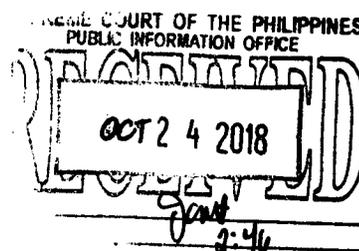




Republic of the Philippines
 Supreme Court
 Manila



SPECIAL FIRST DIVISION

NYMPHA S. ODIAMAR,*
 Petitioner,

G.R. No. 213582

Present:

- versus -

LEONARDO-DE CASTRO, C.J.,
 Chairperson,
BERSAMIN,
PERLAS-BERNABE,
CAGUIOA, and
GESMUNDO, JJ.**

LINDA ODIAMAR VALENCIA,
 Respondent.

Promulgated:

SEP 12 2018

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RESOLUTION

PERLAS-BERNABE, J.:

Before the Court is a Motion for Reconsideration¹ filed by respondent Linda Odiamar Valencia (respondent) assailing the Decision² dated June 28, 2016 of the Court which affirmed the Decision³ dated March 16, 2012 and the Resolution⁴ dated July 14, 2014 of the Court of Appeals (CA) in C.A. G.R. CV No. 93624, with modification ordering petitioner Nympha S. Odiamar (petitioner) to pay respondent the amount of ₱1,010,049.00 representing the remaining balance of petitioner's debt to the latter in the original amount of ₱1,400,000.00.

* "Nympha Odiamar-Buencamino" and "Nimfa Odiamar-Buencamino" in some parts of the records.
 ** Designated Additional Member per Raffle dated September 10, 2018.
¹ Dated September 1, 2016. *Rollo*, pp. 105-116.
² Id. at 94-103.
³ Id. at 22-36. Penned by Associate Justice Noel G. Tijam (now a member of the Court) with Associate Justices Romeo F. Barza and Edwin D. Sorongon concurring.
⁴ Id. at 38-40.

✓

In said motion, respondent prays for the imposition of legal interest on the monetary award due her.⁵ She likewise insists that petitioner's loan obligation to her is not just ₱1,400,000.00 but ₱2,100,000.00 and, as such, she should be made to pay the latter amount.⁶

Respondent's contentions are partly meritorious.

At the outset, the Court notes that there are two (2) types of interest, namely, monetary interest and compensatory interest. Monetary interest is the compensation fixed by the parties for the use or forbearance of money. On the other hand, compensatory interest is that imposed by law or by the courts as penalty or indemnity for damages. In other words, 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 (compensatory interest).⁷

Anent monetary interest, it is an elementary rule that no interest shall be due unless it has been expressly stipulated in writing.⁸ In this case, no monetary interest may be imposed on the loan obligation, considering that there was no written agreement expressly providing for such.⁹

This notwithstanding, such loan obligation may still be subjected to compensatory interest, following the guidelines laid down in *Nacar v. Gallery Frames*,¹⁰ as follows:

Thus, from the foregoing, in the absence of an express stipulation as to the rate of interest that would govern the parties, the rate of legal interest for loans or forbearance of any money, goods or credits and the rate allowed in judgments shall no longer be twelve percent (12%) per annum — as reflected in the case of [*Eastern Shipping Lines, Inc. v. CA (Eastern Shipping Lines)*]¹¹ and Subsection X305.1 of the Manual of Regulations for Banks and Sections 4305Q.1, 4305S.3 and 4303P.1 of the Manual of Regulations for Non-Bank Financial Institutions, before its amendment by BSP-MB Circular No. 799 — but will now be six percent (6%) per annum effective July 1, 2013. It should be noted, nonetheless, that the new rate could only be applied prospectively and not retroactively. **Consequently, the twelve percent (12%) per annum legal interest shall apply only until June 30, 2013. Come July 1, 2013 the new rate of six percent (6%) per annum shall be the prevailing rate of interest when applicable.**

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⁵ See *id.* at 105-106.

⁶ See *id.* at 107-112.

⁷ See *Pen v. Santos*, 776 Phil. 50, 62 (2016).

⁸ See Article 1956 of the Civil Code.

⁹ See *rollo*, pp. 101-102. See also TSN dated April 28, 2005, pp. 7-8.

¹⁰ 716 Phil. 267 (2013).

¹¹ G.R. No. 97412, July 12, 1994, 234 SCRA 78.

