

**TRADE AND INVESTMENT DEVELOPMENT CORPORATION OF THE
PHILIPPINES [FORMERLY PHILIPPINE EXPORT AND FOREIGN LOAN
GUARANTEE CORPORATION OR PHILGUARANTEE],
PLAINTIFF-APPELLANT, VS. PH...**

Ponente: CARANDANG, J.

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CARANDANG, J.:

After a careful and judicious consideration of the arguments raised by defendant-appellee Philippine British Assurance Company (PBAC) in its Motion for Reconsideration, We find no sufficient basis to modify or reverse Our Decision sought to be reconsidered.

Contrary to the argument of PBAC that the validity of the surety bond was only up to November 13, 1983, the evidence on record indubitably show that the coverage of the surety bond was extended for another period of one year from November 13, 1983 to November 13, 1984. The subsequent Endorsement issued by PBAC specifically provides that: “the bond is extended for another period of one (1) year beginning November 13, 1983 to November 13, 1984, provided that PHILGUARANTEE shall have a period of ninety-one (91) days after the expiration date within which to present its claim for payment hereunder”.[1] Inasmuch as the coverage of surety bond was extended up to November 13, 1984, the ninety-one day period from which TIDCORP shall present its claim for payment will expire on February 12, 1985. Hence, when PBAC received the letter of demand of TIDCORP on December 4, 1984, only twenty one (21) days had lapsed from the expiration of the coverage of the surety bond on November 13, 1984, which was well within the period of presenting claim for payment.

On the issue of prescription, We do not subscribe to the argument of PBAC that the subsequent final demand letter of PHILGUARANTEE did not interrupt the prescriptive period for TIDCORP to file its action. Law and jurisprudence is clear that an extra-judicial demand effectively interrupts the period of prescription.[2] The interruption of the prescriptive period by written extrajudicial demand means that the said period would commence anew from the receipt of the demand.³ Thus, in the case of Permanent and saving Loan Bank vs. Velarde,[4] the Supreme Court, citing the leading case of The Overseas Bank of Manila vs. Geraldez[5] categorically stated that the correct meaning of interruption as distinguished from mere suspension or tolling of the prescriptive period is that said period would commence anew from the receipt of the demand. It is undisputed in this case that before the lapse of the original period of prescription on December 4, 1994, PHILGUARANTEE sent a final letter of demand to PBAC on July 26, 1994. When PBAC, as admitted by its counsel, received the said final demand letter,[6] the period of prescription commenced anew. While the records do not show the exact date when the final demand letter was received by PBC, the filing of TIDCORP of its Complaint on November 20, 2000, is still well under the prescriptive period.

From the foregoing discussions, it is clear that PBAC cannot invoke laches to bar the cause of action of TIDCORP which was filed within the prescriptive period allowed by law. Jurisprudence is to the effect that courts should never apply the doctrine of laches earlier than the expiration of time limited for the commencement of actions at law.[7]

WHEREFORE, the Motion for Reconsideration of defendant-appellee Philippine British Assurance Company is hereby DENIED for lack of merit.

SO ORDERED.

Gonzales-Sison, and Sorongon, JJ., concur.

[*] Zero Backlog Project (ZBP) 2013.

[1] Exhibit “6”, Record, p. 326.

[2] Article 1155, Civil Code. The prescription of actions is interrupted when they are filed before the court, when there is a written extrajudicial demand by the creditors, and when there is any written acknowledgement of the debt by the debtor.

[3] Ledesma vs. Court of Appeals, G.R. No. 106646, June 30, 1993.

[4] Permanent and saving Loan Bank vs. Velarde, G.R. No. 140608, September 23, 2004.

[5] G.R. No. L-46541, December 28, 1979.

[6] TSN, January 13, 2003, p. 11.

[7] National Commercial Bank of Saudi Arabia vs. Court of Appeals, G.R. No. 124267, January 28, 2003.

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