

VITARICH CORPORATION, PLAINTIFF-APPELLEE, VS. SPS. MA. THERESA L. GACUS AND FRANCISCO R. GACUS, DEFENDANTS-APPELLANTS.

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SANTOS, J.:^[1]

This is an appeal from the Decision^[2] dated 16 September 2012 rendered by the Regional Trial Court, 10th Judicial Region, Branch 18^[3] of Cagayan de Oro City (trial court) in a case docketed as Civil Case No. 2010-291 for collection of sum of money, damages and attorney's fees. The dispositive portion of the assailed Decision reads:

WHEREFORE, premises considered, judgment is hereby rendered, as follows:

(1)

Ordering defendants spouses Ma. Theresa L. Gacus and Francisco R. Gacus to pay plaintiff Vitarich Corporation, represented by Ronan Ceasar T. Donayre, the sum of Nine Hundred Sixty Seven Thousand Six Hundred Pesos (Php967,600.00) plus Twenty Four Percent (24%) interest per annum to be computed from the filing of this case on October 11, 2010 until the obligation is paid in full.

(2)

Ordering defendants spouses Ma. Theresa L. Gacus and Francisco R. Gacus to pay plaintiff Vitarich Corporation, represented by Ronan Ceasar T. Donayre, the sum of Php75,000.00 as attorney's fees and Php 24,000.00 as costs of suit.

SO ORDERED.^[4]

The Antecedents

The instant appeal stemmed from a Complaint^[5] filed by plaintiff-appellee, Vitarich Corporation, on 11 October 2010 against defendants-appellants Spouses Ma. Theresa L. Gacus and Francisco R. Gacus for collection of sum of money, damages and attorney's fees. Plaintiff-appellee's Complaint alleged as follows:

x x x x x x x x

2. That Plaintiff is in the business, among others, of producing and selling of aqua feeds and Defendants were one of their customers;

3. That between the period: August 11, 2009 up to September 24, 2009, the Defendants acquired aqua feeds from Plaintiff under credit terms. x x x;

4. That defendants failed to pay their obligations when it fell due in the total amount of P967,600.00 (exclusive of interest at 2% per month and other charges) and despite letter of demand sent to them the same was not settled until the present. x x x;

5. That defendants sent a letter promising that she will settle her account after the 2010 elections but until the filing hereof, defendants still were not able to settle any portion of their account; x x x;
6. That Plaintiff was constrained to engage the services of counsel for the filing of the instant case and committed to pay the latter the amount equivalent to 25% of the recoverable amount;
7. That Plaintiff would be constrained to spend litigation expenses in the prosecution of the instant case in the amount of not less than P60,000.00;[6]

On 19 October 2010, the trial court issued Summons[7] requiring defendants-appellants to file their answer to plaintiff-appellee's Complaint within fifteen (15) days from notice. On 22 November 2010, summons was served by the trial court Sheriff, Niza P. Tacandong, by tendering the same, as well as a copy of the Complaint, to a certain Marlon S. Daarol. The Sheriff's Return of Summons[8] states:

THIS IS TO CERTIFY that on November 22, 2010, the undersigned tendered Summons, together with a copy of the Complaint and its Annexes to Mr. Marlon S. Daarol, a house helper, at Blk. 4, Lot 2, Regency Plains Subd., Iponan, Cagayan de Oro City, a person of suitable age and discretion, residing therein, who refused to receive and acknowledge receipt thereof.

Service of summons was tendered due to the following justifiable reasons: As informed by Marlon S. Daarol, Defendant-Spouses Ma. Theresa L. Gacus and Francisco R. Gacus are both in their farm located at Magsaysay, Misamis Oriental and does not know the fixed date of their return.

The original copy of the Summons is, therefore, respectfully returned, DULY SERVED.[9]

On 7 March 2011, plaintiff-appellee filed a Motion to Declare Defendants in Default[10] on the ground of defendants-appellants failure to file their Answer despite service of summons upon them. Plaintiff-appellee thus prayed that it be allowed to present its evidence ex parte.

