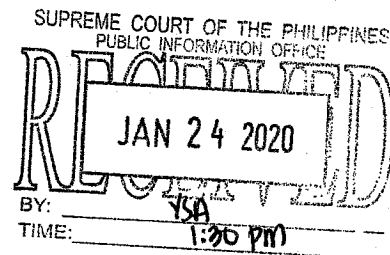




Republic of the Philippines
Supreme Court
Manila



THIRD DIVISION

NOTICE

Sirs/Mesdames:

Please take notice that the Court, Third Division, issued a Resolution dated November 20, 2019, which reads as follows:

“G.R. No. 199359 (*De La Rama Centre, Inc., represented by Ms. Celina Hernaez v. New Negros Freedom, Inc., represented by Ninfa L. Lao*). - Assailed in this Petition for Review on *Certiorari*¹ is the Decision² dated October 28, 2011 of the Court of Appeals in (CA) in CA-G.R. CEB CV No. 02950, which affirmed the Decision³ dated November 20, 2008 of the Regional Trial Court of Bacolod City, Branch 41 (RTC) in Civil Case No. 99-11032.

This case stemmed from a complaint for recovery of sum of money with application for preliminary attachment filed by respondent New Negros Freedom, Inc., represented by its manager Ninfa L. Lao against De La Rama Bros. Construction, Ramci Montenegro and herein petitioner De La Rama Centre, Inc., represented by its President, Ms. Celina Hernaez.⁴

The record showed that respondent is a corporation engaged in the hardware and construction supply business. Sometime in May 1997, respondent became the supplier of construction materials to be used by the petitioner in the construction of the De La Rama Centre Building. Through its construction firm, De La Rama Bros. Construction, petitioner placed orders and purchased various construction and building materials from respondent. All deliveries of the construction materials were received by De La Rama Bros. Construction and covered by charge invoices with a stipulation that:

IMPORTANT: I/We hereby agree to pay the above accounts at the end of the present calendar month in Bacolod City. In case of default in payment at the time, 24% interest per annum is to be charged on all accounts overdue plus 25% on said amount for attorney’s fees and

¹ *Rollo*, pp. 3-15.

² Penned by Associate Justice Nina G. Antonio-Valenzuela, with Associate Justices Gabriel T. Ingles and Victoria Isabel A. Paredes, concurring; *id.* at 19-24.

³ Penned by Judge Ray Alan T. Drilon; *id.* at 25-38.

⁴ *Id.* at 20.

cost of collection. The parties expressly submit himself to the jurisdiction of the court of the City of Bacolod in any legal action arising out of this transaction.⁵

At the outset, everything went well with the purchase and deliveries. The problem arose sometime in July to September 1998, when petitioner defaulted in the payment of the deliveries. The records showed that from July to September 1998, petitioner had unpaid deliveries of construction materials totalling ₱3,153,285.35.

Accordingly, on March 9, 1999, respondent demanded payment for the unpaid deliveries. Petitioner informed respondent that they would be returning some of the construction materials worth ₱51,900.00, which is to be deducted from the unpaid deliveries; hence the remaining balance of ₱3,101,350.00.⁶ Since petitioner's obligation remained unsettled despite lawful demand, the respondent filed a collection case before the trial court.

Meanwhile, the record showed that during the proceedings before the trial court and even before the pre-trial was terminated, petitioner paid respondent the whole principal obligation. However, the parties failed to agree on the propriety of the payment of the stipulated interests of 24% *per annum* and attorney's fees of 25% of the amount due.⁷

On November 20, 2008, the RTC rendered Judgment⁸ ordering the petitioner to pay respondent the sum of ₱2,171,516.07 representing interests computed from March 9, 1999 until August 14, 2002, and attorney's fees of 10%.⁹

The RTC held that the sales transaction of the parties was not signed in a single transaction but through a series of numerous transactions involving deliveries of construction materials ordered by petitioner. The RTC said that if petitioner found that the sales agreement of respondent was iniquitous, then it should have stopped the order or looked for other suppliers. The RTC also noted the fact that petitioner was even granted a 30-day credit accommodation for its purchases before interest can be charged.¹⁰

Consequently, petitioner filed an appeal with the CA.

