

SECOND DIVISION

[G.R. No. 195372, April 10, 2019]

PHILIPPINE COMMERCIAL AND INTERNATIONAL BANK (NOW BANCO DE ORO UNIBANK, INC.), PETITIONER, VS. WILLIAM GOLANGCO CONSTRUCTION CORPORATION, RESPONDENT.

[G.R. No. 195375]

**WILLIAM GOLANGCO CONSTRUCTION CORPORATION,
PETITIONER, VS. PHILIPPINE COMMERCIAL AND
INTERNATIONAL BANK (NOW BANCO DE ORO UNIBANK, INC.),
RESPONDENT.**

DECISION

CAGUIOA, J:

The Petitions

Before the Court are petitions for review on *certiorari* filed under Rule 45 of the Rules of Court, entitled "*Philippine Commercial and International Bank (now Banco De Oro Unibank, Inc.) v. William Golangco Construction Corporation*"^[1] docketed as G.R. No. 195372 and (ii) "*William Golangco Construction Corporation v. Philippine Commercial and International Bank*"^[2] docketed as G.R. No. 195375 (collectively, the Petitions).

The Petitions were consolidated pursuant to the Court's Resolution^[3] dated September 26, 2016, and proceed from the Decision^[4] dated December 10, 2009 (assailed Decision) and Resolution^[5] dated January 28, 2011 (assailed Resolution) in CA-G.R. SP. No. 106452 rendered by the Court of Appeals (CA), First Division and Special Former First Division, respectively.

The Facts

The undisputed facts, as narrated by the CA, are as follows:

[William Golangco Construction Corporation (WGCC)] and x x x Philippine Commercial International Bank (PCIB) entered into a contract for the construction of the extension of PCIB Tower II x x x on October 20, 1989. The project included, among others, the application of a [granite] wash-out finish on the exterior walls of the building.

[PCIB] accepted the turnover of the completed work by [WGCC] in a letter dated June 1, 1992. To answer for any defect arising within a period of one year, [WGCC] submitted a guarantee bond dated July 1, 1992 issued by Malayan Insurance Company, Inc. in compliance with the

construction contract.

The controversy arose when portions of the [granite] wash-out finish of the exterior walls of the building began peeling off and falling from the walls in 1993. [WGCC] made minor repairs after [PCIB] requested it to rectify the construction defects. In 1994, [PCIB] entered into another contract with Brains and Brawn Construction and Development Corporation to re-do the entire [granite] wash-out finish after [WGCC] manifested that it was "not in a position to do the new finishing work," though it was willing to share part of the cost. [PCIB] incurred expenses amounting to [P]11,665,000[.00] for the repair work.

[PCIB] filed a request for arbitration with the [Construction Industry Arbitration Commission (CIAC)] for the reimbursement of its expenses for the repairs made by another contractor. [WGCC], on the other hand, interposed a counterclaim for [P]5,777,157.84 for material cost adjustment.

The CIAC, by *Decision* of June 21, 1996 [CIAC Decision], found that [PCIB] was entitled to recover from [WGCC] the sum of [P]9,741,829.00 representing cost of repairs done by another contractor on the project. It also awarded [WGCC]'s counterclaim in the amount of [P]5,777,157.84. The CIAC accordingly disposed as follows:

"After summing up the award to both parties this TRIBUNAL hereby awards the amount of x x x [P3,964,671.16] to CLAIMANT [PCIB]. [WGCC] is hereby ordered to pay the stated amount **with legal interest of x x x 6% x x x from date of this decision until fully paid.**"

[WGCC] assailed that portion of the foregoing [CIAC Decision] that rendered it liable for the construction defects. It went up to the Supreme Court [in G.R. No. 142830^[6]] which held that it was not liable for the amount claimed by [PCIB]. Said decision became final on [April 27, 2006].

[PCIB] likewise appealed that part of the [CIAC Decision] that rendered it liable for the material cost adjustments but the Supreme Court ruled against [it] [in G.R. No. 127275^[7]].