Subsequently, on 28 March 2011, defendants-appellants filed a Motion to Defer Resolution of Plaintiff's Motion to Declare Defendants' in Default.[11] In the said Motion, defendants-appellants posited that they were not personally served copy of the Summons together with the Complaint. Defendants-appellants thus prayed:

x x x x x x x x

That in order that Defendants Spouses could intelligently react thereto, Defendants now earnestly pray that he (sic) given the details of the following:

- 1) Name of the alleged helper of Defendants who received the summons.
- 2) The date the alleged helper of the house, received the pleadings and summons.
- 3) Photocopy of the Sheriff's Return of Service

WHEREFORE, pending submission of the requested document, is (sic) is prayed that the Resolution to Declare Defendants in Default be deferred. And or, for Plaintiff to please complete its incomplete sentences.[12]

Thereafter, the trial court issued an Order[13] dated 15 April 2011 referring the case to the Philippine Mediation Center (PMC) of Cagayan de Oro City for mediation and suspending the proceedings of the case for thirty (30) days. Consequently, on 16 May 2011, the trial Court issued an Order[14] directing the parties to personally appear before the PMC for the mediation proceedings.

On 10 June 2011, plaintiff-appellee filed a Manifestation with Motion[15] praying that the trial court reconsider the Order dated 15 April 2011 and the Order 16 May 2011 and that the trial court issue an order declaring

defendants-appellants in default. On 13 June 2011, the PMC submitted its Mediator's Report[16] stating that the case was being referred back to the trial court per request of plaintiff-appellee. The trial court then set the case for Judicial Dispute Resolution (JDR) through an Order[17] dated 2 August 2011.

On 17 August 2011, the trial court issued an Order[18] declaring defendants-appellants in default as prayed for by plaintiff-appellee. In the same Order, the trial court cancelled the JDR of the case scheduled on 5 September 2011.[19] On 5 September 2011, the trial court set the case for the ex parte presentation of plaintiff-appellee's evidence.[20]

Thereafter, defendants-appellants filed a Motion for Reconsideration[21] assailing the Order dated 17 August 2011 and the Order dated 5 September 2011 issued by the trial court.

On 14 November 2011, the trial court Sheriff, Niza P. Tacandong, filed a Manifestation[22] stating as follows:

X X X X X X X X

That I made three (3) attempts in serving the summons, October 27, 2010, November 12, 2010 and November 22, 2010, respectively.

That on the first and second attempts, nobody was in the house of the defendants.

That it was only on November 22, 2010 that I was able to serve the summons thru substituted service.

That the undersigned admits that it should have been "substituted service" indicated in my return and not "tendered", and left a copy to Mr. Marlon S. Daarol, who refused to receive and acknowledge receipt.

That there were four (4) people/helpers present during the service of summons. That the three helpers pointed Mr. Daarol to receive the summons with complaint since he is permanently staying in the defendants' residence and trusted by them.

That Mr. Daarol did not inform the undersigned that he is only a truck driver.

That I instructed Mr. Daarol to contact the defendants immediately and inform them about the case.[23]

In an Order[24] dated 29 February 2012, the trial court denied defendants-appellants' Motion for Reconsideration. Thereafter, the case was set anew for presentation of plaintiff-appellee's evidence ex parte on 15 May 2012.[25]

On 15 May 2012, plaintiff-appellee presented its evidence ex parte through the testimonies of Diosdoro Josol, Jr. and Lorelie Acuzar.[26] Plaintiff-appellee likewise presented the following documents as evidence:

Exhibit "A" to "A-2" - Philippine National Bank check, the "DAIF notation and check return slip.

Exhibit "B" to "B-1" - Demand Letter dated November 24, 2009 and the registry receipt.

Exhibit "C" to "C-5B" - Charge Sales Invoice and provision numbers 5 and 6 (back portion of charge sales invoice.

Exhibit "D" to "D-2" - Demand Letter dated December 12, 2009, Statement of Account and registry receipt.

Exhibit “E” to “E-1” - Demand Letter dated January 11, 2010 and registry receipt.

Exhibit “F” to “F-2” - Promissory Letter from Mrs. [Gacus] dated February 23, 2010, signature of Mrs. [Gacus] and the amount Php 967,000.00.

Exhibit “G” to “G-1-2” - Credit application of the defendants, signature specimen card and the signatures of the defendants.

Exhibit “H” to “H-3” - Re-evaluation form, amount of credit arrangement, and attachments, and

Exhibit “I” to “I-5” - Official Receipts of Docket and Filing fees.[27]

After plaintiff-appellee formally offered its evidence on 31 May 2012, the case was deemed submitted for decision.[28]

On 16 September 2012, the trial court rendered the assailed Decision in favor of plaintiff-appellee and against defendants-appellants.

