Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

ASIATRUST DEVELOPMENT BANK,
Petitioner,

- versus -

CARMELO H. TUBLE,
Respondent.

G.R. No. 183987

Present:

CARPIO, *J.*, Chairperson,
DEL CASTILLO,*
PEREZ,
SERENO, and
REYES, *JJ.*

Promulgated:
JUL 2 5 2012

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DECISION

SERENO, *J.*:

Before this Court is a Petition for Review on Certiorari under Rule 45 of the Revised Rules of Court, seeking to review the Court of Appeals (CA) 28 March 2008 Decision and 30 July 2008 Resolution in CA-G.R. CV No. 87410. The CA affirmed the Regional Trial Court (RTC) Decision of 15 May 2006 in Civil Case No. 67973, which granted to respondent the refund of ₱845,805.49[1] representing the amount he had paid in excess of the redemption price.

The antecedent facts are as follows:[2]

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* Designated as additional member in lieu of Associate Justice Arturo D. Brion per S.O. No. 1257 dated 19 July 2012.

[1] RTC Decision penned by Judge Briccio C. Ygaña, *rollo*, p. 66.

[2] CA Decision, penned by Associate Justice Jose L. Sabio, Jr., with Associate Justices Jose C. Reyes, Jr. and Ramon M. Bato, Jr. concurring; id. at 32-40.

Respondent Carmelo H. Tuble, who served as the vice-president of petitioner Asiatrust Development Bank, availed himself of the car incentive plan and **loan privileges** offered by the bank. He was also entitled to the bank's Senior Managers Deferred Incentive Plan (DIP).

Respondent acquired a Nissan Vanette through the company's car incentive plan. The arrangement was made to appear as a lease agreement requiring only the payment of monthly rentals. Accordingly, the lease would be terminated in case of the employee's resignation or retirement prior to full payment of the price.

As regards the loan privileges, Tuble obtained three separate loans. The **first**, a real estate loan evidenced by the 18 January 1993 Promissory Note No. 0142[3] with maturity date of 1 January 1999, was secured by a mortgage over his property covered by Transfer Certificate of Title No. T-145794. No interest on this loan was indicated.

The **second** was a consumption loan, evidenced by the 10 January 1994 Promissory Note No. 0143[4] with the maturity date of 31 January 1995 and interest at 18% per annum. Aside from the said indebtedness, Tuble allegedly obtained a salary loan, his **third** loan.

On 30 March 1995, he resigned. Subsequently, he was given the option to either return the vehicle without any further obligation or retain the unit and pay its remaining book value.

Respondent had the following obligations to the bank after his retirement: (1) the purchase or return of the Nissan Vanette; (2) ₱100,000 as

[3] Records, Vol. I, p. 35.
[4] Id. at 34.

consumption loan; (3) ₱421,800 as real estate loan; and (4) ₱16,250 as salary loan.[5]

In turn, petitioner owed Tuble (1) his pro-rata share in the DIP, which was to be issued after the bank had given the resigned employee's clearance; and (2) ₱25,797.35 representing his final salary and corresponding 13th month pay.

Respondent claimed that since he and the bank were debtors and creditors of each other, the offsetting of loans could legally take place. He then asked the bank to simply compute his DIP and apply his receivables to his outstanding loans.[6] However, instead of heeding his request, the bank sent him a 1 June 1995 demand letter[7] obliging him to pay his debts. The bank also required him to return the Nissan Vanette. Despite this demand, the vehicle was not surrendered.

On 14 August 1995, Tuble wrote the bank again to follow up his request to offset the loans. This letter was not immediately acted upon. It was only on 13 October 1995 that the bank finally allowed the offsetting of his various claims and liabilities. As a result, his liabilities were reduced to ₱970,691.46 plus the unreturned value of the vehicle.

In order to recover the Nissan Vanette, the bank filed a Complaint for replevin against Tuble. Petitioner obtained a favorable judgment. Then, to collect the liabilities of respondent, it also filed a Petition for Extra-judicial Foreclosure of real estate mortgage over his property. The Petition was based only on his real estate loan, which at that time amounted to **₱421,800**. His other liabilities to the bank were excluded. The foreclosure proceedings terminated, with the bank emerging as the purchaser of the secured property.

