



Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

BRYAN L. UYSIPUO,
Petitioner,

G.R. No. 248898

Present:

- versus -

RCBC BANKARD SERVICES
CORPORATION,
Respondent.

PERLAS-BERNABE, S.A.J.,
Chairperson,
HERNANDO,
CARANDANG,*
INTING,** and
DELOS SANTOS, JJ.

Promulgated:

07 SEP 2020

X-----X

DECISION

PERLAS-BERNABE, J.:

Assailed in this petition for review on *certiorari*¹ are the Decision² dated April 11, 2019 and the Resolution³ dated August 20, 2019 of the Court of Appeals (CA) in CA-G.R. CV No. 109701 which affirmed with modification the Decision⁴ dated March 24, 2017 of the Regional Trial Court of Pasig City, Branch 268 (RTC) in Civil Case No. 72809-PSG, and accordingly, directed petitioner Bryan L. Uysipuo (petitioner) to pay respondent RCBC Bankard Services Corporation (RCBC) the following sums: (a) ₱787,500.00 as the principal obligation; (b) an amount equivalent

* Designated Additional Member per raffle dated August 26, 2020.

** On official leave.

¹ *Rollo*, pp. 37-68.

² Id. 71-86. Penned by Associate Justice Priscilla J. Baltazar-Padilla (now a member of this Court) with Associate Justices Marie Christine Azcarraga-Jacob and Louis P. Acosta, concurring.

³ Id. at 32-34.

⁴ Id. at 110-115. Penned by Presiding Judge Maria Cheryl E. Laqui-Ceguera.

✓

to six percent (6%) per annum of the principal obligation computed from the date of extra-judicial demand, *i.e.*, November 26, 2010, until full payment, as legal interest; (c) an amount equivalent to six percent (6%) per annum of the principal obligation computed from August 2009 until full payment, as late payment interest; (d) ₱50,000.00 as attorney's fees; and (e) costs of litigation.

The Facts

Sometime in 2009, petitioner applied for and was issued a credit card by Bankard, Inc. (Bankard), a domestic banking corporation engaged in the business of extending credit,⁵ allowing the former to avail of the latter's credit services. Under the terms and conditions governing the issuance and use of the said card, a copy of which was given to petitioner, the cardholder was required to settle his account on or before the due date indicated in his statement of account, subject to the payment of interest and late payment charges, in case of default, at the respective monthly rates of three point five percent (3.5%) and seven percent (7%). Subsequently, petitioner started making purchases with the use of the credit card, and, for a certain period, was duly paying his obligations. However, he later defaulted in his payments, and, as of May 9, 2010, had incurred an unpaid balance of ₱1,757,024.53, inclusive of interests and late payment charges. Later, a formal letter of demand was sent to petitioner, which he duly received on November 26, 2010 but failed to heed.⁶ Thus, on December 15, 2010, Bankard filed a complaint⁷ with the RTC praying for the payment of the amount of ₱1,757,024.53, plus interest and late payment charges, attorney's fees, and costs of suit. Bankard was later substituted by respondent RCBC Bankard Services Corporation (RCBC).⁸

For his part, petitioner asserted that his credit card purchases only amounted to ₱300,000.00, which ballooned to the amount of ₱1,757,024.53 because of the imposition of illegal interests and surcharges.⁹

The RTC Ruling

In a Decision¹⁰ dated March 24, 2017, the RTC ruled in RCBC's favor, and accordingly, ordered petitioner to pay RCBC: (a) the total outstanding obligation in the amount of ₱1,757,024.53; (b) interest on the total outstanding obligation at the rate of 12% per annum from November 26, 2010 until June 30, 2013 and 6% per annum from July 1, 2013 until full payment; (c) interest on accrued interest at the rate of 12% per annum from

⁵ Id. at 119.

⁶ See Demand Letter dated November 26, 2010; *id.* at 124.

⁷ Id. at 119-121.

⁸ Id. at 71-75. See also *id.* at 110-113.

⁹ See Answer dated April 18, 2012; *id.* at 116-118.

¹⁰ Id. at 110-115.

