489 Phil. 64

FIRST DIVISION

[G.R. NO. 160533, January 12, 2005]

FIRST FIL-SIN LENDING CORPORATION, PETITIONER, VS. GLORIA D. PADILLO, RESPONDENT.

DECISION

YNARES-SANTIAGO, J.:

Before us is a petition for review under Rule 45 of the Rules of Court, seeking a reversal of the Court of Appeals' decision in CA-G.R. CV No. 75183[1] dated October 16, 2003, which reversed and set aside the decision of the Regional Trial Court of Manila, Branch 21 in Civil Case No. 00-96235.

On July 22, 1997, respondent Gloria D. Padillo obtained a P500,000.00 loan from petitioner First Fil-Sin Lending Corp. On September 7, 1997, respondent obtained another P500,000.00 loan from petitioner. In both instances, respondent executed a promissory note and disclosure statement.[2]

For the first loan, respondent made 13 monthly interest payments of P22,500.00 each before she settled the P500,000.00 outstanding principal obligation on February 2, 1999. As regards the second loan, respondent made 11 monthly interest payments of P25,000.00 each before paying the principal loan of P500,000.00 on February 2, 1999.[3] In sum, respondent paid a total of P792,500.00 for the first loan and P775,000.00 for the second loan.

On January 27, 2000, respondent filed an action for sum of money against herein petitioner before the Regional Trial Court of Manila. Alleging that she only agreed to pay interest at the rates of 4.5% and 5% per annum, respectively, for the two loans, and not 4.5% and 5% per month, respondent sought to recover the amounts she allegedly paid in excess of her actual obligations.

On October 12, 2001,[4] the trial court dismissed respondent's complaint, and on the counterclaim, ordered her to pay petitioner P311,125.00 with legal interest from February 3, 1999 until fully paid plus 10% of the amount due as attorney's fees and costs of the suit.[5] The trial court ruled that by issuing checks representing interest payments at 4.5% and 5% monthly interest rates, respondent is now estopped from questioning the provisions of the promissory notes.

On appeal, the Court of Appeals (CA) reversed and set aside the decision of the court *a quo*, the dispositive portion of which reads:

> IN VIEW OF ALL THE FOREGOING, the appealed decision is REVERSED and SET ASIDE and a new one entered: (1) ordering First Fil-Sin Lending Corporation to return the amount of P114,000.00 to Gloria D. Padillo, and (2) deleting the award of attorney's fees in favor of appellee. Other

claims and counterclaims are dismissed for lack of sufficient causes. No pronouncement as to cost.

SO ORDERED.[6]

The appellate court ruled that, based on the disclosure statements executed by respondent, the interest rates should be imposed on a monthly basis but only for the 3-month term of the loan. Thereafter, the legal interest rate will apply. The CA also found the penalty charges pegged at 1% per day of delay highly unconscionable as it would translate to 365% per annum. Thus, it was reduced to 1% per month or 12% per annum.

Hence, the instant petition on the following assignment of errors:

I

THE COURT OF APPEALS ERRED IN FINDING THAT THE APPLICABLE INTEREST SHOULD BE THE LEGAL INTEREST OF TWELVE PER CENT (12%) PER ANNUM DESPITE THE CLEAR AGREEMENT OF THE PARTIES ON ANOTHER APPLICABLE RATE.

II

THE COURT OF APPEALS ERRED IN IMPOSING A PENALTY COMPUTED AT THE RATE OF TWELVE PER CENT (12%) PER ANNUM DESPITE THE CLEAR AGREEMENT OF THE PARTIES ON ANOTHER APPLICABLE RATE.

III

THE COURT OF APPEALS ERRED IN DELETING THE ATTORNEY'S FEES AWARDED BY THE REGIONAL TRIAL COURT.[7]

Petitioner maintains that the trial court and the CA are correct in ruling that the interest rates are to be imposed on a monthly and not on a per annum basis. However, it insists that the 4.5% and 5% monthly interest shall be imposed until the outstanding obligations have been fully paid.

As to the penalty charges, petitioner argues that the 12% per annum penalty imposed by the CA in lieu of the 1% per day as agreed upon by the parties violates their freedom to stipulate terms and conditions as they may deem proper.

Petitioner finally contends that the CA erred in deleting the trial court's award of attorney's fees arguing that the same is anchored on sound and legal ground.

Respondent, on the other hand, avers that the interest on the loans is per annum as expressly stated in the promissory notes and disclosure statements. The provision as to annual interest rate is clear and requires no room for interpretation. Respondent asserts that any ambiguity in the promissory notes and disclosure statements should not favor petitioner since the loan documents were prepared by the latter.

We agree with respondent.

Perusal of the promissory notes and the disclosure statements pertinent to the July 22, 1997 and September 7, 1997 loan obligations of respondent clearly and unambiguously provide for interest rates of 4.5% per annum and 5% per annum, respectively. Nowhere was it stated that the interest rates shall be applied on a monthly basis.

Thus, when the terms of the agreement are clear and explicit that they do not justify an attempt to read into it any alleged intention of the parties, the terms are to be understood literally just as they appear on the face of the contract.[8] It is only in instances when the language of a contract is ambiguous or obscure that courts ought to apply certain established rules of construction in order to ascertain the supposed intent of the parties. However, these rules will not be used to make a new contract for the parties or to rewrite the old one, even if the contract is inequitable or harsh. They are applied by the court merely to resolve doubts and ambiguities within the framework of the agreement.[9]

The lower court and the CA mistook the Loan Transactions Summary for the Disclosure Statement. The former was prepared exclusively by petitioner and merely summarizes the payments made by respondent and the income earned by petitioner. There was no mention of any interest rates and having been prepared exclusively by petitioner, the same is self serving. On the contrary, the Disclosure Statements were signed by both parties and categorically stated that interest rates were to be imposed annually, not monthly.

As such, since the terms and conditions contained in the promissory notes and disclosure statements are clear and unambiguous, the same must be given full force and effect. The expressed intention of the parties as laid down on the loan documents controls.

Also, reformation cannot be resorted to as the documents have not been assailed on the ground of mutual mistake. When a party sues on a written contract and no attempt is made to show any vice therein, he cannot be allowed to lay claim for more than what its clear stipulations accord. His omission cannot be arbitrarily supplied by the courts by what their own notions of justice or equity may dictate. [10]

Notably, petitioner even admitted that it was solely responsible for the preparation of the loan documents, and that it failed to correct the *pro forma* note "p.a." to "per month".[11] Since the mistake is exclusively attributed to petitioner, the same should be charged against it. This unilateral mistake cannot be taken against respondent who merely affixed her signature on the *pro forma* loan agreements. As between two parties to a written agreement, the party who gave rise to the mistake or error in the provisions of the same is estopped from asserting a contrary intention to that contained therein. The checks issued by respondent do not clearly and convincingly prove that the real intent of the parties is to apply the interest rates on a monthly basis. Absent any proof of vice of consent, the promissory notes and disclosure statements remain the best evidence to ascertain the real intent of the parties.

The same promissory note provides that "x x x any and all remaining amount due on the principal upon maturity hereof shall earn interest at the rate of _____ from