



Republic of the Philippines
Supreme Court
Baguio City

SECOND DIVISION

ARCH. EUSEBIO B. BERNAL,
DOING BUSINESS UNDER THE
NAME AND STYLE
CONTEMPORARY BUILDERS,
Petitioner,

G.R. No. 213617

Present:

CARPIO, *Acting Chief Justice*,*
Chairperson
PERALTA,
PERLAS-BERNABE,
CAGUIOA, and
REYES, JR., *JJ.*

- versus -

DR. VIVENCIO VILLAFLOR and
DRA. GREGORIA VILLAFLOR,
Respondents.

Promulgated:

18 APR 2018

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RESOLUTION

REYES, JR., *J.*:

Before the Court is a petition for review filed under Rule 45 of the Rules of Court by Architect Eusebio B. Bernal (petitioner), doing business under the name and style Contemporary Builders, to assail the Decision¹ dated February 14, 2014 and Resolution² dated July 21, 2014 of the Court of Appeals (CA) in CA-G.R. CV No. 93172 insofar as it declared Dr. Vivencio Villaflor and Dra. Gregoria Villaflor (respondents) liable for interests on a monetary award of ₱1,710,271.21 at a rate of only six percent (6%) *per*

* Acting Chief Justice per Special Order No. 2539, dated February 28, 2018.
¹ Penned by Associate Justice Nina G. Antonio-Valenzuela, with Associate Justices Vicente S.E. Veloso and Jane Aurora C. Lantion concurring; *rollo*, pp. 35-59.
² *Id.* at 61-62.

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annum, to be counted from the date of finality of judgment until full satisfaction.

The Antecedents

On January 28, 2009, the Regional Trial Court (RTC), Branch 41 of Dagupan City rendered its Decision in Civil Case No. 98-02678-D, which was an action for sum of money with damages instituted by the petitioner against the respondents. Petitioner demanded from the respondents the payment of ₱3,241,800.00, representing sums allegedly left unpaid in relation to the construction of the Medical Arts Building in Caranglaan District, Dagupan City for which the respondents obtained the expertise and services of the petitioner sometime in 1995. The dispositive portion of the RTC decision reads:

WHEREFORE, premises considered, judgment is hereby rendered as follows:

1. Ordering the [respondents] to pay [petitioner] the amount of Two Million Eight Hundred Forty Eight Thousand Pesos (Php2,848,000.00) plus interest thereon at the legal rate from March 4, 2008 until the amount is fully paid;
2. Ordering the [respondents] to pay [petitioner] the amount of Php200,000.00 as and for attorney's fees;
3. Dismissing all other claims and counterclaims for lack of basis.

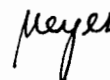
No pronouncement as to cost.

SO ORDERED.³

Dissatisfied, the respondents appealed the RTC's decision to the CA via CA-G.R. CV. No. 93172. On February 14, 2014, the CA rendered its Decision that modified the RTC's Decision by further reducing the total award. The *fallo* of the CA decision reads:

We **MODIFY** the Decision dated 28 January 2009 of the [RTC], Branch 41, Dagupan City, in Civil Case No. 98-02678-D, as follows: 1) we **ORDER** the [respondents] to pay [petitioner] the amount of P1,710,271.21, plus legal interest x x x at the rate of six percent (6%) per annum, computed from the finality of the judgment until full satisfaction;

³ Issued by Judge Emma M. Torio; id. at 88.



2) we **AFFIRM** the award of Php200,000.00, as attorney's fees, in favor of [petitioner]; 3) we **AFFIRM** the dismissal of the [respondents'] counterclaims.

IT IS SO ORDERED.⁴

For the CA, it was clear that the respondents had an unpaid obligation to the petitioner for the construction of the Medical Arts Building and the 18 change orders that were effected in relation thereto. The trial court's award was however reduced by the appellate court given the following findings:

During the proceedings before the RTC, [petitioner] was able to prove that the total cost of the 18 change orders was Php9,836,505.32. We find it necessary, however, to fix the total cost of the 18 change orders to the amount claimed in the Complaint, *i.e.*, Php9,796,816.94.

In the same wise, we cannot allow the amount of Php271,915.99 (Item C, items which were found on the building but were not billed by the [petitioner]) to be credited, since this was never alleged, nor prayed for by the [petitioner] in the Complaint.

It was also erroneous for the RTC to use the amount of Php 13,528,200.00, as the total amount of payment made by the [respondents] to the [petitioner]. The complaint alleged that the sum of Php 17,596,816.94 represents that total construction cost of the Medical Arts Building under the original Agreement (Php7,800,000.00) and the 18 change orders (Php9,796,816.94). The Complaint also alleged that after the payments made to the [petitioner], the remaining balance of the [respondents] is the sum of Php3,241,800. x x x Thus, the correct amount of total payments made by the [respondents] should be Php14,355,016.94.

