



REPUBLIC OF THE PHILIPPINES
SUPREME COURT
Manila

SECOND DIVISION

NOTICE

Sirs/Mesdames:

*Please take notice that the Court, Second Division, issued a Resolution dated **12 May 2021** which reads as follows:*

“G.R. No. 240496 (*James E. Chi v. Bank of the Philippine Islands*).
— This resolves the Petition for Review on *Certiorari*¹ under Rule 45 of the Rules of Court, assailing the Court of Appeals’ (CA) Decision² dated February 28, 2018 in CA-G.R. CV No. 106420, finding petitioner James E. Chi (James) liable for ₱678,338.40, representing the unpaid principal balance of his credit card with respondent Bank of the Philippine Islands (BPI) as of February 2011, plus finance and late payment charges at six percent (6%) each *per annum*.

ANTECEDENTS

In 2005, James used his BPI credit card multiple times for his hospitalization and treatments. Allegedly, James failed to pay the amount charged to his credit card. As such, on July 7, 2011, BPI instituted a complaint for sum of money against James before the Regional Trial Court (RTC) of Makati, Branch 139, for the payment of the principal balance of ₱678,338.40, excluding finance charges at a rate of 3.25% *per month* and late payment charges equivalent to 6% *per month* from February 21, 2011, until fully paid.³ James disclaimed liability and asked for the return of any overpayment.⁴

On November 27, 2015, the RTC rendered a Decision⁵ granting BPI’s

¹ *Rollo*, pp. 10-23.

² *Id.* at 28-35; penned by Associate Justice Ronaldo Roberto B. Martin, with the concurrence of Associate Justices Ricardo R. Rosaric (now a Member of this Court) and Eduardo B. Peralta, Jr.

³ *Id.* at 28-29.

⁴ *Id.* at 29.

⁵ *Id.* at 201-217. The dispositive portion of the Decision reads:

WHEREFORE, premises considered, judgment is hereby **RENDERED** in favor of the plaintiff Bank of the Philippine Islands and against the defendant James E. Chi ordering the latter to pay the former the following:

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claim. The RTC found James liable for the credit card's principal balance as of February 12, 2011, in the amount of ₱678,338.40, but reduced the finance and late payment charges to 1% each *per month* because the 3.25% and 6% rates imposed by BPI were unconscionable.⁶

On appeal to the CA, the CA further reduced the finance and late payment charges to 0.5% each *per month*, or 6% each *per annum*, based on the Court's ruling in *Fausto v. Multi Agri-Forest and Community Development Cooperative*,⁷ which cited *Nacar v. Gallery Frames*⁸ (*Nacar*). The CA disposed:⁹

WHEREFORE, the foregoing considered, the present Appeal is hereby **DENIED**. The Decision dated 27 November 2015 issued by Regional Trial Court (RTC), National Capital Judicial Region, Branch 139, Makati City in Civil Case No. 11-633 is hereby **AFFIRMED with MODIFICATIONS**.

Accordingly, defendant-appellant James E. Chi is hereby **ORDERED TO PAY** BPI the outstanding principal obligation as of 12 February 2011 in the amount of Six Hundred Seventy Eight Thousand Three Hundred Thirty Eight Pesos and Forty Cents (Php678,338.40) plus finance charge at the rate of 0.5% per month or 6% per annum and a late payment charge of 0.5% per month or 6% per annum from 17 February 2011, the date of extrajudicial demand.

SO ORDERED.¹⁰ (Emphases in the original.)

James' motion for reconsideration was denied.¹¹ Hence, this recourse.¹² James assails the correctness of the Statement of Account dated January 2007, showing that he has an outstanding liability to BPI. James insists that he already paid the entire balance of his BPI credit card.¹³

RULING

We deny the petition.

1. The outstanding principal obligation as of 12 February 2011 in the amount of Php678,338.40 plus finance charge at the rate of 1% per month and a late payment charge of 1% per month from the date of the extrajudicial demand on 17 February 2011;

2. The amount of Php30,000.00 as and for attorney's fees; and

3. The costs of suit.

Furnish copies of this Decision to the parties and their respective counsels.

