Title: Security Bank and Trust Company vs. Regional Trial Court of Makati, Branch 61, Magtanggol Eusebio, and Leila Ventura

Facts:
The case involves Security Bank and Trust Company (petitioner) and Magtanggol Eusebio (private respondent), along with Leila Ventura as co-maker, over the execution of several promissory notes with an agreed interest rate of 23% per annum. These included:

1. Promissory Note No. TL/74/178/83 dated April 27, 1983, amounting to PHP100,000,
2. Promissory Note No. TL/74/1296/83 dated July 28, 1983, also amounting to PHP100,000,
3. Promissory Note No. TL74/1491/83 dated August 31, 1983, amounting to PHP65,000.

Nonpayment of these notes at their maturity led to the filing of a collectible case by the petitioner against Eusebio. On March 30, 1993, the Regional Trial Court of Makati, Branch 61, ruled in favor of the petitioner but modified the interest rate from 23% per annum to 12% per annum, prompting the petitioner to file a motion for partial reconsideration, which was denied. The petitioner then sought review from the Supreme Court.

Issues:
1. Is the 23% interest rate per annum, which exceeds the ceiling prescribed under the Usury Law but agreed upon in the promissory notes, enforceable?
2. Does the court have the authority to modify the agreed interest rate in the absence of any provision justifying a higher rate?
3. Are the stipulations in the promissory notes regarding the quarterly compounding of interest and the joint and several liabilities of the co-makers enforceable?

Court's Decision:
The Supreme Court found merit in the petition, affirming with modification the decision of the Regional Trial Court. It held that:

1. The 23% interest rate per annum agreed upon in the promissory notes is valid and enforceable, as per the provisions of Central Bank Circular No. 905, which allows the parties to freely stipulate interest rates without being subject to any ceiling prescribed under the Usury Law.
2. The courts do not have the authority to modify stipulated interest rates in contracts freely entered into by parties unless the rates are in violation of the law.
3. The stipulations in the promissory notes regarding the quarterly compounding of interest and the joint and several liabilities of Eusebio and Ventura are binding and enforceable.

Doctrine:
The principle established in this case is that parties to a loan or forbearance agreement are free to stipulate interest rates, as per Central Bank Circular No. 905, without being bound by ceilings under the Usury Law.

Class Notes:
– In loan or forbearance agreements, parties are at liberty to determine their interest rates, which will be upheld unless contrary to law, morals, good customs, public order, or public policy.
– Central Bank Circular No. 905 allows freedom in the stipulation of interest rates, effectively suspending the applicability of the Usury Law's ceilings on interest rates.
– Courts cannot unilaterally modify agreed-upon interest rates in contracts without evidence justifying such modification.
– Article 1306 of the New Civil Code supports the autonomy of parties in contract stipulations, including interest rates, as long as they do not contravene law or public policy.

Historical Background:
The relevance of the Usury Law has evolved over time in Philippine jurisprudence, particularly with the issuance of Central Bank Circular No. 905 in 1982. This marked a shift from strict regulation of interest rates towards a more deregulated approach, allowing parties greater freedom to negotiate terms. This case exemplifies the application of these changes in the context of loan agreements and the judiciary's recognition of parties' autonomy in contractual stipulations.