

Title:

****C.F. Sharp & Co., Inc. vs. Northwest Airlines, Inc., G.R. No. 135687****

Facts:

1. On May 9, 1974, Northwest Airlines, Inc. (respondent) entered into an International Passenger Sales Agency Agreement with C.F. Sharp & Co., Inc. (petitioner) via its Japan branch, authorizing the latter to sell air transport tickets.
2. The respondent filed a collection suit against the petitioner before the Tokyo District Court due to the latter's failure to remit proceeds from ticket sales.
3. On January 29, 1981, the Tokyo District Court ruled in favor of Northwest, ordering C.F. Sharp to pay 83,158,195 Yen, with damages of 6% per annum from August 28, 1980, until full payment.
4. The respondent was unable to enforce the decision in Japan and subsequently filed an enforcement suit in the Philippines at the Regional Trial Court (RTC) of Manila, Branch 54. The case was dismissed due to a lack of jurisdiction over the petitioner by the Japanese court.
5. On appeal, the Court of Appeals affirmed the dismissal. A petition for review was filed with the Supreme Court, which partially granted the petition (G.R. No. 112573).
6. The Supreme Court's decision reversed the RTC ruling and ordered the petitioner to pay the amounts in the foreign judgment with legal interest until fully paid.
7. The RTC of Manila issued a writ of execution following the Supreme Court's decision.
8. The petitioner filed a petition for certiorari (G.R. No. 122890) challenging the RTC's writ of execution, particularly the conversion rate and additional interests.
9. The Court of Appeals annulled the RTC orders, reinforcing the Supreme Court judgment, and ruled that the principal balance should be converted based on the rate at the time of payment and interest adjusted to 6% per annum.
10. Upon further proceedings, both parties' motions for reconsideration were denied.

Issues:

1. Whether the applicable conversion rate of the petitioner's liability should be the exchange rate at the time of payment.
2. Whether the imposition of additional interest by the RTC beyond the foreign judgment was justified.
3. Whether petitioner's due process was violated as the issue of the conversion rate was not among issues previously submitted for resolution.
4. Whether the Court of Appeals made an error in the application and computation of interest rates.

Court's Decision:

1. **Conversion Rate:** The Court upheld that the conversion rate should be the rate prevailing at the time of payment citing RA No. 529, as amended by RA No. 4100. This interpretation remains effective post-repeal by RA No. 8183 since the new law also does not specify a rate for conversions, maintaining the precedence set by previous jurisprudence.
2. **Interest Rates:** The Court ruled that the petitioner's liability includes a 12% per annum interest from the filing of the complaint up to full satisfaction, adhering to the February 9, 1995 decision in G.R. No. 112573.
3. **Due Process:** The Supreme Court found no denial of due process. The issue of the applicable conversion rate was deemed addressed appropriately by the Court of Appeals, providing petitioner the opportunity to be heard, particularly in the motion for reconsideration.
4. **Court's Authority:** The Court noted that substantive rights, such as correct legal interest rates, must not be compromised by procedural technicalities. While respondent did not appeal, the tribunal can consider unassigned but plain errors affecting the outcome.

Doctrine:

- **Doctrine of Currency Conversion:** Payments of monetary obligations involving foreign currency should be converted based on the exchange rate prevailing at the time of payment, preserving the real value of the obligation.
- **Interest Calculation Doctrine:** In the absence of a stipulation, the legal interest rate on monetary obligations, which constitutes damages for delay, is 12% per annum, as established in *Eastern Shipping Lines, Inc. v. Court of Appeals*.

Class Notes:

- **Currency Conversion:** Under RA No. 8183, parties may settle obligations in foreign currency, and the conversion should be at the rate prevailing at the time of payment.
- **Interest Rate:** Absent an agreement, the interest rate for the payment of a sum of money as damages for delay is 12% per annum.
- **Due Process:** Ensuring that issues such as conversion rates are properly addressed through motions and appeals ensures due process.
- **Extraordinary Inflation/Deflation:** Article 1250 of the Civil Code applies only under officially declared conditions of extraordinary inflation or deflation.

Verbatim Citation:

- **Article 1250, Civil Code:** "In case of extraordinary inflation or deflation of currency stipulated should supervene, the value of the currency at the time of establishment of the

obligation shall be the basis of payment, unless there is an agreement to the contrary.”

Historical Background:

- **RA No. 529 (Enactment and Repeal by RA No. 8183):** This legislative transition underscores changes in legal tenders and foreign exchange policies in the Philippines, whereby the repealing act allowed for settlements in foreign currency subject to the prevailing rates at the time of payment. This legal context ensured obligations negotiated in foreign currencies were carried out fairly in the dynamically shifting economic environment.