Hence, this appeal.

Assignment of Errors

Defendants-appellants raise the following errors in this appeal:[29]

I –

THAT THE COURT A QUO GROSSLY ERRED IN DECLARING DEFENDANTS IN DEFAULT DESPITE CLEAR EVIDENCE OF IMPROPER SERVICE OF SUMMONS, AMOUNTING TO LACK OF JURISDICTION AND/OR GRAVE ABUSE OF DISCRETION.

II –

THAT THE COURT A QUO ACTED WITH GRAVE ABUSE OF DISCRETION WHEN IT RECALLED ITS ORDER DATED APRIL 15, 2011, REFERRING THE CASE TO THE PHILIPPINE MEDIATION CENTER, CAGAYAN DE ORO CITY, FOR MEDIATION, AND ITS ORDER DATED AUGUST 2, 2011, REQUIRING THE PARTIES TO APPEAR FOR JUDICIAL DISPUTE RESOLUTION; AND

III –

THAT THE COURT A QUO GRAVELY ERRED IN GRANTING THE RELIEFS PRAYED FOR IN THE COMPLAINT DESPITE UTTER LACK AND/OR INSUFFICIENCY OF EVIDENCE.[30]

This Court’s Ruling

Defendants-appellants argue that the trial court erred in declaring them in default considering that there was no proper service of summons in accordance with Sections 6 and 7 of the Rules of Court. Specifically,

defendants-appellants argue in their Appellant's Brief:

A perusal of the sheriff's Return of Summons x x x readily reveals that it does not (a) indicate the impossibility of service of Summons in person within a reasonable time; (b) specify the efforts exerted by the sheriff to locate the defendants; and (c) state that it was served on a person of sufficient age and discretion residing therein. The sheriff did not even attempt to ask for and locate the business office of the defendants which, turned out to be located in the same locality where the defendants reside. The sheriff did not even come on a Saturday or a Sunday where Filipino housemasters are usually at home. The Sheriff did not even find out the exact age of the supposed househelper to whom he tendered the Summons, but who refused to receive the same.[31]

The aforesaid provisions of the Rules of Court state:

Section 6. Service in person on defendant.- Whenever practicable, the summons shall be served by handing a copy thereof to the defendant in person, or, if he refuses to receive and sign for it, by tendering it to him.

Section 7. Substituted service.- If, for justifiable causes, the defendant cannot be served within a reasonable time as provided in the preceding section, service may be effected (a) by leaving copies of the summons at the defendant's residence with some person of suitable age and discretion then residing therein, or (b) by leaving the copies at defendant's office or regular place of business with some competent person in charge thereof.

In relation to the provisions stated above, the Supreme Court has emphasized that personal service of summons should and always be the first option, and it is only when the said summons cannot be served within a reasonable time can the process server resort to substituted service.[32]

In the case of *Manotoc v. Court of Appeals*,[33] the Supreme Court laid down the guidelines for a valid substituted service of summons:

(1) Impossibility of Prompt Personal Service

The party relying on substituted service or the sheriff must show that defendant cannot be served promptly or there is impossibility of prompt service. Section 8, Rule 14 provides that the plaintiff or the sheriff is given a "reasonable time" to serve the summons to the defendant in person, but no specific time frame is mentioned. "Reasonable time" is defined as "so much time as is necessary under the circumstances for a reasonably prudent and diligent man to do, conveniently, what the contract or duty requires that should be done, having a regard for the rights and possibility of loss, if any[,] to the other party." Under the Rules, the service of summons has no set period. However, when the court, clerk of court, or the plaintiff asks the sheriff to make the return of the summons and the latter submits the return of summons, then the validity of the summons lapses. The plaintiff may then ask for an alias summons if the service of summons has failed. What then is a reasonable time for the sheriff to effect a personal service in order to demonstrate impossibility of prompt service? To the plaintiff, "reasonable time" means no more than seven (7) days since an expeditious processing of a complaint is what a plaintiff wants. To the sheriff, "reasonable time" means 15 to 30 days because at the end of the month, it is a practice for the branch clerk of court to require the sheriff to submit a return of the summons assigned to the sheriff for service. The Sheriff's Return provides data to the Clerk of Court, which the clerk uses in the Monthly Report of Cases to be submitted to the Office of the Court Administrator within the first ten (10) days of the succeeding month. Thus, one month from the issuance of summons can be considered "reasonable time" with regard to personal service on the defendant.

