



Republic of the Philippines
Supreme Court
Manila

CERTIFIED TRUE COPY
Wilfredo V. Lapitan
WILFREDO V. LAPITAN
Division Clerk of Court
Third Division

JUN 27 2016

THIRD DIVISION

STRONGHOLD INSURANCE CO.,
INC.,

G.R. No. 174838

Petitioner,

Present:

- versus -

VELASCO, JR., J.,
Chairperson,
PERALTA,
PEREZ,
REYES, and
JARDELEZA,* JJ.

PAMANA ISLAND RESORT
HOTEL AND MARINA CLUB,
INC.,

Promulgated:

Respondent.

June 1, 2016

Wilfredo V. Lapitan

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RESOLUTION

REYES, J.:

This resolves the Petition for Review¹ filed by Stronghold Insurance Company, Inc. (Stronghold) assailing the Decision² dated July 20, 2006 and Resolution³ dated September 26, 2006 of the Court of Appeals (CA) in CA-G.R. SP No. 94313.

* On official leave.

¹ *Rollo*, pp. 10-52.

² Penned by Associate Justice Martin S. Villarama, Jr. (now retired Supreme Court Justice), with Associate Justices Lucas P. Bersamin (now a Member of the Supreme Court) and Celia C. Librea-Leagogo concurring; *id.* at 55-66.

³ *Id.* at 68.

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The Antecedents

The case stems from an action for sum of money filed by Pamana Island Resort Hotel and Marina Club, Inc. (Pamana) and Flowtech Construction Corporation (Flowtech) against Stronghold on the basis of a Contractor's All Risk Bond of ₱9,047,960.14 obtained by Flowtech in relation to the construction of Pamana's project in Pamana Island, Subic Bay. On January 27, 1992, a fire in the project burned down cottages being built by Flowtech, resulting in losses to Pamana.⁴

In a Decision⁵ dated October 14, 1999, the Regional Trial Court (RTC) of Makati City, Branch 135 declared Stronghold liable for the claim. Besides the award of insurance proceeds, exemplary damages and attorney's fees, the trial court ordered the payment of interest at double the applicable rate, following Section 243 of the Insurance Code which Stronghold was declared to have violated, and reads:

Sec. 243. The amount of any loss or damage for which an insurer may be liable, under any policy other than life insurance policy, shall be paid within thirty days after proof of loss is received by the insurer and ascertainment of the loss or damage is made either by agreement between the insured and the insurer or by arbitration; but if such ascertainment is not had or made within sixty days after such receipt by the insurer of the proof of loss, then the loss or damage shall be paid within ninety days after such receipt. Refusal or failure to pay the loss or damage within the time prescribed herein will entitle the assured to collect interest on the proceeds of the policy for the duration of the delay at the rate of twice the ceiling prescribed by the Monetary Board, unless such failure or refusal to pay is based on the ground that the claim is fraudulent.

The decretal portion of the RTC judgment reads:

WHEREFORE, premises considered, judgment is hereby rendered ordering [STRONGHOLD] to pay [FLOWTECH] and [PAMANA]:

1. The proceeds of the insurance in the sum of Four Million Seven Hundred Twenty-Eight Thousand Two Hundred Ninety-Seven and 82/100 Pesos [P4,728,297.82] with double the rate of interest thereon from the date of demand until fully paid;
2. P500,000[.00] as exemplary damages; and
3. P100,000[.00] as attorney's fees.

SO ORDERED.⁶

⁴ Id. at 55-56.

⁵ Issued by Judge Francisco B. Ibay; id. at 69-74.

⁶ Id. at 74.

Stronghold's appeal seeking the reversal of the RTC judgment was denied by the CA and thereafter, by the SC. On March 4, 2005, Flowtech filed with the RTC a motion for execution, which was granted⁷ on May 10, 2005. A Writ of Execution⁸ was issued on May 12, 2005.⁹

Thereafter, Stronghold filed an Urgent Motion to Suspend Execution and to Rationalize Enforcement of the Decision,¹⁰ dated August 16, 2005, contending that the interest penalty being demanded from it through the Sheriff was unconscionable and iniquitous. The motion was opposed by Pamana, which contended that the RTC decision had become final and thus, could no longer be amended, altered and modified. Furthermore, the double interest rate being imposed upon the award was argued to be supported by Section 243 of the Insurance Code.

Ruling of the RTC

On November 22, 2005, the RTC rendered its Order¹¹ granting Stronghold's motion. Interest was substantially reduced following the court's pronouncement that its computation should be reckoned from the date of promulgation of judgment until its finality and not from the date of demand until full payment as enunciated in the Decision dated October 14, 1999. The trial court reasoned:

Engr. Edgardo C. Camering, President of [Flowtech], computed the amount of judgment, as follows:

Principal award --	P 4,728,297.82
Interest --	P 7,528,774.05
Exemplary Damages --	P 500,000.00
Attorney's Fee --	P 100,000.00
Interest --	P 419,976.00
Execution Fees, Transportation fees, and Miscellaneous fees --	P <u>65,500.00</u>
total amount --	P13,342,547.87 =====

⁷ Id. at 75.

