

## FIRST DIVISION

**[ G.R. No. 172139, December 08, 2010 ]**

**JOCELYN M. TOLEDO, PETITIONER, VS. MARILOU M. HYDEN,  
RESPONDENT.**

### D E C I S I O N

**DEL CASTILLO, J.:**

It is true that the imposition of an unconscionable rate of interest on a money debt is immoral and unjust and the court may come to the aid of the aggrieved party to that contract. However, before doing so, courts have to consider the settled principle that the law will not relieve a party from the effects of an unwise, foolish or disastrous contract if such party had full awareness of what she was doing.

This Petition for Review on *Certiorari*<sup>[1]</sup> assails the Decision<sup>[2]</sup> dated August 24, 2005 of the Court of Appeals (CA) in CA-G.R. CV No. 79805, which affirmed the Decision dated March 10, 2003<sup>[3]</sup> of the Regional Trial Court (RTC), Branch 22, Cebu City in Civil Case No. CEB-22867. Also assailed is the

Resolution dated March 8, 2006 denying the motion for reconsideration.

#### ***Factual Antecedents***

Petitioner Jocelyn M. Toledo (Jocelyn), who was then the Vice-President of the College Assurance Plan (CAP) Phils., Inc., obtained several loans from respondent Marilou M. Hyden (Marilou). The transactions are briefly summarized below:

1) August 15, 1993	.....	P 30,000.00	with 6% monthly interest
2) April 21, 1994	.....	100,000.00	with 6% monthly interest
3) October 2, 1995	.....	30,000.00	with 6% monthly interest
4) October 9, 1995	.....	30,000.00	with 6% monthly interest
5) May 22, 1997	.....	<u>100,000.00</u>	with 7% monthly interest
TOTAL AMOUNT OF LOAN	.....	P 290,000.00 <sup>[4]</sup>	

From August 15, 1993 up to December 31, 1997, Jocelyn had been religiously paying Marilou the stipulated monthly interest by issuing checks and depositing sums of money in the bank account of the latter. However, the total principal amount of P290,000.00 remained unpaid. Thus, in April 1998, Marilou visited Jocelyn in her office at CAP in Cebu City and asked Jocelyn and the other employees who were likewise indebted to her to acknowledge their debts. A document entitled "Acknowledgment of Debt"<sup>[5]</sup> for the amount of P290,000.00 was signed by Jocelyn with two of her subordinates as witnesses. The said amount represents the principal consolidated amount of the aforementioned previous debts due on December 25, 1998. Also on said occasion, Jocelyn issued five checks to Marilou representing renewal payment of her five previous loans, viz:

Check No. 0010761	dated. . . . .	P 30,000.00
September 2, 1998	. . .	
Check No. 0010762	dated. . . . .	30,000.00
September 9, 1998	. . .	
Check No. 0010763	dated. . . . .	30,000.00
September 15, 1998	. . .	
Check No. 0010764	dated. . . . .	100,000.00
September 22, 1998	. . .	
Check No. 0010765	dated. . . . .	<u>100,000.00</u>
September 25, 1998	. . .	
	<b>TOTAL</b>	<b>P 290,000.00</b>

In June 1998, Jocelyn asked Marilou for the recall of Check No. 0010761 in the amount of P30,000.00 and replaced the same with six checks, in staggered amounts, namely:

Check No. 0010494 dated July 2, 1998	. . . . .	P 6,625.00
Check No. 0010495 dated August 2, 1998	. . . . .	6,300.00
Check No. 0010496 dated September 2, 1998	. . . . .	5,975.00
Check No. 0010497 dated October 2, 1998	. . . . .	6,500.00
Check No. 0010498 dated November 2, 1998	. . . . .	5,325.00
Check No. 0010499 dated December 2, 1998	. . . . .	<u>5,000.00</u>
	<b>TOTAL</b>	<b>P 35,725.00</b>

After honoring Check Nos. 0010494, 0010495 and 0010496, Jocelyn ordered the stop payment on the remaining checks and on October 27, 1998, filed with the RTC of Cebu City a complaint<sup>[6]</sup> against Marilou for Declaration of Nullity and Payment, Annulment, Sum of Money, Injunction and Damages.

