

SECOND DIVISION

[G.R. No. 127135, January 18, 2000]

**EASTERN ASSURANCE AND SURETY CORPORATION (EASCO),
PETITIONER, VS. HON. COURT OF APPEALS, HON. TEOFISTO L.
CALUMPANG, IN HIS CAPACITY AS PRESIDING JUDGE OF THE
REGIONAL TRIAL COURT OF DUMAGUETE CITY, BRANCH 40, AND
VICENTE TAN, RESPONDENTS.**

D E C I S I O N

MENDOZA, J.:

This is a petition for review of the decision of the Court of Appeals,^[1] the dispositive portion of which reads:^[2]

WHEREFORE, the petition is hereby GIVEN DUE COURSE and is GRANTED. The legal interest rate to be paid by petitioner EASCO to the private respondent is 6% per annum on the amount due corresponding to the period from June 26, 1981 to August 24, 1993; and 12% per annum beginning August 25, 1993 until the money judgment shall have been fully paid. No pronouncement as to costs.

SO ORDERED.

The facts of the case are as follows:

On April 9, 1981, private respondent Vicente Tan insured his building in Dumaguete City against fire with petitioner Eastern Assurance and Surety Corporation (EASCO) for P250,000.00. On June 26, 1981, the building was destroyed by fire. As his claim for indemnity was refused, private respondent filed a complaint for breach of contract with damages against petitioner. The Regional Trial Court, Branch 40, Dumaguete City, to which the case was assigned rendered judgment as follows:^[3]

WHEREFORE, judgment is rendered in favor of plaintiff [private respondent Vicente Tan] and ordering defendant [petitioner EASCO]

1. To pay plaintiff the sum of Two Hundred Fifty Thousand (P250,000.00) Pesos representing the fire insurance claim of plaintiff plus legal rate of interest from June 26, 1981 until fully paid;
2. To pay plaintiff the sum of Twenty Thousand (P20,000.00) Pesos as attorney's fees;
3. To pay plaintiff all expenses incurred when he went to Manila with his lawyer regarding his insurance claim;

4. To pay plaintiff Twenty Thousand Pesos (P20,000.00) Pesos as moral damages and Twenty Thousand (P20,000.00) Pesos as exemplary damages.

SO ORDERED.

Petitioner appealed to the Court of Appeals, which, on July 30, 1993, affirmed the decision of the trial court with modification by disallowing the award of moral and exemplary damages, attorney's fees and litigation expenses. As no further appeal was taken from the decision of the Court of Appeals, the same became final and executory on August 25, 1993. Thereupon, petitioner tendered payment of the money judgment in the amount of P250,000.00 plus interest of 6% per annum from June 26, 1981 to July 30, 1993. However, private respondent refused to accept payment on the ground that the applicable legal rate of interest was 12% per annum. Subsequently, private respondent brought the matter to the Insurance Commission. On February 27, 1995, the parties agreed before the hearing officer of the commission that the interest should be computed from June 26, 1981 to September 30, 1994. Petitioner would file with the trial court a motion to fix the legal rate of interest attaching thereto a check in the amount of P250,000.00 with 6% interest per annum.

Accordingly, on March 17, 1995, petitioner filed the necessary motion in court, attaching thereto a manager's check for P448,750.00 representing the principal sum plus 6% interest per annum for the period June 26, 1981 to September 30, 1994. On May 10, 1995, the trial court issued the assailed resolution fixing the rate of interest at 12% per annum, the dispositive portion of which reads:^[4]

WHEREFORE, premises considered, this Court hereby resolve[s] that:

1. The legal rate of interest imposable on the principal sum of P250,000.00 should be twelve (12%) per annum from June 26, 1981 to September 30, 1994, which is the cut-off date agreed upon by the parties;
2. That the manager's check issued by the defendant in the amount of P448,750.00 in favor of the plaintiff is considered as partial satisfaction of the writ of execution; and
3. Defendant to pay immediately to plaintiff the unpaid balance of interest of the principal amount of P250,000.00 equivalent to 6% per annum from June 26, 1981 to September 30, 1994.

Petitioner filed a motion for reconsideration which was, however, denied by the trial court. Thus, on August 30, 1995, petitioner went to the Court of Appeals on certiorari, and on November 14, 1996, the appellate court rendered a decision. Noting that the case was for breach of contract for the payment of damages for the loss or destruction of property and not for collection of a loan or forbearance of money, the Court of Appeals ruled, on the authority of *Eastern Shipping Lines, Inc. v. Court of Appeals*,^[5] that the interest rate on the amount due should be 6% per annum from June 26, 1981 to August 24, 1993, and 12% per annum beginning August 25, 1993 (the date the decision of the trial court became final and executory) until the money judgment is paid.