Sheriffs are asked to discharge their duties on the service of summons with due care, utmost diligence, and reasonable promptness and speed so as not to prejudice the expeditious dispensation of justice. Thus, they are enjoined to try their best efforts to accomplish personal service on defendant. On the other hand, since the defendant is expected to try to avoid and evade service of summons, the sheriff must be resourceful, persevering, canny, and diligent in serving the process on the defendant. For substituted service of summons to

be available, there must be several attempts by the sheriff to personally serve the summons within a reasonable period [of one month] which eventually resulted in failure to prove impossibility of prompt service. "Several attempts" means at least three (3) tries, preferably on at least two different dates. In addition, the sheriff must cite why such efforts were unsuccessful. It is only then that impossibility of service can be confirmed or accepted.

(2) Specific Details in the Return

The sheriff must describe in the Return of Summons the facts and circumstances surrounding the attempted personal service. The efforts made to find the defendant and the reasons behind the failure must be clearly narrated in detail in the Return. The date and time of the attempts on personal service, the inquiries made to locate the defendant, the name/s of the occupants of the alleged residence or house of defendant and all other acts done, though futile, to serve the summons on defendant must be specified in the Return to justify substituted service. The form on Sheriff's Return of Summons on Substituted Service prescribed in the Handbook for Sheriffs published by the Philippine Judicial Academy requires a narration of the efforts made to find the defendant personally and the fact of failure. Supreme Court Administrative Circular No. 5 dated November 9, 1989 requires that "impossibility of prompt service should be shown by stating the efforts made to find the defendant personally and the failure of such efforts," which should be made in the proof of service.

(3) A Person of Suitable Age and Discretion

If the substituted service will be effected at defendant's house or residence, it should be left with a person of "suitable age and discretion then residing therein." A person of suitable age and discretion is one who has attained the age of full legal capacity (18 years old) and is considered to have enough discernment to understand the importance of a summons. "Discretion" is defined as "the ability to make decisions which represent a responsible choice and for which an understanding of what is lawful, right or wise may be presupposed". Thus, to be of sufficient discretion, such person must know how to read and understand English to comprehend the import of the summons, and fully realize the need to deliver the summons and complaint to the defendant at the earliest possible time for the person to take appropriate action. Thus, the person must have the "relation of confidence" to the defendant, ensuring that the latter would receive or at least be notified of the receipt of the summons. The sheriff must therefore determine if the person found in the alleged dwelling or residence of defendant is of legal age, what the recipient's relationship with the defendant is, and whether said person comprehends the significance of the receipt of the summons and his duty to immediately deliver it to the defendant or at least notify the defendant of said receipt of summons. These matters must be clearly and specifically described in the Return of Summons.

(4) A Competent Person in Charge

If the substituted service will be done at defendant's office or regular place of business, then it should be served on a competent person in charge of the place. Thus, the person on whom the substituted service will be made must be the one managing the office or business of defendant, such as the president or manager; and such individual must have sufficient knowledge to understand the obligation of the defendant in the summons, its importance, and the prejudicial effects arising from inaction on the summons. Again, these details must be contained in the Return.[34]

Thus, it has been held that the failure to comply faithfully, strictly, and fully with all the requirements of substituted service renders the service of summons ineffective.[35]

However, the Supreme Court has stressed that an overly strict application of the foregoing rules is frowned upon and that it is the spirit, rather than the letter of the procedural rules, that governs.[36]

In this case, this Court finds that the court Sheriff duly complied with the requisites for a valid substituted service of summons.

The court Sheriff, Niza P. Tacandong, declared that she attempted to serve summons personally on defendants-appellants three (3) times, specifically, on 27 October 2010, 12 November 2010, and lastly on 22 November 2010.[37] During the first and second attempts, service of summons could not be made because there was nobody in the house of defendants-appellants.[38] Then, on 22 November 2010, the court Sheriff was informed by Marlon S. Daarol, one of the house helpers of defendants-appellants, that defendants-appellants were in their farm located in Magsaysay, Misamis Oriental and that he did not know when the spouses would return.[39] Thus, the court Sheriff was constrained to avail of substituted service of summons by leaving a copy of the same, as well as copies of the Complaint and its Annexes, with Marlon S. Daarol after the latter refused to receive and acknowledge receipt thereof.[40]

The foregoing shows that the court Sheriff exerted earnest efforts to serve summons personally on defendants-appellants and that the same could not possibly be made within a reasonable time due to the fact that defendants-appellants could not be found in their place of residence and it was not certain when the latter would return.

