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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. 209378 (Florita B. Uy v. People of the Philippines and Yvette Catiil McFarlane)**. - Before Us is a Petition for Review on *Certiorari*¹ filed by petitioner Florita B. Uy assailing the Decision² dated January 21, 2013 and Resolution dated September 5, 2013 of the Court of Appeals (CA) in CA-G.R. CV No. 01544-MIN, which ruled on the civil aspect of the criminal charge of Estafa, finding petitioner liable to pay private respondent Yvette Catiil McFarlane the amount of ₱3,113,000.00 with legal interest of 12% *per annum* counted from the time of default until full payment thereof.

Antecedents

Private respondent alleged that petitioner obtained various loans from the Iligan Bay Lending Investors (Iligan Bay Lending) owned by private respondent and her, then husband, Ian Donald McFarlane. Private respondent stated that petitioner has been regularly paying her loans prior to January 2002.³ Thus, in 2002, private respondent granted petitioner several more loans covered by separate promissory notes with the following interest per month:

Loan/Promissory Notes	Amount	Interest per month
January 23, 2002	₱1,000,000.00	5.5%
January 31, 2002	₱1,000,000.00	5.5%
April 30, 2002	₱1,000,000.00	5.5%
June 9, 2002	₱500,000.00	5.5%
July 17, 2002	₱500,000.00	5.5%
September 4, 2002	₱500,000.00	5%
September 13, 2002	₱400,000.00	5%
TOTAL	₱4,900,000.00	

¹ Rollo, pp. 11-21.

² Penned by Associate Justice Ma. Luisa C. Quijano-Padilla, with Associate Justices Romulo V. Borja and Marie Christine Azcarraga-Jacob, concurring; id. at 22-35.

³ Id. at 44.

Thus, on July 30, 2002, petitioner issued Equitable PCI Bank Check No. 0085736 dated July 30, 2002 in the amount of ₱3,712,587.00 in favor of Iligan Bay Lending. Petitioner then requested private respondent not to deposit the check when it became due because petitioner was awaiting her receivables from Vitarich Company (Vitarich) in Cagayan De Oro City.⁴ Petitioner, however, failed to pay her loans. Thus, private respondent deposited the check in the account of her husband at the Chinabank Iligan Branch. The said check was dishonored for the reason "account closed."

Thereafter, petitioner was notified of the dishonored check, however the latter still failed to settle the said amount. Thus, private respondent filed a criminal case for estafa. An Information for Estafa under Article 315, paragraph 2(d) of the Revised Penal Code was filed against petitioner, which reads:

That during the year 2002, in the City of Iligan, Philippines, and within the jurisdiction of this Honorable Court, the said accused, well-knowing that she did not have sufficient funds in the bank, did then and there willfully, unlawfully and feloniously make and issue Check No. 0085736 dated July 30, 2002 in the amount of P3,712,587.00, drawn against Equitable PCI, Cagayan de Oro Branch, payable to Iligan Bay Lending Investors represented by Yvette Catiil McFarlane, in payment of her obligation to the said Yvette Catiil McFarlane, that upon presentation of the said check to the bank for deposit, the same was dishonored and refused for the reason that the drawer thereof, the accused have closed her account with the bank, that despite proper notice of dishonor and demands made upon the said accused, same failed and refused and still fails and refuses to replace the check and/or pay the amount of P3,712,587.00 to the damage and prejudice of the said Yvette Catiil McFarlane in the aforesaid sum of P3,712,587.00, Philippine Currency.⁵

Petitioner argued that she issued the check in the amount of ₱3,712,587.00 based on the computation given by Sonia Paredes (Sonia), the manager of Iligan Bay Lending. Petitioner claimed that she was not able to pay her loans in 2002 because of some problems Vitarich encountered and due to the fact that there was a garnishment order issued by the Regional Trial Court (RTC) of Cagayan de Oro, Branch 10 against Vitarich. Further, petitioner alleged that there were already partial payments made on her loans.

⁴ Id. at 23.

⁵ Id. at 42.

RTC Ruling

On January 21, 2008, the RTC of Iligan City, Branch 1, in Criminal Case No. 10191, acquitted petitioner for the crime of estafa because Check No. 0085736 was issued by petitioner to pay a pre-existing obligation. As such, there was no fraud or deceit in the issuance of the check. The private respondent had already parted with her money before the check was issued to her. Petitioner was only civilly liable to private respondent.⁶ Thus:

WHEREFORE, premises considered, accused Florita Uy is hereby acquitted for insufficiency of evidence.

Ordering Florita Uy to pay the plaintiff in the sum of P4,812,587.00 plus legal interest of 12% per annum until paid.

Ordering Florita Uy to pay 20% of the total amount due as attorney's fees and to pay the costs.

The bailbond posted by the accused is hereby cancelled.

