

## FOURTH DIVISION

[ CA-G.R. SP. NO. 137694, March 09, 2015 ]

**EDEN TAYAG, PETITIONER, VS. SONNY MEJIA, RESPONDENT.**

### DECISION

**BALTAZAR-PADILLA, J.:**

Challenged before US in this Petition<sup>[1]</sup> for Review under Rule 42 of 1997 the Rules of Civil Procedure is the Decision<sup>[2]</sup> dated September 29, 2014 of the Regional Trial Court of Malolos City, Branch 15 (hereinafter, "RTC") in Civil Case No. 290-M-2014.

On January 7, 2013, a Complaint<sup>[3]</sup> for collection of sum of money and damages was filed by respondent Sonny Mejia with the Municipal Trial Court in Cities (MTCC), San Jose del Monte City, Bulacan, Branch 3 against petitioner Eden Tayag. Respondent alleged that on different occasions, petitioner obtained several loans from him. Due to petitioner's inability to pay her periodic amortizations, all the loans extended to her were consolidated into a single loan amounting to P329,000.00 inclusive of interest under Promissory Note dated January 28, 2012. In the said promissory note signed by petitioner, she obligated herself to pay respondent the full amount of P329,000.00 within a period of 13 weeks by making a weekly payment of P25,000.00. However, out of the amount due, petitioner only paid respondent P197,000.00 on a staggered basis. Due to petitioner's failure to pay the remaining balance of her loan, respondent made numerous demands for her to comply with her obligation to pay but his demands were left unheeded. After the barangay conciliation failed, respondent filed a complaint for collection of sum of money and damages with the court *a quo*. Upon the foregoing allegations, the complaint concluded with the following prayer:

"WHEREFORE, premises considered, it is respectfully prayed after due notice and proceedings, that judgment be issued in plaintiff's [herein respondent] favor and adverse to the defendant [herein petitioner], ordering the latter to:

- a. Pay the principal sum of ONE HUNDRED THIRTY FIVE THOUSAND (P135,000.00) plus the legal rate of interest thereon from date of filing this judicial demand until fully paid.
- b. A sum equivalent to twenty percent (20%) of P135,000.00 representing attorney's fees and P2,000.00 per court appearance;
- c. Costs of suit and expenses of litigation.

Other relief and remedies just and equitable in the premises are likewise prayed for."<sup>[4]</sup>

In her Answer,<sup>[5]</sup> petitioner admitted having obtained a loan from respondent but insisted that her outstanding obligation to him is only P34,000.00. The total loan obtained by her from 2002 to 2011 as per her personal computation had ballooned to P492,000.00 because of the 20% interest imposed by respondent but if said interest will be deducted, the totality of her loan would only amount to P393,000.00 of which she had already paid P359,000.00. Considering that the interest imposed upon her accumulated loans is too high, petitioner prayed for the court *a quo* to temper the interest rate to avoid unjust enrichment on the part of respondent. Moreover, petitioner alleged that although she admitted signing the promissory note acknowledging her indebtedness to respondent in the amount of P329,000.00, she only signed the same so that respondent would stop from constantly reminding her to pay her loan.

After trial, the MTCC rendered its judgment<sup>[6]</sup> on December 23, 2013 against herein petitioner, disposing:

"WHEREFORE, premises considered, defendant Eden Tayag [*herein petitioner*] is DIRECTED TO PAY plaintiff Sonny Mejia [*herein respondent*] the following:

- (1) Sixty[-]Six Thousand Two Hundred (P66,200.00) Pesos, representing the remaining loan obligation plus One (1%) percent per month starting on November, 2011 until the finality of this Decision;
- (2) Twenty Thousand (P20,000.00) Pesos by way of Attorney's Fees plus Two Thousand (P2,000.00) Pesos per Court Appearance;
- (3) Four Thousand Two Hundred Thirty[-]Two (P4,232.00) Pesos as expenses of litigation; and
- (4) Interest of six (6%) percent per annum of the total monetary awards from the time this judgment becomes final and executory until satisfaction.