SO ORDERED. *Id.* at 217. (Emphases in the original.)

⁶ *Id.* at 216.

⁷ 797 Phil. 259 (2016) (Resolution).

⁸ 716 Phil. 267 (2013).

⁹ *Rollo*, pp. 34-35.

¹⁰ *Id.*

¹¹ *Id.* at 36-38.

¹² *Id.* at 10-23.

¹³ *Id.* at 29.

In civil cases, the party having the burden of proof must establish his case by a preponderance of evidence, or evidence that is more convincing to the Court as worthy of belief than that offered in opposition thereto. Thus, the party, whether plaintiff or defendant, who asserts the affirmative of an issue has the onus to prove his assertion to obtain a favorable judgment.¹⁴

Here, the RTC and the CA aptly held that James is indebted to BPI. The entries in the statements of account submitted in evidence by BPI showed that James made purchases using his BPI credit card. James did not dispute his use of the credit card, but alleges that he made certain payments that extinguished his obligation in full. It is well-settled that when the evidence in the record fully establishes the existence of a debt, the burden of proving that it has been extinguished by payment devolves upon the debtor who offers such a defense to the claim of the creditor.¹⁵ One who pleads payment has the burden of proving it, and, even if the plaintiff must allege non-payment, the burden is on the defendant to prove payment, rather than on the plaintiff to prove non-payment. The debtor has the burden of showing with legal certainty that the obligation has been discharged by payment.¹⁶ James failed to prove his burden. He did not present evidence, such as payment slips, to show that the amounts charged to his BPI credit card were settled in full.

However, we modify James' liability to BPI. While this Court is not a trier of facts, there are instances when we are called to re-examine the factual findings of the trial and appellate courts, as when their findings are based on a misapprehension of facts, or when specific relevant and undisputed facts were manifestly overlooked that, if properly considered, would justify a different conclusion.¹⁷

The 3.25% finance and 6% late penalty charges imposed by BPI are excessive and unconscionable.

The RTC and the CA were correct in reducing the finance and late payment charges. BPI imposed upon James a 3.25% finance charge and 6% late payment charge, or a total of 9.25% interest, compounded monthly. BPI foisted an effective interest of 111% *per annum*. This rate is exorbitant, excessive and unconscionable, and must be equitably reduced. Indeed, parties are free to enter into agreements and stipulate as to the terms and conditions of their contract. However, such freedom is not absolute. Article 1306 of the Civil Code provides that “[t]he contracting parties may establish such stipulations, clauses, terms and conditions as they may deem

¹⁴ *Bank of the Philippine Islands v. Spouses Royeca*, 581 Phil. 188, 194 (2008).

¹⁵ *G & M (Phils.), Inc. v. Cruz*, 496 Phil. 119, 125-126 (2005).

¹⁶ *Decena v. Asset Pool A (SPV-AMC), Inc.*, G.R. No. 239418, October 12, 2020; *Jimenez v. National Labor Relations Commission*, 326 Phil. 89, 95 (1996).

¹⁷ See *Spouses Belvis v. Spouses Erola*, G.R. No. 239727, July 24, 2019.

convenient, provided they are not contrary to law, morals, good customs, public order, or public policy.” Further, Article 1229 thereof allows the courts to reduce the penalty if it is “iniquitous or unconscionable.”¹⁸

In a plethora of cases,¹⁹ the Court did not hesitate to reduce interest rates and penalties if found to be excessive, iniquitous, and unconscionable. In *Rey v. Anson*,²⁰ the 7.5% monthly interest rate or 90% interest *per annum* for the first loan and the 7% monthly interest rate or 84% interest *per annum* for the second loan were struck down for being excessive, unconscionable, iniquitous, and contrary to law and morals; and, therefore, void *ab initio*.²¹ In *Chua v. Timan*,²² the Court reduced the stipulated interest rates of 7% and 5% *per month* imposed on respondents’ loans to 1% *per month* or 12% *per annum*. We ruled that “stipulated interest rates of **3% per month and higher** are excessive, iniquitous, unconscionable and exorbitant. Such stipulations are void for being contrary to morals, if not against the law.”²³ In *Uysipuo v. RCBC Bankard Services Corp.*,²⁴ (*Uysipuo*) we affirmed the CA that the monthly interest rate of 3.5% and the penalty charge for late payment of 7% was excessive, iniquitous, unconscionable, and exorbitant, and hence, must be equitably tempered.²⁵