SO ORDERED.⁷

Petitioner appealed the civil aspect of the RTC Decision to the CA. Petitioner argued that the RTC erred in not declaring the interests imposed on the amounts of loan, which was 5.5% per month as excessive, iniquitous, unconscionable and exorbitant. Further, petitioner alleged that the RTC erred in adding the amount of ₱1,100,000.00 to the amount of ₱3,712,587.00 indicated in the Information. Also, petitioner claimed that Sonia testified that the amount of ₱3,712,587.00 was her balance as of July 30, 2002. Therefore, the RTC erred in computing the unpaid balance of the petitioner because she made several payments after the said date.

CA Ruling

On January 21, 2013, the CA issued a Decision⁸ finding that the interest of 5.5% per month is excessive, iniquitous, unconscionable and contrary to morals. Hence, following this Court's pronouncements in *Medel v. Court of Appeals*,⁹ the said stipulated interest is void. Therefore, the legal interest of 12% *per annum* should be applied.

Also, the CA held that the RTC erred in ordering petitioner to pay private respondent the amount of ₱4,812,587.00. Records show that the subject matter of private respondent's Affidavit-Complaint against petitioner was only the amount of ₱3,712,587.00 covered by Check No. 0085736. There is no mention that petitioner was still indebted to private respondent in

⁶ Id. at 49-51.
⁷ Id. at 52.
⁸ Supra note 2.
⁹ 359 Phil. 820 (1998)

the amount of ₱1,100,000.00. The said amount should be deleted for lack of basis.

The CA, after reviewing the pieces of evidence appearing in the records and taking into account the 12% legal interest on the amount of the loans and petitioner's payments, found that the latter was still liable to private respondent in the amount of ₱3,113,000.00. Thus:

WHEREFORE, premises considered, the assailed Decision dated January 21, 2008 rendered by the Regional Trial Court, Branch 1 of Iligan City with respect to the civil aspect thereof specifically the order for appellant Florita Uy to pay appellee Yvette Catiil McFarlane the sum of P4,812,587.00 plus legal interest of 12% per annum, until paid, attorney's fees and costs is ANNULLED and SET ASIDE. Appellant Florita Uy's remaining loan is P3,113,000.00 subject to 12% interest *per annum*, which shall be reckoned from the time of default in 2003 when appellee Yvette Catiil McFarlane instituted the instant case. The rest of the decision is AFFIRMED.

SO ORDERED.¹⁰

Petitioner filed a Motion for Reconsideration¹¹ alleging that the CA erred in the formula it used to compute the balance of the petitioner. The formula used by the CA, which is principal amount of the loan multiplied by the 12% legal interest less the payment, is simplistic and will bloat the outstanding balance. Petitioner alleged that the interest should be based on the remaining balance after deducting the partial payment and not on the whole amount.

On September 5, 2013, the CA issued a Resolution¹² denying the motion for reconsideration of petitioner. Aggrieved, the latter filed a petition to this Court alleging that the CA erred in computing the balance of the loan. Petitioner claimed that the 12% interest *per annum* should be based on the diminishing balance of the loan. Petitioner then moves that the case be remanded to the trial court for the computation of the balance of the loan taking into account her partial payments and then apply the 12% interest.

The Court's Ruling

We deny the petition.

After a perusal of the records of the case, this Court resolves to deny the petition for failure to show that the CA committed a reversible error in finding that petitioner is still indebted to private respondent in the amount of ₱3,113,000.00.

¹⁰ Rollo, p. 34.

¹¹ Id. at 36-38.

¹² Id. at 39-41.

The allegation of petitioner that the legal interest of 12% *per annum* should be applied not on the principal amount but on the unpaid balance is wrong. Petitioner is confused as to the nature of the 12% legal interest imposed by the CA on the principal amount.

There are two kinds of interest that may be imposed on a sum of money namely, monetary interest and compensatory interest. Monetary interest is the interest fixed by the parties for the use or the forbearance of money. While, compensatory interest refers to the penalty or indemnity for damages imposed by law or the courts. The right to recover interest arises only either by virtue of a contract (monetary interest) or as damages for the delay or failure to pay the principal loan on which the interest is demanded.¹³

Here, the 5.5% interest per month on the amount of the principal loan was found by the CA as excessive, iniquitous, unconscionable and contrary to morals. Thus, the CA held that a legal interest of 12% *per annum* to be imposed on the principal amount of the loan is more reasonable. This is in the nature of a monetary interest. Thus, the CA was correct when it applied the legal interest of 12% interest *per annum* on the principal amount of the loan and not on the unpaid balance of the loan.

Be it noted that petitioner raises only factual questions in her present petition before this Court. It is well-settled that this Court is not a trier of facts and factual questions cannot be raised in a petition for review on *certiorari* under Rule 45 of the Rules of Court. Nevertheless, petitioner did not even bother to present receipts representing her payments that would show that the CA made an erroneous computation of her unpaid balance.

