

SECOND DIVISION

[G.R. No. 194781, June 27, 2012]

**RGM INDUSTRIES, INC., PETITIONER, VS. UNITED PACIFIC
CAPITAL CORPORATION, RESPONDENT.**

R E S O L U T I O N

REYES, J.:

At bar is a Petition for Review on *Certiorari*, under Rule 45 of the Rules of Court, seeking to annul and set aside the Decision^[1] dated July 23, 2010 of the Court of Appeals (CA) in CA-G.R. CV No. 87727 which affirmed with modification the Decision^[2] dated April 11, 2005 of the Regional Trial Court (RTC), Branch 147 of Makati City, in Civil Case No. 99-1888, ordering RGM Industries, Inc. (petitioner) to pay its obligation to United Pacific Capital Corporation (respondent). The RTC's judgment was modified as to the interest rates and penalty charges imposed.

Likewise assailed is the CA's Resolution^[3] dated December 14, 2010 denying the petitioner's motion for reconsideration.

The uniform factual findings of the courts a quo^[4]

The respondent is a domestic corporation engaged in the business of lending and financing. On March 3, 1997, it granted a thirty million peso short-term credit facility in favor of the petitioner. The loan amount was sourced from individual funders on the basis of a direct-match facility for which a series of promissory notes were issued by the petitioner for the payment of the loan.

The petitioner failed to satisfy the said promissory notes as they fell due and the loan had to be assumed in full by the respondent which thereby stepped into the shoes of the individual funders.

Consequently, on April 4, 1998, the petitioner issued in favor of the respondent a consolidated promissory note in the principal amount of P27,852,075.98 for a term of fourteen (14) days and maturing on April 28, 1998. The stipulated interest on the consolidated promissory note was 32% per annum. In case of default, a penalty charge was imposed in an amount equivalent to 8% per month of the outstanding amount due and unpaid computed from the date of default.

The petitioner failed to satisfy the consolidated promissory note, the principal balance of which as of April 28, 1998 was P27,668,167.87.

The respondent thus sent demand letters to the petitioner but the latter failed to pay and instead asked for restructuring of the loan. The respondent declined the request and on October 5, 1999, filed the herein complaint for collection of sum of money against the petitioner.

The petitioner did not dispute the loan it owes but claimed that the agreed interest rate was fixed at 15.5% per annum and not the varying interest rates imposed by the respondent which reached as high as 40% per annum. The petitioner asserted that the respondent unilaterally imposed the increased interest rates in violation of the principle of mutuality of contracts.

The respondent, on the other hand, argued that the increased interest rates were mutually agreed upon and that the same cannot be considered usurious because usury is legally non-existent in this jurisdiction.

Ruling of the RTC

The RTC ruled in favor of the respondent and held thus:

WHEREFORE, premises considered, Judgment is hereby rendered for the (respondent) ordering the (petitioner) RGM Industries[,] Inc. as the Issuer of the consolidated promissory note, to pay (respondent) the amount of [P]27,668.167.87 representing the outstanding principal obligation plus interest at the rate of 32% per annum and penalty charges at the rate of 8% per month from date of default on the consolidated promissory note until fully paid, and an amount equivalent to 25% of the amount due as and for attorney's fees, and to pay the costs of suit.

SO ORDERED.^[5]

Ruling of the CA

On appeal, the CA affirmed the RTC's judgment but modified the interest rates and penalty charges imposed. The CA held that the interest rates levied by the respondent were excessive and unconscionable hence, must be reduced to 12% per annum. The CA likewise lowered the penalty charges to 2% per month considering that the P7,504,522.27 paid by the petitioner was already applied thereto and the nature of the contract between the parties was a short-term credit facility. The attorney's fees were reduced from 25% to 10% of the outstanding obligation. The decretal portion of the CA Decision reads:

WHEREFORE, premises considered, the instant appeal is hereby **PARTLY GRANTED**. The impugned Decision is **AFFIRMED with MODIFICATIONS**. The interest rate of 32% per annum is equitably reduced to 12% per annum, the penalty charge of 8% per month to 2% per month and attorney's fees of 25% of the total unpaid obligation to 10%.

SO ORDERED.^[6]

Its motion for reconsideration^[7] of the foregoing issuance having been denied,^[8] the petitioner interposed the present petition arguing that the modified interest