

****Title:**** Sun Bros. Appliances, Inc. v. Angel Al. Caluntad

****Facts:**** Sun Bros. Appliances, Inc. (plaintiff) filed a complaint in the Municipal Court of Manila against Angel Al. Caluntad (defendant) concerning a conditional sale of a G.P. Television Set, Model 21, Console 1960, Serial No. 652548. The sale contract stipulated a total price of P3,440.00, with a down payment of P884.00, and monthly installments of P142.00 for 18 months. Caluntad paid only P1,442.00, leaving a balance of P1,988.00, which he did not pay since March 1961. Sun Bros. sought the balance payment or the return of the television. Caluntad contended that he had agreed to purchase a Philco Television Set, Model 21, worth P1,700.00 within 90 days, which was destroyed and replaced by the G.E. set. He claimed the replacement was on a cash basis, payable within 90 days, accusing Sun Bros. of usury by excessively inflating the price. The case escalated to the Court of First Instance due to the legal questions involved, specifically the allegation of usury, which the court a quo admitted due to plaintiff's failure to deny it under oath, leading to the dismissal of the complaint. Sun Bros. appealed directly to the Supreme Court following the denial of their motion for reconsideration, raising purely legal issues.

****Issues:**** The core legal issue presented to the Philippine Supreme Court was whether the transaction between Sun Bros. Appliances, Inc., and Angel Al. Caluntad constituted a usurious loan under the guise of a conditional sale, thus making the increase in price over the cash price consideration usurious and the contract null and void.

****Court's Decision:**** The Supreme Court reversed the decision of the lower court, holding that the transaction between the parties was a legitimate conditional sale, not a loan, thus the increase in price could not be deemed usurious interest. The Court differentiated between a conditional sale and a loan with usurious interest, emphasizing that an increased price in sales on credit is not interest within the Usury Law if the sale is made in good faith. The failure of Sun Bros. to deny the allegation of usury under oath did not constitute an admission that the transaction was a loan. Consequently, the case was remanded to the lower court for further proceedings.

****Doctrine:**** This case reinforces the doctrine that an increased price in a sale on credit does not constitute interest under the Usury Law when the transaction is made in good faith and not as a mere pretext to cover a usurious loan. Moreover, it clarifies that the failure to deny allegations of usury under oath only admits the allegation of usury, not the nature of the transaction as a loan.

****Class Notes:****

- ****Conditional Sale vs. Loan:**** Understanding the distinction is crucial; in a conditional sale, ownership passes only upon full payment, and the higher price can reflect credit sale costs, not usury.
- ****Usury and Increased Price in Credit Sales:**** The increase in price for credit sales is not considered usury if the sale is executed in good faith.
- ****Requirement of Oath for Usury Allegations:**** The necessity of denying allegations of usury under oath is contingent upon the nature of the transaction being depicted as a loan.
- ****Legal Statute:**** Refer to the Usury Law for definitions and consequences of usurious transactions.

****Historical Background:**** This case occurred in a period when the distinction between valid credit sales and usurious loans was a significant issue in Philippine commercial transactions. It reflects the legal system's approach to protecting consumers while encouraging commerce through legitimate credit sales practices.