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[5] *Rollo*, p. 36.
[6] Records, Vol. I, p. 103.
[7] Id. at 107.

Thereafter, Tuble timely redeemed the property on 17 March 1997 for ₱1,318,401.91.[8] Notably, the redemption price increased to this figure, because the bank had unilaterally imposed additional interest and other charges.

With the payment of ₱1,318,401.91, Tuble was deemed to have fully paid his accountabilities. Thus, three years after his payment, the bank issued him a Clearance necessary for the release of his DIP share. Subsequently, he received a Manager's Check in the amount of ₱166,049.73 representing his share in the DIP funds.

Despite his payment of the redemption price, Tuble questioned how the foreclosure basis of ₱421,800 ballooned to ₱1,318,401.91 in a matter of one year. Belatedly, the bank explained that this redemption price included the Nissan Vanette's book value, the salary loan, car insurance, **18% annual interest on the bank's redemption price of ₱421,800**, penalty and **interest charges on Promissory Note No. 0142**, and litigation expenses.[9] By way of note, from these items, the amounts that remained to be collected as stated in the Petition before us, are (1) the 18% annual interest on the redemption price and (2) the interest charge on Promissory Note No. 0142.

Because Tuble disputed the redemption price, he filed a Complaint for recovery of a sum of money and damages before the RTC. He specifically sought to collect ₱896,602.02[10] representing the excess charges on the redemption price. Additionally, he prayed for moral and exemplary damages.

The RTC ruled in favor of Tuble. The trial court characterized the redemption price as excessive and arbitrary, because the correct redemption

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[8] Id. at 303.
[9] *Rollo*, p. 61.
[10] Id. at 35.

price should not have included the above-mentioned charges. Moral and exemplary damages were also awarded to him.

According to the trial court,[11] the **value of the car** should not have been included, considering that the bank had already recovered the Nissan Vanette. The obligations arising from the **salary loan** and **car insurance** should have also been excluded, for there was no proof that these debts existed. The **interest and penalty charges** should have been deleted, too, because Promissory Note No. 0142 did not indicate any interest or penalty charges. Neither should **litigation expenses** have been added, since there was no proof that the bank incurred those expenses.

As for the 18% annual interest on the bid price of ₱421,800, the RTC agreed with Tuble that this charge was unlawful. Act 3135[12] as amended, in relation to Section 28 of Rule 39 of the Rules of Court,[13] only allows the mortgagee to charge an interest of 1% per month if the foreclosed property is redeemed. Ultimately, under the principle of *solutio indebiti*, the trial court required the refund of these amounts charged in excess of the correct redemption price.

On appeal, the CA affirmed the findings of the RTC.[14] The appellate court only expounded the rule that, at the time of redemption, the one who redeemed is liable to pay only 1% monthly interest plus taxes. Thus, the CA also concluded that there was practically no basis to impose the additional charges.

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[11] Id. at 61-63.
[12] An Act to Regulate the Sale of Property under Special Powers Inserted in or Annexed to Real Estate Mortgages.
[13] Sec. 28, Rule 39, provides: The judgment obligor, or redemptioner, may redeem the property from the purchaser, at any time within one (1) year from the date of the registration of the certificate of sale, by paying the purchaser the amount of his purchase, **with one per centum per month interest** thereon in addition, up to the time of redemption, together with the amount of any assessments or taxes which the purchaser may have paid thereon after purchase, and interest on such last named amount at the same rate; and if the purchaser be also a creditor having a prior lien to that of the redemptioner, other than the judgment under which such purchase was made, the amount of such other lien, with interest. (Emphasis supplied)
[14] *Rollo*, p. 52.

Before this Court, petitioner reiterates its claims regarding the inclusion in the redemption price of the 18% annual interest on the bid price of ₱421,800 and the interest charges on Promissory Note No. 0142.

