



Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

LAND BANK OF THE PHILIPPINES,
Petitioner,

G.R. No. 220706

- versus -

MARIA JOSEFINA G. MIRANDA,*
Respondent.

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MARIA JOSEFINA G. MIRANDA,
Petitioner,

G.R. No. 220986

Present:

- versus -

CAGUIOA, J.,
Chairperson,
INTING,
GAERLAN,
DIMAAMPAO, and
SINGH, JJ.

LAND BANK OF THE PHILIPPINES,
Respondent.

Promulgated:
February 27, 2023

X-----X

DECISION

GAERLAN, J.:

For resolution before this Court are consolidated petitions for review on *certiorari* questioning the Decision¹ dated February 24, 2015 and the Resolution² dated September 28, 2015 of the Court of Appeals (CA) in CA-G.R. CV No. 97099. The assailed CA Decision affirmed the Decision³ dated

* Also spelled as Ma. Josefina G. Miranda in some parts of the *rollo*.
¹ *Rollo* (G.R. No. 220706), pp. 8-18. Penned by Associate Justice Leoncia Real-Dimagiba, with Associate Justices Ramon R. Garcia and Maria Elisa Sempio Diy, concurring.
² Id. at 20-21.
³ Id. at 120-128. Penned by Presiding Judge Bartolome V. Flores.

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June 21, 2010 of the Regional Trial Court (RTC) of Mariveles, Bataan, Branch 4, which, although denied complainant Maria Josefina G. Miranda's (Miranda) main cause of action, nevertheless, ordered defendant Land Bank of the Philippines (LBP) to pay Miranda the following amounts: (1) ₱150,000.00 as and by way or moral damages; (2) ₱5,700.82 representing the amount that was unduly deducted from the first loan proceeds; (3) ₱100,000.00, as attorney's fees; and (4) cost of the proceedings.

In G.R. No. 220706, LBP seeks a partial review of the CA Decision, specifically the award of moral damages, attorney's fees, and costs of suit in favor of Miranda.⁴ Meanwhile in G.R. No. 220986, Miranda prays that this Court annuls and sets aside the CA Decision and for a new judgment be made declaring her obligations with LBP settled and nullifying the foreclosure of Miranda's Real Estate Mortgage.⁵

Facts

The instant case arose from a Complaint⁶ dated March 19, 2001 filed on even date by Miranda against LBP and the Register of Deeds of Bataan for annulment of foreclosure sale, cancellation of certificate of sale, cancellation of mortgage, with damages.

According to the complaint, sometime in June 1998, Miranda, as co-borrower, together with spouses Robert Glenn and Marjorie Fox, applied and were granted by LBP a credit accommodation in the maximum of ₱3,000,000.00. Between the period of June 1998 through July 1998, Miranda, together with her co-borrowers, was granted three loan accommodations with a total amount of ₱2,400,000.00 as evidenced by three promissory notes in the following amounts: (1) ₱850,000.00; (2) ₱1,150,000.00; and (3) ₱400,000.00. As security for the foregoing loans Miranda executed in favor of LBP a real estate mortgage over a parcel of land covered by TCT No. T-65757.⁷

Out of the ₱2,400,000.00 loan accommodation secured by Miranda, only the net amount of ₱2,390,699.00 was released due to deductions made by LBP. Among the deductions made by LBP, in particular from the first promissory note, is the amount of ₱5,700.82 corresponding to the life "insurance premium" for the Mortgage Redemption Insurance (MRI). According to Miranda, LBP's representative offered the life insurance package, which was a product of LBP Insurance Brokerage, Inc. (LIBI), wherein the three debtors would be insured with LBP as the beneficiary of its

⁴ Id. at 24-40.

⁵ Id. (G.R. No. 220986) at 10-27.

⁶ Id. (G.R. No. 220706) at 57-64.

⁷ Id. at 58-59.

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proceeds. LBP's representative assured Miranda that the MRI was a standard procedure and/or customary bank practice to guarantee payment of the loan obligation in case any of the debtors should untimely die.⁸ According to LBP, Miranda and her co-borrowers were provided with the MRI application forms, which the latter however failed to accomplish and submit.⁹

On August 20, 1998, or around two months after the credit accommodation was granted, one of the debtor-borrowers, Robert Glenn D. Fox, passed away. Miranda, under the impression that they were able to avail of the MRI, believed that with the death of Robert Glenn D. Fox, their loan obligations were supposedly paid for from the proceeds of the said life insurance. Thus, Miranda stopped paying for the loan.¹⁰

However, considering that Miranda never accomplished and submitted the MRI application to LBP, LIBI never issued the said life insurance policy in favor of the debtor-borrowers. Thus, upon the death of one of the co-borrowers, their loan obligation was not considered by LBP to have been paid for or extinguished.¹¹

Thus, LBP filed a petition for extra-judicial foreclosure of mortgage with the Regional Trial Court of Bataan alleging that as of November 15, 1999, the outstanding obligation of the borrowers amounted to ₱3,186,731.10 plus interest, penalty, and attorney's fees, exclusive of cost and expenses.¹² Subsequently, the mortgaged property was sold at a public auction on March 31, 2000 to LBP as the highest bidder for ₱5,115,904.97, the amount of which was credited for the full satisfaction of the mortgage debt.¹³

On March 19, 2001, Miranda filed a Complaint¹⁴ on even date with the following prayers:

1. DECLARING the Plaintiff's obligation to Defendant LBP extinguished, and the relevant real estate mortgage CANCELLED due to payment;
2. DECLARING the extra-judicial foreclosure of Plaintiffs real estate mortgage as null and void;
3. CANCELLING the certificate of sheriff's sale;

⁸ Id. at 59.