Relevantly, the Court already declared in *Macalinao v. Bank of the Philippine Islands*,²⁶ a similar case involving BPI as the creditor, that the 9.25% *per month* or 111% *per annum* interest and penalty charges imposed upon the credit card holder is iniquitous and unconscionable. We reduced the interest and penalty charges to 1% each *per month*, in line with prevailing jurisprudence.²⁷ Notably, the RTC imposed the same rate of 1% each *per month* upon James. However, the CA reduced the rate to 0.5% each *per month*, or 6% each *per annum*, or a total of 12%, following *Nacar*.²⁸ We find the new rate imposed by the CA, *i.e.* 12% *per annum*, appropriate, but for a different reason.

¹⁸ CIVIL CODE, ART. 1229. The judge shall equitably reduce the penalty when the principal obligation has been partly or irregularly complied with by the debtor. Even if there has been no performance, the penalty may also be reduced by the courts if it is iniquitous or unconscionable.

¹⁹ See *Uysipuo v. RCBC Bankard Services Corp.*, G.R. No. 248898, September 7, 2020; *Rey v. Anson*, G.R. No. 211206, November 7, 2018, 884 SCRA 580, 598; *Buenaventura v. Metropolitan Bank and Trust Co.*, 792 Phil. 237, 258 (2016); *Spouses Guevarra v. The Commoner Lending Corp., Inc.*, 754 Phil. 292, 302-303 (2015); *MCMP Construction Corp. v. Monark Equipment Corp.*, (Resolution), 746 Phil. 383, 391 (2014); *Macalinao v. Bank of the Philippine Islands*, 616 Phil. 60, 69 (2009); *Chua v. Timan*, 584 Phil. 144, 148-149 (2008).

²⁰ G.R. No. 211206, November 7, 2018, 884 SCRA 580.

²¹ See *id.*

²² 584 Phil. 144 (2008).

²³ *Id.*

²⁴ *Supra* note 19.

²⁵ *Id.*

²⁶ 616 Phil. 60 (2009).

²⁷ See *id.*

²⁸ *Supra* note 7.

To begin with, *Nacar* is not applicable to James' case. In *Nacar*, we declared in no uncertain terms that "the new rate [*i.e.*, 6% *per annum*] could only be applied prospectively and not retroactively."²⁹ James failed to pay his monthly obligation since January 2007. Since the legal interest of 6% *per annum* prescribed under Bangko Sentral ng Pilipinas Monetary Board (BSP-MB) Circular No. 799 could only be applied prospectively, *i.e.*, beginning July 1, 2013, it is inapplicable in computing James' liability with BPI. Instead, the rate of **12% *per annum*** shall be imposed, which was the prevailing legal rate of interest for loans or forbearance of money when the loan was contracted.

At this point, we reiterate our ruling in *Uysipuo*³⁰ on the effect of striking down the parties' stipulated interest rate for being excessive and unconscionable, *viz.*:

Anent monetary interest, the parties are free to stipulate their preferred rate. However, courts are allowed to equitably temper interest rates that are found to be excessive, iniquitous, unconscionable, and/or exorbitant, such as stipulated interest rates of three percent (3%) per month or higher. In such instances, it is well to clarify that **only the unconscionable interest rate is nullified and deemed not written in the contract; whereas the parties' agreement on the payment of interest on the principal loan obligation subsists. It is as if the parties failed to specify the interest rate to be imposed on the principal amount, in which case the legal rate of interest prevailing at the time the agreement was entered into would have to be applied by the Court.** This is because, according to jurisprudence, the legal rate of interest is the presumptive reasonable compensation for borrowed money. Such monetary interest should be computed from default, *i.e.*, from extrajudicial or judicial demand, until full payment.³¹ (Emphasis supplied; citations omitted.)