Petitioner emphasizes that an 18% interest rate allegedly referred to in the mortgage deed is the proper basis of the interest. Pointing to the Real Estate Mortgage Contract, the bank highlights the blanket security clause or "dragnet clause" that purports to cover all obligations owed by Tuble:[15]

> All obligations of the Borrower and/or Mortgagor, its renewal, extension, amendment or novation irrespective of whether such obligations as renewed, extended, amended or novated are in the nature of new, separate or additional obligations;
>
> All other obligations of the Borrower and/or Mortgagor in favor of the Mortgagee, executed before or after the execution of this document whether presently owing or hereinafter incurred and whether or not arising from or connection with the aforesaid loan/Credit accommodation; x x x.

Tuble's obligations are defined in Promissory Note Nos. 0142 and 0143. By way of recap, Promissory Note No. 0142 refers to the real estate loan; it does not contain any stipulation on interest. On the other hand, Promissory Note No. 0143 refers to the consumption loan; it charges an 18% annual interest rate. Petitioner uses this latter rate to impose an interest over the bid price of ₱421,800.

Further, the bank sees the inclusion in the redemption price of an addition 12% annual interest on Tuble's real estate loan.

On top of these claims, the bank raises a new item – the **car's rental fee** – to be included in the redemption price. In dealing with this argument raised for the first time on certiorari, this Court dismisses the contention based on the well-entrenched prohibition on raising new issues, especially factual ones, on appeal.[16]

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[15] Records, Vol. I, pp. 44-45.
[16] *Canada v. All Commodities Marketing Corporation,* G.R. No. 146141, 17 October 2008, 569 SCRA 321.

Thus, the pertinent issue in the instant appeal is whether or not the bank is entitled to include these items in the redemption price: (1) the interest charges on Promissory Note No. 0142; and (2) the 18% annual interest on the bid price of ₱421,800.

RULING OF THE COURT

The 18% Annual Interest on the Bid Price of ₱421,800

The Applicable Law

The bank argues that instead of referring to the Rules of Court to compute the redemption price, the courts *a quo* should have applied the General Banking Law,[17] considering that petitioner is a banking institution.

The statute referred to requires that in the event of judicial or extrajudicial foreclosure of any mortgage on real estate that is used as security for an obligation to any bank, banking institution, or credit institution, the mortgagor can redeem the property by paying the amount fixed by the court in the order of execution, with interest thereon at the **rate specified in the mortgage**.[18]

Petitioner is correct. We have already established in *Union Bank of the Philippines v. Court of Appeals*,[19] citing *Ponce de Leon v. Rehabilitation Finance Corporation*[20] and *Sy v. Court of Appeals,*[21] that the General Banking Act – being a special and subsequent legislation – has the effect of

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[17] It should properly be Republic Act No. 337 or the General Banking Act, as amended; Republic Act No. 8791, or the General Banking Law, took effect only in June 2000.
[18] General Banking Act, Sec. 78.
[19] G.R. No. 134068, 412 Phil. 64 (2001).
[20] G.R. No. L-24571, 146 Phil. 862 (1970).
[21] G.R. No. 83139, 254 Phil. 120 (1989).

amending Section 6 of Act No. 3135, **insofar as the redemption price is concerned, when the mortgagee is a bank**. Thus, the amount to be paid in redeeming the property is determined by the General Banking Act, and not by the Rules of Court in Relation to Act 3135.

The Remedy of Foreclosure

In reviewing the bank's additional charges on the redemption price as a result of the foreclosure, this Court will first clarify certain vital points of fact and law that both parties and the courts *a quo* seem to have missed.

Firstly, at the time respondent resigned, which was chronologically before the foreclosure proceedings, he had several liabilities to the bank. Secondly, when the bank later on instituted the foreclosure proceedings, it foreclosed only **the mortgage secured by the real estate loan of ₱421,800**.[22] It did not seek to include, in the foreclosure, the consumption loan under Promissory Note No. 0143 or the other alleged obligations of respondent. Thirdly, on 28 February 1996, the bank availed itself of the remedy of foreclosure and, in doing so, effectively gained the property.