⁹ Id. at 10.

¹⁰ Id. at 60.

¹¹ Id. at 9.

¹² Id.

¹³ Id. at 10.

¹⁴ Id. at 57-64.

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4. ORDERING the Register of Deeds for Bataan to cancel all [related] encumbrances on the certificates of title;
5. AWARDING damages not less than P/300,000.00, attorney's fees not less than P/100,000.00 and costs of suit to Plaintiff.¹⁵

In her complaint, Miranda argues that LBP had deducted from the loan proceeds the amount of ₱5,700.00 representing “insurance premium” for the MRI policy. Miranda contends that since the debtor-borrowers availed of the MRI, the proceeds from the said policy were applied to their outstanding loans. Thus, with the death of Robert Glenn D. Fox, their loan obligations were supposedly paid for from the proceeds of the said life insurance. Accordingly, the loan obligation having been already extinguished, LBP had no longer any right to proceed with the extrajudicial foreclosure of the mortgage.¹⁶

Ruling of the Regional Trial Court

In its Decision¹⁷ dated June 21, 2010, the RTC denied Miranda's prayer in the main, but nevertheless, awarded moral damages, attorney's fees, and costs of suit in her favor:

WHEREFORE, premises considered, judgment is hereby rendered ordering the defendant (1) to pay the plaintiff the amount of One Hundred Fifty Thousand Pesos (Php150,000.00) as and by way of moral damages; (2) to reimburse to the plaintiff the amount of Five Thousand Seven Hundred Pesos and Eighty Two Centavos (Php5,700.82) which was unduly deducted from the first loan proceeds; (3) to pay the amount of One Hundred Thousand Pesos (Php100,000.00), as attorney's fees; and the cost of the proceedings.

SO ORDERED.¹⁸

The RTC, in granting Miranda's prayer for damages, relied on this Court's ruling in *Development Bank of the Phils. v. Court of Appeals*,¹⁹ and concluded that LBP's act of offering the MRI to Miranda was beyond the scope of its authority considering that the MRI was only applicable to consumer loans and was not applicable to future business loan, which was what Miranda and her co-borrowers secured. The RTC concluded that LBP's failure to disclose the limits of its authority in offering the MRI when it was not applicable to Miranda's loan made it liable to damages under Article 1897

¹⁵ Id. at 62.

¹⁶ Id. at 59-61.

¹⁷ Id. at 120-128.

¹⁸ Id. at 128.

¹⁹ 301 Phil. 375 (1994).

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of the Civil Code. On the basis thereof, although the RTC ruled that the MRI was not perfected due to the failure of Miranda to accomplish and submit the MRI application, LBP was, nevertheless, found liable to pay moral damages, attorney's fees, and the costs of suit, to wit:

Anent the prayer for damages, it is worthy to point out that in dealing with the debtor mortgagors, the defendant acted both as a lender and an agent. As an agent, it broached to the plaintiff and her co-borrowers the benefits to be derived from a Mortgage Redemption Insurance. Defendant also deducted the amount of Php5,700.82 from the loan proceeds, which act is beyond the scope of its authority because MRI is not applicable to the future business loan of the plaintiffs and her co-borrowers. Article 1897 of the Civil Code provides that "the agent who acts as such is not personally liable to the party with whom he contracts, unless he expressly binds himself or exceeds the limit of his authority without giving such party sufficient notice of his powers".

The Supreme Court in *DBP vs. CA and the Estate of the late Juan B. Dans, etc.* x x x regarding the liability of an agent explained as follows:

x x x x

Considering the presumption that "the non-disclosure of the limits of the agency carries with it the implication that a deception was perpetrated on the unsuspecting client" and that the record is bereft of any evidence showing that the plaintiff and her co-debtors-mortgagors were informed by the defendant and that the said defendant exceeded the limits of its power when it deducted the amount of Php5,700.82 from the loan proceeds, defendant may be held liable for damages under the aforecited Article 1897 of the Civil Code..

The liability of the defendant however, may not be for the amount of the loan because the validity of the loan agreement is not in issue, nor the corresponding value of MRI policy because as said earlier there is no perfected MRI contract. Article 2199 of the Civil Code provides that "one is entitled to an adequate compensation only for such pecuniary loss suffered by him as he has duly proved." And that damages to be recovered must not only be capable of proof but must be actually proved with a reasonable degree of certainty x x x

Article 2216 of the Civil Code instead allows the plaintiff to recover moral damages because said article provides that "no proof of pecuniary loss is necessary in order that moral damages x x x may be adjudicated."²⁰

Thereafter, both parties appealed the foregoing RTC Decision.