Also, the Sheriff's Return of Summons clearly states that summons was left or tendered to a person of suitable age and discretion.[41] Further, the court Sheriff declared that she instructed Mr. Daarol to contact defendants-appellants immediately and inform the latter about the case.[42]

It is important to stress that the Sheriff's Return is prima facie evidence of the facts it states.[43] Moreover, in the absence of contrary evidence, a presumption exists that a sheriff has regularly performed his official duty.[44] In order to overcome the presumption arising from the sheriff's certificate, the evidence must be clear and convincing.[45] In this case, apart from their bare allegations, no evidence was presented by defendants-appellants to prove that the court Sheriff failed to perform her official duty in effecting substituted service of summons.

Despite the valid substituted service of summons upon defendants-appellants, the latter failed to file their Answer to plaintiff-appellee's Complaint. As a consequence, the trial court declared defendants-appellants in default and set the case for the presentation of plaintiff-appellee's evidence ex parte.

Section 3, Rule 9 of the Rules of Court expressly provides:

Section 3. Default; declaration of.- If the defending party fails to answer within the time allowed therefore, the court shall, upon motion of the claiming party with notice to the defending party, and proof of such failure, declare the defending party in default. Thereupon, the court shall proceed to render judgment granting the claimant such relief as his pleading may warrant, unless the court in its discretion requires the claimant to submit evidence. Such reception of evidence may be delegated to the clerk of court

x x x x x x x x

Considering that summons was validly served upon defendants-appellants through substituted service, it was incumbent upon them to file their Answer within the period prescribed by the trial court. However, defendants-appellants failed to do so. Therefore, the trial court committed no error in declaring defendants-appellants in default and allowing plaintiff-appellees to present their evidence ex parte in accordance with above-stated rule.

As regards the second assignment of error, defendants-appellants argue that the trial court acted with grave abuse of discretion when it recalled its Order referring the case to the Philippine Mediation Center for mediation proceedings.

Defendants-appellants' argument deserves scant consideration.

As pointed out by the trial court in its 17 August 2011 Order, the Mediator referred the case back to the trial court as shown in the Mediator's Report dated 13 June 2011. Thus, as correctly ruled by the trial court, the issue of whether or not it was premature for the case to be referred to the PMC for mediation proceedings was rendered moot and academic.

Further, as earlier discussed, defendants-appellants were already in default for their failure to file their Answer. It must be stressed that a defendant who fails to file his answer loses his standing in court.⁴⁶ Defendants-appellants having been declared in default, there was no longer any reason for the parties to undergo mediation or Judicial Dispute Resolution proceedings.

Anent the third assignment of error, defendants-appellants claim that the trial court gravely erred in granting the reliefs prayed for in plaintiff-appellee's Complaint despite insufficiency of evidence.

Notwithstanding a default order against the defendant, the rule is that the plaintiff must still prove the allegations of his complaint by preponderance of evidence.^[47] As the Supreme Court has ruled:

As in other civil cases, the burden of proof rests upon the party who, as determined by the pleadings or the nature of the case, asserts an affirmative issue. Contentions must be proved by competent evidence and reliance must be had on the strength of the party's own evidence and not upon the weakness of the opponent's defense. This applies with more vigor where, as in the instant case, the plaintiff was allowed to present evidence ex parte. The plaintiff is not automatically entitled to the relief prayed for. The law gives the defendant some measure of protection as the plaintiff must still prove the allegations in the complaint. Favorable relief can be granted only after the court is convinced that the facts proven by the plaintiff warrant such relief. Indeed, the party alleging a fact has the burden of proving it and a mere allegation is not evidence.^[48]

Thus, the question to be resolved is whether plaintiff-appellee was able to present sufficient evidence to prove its claims against defendants-appellants.

This Court rules in the affirmative.