As a result of these established facts, one evident conclusion surfaces: the Real Estate Mortgage Contract on the secured property is already extinguished.

In foreclosures, the mortgaged property is subjected to the proceedings for the satisfaction of the obligation.[23] As a result, payment is effected by abnormal means whereby the debtor is forced by a judicial proceeding to comply with the presentation or to pay indemnity.[24]

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[22] Records, Vol. I, p. 289.
[23] *Spouses Caviles v. Court of Appeals,* 438 Phil.13 (2002).
[24] ARTURO M. TOLENTINO, CIVIL CODE OF THE PHILIPPINES,Vol. IV, 274 (1991).

Once the proceeds from the sale of the property are applied to the payment of the obligation, the obligation is already extinguished.[25] Thus, in *Spouses Romero v. Court of Appeals*,[26] we held that the mortgage indebtedness was extinguished with the foreclosure and sale of the mortgaged property, and that what remained was the right of redemption granted by law.

Consequently, since the Real Estate Mortgage Contract is already extinguished, petitioner can no longer rely on it or invoke its provisions, including the dragnet clause stipulated therein. It follows that the bank cannot refer to the 18% annual interest charged in Promissory Note No. 0143, an obligation allegedly covered by the terms of the Contract.

Neither can the bank use the consummated contract to collect on the rest of the obligations, which were not included when it earlier instituted the foreclosure proceedings. It cannot be allowed to use the same security to collect on the other loans. To do so would be akin to foreclosing an already foreclosed property.

Rather than relying on an expired contract, the bank should have collected on the excluded loans by instituting the proper actions for recovery of sums of money. Simply put, petitioner should have run after Tuble separately, instead of hostaging the same property to cover all of his liabilities.

The Right of Redemption

Despite the extinguishment of the Real Estate Mortgage Contract, Tuble had the right to redeem the security by paying the redemption price.

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[25] *State Investment House, Inc. v. Seventeenth Div., CA*, G.R. No. 99308, 13 November 1992, 215 SCRA 734.
[26] *Spouses De Robles v. CA,* G.R. No. 128503, 10 June 2004, 431 SCRA 566.

The right of redemption of foreclosed properties was a statutory privilege[27] he enjoyed. Redemption is by force of law, and the purchaser at public auction is bound to accept it.[28] Thus, it is the law that provides the terms of the right; the mortgagee cannot dictate them. The terms of this right, based on Section 47 of the General Banking Law, are as follows:

> 1. The redemptioner shall have the right within one year after the sale of the real estate, to redeem the property.
> 2. The redemptioner shall pay the amount due under the mortgage deed, with interest thereon at rate specified in the mortgage, and all the costs and expenses incurred by the bank or institution from the sale and custody of said property less the income derived therefrom.
> 3. In case of redemptioners who are considered by law as juridical persons, they shall have the right to redeem not after the registration of the certificate of foreclosure sale with the applicable Register of Deeds which in no case shall be more than three (3) months after foreclosure, whichever is earlier.

Consequently, the bank cannot alter that right by imposing additional charges and including other loans. Verily, the freedom to stipulate the terms and conditions of an agreement is limited by law.[29]

Thus, we held in *Rural Bank of San Mateo, Inc. v. Intermediate Appellate Court*[30] that the power to decide whether or not to foreclose is the prerogative of the mortgagee; however, once it has made the decision by filing a petition with the sheriff, the acts of the latter shall thereafter be governed by the provisions of the mortgage laws, **and not by the instructions of the mortgagee.** In direct contravention of this ruling, though, the bank included numerous charges and loans in the redemption price, which inexplicably ballooned to ₱1,318,401.91. On this error alone, the claims of petitioner covering all the additional charges should be denied. Thus, considering the undue inclusions of the additional charges, the bank cannot impose the 18% annual interest on the redemption price.