In a Decision dated October 28, 2011, the CA dismissed the appeal and affirmed the RTC's decision.¹¹

⁵ Id. at 22.

⁶ Id. at 33-34.

⁷ Id. at 20.

⁸ Id. at 25-38.

⁹ Id. at 37-38.

¹⁰ Id. at 36-37.

¹¹ Id. at 23.

The petitioner filed a motion for reconsideration but it was denied in a Resolution¹² dated February 25, 2013, hence, this petition.

The Court's Ruling

The petition lacks merit.

Settled is the rule that an interest rate of 24% *per annum* agreed upon between the parties is valid and binding and not excessive and unconscionable. In the Court's recent ruling in the case of *Lara's Gifts & Decors, Inc. v. Midtown Industrial Sales, Inc.*,¹³ the interest rate fixed at 24% *per annum* was declared valid. The Court emphasized that:

In *Asian Construction and Development Corporation v. Cathay Pacific Steel Corporation*, the Court upheld the validity of interest rate fixed at 24% *per annum* that was expressly stipulated in the sales invoices. The Court held that petitioner construction company is presumed to have full knowledge of the terms and conditions of the contract and that by not objecting to the stipulations in the sales invoice, it also bound itself to pay not only the stated selling price but also the interest of 24% *per annum* on overdue accounts and the 25% of the unpaid invoice for attorney's fees.

x x x x

To repeat, the stipulated interest is the law between the parties, and should be applied until full payment of the obligation. Article 1159 of the Civil Code provides that "[o]bligations arising from contracts have the force of law between the contracting parties and should be complied with in good faith." Article 1956 of the Civil Code also states that "[n]o interest shall be due unless it has been expressly stipulated in writing." Furthermore, the contracting parties may establish such stipulations as they may deem convenient, provided they are not contrary to law, morals, good customs, public order, or public policy, and the parties are bound to fulfill what has been expressly stipulated. Thus, unless the stipulated interest is excessive and unconscionable, there is no legal basis for the reduction of the stipulated interest at any time until full payment of the principal amount. The stipulated interest remains in force until the obligation is satisfied. In the absence of stipulated interest, the prevailing legal interest prescribed by the *Bangko Sentral ng Pilipinas* shall apply.¹⁴

In this case, there was an agreed interests rate of 24% *per annum* on all overdue accounts. This rate of interest must be upheld since petitioner,

¹² Id. at 43-45.

¹³ G.R. No. 225433, August 28, 2019.

¹⁴ Id.

which has been doing business since 1990 and has been purchasing various materials from respondent since 2004, cannot claim to have been misled into agreeing to the 24% interest rate, which was expressly stated in the charge invoices. Thus, the stipulated 24% interest *per annum* is binding on petitioner.

The modification of the awarded attorney's fees to 10% of the amount due by the RTC was in order. The petitioner could no longer ask for further reduction of the rate of attorney's fees because in order to protect its rights, the respondent was compelled to litigate in order to protect its interest.

WHEREFORE, the petition is **DENIED**. The Decision dated October 28, 2011 of the Court of Appeals in CA-G.R. CEB CV No. 02950 is hereby **AFFIRMED**.

SO ORDERED. (Leonen, J., on official business; Gesmundo, J., designated as Acting Chairperson of the Third Division per Special Order No. 2737; Lazaro-Javier, J., designated as Additional Member of the Third Division per Special Order No. 2728, on official leave.)

Very truly yours,

Mis D C Batt
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Deputy Division Clerk of Court *gnw/10/20*

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The Presiding Judge
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Branch 41, Bacolod City
(Civil Case No. 99-11032)

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