Considering that the 3.5% monthly interest rate and the 7% monthly late payment charge are excessive, iniquitous, unconscionable, and exorbitant, the Court, in *Uysipuo*, imposed a straight monetary interest at the prevailing rate of 12% *per annum* on the principal obligation, reckoned from default until full payment.

In the instant case, BPI and James stipulated a 3.25% finance charge and a 6% late payment charge. However, these must be struck down for being unconscionable. Following *Uysipuo*, a **straight monetary interest of 12% *per annum***, the legal interest rate prevailing at the time the agreement was entered into, should be imposed on the principal obligation, reckoned from the date of default, *i.e.*, from judicial or extrajudicial demand, until full payment. We clarify that there is no point in distinguishing between the

²⁹ *Id.*

³⁰ *Supra* note 14. See also *Decena v. Asset Pool A (SPV-AMC), Inc.*, G.R. No. 239418, October 12, 2020.

³¹ *Id.*

finance and late payment charges, as what the RTC and the CA did, and imposing the prevailing legal interest rate (12% *per annum* before July 1, 2013, and 6% *per annum* after that) on each kind. The finance and late payment charges both partake the nature of monetary interest for borrowed money arising from James' purchases on credit.³² There is only one monetary interest for James' unpaid obligation, to be pegged at 12% *per annum*.

The RTC and the CA erroneously ordered James to pay the principal obligation of ₱678,338.40.

Records show that James' principal obligation ballooned to ₱620,100.14 as of January 23, 2011, because BPI charged him with a 3.25% finance charge and 6% late payment charge for every month of non-payment of the total amount due.³³ At the time of filing the complaint, James' indebtedness totaled ₱678,338.40, inclusive of the finance and late payment charges. Although the RTC and the CA correctly modified James' liability by reducing the rates for the finance and late payment charges, the reduced rates were imposed on the ₱678,338.40 amount, which includes the unconscionable finance and late payment charges. Records also show that from January 7, 2007, to January 23, 2011, James made purchases in the total amount of ₱534,077.32 and paid an aggregate amount of ₱802,655.97.

Therefore, applying the straight monetary interest of 12% *per annum* or 1% *per month*, James' outstanding liability should be computed as follows:

State ment Date	Prin cipal Oblig ation	Accru ed Intere st	Plus: Additio nal princip al from purchas es	Less: Paymen ts	Payment applied to Interest	Intere st Remai ning	Paymen t applied to Princip al	New prin cipal	Monet ary intere st
1/7/0 7	257, 255. 68	0.00	0.00	- 13,000. 00	0.00	0.00	13,000.0 0	244, 255. 68	2,442. 56
2/21/ 07	244, 255. 68	2,442. 56	0.00	- 12,650. 00	2,442. 56	0.00	10,207.4 4	234, 048. 24	2,340. 48
3/21/ 07	234, 048. 24	2,340. 48	0.00	- 13,500. 00	2,340. 48	0.00	11,159.5 2	222, 888. 72	2,228. 89
4/22/ 07	222, 888. 72	2,228. 89	0.00	- 13,500. 00	2,228. 89	0.00	11,271.1 1	211, 617. 61	2,116. 18

³² See *Uysipuo v. RCBC Bankard Services Corp.*, *supra* note 19.

³³ *Rollo*, pp. 80-82.