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[27] *Mateo v. Court of Appeals,* 99 Phil. 1042 (1956).
[28] *Spouses De Robles v. CA,* supra, citing *Natino v. Intermediate Appellate Court,* 274 Phil. 602 (1991).
[29] CIVIL CODE OF THE PHILIPPINES, Art. 1306. The article provides that the contracting parties may establish such stipulations, clauses, terms and conditions as they may deem convenient, provided they are not contrary to law, morals, good customs, public order, or public policy.
[30] 230 Phil. 293 (1986).

The Dragnet Clause

In any event, assuming that the Real Estate Mortgage Contract subsists, we rule that **the dragnet clause therein does not justify the imposition of an 18% annual interest on the redemption price.**

This Court has recognized that, through a dragnet clause, a real estate mortgage contract may **exceptionally** secure future loans or advancements.[31] But an obligation is not secured by a mortgage, unless, that mortgage comes fairly within the terms of the mortgage contract.[32]

We have also emphasized that the mortgage agreement, being a contract of adhesion, is to be carefully scrutinized and strictly construed against the bank, the party that prepared the agreement.[33]

Here, after reviewing the entire deed, this Court finds that **there is no specific mention of interest to be added in case of either default or redemption.** The Real Estate Mortgage Contract itself is silent on the computation of the redemption price. Although it refers to the Promissory Notes as constitutive of Tuble's secured obligations, the said contract does not state that the interest to be charged in case of redemption should be what is specified in the Promissory Notes.

In *Philippine Banking Communications v. Court of Appeals*,[34] we have construed such silence or omission of additional charges **strictly against the bank**. In that case, we affirmed the findings of the courts *a quo* that penalties and charges are not due for want of stipulation in the mortgage contract.

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[31] *Traders Royal Bank v. Castañares*, G.R. No. 172020, 6 December 2010, 636 SCRA 519.
[32] Id.
[33] *Philippine Bank of Communications v. Court of Appeals*, 323 Phil. 297 (1996).
[34] Id.

Worse, when petitioner invites us to look at the Promissory Notes in determining the interest, these loan agreements offer different interest charges: Promissory Note No. 0142, which corresponds exactly to the real estate loan, contains no stipulation on interest; while Promissory Note No. 0143, which in turn corresponds to the consumption loan, provides a charge of 18% interest *per annum*.

Thus, an ambiguity results as to which interest shall be applied, for to apply an 18% interest per annum based on Promissory Note No. 0143 will negate the existence of the 0% interest charged by Promissory Note No. 0142. Notably, it is this latter Promissory Note that refers to the principal agreement to which the security attaches.

In resolving this ambiguity, we refer to a basic principle in the law of contracts: "[A]ny ambiguity is to be taken *contra proferent[e]m*, that is, construed against the party who caused the ambiguity which could have avoided it by the exercise of a little more care."[35] Therefore, the ambiguity in the mortgage deed whose terms are susceptible of different interpretations must be read against the bank that drafted it. Consequently, we cannot impute grave error on the part of the courts *a quo* for not appreciating a charge of 18% interest *per annum*.

Furthermore, this Court refuses to be blindsided by the dragnet clause in the Real Estate Mortgage Contract to automatically include the consumption loan, and its corresponding interest, in computing the redemption price.

As we have held in *Prudential Bank v. Alviar*,[36] in the absence of clear and supportive evidence of a contrary intention, a mortgage containing a dragnet clause will not be extended to cover future advances, unless the

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[35] *Prudential Bank v. Alviar*, 502 Phil. 595 (2005).
[36] Id.

document evidencing the subsequent advance refers to the mortgage as providing security therefor.

