



Republic of the Philippines  
Supreme Court  
Manila

SUPREME COURT OF THE PHILIPPINES  
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**LARA'S GIFTS & DECORS, INC.,**  
Petitioner,

**G.R. No. 225433**

Present:

BERSAMIN, *C.J.*,  
CARPIO,  
PERALTA,  
PERLAS-BERNABE,  
LEONEN,  
JARDELEZA,  
CAGUIOA,  
REYES, A., JR.,  
GESMUNDO,  
REYES J., JR.,\*  
HERNANDO,\*\*  
CARANDANG,  
LAZARO-JAVIER,  
INTING, and  
ZALAMEDA, *JJ.*

- versus -

**MIDTOWN INDUSTRIAL SALES,  
INC.,**

Promulgated:

Respondent.

August 28, 2019

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X

**DECISION**

**CARPIO, J.:**

**The Case**

This petition for review<sup>1</sup> assails the 21 April 2016 Decision<sup>2</sup> and the

\* No part.

\*\* No part. On official leave.

<sup>1</sup> Under Rule 45 of the 1997 Rules of Civil Procedure.

<sup>2</sup> *Rollo*, pp. 44-58. Penned by Associate Justice Stephen C. Cruz, with Associate Justices Jose C. Reyes, Jr. and Ramon Paul L. Hernando (now members of this Court) concurring.

29 June 2016 Resolution<sup>3</sup> of the Court of Appeals in CA-G.R. CV No. 102465. The Court of Appeals affirmed the 27 January 2014 Decision<sup>4</sup> of the Regional Trial Court, Branch 128, Caloocan City in Civil Case No. C-22007.

### The Facts

Petitioner Lara's Gifts & Decors, Inc. (petitioner) is engaged in the business of manufacturing, selling, and exporting handicraft products. On the other hand, respondent Midtown Industrial Sales, Inc. (respondent) is engaged in the business of selling industrial and construction materials, and petitioner is one of respondent's customers. Respondent alleged that from January 2007 up to December 2007, petitioner purchased from respondent various industrial and construction materials in the total amount of ₱1,263,104.22. The purchases were on a sixty (60)-day credit term, with the condition that 24% interest *per annum* would be charged on all accounts overdue, as stated in the sales invoices. Petitioner paid for its purchases by issuing several Chinabank postdated checks in favor of respondent. However, when respondent deposited the Chinabank checks on their maturity dates, the checks bounced. After repeated demands from respondent, petitioner replaced the bounced checks with new postdated Export and Industry Bank checks. However, when respondent deposited the replacement checks on their maturity dates, the checks were likewise dishonored for being "Drawn Against Insufficient Funds," and subsequently, for "Account Closed." Respondent sent a demand letter<sup>5</sup> dated 21 January 2008, which was received by petitioner on 22 January 2008, informing petitioner of the bounced checks and demanding that petitioner settle its accounts. Still petitioner failed to pay, prompting respondent to file on 5 February 2008 a Complaint<sup>6</sup> for Sum of Money with Prayer for Attachment against petitioner.

In its Answer,<sup>7</sup> petitioner admitted that from January 2007 to December 2007, petitioner purchased from respondent, on a 60-day credit term, various industrial and construction materials in the total amount of ₱1,263,104.22. However, petitioner claimed that most of the deliveries made were substandard and of poor quality. Petitioner alleged that the checks it issued for payment were not for value because not all of the materials delivered by respondent were received in good order and condition. Thus, when petitioner used the raw materials, the finished product allegedly did not pass the standards required by petitioner's buyers from the United States (US) who rejected the products. Furthermore, due to the economic recession in the US, subsequent orders made by petitioner's US buyers were canceled. Petitioner claimed that on 19 February 2008, a fire razed its factory and office, destroying its equipment, machineries, and inventories, including those rejected by the US buyers.

<sup>3</sup> Id. at 59-60.

<sup>4</sup> Id. at 62-71. Penned by Judge Eleanor R. Kwong.

<sup>5</sup> Exh. "DD" and Exh. "EE"; records, pp. 90-93.

<sup>6</sup> *Rollo*, pp. 72-80.

<sup>7</sup> Id. at 158-163.



### **The Ruling of the Trial Court**

On 27 January 2014, the trial court rendered a Decision, the dispositive portion of which reads:

WHEREFORE, premises considered, judgment is hereby rendered in favor of the plaintiff MIDTOWN INDUSTRIAL SALES, INC. and against the defendant LARA'S GIFTS [&] DECORS, INC. ordering the latter to pay the former the following amount:

1. ONE MILLION TWO HUNDRED SIXTY THREE THOUSAND ONE HUNDRED FOUR PESOS and 22/100 (Php1,263,104.22) plus interest fixed at 24% per annum to be computed from February 5, 2008, the date of judicial demand, until the judgment obligation is fully paid.

2. The sum of FIFTY THOUSAND PESOS (Php50,000.00) as and by way of attorney's fees.

Finally, defendant is ordered to pay the cost of suit.

SO ORDERED.<sup>8</sup>

The trial court held that petitioner failed to prove that the deliveries made by respondent did not comply with the required specifications. Other than the self-serving denials of its witnesses, no other evidence was offered by petitioner to prove that the materials delivered were substandard. On the other hand, the amount of ₱1,263,104.22 claimed by respondent against petitioner was supported by the sales invoices and postdated checks. The trial court also held that the stipulated 24% interest *per annum* on overdue accounts is not unconscionable.

### **The Ruling of the Court of Appeals**

The Court of Appeals denied petitioner's appeal, and affirmed the 27 January 2014 Decision of the trial court.

The Court of Appeals sustained the finding of the trial court that petitioner admitted issuing postdated checks as payment for the materials purchased from respondent from January 2007 to December 2007. The Court of Appeals ruled that petitioner failed to prove that the materials delivered were substandard and of poor quality to justify its claim that the checks were issued without valuable consideration.

On the 24% interest *per annum* imposed, the Court of Appeals found implausible petitioner's claim that it was placed in a disadvantageous position. Petitioner could not have been cheated or misled into agreeing to the 24% interest rate *per annum* that was stated in the sales invoices. Petitioner, an established company with numerous transactions with respondent prior to the

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<sup>8</sup> Id. at 71.



purchases made in 2007, could have negotiated with respondent for more favorable terms. Since the 24% interest rate *per annum* was stipulated in writing, the Court of Appeals held that such rate should be applied considering that petitioner has not shown that it was placed at a disadvantage in its contractual relation with respondent.

