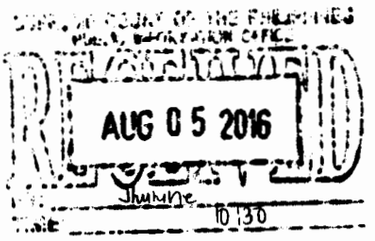
Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION



TARCISIO S. CALILUNG,
Petitioner,

- *versus* -

PARAMOUNT INSURANCE CORPORATION, RP TECHNICAL SERVICES, INC., RENATO L. PUNZALAN and JOSE MANALO, JR.,
Respondents.

G.R. No. 195641

Present:

*LEONARDO-DE CASTRO,
Acting Chairperson,
BERSAMIN,
PERLAS-BERNABE,
**JARDELEZA, and
CAGUIOA, *JJ.*

Promulgated:

JUL 11 2016

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DECISION

BERSAMIN, *J.*:

The issue concerns the rate of interest on the debt decreed in a final and executory decision. This issue has emerged during the stage of the execution of the judgment, and the petitioner as the winning party sought compounded interest pursuant to Article 2212 of the *Civil Code.* The trial court ultimately ruled that compounded interest should not be recovered because the final and executory decision did not decree the compounding of interest. Thus, the petitioner has directly come to the Court for recourse.

Antecedents

On March 16, 2005, the Court promulgated its resolution in G.R. No. 136326 entitled *Paramount Insurance Corporation v. Tarcisio S. Calilung and RP Technical Services, Inc.* upholding the judgment promulgated on August 14, 1998, whereby the Court of Appeals (CA) affirmed the decision of the Regional Trial Court (RTC), Branch 154, in Pasig City holding the respondents jointly and severally liable to pay to the petitioner the principal

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* Acting Chairperson per Special Order No. 2355 dated June 2, 2016.
** Vice Chief Justice Maria Lourdes P.A. Sereno, who inhibited due to close personal relations with one of the parties, per the raffle of March 7, 2016.

obligation of ₱718,750.00, with interest at 14% *per annum* from October 7, 1987 until full payment, plus attorney's fees equivalent to 5% of the amount due, and the costs of suit.

The resolution of March 16, 2005 summarized the factual and procedural antecedents,[1] as follows:

> Sometime in 1987, Tarcisio S. Calilung, herein respondent, commissioned Renato Punzalan, President of the RP Technical Services, Inc. (RPTSI), a domestic corporation, also impleaded as respondent, of his desire to buy shares of stocks (sic) worth ₱1,000,000.00 from RPTSI.
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> During the consultation meeting among the officers and stockholders of RPTSI, they did not agree with Calilung's proposal because he will be in complete control of the corporation. Instead, he allowed to buy ₱2,820.00 worth of shares with the understanding that the remaining balance of ₱718,750.00 would be invested to finance Shell Station Project in Batangas then being undertaken by respondent RPTSI.
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> On October 9, 1987, respondent Punzalan, on behalf of RPTSI, executed a promissory note in favor of Calilung in the amount of ₱718,750 with 14% interest per annum, payable on or before April 9, 1988. The payment of this promissory note was guaranteed by petitioner Paramount Insurance Corporation (Paramount) under Surety Bond No. G (16) 7003 dated October 27, 1987. On the same date, Punzalan and Jose Manalo, Jr., another officer of RPTSI, executed an indemnity agreement to the effect that Paramount would be reimbursed of all expenses it will incur under the surety bond.
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> However, RPTSI failed to pay Calilung the amount stated in the promissory note when it fell due, prompting him to file with the Regional Trial Court (RTC), Branch 154, Pasig City, a complaint for sum of money against RPTSI and Paramount, docketed as Civil Case No. 56194. For its part, Paramount filed a third party complaint against RPTSI and its corporate officers, Punzalan and Manalo, Jr., seeking reimbursement for all expenses it may incur under the surety bond.
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> In its answer, RPTSI denied that it authorized Punzalan and Manalo, Jr. to execute the promissory note and claimed that it did not profit from the loan obtained from Calilung.
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> Paramount, in its answer, alleged that the terms and conditions of the surety bond have been novated when Calilung, without its consent, extended an extension to RPTSI to pay its obligation. Hence, Paramount has no obligation to pay the amount of the promissory note.
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> In their answer to the third party complaint, both Punzalan and Manalo, Jr. denied any liability in the indemnity agreement because they contracted it as officers of the corporation, not in their personal capacities.
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> Paramount, RPTSI and its officers, Punzalan and Manalo, Jr., jointly challenged the validity of the promissory note on the ground that