⁸ Id. at 76-77.

⁹ Id. at 57.

¹⁰ Id. at 78-81.

¹¹ Id. at 85-89.

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The claim of [Flowtech] of interest in the amount of P419,976.00 appears to be without basis. This amount of interest must refer to the award of exemplary damages and attorney's fees. These awards do not earn interest. The Decision did not state that exemplary damages in the amount of P500,000.00 and attorney's fees in the amount of P100,000.00 are to earn interest until fully paid.

x x x x

The claim of [Pamana and Flowtech] for the interest of the principal amount in the sum of P7,528,774.05, does not appear to be accurate. The principal amount of P4,728,297.82 demanded x x x was ascertained only after the trial of the case on its merits. The obligation of [Stronghold] is not a loan or [forbearance] of money. The interest on the obligation shall begin to run from the time the claim is made judicially and extrajudicially when the demand was established with certainty. But when such certainty cannot be so reasonably established at the time of the demand, the interest shall begin only from the date of judgment of the court. x x x:

x x x x

The Decision was promulgated on October 14, 1999. **The interest on the principal amount should be reckoned from this date up to x x x December 15, 2004, when the judgment became final and executory.** The period covers five [5] years and two [2] months and one [1] day. The **total interest at 12% per annum** is computed as follows:

x x x x

The amounts to be executed are as follows:

Principal award -	P4,728,297.82
Interest -	2,933,120.64
Exemplary Damages -	500,000.00
Attorney's Fees -	<u>100,000.00</u>
Total -	<u><u>P8,261,418.46</u></u>

WHEREFORE, premises considered, the Branch Sheriff is hereby directed to execute the total amount of P8,261,418.46. The previous Order of this Court suspending the implementation of the writ of execution is hereby lifted.

SO ORDERED.¹² (Emphasis ours)

¹² Id. at 86-89.

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Execution fees and related expenses being claimed were disallowed for lack of basis. After its motion to reconsider was denied on February 22, 2006, Pamana appealed to the CA.¹³

Ruling of the CA

On July 20, 2006, the CA rendered its Decision¹⁴ granting Pamana's petition, explaining that the RTC Decision dated October 14, 1999 had become final and executory, and thus immutable and unalterable. The CA decision's dispositive portion reads:

WHEREFORE, premises considered, the present petition is hereby GIVEN DUE COURSE and the writ prayed for accordingly GRANTED. The assailed Orders dated November 22, 2005 and February 22, 2006 of the respondent Judge in Civil Case No. 94-385 are hereby ANNULLED and SET ASIDE.

No pronouncement as to costs.

SO ORDERED.¹⁵

Dissatisfied, Stronghold appealed to this Court.

Ruling of the Court

Immutability of Final Judgments

The Court denies the petition. As correctly pointed out by the CA, the RTC's order to implement carried substantial changes in a judgment that had become final and executory. These variations pertained to "(1) the *date from which the double rate of interest on the principal amount of the claim shall be computed*; (2) *up to when such interest shall run*; and (3) the applicable rate of interest."¹⁶ Instead of "double the rate of interest [on the proceeds of insurance] from the date of demand until fully paid,"¹⁷ the RTC's computation for purposes of execution was limited to an interest rate of 6% *per annum*, resulting in a double rate of only 12% *per annum*, to be reckoned from the date of the trial court's judgment until it became final and executory.

¹³ Id. at 135-144.

¹⁴ Id. at 55-66.

¹⁵ Id. at 65.

¹⁶ Id. at 61.

¹⁷ Id. at 56, citing the dispositive portion of the RTC Decision dated October 14, 1999.

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Clearly, the RTC's issuances contravened a settled principle affecting execution of judgments. Time and again, courts have emphasized that a writ of execution must conform substantially to every essential particular of the judgment promulgated. An execution that is not in harmony with the judgment is bereft of validity. This applies because "once a judgment becomes final and executory, all that remains is the execution of the decision which is a matter of right. The prevailing party is entitled to a writ of execution, the issuance of which is the trial court's ministerial duty."¹⁸

While exceptions to the rule on immutability of final judgments are applied in some cases, these are limited to the following instances: (1) the correction of clerical errors; (2) the so-called *nunc pro tunc* entries which cause no prejudice to any party; and (3) void judgments.¹⁹ None of these exceptions attend Stronghold's case.