### **The Issues**

Petitioner raises the following issues:

- I. WHETHER OR NOT MIDTOWN'S SALES INVOICES HAVE PROBATIVE VALUE, CONSIDERING THAT THEIR GENUINENESS, DUE EXECUTION AND AUTHENTICITY ARE NOT ESTABLISHED UNDER SECTION 20, RULE 132 OF THE RULES OF COURT.
- II. WHETHER OR NOT [LARA'S GIFTS & DECORS, INC.] IS IN DEFAULT OF ITS CONTRACTUAL OBLIGATIONS.
- III. WHETHER OR NOT ARTICLES 1192 AND 1283 OF THE CIVIL CODE ARE APPLICABLE IN THE PRESENT CASE.
- IV. WHETHER OR NOT THE INTEREST RATE FIXED AT 24% PER ANNUM IS VOID.
- V. ASSUMING THAT THE INTEREST RATE OF 24% IS VALID, WHETHER OR NOT THE SAID RATE SHALL BE APPLIED ONLY UNTIL FINALITY OF JUDGMENT.<sup>9</sup>

### **The Court's Ruling**

We find the petition without merit. We affirm the ruling of the Court of Appeals with modification.

#### ***Admissibility of the Sales Invoices***

Petitioner argues that the sales invoices on the alleged purchases have no probative value because their genuineness, due execution, and authenticity have not been established. Petitioner stresses that in paragraph 2 of its Answer,<sup>10</sup> it only admitted the existence of the sales invoices but not their due

<sup>9</sup> Id. at 25-26.

<sup>10</sup> Id. at 158-163. Paragraph 2 of Petitioner's Answer states: "It admits the allegations in paragraphs 4.1 and 5 only insofar as their existence but not their due execution as explained in the affirmative defenses below." The Answer refers to Paragraphs 4.1 and 5 of the Complaint which read:

4.1 Photocopies of the Sales Invoices covering said purchases are hereto attached and made an integral part hereof as ANNEXES "A", "A-1" to "A-51";

5. Said purchases are subject to the following terms and conditions, among others, as indicated in the cited Sales Invoices as follows:



execution.

It should be stressed that petitioner admitted in its Answer that from January 2007 to December 2007, it purchased from respondent various industrial and construction materials in the total amount of ₱1,263,104.22. Petitioner likewise admitted the existence of the sales invoices covering the said purchases, which were attached as annexes to the Complaint. Although petitioner stated that it is not admitting the due execution of the sales invoices, petitioner's Answer failed to specifically deny or contest under oath the genuineness or due execution of any of the sales invoices or any of the signatures of petitioner's representatives or employees appearing therein. Furthermore, petitioner failed to specify which of the sales invoices pertain to materials delivered which were allegedly substandard and of poor quality.

The rule on actionable documents is provided under Sections 7 and 8, Rule 8 of the 1997 Rules of Civil Procedure:

Sec. 7. Action or defense based on document. – Whenever an action or defense is based upon a written instrument or document, the substance of such instrument or document shall be set forth in the pleading, and the original or a copy thereof shall be attached to the pleading as an exhibit, which shall be deemed to be a part of the pleading, or said copy may with like effect be set forth in the pleading.

Sec. 8. How to contest such documents. – When an action or defense is founded upon a written instrument, copied in or attached to the corresponding pleading as provided in the preceding section, **the genuineness and due execution of the instrument shall be deemed admitted unless the adverse party, under oath, specifically denies them, and sets forth what he claims to be the facts;** but the requirement of an oath does not apply when the adverse party does not appear to be a party to the instrument or when compliance with an order for an inspection of the original instrument is refused. (Emphasis supplied)

Section 10 of Rule 8 further describes how a specific denial should be made:

**Sec. 10. Specific denial. – A defendant must specify each material allegation of fact the truth of which he does not admit and, whenever practicable, shall set forth the substance of the matters upon which he relies to support his denial.** Where a defendant desires to deny only a part of an averment, he shall specify so much of it as is true and material and shall deny only the remainder. Where a defendant is without knowledge or information sufficient to form a belief as to the truth of a material averment made in the complaint, he shall so state, and this shall have the effect of a denial. (Emphasis supplied)

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“24% interest per annum is to be charged on all accounts overdue x x x. The parties expressly agree that the venue of any legal action arising out of this transaction shall be in Caloocan City exclusively. x x x”



In this case, petitioner did not state the facts or substance of the matters relied upon to support its denial of the due execution of the sales invoices. As held in *Sy-Quia v. Marsman*,<sup>11</sup> “the Rules require that besides specifying the allegations of fact not admitted, the answer should set forth the matters relied upon in support of the denial; so that, in effect, the Rules are no longer satisfied with mere denials, even if specific, but demand that defendant manifest what he considers to be the true facts.” The purpose of the specific denial is to compel the defendant to specify the allegations which he or she intends to disprove and disclose the matters relied upon to support such denial,<sup>12</sup> thereby limiting the issues and avoiding unnecessary delays and surprises.<sup>13</sup> Petitioner’s general denial amounts to an admission of the genuineness and due execution of the sales invoices.

### ***Default in the Contractual Obligations***

Petitioner admits that it made purchases amounting to ₱1,263,104.22, but that the materials delivered were substandard or of poor quality.<sup>14</sup> In effect, petitioner is alleging fraud in the transactions, which petitioner is bound to substantiate. Whoever alleges fraud or mistake affecting a transaction must substantiate his allegation and has the burden of proof.<sup>15</sup> As found by the trial court and the appellate court, petitioner failed to substantiate its claim that the materials delivered by respondent did not comply with the specifications required or that the materials were substandard and of poor quality.

The best evidence of the transaction between petitioner and respondent are the sales invoices and the checks issued by petitioner as payments for the materials purchased. The sales invoices show that petitioner, through its authorized staff or employees, acknowledged receipt of the deliveries without protest. The sales invoices clearly stated that petitioner “RECEIVED MERCHANDISE IN GOOD ORDER & CONDITION.”<sup>16</sup> Furthermore, petitioner admits issuing the postdated checks as payment for the materials delivered. The postdated checks were subsequently dishonored for being “drawn against insufficient funds” or for “account closed.” Petitioner insists that the checks were issued without valuable consideration since most of the materials delivered did not comply with the required specifications. However, other than its bare allegation that the materials delivered were substandard and of poor quality, petitioner failed to prove or substantiate its claims. As found by the trial court, none of petitioner’s witnesses was able to present proof that the materials delivered were substandard or of poor quality.

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<sup>11</sup> 131 Phil. 16, 20 (1968).

<sup>12</sup> *Republic of the Phils. v. Sandiganbayan*, 453 Phil. 1059 (2003).

<sup>13</sup> *J. P. Juan & Sons, Inc. v. Lianga Industries, Inc.*, 139 Phil. 77, 83 (1969).

<sup>14</sup> *Rollo*, pp. 158, 160.

<sup>15</sup> *Memita v. Masongsong*, 551 Phil. 241 (2007).

<sup>16</sup> *Rollo*, pp. 81-132. Annexes “A” to “A-51.”