5/21/07	211,617.61	2,116.18	0.00	13,500.00	2,116.18	0.00	11,383.82	200,233.78	2,002.34
6/21/07	200,233.78	2,002.34	0.00	13,500.00	2,002.34	0.00	11,497.66	188,736.12	1,887.36
7/22/07	188,736.12	1,887.36	0.00	13,500.00	1,887.36	0.00	11,612.64	177,123.48	1,771.23
8/21/07	177,123.48	1,771.23	0.00	13,500.00	1,771.23	0.00	11,728.77	165,394.72	1,653.95
9/23/07	165,394.72	1,653.95	0.00	15,000.00	1,653.95	0.00	13,346.05	152,048.66	1,520.49
10/21/07	152,048.66	1,520.49	0.00	15,000.00	1,520.49	0.00	13,479.51	138,569.15	1,385.69
11/21/07	138,569.15	1,385.69	0.00	15,000.00	1,385.69	0.00	13,614.31	124,954.84	1,249.55
12/25/07	124,954.84	1,249.55	0.00	15,000.00	1,249.55	0.00	13,750.45	111,204.39	1,112.04
1/21/08	111,204.39	1,112.04	0.00	15,000.00	1,112.04	0.00	13,887.96	97,316.43	973.16
2/21/08	97,316.43	973.16	10,311.90	15,000.00	973.16	0.00	14,026.84	93,601.50	936.01
3/23/08	93,601.50	936.01	5,472.00	10,000.00	936.01	0.00	9,063.99	90,009.51	900.10
4/21/08	90,009.51	900.10	8,010.00	11,000.00	900.10	0.00	10,099.90	87,919.61	879.20
5/21/08	87,919.61	879.20	10,833.30	11,000.00	879.20	0.00	10,120.80	88,632.10	886.32
6/22/08	88,632.10	886.32	4,187.90	12,000.00	886.32	0.00	11,113.68	81,706.33	817.06
7/21/08	81,706.33	817.06	0.00	12,000.00	817.06	0.00	11,182.94	70,523.39	705.23
8/21/08	70,523.39	705.23	8,033.35	12,000.00	705.23	0.00	11,294.77	67,261.97	672.62
9/21/08	67,261.97	672.62	20,354.80	12,000.00	672.62	0.00	11,327.38	76,289.39	762.89
10/21/08	76,289.39	762.89	23,501.55	12,000.00	762.89	0.00	11,237.11	88,553.84	885.54
11/23/08	88,553.84	885.54	30,205.20	14,000.00	885.54	0.00	13,114.46	105,644.57	1,056.45

12/21/08	105,644.57	1,056.45	15,565.00	20,000.00	-	1,056.45	0.00	18,943.55	102,266.02	1,022.66
1/21/09	102,266.02	1,022.66	42,378.85	20,000.00	-	1,022.66	0.00	18,977.34	125,667.53	1,256.68
2/22/09	125,667.53	1,256.68	23,565.75	20,000.00	-	1,256.68	0.00	18,743.32	130,489.96	1,304.90
3/22/09	130,489.96	1,304.90	18,218.40	25,000.00	-	1,304.90	0.00	23,695.10	125,013.26	1,250.13
4/21/09	125,013.26	1,250.13	19,439.64	30,000.00	-	1,250.13	0.00	28,749.87	115,703.03	1,157.03
5/21/09	115,703.03	1,157.03	25,031.05	25,000.00	-	1,157.03	0.00	23,842.97	116,891.11	1,168.91
6/21/09	116,891.11	1,168.91	5,238.90	19,000.00	-	1,168.91	0.00	17,831.09	104,298.92	1,042.99
7/21/09	104,298.92	1,042.99	8,610.00	18,000.00	-	1,042.99	0.00	16,957.01	95,951.91	959.52
8/23/09	95,951.91	959.52	27,172.18	25,000.00	-	959.52	0.00	24,040.48	99,083.61	990.84
9/21/09	99,083.61	990.84	19,072.19	30,000.00	-	990.84	0.00	29,009.16	89,146.63	891.47
10/21/09	89,146.63	891.47	17,730.96	30,000.00	-	891.47	0.00	29,108.53	77,769.06	777.69
11/22/09	77,769.06	777.69	13,456.69	21,000.00	-	777.69	0.00	20,222.31	71,003.44	710.03
12/21/09	71,003.44	710.03	32,563.30	21,000.00	-	710.03	0.00	20,289.97	83,276.78	832.77
1/21/10	83,276.78	832.77	25,913.07	25,000.00	-	832.77	0.00	24,167.23	85,022.61	850.23
2/21/10	85,022.61	850.23	7,389.58	0.00	-	0.00	850.23	0.00	92,412.19	924.12
3/21/10	92,412.19	1,774.35	12,599.65	50,000.00	-	1,774.35	0.00	48,225.65	56,786.19	567.86
4/21/10	56,786.19	567.86	21,287.55	30,000.00	-	567.86	0.00	29,432.14	48,641.60	486.42
5/23/10	48,641.60	486.42	33,721.12	30,000.00	-	486.42	0.00	29,513.58	52,849.14	528.49
6/21/10	52,849.14	528.49	19,396.06	30,000.00	-	528.49	0.00	29,471.51	42,773.69	427.74