On [January 5, 2007], [WGCC] filed a *Motion for Execution* of the [CIAC Decision], as modified by the Supreme Court in G.R. No. 142830. In said motion, [WGCC] prayed for the inclusion of legal interest of 6% computed from [June 21, 1996].

On [January 22, 2007], the CIAC issued a *Writ of Execution* for the principal amount of [P]5,777,157.84 [(principal award)] but without mention of the legal interest sought by [WGCC].

[WGCC] filed a *Motion to Amend 22 January 2007 Writ of Execution* to include legal interest of 6% per annum computed from [June 21, 1996]

on the principal [award] of [P]5,777,157.84, and to state that any reference to "PCIB" or "CLAIMANT" in the writ of execution includes Equitable-PCI Bank or its successor/s-in-interest.

On [April 3, 2007], [PCIB] opposed [WGCC]'s motion to include legal interest of 6% per annum, on the principal [award] of [P]5,777,157.84, in relation to which, [WGCC] filed its reply.

In its *Order* dated [May 25, 2007], the CIAC granted [WGCC]'s motion to amend the writ of execution, thus:

"ACCORDINGLY, the Motion to Amend [January 22, 2007] Writ of Execution is hereby granted. The said writ of execution shall be amended as follows:

- (1) To state that any reference to "PCIB" or "CLAIMANT" in the writ of execution includes or refers to Equitable- PCI Bank or its successor/s-in-interest.
- (2) The inclusion of legal interest of x x x 6% on the principal [award] awarded to [PCIB] of x x x [P5,777,157.84] computed from **[June 21, 1996]** and until such time as the same had been fully paid, as part of the amount to be executed in the instant case.

SO ORDERED." x x x

[PCIB] moved for reconsideration. It argued that its liability for interest [on the principal award] should commence only on [April 27, 2006], the date on which the Supreme Court's *Decision* that granted [WGCC]'s appeal became final, and not on [June 21, 1996, when the CIAC Decision was issued].

After [WGCC] opposed [PCIB]'s motion for reconsideration, the CIAC amended the third paragraph of its [May 25, 2007 *Order*] in this wise:

"(2) **The inclusion of legal interest of x x x 12% on the principal [award] awarded to [PCIB] of x x x [P5,777,157.84] computed from [April 27, 2006] and until such time as the same had been fully paid,** as part of the amount to be executed in the instant case." x x x

On [November 29, 2007], [WGCC] filed a *Motion for Clarification and/or Partial Reconsideration* to which [PCIB] made a *Comment/Opposition*.

In its [July 25, 2008] Order, the CIAC sustained its earlier ruling that the computation of the interest should be reckoned from the time the decision of the Supreme Court in G.R. No. 142830 became final on [April 27, 2006] and not on [June 21, 1996]. It, however, reduced the interest rate from 12% to 6% per annum. x x x^[8] (Additional emphasis and underscoring supplied)

On August 15, 2008, William Golangco Construction Corporation (WGCC) filed a *Motion for Reconsideration* of CIAC's July 25, 2008 Order, which Philippine Commercial International Bank (PCIB) again opposed.^[9] This motion was denied by the CIAC in its October 28, 2008 Order,^[10] which reads:

x x x x

This Tribunal took note of the decision of the Supreme Court [in G.R. No. 142830], reversing the earlier pronouncements of the [CA] and of this Arbitral Tribunal relative to this case.

The only pending issue which this Tribunal seeks to resolve is the award of legal interests in favor of [WGCC] after having obtained a favorable judgment from the Supreme Court to serve as restitution or reparation of damages, as equity and justice may warrant given the circumstances. x x x

After careful study of the circumstances presented, the Tribunal further clarifies that [WGCC] is not entitled to legal interest from June 21, 1996 to [April 26, 2006] at the rate of [6%] per annum as an award of damages x x x. [PCIB] is not at fault nor has incurred delay, either by negligence or intention in the payment of judgment award, since it was [WGCC] who sought for the reversal of the decision by way of an appeal.