### ***Applicability of Articles 1192 and 1283 of the Civil Code***

Articles 1192 and 1283 of the Civil Code read:

Art. 1192. In case both parties have committed a breach of the obligation, the liability of the first infractor shall be equitably tempered by the courts. If it cannot be determined which of the parties first violated the contract, the same shall be deemed extinguished, and each shall bear his own damages.

Art. 1283. If one of the parties to a suit over an obligation has a claim for damages against the other, the former may set it off by proving his right to said damages and the amount thereof.

As previously discussed, petitioner failed to substantiate its claims that the materials delivered were substandard or of poor quality. Thus, petitioner cannot demand either a tempering of its liability or an offset of damages.

### ***Validity of the 24% Interest Rate***

In *Asian Construction and Development Corporation v. Cathay Pacific Steel Corporation*,<sup>17</sup> the Court upheld the validity of interest rate fixed at 24% *per annum* that was expressly stipulated in the sales invoices. The Court held that petitioner construction company is presumed to have full knowledge of the terms and conditions of the contract and that by not objecting to the stipulations in the sales invoice, it also bound itself to pay not only the stated selling price but also the interest of 24% *per annum* on overdue accounts and the 25% of the unpaid invoice for attorney's fees.

In the present case, petitioner, which has been doing business since 1990 and has been purchasing various materials from respondent since 2004, cannot claim to have been misled into agreeing to the 24% interest rate which was expressly stated in the sales invoices. Besides, this Court has already ruled in several cases that an interest rate of 24% *per annum* agreed upon between the parties is valid and binding<sup>18</sup> and not excessive and unconscionable.<sup>19</sup> Thus, the stipulated 24% interest *per annum* is binding on petitioner.

### ***Imposition of Legal Interest***

The rates of interest stated in the guidelines on the imposition of interests, as laid down in the landmark case of *Eastern Shipping Lines, Inc. v. Court of Appeals*<sup>20</sup> have already been modified in *Bangko Sentral ng Pilipinas*

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<sup>17</sup> 636 Phil. 127 (2010).

<sup>18</sup> *Foundation Specialists, Inc. v. Betonval Ready Concrete, Inc.*, 613 Phil. 303 (2009); *Bortikey v. AFP Retirement and Separation Benefits System*, 513 Phil. 636 (2005); *Garcia v. Court of Appeals*, 249 Phil. 739 (1988).

<sup>19</sup> *Spouses Villanueva v. Court of Appeals*, 671 Phil. 467 (2011); *Sps. Bacolor v. Banco Filipino Savings and Mortgage Bank, Dagupan City Branch*, 544 Phil. 18 (2007).

<sup>20</sup> 304 Phil. 236 (1994).

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Monetary Board (BSP-MB) Circular No. 799, Series of 2013, which reduced the rate of legal interest from twelve percent (12%) *per annum* to six percent (6%) *per annum*.

The modified guidelines are detailed in the 2013 case of *Nacar v. Gallery Frames*,<sup>21</sup> thus:

To recapitulate and for future guidance, the guidelines laid down in the case of *Eastern Shipping Lines* are accordingly modified to embody BSP-MB Circular No. 799, as follows:

I. When an obligation, regardless of its source, *i.e.*, law, contracts, quasi-contracts, delicts or quasi-delicts is breached, the contravenor can be held liable for damages. The provisions under Title XVIII on “Damages” of the Civil Code govern in determining the measure of recoverable damages.

II. With regard particularly to an award of interest in the concept of actual and compensatory damages, the rate of interest, as well as the accrual thereof, is imposed, as follows:

**1. When the obligation is breached, and it consists in the payment of a sum of money, *i.e.*, a loan or forbearance of money, the interest due should be that which may have been stipulated in writing.** Furthermore, the interest due shall itself earn legal interest from the time it is judicially demanded. In the absence of stipulation, the rate of interest shall be 6% *per annum* to be computed from default, *i.e.*, from judicial or extrajudicial demand under and subject to the provisions of Article 1169 of the Civil Code.

2. When an obligation, not constituting a loan or forbearance of money, is breached, an interest on the amount of damages awarded may be imposed at the discretion of the court at the rate of 6% *per annum*. No interest, however, shall be adjudged on unliquidated claims or damages, except when or until the demand can be established with reasonable certainty. Accordingly, where the demand is established with reasonable certainty, the interest shall begin to run from the time the claim is made judicially or extrajudicially (Art. 1169, Civil Code), but when such certainty cannot be so reasonably established at the time the demand is made, the interest shall begin to run only from the date the judgment of the court is made (at which time the quantification of damages may be deemed to have been reasonably ascertained). The actual base for the computation of legal interest shall, in any case, be on the amount finally adjudged.

**3. When the judgment of the court awarding a sum of money becomes final and executory, the rate of legal interest, whether the case falls under paragraph 1 or paragraph 2, above, shall be 6% *per annum* from such finality until its satisfaction, this interim period being**

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<sup>21</sup> 716 Phil. 267 (2013).



**deemed to be by then an equivalent to a forbearance of credit.**

And, in addition to the above, judgments that have become final and executory prior to July 1, 2013, shall not be disturbed and shall continue to be implemented applying the rate of interest fixed therein.<sup>22</sup> (Emphasis supplied)

However, if the rate of interest is stipulated, such stipulated interest shall apply and not the legal interest,<sup>23</sup> provided the stipulated interest is not excessive and unconscionable.<sup>24</sup> **The stipulated interest shall be applied until full payment of the obligation because that is the law between the parties.**<sup>25</sup> The legal interest only applies in the absence of stipulated interest. This is in accord with Article 2209 of the Civil Code, which states:

Art. 2209. **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 percent *per annum*. (Boldfacing and italicization supplied)

Even BSP-MB Circular No. 799 expressly states that the legal interest applies **only in the absence of stipulated interest** in loan contracts. Circular No. 799 reads:

CIRCULAR NO. 799  
Series of 2013

**Subject: Rate of interest in the absence of stipulation**

The Monetary Board, in its Resolution No. 796 dated 16 May 2013, approved the following revisions governing the rate of interest in the absence of stipulation in loan contracts, thereby amending Section 2 of Circular No. 905, Series of 1982:

Section 1. The rate of interest for the loan or forbearance of any money, goods or credits and the rate allowed in judgments, **in the absence of an express contract as to such rate of interest**, shall be six percent (6%) per annum.

<sup>22</sup> Id. at 281-283.

<sup>23</sup> *Isla v. Estorga*, G.R. No. 233974, 2 July 2018; *Security Bank and Trust Co. v. RTC-Makati, Br. 61*, 331 Phil. 787 (1996).