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[1] *Rollo*, pp. 62-66.

the contract is simulated. RPTSI did not intend to be bound by the promissory note. Paramount insisted that since no money was actually involved, the contract is entirely fictitious.

After trial, the RTC rendered its Decision, the dispositive portion which reads:

> WHEREFORE, judgment is hereby rendered in favor of the plaintiff (now respondent) and against the defendants RP Technical Services, Incorporated (now respondent) and Paramount Insurance Corporation (now petitioner), jointly and severally, to pay plaintiff the following sums:
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> 1) ₱718,750.00 with interest at 14% per annum from October 7, 1987, until fully paid;
> 2) 5% of the amount due above as attorney's fees; plus
> 3) costs.
>
> and in favor of defendant-third party plaintiff, Paramount Insurance Corporation against the defendant RP Technical Services, Incorporated and third party defendants, Messrs. Renato Punzalan and Jose M. Manalo, Jr. jointly and severally, to pay the former whatever sum it shall pay to the plaintiff as above ordered.
>
> SO ORDERED.

Paramount, Punzalan and Manalo, Jr., interposed an appeal to the Court of Appeals. In its Decision dated August 14, 1998, the Appellate Court affirmed in *toto* the judgment of the trial court. Their motion for reconsideration was likewise denied in a Resolution dated November 13, 1998.

Hence, this petition for review on *certiorari.*

Paramount, herein petitioner, contends that the Court of Appeals erred in holding that the promissory note is valid. Petitioner insists that the note was simulated and that respondents committed fraud in introducing it to execute a surety bond to secure payment of the said note.

Here, the issues of whether the promissory note is simulated or not is whether its execution was attended with fraud evidently involved questions of fact and evidentiary matters which are not proper in a petition for review on *certiorari* under Rule 45 of the 1997 Rules of Civil Procedure, as amended. It is basic that factual issues are beyond the province of this Court, for it is not its function to weigh the evidence all [over] again. Factual findings of the trial court, when adopted and affirmed by the Court of Appeals, as in this case, are binding and conclusive upon this Court and generally will not be reviewed on appeal. There are exceptions to this general rule, but petitioner failed to show that this case is one of them.

WHEREFORE, the petition is **DENIED**. The assailed Decision and Resolution of the Court of Appeals in CA-G.R. CV No. 43870 are **AFFIRMED**. Costs against petitioner.

SO ORDERED.

The March 16, 2005 resolution of the Court became final and executory on July 19, 2005, and was recorded in the Court's Book of Entries of Judgments on the same date.[2] Thereafter, the decision was remanded to the RTC for execution.

In the RTC, the petitioner moved for execution, and sought the recovery of compounded interest on the judgment debt. Acting on the petitioner's motion for execution, the RTC issued three orders.

The first order, dated July 28, 2009, reads:

> After evaluating the respective submissions of the parties, the court hereby holds in favor of the defendant. Indeed, the decision sought to be implemented awarded plaintiff the amount of ₱718,750.00 with interest at 14% per annum from October 7, 1987 until fully paid. There is nothing in the dispositive portion of the decision that would justify the conclusion that the 14% interest imposed by the court should further earn interest of 12% per annum. As correctly pointed out by the defendant, where the decision is clear there is no room for further interpretation or adding to or subtracting therefrom.
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> x x x x
>
> In this particular case, since the judgment or decision to be executed did not provide for any compounding of interest, it is clear that the interest should be the simple interest of 14% per annum counted from October 7, 1987.
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> Anent the parties' reference to the case of Eastern Shipping, *supra*, the court is more inclined to subscribe to the position taken by the defendant. Indeed, the 12% per annum finds application only if the obligation breached is for the payment of a sum of money. i.e., loan or forbearance of money. The Supreme Court in the same case held that the interest due (in case the obligation breached is a loan or forbearance of money) shall itself earn interest from the time it is judicially demanded. In the instant case, it can hardly be contended that the obligation of the defendant to the plaintiff that was breached consisted in the payment of a sum of money or a loan or forbearance of money. It is very clear that the obligation of the defendant arose from its liability under a surety bond that it issued. Such obligation cannot by any stretch of imagination be considered a loan or forbearance of money.
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> Anent the second part of the Omnibus Motion for the consignment of the ₱2,993,152.65, let it be noted that a check in the same amount has

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[2] Id. at 67.

been tendered by the defendant to plaintiff, Atty. Tarcisio S. Calilung, and the latter has duly received the same.

WHEREFORE, premises considered, order is hereby given fixing the amount of interest on the principal claim of ₱718,750.00 at fourteen percent (14%) per annum from October 7, 1987 until fully paid.

There will be no compounding of interest as this has no basis in law.

SO ORDERED.[3]

Through the second order, issued on September 1, 2010, the RTC reconsidered the first order upon motion of the petitioner by allowing the recovery of compounded interest, *viz.*:

After going over the submission of the plaintiff in his Motion for Reconsideration and the opposition thereto interposed by the defendant, the court is constrained to change its former position and hold in favor of the plaintiff. A review of the facts of the case will show that while the obligation of Paramount arose from its contract of surety with defendant RP Technical Services, Inc., it is undeniable however that the obligation being secured or guaranteed by defendant Paramount is a loan obligation of the defendant RP Technical Services, Inc. to the plaintiff Calilung. As such, when the defendant RP Technical Services, Inc. defaulted in its obligation, the guaranty ripened into a loan obligation. In other words, the obligation of defendant Paramount to the plaintiff was transferred (sic) from one of suretyship agreement to an obligation for the payment of a sum of money corresponding to the unpaid obligation of defendant RP Technical Services, Inc. to the plaintiff Calilung, which obligation was guaranteed by the defendant Paramount. Be it noted that as a surety obligation, the same became due and demandable upon the default of the principal debtor (RP Technical Services, Inc.) to pay its obligation to plaintiff Calilung.

x x x x

In the instant case, since the principal debtor (RP Technical Services, Inc.) has defaulted in the payment of its obligation to the plaintiff and the latter has made a demand upon the defendant Paramount for the payment of the loan obligation of RP Technical Services, Inc., the surety (defendant Paramount Insurance Corp.) effectively stepped into the shoes of principal debtor RP Technical Services, Inc. and assumed the latter's obligation to the plaintiff which obligation is one for the payment of sum of money.

Following the ruling in Eastern Shipping, the interest due on RP Technical Services, Inc.'s obligation to plaintiff shall itself earn interest from the time demand was made for its payment. As ruled by the court, the interest shall commence to run on October 7, 1987.

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[3] Id. at 37-38.

> **WHEREFORE**, premises considered, the **Motion for Reconsideration** is **GRANTED**. Compounding of interest is allowed pursuant to the Eastern Shipping Lines ruling supra.
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> **SO ORDERED.**[4]

In the third order, dated February 10, 2011, however, the RTC, acting on the motion for reconsideration of Paramount Insurance Corporation, reverted to its stance under the first order to the effect that compounded interest on the judgment debt should not be recovered, to wit:

> After a careful study of the respective positions forwarded by the parties and of the applicable jurisprudence on the matter, the court is inclined to take the position of defendant Paramount Insurance Corporation. Indeed, the order of the court dated September 1, 2010 has to be reconsidered because it is not in accord with the rule on immutability of decision (sic). In a long line of cases, it has been held that:
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> x x x x
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> In the present case, the decision of Honorable Ramon R. Buenaventura which has long become final and executory and is the subject of plaintiff's Motion for Execution did not mention anything about the compounding of interest that was awarded in favor of the plaintiff. The decision only said that it will earn interest at fourteen percent (14%) per annum.
>
> **WHEREFORE**, in view of the foregoing the "**Motion for Reconsideration**" of the Order of the court dated September 1, 2010 filed by Paramount Insurance Corporation is hereby **GRANTED** and the court's September 1, 2010 Order is **SET ASIDE.**
>
> **SO ORDERED.**[5]

Hence, this appeal by the petitioner.

