

Title:

Crismina Garments, Inc. v. Court of Appeals and Norma Siapno: A Dispute Over Contractual Obligations and Interest Rates

Facts:

Norma Siapno, proprietor of D'Wilmar Garments, entered into a contractual agreement with Crismina Garments, Inc. from February to April 1979 to sew 20,762 pieces of assorted girls' denim pants for P76,410.00. After fulfilling her end, Siapno encountered delay and disagreement from Crismina Garments regarding payment, citing defects in the products, which Crismina later retracted. Subsequent communications and a demand letter from Siapno's counsel on November 12, 1979, went unanswered, leading to Siapno filing a complaint on January 8, 1981, for the recovery of the agreed amount plus interest.

The trial court favored Siapno, mandating Crismina Garments to pay P76,410.00 with a 12% per annum interest from the complaint date, among other costs. This decision was upheld by the Court of Appeals, excluding the award for attorney's fees. Crismina Garments then escalated the matter to the Supreme Court, challenging the interest rate applied.

Issues:

1. Whether the 12% interest rate applied by the lower courts was appropriate for an obligation that did not stem from a loan or forbearance of money, goods, or credits in the absence of an explicit agreement on the interest rate.

Court's Decision:

The Supreme Court sided with the petitioner, Crismina Garments, clarifying that a 6% per annum interest rate should be applied as per Article 2209 of the Civil Code for obligations not involving a loan or forbearance of money, goods, or credits when there is no stipulation between parties. The SC differentiated between obligations arising from loans or forbearance (which would incur a 12% interest) and other cases like contractual obligations for work or services (which would incur a 6% interest). Hence, it was decided that the interest should be 6% per annum from the filing of the complaint until the judgment's finality. Post-finality, if the amount remained unpaid, a 12% interest rate per annum would be inflicted until full payment.

Doctrine:

1. **Interest Application**: The Supreme Court clarified the application of interest rates, where a 6% per annum interest is applicable for non-loan related obligations from the time

of demand until the judgment becomes final and executory, post which a 12% interest rate applies until full satisfaction of the judgment.

Class Notes:

- **Interest Rates**: Distinction is made between obligations arising from loans or forbearance of money, goods, or credits (12% interest as per Central Bank Circular No. 416), and non-loan related obligations (6% interest as per Article 2209 of the Civil Code).
- **Legal Demand**: Interest commences from the time of judicial or extrajudicial demand for payment.
- **Finality of Judgment**: Upon the judgment becoming final and executory, the interest rate switches from 6% to 12% per annum until the obligation is fully satisfied.

Historical Background:

This case illustrates the complexities surrounding contractual obligations and the application of interest rates on delayed payments in the absence of a specified agreement. It underscores the significance of clearly defining terms within contracts to avoid protracted litigations and clarifies the legal treatment of interest rates for various types of obligations under Philippine law.