<sup>24</sup> In *Asian Cathay Finance and Leasing Corp. v. Spouses Gravador* [637 Phil. 504, 510-511 (2010)], this Court declared: "It is true that parties to a loan agreement have a wide latitude to stipulate on any interest rate in view of Central Bank Circular No. 905, series of 1982, which suspended the Usury Law ceiling on interest rate effective January 1, 1983. However, interest rates, whenever unconscionable, may be equitably reduced or even invalidated. In several cases, this Court had declared as null and void stipulations on interest and charges that were found excessive, iniquitous and unconscionable." See also *Vitug v. Abuda*, 776 Phil. 540 (2016); *Spouses Silos v. Philippine National Bank*, 738 Phil. 156 (2014).

<sup>25</sup> Art. 1159. Obligations arising from contracts have the force of law between the contracting parties and should be complied with in good faith.



Section 2. In view of the above, Subsection X305.1 of the Manual of Regulations for Banks and Sections 4305Q.1, 4305S.3 and 4303P.1 of the Manual of Regulations for Non-Bank Financial Institutions are hereby amended accordingly.

**This Circular shall take effect on 1 July 2013.** (Emphasis supplied)

Clearly, Circular No. 799 will apply only in the absence of stipulated interest.

In *Eastern Shipping Lines*, which first laid down the guidelines on the computation of legal interest, the Court declared:

I. When an obligation, regardless of its source, *i.e.*, law, contracts, quasi-contracts, delicts or quasi-delicts is breached, the contravenor can be held liable for damages. The provisions under Title XVIII on “Damages” of the Civil Code govern in determining the measure of recoverable damages.

II. With regard particularly to an award of interest in the concept of actual and compensatory damages, the rate of interest, as well as the accrual thereof, is imposed, as follows:

1. When the obligation is breached, and it consists in the payment of a sum of money, *i.e.*, a loan or forbearance of money, the interest due should be that which may have been stipulated in writing. Furthermore, the interest due shall itself earn legal interest from the time it is judicially demanded. In the absence of stipulation, the rate of interest shall be 12% per annum to be computed from default, *i.e.*, from judicial or extrajudicial demand under and subject to the provisions of Article 1169 of the Civil Code.

2. When an obligation, not constituting a loan or forbearance of money, is breached, an interest on the amount of damages awarded may be imposed at the discretion of the court at the rate of 6% per annum. No interest, however, shall be adjudged on unliquidated claims or damages except when or until the demand can be established with reasonable certainty. Accordingly, where the demand is established with reasonable certainty, the interest shall begin to run from the time the claim is made judicially or extrajudicially (Art. 1169, Civil Code) but when such certainty cannot be so reasonably established at the time the demand is made, the interest shall begin to run only from the date of the judgment of the court is made (at which time the quantification of damages may be deemed to have been reasonably ascertained). The actual base for the computation of legal interest shall, in any case, be on the amount of [sic] finally adjudged.

**3. When the judgment of the court awarding a sum of money becomes final and executory, the rate of legal interest, whether the case falls under paragraph 1 or paragraph 2, above, shall be 12% per annum from such finality until its satisfaction, this interim period being deemed to be by then an equivalent to a forbearance of credit.**<sup>26</sup> (Emphasis supplied)

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<sup>26</sup> Supra note 20, at 252-254.



**Paragraph 3 above failed to qualify that for loans or forbearance of money, the prevailing legal interest should only apply in the absence of stipulated interest. The stipulated interest is the law between the parties and should apply from the time of extrajudicial or judicial demand until full payment.**<sup>27</sup> This omission resulted in several rulings of this Court, which imposed the stipulated interest on the adjudged amount until finality of the decision BUT applied the prevailing legal interest in lieu of the stipulated interest from finality of the decision until full payment of the obligation.<sup>28</sup> This is in direct contravention of the law, particularly Article 2209 of the Civil Code, which mandates that when a debtor incurs a delay in obligations to pay a sum of money, the indemnity for damages shall be the payment of the interest agreed upon. Only in the absence of a stipulated interest will the legal interest be applied.

To repeat, the stipulated interest is the law between the parties, and should be applied until full payment of the obligation. Article 1159 of the Civil Code provides that “[o]bligations arising from contracts have the force of law between the contracting parties and should be complied with in good faith.” Article 1956 of the Civil Code also states that “[n]o interest shall be due unless it has been expressly stipulated in writing.” Furthermore, the contracting parties may establish such stipulations as they may deem convenient, provided they are not contrary to law, morals, good customs, public order, or public policy,<sup>29</sup> and the parties are bound to fulfill what has been expressly stipulated.<sup>30</sup> **Thus, unless the stipulated interest is excessive and unconscionable, there is no legal basis for the reduction of the stipulated interest at any time until full payment of the principal amount.** The stipulated interest remains in force until the obligation is satisfied. In the absence of stipulated interest, the prevailing legal interest prescribed by the *Bangko Sentral ng Pilipinas* shall apply.

Moreover, there should be no compounding of interest, whether stipulated or legal, unless compounding is expressly agreed upon in writing by the parties or mandated by law or regulation.<sup>31</sup> Section 5 of the Usury

<sup>27</sup> *Asian Construction and Development Corporation v. Cathay Pacific Steel Corporation*, supra note 17; *Spouses Bautista v. Pilar Development Corp.*, 371 Phil. 533 (1999); *Security Bank and Trust Co. v. RTC-Makati, Br. 61*, supra note 23; *Solid Homes, Inc. v. Court of Appeals*, 252 Phil. 67 (1989).

<sup>28</sup> *Foundation Specialists, Inc. v. Betonval Ready Concrete, Inc.*, supra note 18; *Spouses Suatengco v. Reyes*, 594 Phil. 609 (2008); *Gamboa Rodriguez Rivera & Co., Inc. v. Court of Appeals*, 497 Phil. 399 (2005).

<sup>29</sup> Art. 1306. 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.

<sup>30</sup> Articles 1308 and 1315 of the Civil Code provide:

Art. 1308. **The contract must bind both contracting parties**; its validity or compliance cannot be left to the will of one of them.

Art. 1315. Contracts are perfected by mere consent, and from that moment **the parties are bound not only to the fulfillment of what has been expressly stipulated** but also to all the consequences which, according to their nature, may be in keeping with good faith, usage and law. (Emphasis supplied)

<sup>31</sup> In *Land Bank of the Philippines v. Rivera* [705 Phil. 139, 150 (2013)], the Court applied “the rules



Law, as amended, expressly provides that compounded interest “**shall not be reckoned, except by agreement.**”<sup>32</sup> Being more burdensome than simple interest, compounded interest must be expressly stipulated by the parties or mandated by law or regulation.

***Articles 2210 and 2211 of the Civil Code Apply to Obligations Other Than Loans or Forbearance of Money, Goods or Credits***

Articles 2210 and 2211 of the Civil Code provide:

Art. 2210. Interest may, in the discretion of the court, be allowed upon damages awarded for breach of contract.

