarda*) to the case at bar. It bears stressing that in *Spouses Sarda*, We dismissed BPI's Complaint for sum of money because there was no evidence of actual receipt of the credit card and of identity of the payor,<sup>60</sup> which circumstance does not obtain in this case.

#### *Proof of demand for payment*

Finally, Benjamin asserts that BPI absolutely failed to offer any proof that demand was made for the payment of the account.

We are not persuaded.

There is no doubt that the demand letter dated March 22, 2016 is a valid demand for payment made by BPI's counsel on behalf of the bank. Nevertheless, such demand is already superfluous because Michelle already waived the necessity of a demand letter for a declaration of default pursuant to the terms and conditions governing the issuance and use of her BPI credit card, specifically the provision that categorically renders the credit card holder in default without necessity of demand from BPI, which the former expressly waives.

---

<sup>57</sup> *Pantaleon v. American Express International, Inc.*, supra note 29 at 504-506.

<sup>58</sup> See *rollo*, p. 8.

<sup>59</sup> G.R. No. 239092, June 26, 2019.

<sup>60</sup> *Id.*

*Re-computation of interest*

In *Nacar v. Gallery Frames*<sup>61</sup> (*Nacar*), We summarized the guidelines in the imposition of legal interest in line with the case of *Eastern Shipping Lines, Inc. v. Court of Appeals*,<sup>62</sup> as modified by Bangko Sentral ng Pilipinas-Monetary Board (BSP-MB) Circular No. 799, series of 2013,<sup>63</sup> as follows:

- I. When an obligation, regardless of its source, *i.e.*, law, contracts, quasi-contracts, delicts or quasi-delicts is breached, the contravenor can be held liable for damages. The provisions under Title XVIII on “Damages” of the Civil Code govern in determining the measure of recoverable damages.
- II. With regard particularly 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:
  1. When the obligation is breached, and it consists in the payment of a sum of money, *i.e.*, a loan or forbearance of money, the interest due should be that which may have been stipulated in writing. Furthermore, the interest due shall itself earn legal interest from the time it is judicially demanded. In the absence of stipulation, the rate of interest shall be 6% per annum to be computed from default, *i.e.*, from judicial or extrajudicial demand under and subject to the provisions of Article 1169 of the Civil Code.
  2. When an obligation, not constituting a loan or forbearance of money, is breached, an interest on the amount of damages awarded may be imposed at the *discretion of the court* at the rate of 6% *per annum*. No interest, however, shall be adjudged on unliquidated claims or damages, except when or until the demand can be established with reasonable certainty. Accordingly, where the demand is established with reasonable certainty, the interest shall begin to run from the time the claim is made judicially or extrajudicially (Art. 1169, Civil Code), but when such certainty cannot be so reasonably established at the time the demand is made, the interest shall begin to run only from the date the judgment of the court is made (at which time the quantification of damages may be deemed to have been reasonably ascertained). The actual base for the computation of legal interest shall, in any case, be on the amount finally adjudged.
  3. When the judgment of the court awarding a sum of money becomes final and executory, the rate of legal interest, whether the case falls under paragraph 1 or paragraph 2, above, shall be

---

<sup>61</sup> 716 Phil. 267 (2013).

<sup>62</sup> 304 Phil. 236 (1994).

<sup>63</sup> Entitled “RATE OF INTEREST IN THE ABSENCE OF STIPULATION.” Effective: July 1, 2013.

6% per annum from such finality until its satisfaction, this interim period being deemed to be by then an equivalent to a forbearance of credit.<sup>64</sup> (Underscoring supplied)

To emphasize, by virtue of paragraph II.1 above, the stipulated interest shall itself earn legal interest from the time it is judicially demanded. Moreover, pursuant to paragraph II.3, when the judgment of the court awarding a sum of money becomes final and executory, the rate of legal interest shall be 6% per annum from such finality until its satisfaction. In light of the wording of paragraph II.3, which refers to the judgment award without qualification and explicitly requires application to paragraph II.1, the legal interest under paragraph II.3 should be computed based on the aggregate amount of the award, which includes both the principal amount of the loan and the interest due thereon.