2

the date of the filing of the complaint, *i.e.*, December 15, 2010 until June 30, 2013 and 6% per annum from July 1, 2013 until full payment; (d) attorney's fees in the amount of ₱50,000.00; and (e) costs of litigation.¹¹ The RTC found that RCBC had sufficiently established a valid claim against petitioner, as it was proven that he used his credit card to make purchases and had voluntarily accepted the terms and conditions governing the issuance and use of the same.¹²

Aggrieved, petitioner appealed¹³ to the CA.

The CA Ruling

In a Decision¹⁴ dated April 11, 2019, the CA **affirmed** the decision of the RTC with **modification**. The CA found that the stipulated amount of interest and late penalty charges, at the respective monthly rates of three point five percent (3.5%) and seven percent (7%), were excessive and unconscionable, and thus, equitably reduced each of them to the prevailing legal rates. Anent the amount of the principal obligation, the CA found the same to be in the amount of ₱787,500.00, which was the balance due to be paid within August 2009.¹⁵ Accordingly, the CA ordered petitioner to pay RCBC: (a) the amount of ₱787,500.00 as the principal obligation; (b) an amount equivalent to six percent (6%) per annum of the principal obligation computed from the date of extra-judicial demand, *i.e.*, November 26, 2010, until full payment as legal interest; (c) an amount equivalent to six percent (6%) per annum of the principal obligation computed from August 2009 until full payment as late payment interest; (d) attorney's fees in the amount of ₱50,000.00; and (e) costs of litigation.¹⁶

Undeterred, petitioner moved for reconsideration,¹⁷ which was denied in a Resolution¹⁸ dated August 20, 2019; hence, the instant petition.

The Issue Before the Court

The issue for the Court's resolution is whether or not the CA erred in ordering the payment of the amount of ₱787,500.00 as the principal obligation, plus interest and late payment interest thereon at the prevailing legal rates.

¹¹ Id. at 115.

¹² Id. at 113.

¹³ See Notice of Appeal dated August 18, 2017; CA *rollo*, pp. 14-16.

¹⁴ *Rollo*, pp. 71-86.

¹⁵ Id. at 76-85.

¹⁶ Id. at 84-85.

¹⁷ See Motion for Reconsideration dated May 14, 2019; id. at 26-31.

¹⁸ Id. at 32-33.

N

The Court's Ruling

The petition is without merit.

I.

At the outset, the Court notes that petitioner admits his indebtedness to RCBC on account of his use of the credit card issued to him. However, he insists that he should only be made to pay the principal obligation amounting to ₱300,000.00, as RCBC's imposition of illegal interests and late payment charges should be struck down for being unconscionable.¹⁹ On the other hand, the courts *a quo* valued the principal obligation differently, in that the RTC pegged the same at ₱1,757,024.53, while the CA lowered it to ₱787,500.00. While factual findings of the lower courts are generally considered final and binding on this Court,²⁰ the Court is nevertheless allowed to make its own when, among others, the factual findings of the lower courts are conflicting,²¹ as in this case. Guided by the foregoing considerations, the Court deems it proper to make its own findings to determine petitioner's principal obligation to RCBC.

Records show that, from April 2009 to October 8, 2009, petitioner made purchases with the use of his credit card in the total amount of ₱4,834,774.18,²² and merely paid the total amount of ₱3,623,773.85,²³ leaving a difference of **₱1,211,000.33** as the total unpaid obligation. Such finding may be gathered from a review of petitioner's statement of account covering the aforesaid period, as summarized by the CA:²⁴

¹⁹ See *id.* at 64.

²⁰ See *Borja v. Miñoza*, 812 Phil. 133, 142 (2017).

²¹ See *New City Builders Inc. v. National Labor Relations Commission*, 499 Phil. 207, 215 (2005).