Art. 2211. In crimes and quasi-delicts, interest as a part of the damages may, in a proper case, be adjudicated in the discretion of the court.

Under these articles, when the obligation, **other than loans or forbearance of money, goods or credits**, is breached, the court may **in its discretion** impose an interest on the damages awarded. The interest imposed in the discretion of the court will be the prevailing legal interest prescribed by the *Bangko Sentral ng Pilipinas*.

In contrast, Article 2209 of the Civil Code is applicable only to loans or forbearance of money, goods or credit which arise out of “**obligations consisting in the payment of a sum of money, and the debtor incurs in delay,**” and thus where there is a debtor-creditor relationship. Articles 2210 and 2211 refer to obligations that do not involve the payment of a sum of money and there is no debtor-creditor relationship. Moreover, the payment of interest in Article 2209 is **mandatory**, while the payment of interest in Articles 2210 and 2211 is **discretionary** on the court.

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under A.O. No. 13-94, A.O. No. 02-04 and A.O. 06-08[,] the formula to determine the increment of 6% interest per annum **compounded annually** x x x.”

<sup>32</sup> Section 5 of the Usury Law (Act No. 2655), as amended by Presidential Decree No. 116, provides: “In computing the interest on any obligation, promissory note or other instrument or contract, compound interest shall not be reckoned, **except by agreement**: Provided, That whenever compound interest is agreed upon, the effective rate of interest charged by the creditor shall not exceed the equivalent of the maximum rate prescribed by the Monetary Board, or, in default thereof, whenever the debt is judicially claimed, in which last case it shall draw six per centum per annum interest or such rate as may be prescribed by the Monetary Board. No person or corporation shall require interest to be paid in advance for a period of not more than one year: Provided, however, That whenever interest is paid in advance, the effective rate of interest charged by the creditor shall not exceed the equivalent of the maximum rate prescribed by the Monetary Board.”



***The Legal Interest Rate in Article 2209 of the Civil Code Has Been Amended***

On 24 February 1916, Act No. 2655<sup>33</sup> or the Usury Law was enacted, which fixed the legal interest at 6% *per annum* for loans, forbearance of money, goods, credits or judgments.<sup>34</sup> This legal interest applied in the absence of stipulated interest.

On 18 June 1949, Republic Act No. 386,<sup>35</sup> otherwise known as the Civil Code of the Philippines, was enacted and took effect the following year. Article 2209<sup>36</sup> of the Civil Code declared that the legal interest in obligations to pay a sum of money is 6% *per annum* when the debtor incurs in delay. Article 2209 applies to loans and forbearance of money, goods or credits.<sup>37</sup> This legal interest will apply in the absence of stipulated interest.<sup>38</sup>

On 29 January 1973, Presidential Decree No. 116<sup>39</sup> (P.D. No. 116) was issued, which amended the Usury Law and fixed the legal interest for loans, forbearance of money, goods, credits or judgments at 6% *per annum* “**or such rate as may be prescribed by the Monetary Board of the Central Bank of the Philippines.**” This legal interest applies in the absence of stipulated interest. Section 11 of P.D. No. 116 states: “**All Acts and parts of Acts inconsistent with the provisions of this Decree are hereby repealed.**” This repealing clause applied to Acts, Commonwealth Acts, and Republic Acts, including Article 2209 of Republic Act No. 386 (Civil Code of the Philippines). When P.D. No. 116 says “[a]ll Acts and parts of Acts,” it does not mean only Act No. 2655 (Usury Law) but all other Acts, without exception.

P.D. No. 116 was obviously intended to amend **all laws prescribing the rate of legal interest in the absence of stipulated interest.** The Whereas clauses of P.D. No. 116 state that “the monetary authorities have recognized

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<sup>33</sup> AN ACT FIXING THE RATES OF INTEREST UPON LOANS AND DECLARING THE EFFECT OF RECEIVING OR TAKING USURIOUS RATES, AND FOR OTHER PURPOSES.

<sup>34</sup> Section 1 of Act No. 2655 states that “[t]he rate of interest for the loan or forbearance of any money, goods, or credits and the rate allowed in judgments, in the absence of express contract as to such rate of interest, shall be six *per centum per annum*.

<sup>35</sup> AN ACT TO ORDAIN AND INSTITUTE THE CIVIL CODE OF THE PHILIPPINES.

<sup>36</sup> Art. 2209. 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 thereof, the legal interest, which is six percent *per annum*.

<sup>37</sup> In *Piczon v. Piczon* [158 Phil. 726 (1974)], involving the delay of the payment of a sum of money under a loan agreement, the Court applied Article 2209 of the Civil Code and held that appellees were liable for the stipulated interest of 12% *per annum* to be reckoned from the date stipulated by the parties under the loan agreement.

<sup>38</sup> In *Diego v. Fernando* [109 Phil. 143 (1960)], involving a contract of loan with security, the Court held that appellant is liable to pay legal interest since Article 2209 of the Civil Code allows a creditor, in the absence of stipulation as to payment of interest, legal interest from the time of the debtor’s default. See also *Vda. De Murciano v. Auditor General*, 103 Phil. 907 (1958); *Ruperto v. Kosca*, 26 Phil. 227 (1913).

<sup>39</sup> AMENDING FURTHER CERTAIN SECTIONS OF ACT NUMBERED TWO THOUSAND SIX HUNDRED FIFTY-FIVE, AS AMENDED, OTHERWISE KNOWN AS “THE USURY LAW.”

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the need to amend the present Usury Law to allow for more flexible interest rate ceilings that would be **more responsive to the requirements of changing economic conditions**,<sup>40</sup> and that “the availability of adequate capital resources is, among other factors, a decisive element in the achievement of the **declared objective of accelerating the growth of the national economy**.”<sup>41</sup> Thus, P.D. No. 116 amended all laws, including Article 2209 of the Civil Code, prescribing the rate of legal interest to allow the *Bangko Sentral ng Pilipinas* to calibrate the legal interest rate to meet changing economic conditions and to accelerate the growth of the national economy. If P.D. No. 116 did not amend Article 2209, then all “**obligations consisting in the payment of a sum of money**,” which is the all-encompassing coverage of Article 2209 applying to all loans or forbearance of money, goods, credits or judgments, would still be subject to the fixed 6% legal interest rate. This would prevent the *Bangko Sentral ng Pilipinas* from calibrating the legal interest to meet changing economic conditions and to accelerate the growth of the national economy.

Thus, the legal interest referred to in Article 2209 of the Civil Code is now *6% per annum or as may be fixed by the Monetary Board of the Bangko Sentral ng Pilipinas pursuant to the Usury Law, as amended by PD 116*.

