

## FIRST DIVISION

[ G.R. No. 133498, April 18, 2002 ]

**C.F. SHARP & CO., INC., PETITIONER, VS. NORTHWEST  
AIRLINES, INC., RESPONDENT.**

### D E C I S I O N

**YNARES-SANTIAGO, J.:**

This is a petition for review under Rule 45 of the Rules of Court assailing the February 17, 1997 Decision<sup>[1]</sup> and the April 2, 1998 Resolution<sup>[2]</sup> of the Court of Appeals<sup>[3]</sup> in CA-G.R. SP No. 40996.

The undisputed facts are as follows:

On May 9, 1974, respondent, through its Japan Branch, entered into an International Passenger Sales Agency Agreement with petitioner, authorizing the latter to sell its air transport tickets. Petitioner failed to remit the proceeds of the ticket sales, for which reason, respondent filed a collection suit against petitioner before the Tokyo District Court which rendered judgment on January 29, 1981, ordering petitioner to pay respondent the amount of "83,158,195 Yen and damages for the delay at the rate of 6% *per annum* from August 28, 1980 up to and until payment is completed."<sup>[4]</sup> Unable to execute the decision in Japan, respondent filed a case to enforce said foreign judgment with the Regional Trial Court of Manila, Branch 54.<sup>[5]</sup> However, the case was dismissed on the ground of failure of the Japanese Court to acquire jurisdiction over the person of the petitioner. Respondent appealed to the Court of Appeals, which affirmed the decision of the trial court.

Respondent filed a petition for review with this Court, docketed as G.R. No. 112573. On February 9, 1995, a decision was rendered, the dispositive portion of which reads:

WHEREFORE, the instant petition is partly GRANTED, and the challenged decision is AFFIRMED insofar as it denied NORTHWEST's claims for attorney's fees, litigation expenses, and exemplary damages but REVERSED insofar as it sustained the trial court's dismissal of NORTHWEST's complaint in Civil Case No. 83-17637 of Branch 54 of the Regional Trial Court of Manila, and another in its stead is hereby rendered ORDERING private respondent C.F. SHARP & COMPANY, INC. to pay to NORTHWEST the amounts adjudged in the foreign judgment subject of said case, with interest thereon at the legal rate from the filing of the complaint therein until the said foreign judgment is fully satisfied.

Costs against the private respondent.

SO ORDERED.<sup>[6]</sup>

Accordingly, the Regional Trial Court of Manila, Branch 54, issued a writ of execution of the foregoing decision.<sup>[7]</sup> On November 22, 1995, the trial court modified its order for the execution of the decision, *viz*:

WHEREFORE, in view of the foregoing, this Court hereby issues another order, as follows: the writ of execution is issued against defendant C.F. Sharp ordering said defendant to pay the plaintiff the sum of 83,158,195 Yen at the exchange rate prevailing on the date of the foreign judgment on January 29, 1981, plus 6% *per annum* until May 19, 1983; and from said date until full payment, 12% *per annum* (6% by way of damages and 6% interest) until the entire obligation is fully satisfied.

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

On December 18, 1995, petitioner filed a petition for certiorari under Rule 65, docketed as G.R. No. 122890, assailing the aforequoted order. On May 29, 1996, the case was referred to the Court of Appeals. Petitioner contended that it had already made partial payments; hence, it was liable only for the amount of 61,734,633 Yen. Moreover, it argued that it was not liable to pay additional interest on top of the 6% interest imposed in the foreign judgment.

The Court of Appeals rendered the assailed decision on February 17, 1997. It sustained the imposition of additional interest on the liability of petitioner as adjudged in the foreign judgment. The appellate court likewise corrected the reckoning date of the imposition of the interests in accordance with the February 9, 1995 decision to be executed, but lowered the additional interest from 12% to 6% *per annum*. Further, it ruled that the basis of the conversion of petitioner's liability in its peso equivalent should be the prevailing rate at the time of payment and not the rate on the date of the foreign judgment. The dispositive portion of the said decision reads:

WHEREFORE, the petition is GRANTED. The assailed Orders dated October 13, 1995 and November 22, 1995 are annulled and set aside on the ground that they varied the final judgment of the First Division of the Supreme Court in G.R. No. 112573, entitled, "NORTHWEST ORIENT AIRLINES, INC., Petitioner, versus, COURT OF APPEALS and C. F. SHARP & COMPANY, INC., Respondents".

Respondent court is enjoined to execute the said final judgment with an unpaid principal balance of Y61,734,633 plus damages for delay at the rate of 6% *per annum* from August 28, 1980, until fully paid, which may be paid in local currency based on the conversion rate prevailing at the time of payment; plus 6% legal interest *per annum* from August 28, 1980, the date of the filing of the complaint in the foreign judgment.

No costs.

SO ORDERED.<sup>[9]</sup>

On April 2, 1998, the Court of Appeals denied both the motion for reconsideration and the partial motion for reconsideration filed by petitioner and respondent, respectively.

In the present recourse, petitioner questions the applicable conversion rate of its liability, and claims that a ruling thereon by the Court of Appeals effectively deprived it of due process of law because said rate was not among the issues submitted for resolution.

The petition is without merit.

In ruling that the applicable conversion rate of petitioner's liability is the rate at the time of payment, the Court of Appeals cited the case of *Zagala v. Jimenez*,<sup>[10]</sup> interpreting the provisions of Republic Act No. 529, as amended by R.A. No. 4100. Under this law, stipulations on the satisfaction of obligations in foreign currency are void. Payments of monetary obligations, subject to certain exceptions, shall be discharged in the currency which is the legal tender in the Philippines. But since R.A. No. 529 does not provide for the rate of exchange for the payment of foreign currency obligations incurred after its enactment, the Court held in a number of cases<sup>[11]</sup> that the rate of exchange for the conversion in the peso equivalent should be the prevailing rate at the time of payment.

Petitioner, however, contends that with the repeal of R.A. No. 529 by R.A. No. 8183,<sup>[12]</sup> the jurisprudence relied upon by the Court of Appeals is no longer applicable.

Republic Act No. 529, as amended by R.A. No. 4100, provides:

SECTION 1. Every provision contained in, or made with respect to, any domestic obligation to wit, any obligation contracted in the Philippines which provision purports to give the obligee the right to require payment in gold or in a particular kind of coin or currency other than Philippine currency or in an amount of money of the Philippines measured thereby, be as it is hereby declared against public policy, and null, void, and of no effect, and no such provision shall be contained in, or made with respect to, any obligation hereafter incurred. The above prohibition shall not apply to (a) transactions where the funds involved are the proceeds of loans or investments made directly or indirectly, through bona fide intermediaries or agents, by foreign governments, their agencies and instrumentalities, and international financial banking institutions so long as the funds are identifiable, as having emanated from the sources enumerated above; b) transactions affecting high-priority economic projects for agricultural, industrial and power development as may be determined by the National Economic Council which are financed by or through foreign funds; (c) forward exchange transactions entered into between banks or between banks and individuals or juridical persons; (d) import-export and other international banking, financial investment and industrial transactions. With the exception of the cases enumerated in items (a), (b), (c) and (d) in the foregoing provision, in which cases the terms of the parties' agreement shall apply, every other domestic obligation heretofore or hereafter incurred, whether or not any such provision as to payment is contained therein or made with respect thereto, shall be discharged upon payment in any coin or currency which at the time of payment is legal tender for public and private debts: *Provided*, That if the obligation was incurred prior to the enactment of