Plaintiff-appellee presented as witnesses its District Sales Manager, Mr. Diodoro Josol, Jr., and its Assistance Credit and Collection Officer, Lorelei S. Acuzar, who testified that defendants-appellants applied for and were granted a credit line by defendants-appellants for the purchase of aqua feeds.^[49] The Credit Re-evaluation Form^[50] dated 25 August 2009 shows that defendants-appellants were granted a credit line in the amount of Php 900,000.00 for the purchase of aqua feeds on credit, payable in sixty (60) days.

The evidence on record likewise shows that defendants-appellants purchased aqua feeds from plaintiff-appellee in the total amount of Php 967,600.00 as shown by Charge Sales Invoice Nos. 32959,^[51] 32966,^[52] 32995,^[53] 33302,^[54] 33323,^[55] and 33339^[56] as well as the Statement of Account^[57] dated 8 January 2010. According to plaintiff-appellee witness Diodoro Josol, Jr., the Charge Sales Invoices were signed by defendant-appellant Ma. Theresa L. Gacus herself.

Defendants-appellants, however, failed to pay their credit obligation prompting plaintiff-appellee to send a Letter^[58] dated 12 December 2009 informing the former of their overdue account in the amount of Php 967,000.00.

In response, defendant-appellant Ma. Theresa L. Gacus executed a Letter^[59] dated 23 February 2010 whereby she acknowledged the obligation in favor of plaintiff-appellee and promised to settle the account in the amount of Php 967,600.00.

On this note, defendants-appellants argue that plaintiff-appellee failed to establish the genuineness and due

execution of the Charge Sales Invoices and the Promissory Letter executed by defendant-appellant Ma. Theresa L. Gacus.

Defendants-appellants' arguments must fail.

Section 8, Rule 8 of the Rules of Court states:

Section 8. How to contest such documents.- When an action or defense is founded upon a written instrument, copied in or attached to the corresponding pleading as provided in the preceding section, the genuineness and due execution of the instrument shall be deemed admitted unless the adverse party, under oath, specifically denies them, and sets forth, what he claims to be the facts; but the requirement of an oath does not apply when the adverse party does not appear to be a party to the instrument or when compliance with an order for an inspection of the original instrument is refused.

In this case, defendants-appellants failed to specifically deny under oath the genuineness and due execution of the Charge Sales Invoices and the Letter dated 23 February 2010, both purportedly signed by defendant-appellant Ma. Theresa L. Gacus, when they failed to file their Answer to plaintiff-appellee's Complaint. In other words, the genuineness and due execution of the said documents were deemed admitted by defendants-appellants.

In sum, there can be no question that defendants-appellants are liable to pay their credit obligation of Php 967,600.00 in favor of plaintiff-appellee.

Corollarily, defendants-appellants are likewise liable for the payment of twenty four (24%) per annum on the overdue account, as well as the payment of attorney's fees and costs of suit as stipulated in the General Terms and Conditions of Sale embodied in the Charge Sales Invoice, to wit:

x x x x x x x x

- Seller reserves the right to demand payment in advance, if Buyer fails to make payment when due, seller shall have the right to demand payment, of all amount still owing to seller regardless of dates when contracted. Buyer agrees to pay interest at the rate of 24% per annum on all overdue account to commence fifteen (15) days after maturity of the credit. Payments of the amount due on this sale shall not be honored unless covered by a company's official receipt or provisional receipt on its numbered form.

- In case of litigation arising out of this transaction or to recover any indebtedness the parties hereby agree to submit themselves to the jurisdiction of the courts of Cagayan de Oro City, at the option of Vitarich Corporation. Buyer further agrees to pay seller an additional sum equivalent to 25% of the aggregate amount of indebtedness as and for attorney's fees, and to pay the costs of suit.

x x x x x x x x[60]

The case of *Nacar v. Gallery Frames*[61] provides for the guidelines as regards the computation of legal interest, as follows:

- When an obligation, regardless of its source, i.e., law, contracts, quasicontracts, delicts or quasi-delicts is breached, the contravenor can be held liable for damages. The provisions under Title XVIII on "Damages" of the Civil Code govern in determining the measure of recoverable damages.

- With regard particularly to an award of interest in the concept of actual and compensatory damages, the rate of interest, as well as the accrual thereof, is imposed, as follows:

1. When the obligation is breached, and it consists in the payment of a sum of money, i.e., a loan or forbearance of money, the interest due should be that which may have been stipulated in writing. Furthermore, the interest due shall itself earn legal interest from the time it is judicially demanded. In the absence of

stipulation, the rate of interest shall be 6% per annum to be computed from default, i.e., from judicial or extrajudicial demand under and subject to the provisions of Article 1169 of the Civil Code.