### *Forbearance of Money, Goods or Credits*

The term “forbearance” in the context of the Usury Law has been defined as “a contractual obligation of lender or creditor to refrain, during a given period of time, from requiring the borrower or debtor to repay a loan or debt then due and payable.”<sup>42</sup> In consideration of this forbearance, the parties often agree on the payment of interest on the amount due.

In *Estores v. Spouses Supangan*,<sup>43</sup> the Court ruled that “forbearance of money, goods or credits” has a “**separate meaning from a loan**.” The Court then reiterated, citing *Crismina Garments, Inc. v. Court of Appeals*,<sup>44</sup> that “forbearance of money, goods or credits” refers to “**arrangements other than loan agreements**, where a person acquiesces to the temporary use of his money, goods or credits pending happening of certain events or fulfillment of certain conditions.” The Court explained in *Estores*:

The contract involved in this case is admittedly not a loan but a Conditional Deed of Sale. However, the contract provides that the seller (petitioner) must return the payment made by the buyer (respondent-

<sup>40</sup> Second *Whereas Clause*, P.D. No. 116.

<sup>41</sup> Third *Whereas Clause*, P.D. No. 116.

<sup>42</sup> *Land Bank of the Philippines v. West Bay Colleges, Inc.*, 808 Phil. 712 (2017); *International Container Terminal Services, Inc. v. FGU Insurance Corporation*, 604 Phil. 380 (2009); *Crismina Garments, Inc. v. Court of Appeals*, 363 Phil. 701 (1999).

<sup>43</sup> 686 Phil. 86 (2012).

<sup>44</sup> 363 Phil. 701 (1999).



spouses) if the conditions are not fulfilled. There is no question that they have in fact, not been fulfilled as the seller (petitioner) has admitted this. Notwithstanding demand by the buyer (respondent-spouses), the seller (petitioner) has failed to return the money and should be considered in default from the time that demand was made on September 27, 2000.

Even if the transaction involved a Conditional Deed of Sale, can the stipulation governing the return of the money be considered as a forbearance of money which required payment of interest at the rate of 12%? We believe so.

In *Crismina Garments, Inc. v. Court of Appeals*, “forbearance” was defined as a “contractual obligation of lender or creditor to refrain during a given period of time, from requiring the borrower or debtor to repay a loan or debt then due and payable.” This definition describes a loan where a debtor is given a period within which to pay a loan or debt. In such case, “forbearance of money, goods or credits” will have no distinct definition from a loan. **We believe, however, that the phrase “forbearance of money, goods or credits” is meant to have a separate meaning from a loan, otherwise there would have been no need to add that phrase as a loan is already sufficiently defined in the Civil Code. Forbearance of money, goods or credits should therefore refer to arrangements other than loan agreements, where a person acquiesces to the temporary use of his money, goods or credits pending happening of certain events or fulfillment of certain conditions.** In this case, the respondent-spouses parted with their money even before the conditions were fulfilled. They have therefore allowed or granted forbearance to the seller (petitioner) to use their money pending fulfillment of the conditions. They were deprived of the use of their money for the period pending fulfillment of the conditions and when those conditions were breached, they are entitled not only to the return of the principal amount paid, but also to compensation for the use of their money. And the compensation for the use of their money, absent any stipulation, should be the same rate of legal interest applicable to a loan since the use or deprivation of funds is similar to a loan.<sup>45</sup> (Emphasis supplied)

The Court further stressed in *Reformina v. Judge Tomol, Jr.*<sup>46</sup> that Act No. 2655 or the Usury Law deals with “**interest on (1) loans; (2) forbearance of any money, goods or credits; and (3) the rate allowed in judgments.**”<sup>47</sup> The Court clarified that the term “judgments” refers to judgments in litigations involving loans or forbearance of any money, goods or credits.<sup>48</sup> As declared in *Eastern Shipping Lines*, the “**finality [of judgment] until its satisfaction x x x [is a] period being deemed to be by then an equivalent to a forbearance of credit**”<sup>49</sup> or a forbearance of money.



<sup>45</sup> *Estores v. Spouses Supangan*, supra note 43, at 96-97.

<sup>46</sup> 223 Phil. 472 (1985).

<sup>47</sup> Id. at 478.

<sup>48</sup> Id. at 478-479.

<sup>49</sup> Supra note 20, at 254.

P.D. No. 116 amended Act No. 2655 or the Usury Law, as follows:

SECTION 1. Section one of Act Numbered two thousand six hundred fifty-five is hereby amended to read as follows:

**“Sec. 1. The rate of interest for the loan or forbearance of any money, goods, or credits and the rate allowed in judgments, in the absence of express contract as to such rate of interest, shall be six per centum per annum or such rate as may be prescribed by the Monetary Board of the Central Bank of the Philippines for that purpose in accordance with the authority hereby granted.”**

SECTION 2. The same Act is hereby amended by adding the following section immediately after section one thereof, which reads as follows:

“Sec. 1-a. The Monetary Board is hereby authorized to prescribe the maximum rate or rate of interest for the loan or renewal thereof or the forbearance of any money, goods or credits, and to change [sic] such rate or rates whenever warranted by prevailing economic and social conditions: *Provided*, That such changes shall not be made oftener than once every twelve months.

In the exercise of the authority herein granted, the Monetary Board may prescribe higher maximum rates for consumer loans or renewals thereof as well as loans made by pawnshops, finance companies and other similar credit institutions although the rates prescribed for these institutions need not necessarily be uniform.”

x x x x

SECTION 7. Section five of the same Act is hereby amended to read as follows:

“Sec. 5. In computing the interest on any obligation, promissory note or other instrument or contract, compound interest shall not be reckoned, except by agreement: *Provided*, That whatever compound interest is agreed upon, the effective rate of interest charged by the creditor shall not exceed the equivalent of the maximum rate prescribed by the Monetary Board, or, in default thereof, whenever the debt is judicially claimed, in which last case it shall draw six *per centum per annum* interest or such rate as may be prescribed by the Monetary Board. No person or corporation shall require interest to be paid in advance for a period of not more than one year: *Provided, however*, That whenever interest is paid in advance, the effective rate of interest charged by the creditor shall not exceed the equivalent of the maximum rate prescribed by the Monetary Board.”

x x x x (Boldfacing and italicization supplied)





Clearly, under the law and jurisprudence, the prevailing legal interest prescribed by the *Bangko Sentral ng Pilipinas* applies, **in the absence of stipulated interest**, on the following: (1) loans; (2) forbearance of any money, goods or credits; and (3) judgments in litigations involving loans or forbearance of money, goods or credits. It should be noted that under Section 1 of P.D. No.116, the prevailing legal interest prescribed by the *Bangko Sentral ng Pilipinas* applies to “judgments” **in the absence of stipulated interest**.