Although some arguments advanced by Stronghold appeal to the substantive issues or merits of the RTC's main judgment that favored Pamana, such matters have long been settled *via* the RTC decision that had become final and executory. Anent the computation of interest on Stronghold's liability, it was explained that the notice of loss was promptly served upon Stronghold, but it took more than a year to reject the claim in violation of Section 243 of the Insurance Code.²⁰ Thus, double the applicable rate of interest on the principal award should be imposed.

Applicable Rate of Interest

A disagreement, however, concerns the question of whether an interest rate of 6% or 12% *per annum* should apply in the computation, as this subject was not specifically defined in the RTC judgment in the main case. The RTC, in the Order dated November 22, 2005, pegged the interest rate at 6% *per annum* by explaining that Stronghold's obligation did not equate to a loan or forbearance of money. On the other hand, the CA explained that the double rate should be based on 12% *per annum*, as the Insurance Code pertained to a rate "twice the ceiling prescribed by the Monetary Board"²¹ and thus could only refer to the rate applicable to obligations constituting a loan or forbearance of money.²²

¹⁸ *Spouses Golez v. Spouses Navarro*, 702 Phil. 618, 630-631 (2013); see also *University Physicians' Services, Inc. v. Marian Clinics, Inc., et al.*, 644 Phil. 1, 10 (2010).

¹⁹ *One Shipping Corporation v. Peñafiel*, G.R. No. 192406, January 21, 2015, 746 SCRA 536, 543-544, citing *Mocorro, Jr. v. Ramirez*, 582 Phil. 357, 367 (2008).

²⁰ *Rollo*, p. 73.

²¹ INSURANCE CODE, Section 243.

²² *Rollo*, p. 64.

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The Court agrees with the CA that given the provisions of the Insurance Code, which is a special law, the applicable rate of interest shall be that imposed in a loan or forbearance of money as imposed by the Bangko Sentral ng Pilipinas (BSP), even irrespective of the nature of Stronghold's liability. In the past years, this rate was at 12% *per annum*. However, in light of Circular No. 799 issued by the BSP on June 21, 2013 decreasing interest on loans or forbearance of money, the CA's declared rate of 12% *per annum* shall be reduced to 6% *per annum* from the time of the circular's effectivity on July 1, 2013. The Court explained in *Nacar v. Gallery Frames*²³ that the new rate imposed under the circular could only be applied prospectively, and not retroactively.²⁴

Issue of Estoppel

As regards the issue of estoppel raised by Stronghold in view of Pamanas's receipt of checks issued by the former pursuant to the RTC's order to implement, the Court rejects the argument in view of a failure to sufficiently establish that Pamana accepted the sums in full satisfaction of their claims.

WHEREFORE, the petition is **DENIED**. The Decision dated July 20, 2006 and Resolution dated September 26, 2006 of the Court of Appeals in CA-G.R. SP No. 94313 are **AFFIRMED with MODIFICATION** in that beginning July 1, 2013, the applicable interest shall be computed pursuant to Section 243 of the Insurance Code at double the rate of six percent (6%) *per annum*.


SO ORDERED.


BIENVENIDO L. REYES
Associate Justice

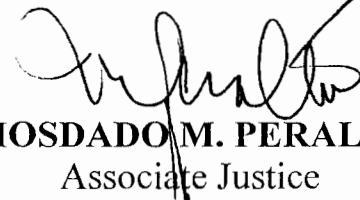
²³ G.R. No. 189871, August 13, 2013, 703 SCRA 439.

²⁴ Id. at 456.

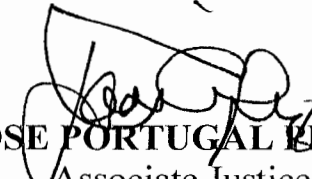
WE CONCUR:



PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson



DIOSDADO M. PERALTA
Associate Justice

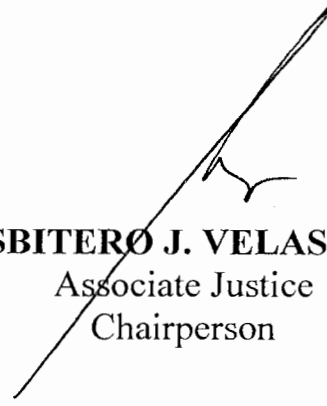


JOSE PORTUGAL PEREZ
Associate Justice

(On official leave)
FRANCIS H. JARDELEZA
Associate Justice

ATTESTATION

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

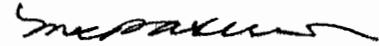


PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson

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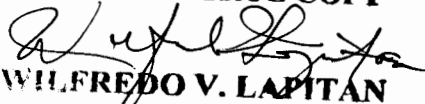
CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Resolution 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

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WILFREDO V. LAPITAN
Division Clerk of Court
Third Division

JUN 27 2016

1