Here, the CA Decision accordingly provided that the 12% finance charges per annum and 12% late payment charges per annum shall earn 6% legal interest per annum from the date of judicial demand on November 25, 2016 until finality of judgment. The appellate court likewise remanded the case to the MeTC for the proper computation and determination of the principal amount due to BPI. However, applying *Nacar* in this case, the money judgment, consisting of the principal obligation as determined by the MeTC plus the finance charges and late payment charges earned until finality of judgment, should similarly earn legal interest at the rate of 6% per annum from finality of judgment until full payment. We illustrate the imposition of interests in this case, following the guidelines laid down by this Court in *Nacar*, in the table below:

	From judicial demand until finality of judgment	From finality of judgment until satisfaction
Principal obligation	Paragraph II.1 – stipulated 12% finance charges and 12% late payment charges	Paragraph II.3 – 6% legal interest
Interest on principal obligation	Paragraph II.1 – 6% legal interest	Paragraph II.3 – 6% legal interest

**WHEREFORE**, the petition is **DENIED**. The assailed Decision dated July 28, 2021 and the Resolution dated February 21, 2022 of the Court of Appeals in CA-G.R. SP No. 167509 are **AFFIRMED with MODIFICATION**. As modified, petitioner Michelle Mangaoang, as represented by her husband Benjamin Mangaoang, is ordered to pay respondent Bank of the Philippine Islands the following:

<sup>64</sup> *Nacar v. Gallery Frames*, supra at 282-283.

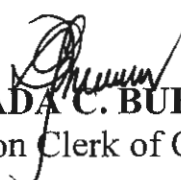


1. Her principal obligation;
2. 12% finance charges per *annum* and 12% late payment charges per *annum* on her principal obligation, from the time of default until finality of judgment;
3. 6% legal interest per *annum* on the 12% finance charges per *annum*, and 12% late payment charges per *annum*, from the date of judicial demand on November 25, 2016 until finality of judgment;
4. 6% legal interest per *annum* on the monetary judgment, consisting of the principal obligation as determined by the Metropolitan Trial Court plus the finance charges and late payment charges earned until finality of judgment, from the finality of this Resolution until its satisfaction; and
5. ₱10,000.00 attorney's fees and costs of suit.

In this regard, the case is **REMANDED** to the Metropolitan Trial Court of Makati City, Branch 63 for the proper computation and determination of the principal amount due to respondent Bank of the Philippine Islands, in conformity with this Resolution.

**SO ORDERED.”**

**By authority of the Court:**

  
**LIBRADA C. BUENA**  
Division Clerk of Court *m119*

by:

**MARIA TERESA B. SIBULO**  
Deputy Division Clerk of Court

**42**

DEC 20 2022



LOSERIAGA CARULLO TULAY  
LAW FIRM  
Counsel for Petitioner  
1118, 11<sup>th</sup> Floor  
High Street South Corporate Plaza 1  
26<sup>th</sup> Street cor. 9<sup>th</sup> Avenue  
Bonifacio Global City  
Fort Bonifacio, 1634 Taguig City

Court of Appeals (x)  
Manila  
(CA-G.R. SP No. 167509)

SAULOG & DE LEON LAW OFFICES  
Counsel for Respondent  
Units 1704 & 1705  
88 Corporate Center, 141 Valero Street  
Salcedo Village, 1227 Makati City

The Hon. Presiding Judge  
Regional Trial Court, Branch 132  
1200 Makati City  
(Civil Case No. M-MKT-16-06604-CV  
-R00-00)

The Hon. Presiding Judge  
Metropolitan Trial Court, Branch 63  
1200 Makati City  
(Civil Case No. M-MKT-16-06604-CV)

Public Information Office (x)  
Library Services (x)  
Supreme Court  
(For uploading pursuant to A.M.  
No. 12-7-1-SC)

Philippine Judicial Academy (x)  
Supreme Court

Judgment Division (x)  
Supreme Court