Forbearance of goods includes the sale of goods on installment, requiring periodic payment of money to the creditor. Forbearance of credits includes the sale of anything on credit, where the full amount due can be paid at a date after the sale.

As previously discussed, the general rule is that the interest stipulated by the parties shall apply, provided it is not excessive and unconscionable. Absent any stipulation, the Court has consistently held that the prevailing legal interest prescribed by the *Bangko Sentral ng Pilipinas* applies to loans or forbearance of money, goods or credits, as well as to judgments.<sup>50</sup>

To summarize, the guidelines on the imposition of interest as provided in *Eastern Shipping Lines* and *Nacar* are further modified for clarity and uniformity, as follows:

With regard to an award of interest in the concept of actual and compensatory damages, the rate of interest, as well as the accrual thereof, is imposed, as follows:

**1. When the obligation is breached, and it consists in the payment of a sum of money, i.e., a loan or forbearance of money, goods, credits or judgments, the interest due shall be that which is stipulated by the parties in writing,<sup>51</sup> provided it is not excessive and unconscionable, which, in the absence of a stipulated reckoning date,<sup>52</sup> shall be computed from default, i.e., from extrajudicial or judicial demand in accordance with Article 1169<sup>53</sup> of the Civil Code, UNTIL**

<sup>50</sup> *Odiamar v. Valencia*, G.R. No. 213582, 12 September 2018 (Resolution); *Isla v. Estorga*, supra note 23; *Federal Builders, Inc. v. Foundation Specialists, Inc.*, 742 Phil. 433 (2014); *Estores v. Spouses Supangan*, supra note 43; *Crismina Garments, Inc. v. Court of Appeals*, supra note 44; *Philippine National Bank v. Court of Appeals*, 331 Phil. 1079 (1996); *Food Terminal Inc. v. Court of Appeals*, 330 Phil. 903 (1996); *Eastern Shipping Lines, Inc. v. Court of Appeals*, supra note 20; *Nacar v. Gallery Frames*, supra note 21.

<sup>51</sup> Article 1956 of the Civil Code states that “[n]o interest shall be due unless it has been expressly stipulated in writing.”

<sup>52</sup> In *Firestone Tire and Rubber Co., (P.I.) v. Delgado and Dee* [104 Phil. 920 (1958)], the Court upheld the ruling of the trial court that the stipulation of the parties on the reckoning date for the payment of interest is controlling. See also *Piczon v. Piczon*, [158 Phil. 726 (1974)].

<sup>53</sup> ART. 1169. Those obliged to deliver or to do something incur in delay from the time the obligee judicially or extrajudicially demands from them the fulfillment of their obligation.

**FULL PAYMENT, without compounding any interest unless compounded interest is expressly stipulated by the parties, by law or regulation. Interest due on the principal amount accruing as of judicial demand shall SEPARATELY earn legal interest<sup>54</sup> at the prevailing rate prescribed by the *Bangko Sentral ng Pilipinas*,<sup>55</sup> from the time of judicial demand UNTIL FULL PAYMENT.<sup>56</sup>**

2. In the absence of stipulated interest, in a loan or forbearance of money, goods, credits or judgments, the rate of interest on the principal amount shall be the prevailing legal interest prescribed by the *Bangko Sentral ng Pilipinas*, which shall be computed from default, *i.e.*, from extrajudicial or judicial demand in accordance with Article 1169 of the Civil Code, UNTIL FULL PAYMENT, without compounding any interest unless compounded interest is expressly stipulated by law or regulation. Interest due on the principal amount accruing as of judicial demand shall SEPARATELY earn legal interest at the prevailing rate prescribed by the *Bangko Sentral ng Pilipinas*,<sup>57</sup> from the time of judicial demand UNTIL FULL PAYMENT.<sup>58</sup>

However, the demand by the creditor shall not be necessary in order that delay may exist:

(1) When the obligation or the law expressly so declare; or

(2) When from the nature and the circumstances of the obligation it appears that the designation of the time when the thing is to be delivered or the service is to be rendered was a controlling motive for the establishment of the contract; or

(3) When demand would be useless, as when the obligor has rendered it beyond his power to perform.

In reciprocal obligations, neither party incurs in delay if the other does not comply or is not ready to comply in a proper manner with what is incumbent upon him. From the moment one of the parties fulfills his obligation, delay by the other begins.

<sup>54</sup> Article 2212 of the Civil Code 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.”

<sup>55</sup> Per BSP-MB Circular No. 799, Series of 2013, effective 1 July 2013, the rate of interest in the absence of stipulation is six percent (6%) *per annum*.

<sup>56</sup> The computation of interest under this paragraph may be expressed in the following formula:

a. **Interest Due on Principal Amount**

$$\text{principal amount} \times \text{stipulated interest} \times \frac{\text{[number of days from stipulated reckoning date, extrajudicial or judicial demand to full payment]}}{365 \text{ days}}$$

$$= \text{interest due on principal amount}$$

b. **Interest on Interest Due**

$$\text{principal amount} \times \text{stipulated interest} \times \text{legal interest} \times \frac{\text{[number of days from judicial demand to full payment]}}{365 \text{ days}}$$

$$= \text{interest on interest due}$$

<sup>57</sup> Per BSP-MB Circular No. 799, Series of 2013, effective 1 July 2013, the rate of interest in the absence of stipulation is six percent (6%) *per annum*.

<sup>58</sup> The computation of interest under this paragraph may be expressed in the following formula:

3. When the obligation, not constituting a loan or forbearance of money, goods, credits or judgments, is breached, an interest on the amount of damages awarded may be imposed *in the discretion of the court* at the prevailing legal interest prescribed by the *Bangko Sentral ng Pilipinas*, pursuant to Articles 2210 and 2211 of the Civil Code.<sup>59</sup> No interest, however, shall be adjudged on unliquidated claims or damages until the demand can be established with reasonable certainty.<sup>60</sup> Accordingly, where the amount of the claim or damages is established with reasonable certainty, the prevailing legal interest shall begin to run from the time the claim is made extrajudicially or judicially (Art. 1169, Civil Code) UNTIL FULL PAYMENT, but when such certainty cannot be so reasonably established at the time the demand is made, the interest shall begin to run only from the date of the judgment of the trial court (at which time the quantification of damages may be deemed to have been reasonably ascertained) UNTIL FULL PAYMENT. The actual base for the computation of the interest shall, in any case, be on the principal amount finally adjudged, without compounding any interest unless compounded interest is expressly stipulated by law or regulation.<sup>61</sup>

a. Interest Due on Principal Amount

$$\text{principal amount} \times \text{legal interest} \times \frac{[\text{number of days from extrajudicial or judicial demand to full payment}]}{365 \text{ days}}$$

= interest due on principal amount

b. Interest on Interest Due

$$\text{principal amount} \times \text{legal interest} \times \text{legal interest} \times \frac{[\text{number of days from judicial demand to full payment}]}{365 \text{ days}}$$

= interest on interest due

<sup>59</sup> Articles 2210 and 2211 of the Civil Code provide:

Art. 2210. Interest may, **in the discretion of the court**, be allowed upon damages awarded for breach of contract. (Emphasis supplied)

Art. 2211. In crimes and quasi-delicts, interest as a part of the damages may, in a proper case, be adjudicated **in the discretion of the court**. (Emphasis supplied)

<sup>60</sup> Article 2213 of the Civil Code states that “[i]nterest cannot be recovered upon unliquidated claims or damages, except when the demand can be established with reasonable certainty.”