7/21/ 10	42,7 73.6 9	427.74	5,170. 56	0.00	0.00	427.74	0.00	47,9 44.2 5	479.44
8/22/ 10	47,9 44.2 5	907.18	19,646 .82	31,005. 97	907.18	0.00	30,098.7 9	37,4 92.2 8	374.92
9/21/ 10	37,4 92.2 8	374.92	0.00	0.00	0.00	374.92	0.00	37,4 92.2 8	374.92
10/2 1/10	37,4 92.2 8	749.85	0.00	0.00	0.00	749.85	0.00	37,4 92.2 8	374.92
11/2 1/10	37,4 92.2 8	1,124. 77	0.00	0.00	0.00	1,124. 77	0.00	37,4 92.2 8	374.92
12/2 1/10	37,4 92.2 8	1,499. 69	0.00	0.00	0.00	1,499. 69	0.00	37,4 92.2 8	374.92
1/23/ 11	37,4 92.2 8	1,874. 61	0.00	0.00	0.00	1,874. 61	0.00	37,4 92.2 8	374.92

The principal obligation of ₱37,492.28 shall be imposed **monetary interest** at the straight rate of 12% *per annum* from default on September 21, 2010 until full payment. In addition, the accrued monetary interest shall itself earn **compensatory interest** at the rate of 12% *per annum* from the date of judicial demand, *i.e.*, the filing of the complaint on July 7, 2011, until June 30, 2013, and the rate of 6% *per annum* shall be imposed from July 1, 2013, until the obligation is fully paid, pursuant to Article 2212 of the Civil Code, which states that “[i]nterest due shall earn legal interest from the time it is judicially demanded, although the obligation may be silent upon this point.”³⁴

Finally, this Court shall not delve into the issue of ₱30,000.00 attorney’s fees and cost of suit considering that James no longer assailed the deletion of these awards before this Court. The attorney’s fees shall earn interest at the rate of 6% *per annum* from the finality of this ruling until full payment.

FOR THESE REASONS, the Petition for Review on *Certiorari* is **DENIED**. The Court of Appeals’ Decision dated February 28, 2018, in CA-G.R. CV No. 106420, is **AFFIRMED with MODIFICATION** in that petitioner James E. Chi is ordered to pay respondent Bank of the Philippine Islands the following amounts:

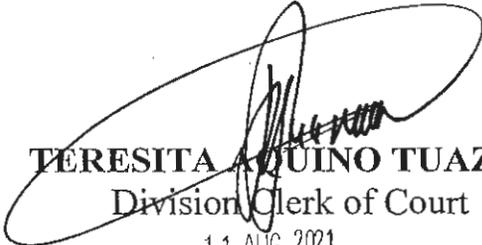
1. The principal obligation of ₱37,492.28;

³⁴ See *Uysipuo v. RCBC Bankard Services Corp.*, *supra* note 19.

2. Monetary interest on the principal obligation at the straight rate of twelve percent (12%) *per annum* from the date of default on September 21, 2010 until full payment;
3. Compensatory interest on the accrued monetary interest at the straight rate of twelve percent (12%) from the filing of the complaint on July 7, 2011, until June 30, 2013, and the rate of six percent (6%) from July 1, 2013, until the obligation is fully paid;
4. Attorney's fees in the amount of ₱30,000.00, plus legal interest at the rate of six percent (6%) *per annum* from the finality of this Resolution until full payment; and
5. Costs of suit.

SO ORDERED." (J. Lopez, J., designated additional Member per Special Order No. 2822 dated April 7, 2021; Rosario, J. recused from the case due to prior action in the Court of Appeals; Hernando, J. designated additional member per Raffle dated April 29, 2021.)

By authority of the Court:


TERESITA AQUINO TUAZON
 Division Clerk of Court
 11 AUG 2021

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HON. PRESIDING JUDGE (reg)
 Regional Trial Court, Branch 139
 Makati City
 (Civil Case No. 11-633)

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