²⁰ *Rollo* (G.R. No. 220706), pp. 126-127.

Ruling of the Court of Appeals

In its Decision²¹ dated February 24, 2015, the CA dismissed the appeal and affirmed the RTC Decision. The CA similarly found that Miranda and her co-borrower's failure to accomplish and submit their MRI application did not perfect the insurance contract, and thus, the death of one of the co-borrowers did not extinguish their loan obligation. Moreover, the CA, likewise, found that Miranda is entitled to moral damages, attorney's fees, and costs of suit, similarly finding the applicability of Our ruling in *Development Bank of the Phils. v. Court of Appeals*. The pertinent portion of the Decision of the CA reads:

As to the issue of damages, We agree with the stand of the court a quo when it said: "*x x x x, it is worthy to point out that in dealing with the debtor-mortgagors, the defendant acted both as a lender and an agent. As an agent, it broached to the plaintiff and her co-borrowers the benefits to be derived from a Mortgage Redemption Insurance. Defendant also deducted the amount of Php5,700.82 from the loan proceeds, which act is beyond the scope of its authority because MRI is not applicable to the future business loan of the plaintiffs and her co-borrowers. x x x x Considering the presumptions that the non-disclosure of the limits of the agency carries with it the implication that a deception was perpetrated on the unsuspecting client and that the record is bereft of any evidence showing that the plaintiff and her co-debtors-mortgagors were informed by the defendant and that the said defendant exceeded the limits of its power when it deducted the amount of Php5,700.82 from the loan proceeds, defendant may be held liable for damages under the aforesaid Article 1897 of the Civil Code*".

As to the matter of moral damages, We are convinced that the defendant by its act that is "*beyond the scope of its authority because MRI is not applicable to the future business loan of the plaintiffs and her co-borrowers*" is a culpable act or omission that cause the plaintiff mental anguish and wounded feelings.

Jurisprudence has established the following requisites for the award of moral damages: (1) there is an injury – whether physical, mental or psychological – clearly sustained by the claimant; (2) there is culpable act factually established; (3) the wrongful act or omission of the defendant is the proximate cause of the injury sustained by the claimant; and (4) the award of damages is predicated on any of the cases stated in Article 2219 of the Civil Code.

Moral damages are meant to compensate the claimant for any physical suffering, mental anguish, fright, serious anxiety, besmirched reputation, wounded feelings, moral shock, social humiliation, and similar injuries unjustly caused. Although incapable of pecuniary estimation, the amount must somehow be proportional to and in approximation of the suffering inflicted.

²¹ Id. at 8-18.

WHEREFORE, premises considered, the herein appeal is **DISMISSED** for lack of merit.

Accordingly the assailed Decision dated June 21, 2010 is hereby **AFFIRMED** in toto.

SO ORDERED.²² (Emphases and italics in the original; citations omitted)

Accordingly, LBP filed a Partial Motion for Reconsideration questioning the award of moral damages, attorney's fees, and costs of suit. Miranda, likewise, filed a Motion for Reconsideration questioning the foregoing CA Decision. The CA in its Resolution²³ dated September 28, 2015 denied both motions for lack of merit.

Hence, both LBP and Miranda filed their respective petitions for review on *certiorari*.

Issues

LBP comes before this Court raising the lone issue of whether it is liable for moral damages, attorney's fees, and costs of suit. LBP contends that the RTC and the CA gravely erred in awarding damages in favor of Miranda on the basis of Article 1897 of the Civil Code. LBP argues that Article 1897 is not applicable considering that LBP never acted as an agent for LIBI or for any of the borrowers in relation to the MRI that was offered to Miranda. Accordingly, LBP concludes that since there was no agency relationship, it should not be considered as an agent who acted outside the scope of its authority.²⁴

On the other hand, the primary issue raised by Miranda is whether the RTC and the CA correctly ruled that no MRI contract was perfected, and thus, no insurance proceeds were applied to pay off Miranda's outstanding obligations with LBP. Miranda argues that she and her co-borrowers filed the MRI application and that LBP's acts and representations, in particular its deduction of ₱5,700.00 representing "insurance premium" proves that there was a perfected and binding MRI contract.²⁵

²² Id. at 16-17.

²³ Id. at 20-21.

²⁴ Id. at 33.

²⁵ Id. (G.R. No. 220986) at 17.

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Ruling of the Court

At the outset, it bears stressing that factual findings of the trial court, especially when affirmed by the CA, deserve great weight and respect, unless there are facts of weight and substance that were overlooked or misinterpreted and that would materially affect the disposition of the case.²⁶ Hence, finding no cogent reason to the contrary, their factual findings in this case are sustained.

