

FIRST DIVISION

[G.R. No. 175139, April 18, 2012]

**HERMOJINA ESTORES, PETITIONER, VS. SPOUSES ARTURO AND
LAURA SUPANGAN, RESPONDENTS.**

D E C I S I O N

DEL CASTILLO, J.:

The only issue posed before us is the propriety of the imposition of interest and attorney's fees.

Assailed in this Petition for Review^[1] filed under Rule 45 of the Rules of Court is the May 12, 2006 Decision^[2] of the Court of Appeals (CA) in CA-G.R. CV No. 83123, the dispositive portion of which reads:

WHEREFORE, the appealed decision is MODIFIED. The rate of interest shall be six percent (6%) per annum, computed from September 27, 2000 until its full payment before finality of the judgment. If the adjudged principal and the interest (or any part thereof) remain unpaid thereafter, the interest rate shall be adjusted to twelve percent (12%) per annum, computed from the time the judgment becomes final and executory until it is fully satisfied. The award of attorney's fees is hereby reduced to P100,000.00. Costs against the defendants-appellants.

SO ORDERED.^[3]

Also assailed is the August 31, 2006 Resolution^[4] denying the motion for reconsideration.

Factual Antecedents

On October 3, 1993, petitioner Hermojina Estores and respondent-spouses Arturo and Laura Supangan entered into a Conditional Deed of Sale^[5] whereby petitioner offered to sell, and respondent-spouses offered to buy, a parcel of land covered by Transfer Certificate of Title No. TCT No. 98720 located at Naic, Cavite for the sum of P4.7 million. The parties likewise stipulated, among others, to wit:

x x x x

1. Vendor will secure approved clearance from DAR requirements of which are (sic):

- a) Letter request
- b) Title
- c) Tax Declaration
- d) Affidavit of Aggregate Landholding – Vendor/Vendee
- e) Certification from the Prov'l. Assessor's as to Landholdings of Vendor/Vendee
- f) Affidavit of Non-Tenancy
- g) Deed of Absolute Sale

x x x x

- 4. Vendee shall be informed as to the status of DAR clearance within 10 days upon signing of the documents.

x x x x

- 6. Regarding the house located within the perimeter of the subject [lot] owned by spouses [Magbago], said house shall be moved outside the perimeter of this subject property to the 300 sq. m. area allocated for [it]. Vendor hereby accepts the responsibility of seeing to it that such agreement is carried out before full payment of the sale is made by vendee.

- 7. If and after the vendor has completed all necessary documents for registration of the title and the vendee fails to complete payment as per agreement, a forfeiture fee of 25% or downpayment, shall be applied. However, if the vendor fails to complete necessary documents within thirty days without any sufficient reason, or without informing the vendee of its status, vendee has the right to demand return of full amount of down payment.

x x x x

- 9. As to the boundaries and partition of the lots (15,018 sq. m. and 300 sq. m.) Vendee shall be informed immediately of its approval by the LRC.

- 10. The vendor assures the vendee of a peaceful transfer of ownership.

x x x x ^[6]

After almost seven years from the time of the execution of the contract and notwithstanding payment of P3.5 million on the part of respondent-spouses, petitioner still failed to comply with her obligation as expressly provided in paragraphs 4, 6, 7, 9 and 10 of the contract. Hence, in a letter^[7] dated September 27, 2000, respondent-spouses demanded the return of the amount of P3.5 million within 15 days from receipt of the letter. In reply,^[8] petitioner acknowledged receipt of the P3.5 million and promised to return the same within 120 days. Respondent-spouses were amenable to the proposal provided an interest of 12% compounded annually shall be imposed on the P3.5 million.^[9] When petitioner still

failed to return the amount despite demand, respondent-spouses were constrained to file a Complaint^[10] for sum of money before the Regional Trial Court (RTC) of Malabon against herein petitioner as well as Roberto U. Arias (Arias) who allegedly acted as petitioner's agent. The case was docketed as Civil Case No. 3201-MN and raffled off to Branch 170. In their complaint, respondent-spouses prayed that petitioner and Arias be ordered to:

1. Pay the principal amount of P3,500,000.00 plus interest of 12% compounded annually starting October 1, 1993 or an estimated amount of P8,558,591.65;
2. Pay the following items of damages:
 - a) Moral damages in the amount of P100,000.00;
 - b) Actual damages in the amount of P100,000.00;
 - c) Exemplary damages in the amount of P100,000.00;
 - d) [Attorney's] fee in the amount of P50,000.00 plus 20% of recoverable amount from the [petitioner].
 - e) [C]ost of suit.^[11]

In their Answer with Counterclaim,^[12] petitioner and Arias averred that they are willing to return the principal amount of P3.5 million but without any interest as the same was not agreed upon. In their Pre-Trial Brief,^[13] they reiterated that the only remaining issue between the parties is the imposition of interest. They argued that since the Conditional Deed of Sale provided only for the return of the downpayment in case of breach, they cannot be held liable to pay legal interest as well.^[14]

In its Pre-Trial Order^[15] dated June 29, 2001, the RTC noted that "the parties agreed that the principal amount of 3.5 million pesos should be returned to the [respondent-spouses] by the [petitioner] and the issue remaining [is] whether x x x [respondent-spouses] are entitled to legal interest thereon, damages and attorney's fees."^[16]

