



Republic of the Philippines  
Supreme Court  
Manila

SECOND DIVISION

IBM PHILIPPINES, INC.,  
*Petitioner,*

G.R. No. 203192

Present:

CARPIO, *Chairperson,*  
BRION,\*  
DEL CASTILLO,  
MENDOZA, *and*  
LEONEN, *JJ.*

- versus -

PRIME SYSTEMS PLUS, INC.,  
*Respondent.*

Promulgated:

15 AUG 2016

x

x

DECISION

DEL CASTILLO, *J.:*

Before us is a Petition for Review which seeks to assail the Decision<sup>1</sup> of the Court of Appeals (CA) dated January 30, 2012 and its Resolution<sup>2</sup> dated August 17, 2012. The CA Decision modified the Regional Trial Court's (RTC) Decision<sup>3</sup> dated March 25, 2008 by ordering respondent to pay petitioner ₱24,622,394.72 with 6% legal interest per annum and deleting the award of ₱1,000,000.00 as attorney's fees.<sup>4</sup>

*Factual Antecedents*

Petitioner entered into an agreement with respondent whereby the former will deliver 45 automated teller machines (ATMs) and several computer hardware to respondent's customers for the total price of ₱24,743,610.43. On September 9, 2002, petitioner instituted a Complaint for sum of money, attorney's fees, costs of litigation with application for the issuance of a Writ of Preliminary Attachment<sup>5</sup> against respondent. In the said Complaint, petitioner sought to have respondent

\* *On leave.*

<sup>1</sup> *Rollo*, pp. 65-82; penned by Associate Justice Priscilla J. Baltazar-Padilla and concurred in by Associate Justices Jose C. Reyes, Jr. and Agnes Reyes-Carpio.

<sup>2</sup> *Id.* at 84-85.

<sup>3</sup> *Id.* at 90-96; penned by Judge Antonio M. Eugenio, Jr. See also Records Vol. II, pp. 1023-1029.

<sup>4</sup> *Id.* at 81.

<sup>5</sup> Records, Vol. I, pp. 1-12. Docketed as Civil Case No. 02-104537.

pay the former ₱45,997,266.22 representing respondent's unpaid obligation with 3% monthly interest.

In its Answer<sup>6</sup> dated June 17, 2003, respondent denied the allegations in the Complaint. Respondent also alleged that “[it] (had) fully paid for the fifty six (56) ATMs it purchased from [petitioner] during the period covering December 1997 to February 1998.”<sup>7</sup>

### ***Ruling of the Regional Trial Court***

After trial, the RTC rendered its Decision dated March 25, 2008 ordering respondent to pay the sum of ₱46,036,028.42 with interest at 6% per annum from March 15, 2006 and attorney's fees in the amount of ₱1,000,000.00. The RTC debunked respondent's allegation of payment finding that respondent's only evidence – a handwritten memorandum of respondent's president – was not even verified by the finance or accounting employees of respondent and is overturned by petitioner's evidence that respondent's checks were all dishonored. As regards the computation of interest, the trial court found petitioner's imposition of 3% monthly interest appropriate as the rate was “imposed by [petitioner] on all invoices which have not been paid thirty (30) days from delivery with the exception of those invoices under dispute x x x. Furthermore, in the Deed of Assignment of Receivables of August 31, 1998, [respondent] tacitly acknowledged such imposition of interest x x x.”<sup>8</sup>

The dispositive portion of the RTC Decision reads:

ACCORDINGLY, judgment is hereby rendered ordering defendant to pay plaintiff –

- (1) the sum of ₱46,036,028.42 with interest at 6% per annum from March 15, 2006; and
- (2) One Million (₱1,000,000.00) Pesos as attorney's fees.

The counterclaim interposed by defendant is hereby dismissed for utter lack of merit.

With costs against defendant.

SO ORDERED.<sup>9</sup> 

<sup>6</sup> Id. at 556-566.

<sup>7</sup> Id. at 558.

<sup>8</sup> *Rollo*, pp. 95-96. See also Records, Vol. II at 1028-1029.


<sup>9</sup> Id. at 96.

### ***Ruling of the Court of Appeals***

Respondent elevated the matter via a Petition for *Certiorari*<sup>10</sup> before the CA. After both parties had filed their respective pleadings, the CA rendered its Decision dated January 30, 2012 partly granting respondent's Petition. It ordered respondent to pay petitioner ₱24,622,394.72 with 6% annual interest from the time of filing of the Complaint while it deleted the award of attorney's fees of ₱1,000,000.00. The CA found that there were certain pieces of evidence – particularly those relating to the imposition of 3% monthly interest – which were misappreciated by the trial court, thus, leading to a different conclusion.<sup>11</sup> Citing Article 1956<sup>12</sup> of the Civil Code, the CA found that “there is no showing that the parties had actually agreed on the imposition of the 3% monthly interest for invoices which remained unpaid 30 days from its delivery.”<sup>13</sup> The CA explained that petitioner's reliance on its letter to respondent imposing the said interest cannot be used to bind respondent as the same was a unilateral imposition of interest, rather than a mutual agreement between the parties. The CA also brushed aside petitioner's claim that respondent assented to such interest rate when it executed a Deed of Assignment of Receivables on August 31, 1998 without any objection about the interest rate. Finding the 3% monthly interest invalid, the CA imposed the legal interest of 6% annual interest in consonance with Article 2209<sup>14</sup> of the Civil Code and will start from the time the unpaid amount is judicially demanded.<sup>15</sup> Lastly, the CA deleted the award of attorney's fees for failure of the trial court to discuss the basis for such award.<sup>16</sup>