I. There was no perfected MRI contract.

A contract of insurance is defined as an agreement whereby one undertakes for a consideration to indemnify another against loss, damage, or liability arising from an unknown or contingent event.²⁷

A Mortgage Redemption Insurance or “MRI” is a type of group insurance policy of mortgagors intended to protect both the mortgagee and mortgagor. On the part of the mortgagee, it has to enter into such form of contract so that in the event of the unexpected demise of the mortgagor during the subsistence of the mortgage contract, the proceeds from such insurance would be applied to the payment of the mortgage debt, thereby relieving the heirs of the mortgagor from paying the obligation. In a similar vein, ample protection is given to the mortgagor under such a concept so that in the event of death; the mortgage obligation will be extinguished by the application of the insurance proceeds to the mortgage indebtedness.²⁸

An MRI, being a contract of insurance, and like other contracts, must be assented to by both parties either in person or by their agents. So long as an application for insurance has not been either accepted or rejected, it is merely an offer or proposal to make a contract.²⁹ Thus, in *Perez v. Court of Appeals*,³⁰ We held that the assent of the insurer is not given when it simply receives the application form but when it issues a corresponding policy to the applicant:

²⁶ *Almojuela v. People*, 734 Phil. 636, 651 (2014).

²⁷ THE INSURANCE CODE, Section 2(a).

²⁸ *The Insular Life Assurance Co., Ltd. v. Heirs of Alvarez*, 841 Phil. 175 (2018); *Great Pacific Life Assurance v. Court of Appeals*, 375 Phil. 142, 148 (1999), citing *Serrano v. Court of Appeals*, 215 Phil. 292, 299 (1984).

²⁹ *Steamship Mutual Underwriting Association (Bermuda) Limited v. Sulpicio Lines, Inc.*, 818 Phil. 464, 498 (2017); see also *Loyola Life Plans Incorporated v. ATR Professional Life Assurance Corporation*, G.R. No. 228402, August 26, 2020; *Perez v. Court of Appeals*, 380 Phil. 592, 600-601 (2000).

³⁰ 380 Phil. 592 (2000).

Insurance is a contract whereby, for a stipulated consideration, one party undertakes to compensate the other for loss on a specified subject by specified perils. A contract, on the other hand, is a meeting of the minds between two persons whereby one binds himself, with respect to the other to give something or to render some service. Under Article 1318 of the Civil Code, there is no contract unless the following requisites concur:

- (1) Consent of the contracting parties;
- (2) Object certain which is the subject matter of the contract;
- (3) Cause of the obligation which is established.

Consent must be manifested by the meeting of the offer and the acceptance upon the thing and the cause which are to constitute the contract. The offer must be certain and the acceptance absolute.

x x x x

The assent of private respondent BF Lifeman Insurance Corporation therefore was not given when it merely received the application form and all the requisite supporting papers of the applicant. Its assent was given when it issues a corresponding policy to the applicant. Under the abovementioned provision, it is only when the applicant pays the premium and receives and accepts the policy while he is in good health that the contract of insurance is deemed to have been perfected.³¹ (Emphasis and underscoring supplied)

In the instant case, as correctly found by the RTC and as affirmed by the CA, no MRI contract was perfected.

First, Miranda never filed the application for the MRI. As testified to by Ma. Cecille Agcaoili (Agcaoili), the LBP Executive officer, Miranda failed to submit the filled up and signed application form for the MRI:

- Q: What happened after your conversation, what did you do?
 A: After our conversation, mam, I checked with the bank's records, there was deductions for MRI on the first release of P850,000.00 temporarily lodged to the accounts payable.
- Q: Why was the payment lodged to accounts payable, Madam witness?
 A: Usually, these are lodged to accounts payable when there are lacking documents and during that time when we checked, there was really no supporting documents for the insurance, mam.
- Q: What should be the supporting documents for this insurance, Madam Witness?
 A: The application, mam for MRI.

³¹ Id. at 598-599.

Q: So, there was no application for MRI?

A: No, mam.

Q: Was that document provided to Miss Miranda and her co-borrowers?

A: Yes, mam. It might have been included in the documents that were given to them prior to the loan releases just like the loan agreements.³²

Second, although an amount was deducted from the first release of the loan proceeds in the amount of ₱5,700.82 representing “insurance premiums,” the same was never accepted by the insurer, LIBI. According to LIBI, MRI contracts cover consumer loans and does not extend to the loan applied for by Miranda and her co-borrowers, which was for a “business undertaking.”

Third, the insurer never issued an insurance policy, which would establish LIBI’s acceptance of Miranda and her co-borrower’s application for MRI coverage. As admitted by Miranda herself, she in fact never received the policy or any documentation evincing the perfection of the MRI contract, thus:

Q: So, what you are telling me now, Madam witness, is that based only on the alleged deduction that was made on your loan, is that you are already insured, is that what you are trying to tell us, Madam witness?

A: Yes, mam. That was what they said, mam.

Q: But did you receive or did you see any copy of the supposed insurance policy that is supposed to cover your loan?

A: They did not give us any copy, mam.

Q: What you are saying now is that based only on that deduction? You presumed to be insured or you are saying that you already insured based only on that deduction?

A: Yes, mam. Because they got the money from us.³³

All told, We are convinced that the RTC and the CA committed no reversible error in its conclusion that no MRI contract was perfected. Since no MRI contract was perfected, LIBI had no obligation to indemnify and release any life insurance proceeds upon the death of Robert Glenn D. Fox in favor of LBP to be applied to Miranda and her co-borrower’s outstanding obligation.

