

## THIRD DIVISION

[ G.R. No. 123643, October 30, 1996 ]

**PHILIPPINE NATIONAL BANK, PETITIONER, VS. COURT OF APPEALS AND DR. ERLINDA G. IBARROLA, RESPONDENTS.**

### R E S O L U T I O N

**FRANCISCO, J.:**

As payments for the purchase of medicines, the Province of Isabela issued several checks drawn against its accounts with petitioner Philippine National Bank (PNB) in favor of the seller, Lyndon Pharmaceuticals Laboratories, a business operated by private respondent Ibarrola. The checks were delivered to the seller's agents<sup>[1]</sup> who turned them over to Ibarrola, except 23 checks amounting to P98,691.90, which the agents appropriated after negotiating them with PNB. For her failure to receive the full payment for the medicines, Ibarrola filed on November 6, 1974 before the Regional Trial Court (RTC) an "action for a sum of money and damages," docketed as Civil Case 4226-P,<sup>[2]</sup> against the Province of Isabela, its Treasurer, the two agents and PNB.

In its decision dated September 29, 1987, the trial court ordered all the defendants in said civil case, except the treasurer who died in the meantime, to "jointly and solidarily" pay Ibarrola several amounts, among which is:

"(1) P98,691.90 with interest thereon at the legal rate from the date of the filing of the complaint until the entire amount is fully paid;"<sup>[3]</sup> (Italics supplied.)

PNB's appeal to the Court of Appeals (CA)<sup>[4]</sup> and later to the Supreme Court<sup>[5]</sup> were denied and dismissed, respectively. All the three courts, however, did not specify whether the legal rate of interest referred to in the judgment is 6% or 12%. The judgment in Civil Case 4226-P became final and executory on November 26, 1993. At the execution stage, the sheriff computed the interest mentioned in the judgment at the rate of 12% which PNB opposed insisting that the rate should only be 6%. Ibarrola sought clarification from the same RTC which promulgated the decision. On August 4, 1994 said court issued an order clarifying that the rate is 12%. PNB's direct appeal to this court from that order was referred to the CA which affirmed the RTC order. Hence, this petition for review under Rule 45 where two legal issues are raised: (1) whether in an action for damages, the legal rate of interest is 6% as provided by Article 2209<sup>[6]</sup> of the New Civil Code or 12% as provided by CB Circular 416 series of 1974,<sup>[7]</sup> and (2) whether such rate shall be computed from the filing of the complaint until fully paid?

The issues are not new. In the case of *Eastern Shipping Lines, Inc. v. CA*,<sup>[8]</sup> this Court had provided a rule "of thumb for future guidance,"<sup>[9]</sup> to wit:

"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.*"<sup>[10]</sup> (Italics ours.)

The case at bench does not involve a loan. Forbearance of money or judgment involving a loan or forbearance of money as it arose from a contract of sale whereby Ibarrola did not receive full payment for her merchandise. When an obligation arises "from a contract of purchase and sale and not from a contract of loan or mutuum," the applicable rate is "6% per annum as provided in Article 2209 of the NCC and not the rate of 12% per annum as provided in (CB) Cir. No. 416."<sup>[11]</sup> Indeed, PNB's liability is based only on the RTC's judgment where it was held solidarily liable with the other defendants due to its negligence when it "failed to assure itself" if the Provincial Treasurer was "properly authorized" by Ibarrola to "make endorsements" of said checks.<sup>[12]</sup>

The rate of 12% interest referred to in Cir. 416 applies only to:

"[L]oan or forbearance of money, or to cases where money is transferred from one person to another and the obligation to return the same or a portion thereof is adjudged. Any other monetary judgment which does not involve or which has nothing to do with loans or forbearance of any money, goods or credit does not fall within its coverage for such imposition is not within the ambit of the authority granted to the Central Bank. When an obligation not constituting a loan or forbearance of money is breached then an interest on the amount of damages awarded may be imposed at the discretion of the court at the rate of 6% per annum in accordance with Art. 2209 of the Civil Code. Indeed, the monetary judgment in favor of private respondent does not involve a loan or forbearance of money, hence the proper imposable rate of interest is six (6%) per cent."<sup>[13]</sup> (Italics ours.)

Applying the aforequoted rule, therefore, the proper rate of interest referred to in the judgment under execution is only 6%. This interest according to *Eastern Shipping* shall be computed from the time of the filing of the complaint considering that the amount adjudged (P98,691.90) can be established with reasonable certainty. Said amount being merely the uncollected balance of the purchase price covered by the 23 checks encashed and appropriated by Ibarrola's agents. However, once the judgment becomes final and executory, the "interim period from the finality of judgment awarding a monetary claim and until payment thereof, is deemed to be equivalent to a forbearance of credit."<sup>[14]</sup> Thus, in accordance with the pronouncement in *Eastern Shipping* the rate of 12% p.a. should be imposed,