Jocelyn averred that Marilou forced, threatened and intimidated her into signing the "Acknowledgment of Debt" and at the same time forced her to issue the seven postdated checks. She claimed that Marilou even threatened to sue her for violation of *Batas Pambansa* (BP) Blg. 22 or the Bouncing Checks Law if she will not sign the said document and draw the above-mentioned checks. Jocelyn further claimed that the application of her total payment of P528,550.00 to interest alone is illegal, unfounded, unjust, oppressive and contrary to law because there was no written agreement to pay interest.

On November 23, 1998, Marilou filed an Answer<sup>[7]</sup> with Special Affirmative Defenses and Counterclaim alleging that Jocelyn voluntarily obtained the said loans knowing fully well that the interest rate was at 6% to 7% per month. In fact, a 6% to 7% advance interest was already deducted from the loan amount given to Jocelyn.

### ***Ruling of the Regional Trial Court***

The court *a quo* did not find any showing that Jocelyn was forced, threatened, or intimidated in signing the document referred to as "Acknowledgment of Debt" and in issuing the postdated checks. Thus, in its March 10, 2003 Decision the trial court ruled in favor of Marilou, *viz*:

WHEREFORE, premised on the foregoing, the Court hereby declares the document "Acknowledgment of Debt" valid and binding. PLAINTIFF is indebted to DEFENDANT [for] the amount of TWO HUNDRED NINETY THOUSAND (P290,000.00) PESOS since December 25, 1998 less the amount of EIGHTEEN THOUSAND NINE HUNDRED (P18,900.00) PESOS, equivalent to the three checks made good (P6,625.00 dated 07-02-1998; P6,300.00 dated 08-02-1998; and P5,975.00 dated 09-02-1998).

Consequently, PLAINTIFF is hereby ordered to pay DEFENDANT the amount of TWO HUNDRED SEVENTY ONE THOUSAND ONE HUNDRED (P271,100.00) PESOS due on December 25, 1998 with a 12% interest per annum or 1% interest per month until such time that the said amount shall have been fully paid.

No pronouncement as to costs.

SO ORDERED.<sup>[8]</sup>

On March 26, 2003, Jocelyn filed an Earnest Motion for Reconsideration,<sup>[9]</sup> which was denied by the trial court in its Order<sup>[10]</sup> dated April 29, 2003 stating that it finds no sufficient reason to disturb its March 10, 2003 Decision.

### ***Ruling of the Court of Appeals***

On appeal, Jocelyn asserts that she had made payments in the total amount of P778,000.00 for a principal amount of loan of only P290,000.00. What is appalling, according to Jocelyn, was that such payments covered only the interest because of the excessive, iniquitous, unconscionable and exorbitant imposition of the 6% to 7% monthly interest.

On August 24, 2005, the CA issued its Decision which provides:

WHEREFORE, premises considered, the Decision dated March 10, 2003 and the Order dated April 29, 2003, of the Regional Trial Court, 7<sup>th</sup> Judicial Region, Branch 22, Cebu City, in Civil Case No. CEB-22867 are hereby **AFFIRMED**. No pronouncement as to costs.

**SO ORDERED.**<sup>[11]</sup>

The Motion for Reconsideration<sup>[12]</sup> filed by Jocelyn was denied by the CA through its Resolution<sup>[13]</sup> dated March 8, 2006.

### **Issues**

Hence, this petition raising the following issues:

#### **I.**

Whether the CA gravely erred when it held that the imposition of interest at the rate of six percent (6%) to seven percent (7%) is not contrary to law, morals, good customs, public order or public policy.

#### **II.**

Whether the CA gravely erred when it failed to declare that the "Acknowledgment of Debt" is an inexistent contract that is void from the very beginning pursuant to Article 1409 of the New Civil Code.

### ***Petitioner's Arguments***

Jocelyn posits that the CA erred when it held that the imposition of interest at the rates of 6% to 7% per month is not contrary to law, not unconscionable and not contrary to morals. She likewise contends that the CA erred in ruling that the "Acknowledgment of Debt" is valid and binding. According to Jocelyn, even assuming that the execution of said document was not attended with force, threat and intimidation, the same must nevertheless be declared null and void for being contrary to law and public policy. This is borne out by the fact that the payments in the total amount of P778,000.00 was applied to interest payment alone. This only proves that the transaction was iniquitous, excessive, oppressive and unconscionable.

### ***Respondent's Arguments***

On the other hand, Marilou would like this Court to consider the fact that the document referred to as "Acknowledgment of Debt" was executed in the safe surroundings of the office of Jocelyn and it was witnessed by two of her staff. If at all there had been coercion, then Jocelyn could have easily prevented her staff from