³² *Rollo* (G.R. No. 220706), p. 124, citing TSN dated June 10, 2004, pp. 21-24.

³³ *Id.* at 123, citing TSN dated November 6, 2003, p. 5.

Accordingly, Miranda's obligation was not extinguished upon the death of Robert Glenn D. Fox. Thus, with Miranda's failure to settle her outstanding obligations, LBP was well within its rights to proceed with the extrajudicial foreclosure of the real estate mortgage.

II. The award of damages is warranted under the circumstances.

In awarding moral damages, the Decision of the RTC, as affirmed by the CA, cited Our ruling in *Development Bank of the Phils. v. Court of Appeals*.³⁴ Notably, the foregoing case shares some factual similarities to the instant case. In the DBP case, the principal borrower, Juan B. Dans, was advised by DBP to secure a mortgage redemption insurance with the DBP Mortgage Redemption Insurance Pool (DBP MRI Pool) and an MRI Premium was deducted from the proceeds of the loan. A few months after the loan proceeds were released, the principal borrower died, and DBP, upon notice, relayed the information to the DBP MRI Pool. However, the DBP MRI Pool informed DBP that Juan B. Dans was not eligible for the MRI Coverage, having been over the acceptable age limit of 60 years at the time of application.

This Court in the DBP Case, ruled that although the MRI was not a perfected contract of insurance, as the same was denied by the DBP MRI Pool, DBP was, nevertheless, held liable for moral damages and attorney's fees for having acted beyond the scope of its authority, when it offered the MRI policy to Juan B. Dans knowing fully well that the same would be denied and subsequently deducted the MRI Premium from the loan proceeds, to wit:

The liability of DBP is another matter.

It was DBP, as a matter of policy and practice, that required Dans, the borrower, to secure MRI coverage. Instead of allowing Dans to look for his own insurance carrier or some other form of insurance policy, DBP compelled him to apply with the DBP MRI Pool for MRI coverage. When Dan's loan was released on August 11, 1987, DBP already deducted from the proceeds thereof the MRI premium. Four days latter, DBP made Dans fill up and sign his application for MRI, as well as his health statement. The DBP later submitted both the application form and health statement to the DBP MRI Pool at the DBP Main Building, Makati Metro Manila. As service fee, DBP deducted 10 percent of the premium collected by it from Dans.

In dealing with Dans, DBP was wearing two legal hats: the first as a lender, and the second as an insurance agent.

³⁴ Supra note 21.

As an insurance agent, DBP made Dans go through the motion of applying for said insurance, thereby leading him and his family to believe that they had already fulfilled all the requirements for the MRI and that the issuance of their policy was forthcoming. Apparently, DBP had full knowledge that Dan's application was never going to be approved. The maximum age for MRI acceptance is 60 years as clearly and specifically provided in Article 1 of the Group Mortgage Redemption Insurance Policy signed in 1984 by all the insurance companies concerned (Exh. "1-Pool").

Under Article [1897] of the Civil Code of the Philippines, "the agent who acts as such is not personally liable to the party with whom he contracts, unless he expressly binds himself or exceeds the limits of his authority without giving such party sufficient notice of his powers."

The DBP is not authorized to accept applications for MRI when its clients are more than 60 years of age (Exh. "1-Pool"). Knowing all the while that Dans was ineligible for MRI coverage because of his advanced age, DBP exceeded the scope of its authority when it accepted Dan's application for MRI by collecting the insurance premium, and deducting its agent's commission and service fee.

The liability of an agent who exceeds the scope of his authority depends upon whether the third person is aware of the limits of the agent's powers. There is no showing that Dans knew of the limitation on DBP's authority to solicit applications for MRI.

If the third person dealing with an agent is unaware of the limits of the authority conferred by the principal on the agent and he (third person) has been deceived by the non-disclosure thereof by the agent, then the latter is liable for damages to him (V Tolentino, Commentaries and Jurisprudence on the Civil Code of the Philippines, p. 422 [1992], citing Sentencia [Cuba] of September 25, 1907). The rule that the agent is liable when he acts without authority is founded upon the supposition that there has been some wrong or omission on his part either in misrepresenting, or in affirming, or concealing the authority under which he assumes to act (Francisco, V., Agency 307 [1952], citing Hall v. Lauderdale, 46 N.Y. 70, 75). Inasmuch as the non-disclosure of the limits of the agency carries with it the implication that a deception was perpetrated on the unsuspecting client, the provisions of Articles 19, 20 and 21 of the Civil Code of the Philippines come into play.

x x x x

The DBP's liability, however, cannot be for the entire value of the insurance policy. To assume that were it not for DBP's concealment of the limits of its authority, Dans would have secured an MRI from another insurance company, and therefore would have been fully insured by the time he died, is highly speculative. Considering his advanced age, there is no absolute certainty that Dans could obtain an insurance coverage from another company. It must also be noted that Dans died almost immediately, i.e., on the nineteenth day after applying for the MRI, and on the twenty-third day from the date of release of his loan.

