

## SPECIAL FIRST DIVISION

[ G.R. No. 213582, September 12, 2018 ]

**NYMPHA S. ODIAMAR,\* PETITIONER, VS. LINDA ODIAMAR  
VALENCIA, RESPONDENT.**

### R E S O L U T I O N

**PERLAS-BERNABE, J.:**

Before the Court is a Motion for Reconsideration<sup>[1]</sup> filed by respondent Linda Odiamar Valencia (respondent) assailing the Decision<sup>[2]</sup> dated June 28, 2016 of the Court which affirmed the Decision<sup>[3]</sup> dated March 16, 2012 and the Resolution<sup>[4]</sup> dated July 14, 2014 of the Court of Appeals (CA) in C.A. G.R. CV No. 93624, with modification ordering petitioner Nympha S. Odiamar (petitioner) to pay respondent the amount of P1,010,049.00 representing the remaining balance of petitioner's debt to the latter in the original amount of P1,400,000.00.

In said motion, respondent prays for the imposition of legal interest on the monetary award due her.<sup>[5]</sup> She likewise insists that petitioner's loan obligation to her is not just P1,400,000.00 but P2,100,000.00 and, as such, she should be made to pay the latter amount.<sup>[6]</sup>

Respondent's contentions are partly meritorious.

At the outset, the Court notes that there are two (2) types of interest, namely, monetary interest and compensatory interest. Monetary interest is the compensation fixed by the parties for the use or forbearance of money. On the other hand, compensatory interest is that imposed by law or by the courts as penalty or indemnity for damages. In other words, the right to recover interest arises only either by virtue of a contract (monetary interest) or as damages for the delay or failure to pay the principal loan on which the interest is demanded (compensatory interest).<sup>[7]</sup>

Anent monetary interest, it is an elementary rule that no interest shall be due unless it has been expressly stipulated in writing.<sup>[8]</sup> In this case, no monetary interest may be imposed on the loan obligation, considering that there was no written agreement expressly providing for such.<sup>[9]</sup>

This notwithstanding, such loan obligation may still be subjected to compensatory interest, following the guidelines laid down in *Nacar v. Gallery Frames*,<sup>[10]</sup> as follows:

Thus, from the foregoing, in the absence of an express stipulation as to the rate of interest that would govern the parties, the rate of legal

interest for loans or forbearance of any money, goods or credits and the rate allowed in judgments shall no longer be twelve percent (12%) per annum — as reflected in the case of [*Eastern Shipping Lines, Inc. v. CA (Eastern Shipping Lines)*]<sup>[11]</sup> and 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, before its amendment by BSP-MB Circular No. 799 — but will now be six percent (6%) per annum effective July 1, 2013. It should be noted, nonetheless, that the new rate could only be applied prospectively and not retroactively. **Consequently, the twelve percent (12%) per annum legal interest shall apply only until June 30, 2013. Come July 1, 2013 the new rate of six percent (6%) per annum shall be the prevailing rate of interest when applicable.**

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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