The dispositive portion of the CA Decision reads:

WHEREFORE, all the foregoing considered, the extant appeal is PARTLY GRANTED and the Decision of the Regional Trial Court of Manila, Branch 24 dated March 25, 2008 is hereby MODIFIED as follows:

- 1) Prime Systems is hereby directed to pay IBM the sum of ₱24,622,394.72 with legal interest of 6% per annum from the filing of the complaint until full payment.
- 2) The awards of ₱1,000,000.00 as attorney's fees is hereby deleted. 

<sup>10</sup> Records Vol. II, p. 1033.

<sup>11</sup> *Rollo*, p. 71.

<sup>12</sup> Article 1956 of the Civil Code of the Philippines (R.A. No. 386) states:

Art. 1956. No interest shall be due unless it has been expressly stipulated in writing. (1755a)

<sup>13</sup> *Rollo*, p. 73.

<sup>14</sup> Art. 2209 of the Civil Code states:

Art. 2209. If the obligation consists in the payment of a sum of money, and the debtor incurs in delay, the indemnity for damages, there being no stipulation to the contrary, shall be the payment of the interest agreed upon, and in the absence of stipulation, the legal interest, which is six percent *per annum*. (1108)

<sup>15</sup> See Art. 2212 of the Civil Code, which states:

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

<sup>16</sup> *Rollo*, p. 81.

SO ORDERED.<sup>17</sup>

Both parties filed their respective motions for reconsideration; petitioner prayed that the CA reverse its Decision of January 30, 2012 and reinstate the RTC's Decision dated March 25, 2008 while respondent sought to have the CA declare itself to have overpaid petitioner and the latter be directed to pay respondent ₱1,000,000.00 each in moral and exemplary damages.<sup>18</sup>

In a Resolution dated August 17, 2012, the CA denied both motions for reiterating issues which have been threshed out by the CA in its Decision dated January 30, 2012.

Unperturbed, petitioner filed the instant Petition for Review on *Certiorari*.

### Issue

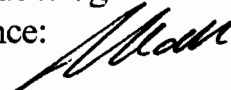
Brushing aside the factual issues of payment and delay,<sup>19</sup> the issue in the instant case is very simple: did petitioner's imposition of 3% monthly interest constitute a written stipulation under Article 1956 of the Civil Code?

### Our Ruling

We do not find merit in the instant Petition.

It has been a long-standing rule that for interest to become due and demandable, two requisites must be present: (1) that there must be an express stipulation for the payment of interest and (2) the agreement to pay interest is reduced in writing.<sup>20</sup>

Here, petitioner insists that there was an express agreement for a 3% monthly interest, which petitioner placed in writing in its letter dated December 29, 1997. Petitioner's conclusion that respondent agreed to the 3% monthly interest was based on the following events/evidence:



<sup>17</sup> Id.

<sup>18</sup> CA rollo, pp. 260 and 240.

<sup>19</sup> As a general rule, only questions of law may be raised in a petition for review on *certiorari* because the Court is not a trier of facts. *Office of the Ombudsman v. Atty. Bernardo*, 705 Phil. 524, 534 (2013), citing *Office of the Ombudsman v. Racho*, 656 Phil. 148, 157 (2011).

<sup>20</sup> See *De la Paz v. L & J Development Company, Inc.*, G.R. No. 183360, September 8, 2014, 734 SCRA 364, 374, *Siga-an v. Villanueva*, 596 Phil. 760, 769 (2009), *Ching v. Nicdao*, 550 Phil. 477, 499 (2007) and *Tan v. Valdehueza*, 160 Phil. 760, 767 (1975).

1. That respondent's employee duly received (hence, assented to) the letter dated December 29, 1997;<sup>21</sup>
2. That respondent did not object or comment to the letter after it received the same (thus, making respondent in estoppel);<sup>22</sup>
3. That respondent even asked for a reduction of the interest rate, which shows that respondent originally agreed to its December 29, 1997 letter;<sup>23</sup>
4. That even if the employee's act of receiving the letter was not an acceptance of the terms, the fact that respondent still wanted to push through with the delivery of the ATMs in 1998, one year after the letter, shows that respondent knew and agreed to the 3% monthly interest;<sup>24</sup> and
5. That the parties entered into an Agreement for Assignment of Receivables and that respondent executed an Assignment of Receivables - which documents expressly stated that interest was to be included in the unpaid balance.<sup>25</sup>

Petitioner has gone through great lengths to attribute respondent's alleged silence, coupled with respondent's request for the reduction of monthly interest to the latter's express agreement to a 3% monthly interest. Nothing could be further from the truth.