One is entitled to an adequate compensation only for such pecuniary loss suffered by him as he has duly proved (Civil Code of the Philippines, Art. 2199). Damages, to be recoverable, must not only be capable of proof, but must be actually proved with a reasonable degree of certainty (*Refractories Corporation v. Intermediate Appellate Court*, 176 SCRA 539 [1989]; *Choa Tek Hee v. Philippine Publishing Co.*, 34 Phil. 447 [1916]). Speculative damages are too remote to be included in an accurate estimate of damages (*Sun Life Assurance v. Rueda Hermanos*, 37 Phil. 844 [1918]).

While Dans is not entitled to compensatory damages, he is entitled to moral damages. No proof of pecuniary loss is required in the assessment of said kind of damages (Civil Code of Philippines, Art. 2216). The same may be recovered in acts referred to in Article 2219 of the Civil Code.

The assessment of moral damages is left to the discretion of the court according to the circumstances of each case (Civil Code of the Philippines, Art. 2216). Considering that DBP had offered to pay P30,000.00 to respondent Estate in ex gratia settlement of its claim and that DBP's non-disclosure of the limits of its authority amounted to a deception to its client, an award of moral damages in the amount of P50,000.00 would be reasonable.

The award of attorney's fees is also just and equitable under the circumstances (Civil Code of the Philippines, Article 2208 [11]).³⁵

After a careful review of the records, We find that Our ruling in *Development Bank of the Phils. v. Court of Appeals* applies squarely to the instant case and was properly applied by the RTC, as affirmed by the CA, and thus, We find no compelling reason to disturb their ruling.

Moral damages are a form of compensation for the "physical suffering, mental anguish, fright, serious anxiety, besmirched reputation, wounded feelings, moral shock, social humiliation, and similar injury" unjustly sustained by a person.³⁶ Although incapable of pecuniary computation, moral damages may be recovered if they are the proximate result of the defendant's wrongful act or omission.³⁷

Under Article 2219 of the Civil Code,³⁸ moral damages may be recovered, among others, in acts and actions referred to in Article 21 of the

³⁵ Id. at 380-383.

³⁶ *Mercado v. Ongpin*, G.R. No. 207324, September 30, 2020.

³⁷ *Sps. Estrada v. Philippine Rabbit Bus Lines, Inc.*, 813 Phil. 950 (2017).

³⁸ Article 2219. Moral damages may be recovered in the following and analogous cases:

- (1) A criminal offense resulting in physical injuries.
- (2) Quasi-delicto causing physical injuries.
- (3) Seduction, abduction, rape or other lascivious acts.
- (4) Adultery or concubinage.
- (5) Illegal search.
- (6) Libel, slander or any other form of defamation.
- (7) Malicious prosecution.
- (8) Acts mentioned in article 309.

same Code. “[A]n award of moral damages must be anchored on a clear showing that the party claiming the same actually experienced mental anguish, besmirched reputation, sleepless nights, wounded feelings, or similar injury.”³⁹

In order for moral damages to be awarded, the following requisites must be established: (1) there is a physical, mental, or psychological injury clearly sustained by the claimant; (2) a wrongful act or omission is factually established; (3) the act or omission is the proximate cause of the injury; and (4) the award of damages is based on any of the cases stated in Article 2219 of the Civil Code.⁴⁰

We find the foregoing requisites present in the instant case.

First, Miranda clearly suffered mental anguish, moral shock, and serious anxiety when she found out that her loan obligation was not be paid off from the proceeds of the MRI.

Second, LBP’s act of offering the MRI policy, its representations that should the insured borrower die the proceeds of the MRI would be applied to the balance of the loan obligation, and the subsequent deduction from the loan proceeds representing the MRI premium, despite the fact it was beyond its authority to do so, constitutes a wrongful act.

The RTC, as affirmed by the CA, granted the award of moral damages on the basis of Our ruling in *Development Bank of the Phils. v. Court of Appeals*, which was, likewise, anchored on Articles 19, 20, and 21 in relation to Article 1897 of the Civil Code.

Article 1897 of the Civil Code provides that an “agent who acts as such is not personally liable to the party with whom he contracts, unless he expressly binds himself or exceeds the limits of his authority without giving such party sufficient notice of his powers.”

On the other hand, Articles 19, 20, and 21 of the Civil Code on the Chapter on Human Relations provide:

Article 19. Every person must, in the exercise of his rights and in the performance of his duties, act with justice, give everyone his due, and observe honesty and good faith.

(9) Acts and actions referred to in article 6 21, 26, 27, 28, 29, 30, 32, 34 and 35.

³⁹ *International Container Terminal Services, Inc. v. Chua*, 730 Phil. 475, 495 (2014).

⁴⁰ *Sps. Estrada v. Phil. Rabbit Bus Lines, Inc.*, supra note 43 at 966-967.

Article 20. Every person who, contrary to law, wilfully or negligently causes damage to another, shall indemnify the latter for the same.

Article 21. Any person who willfully causes loss or injury to another in a manner that is contrary to morals, good customs or public policy shall compensate the latter for damages.