Thus, the total balance due to the [petitioner] should be Php 1,710,271.21 x x x.⁵

Following the Court's ruling in *Nacar vs. Gallery Frames and/or Bordey, Jr.*, the CA also changed the rate and reckoning date of the interest on the award, as it declared that the principal amount of ₱1,710,271.21 shall earn interest at the rate of 6% per *annum* from date of finality of the judgment until full satisfaction.

Feeling aggrieved, petitioner filed the instant petition for review, but limits his question on the manner by which the interest should be determined. Petitioner argues that the interest should be computed at the rate of 6% per *annum* from the time of either the last extrajudicial demand on July 5, 1998

⁴ Id. at 58.

⁵ Id. at 47-48.

Keyes

or judicial demand on November 16, 1998, plus 12% per *annum* interest from the date of judgment until full payment.

The Court's Ruling

The Court partially grants the petition.

In *Eastern Shipping Lines, Inc. vs. Court of Appeals*,⁶ the Court made the following pronouncement, which was intended to be the guidelines in the proper determination of awards of interest:

1. When the obligation is breached, and it consists in the payment of a sum of money, *i.e.*, a loan or forbearance of money, the interest due should be that which may have been stipulated in writing. Furthermore, the interest due shall itself earn legal interest from the time it is judicially demanded. In the absence of stipulation, the rate of interest shall be 12% [*per annum*] to be computed from default, *i.e.*, from judicial or extrajudicial demand under and subject to the provisions of Article 1169 of the Civil Code.

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 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 finally adjudged.

3. When the judgment of the court awarding a sum of money becomes final and executory, the rate of legal interest, whether the case falls under paragraph 1 or paragraph 2, above, shall be 12% *per annum* from such finality until its satisfaction, this interim period being deemed to be by then an equivalent to a forbearance of credit.⁷ (Emphasis supplied)

In this case, the award of interest is discretionary on the part of the court. The petitioner's original demand does not equate to a loan or

⁶ *Eastern Shipping Lines, Inc. v. Hon. Court of Appeals*, 304 Phil. 236 (1994).

⁷ *Id.* at 252-254.

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forbearance of money but pertains to the cost of construction and services, the amount of which has not yet been determined with certainty even up to the time of the complaint's filing with the RTC. Petitioner's original claim was in fact thereafter limited by the RTC after a consideration of the evidence presented during trial, and ultimately further reduced by the CA. The uncertainty was brought about by the numerous change orders that happened while the subject Medical Arts Building was being constructed. Clearly, at the time of the petitioner's judicial and extrajudicial demands, the amount of the respondents' obligation remained uncertain.

It is material that the respondents' liability was reasonably ascertained only at the time the CA rendered its Decision on February 14, 2014. The amount of the award, specifically ₱1,710,271.21, was no longer questioned in petitioner's motion for reconsideration with the CA, or in his petition for review before this Court. In light of the pronouncement in *Eastern Shipping* that in such cases, interest shall begin to run from the time the quantification of damages had been reasonably ascertained, the CA decision should then be modified, but only in that the interest of 6% per *annum* on the award of ₱1,710,271.21 shall be reckoned from the time of the CA Decision's promulgation on February 14, 2014.

Petitioner cannot validly invoke the Court's ruling in *Republic of the Phils. vs. De Guzman*⁸ wherein interest was reckoned from demand, because unlike in this case, the unpaid obligation in *Republic* was clear and uncontested even from the time that the extrajudicial demand was made.

Once this judgment becomes final and executory, the award equates to a loan or forbearance of money and from such time, the legal rate of interest begins to apply. Petitioner's insistence on an increase in the interest rate from such time to 12% per *annum* is erroneous; his reference to jurisprudence prior to 2013 is misplaced. In Circular No. 799 issued on June 21, 2013 by the Bangko Sentral ng Pilipinas, the legal rate of interest on loans and forbearance of money was reduced from 12% to 6% per *annum* from the time of the circular's effectivity on July 1, 2013.⁹

WHEREFORE, the petition is **PARTLY GRANTED**. The Court of Appeals' Decision dated February 14, 2014 and Resolution dated July 21, 2014 in CA-G.R. CV No. 93172 are **MODIFIED** in that the award of ₱1,710,271.21 in favor of petitioner Arch. Eusebio B. Bernal shall earn

⁸ 667 Phil. 229, 251 (2011).

⁹ See *Nacar v. Gallery Frames*, 716 Phil. 267, 281 (2013).



interest at the rate of 6% per *annum* from the date of the Court of Appeals Decision's promulgation on February 14, 2014, until full payment.

SO ORDERED.

Reyes
ANDRES B. REYES, JR.
Associate Justice

WE CONCUR:

Antonio Carpio
ANTONIO T. CARPIO
Acting Chief Justice
Chairperson

Diosdado M. Peralta
DIOSDADO M. PERALTA
Associate Justice

M.J. Bernabe
ESTELA M. PERLAS-BERNABE
Associate Justice

Alfredo Benjamin S. Caguioa
ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, 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.

Antonio Carpio
ANTONIO T. CARPIO
Acting Chief Justice