✓

To recapitulate and for future guidance, the guidelines laid down in the case of *Eastern Shipping Lines* are accordingly modified to embody BSP-MB Circular No. 799, as follows:

I. When an obligation, regardless of its source, *i.e.*, law, contracts, quasi-contracts, delicts or quasi-delicts is breached, the contravenor can be held liable for damages. The provisions under Title XVIII on “Damages” of the Civil Code govern in determining the measure of recoverable damages.

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:

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 6% 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 6% per annum from such finality until its satisfaction, this interim period being deemed to be by then an equivalent to a forbearance of credit.**¹² (Emphases and underscoring supplied)

Applying the foregoing parameters to this case, petitioner’s loan obligation to respondent shall be subjected to compensatory interest at the legal rate of twelve percent (12%) per annum from the date of judicial demand, *i.e.*, August 20, 2003,¹³ until June 30, 2013, and thereafter at the

¹² Id. at 280-283; citations omitted.

¹³ See *rollo*, p. 95.

legal rate of six percent (6%) per annum from July 1, 2013 until finality of this ruling. Moreover, all monetary awards¹⁴ due to respondent shall earn legal interest of six percent (6%) per annum from finality of this ruling until fully paid.

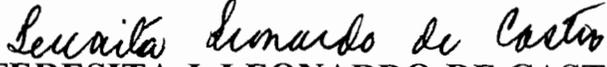
However, as to respondent's other contentions, suffice it to say that the same are mere reiterations of the grounds already evaluated and passed upon in the Assailed Decision. Therefore, there is no cogent reason to warrant a modification or reversal of the same.

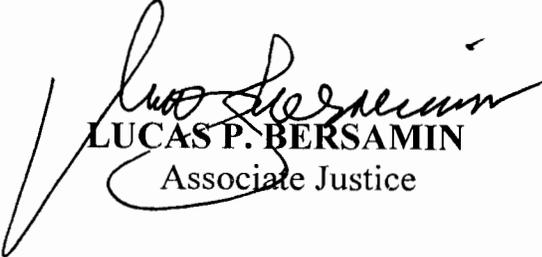
WHEREFORE, the motion for reconsideration is **PARTLY GRANTED**. The Decision dated June 28, 2016 of the Court is hereby **AFFIRMED** with **MODIFICATION**, imposing on petitioner Nympha S. Odiamar's liability to respondent Linda Odiamar Valencia in the amount of ₱1,010,049.00 legal interest at the rate of twelve percent (12%) per annum from the date of judicial demand, *i.e.*, August 20, 2003, until June 30, 2013, and thereafter at the legal rate of six percent (6%) per annum from July 1, 2013 until finality of this ruling. Moreover, all monetary awards due to respondent shall earn legal interest at the rate of six percent (6%) per annum from finality of this ruling until fully paid.

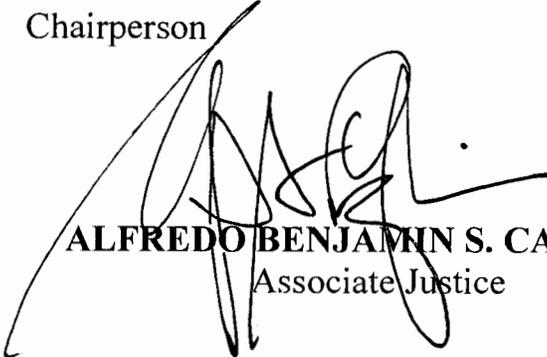
SO ORDERED.


ESTELA M. PERLAS-BERNABE
 Associate Justice

WE CONCUR:


TERESITA J. LEONARDO-DE CASTRO
 Chief Justice
 Chairperson


LUCAS P. BERSAMIN
 Associate Justice


ALFREDO BENJAMIN S. CAGUIOA
 Associate Justice

On Official Business
ALEXANDER G. GESMUNDO
 Associate Justice

¹⁴ It must be noted that aside from the loan obligation, the Regional Trial Court of San Jose, Camarines Sur, Branch 58 also awarded respondent the amounts of ₱10,000.00 as attorney's fees, ₱19,662.78 as litigation expenses, and the costs of suit. See *id.* at 25-26, 45-46, and 96.

CERTIFICATION

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

Teresita Leonardo de Castro
TERESITA J. LEONARDO-DE CASTRO
Chief Justice