This Court in *Arco Pulp and Paper Co., Inc. v. Lim*,⁴¹ explained that to be actionable, Article 20 requires a violation of law, while Article 21 only concerns with lawful acts that are contrary to morals, good customs, and public policy:

Article 20 concerns violations of existing law as basis for an injury. It allows recovery should the act have been willful or negligent. Willful may refer to the intention to do the act and the desire to achieve the outcome which is considered by the plaintiff in tort action as injurious. Negligence may refer to a situation where the act was consciously done but without intending the result which the plaintiff considers as injurious.

Article 21, on the other hand, concerns injuries that may be caused by acts which are not necessarily proscribed by law. This article requires that the act be willful, that is, that there was an intention to do the act and a desire to achieve the outcome. In cases under Article 21, the legal issues revolve around whether such outcome should be considered a legal injury on the part of the plaintiff or whether the commission of the act was done in violation of the standards of care required in Article 19.⁴²

It is beyond dispute that Miranda's loan application was not covered by the MRI policy. The purpose of the loan applied and taken was for a future business undertaking, while the MRI offered by LIBI covered only consumer loans.

According to Agcaoili's testimony, LBP was aware that Miranda and her co-borrower's application for MRI would never be approved:

Q: What did you do if any when you found out that there is incomplete documentation of the MRI?

A: We still remitted them to our Land Bank Insurance Brokerage, ma'am.

Q: After that, what happened?

A: We were informed by Land Bank Insurance Brokerage that the MRI is not applicable for the type of loan that was approved for the borrowers because it was noted there that it is for business undertaking and usually an MRI is for consumer loans, ma'am.

⁴¹ 737 Phil. 133 (2014).

⁴² Id. at 149-150.

- Q: So, what you are saying that the insurer, itself, told you that this particular loan should not have been covered by MRI, is that what you are talking, madam Witness?
- A: Yes, ma'am.
- Q: What was the purpose of the loan that was approved in favor of Miss Miranda?
- A: They said, it was for a future business undertaking, ma'am.
- Q: And based on existing bank policies, is this type of loan duly covered by MRI?
- A: No, ma'am.⁴³

Similar to *Development Bank of the Phils. v. Court of Appeals*, LBP acted as an agent of LIBI, offering the latter's products, *i.e.*, the MRI policy to prospective borrowers such as Miranda. As such, LBP, acting as the agent for LIBI, failed to disclose that it had no authority to offer the MRI policy to Miranda and her co-borrowers in the first place. LBP was fully aware that the purpose of the latter's loan application was not covered by the MRI policy. Nevertheless, LBP still offered the MRI policy and deducted from the loan proceeds the insurance premium, all the while giving Miranda the impression that whatever balance they have on their loan obligations would be covered by the proceeds of the MRI. LBP had clearly acted in excess of and without authority rendering it liable to Miranda for whatever injury or damage it had caused.

Given the totality of the foregoing acts of LBP, it is undeniable that it had committed a wrongful act, which caused damage or injury to Miranda.

Third, LBP's wrongful act of offering the MRI policy, subsequently deducting the insurance premium, and representing to Miranda that their loan application is covered by the MRI is the proximate cause of the latter's injury.

Proximate cause is defined as any cause that produces injury in a natural and continuous sequence, unbroken by any efficient intervening cause, such that the result would not have occurred otherwise.⁴⁴ It is determined from the facts of each case upon combined considerations of logic, common sense, policy and precedent.⁴⁵

According to the testimony of Miranda, it was LBP's acts and representations that lulled her into believing that her loan was covered by the MRI and that by reason of the death of Robert Glenn D. Fox, their loan

⁴³ *Rollo* (G.R. No. 220706), p. 125, citing TSN dated June 10, 2004, pp. 21-24.

⁴⁴ *Agusan Del Norte Electric Cooperative, Inc. (ANECO) v. Balen*, 620 Phil. 485, 493 (2009).

⁴⁵ *Solidbank Corp. v. Spouses Arrieta*, 492 Phil. 95, 103 (2005).

obligations were supposedly paid for from the proceeds of the said life insurance:

Q: What happened to the succeeding amortizations, were you able to pay them?

A: I no longer pay ma'am because I believe we do not have obligation with the Land Bank of the Philippines because of the insurance taken from our account.

Q: You refer to the insurance, Madam Witness, what insurance are you referring to?

A: The Mortgage Redemption Insurance or MRI, ma'am.

Q: You said that you paid this insurance from your account, do you have proof that you, in fact, paid this Insurance from your account?

A: Yes, ma'am, The first time the money was released in the amount of P850,000.00, we were informed that insurance was deducted from the said amount. We were then in the bank.

Q: This MRI, this mortgage redemption insurance, was it explained to you what it was for?

A: Yes, ma'am, because I inquired from them about it.

Q: What did the bank tell you?

A: We were told that it was an insurance.

Q: Was it explained to you what kind of insurance it was?

A: Yes, ma'am. That if ever someone dies, we will have no more obligation to them.⁴⁶

LBP's acts and representations were clearly the proximate cause for Miranda's injury.

Now we determine if Miranda's failure to complete and submit the MRI application, constitutes an effective intervening cause, sufficient to break the natural and continuous chain of events.