²² See *rollo*, p. 79. Computed as follows:

Statement Date	Purchases
May 10, 2009	₱631,535.68
June 8, 2009	₱787,500.00
July 8, 2009	₱787,500.00
August 9, 2009	₱264,738.50
September 8, 2009	₱1,083,500.00
October 8, 2009	₱1,280,000.00
	₱4,834,774.18

²³ See *id.* Computed as follows:

₱631,535.68	Payment for the balance due as of June 8, 2009
₱787,500.00	Payment for the balance due as of July 8, 2009
₱265,000.00	Payment for the balance due as of August 9, 2009
₱864,000.00	Payment for the balance due as of September 8, 2009
₱1,075,738.17	Payment for the balance due as of October 8, 2009
₱3,623,773.85	Total

²⁴ See *id.*

Statement Date	Previous Balance	Purchases	Payments	Interest/ Fees/ Charges	Late Charges	Balance Due
05/10/2009	₱116,716.00	₱631,535.68	₱116,716.00			₱631,535.68
06/08/2009	₱631,535.68	₱787,500.00	₱631,535.68			₱787,500.00
07/08/2009	₱787,500.00	₱787,500.00	₱787,500.00			₱787,500.00
08/09/2009	₱787,500.00	₱264,738.50	₱265,000.00	₱32,238.17		₱819,476.67
09/08/2009	₱819,476.67	₱1,083,500.00	₱864,000.00			₱1,038,976.67
10/08/2009	₱1,038,976.67	₱1,280,000.00	₱1,075,738.17			₱1,243,238.50
11/08/2009	₱1,243,238.50			₱58,615.28	₱4,351.34	₱1,306,205.12
12/08/2009	₱1,306,205.12			₱45,770.01	₱8,994.86	₱1,360,969.99
01/10/2010	₱1,360,969.99			₱52,511.34	₱13,906.69	₱1,427,388.02
02/08/2010	₱1,427,388.02			₱52,016.56	₱19,132.05	₱1,498,536.63
03/08/2010	₱1,498,536.63			₱48,981.40	₱24,692.64	₱1,572,210.67
04/08/2010	₱1,572,210.67			₱57,004.89	₱30,602.81	₱1,659,818.37
05/09/2010	₱1,659,818.37			₱60,289.00	₱36,917.16	₱1,757,024.53

Based on the foregoing, the CA erred in finding that the principal obligation merely amounted to the sum of ₱787,500.00, which was the balance due to be paid within the month of August of 2009, considering that such amount was already paid by petitioner in the succeeding months of September and October of 2009, within which the latter made further purchases on credit. Accordingly, the Court finds that petitioner's principal obligation to RCBC should amount to **₱1,211,000.33**, which, as previously explained, remains unpaid.

II.

Anent the proper amount of **interest and late payment charges**, the CA correctly found that the monthly interest rate of 3.5% as well as the penalty charge for late payment of 7% was excessive, iniquitous, unconscionable, and exorbitant, and hence, must be equitably tempered.²⁵ Nonetheless, the Court deems it appropriate to adjust the interest rates imposed by the CA in accordance with prevailing jurisprudence.

Case law states that there are two (2) types of interest, namely, monetary interest and compensatory interest. Monetary interest is the compensation fixed by the parties for the use or forbearance of money. On the other hand, compensatory interest is that imposed by law or by the courts as penalty or indemnity for damages. Accordingly, the right to recover interest arises only either by virtue of a contract (monetary interest) or as damages for delay or failure to pay the principal loan on which the interest is demanded (compensatory interest).²⁶

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

²⁵ See *id.* at 82-85.

²⁶ *Isla v. Estorga*, G.R. No. 233974, July 2, 2018, 869 SCRA 410, citing *Spouses Pen v. Spouses Julian*, 776 Phil. 50, 60 (2016).

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.²⁷ Such monetary interest should be computed from default, *i.e.*, from extrajudicial or judicial demand, until full payment,²⁸

In addition, the aforesaid monetary interest shall itself earn compensatory interest at the prevailing legal rates, 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.' To be sure, [the foregoing provision] contemplates the presence of stipulated or conventional interest, *i.e.*, monetary interest, which has accrued when demand was judicially made." In contrast, Article 2212 of the Civil Code finds no application if there was no stipulated/monetary interest agreed upon by the parties which could further earn compensatory interest.²⁹