Further, the amount finally adjudged by the Supreme Court could not have been paid earlier than the date when it rendered the decision [in G.R. No. 142830], thus this Tribunal reiterates that the legal interest shall only accrue starting [April 26, 2006]. x x x [I]t is only then that [PCIB] can be held liable for the payment of legal interests at the rate of [12%] per annum when the [CIAC Decision] had become final and executory until such time that it has been fully paid.^[11] (Emphasis and italics supplied)

Aggrieved, WGCC filed its petition for review before the CA (WGCC's CA Petition).^[12] Citing *Eastern Shipping Lines v. Court of Appeals*^[13] (*Eastern Shipping*), WGCC argued that it is entitled to 6% interest per annum on the principal award from the date the CIAC Decision was issued on June 21, 1996 until April 26, 2006, in addition to the legal interest of 12% applicable to the entire award (*i.e.*, the sum of the principal award and 6% interest payable), reckoned from the finality of the Court's Decision in G.R. No. 142830 on April 27, 2006, until full payment.^[14]

Opposing WGCC's CA Petition, PCIB averred that the 6% interest set forth in *Eastern Shipping* applies only when there is a breach of an obligation not constituting a loan or forbearance of money. PCIB stresses that the imposition of such interest lies within the discretion of the court. Thus, it must be explicitly imposed in the final decision sought to be enforced. In this connection, PCIB claims that neither the CIAC Decision nor the Court's Decision in G.R. No. 142830 imposed such interest.^[15]

Meanwhile, WGCC filed a *Manifestation and Motion* before the CIAC on January 23,

2009 praying for the execution of the CIAC Decision. Granting said motion, the CIAC issued an Order on February 9, 2009 (February 2009 CIAC Writ) directing the issuance of a writ of execution for the enforcement of: (i) the principal award of P5,777,157.84; and (ii) **12% interest per annum** on the principal award computed from April 27, 2006 until full payment, without prejudice to the outcome of WGCC's CA Petition.^[16]

Subsequently, WGCC filed a *Manifestation* before the CA stating that **on March 10, 2009, Banco De Oro Unibank, Inc. (BDO), as successor of PCIB, issued two (2) checks in its favor in the amount of P5,777,157.84 and P1,965,816.45 (BDO Checks) as full and final satisfaction of the principal award and legal interest due thereon, in accordance with the February 2009 CIAC Writ.**^[17]

Thereafter, on December 10, 2009, the CA issued the assailed Decision, the dispositive portion of which reads:

WHEREFORE, in the light of the foregoing, [WGCC's CA Petition] is **PARTLY GRANTED**. The writ of execution shall include legal interest of $x \times 6\%$ **on the principal [award] awarded to [WGCC]** and to be computed from [June 21, 1996] until it is fully paid as so provided in the very same final and executory judgment $x \times x$.

IT IS SO ORDERED.^[18] (Emphasis supplied)

PCIB filed a *Motion for Reconsideration* assailing the award of 6% interest on the principal award.^[19]

On the other hand, WGCC filed a *Motion for Clarification and/or Partial Reconsideration*, requesting for an amendment of the assailed Decision to explicitly state that the entire award should itself earn interest at the rate of 12% per annum, from April 27, 2006, until its full satisfaction.^[20]

The CA denied both motions on January 28, 2011 *via* the assailed Resolution.^[21]

Hence, these Petitions.

The Issue

The Petitions call on the Court to determine whether the CA erred in:

- (i) Directing PCIB to pay interest on the principal award at the rate of 6% per annum, reckoned from June 21, 1996, or the date of the issuance of the CIAC Decision, until full payment; and
- (ii) Denying WGCC's prayer to treat the entire judgment award as a forbearance of money that is subject to interest at the rate of 12% per annum, reckoned from the finality of the Court's Decision in G.R. No. 142830 on April 27, 2006, or, until full payment.

The Court's Ruling

The Court affirms the assailed Decision and Resolution.