

****Title:**** Frias v. San Diego-Sison: A Case on Contractual Obligations and the Granting of Compounded Interest

****Facts:****

Bobie Rose V. Frias, the petitioner, acquired a property from Island Masters Realty and Development Corporation by a Deed of Sale dated November 16, 1990. The property, located in Muntinlupa, Metro Manila, was discussed in a Memorandum of Agreement between Frias and Flora San Diego-Sison, the respondent, on December 7, 1990. Under the agreement, San Diego-Sison paid Frias PHP 3,000,000 with the option to purchase the property within six months for PHP 6,400,000. The agreement also detailed conditions regarding the payment of the PHP 3,000,000, its consideration as a loan, and stipulations on interest payments depending on the property's sale or non-sale within certain periods.

San Diego-Sison decided not to purchase the property and informed Frias through a letter, considering the PHP 3,000,000 paid as a loan. Subsequent disputes and a series of legal maneuvers ensued, including issues regarding a lost title and allegations of fraud. On April 1, 1993, San Diego-Sison filed a complaint against Frias for the sum of money with preliminary attachment, leading to a court case that was eventually appealed to the Court of Appeals (CA).

****Issues:****

1. Whether the compounded bank interest should be limited to the six months as stipulated in the Memorandum of Agreement.
2. Whether San Diego-Sison is entitled to moral damages.
3. The appropriateness of granting corrective and exemplary damages and attorney's fees even if not detailed in the decision's body but mentioned in the dispositive portion.

****Court's Decision:****

1. ****On Compounded Interest:**** The Supreme Court upheld the CA's decision, adjusting the compounded interest rate to 25% per annum from June 7, 1991, until fully paid. The Court ruled that the interest provision should be interpreted in light of the whole agreement, allowing for the continued accrual of interest after the initial six months since the principal loan amount remained unpaid.
2. ****On Moral Damages:**** The Court affirmed the CA's decision to award moral damages,

citing the fraudulent scheme employed by Frias to deprive San Diego-Sison of the security for her loan as justification. The acquittal of Frias in related criminal cases did not absolve her of civil liabilities.

3. **On Damages and Attorney's Fees:** The decision to award exemplary damages was also affirmed, seeing it fitting as a corrective measure. However, the Court found the CA's decision to award attorney's fees lacking in explicit justification and, therefore, deleted this aspect of the award.

Doctrine:

The decision reiterates the doctrine that the terms of an agreement, when clear, dictate the obligations and entitlements of the parties involved. Furthermore, it established that interest on a loan continues to accrue until full payment is made, and that moral and exemplary damages are warranted in cases of fraudulent or bad faith actions that result in harm to the other party. The need for explicit grounds for the award of attorney's fees was also underscored.

Class Notes:

- **Contractual Obligations:** The terms of a contract, if clear, are binding and must be adhered to as they are written.
- **Compounded Interest:** Interest on a loan may continue to accrue beyond initially agreed periods if the principal remains unpaid, depending on the specific contractual agreements.
- **Moral and Exemplary Damages:** These may be awarded in contract disputes where one party acts in bad faith or commits fraud against the other.
- **Attorney's Fees:** The justification for the award of attorney's fees must be explicitly stated in the decision, not merely in the dispositive portion.

Historical Background:

This case reflects the judiciary's meticulous approach in handling contractual disputes and the importance of clearly stipulated terms in agreements. The affirmation by the Supreme Court of the necessity for explicit rationale in awarding attorney's fees is a reinforcement of the principle that winning parties in litigation are not automatically entitled to such fees without proper justification.