We rule in the negative.

Although, it was Miranda's failure to submit the MRI application, which was the immediate reason that no MRI contract was perfected, the same would have been denied eventually by LIBI considering that the MRI does not cover the purpose for their loan application. Thus, although it can be considered as an intervening cause, it is not an efficient intervening cause sufficient to sever or break the natural and continuous sequence of events.

⁴⁶ *Rollo* (G.R. No. 220706), pp. 122-123, citing TSN dated June 10, 2004, pp. 21-24.

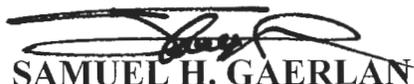
What is clear is that, LBP represented to Miranda that her loan application was covered by the MRI policy, even though the former was fully aware at the time of Miranda's loan application that it would eventually be denied as the purpose thereof was not covered by the MRI policy. It, thus, becomes irrelevant whether Miranda had accomplished and submitted the MRI application, as the same would have been eventually denied similarly.

Given the foregoing, We are convinced that the CA committed no reversible error in sustaining the ruling of the RTC of the award of moral damages in favor of Miranda. Similarly, as to the amount, we find no reason to disturb the CA's ruling. It is well-entrenched principle that moral damages depend upon the discretion of the trial courts based on the facts and circumstances of each case.⁴⁷

Anent the award of attorney's fees and costs of litigation, We find the same to be reasonable and warranted as the same is just and equitable under the circumstances.⁴⁸ Moreover, pursuant to prevailing jurisprudence,⁴⁹ We hereby impose the interest of six percent (6%) *per annum* on all the monetary awards from the finality of this Decision until paid in full.

WHEREFORE, the foregoing premises considered, the Decision dated February 24, 2015 and the Resolution dated September 28, 2015 of the Court of Appeals in CA-G.R. CV No. 97099 are hereby **AFFIRMED with MODIFICATION** in that the monetary awards due to Maria Josefina G. Miranda shall earn legal interest at the rate of six percent (6%) *per annum* from the date of finality of this Decision until fully paid by Land Bank of the Philippines.

SO ORDERED.

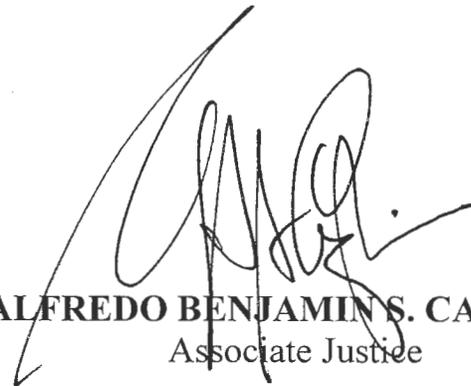

SAMUEL H. GAERLAN
Associate Justice

⁴⁷ *Mayo v. People*, 281 Phil. 709, 720 (1991).

⁴⁸ CIVIL CODE OF THE PHILIPPINES, Article 2208(11).

⁴⁹ *Nacar v. Gallery Frames*, 716 Phil. 267 (2013); *Cariño v. Maine Marine Phils., Inc.*, 842 Phil. 487 (2018).

WE CONCUR:



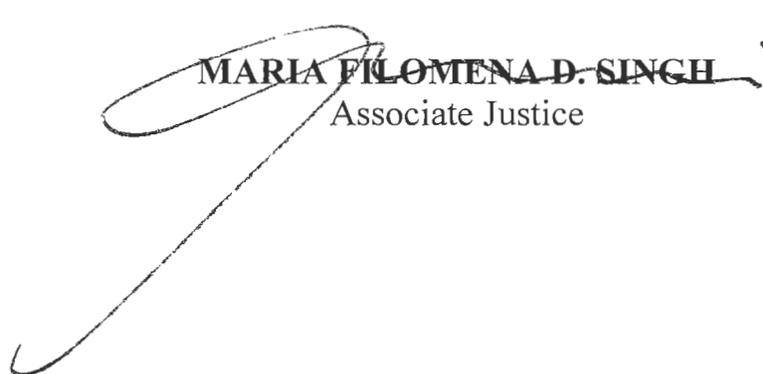
ALFREDO BENJAMIN S. CAGUIOA
Associate Justice



HENRI JEAN PAUL B. INTING
Associate Justice



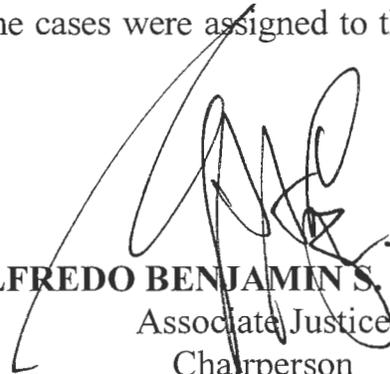
JAPAR B. DIMAAMPAO
Associate Justice



MARIA FILOMENA D. SINGH
Associate Justice

ATTESTATION

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



ALFREDO BENJAMIN S. CAGUIOA
Associate Justice
Chairperson

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 cases were assigned to the writer of the opinion of the Court's Division.


ALEXANDER G. GESMUNDO
Chief Justice