

## SECOND DIVISION

[ G.R. No. 203192, August 15, 2016 ]

**IBM PHILIPPINES, INC., PETITIONER, VS. PRIME SYSTEMS PLUS, INC., RESPONDENT.**

### D E C I S I O N

**DEL CASTILLO, J.:**

Before us is a Petition for Review which seeks to assail the Decision<sup>[1]</sup> of the Court of Appeals (CA) dated January 30, 2012 and its Resolution<sup>[2]</sup> dated August 17, 2012. The CA Decision modified the Regional Trial Court's (RTC) Decision<sup>[3]</sup> dated March 25, 2008 by ordering respondent to pay petitioner P24,622,394.72 with 6% legal interest per annum and deleting the award of P1,000,000.00 as attorney's fees.<sup>[4]</sup>

#### ***Factual Antecedents***

Petitioner entered into an agreement with respondent whereby the former will deliver 45 automated teller machines (ATMs) and several computer hardware to respondent's customers for the total price of P24,743,610.43. On September 9, 2002, petitioner instituted a Complaint for sum of money, attorney's fees, costs of litigation with application for the issuance of a Writ of Preliminary Attachment<sup>[5]</sup> against respondent. In the said Complaint, petitioner sought to have respondent pay the former P45,997,266.22 representing respondent's unpaid obligation with 3% monthly interest.

In its Answer<sup>[6]</sup> dated June 17, 2003, respondent denied the allegations in the Complaint. Respondent also alleged that "[it] (had) fully paid for the fifty six (56) ATMs it purchased from [petitioner] during the period covering December 1997 to February 1998."<sup>[7]</sup>

#### ***Ruling of the Regional Trial Court***

After trial, the RTC rendered its Decision dated March 25, 2008 ordering respondent to pay the sum of P46,036,028.42 with interest at 6% per annum from March 15, 2006 and attorney's fees in the amount of P1,000,000.00. The RTC debunked respondent's allegation of payment finding that respondent's only evidence — a handwritten memorandum of respondent's president - was not even verified by the finance or accounting employees of respondent and is overturned by petitioner's evidence that respondent's checks were all dishonored. As regards the computation of interest, the trial court found petitioner's imposition of 3% monthly interest appropriate as the rate was "imposed by [petitioner] on all invoices which have not been paid thirty (30) days from delivery with the exception of those invoices under dispute x x x. Furthermore, in the Deed of Assignment of Receivables of August 31,

1998, [respondent] tacitly acknowledged such imposition of interest x x x."<sup>[8]</sup>

The dispositive portion of the RTC Decision reads:

ACCORDINGLY judgment is hereby rendered ordering defendant to pay plaintiff—

- (1) the sum of P46,036,028.42 with interest at 6% per annum from March 15, 2006; and
- (2) One Million (P1,000,000.00) Pesos as attorney's fees.

The counterclaim interposed by defendant is hereby dismissed for utter lack of merit.

With costs against defendant.

SO ORDERED.<sup>[9]</sup>

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

Respondent elevated the matter via a Petition for *Certiorari*<sup>[10]</sup> before the CA. After both parties had filed their respective pleadings, the CA rendered its Decision dated January 30, 2012 partly granting respondent's Petition, It ordered respondent to pay petitioner P24,622,394.72 with 6% annual interest from the time of filing of the Complaint while it deleted the award of attorney's fees of P1,000,000.00. The CA found that there were certain pieces of evidence particularly those relating to the imposition of 3% monthly interest — which were misappreciated by the trial court, thus, leading to a different conclusion.<sup>[11]</sup> Citing Article 1956<sup>[12]</sup> of the Civil Code, the CA found that "there is no showing that the parties had actually agreed on the imposition of the 3% monthly interest for invoices which remained unpaid 30 days from its delivery."<sup>[13]</sup> The CA explained that petitioner's reliance on its letter to respondent imposing the said interest cannot be used to bind respondent as the same was a unilateral imposition of interest, rather than a mutual agreement between the parties. The CA also brushed aside petitioner's claim that respondent assented to such interest rate when it executed a Deed of Assignment of Receivables on August 31, 1998 without any objection about the interest rate. Finding the 3% monthly interest invalid, the CA imposed the legal interest of 6% annual interest in consonance with Article 2209<sup>[14]</sup> of the Civil Code and will start from the time the unpaid amount is judicially demanded.<sup>[15]</sup> Lastly, the CA deleted the award of attorney's fees for failure of the trial court to discuss the basis for such award.<sup>[16]</sup>

The dispositive portion of the CA Decision reads:

WHEREFORE, all the foregoing considered, the extant appeal is PARTLY GRANTED and the Decision of the Regional Trial Court of Manila, Branch 24 dated March 25, 2008 is hereby MODIFIED as follows:

- 1) Prime Systems is hereby directed to pay IBM the sum of P24,622,394.72 with legal interest of 6% per annum from the filing of the complaint until full payment.

2) The awards of P1,000,000.00 as attorney's fees is hereby deleted.

SO ORDERED.<sup>[17]</sup>

Both parties filed their respective motions for reconsideration; petitioner prayed that the CA reverse its Decision of January 30, 2012 and reinstate the RTC's Decision dated March 25, 2008 while respondent sought to have the CA declare itself to have overpaid petitioner and the latter be directed to pay respondent P1,000,000.00 each in moral and exemplary damages.<sup>[18]</sup>

In a Resolution dated August 17, 2012, the CA denied both motions for reiterating issues which have been threshed out by the CA in its Decision dated January 30, 2012.

Unperturbed, petitioner filed the instant Petition for Review on *Certiorari*.

### **Issue**

Brushing aside the factual issues of payment and delay,<sup>[19]</sup> the issue in the instant case is very simple: did petitioner's imposition of 3% monthly interest constitute a written stipulation under Article 1956 of the Civil Code?

### **Our Ruling**

We do not find merit in the instant Petition.

It has been a long-standing rule that for interest to become due and demandable, two requisites must be present: (1) that there must be an express stipulation for the payment of interest and (2) the agreement to pay interest is reduced in writing.<sup>[20]</sup>

Here, petitioner insists that there was an express agreement for a 3% monthly interest, which petitioner placed in writing in its letter dated December 29, 1997. Petitioner's conclusion that respondent agreed to the 3% monthly interest was based on the following events/evidence:

1. That respondent's employee duly received (hence, assented to) the letter dated December 29, 1997;<sup>[21]</sup>
2. That respondent did not object or comment to the letter after it received the same (thus, making respondent in estoppel);<sup>[22]</sup>
3. That respondent even asked for a reduction of the interest rate, which shows that respondent originally agreed to its December 29, 1997 letter;<sup>[23]</sup>
4. That even if the employee's act of receiving the letter was not an acceptance of the terms, the fact that respondent still wanted to push through with the delivery of the ATMs in 1998, one year after the letter, shows that respondent knew and agreed to the 3% monthly interest;<sup>[24]</sup> and