

****Title:**** Rodrigo Rivera vs. Spouses Salvador and Violeta Chua: A Case of Collection for Sum of Money Due to a Promissory Note

****Facts:****

In 1995, Rodrigo Rivera borrowed Php 120,000 from Spouses Salvador and Violeta Chua, with repayment due on December 31 of the same year. The agreement mentioned a 5% interest per month upon default and a 20% attorney's fee for collection expenses. Rivera partially repaid with checks in 1998, both of which were dishonored.

Upon Rivera's failure to fully repay, the Spouses Chua filed a collection suit in the Manila Metropolitan Trial Court (MeTC), which Rivera contested, denying the promissory note's execution and asserting forgery. He admitted to securing a separate loan with a real estate mortgage from the Spouses Chua but contested the terms and proceedings surrounding the promissory note in question.

The MeTC ruled in favor of the Spouses Chua, a decision upheld by the Regional Trial Court (RTC) and later by the Court of Appeals, albeit with modifications to the interest rate and the reinstatement of reduced attorney's fees. Rivera and the Spouses Chua both sought further review under separate petitions with the Supreme Court, focusing on the validity of the promissory note and the applicable interest rate.

****Issues:****

1. Whether the promissory note was validly executed by Rivera.
2. Appropriateness of the interest rate and attorney's fees awarded.
3. The necessity of demand before Rivera's liability under the promissory note becomes conclusive.
4. Application of the principles under the Negotiable Instruments Law to the case.

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

The Supreme Court denied Rivera's petition, affirming the lower courts' decisions that the promissory note was validly executed by him. It relied heavily on expert testimony from the NBI, dismissing Rivera's forgery claims. The Court clarified that the promissory note, though not negotiable under the Negotiable Instruments Law, established an obligation with a specified due date, making Rivera liable for default without the necessity of demand.

On interest rates, the Court noted the appellate court's discretion to reduce the stipulated

rate to something less usurious, drawing from jurisprudence and the principle of equity. The final interest applied was 12% per annum from default until June 30, 2013, and 6% per annum thereafter until the decision's finality.

Regarding attorney's fees, the Court agreed with the reduced amount but anchored the award on the Spouses Chua's need to seek legal redress to enforce the note, rather than viewing the fees as liquidated damages.

****Doctrine:****

The case reiterates the principle that stipulations in a promissory note regarding interest rates and attorney's fees, while deemed valid upon agreement, can still be subject to judicial scrutiny for equity. Furthermore, it underscores the importance of expert testimony in cases involving questioned document authenticity.

****Class Notes:****

- ****Promissory Note Validity:**** Requires a thorough examination of the signature's authenticity, often necessitating expert witness testimony.
- ****Interest Rates:**** Stipulated rates in contracts can be reduced by courts if deemed unconscionable or exorbitant.
- ****Demand Necessity:**** Under Article 1169 of the Civil Code, demand is not necessary to constitute debtor in default when (1) a specific date of fulfillment is provided, (2) the law expressly declares it, or (3) the obligation expressly states so.
- ****Attorney's Fees as Costs:**** Courts may award reasonable attorney's fees in cases where a party is compelled to litigate to enforce an agreement or defend rights.

****Historical Background:****

This case illustrates the evolving judicial attitude towards interest rates and penalties in loan agreements within the Philippines, reflecting a move towards preventing unconscionable terms while respecting contractual agreements. The decision also exemplifies the reliance on expert testimony in adjudicating claims of forgery, highlighting the role of forensic analysis in modern legal proceedings.