In this regard, this Court adopted the "reliance on the security test" used in the above-mentioned cases, *Prudential Bank*[37] and *Philippine Bank of Communications*.[38] In these Decisions, we elucidated the test as follows:

> x x x [A] mortgage with a "dragnet clause" is an "offer" by the mortgagor to the bank to provide the security of the mortgage for advances of and when they were made. Thus, it was concluded that the "offer" was not accepted by the bank when a subsequent advance was made because (1) the second note was secured by a chattel mortgage on certain vehicles, and the clause therein stated that the note was secured by such chattel mortgage; (2) **there was no reference in the second note or chattel mortgage indicating a connection between the real estate mortgage and the advance;** (3) the mortgagor signed the real estate mortgage by her name alone, whereas the second note and chattel mortgage were signed by the mortgagor doing business under an assumed name; and (4) **there was no allegation by the bank, and apparently no proof, that it relied on the security of the real estate mortgage in making the advance.**[39] (Emphasis supplied)

Here, the second loan agreement, or Promissory Note No. 0143, referring to the consumption loan makes no reference to the earlier loan with a real estate mortgage. Neither does the bank make any allegation that it relied on the security of the real estate mortgage in issuing the consumption loan to Tuble.

It must be remembered that Tuble was petitioner's previous vice-president. Hence, as one of the senior officers, the consumption loan was given to him not as an ordinary loan, but as a form of accommodation or privilege.[40] The bank's grant of the salary loan to Tuble was apparently not motivated by the creation of a security in favor of the bank, but by the fact the he was a top executive of petitioner.

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[37] Id.
[38] *Philippine Bank of Communications v. Court of Appeals*, supra.
[39] *Prudential Bank v. Alviar*, supra, at 609.
[40] Supra note 2, at 32.

Thus, the bank cannot claim that it relied on the previous security in granting the consumption loan to Tuble. For this reason, the dragnet clause will not be extended to cover the consumption loan. It follows, therefore, that its corresponding interest – 18% per annum – is inapplicable. Consequently, the courts *a quo* did not gravely abuse their discretion in refusing to apply an annual interest of 18% in computing the redemption price. A finding of grave abuse of discretion necessitates that the judgment must have been exercised arbitrarily and without basis in fact and in law.[41]

The Interest Charges on Promissory Note No. 0142

In addition to the 18% annual interest, the bank also claims a 12% interest *per annum* on the consumption loan. Notwithstanding that Promissory Note No. 0142 contains no stipulation on interest payments, the bank still claims that Tuble is liable to pay the legal interest. This interest is currently at 12% *per annum*, pursuant to Central Bank Circular No. 416 and Article 2209 of the Civil Code, which provides:

> If the obligation consists in the payment of a sum of money, and the debtor incurs in delay, the indemnity for damages, **there being no stipulation to the contrary, shall be the payment of the interest agreed upon, and in the absence of stipulation,** the legal interest, which is six per cent per annum. (Emphasis supplied)

While Article 2209 allows the recovery of interest sans stipulation, this charge is provided not as a form of monetary interest, but as one of **compensatory interest**.[42]

Monetary interest refers to the compensation set by the parties for the use or forbearance of money.[43] On the other hand, compensatory interest refers to the penalty or indemnity for damages imposed by law or by the

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[41] *Jinalinan Technical School, Inc. v. NLRC*, 530 Phil. 77 (2006).
[42] *Siga-An v. Villanueva*, G.R. No. 173227, 20 January 2009, 576 SCRA 696.
[43] Id.

courts.[44] Compensatory interest, as a form of damages, is due only if the obligor is proven to have **defaulted** in paying the loan.[45]

Thus, a default must exist before the bank can collect the compensatory legal interest of 12% *per annum*. In this regard, Tuble denies being in default since, by way of **legal compensation**, he effectively paid his liabilities on time.

This argument is flawed. The bank correctly explains in its Petition that in order for legal compensation to take effect, Article 1279 of the Civil Code requires that the debts be liquidated and demandable. This provision reads:

> (1) That each one of the obligors be bound principally, and that he be at the same time a principal creditor of the other;
> (2) That both debts consist in a sum of money, or if the things due are consumable, they be of the same kind, and also of the same quality if the latter has been stated;
> (3) That the two debts be due;
> **(4) That they be liquidated and demandable;**
> (5) That over neither of them there be any retention or controversy, commenced by third persons and communicated in due time to the debtor. (Emphasis supplied)

Liquidated debts are those whose exact amount has already been determined.[46] In this case, the receivable of Tuble, including his DIP share, was not yet determined; it was the petitioner's policy to compute and issue the computation only after the retired employee had been cleared by the bank. Thus, Tuble incorrectly invoked legal compensation in addressing this issue of default.