Issue

The petitioner argues that Article 2212 of the *Civil Code* and the rules set in *Eastern Shipping Lines v. Court of Appeals* (234 SCRA 78) are applicable to the judgment award in his favor;[6] that the obligation of the respondents was a loan or forbearance of money;[7] that the correct computation of the judgment award as inclusive of compounded interest would not constitute a modification or alteration of the judgment proscribed by the doctrine of the immutability of judgments; and that considering the

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4 Id. at 34-35.
5 Id. at 31-32.
6 Id. at 17.
7 Id. at 21.

lengthy dilatory appeals resorted to by Paramount Insurance Corporation, restoring the stipulated 25% of the award as attorney's fees and imposing expenses of litigation should be appropriate.

Paramount Insurance Corporation counters[8] that its obligation, having arisen only out of a surety bond, was neither a loan nor a forbearance of money;[9] that because its suretyship with RP Technical Services, Inc. was separate and distinct from the petitioner's loan contract with RP Technical Services, Inc., the *Eastern Shipping* ruling and Article 2212 of the *Civil Code* did not apply;[10] that the compounding of interest would violate the immutability of judgments;[11] that restoring the petitioner's claim for 25% of the award as attorney's fees would also violate the immutability of judgments; and that the stipulation on the amount of attorney's fees in the promissory note did not bind the respondent.[12]

Ruling of the Court

The appeal lacks merit.

It is settled that upon the finality of the judgment, the prevailing party is entitled, as a matter of right, to a writ of execution to enforce the judgment, the issuance of which is a ministerial duty of the court.[13]

The judgment directed the respondents to pay to the petitioner the principal amount of ₱718,750.00, plus interest of 14% *per annum* from October 7, 1987 until full payment; 5% of the amount due as attorney's fees; and the costs of suit. Being already final and executory, it is immutable, and can no longer be modified or otherwise disturbed.[14] Its immutability is grounded on fundamental considerations of public policy and sound practice, which demand that the judgment of the courts, at the risk of occasional errors, must become final at some definite date set by law or rule.[15] Indeed, the proper enforcement of the rule of law and the administration of justice require that litigation must come to an end at some time; and that once the judgment attains finality, the winning party should not be denied the fruits of his favorable result.

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[8] Id. at 101-109.
[9] Id. at 101.
[10] Id. at 103.
[11] Id. at 105.
[12] Id. at 108.
[13] *Adlawan v. Tomol*, G.R. No. 63225, April 3, 1990, 184 SCRA 31, 39; *Palma v. Court of Appeals*, G.R. No. 45158, June 2, 1994, 232 SCRA 714, 721.
[14] *Policarpio v. RTC of Quezon City, Branch 83*, G.R. No.107167, August 15, 1994, 235 SCRA 314, 321; *Industrial Timber Corp. v. National Labor Relations Commission*, G.R. No. 111985, June 30, 1994, 233 SCRA 597, 601.
[15] *Government Service Insurance System (GSIS) v. Group Management Corporation (GMC)*, G.R. No. 167000, and G.R. No. 169971, June 8, 2011, 651 SCRA 279, 305.