Using the enumeration above, this Court finds that the evidence points to respondent's lack of consent to a 3% monthly interest. Petitioner adamantly claims that respondent's act of requesting for a lower interest rate shows the latter's agreement to a 3% monthly interest. Such an askewed reasoning escapes us – especially here where respondent's *authorized* representative never assented to petitioner's letter. To accept petitioner's misplaced argument that the parties mutually agreed to a 3% monthly interest when respondent subsequently ordered ATMs despite receiving petitioner's letter imposing a 3% monthly interest will render the second condition – that the agreement be reduced in writing – futile. Although respondent did agree to the imposition of interest *per se*, the fact that there was never a clear rate of interest still leaves room to guess as to how much interest respondent will pay. This is precisely the reason why Article 1956 was included in the Civil Code – so that both parties clearly agree to and are fully aware of the price to be paid in a contract.

In the absence of agreement as to the exact rate of interest, the CA properly applied the legal rate of 6% annual interest following our ruling in *Eastern*

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<sup>21</sup> *Rollo*, p. 33.

<sup>22</sup> *Id.* at 34, 38.

<sup>23</sup> *Id.*

<sup>24</sup> *Id.* at 40.

<sup>25</sup> *Id.* at 43.



*Shipping Lines, Inc. v. Court of Appeals*<sup>26</sup> and the *Bangko Sentral ng Pilipinas* MB Circular No. 799, series of 2013.<sup>27</sup>

Finally, we find that the CA correctly deleted the award of attorney's fees for failure of the trial court to discuss the basis of such. As we have said in *Philippine Airlines, Inc. v. Court of Appeals*,<sup>28</sup> "[c]urrent jurisprudence instructs that in awarding attorney's fees, the trial court must state the factual, legal, or equitable justification for awarding the same, bearing in mind that the award of attorney's fees is the exception, not the general rule, and it is not sound public policy to place a penalty on the right to litigate; nor should attorney's fees be awarded every time a party wins a lawsuit. The matter of attorney's fees cannot be dealt with only in the dispositive portion of the decision. The text of the decision must state the reason behind the award of attorney's fees. Otherwise, its award is totally unjustified."<sup>29</sup>

**WHEREFORE**, the Petition is **DENIED**. No pronouncement as to costs.

**SO ORDERED.**

  
**MARIANO C. DEL CASTILLO**  
*Associate Justice*

<sup>26</sup> G.R. No. 97412, July 12, 1994, 234 SCRA 78, 95-96, In *Eastern Shipping Lines*, this Court enumerated guidelines on the imposition of legal interest:

x x x x

II. With regard particularly to an award of interest in the concept of actual and compensatory damages, the rate of interest, as well as the accrual thereof, is imposed, as follows:

x x x x

2. When an obligation, not constituting a loan or forbearance of money, is breached, an interest on the amount of damages awarded may be imposed at the discretion of the court at the rate of 6% per annum. No interest, however, shall be adjudged on unliquidated claims or damages except when or until the demand can be established with reasonable certainty. Accordingly, where the demand is established with reasonable certainty, the interest shall begin to run from the time the claim is made judicially or extrajudicially (Art. 1169, Civil Code) but when such certainty cannot be so reasonably established at the time the demand is made, the interest shall begin to run only from the date of the judgment of the court is made (at which time the quantification of damages may be deemed to have been reasonably ascertained). The actual base for the computation of legal interest shall, in any case, be on the amount of finally adjudged.

x x x x (citations omitted)

<sup>27</sup> BSP-MB Circular No. 799, series of 2013 states:

Section 1. The rate of interest for the loan or forbearance of any money, goods or credits and the rate allowed in judgments, in the absence of an express contract as to such rate of interest, shall be six percent (6%) per annum.

Section 2. In view of the above, Subsection X305.1 of the Manual of Regulations for Banks and Sectios 4305Q.1, 4305S.3 and 4303P.1 of the Manual of Regulations for Non-Bank Financial Instutions are hereby amended accordingly.

<sup>28</sup> 587 Phil. 568 (2008).

<sup>29</sup> Id. at 582, citing *Serrano v. Spouses Gutierrez*, 537 Phil. 187, 198 (2006); *Buñing v. Santos*, 533 Phil. 610, 617 (2006); *Ballesteros v. Abion*, 517 Phil. 253, 268-269 (2006); and *Villanueva v. Spouses Salvador*, 515 Phil. 672, 683 (2006).

WE CONCUR:



**ANTONIO T. CARPIO**  
*Associate Justice*  
*Chairperson*

*(On leave)*  
**ARTURO D. BRION**  
*Associate Justice*



**JOSE CATRAL MENDOZA**  
*Associate Justice*



**MARVIC M.V.F. LEONEN**  
*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.

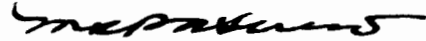


**ANTONIO T. CARPIO**  
*Associate Justice*  
*Chairperson*



## CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division 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*