In this case, the courts *a quo* correctly found that petitioner voluntarily agreed to the payment of interest and late payment charges as stipulated in the credit card terms and conditions.³⁰ Notably, both impositions partook the nature of monetary interest as it was intended as compensation for the use or forbearance of money arising from petitioner's purchases on credit.³¹ Since the stipulated rates were struck down for being unconscionable, the Court finds that a straight monetary interest at the prevailing rate of twelve percent (12%) per annum³² should instead be imposed on the principal obligation, reckoned from the date of default, *i.e.*, from extrajudicial demand on November 26, 2010, until full payment. Additionally, the accrued monetary interest itself shall earn compensatory interest at the rate of twelve percent (12%) per annum from the date of judicial demand, *i.e.*, the filing of the complaint on December 15, 2010 until June 30, 2013, and thereafter, at the rate of six percent (6%) per annum from July 1, 2013 until full payment. Finally, the award of attorney's fees in the amount of ₱50,000.00 shall also earn legal interest at the rate of 6% per annum from the finality of this Decision until full payment.

²⁷ *Id.* at 417-418; citations omitted.

²⁸ See *Lara's Gifts & Decors, Inc. v. Midtown Industrial Sales, Inc.*, G.R. No. 225433, August 28, 2019.

²⁹ *Isla v. Estorga*, *supra* note 26. See also *Park v. Choi*, G.R. No. 220826, March 27, 2019.

³⁰ See *rollo*, p. 113.

³¹ "[C]redit card obligation consists of a loan or forbearance of money." (*Ledda v. Bank of the Philippine Islands*, 699 Phil. 273, 280 [2012]).

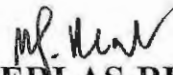
³² "The 6% per annum legal interest prescribed under BSP-MB Circular No. 799 took effect on 1 July 2013 and could only be applied prospectively." *Lara's Gifts & Decors, Inc. v. Midtown Industrial Sales, Inc.*, *supra* note 28.

N

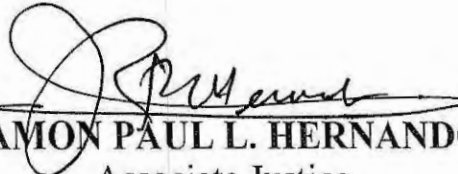
WHEREFORE, the petition is **DENIED**. The Decision dated April 11, 2019 and the Resolution dated August 20, 2019 of the Court of Appeals in CA-G.R. CV No. 109701 are hereby **AFFIRMED** with **MODIFICATION**. Accordingly, petitioner Bryan L. Uysipuo is ordered to pay RCBC Bankard Services Corporation the following amounts:


- 1) The principal obligation in the amount of ₱1,211,000.33;
- 2) Monetary interest on the principal obligation at the rate of twelve percent (12%) per annum from the date of default, *i.e.*, from extrajudicial demand on November 26, 2010, until full payment;
- 3) Compensatory interest on the accrued monetary interest at the rate of twelve percent (12%) per annum from the date of judicial demand, *i.e.*, the filing of the complaint on December 15, 2010 until June 30, 2013, and thereafter, at the rate of six percent (6%) per annum from July 1, 2013 until full payment;
- 4) Attorney's fees in the amount of ₱50,000.00, plus legal interest thereon at the rate of six percent (6%) per annum, reckoned from the finality of this Decision until full payment; and
- 5) Costs of suit.

SO ORDERED.



ESTELA M. PERLAS-BERNABE
Senior Associate Justice

WE CONCUR:


RAMON PAUL L. HERNANDO
Associate Justice


ROSMARI D. CARANDANG
Associate Justice

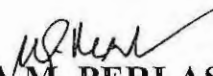
On Official Leave
HENRI JEAN PAUL B. INTING
Associate Justice



EDGARDO L. DELOS SANTOS
Associate Justice

ATTESTATION

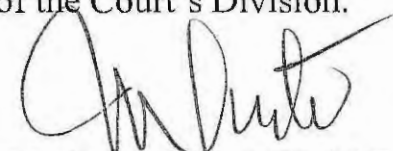
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



ESTELA M. PERLAS-BERNABE
Senior Associate Justice
Chairperson, Second Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



DIOSDADO M. PERALTA
Chief Justice