Trial ensued thereafter. After the presentation of the respondent-spouses' evidence, the trial court set the presentation of Arias and petitioner's evidence on September 3, 2003.^[17] However, despite several postponements, petitioner and Arias failed to appear hence they were deemed to have waived the presentation of their evidence. Consequently, the case was deemed submitted for decision.^[18]

Ruling of the Regional Trial Court

On May 7, 2004, the RTC rendered its Decision^[19] finding respondent-spouses entitled to interest but only at the rate of 6% per annum and not 12% as prayed by them.^[20] It also found respondent-spouses entitled to attorney's fees as they were compelled to litigate to protect their interest.^[21]

The dispositive portion of the RTC Decision reads:

WHEREFORE, premises considered, judgment is hereby rendered in favor of the [respondent-spouses] and ordering the [petitioner and Roberto Arias] to jointly and severally:

1. Pay [respondent-spouses] the principal amount of Three Million Five Hundred Thousand pesos (P3,500,000.00) with an interest of 6% compounded annually starting October 1, 1993 and attorney's fee in the amount of Fifty Thousand pesos (P50,000.00) plus 20% of the recoverable amount from the defendants and cost of the suit.

The Compulsory Counter Claim is hereby dismissed for lack of factual evidence.

SO ORDERED.^[22]

Ruling of the Court of Appeals

Aggrieved, petitioner and Arias filed their notice of appeal.^[23] The CA noted that the only issue submitted for its resolution is "whether it is proper to impose interest for an obligation that does not involve a loan or forbearance of money in the absence of stipulation of the parties."^[24]

On May 12, 2006, the CA rendered the assailed Decision affirming the ruling of the RTC finding the imposition of 6% interest proper.^[25] However, the same shall start to run only from September 27, 2000 when respondent-spouses formally demanded the return of their money and not from October 1993 when the contract was executed as held by the RTC. The CA also modified the RTC's ruling as regards the liability of Arias. It held that Arias could not be held solidarily liable with petitioner because he merely acted as agent of the latter. Moreover, there was no showing that he expressly bound himself to be personally liable or that he exceeded the limits of his authority. More importantly, there was even no showing that Arias was authorized to act as agent of petitioner.^[26] Anent the award of attorney's fees, the CA found the award by the trial court (P50,000.00 plus 20% of the recoverable amount) excessive^[27] and thus reduced the same to P100,000.00.^[28]

The dispositive portion of the CA Decision reads:

WHEREFORE, the appealed decision is MODIFIED. The rate of interest shall be six percent (6%) per annum, computed from September 27, 2000 until its full payment before finality of the judgment. If the adjudged principal and the interest (or any part thereof) remain[s] unpaid thereafter, the interest rate shall be adjusted to twelve percent (12%) per annum, computed from the time the judgment becomes final and executory until it is fully satisfied. The award of attorney's fees is hereby reduced to P100,000.00. Costs against the [petitioner].

SO ORDERED.^[29]

Petitioner moved for reconsideration which was denied in the August 31, 2006 Resolution of the CA.

Hence, this petition raising the sole issue of whether the imposition of interest and attorney's fees is proper.

Petitioner's Arguments

Petitioner insists that she is not bound to pay interest on the P3.5 million because the Conditional Deed of Sale only provided for the return of the downpayment in case of failure to comply with her obligations. Petitioner also argues that the award of attorney's fees in favor of the respondent-spouses is unwarranted because it cannot be said that the latter won over the former since the CA even sustained her contention that the imposition of 12% interest compounded annually is totally uncalled for.

Respondent-spouses' Arguments

Respondent-spouses aver that it is only fair that interest be imposed on the amount they paid considering that petitioner failed to return the amount upon demand and had been using the P3.5 million for her benefit. Moreover, it is undisputed that petitioner failed to perform her obligations to relocate the house outside the perimeter of the subject property and to complete the necessary documents. As regards the attorney's fees, they claim that they are entitled to the same because they were forced to litigate when petitioner unjustly withheld the amount. Besides, the amount awarded by the CA is even smaller compared to the filing fees they paid.

Our Ruling

The petition lacks merit.

Interest may be imposed even in the absence of stipulation in the contract.

We sustain the ruling of both the RTC and the CA that it is proper to impose interest notwithstanding the absence of stipulation in the contract. Article 2210 of the Civil Code expressly provides that "[i]nterest may, in the discretion of the court, be allowed upon damages awarded for breach of contract." In this case, there is no question that petitioner is legally obligated to return the P3.5 million because of her failure to fulfill the obligation under the Conditional Deed of Sale, despite demand. She has in fact admitted that the conditions were not fulfilled and that she was willing to return the full amount of P3.5 million but has not actually done so. Petitioner enjoyed the use of the money from the time it was given to her^[30] until now. Thus, she is already in default of her obligation from the date of demand, i.e., on September 27, 2000.

The interest at the rate of 12% is applicable in the instant case.

Anent the interest rate, the general rule is that the applicable rate of interest "shall be computed in accordance with the stipulation of the parties."^[31] Absent any