

FIRST DIVISION

[G.R. No. 113926, October 23, 1996]

**SECURITY BANK AND TRUST COMPANY, PETITIONER, VS.
REGIONAL TRIAL COURT OF MAKATI, BRANCH 61, MAGTANGGOL
EUSEBIO AND LEILA VENTURA, RESPONDENTS.**

D E C I S I O N

HERMOSISIMA, JR., J.:

Questions of law which are the first impression are sought to be resolved in this case: Should the rate of interest on a loan or forbearance of money, goods or credits, as stipulated in a contract, far in excess of the ceiling prescribed under or pursuant to the Usury Law, prevail over Section 2 of Central Bank Circular No. 905 which prescribes that the rate of interest thereof shall continue to be 12% per annum? Do the Courts have the discretion to arbitrarily override stipulated interest rates of promissory notes and stipulated interest rates of promissory notes and thereby impose a 12% interest on the loans, in the absence of evidence justifying the impositions of a higher rate?

This is a petition for review on certiorari for the purpose of assailing the decision of Honorable Judge Fernando V. Gorospe of the Regional Trial Court of Makati, Branch 61, dated March 30, 1993, which found private respondent Eusebio liable to petitioner for a sum of money. Interest was lowered by the court a quo from 23% per annum as agreed upon by the parties to 12% per annum.

The undisputed facts are as follows:

On April 27, 1983, private respondent Magtanggol Eusebio executed Promissory Note No. TL/74/178/83 in favor of petitioner Security Bank and Trust Co. (SBTC) in the total amount of One Hundred Thousand Pesos (P100,000.00) payable in six monthly installments with a stipulated interest of 23% per annum up to the fifth installments.^[1]

On July 28, 1983, respondent Eusebio again executed Promissory note No TL/74/1296/83 in favor of petitioner SBTC. Respondent bound himself to pay the sum of One Hundred Thousand Pesos (P100,000.00) in six (6) monthly installments plus 23% interest per annum.^[2]

Finally, another Promissory Note No. TL74/1491/83 was executed on August 31, 1983 in the amount of Sixty Five Thousand Pesos (P65,000.00). Respondent agreed to pay this note in six (6) monthly installments plus interest at the rate of 23% per annum.^[3]

On all the abovementioned notes, private respondents Leila Ventura had signed as co-maker.^[4]

Upon maturity which fell on the different dates below, the principal balance remaining on the notes stood at:

- 1) PN No. TL/74/748/83 P16,665.00 as of September 1983.
- 2) PN No. TL/74/1296/83 P83,333.00 as of August 1983
- 3) PN No. TL/74/1991/83 P65,000.00 as of August 1983.

Upon the failure and refusal of respondent Eusebio to pay the aforestated balance payable, a collectible case was filed in court by petitioner SBTC.^[5] On March 30, 1993, the court a quo rendered a judgment in favor of petitioner SBTC, the dispositive portion which reads:

"WHEREFORE, premises above-considered, and plaintiff's claim having been duly proven, judgment is hereby rendered in favor of plaintiff and as against defendant Eusebio who is hereby ordered to:

1. Pay the sum of P16,665.00, plus interest of 12% per annum starting 27 September 1983, until fully paid;
2. Pay the sum of P83,333.00, plus interest of 12% per annum starting 28 August 1983, until fully paid;
3. Pay the sum of P65,000.00, plus interest of 12% per annum starting 31 August 1983, until fully paid;
4. Pay the sum equivalent to 20% of the total amount due and payable to plaintiff as and by way of attorney's fees; and to
5. Pay the cost of this suit.

SO ORDERED."^[6]

On August 6, 1993, a motion for partial reconsideration was filed by petitioner SBTC contending that:

- (1) the interest rate agreed upon by the parties during the signing of the promissory notes was 23% per annum;
- (2) the interests awarded should be compounded quarterly from due date as provided in three (3) promissory notes;
- (3) defendant Leila Ventura should likewise be held liable to pay the balance on the promissory notes since she has signed as co-maker and as such, is liable jointly and severally with defendant Eusebio without a need for demand upon her.^[7]

Consequently, an Order was issued by the court a quo denying the motion to grant the rates of interest beyond 12% per annum; and holding defendant Leila Ventura jointly and severally liable with co-defendant Eusebio.

Hence, this petition.