<sup>61</sup> The computation of interest under this paragraph may be expressed in the following formula:

a. Interest due on principal amount when amount of claim or damages is certain

$$\text{Amount of claim or damages} \times \text{legal interest} \times \frac{[\text{no. of days from extrajudicial or judicial demand to full payment}]}{365}$$

= Interest due on principal amount

b. Interest due on principal amount when amount of claim or damages is not certain

$$\text{Amount of claim or damages} \times \text{legal interest} \times \frac{[\text{number of days from judicial determination of amount of claim or damages to full payment}]}{365 \text{ days}}$$

= Interest due on principal amount

This case involves a forbearance of credit wherein petitioner was granted a 60-day credit term on its purchases, with the condition that a 24% interest *per annum* would be charged on all accounts overdue. Since there was an extrajudicial demand before the complaint was filed, interest on the amount due begins to run not from the filing of the complaint but from the date of such extrajudicial demand.<sup>62</sup> Thus, the unpaid principal obligation of ₱1,263,104.22 shall earn the stipulated interest of 24% *per annum* from the date of extrajudicial demand on 22 January 2008 until full payment.

Furthermore, in accordance with Article 2212<sup>63</sup> of the Civil Code, the 24% interest *per annum* due on the principal amount accruing as of the judicial demand shall earn legal interest at the rate of 12% *per annum* from the date of judicial demand on 5 February 2008 until 30 June 2013, and thereafter at the rate of 6% *per annum* from 1 July 2013 until full payment. From the date of judicial demand on 5 February 2008 until 30 June 2013, the prevailing rate of legal interest was 12% *per annum*. 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.<sup>64</sup> The ₱50,000.00 attorney's fees shall also earn legal interest at the rate of 6% *per annum* from the finality of this Decision until full payment.

**WHEREFORE**, the Decision dated 21 April 2016 of the Court of Appeals in CA-G.R. CV No. 102465, affirming the 27 January 2014 Decision of the Regional Trial Court, Branch 128, Caloocan City, is **AFFIRMED** with **MODIFICATION**, as follows:

Petitioner Lara's Gifts & Decors, Inc. is ordered to pay respondent Midtown Industrial Sales, Inc. the following:

1. ONE MILLION TWO HUNDRED SIXTY THREE THOUSAND ONE HUNDRED FOUR PESOS and 22/100 (₱1,263,104.22) representing the principal amount plus stipulated interest at 24% *per annum* to be computed from 22 January 2008, the date of extrajudicial demand, until full payment.
2. Legal interest on the 24% *per annum* interest due on the principal amount accruing as of judicial demand, at the rate of 12% *per annum* from the date of judicial demand on 5 February 2008 until 30 June 2013, and thereafter at the rate of 6% *per annum* from 1 July 2013 until full payment.
3. The sum of FIFTY THOUSAND PESOS (₱50,000.00) as attorney's fees, plus legal interest thereon at the rate of 6% *per annum* to be computed from the finality of this Decision

<sup>62</sup> *Commonwealth Insurance Corp. v. Court of Appeals*, 466 Phil. 104 (2004).


<sup>63</sup> Art. 2212. Interest due shall earn legal interest from the time it is judicially demanded, although the obligation may be silent upon this point.

<sup>64</sup> *Nacar v. Gallery Frames*, 716 Phil. 267 (2013).

until full payment.


4. Cost of the suit.


**SO ORDERED.**

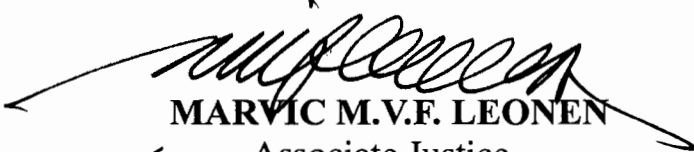
  
**ANTONIO T. CARPIO**  
 Associate Justice


**WE CONCUR:**

  
**LUCAS P. BERSAMIN**  
 Chief Justice

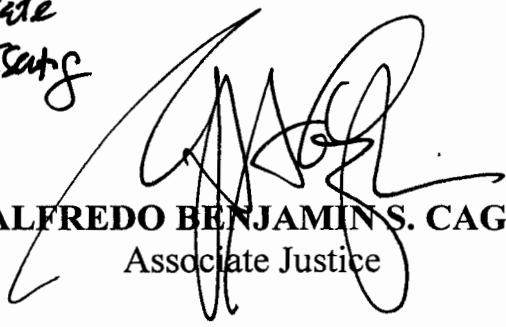
  
**DIOSDADO M. PERALTA**  
 Associate Justice

  
**ESTELA M. PERLAS-BERNABE**  
 Associate Justice

*I concur. See separate opinion*  
  
**MARVIC M.V.F. LEONEN**  
 Associate Justice

*I join*  
  
**FRANCIS H. JARDELEZA**  
 Associate Justice  
*concurring and dissenting opinion*

*Please see separate  
concurring dissenting*

  
**ALFREDO BENJAMIN S. CAGUIOA**  
Associate Justice

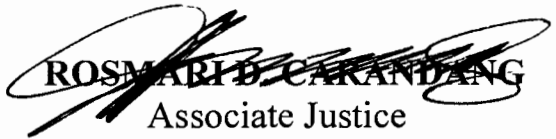
*Reyes*  
**ANDRES B. REYES, JR.**  
Associate Justice

*Agreements*  
**ALEXANDER G. GESMUNDO**  
Associate Justice


*J.C. Reyes*  
*no part*  
**JOSE C. REYES, JR.**  
Associate Justice

*concurrent in the  
limit of appeal's decision*

no part  
(on official leave)  
**RAMON PAUL L. HERNANDO**  
Associate Justice

  
**ROSMARIE D. CARANDANG**  
Associate Justice

  
**AMY C. LAZARO-JAVIER**  
Associate Justice

  
**HENRI JEAN PAUL B. INTING**  
Associate Justice

  
**RODIL V. ZALAMEDA**  
Associate Justice

**CERTIFICATION**

Pursuant to Section 13, Article VIII of the Constitution, 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.

  
**LUCAS P. BERSAMIN**  
Chief Justice

