

****Title:**** Vicente Gotamco Hermanos vs. Irma Rohde Shotwell, G.R. No. L-16430, October 26, 1962

****Facts:****

- ***Parties and Loan Origination:*** In 1926, William J. Rohde granted an P85,000.00 loan at 9% per annum to the partnership Vicente Gotamco Hermanos (Gotamco), secured by a mortgage on real estate in Manila.
- ***Loan Extensions:*** The loan was due in three years but was extended several times, with the last extension ending February 24, 1942. Interest rate was reduced to 8% from 1932.
- ***Interest Payments:*** Interests were paid until the third quarter of 1941. In 1942, Gotamco requested and received a 50% temporary interest reduction, and payments were made during 1942.
- ***Japanese War Notes Payments:*** In 1943 and 1944, Gotamco made payments totalling P30,000.00 in Japanese war notes. These payments were meant to cover interest at 50% of the stipulated rate, but an understanding existed that payments were subject to revaluation post-war.
- ***Post-Liberation Payments:*** In 1945 and 1946, Gotamco made several payments in Philippine currency, totalling P56,120.00. In 1946, a "Release of Mortgage" was executed for P42,000.00 in principal and P1,120.00 interest.
- ***Rohde's Deaths:*** William J. Rohde died in 1945, followed by his wife Isabel in 1947. The only survivor was their daughter, Irma Rohde Shotwell.
- ***Litigation Initiation:*** Irma Rohde Shotwell and her husband filed suit for the unpaid balance of the pre-war loan against Gotamco, resulting in a CFI verdict in favor of Shotwell for P7,879.33 plus interest. Gotamco appealed, leading to a modified award by the Court of Appeals of P42,474.45 plus interest.

****Issues:****

1. Whether the interests from October 1, 1943, to December 31, 1945, were totally condoned.
2. Whether the payments made by Gotamco in Japanese war notes in 1944 should be revaluated.
3. Whether Gotamco's obligation was fully satisfied after considering the payments made and their revaluation.
4. Applicability of Article 1110 of the old Civil Code precluding Shotwell's claim for interest.

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

1. ****Condonation of Interests:**** The Court affirmed that there was no total condonation of

the interests from October 1, 1943, to December 31, 1945. Gotamco's general manager, Go Lang's testimony on an alleged verbal condonation was deemed incredible considering prior and continued business improvements capable of making payments.

2. **Revaluation of Payments:** The 1944 payments amounting to P30,000.00 in Japanese war notes were subject to revaluation. The Court agreed that payments were to be revaluated based on the Ballantyne Scale and not necessarily contingent on any specific law's enactment or the Ballantyne proposal's adoption.

3. **Satisfaction of Obligation:** Revaluating the 1944 payments and considering post-liberation sums, the Court concluded that Gotamco still owed Shotwell. The initial receipts post-liberation and the deed of release of mortgage indicated amounts subject to final recomputation.

4. **Article 1110, Old Civil Code:** The Court determined that this provision did not bar Shotwell's claims for interest since the receipts did not close Gotamco's account but left it open for further settlement, supported by consistent qualifiers indicating pending final settlement.

Doctrine:

- Non-Condonation of Debt Interests:** Written agreements are necessary for the condonation of interests, especially if prior interest reductions were documented.
- Revaluation Post-War Payments:** In scenarios where wartime currency depreciates heavily, revaluation agreements prevail, supported by constitutional readjustment clauses.
- Article 1110 and Open Accounts:** Receipt of partial payments without express unconditional final closure allows for pending disputes on remaining balances.

Class Notes:

- **Condonation of Debt:** Should be documented in writing, especially amidst economic fluctuations.
- **Revaluation of Payments:** For depreciated wartime currencies, revaluation is foundational, as indicated by the Ballantyne Scale used in post-war Philippine jurisprudence.
- **Article 1110, Old Civil Code:** Applies when payments are received without specifying a final settlement, leaving room for continuation of claims.

Historical Background:

- The case highlights the economic complexities in post-WWII Philippines, particularly

dealing with financial transactions during Japanese occupation and the subsequent establishment of monetary valuations. The Ballantyne Scale became a practical standard for converting wartime notes back into domestic currency values. This period marks significant legal precedents regarding financial stability, government policy influence on private contracts, and economic rehabilitation post-occupation.