Since, petitioner failed to pay the loan, a compensatory interest can be imposed by court. Thus, 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:

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.

x x x x

3. When the judgment of the court awarding a sum of money becomes final and executory, the rate of legal inter-

¹³ *Odiamar v. Valencia*, 788 Phil. 451 (2016).

est, 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.¹⁴

In Resolution No. 796 dated May 16, 2013 of the Bangko Sentral ng Pilipinas Monetary Board it provides that effective July 1, 2013, the rate of interest for the loan or forbearance of any money, goods or credits shall be 6% legal interest *per annum*.

Thus, petitioner is liable to pay the amount of ₱3,113,000.00 with 12% legal interest *per annum* counted from the time of judicial demand until June 30, 2013, and counted from July 1, 2013 until full payment, the rate of 6% legal interest *per annum* shall be imposed.

Further, pursuant to Article 2212¹⁵ of the Civil Code and ruled in the recent case of *Lara's Gift & Decors, Inc. v. Midtown Industrial Sales, Inc.*,¹⁶ the interest due on the principal amount of the loans accruing as of judicial demand shall separately earn legal interest from the time of judicial demand until full payment thereof.¹⁷

¹⁴ *Nacar v. Gallery Frames*, 716 Phil. 267, 278-279 (2013).

¹⁵ Art. 2212. Interest due shall earn legal interest from the time it is judicially demanded, although the obligation may be silent upon this point.

¹⁶ G.R. No. 225433, August 28, 2019.

¹⁷ To summarize, the guidelines on the imposition of interest as provided in [*Eastern Shipping Lines v. Court of Appeals*, G.R. No. 97412, July 12, 1994] and [*Nacar v. Gallery Frames*, G.R. No. 189871, August 13, 2013] are further modified for clarity and uniformity, as follows:

With regard 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:

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, goods, credits or judgments, the interest due shall be that which is stipulated by the parties in writing, provided it is not excessive and unconscionable, which, in the absence of a stipulated reckoning date, shall be computed from default, *i.e.*, from extrajudicial or judicial demand in accordance with Article 1169 of the Civil Code, UNTIL FULL PAYMENT, without compounding any interest unless compounded interest is expressly stipulated by the parties, by law or regulation. Interest due on the principal amount accruing as of judicial demand shall SEPARATELY earn legal interest at the prevailing rate prescribed by the *Bangko Sentral ng Pilipinas*, from the time of judicial demand UNTIL FULL PAYMENT.

2. In the absence of stipulated interest, in a loan or forbearance of money, goods, credits or judgments, the rate of interest on the principal amount shall be the prevailing legal interest prescribed by the *Bangko Sentral ng Pilipinas*, which shall be computed from default, *i.e.*, from extrajudicial or judicial demand in accordance with Article 1169 of the Civil Code, UNTIL FULL PAYMENT, without compounding any interest unless compounded interest is expressly stipulated by law or regulation. Interest due on the principal amount accruing as of judicial demand shall SEPARATELY earn legal interest at the prevailing rate prescribed by the *Bangko Sentral ng Pilipinas*, from the time of judicial demand UNTIL FULL PAYMENT.

3. When the obligation, not constituting a loan or forbearance of money, goods, credits or judgments, is breached, an interest on the amount of damages awarded may be imposed *in the discretion of the court* at the prevailing legal interest prescribed by the *Bangko Sentral ng Pilipinas*, pursuant to Articles 2210 and 2211 of the Civil Code. No

WHEREFORE, the petition is **DENIED**. The Decision dated January 21, 2013 of the Court of Appeals in CA-G.R. CV No. 01544-MIN is hereby **AFFIRMED with MODIFICATIONS**:

Petitioner Florita B. Uy is **ORDERED** to pay private respondent Yvette Catiil McFarlane the following amounts:

1. ₱3,113,000.00 plus twelve percent (12%) legal interest *per annum* counted from the date of judicial demand until June 30, 2013, and six percent (6%) legal interest *per annum* from July 1, 2013 until full payment; and
2. Interest due on the principal amount of the loan as of judicial demand **SHALL SEPARATELY** earn twelve percent (12%) legal interest *per annum* counted from the date of judicial demand until June 30, 2013, and six percent (6%) legal interest *per annum* from July 1, 2013 until full payment.

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,

Misael D.C. Battung III
MISAELO DOMINGO C. BATTUNG III
Deputy Division Clerk of Court

11/20/19

interest, however, shall be adjudged on unliquidated claims or damages until the demand can be established with reasonable certainty. Accordingly, where the amount of the claim or damages is established with reasonable certainty, the prevailing legal interest shall begin to run from the time the claim is made extrajudicially or judicially (Art. 1169, Civil Code) UNTIL FULL PAYMENT, 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 trial court (at which time the quantification of damages may be deemed to have been reasonably ascertained) UNTIL FULL PAYMENT. The actual base for the computation of the interest shall, in any case, be on the principal amount finally adjudged, without compounding any interest unless compounded interest is expressly stipulated by law or regulation. (Emphasis ours)

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The Presiding Judge
REGIONAL TRIAL COURT
Branch 1, 9000 Cagayan de Oro City
(Criminal Case No. 10191)

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