SO ORDERED."<sup>[7]</sup>

According to the court of origin, inasmuch as the interest of 20% imposed by respondent is unconscionable, the same must be deducted from the total loan amount of P329,000.00 inclusive of interest stated in the promissory note. Deducting the 20% interest from P329,000.00, the remaining amount is P263,200.00. Since respondent himself admitted that petitioner already paid him P197,000.00, said amount should be deducted from P263,200.00 monetary obligation of petitioner. Hence, the supposed remaining amount of loan of petitioner to respondent is P66,200.00. In addition, the MTCC deemed it proper in the interest of fair play to impose an interest rate of 1% per month starting November, 2011 (the date of the earliest promissory note attached to the record) until finality of the court *a quo*'s decision. Thereafter, the interest rate shall be 6% per annum from such finality until its satisfaction as said interim period is deemed to be by then equivalent to a forbearance of credit, citing *Nacar vs. Gallery Frames and/or Felipe Bordey, Jr.* (G.R. No. 189871, August 13, 2013).<sup>[8]</sup>

The MTCC further found it proper to award P20,000.00 attorney's fees to respondent

since he was left with no recourse but to litigate in order to protect his interest. The same court made petitioner liable to pay the expenses incurred by respondent in the filing the case in the amount of P4,232.00 as well as the court appearance of respondent's counsel in the amount of P2,000.00 per hearing.

On appeal before the RTC, petitioner argued that although the lower court was correct in finding that the 20% interest is exorbitant and the same must be deducted from the P329,000.00 alleged total amount of loans, the computation as to her remaining obligation was still not accurate because there is still a need to specifically identify each loan obtained by her on different occasions to determine the precise amount of her outstanding obligation to respondent.

On September 29, 2014, the RTC affirmed with modification the MTCC decision, thus:

"WHEREFORE, premises considered, the instant appeal is DISMISSED and the assailed Decision dated December 23, 2013 of the Municipal Trial Court in Cities, San Jose del Monte City, Bulacan is hereby AFFIRMED with modification by directing the defendant-appellant [*herein petitioner*] to pay:

- (1) Sixty[-]Six Thousand Two Hundred (P66,200.00) Pesos, representing the outstanding loan obligation with the rate of interest of 12% per annum from extrajudicial demand on December 10, 2012;
- (2) Twenty Thousand (P20,000.00) Pesos by way of Attorney's Fees; and
- (3) Four Thousand Two Hundred Thirty Two (P4,232.00) Pesos as expenses of litigation[.]

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

In support of its ruling, the RTC made the following ratiocination:

"After a judicious assessment of the records and the arguments raised, the court is in accord with the findings of the court a quo but with modification.

As could be gleaned from the several promissory notes, defendant-appel[.]ant obtained the following loans, to wit:

- |                   |  |
|-------------------|--|
| October 29, 2011  | - P50,000.00 to be paid in 10 weeks (Exh. G-3) |
| November 3, 2011  | - P50,000.00 to be paid in 92 days (Exh. G-4)  |
| November 14, 2011 | - P50,000.00 to be paid in 92 days (Exh. G-5)  |
| November 28, 2011 | - P20,000.00 to be paid in 10 weeks (Exh. G-6) |
| December 3, 2011  | - P50,000.00 to be paid in 92 days (Exh. G-7)  |
| December 9,       | - P50,000.00 to be paid in 10 weeks            |

2011	(Exh. G-8)
December 17, 2011	- P30,000.00 to be paid in 10 weeks (Exh. G-10)
December 25, 2011	- P50,000.00 to be paid in 10 weeks (Exh. G-9)
December 30, 2011	- P50,000.00 to be paid in 92 days (Exh. G)
January 6, 2012	- P50,000.00 to be paid in 92 days (Exh. G-1)
January 10, 2012	- P40,000.00 to be paid in 80 days (Exh. G-2)

Noticeably, even before the loan could be paid by defendant-appellant, her loan was renewed without stipulated interest indicated thereon.