An elucidation on the concept of interest is appropriate at this juncture. The kinds of interest that may be imposed in a judgment are the monetary interest and the compensatory interest. In this regard, the Court has expounded in *Siga-an v. Villanueva*:[16]

> Interest is a compensation fixed by the parties for the use or forbearance of money. This is referred to as monetary interest. Interest may also be imposed by law or by courts as penalty or indemnity for damages. This is called compensatory interest. The right to interest arises only by virtue of a contract or by virtue of damages for delay or failure to pay the principal loan on which interest is demanded.
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> Article 1956 of the Civil Code, which refers to monetary interest, specifically mandates that no interest shall be due unless it has been expressly stipulated in writing. As can be gleaned from the foregoing provision, 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, we have held that collection of interest without any stipulation therefor in writing is prohibited by law.
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> x x x x
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> There are instances in which an interest may be imposed even in the absence of express stipulation, verbal or written, regarding payment of interest. Article 2209 of the Civil Code states that if the obligation consists in the payment of a sum of money, and the debtor incurs delay, a legal interest of 12% *per annum* may be imposed as indemnity for damages if no stipulation on the payment of interest was agreed upon. Likewise, Article 2212 of the Civil Code provides that interest due shall earn legal interest from the time it is judicially demanded, although the obligation may be silent on this point.
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> All the same, the interest under these two instances may be imposed only as a penalty or damages for breach of contractual obligations. It cannot be charged as a compensation for the use or forbearance of money. In other words, the two instances apply only to compensatory interest and not to monetary interest.[17] x x x

The only interest to be collected from the respondents is the 14% *per annum* on the principal obligation of ₱718,750.00 reckoned from October 7, 1987 until full payment. There was no basis for the petitioner to claim compounded interest pursuant to Article 2212[18] of the *Civil Code* considering that the judgment did not include such obligation. As such, neither the RTC nor any other court, including this Court, could apply Article 2212 of the *Civil Code* because doing so would infringe the

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[16] G.R. No. 173227, January 20, 2009, 576 SCRA 696.

[17] Id. at 704-705, 707.

[18] Article 2212. Interest due shall earn legal interest from the time it is judicially demanded, although the obligation may be silent upon this point. (1109a)

immutability of the judgment. Verily, the execution must conform to, and not vary from, the decree in the final and immutable judgment.[19]

It is cogent to observe that under the express terms of the judgment, the respondents' obligation to pay the 14% interest *per annum* was *joint and several*. This meant that the respondents were in passive solidarity in relation to the petitioner as their creditor, enabling him to compel either or both of them to pay the entire obligation to him. Stated differently, each of the respondents was a debtor of the whole as to the petitioner, but each respondent, as to the other, was only a debtor of a part.[20] Thus, Article 1216 of the *Civil Code* states:

> Article 1216. The creditor may proceed against any one of the solidary debtors or some or all of them simultaneously. The demand made against one of them shall not be an obstacle to those which may subsequently be directed against the others, so long as the debt has not been fully collected. (1144a)

WHEREFORE, the Court **DENIES** the petition for review on *certiorari*; **AFFIRMS** the orders issued on July 28, 2009 and February 10, 2011 by the Regional Trial Court, Branch 154, in Pasig City to the effect that the only interest to be collected from the respondents is 14% *per annum* reckoned from October 7, 1987 until full payment; **DIRECTS** the Regional Trial Court to forthwith issue the writ of execution to enforce the final and executory judgment in accordance with the decree thereof; and **ORDERS** the petitioner to pay the costs of suit.

SO ORDERED.

LUCAS P. BERSAMIN
Associate Justice

WE CONCUR:

TERESITA J. LEONARDO-DE CASTRO
Associate Justice
Acting Chairperson

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[19] *Nazareno v. Court of Appeals*, G.R. No. 131641, February 23, 2000, 326 SCRA 338, 339.

[20] IV Caguioa, *Comments and Cases on Civil Law*, Premium Book Store, Manila, 1983 Revised Second Edition, p. 252.

ESTELA M. PERLAS-BERNABE
Associate Justice

FRANCIS H. JARDELEZA
Associate Justice

ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

TERESITA J. LEONARDO-DE CASTRO
Associate Justice
Acting Chairperson, First Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, and the Division Acting Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

MARIA LOURDES P.A. SERENO
Chief Justice