Nevertheless, based on the findings of the RTC and the CA, the obligation of Tuble as evidenced by Promissory Note No. 0142, was set to mature on **1 January 1999.** But then, he had already settled his liabilities on

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[44] Id.
[45] Id.
[46] EDGARDO L. PARAS, CIVIL CODE OF THE PHILIPPINES, Vol. IV, 469 (2008), citing *Compania General de Tabacos v. French and Unson*, 39 Phil. 34 (1918).

17 March 1997 by paying ₱1,318,401.91 as redemption price. Then, in 1999, the bank issued his Clearance and share in the DIP in view of the full settlement of his obligations. Thus, there being no substantial delay on his part, the CA did not grievously err in not declaring him to be in default.

The Award of Moral and Exemplary Damages

The courts *a quo* awarded Tuble ₱200,000 as moral damages and ₱50,000 as exemplary damages. As appreciated by the RTC, which had the opportunity to examine the parties,[47] the bank treated Tuble unfairly and unreasonably by refusing to lend even a little charity and human consideration when it immediately foreclosed the loans of its previous vice-president instead of heeding his request to make a straightforward calculation of his receivables and offset them against his liabilities.[48]

To the mind of the trial court, this was such a simple request within the control of the bank to grant; and if petitioner had only acceded, the troubles of the lawsuit would have been avoided.

Moreover, the RTC found that the bank caused Tuble severe humiliation when the Nissan Vannette was seized from his new office at Kuok Properties Philippines. The trial court also highlighted the fact that respondent as the previous vice-president of petitioner was no ordinary employee – he was a man of good professional standing, and one who actively participated in civic organizations. The RTC then concluded that a man of his standing deserved fair treatment from his employer, especially since they served common goals.

This Court affirms the dispositions of the RTC and the CA. They correctly ruled that the award of moral damages also includes cases of

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[47] *Domingding and Arañas v. Ng*, 103 Phil. 111 (1958).
[48] *Rollo,* p. 65.

besmirched reputation, moral shock, social humiliation and similar injury. In this regard, the social and financial standings of the parties are additional elements that should be taken into account in the determination of the amount of moral damages.[49] Based on their findings that Tuble suffered undue embarrassment, given his social standing, the courts *a quo* had factual basis[50] to justify the award of moral damages and, consequently, exemplary damages[51] in his favor.

From all the foregoing, we rule that the appellate court correctly deleted the 18% annual interest charges, albeit for different reasons. First, the interest cannot be imposed, because any reference to it under the Real Estate Mortgage Contract is misplaced, as the contract is already extinguished. Second, the said interest cannot be collected without any basis in terms of Tuble's redemption rights. Third, assuming that the Real Estate Mortgage Contract subsists, the bank cannot collect the interest because of the contract's ambiguity. Fourth, the dragnet clause referred to in the contract cannot be presumed to include the 18% annual interest specified in the consumption loan. Fifth, with respect to the compensatory interest claimed by the bank, we hold that neither is the interest due, because Tuble cannot be deemed to be in default of his obligations.

IN VIEW THEREOF, the assailed 28 March 2008 Decision and 30 July 2008 Resolution of the Court of Appeals in CA-G.R. CV No. 87410 are hereby **AFFIRMED**.

SO ORDERED.

MARIA LOURDES P. A. SERENO
Associate Justice

[49] *Prudential Bank v. Alviar*, supra.
[50] *Makabali v. Court of Appeals*, 241 Phil. 260 (1988).

WE CONCUR:

ANTONIO T. CARPIO
Senior Associate Justice
Chairperson

MARIANO C. DEL CASTILLO
Associate Justice

JOSE PORTUGAL PEREZ
Associate Justice

BIENVENIDO L. REYES
Associate Justice

CERTIFICATION

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.

ANTONIO T. CARPIO
Senior Associate Justice
(Per Section 12, R.A. 296,
The Judiciary Act of 1948, as amended)