

****Title:**** Hermojina Estores vs. Spouses Arturo and Laura Supang

****Facts:****

The case originated from a Conditional Deed of Sale dated October 3, 1993, between Hermojina Estores (petitioner) and spouses Arturo and Laura Supangan (respondents). They agreed on a sale of land for P4.7 million, with specific stipulations including the seller's obligation to secure DAR clearance and relocate a specified house. Despite the respondents' payment of P3.5 million over years, the conditions were unmet by the petitioner. Consequently, on September 27, 2000, the respondents demanded a refund. The petitioner acknowledged the demand but failed to return the funds, prompting the respondents to file a Complaint for sum of money against Estores and her alleged agent before the Regional Trial Court (RTC) of Malabon, which was assigned Civil Case No. 3201-MN. The RTC, and subsequently the Court of Appeals (CA), ruled in favor of the imposition of interest and attorney's fees on the refundable amount. The petitioner's motion for reconsideration was denied, leading to this Supreme Court petition.

****Issues:****

1. Whether the imposition of interest on the refund amount, in the absence of a contractual agreement for such interest, is proper.
2. Whether the award of attorney's fees to the respondents is warranted.

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

1. ****Imposition of Interest:**** The Supreme Court upheld the lower courts' decisions, affirming the imposition of interest even in the absence of a stipulated interest clause in the contract. Drawing from Article 2210 of the Civil Code, the court reasoned that interest might be imposed at the court's discretion for damages resulting from contract breaches. Specifically, the Court determined the principal amount to bear an interest of 12% per annum from the date of demand (September 27, 2000) until fully paid, treating the retention of the payment akin to a forbearance of money.
2. ****Award of Attorney's Fees:**** The Supreme Court found the award of attorney's fees justified under Article 2208 of the Civil Code, acknowledging that the respondents were compelled to litigate to protect their interest. However, it modified the awarded amount to P50,000.00, deeming it more reasonable.

****Doctrine:****

1. ****Interest for Breach of Contract:**** Interest may be imposed by courts for damages

resulting from a breach of contract, even in the absence of a specific stipulation, as per Article 2210 of the Civil Code.

2. **Forbearance of Money:** Unwarranted retention of money, which rightfully belongs to another, amounts to a forbearance of money, subjecting it to interest analogous to a loan.

Class Notes:

- **Breaches of Contract:** A party's failure to meet their contractual obligations can lead to damages, including the imposition of interest, even absent a specific interest clause.
- **Interest Rates:** In cases not involving loan forbearance, a 6% interest rate applies unless otherwise specified. If akin to forbearance of money, a 12% interest may be imposed from the time of demand until payment is satisfied.
- **Attorney's Fees:** Awarded when litigation is compelled by another's act or for the protection of one's interests, subject to the court deeming it just and equitable, but must always be reasonable.

Historical Background:

This case highlights the Philippine legal system's approach to contracts not explicitly providing for interest on refundable payments upon breach. It underscores the judiciary's discretion in awarding interest for the use of money withheld unlawfully and reinforces the principle that non-compliance with contractual obligations can lead to additional financial liabilities beyond mere principal repayment.