As per the last Promissory Note dated January 28, 2012 (Exh. A) signed by defendant-appellant, her loan amounted to P329,000.00 to be paid in 13 weeks.

It was admitted during the pre-trial that said amount of P329,000.00 is the consolidated amount of all the loans and that each loan was charged an interest of 20% for 92 days.

Defendant-appellant had already paid the total amount of P197,000.00, thus, there remains a balance of P137,000.00 which is now the subject of this collection suit.

The fact of loan and non payment of the balance being admitted, the court proceeds to determine if payment of interest was warranted.

Article 1956 of the Civil Code specifically mandates that no interest shall be due unless it has been expressly stipulated in writing. Thus, payment of monetary interest is allowed only if: (1) there was an express stipulation for the payment of interest; and (2) the agreement for the payment of interest was reduced in writing. The concurrence of the two conditions is required for the payment of monetary interest. Thus, collection of interest without any stipulation therefor in writing is prohibited by law. (*Ching v. Nicdao, G.R. No. 141181, 27 April 2007; Tan v. Valdehueza, 160 Phil. 760, 767 [1975]*).

Clearly, in all the promissory notes signed by the defendant-appellant, there was no interest stipulated therein. The admission as to payment of interest at 20% interest only bolstered the fact that an interest was charged when it should have not been allowed in view of the absence of agreement as to payment of interest reduced into writing.

As to the last Promissory Note signed by defendant-appellant which she herself wrote the details as to the outstanding obligation in the amount of P137,000.00, the same is an admission of the exact loan obligation. In the absence of any evidence to prove otherwise only leads to the conclusion that the amount stated is the outstanding loan.

The court a quo finds that the 20% interest was unconscionable that it resolved to deduct the same from the original amount of P329,000.00. After deducting P65,800.00 (representing 20% interest), the balance was reduced to P263,200.00. The deduction was proper, not because it is unconscionable but because it should not be allowed in the absence of stipulation in writing for the payment of interest. As payment of P197,000.00 had been made by defendant-appellant, the same is further deducted from the actual balance leaving the amount due to P66,200.00.

In imposing interest, the rule is that interest shall be computed in accordance with the stipulation of the parties. In the absence of such agreement, the rate shall be twelve percent (12%) per annum when the obligation arises out of a loan or a forbearance of money, goods or credits. On other cases, it shall be six percent (6%). The demand being made with certainty, the interest shall begin to run from the time the claim is made judicially or extrajudicially (Art. 1169, Civil Code).

The failure of defendant-appellant to pay her monetary obligation consisted of breach which shall be charged with the rate of interest of 12% per annum to be reckoned from extrajudicial demand which was on December 10, 2012.”<sup>[10]</sup>

Not satisfied with the above ruling of the RTC, petitioner took this recourse under Rule 42 of the Rules of Court raising the following issues:

“I

WHETHER THE REGIONAL TRIAL COURT GRAVELY ERRED IN RESOLVING THAT RESPONDENT HAS SUFFICIENTLY SHOWN HOW THE AMOUNT STATED IN THE PROMISSORY NOTE WAS ARRIVED AT.

II

WHETHER THE REGIONAL TRIAL COURT GRAVELY ERRED IN AWARDING RESPONDENT ATTORNEY’S FEES AND EXPENSES OF LITIGATION AND GRANTING AN INTEREST RATE OF 12% OF THE AMOUNT DUE UNTIL FULL PAYMENT THEREOF.”<sup>[11]</sup>

Although petitioner admits that she executed a promissory note in favor of respondent, she claims that she only signed the same to stop respondent from consistently nagging her about her debt. She insists that the amount stated in the promissory note does not reflect the correct amount of her indebtedness to respondent. She belies the narration of respondent during trial that it was she who manifested to him that her total amount of loan to him is P329,000.00, viz -

**“CROSS EXAMINATION OF MR. SONNY O. MEJIA BY ATTY. RENATO E. CAÑAL**

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Q: Did you compute all the payments listed here Mr. witness before filing this case?