

Title: Jesus T. David vs. The Court of Appeals, et al.

Facts:

The case commenced with Jesus T. David, the petitioner, seeking the execution of a decision by the Regional Trial Court of Manila, Branch 27 (Civil Case No. 94781) dated October 31, 1979, as amended on June 20, 1980. This decision ordered the defendant, Valentin Afable Jr., to pay David a sum of P66,500.00 with legal interest dating back to January 4, 1966, attorney's fees of P5,000.00, plus costs.

Afable's appeal to the Court of Appeals and then to the Supreme Court did not succeed, with both higher courts affirming the lower court's decision. Accordingly, entries of judgment were made.

Upon remand for final execution, the Sheriff conducted a public auction, reporting a total judgment amount of P270,940.52 based on simple interest. David, however, contended this amount should be P3,027,238.50 based on compound interest. This disagreement led to the Sheriff withholding the Certificate of Sale for the auctioned properties due to the excess in David's bid.

Subsequent motions by David requested the respondent Judge to order the Sheriff to issue a Certificate of Sale reflecting David's bid amount. This was denied by the Judge based on a computation of simple legal interest per prevailing rules and an established Supreme Court precedent which held that compound interest could only apply if stipulated interest had accrued upon judicial demand.

David's motion for reconsideration was denied, leading him to elevate the matter to the Court of Appeals through a petition for certiorari, prohibition, and mandamus. The appellate court dismissed his petition, maintaining that without stipulated interest, only simple legal interest could apply, affirming the trial court's computation method.

Issues:

1. Whether the Court of Appeals erred in finding that Article 2212 of the Civil Code applies solely when parties have agreed to compounded interest.
2. Whether there was confusion between legal (as opposed to consensual) interest and between the interest on the principal amount versus interest on the interest.
3. The applicability of Article 2212 of the Civil Code in the absence of an agreement on compound interest.
4. Whether the decision of the Court of Appeals was contrary to law by not applying

compound interest.

Court's Decision:

The Supreme Court upheld the decision of the Court of Appeals, stating that compound interest applies only in the presence of stipulated interest which had accrued upon judicial demand. Since no interest was previously stipulated between the parties, and the decision and subsequent amendment of the trial court only mentioned simple legal interest, the computation of interest as simple rather than compound was affirmed.

Additionally, the Court found that alterations made to the final judgment by the respondent judge were justifiable based on supervening circumstances, specifically the effectivity of Central Bank Circular No. 416, which modified the legal interest rates. This circular represented a legal context that warranted the modification of the judgment for its execution to be fair and equitable.

Doctrine:

This case reaffirms the principle that compound interest can only be awarded if there is stipulated interest that has accrued upon judicial demand. Additionally, it demonstrates the Judiciary's capacity to modify final and executory decisions to account for supervening legal and factual circumstances to ensure justice and equity.

Class Notes:

- **Compound Interest**: Requires an initial stipulation of interest and its accrual upon judicial demand (based on Article 2212 of the Civil Code).
- **Execution of Judgment**: Adjustments to the execution of a final and executory judgment are permissible to accommodate supervening circumstances that render the original terms unjust or inequitable.
- **Legal Interest Rates**: These can be modified by laws or circulars, which can affect the execution of judgments concerning interest computations.

Historical Background:

The case illustrates the complexities of executing final and executory judgments especially in financial disputes involving interest computations. It highlights the judiciary's response to changing financial regulations, notably through Central Bank Circular No. 416, which changed the legal rate of interest and impacted judicial execution of financial judgments.