

Title: Briones v. Cammayo: A Reaffirmation of the Treatment of Usurious Loans in Philippine Law

Facts:

On February 22, 1962, Aurelio G. Briones initiated legal action in the Municipal Court of Manila against Primitivo, Nicasio, Pedro, Hilario, and Artemio, all surnamed Cammayo. Briones sought to recover the sum of Php1,500.00, inclusive of damages, attorney's fees, and suit costs. The Cammayos, in their defense, denied the allegations and contended that they engaged in a real estate mortgage as security for a Php1,200.00 loan under a usurious agreement, where a Php300.00 interest for one year was implicitly included. They claimed that despite repaying Php330.00 from October 1955 to July 1956, Briones refused to acknowledge these as part payments, labeling them as interest for a loan extension. Asserting the contract was usurious, void, and against public policy, they also filed a compulsory counterclaim for damages due to the alleged violation of the Usury Law and for mental anguish from repeated litigation.

Upon review, the Municipal Court awarded Briones a verdict, ordering the Cammayos to pay Php1,500.00 with legal interest from February 22, 1962, and Php150.00 as attorney's fees. The Cammayos appealed to the Court of First Instance of Manila, wherein both parties agreed to a summary judgment. The court modified the award to Php1,180.00 to reflect the deduction of the usurious interest, plus legal interest from October 16, 1962, and Php200.00 as attorney's fees. The Cammayos then raised the current appeal, contesting the enforcement of the principal amount despite acknowledging its usurious nature.

Issues:

1. Is a creditor in a usurious contract entitled to collect the principal amount of the loan?
2. If entitled, can the creditor also collect interests, and at what rate?

Court's Decision:

The Supreme Court modified the appealed decision, allowing Briones to recover the principal loan amount of Php1,180.00 only, with legal interest at 6% per annum from the filing of the complaints, dismissing other claims including the usurious interest. In establishing its ruling, the Court reiterated principles from prior cases such as *Go Chioco vs. Martinez*, and *Gui Jong & Co. vs. Rivera*, affirming that even if a contract is declared usurious, the creditor is still entitled to recover the actual money loaned plus legal interest due thereon, as not allowing this would unjustly enrich the borrower at the expense of the lender. The Court also clarified that the newer provisions of the Civil Code do not invalidate

the right to recover the principal of a usurious loan, emphasizing that the illegal terms regarding payment of interest do not taint the validity of the legal terms regarding repayment of the principal.

Doctrine:

Under Philippine law, even if a contract of loan is declared usurious, the creditor is entitled to recover the principal amount loaned. The imposition of usurious interest renders the interest terms void but does not affect the legality and enforceability of the principal debt.

****Class Notes:****

- ****Principal vs. Interest in Usurious Loans****: The principal amount in a usurious loan is recoverable by the lender; only the usurious interest portion is void.
- ****Legal Interest on Principal****: After a contract is found to be usurious, the debtor must still repay the principal amount loaned, which may accrue legal interest from the date of judicial demand (filing of the complaint) as damages for delay.
- ****Relevant Statutes****:
 - Usury Law (Act 2655 as amended by Acts 3291 and 3998): Regulates penalties for usurious practices.
 - Civil Code, Articles 1957 & 1413: Address contracts intent to circumvent laws against usury, providing borrowers remedies to recover excess interest paid.

****Historical Background****:

This decision is part of the Philippine judiciary's long-standing approach towards handling usurious contracts, emphasizing the balance between penalizing illegal interest rates and protecting the core contractual agreement of loan repayment. It exemplifies the legal principle that while usurious practices are penalized, the sanctity of the principal obligation remains upheld, thus preventing unjust enrichment at the lender's expense. This case continues to contextualize the enforcement of usury laws within the framework of the Civil Code and older Usury Law, showcasing the legal system's adaptability and commitment to fairness in credit transactions.