2. When an obligation, not constituting a loan or forbearance of money, is breached, an interest on the amount of damages awarded may be imposed at the discretion of the court at the rate of 6% per annum. No interest, however, shall be adjudged on unliquidated claims or damages, except when or until the demand can be established with reasonable certainty. Accordingly, where the demand is established with reasonable certainty, the interest shall begin to run from the time the claim is made judicially or extrajudicially (Art. 1169, Civil Code), but when such certainty cannot be so reasonably established at the time the demand is made, the interest shall begin to run only from the date the judgment of the court is made (at which time the quantification of damages may be deemed to have been reasonably ascertained). The actual base for the computation of legal interest shall, in any case, be on the amount finally adjudged.

3. When the judgment of the court awarding a sum of money becomes final and executory, the rate of legal interest, whether the case falls under paragraph 1 or paragraph 2, above, shall be 6% per annum from such finality until its satisfaction, this interim period being deemed to be by then an equivalent to a forbearance of credit.[62]

Thus, defendants-appellants are liable for the interest on the credit amount of Php 967,600.00 at the rate of twenty four percent (24%) per annum from the filing of the case on 11 October 2010 until this Court's Decision becomes final and executory. Thereafter, the total monetary award shall earn interest at the rate of six percent (6%) per annum until its satisfaction.

All in all, this Court holds that plaintiff-appellee was able to sufficiently establish its case against defendants-appellants by preponderance of evidence.

On a final note, there is no merit to defendants-appellants' claim that the proceedings before the trial court "appears to be fraught with mystery and suspicion." [63] To this Court's mind, the inconsistencies pointed out by defendants-appellants regarding the date of the submission of the Commissioner's Report and the date of the presentation of plaintiff-appellee's witnesses as reflected in the assailed Decision constitute nothing more than mere typographical errors and the same do not, in any way, show any irregularity in the proceedings before the trial court.

WHEREFORE, in view of the foregoing, the instant appeal is hereby DISMISSED. The Decision dated 16 September 2012 rendered by the Regional Trial Court, 10th Judicial Region, Branch 18 of Cagayan de Oro City is hereby AFFIRMED with modification in that the interest of twenty four percent (24%) on the outstanding amount of Php 967,600.00 shall be computed from the filing of the case on 11 October 2010 until this Court's Decision becomes final and executory. Further, the total monetary award shall earn interest at the rate of six percent (6%) per annum from finality of this Decision until its satisfaction.

SO ORDERED.

Lloren, J., Ch., and Contreras, JJ., concur.

[1] The case was unloaded to the undersigned ponente pursuant to Office Order No. 03-14-SMBP dated April 1, 2014 as part of his initial caseload.

[2] Rollo, pp. 26-33.

[3] Hon. Judge Dennis Z. Alcantar, presiding.

- [4] Rollo, pp. 32-33.
- [5] Records, pp. 3-5.
- [6] Records, pp. 3-4.
- [7] Records, p. 35.
- [8] Records, p. 36.
- [9] Ibid.
- [10] Records, pp. 54-55.
- [11] Records, pp. 62-63.
- [12] Ibid.
- [13] Records, p. 66.
- [14] Records, p. 72.
- [15] Records, pp. 73-74.
- [16] Records, p. 76.
- [17] Records, p. 77.
- [18] Records, pp. 78-79.
- [19] Ibid.
- [20] Records, p. 83.
- [21] Records, pp. 86-87.
- [22] Records, p. 106.
- [23] Records, p. 106.
- [24] Records, pp. 107-108.
- [25] Records, p. 119.
- [26] Records, p. 120.
- [27] Records, p. 134.
- [28] Records, p. 142.
- [29] Rollo, pp. 15-23.
- [30] Rollo, p. 13.
- [31] Rollo, p. 14.
- [32] Pascual v. Pascual, G.R. No. 171916, 4 December 2009.
- [33] G.R. No. 130974, 16 August 2006.
- [34] Ibid.

- [35] Sps. Jose v. Sps. Boyon, G.R. No. 147369, 23 October 2003.
- [36] Robinson v. Miralles, G.R. No. 163584, 12 December 2006.
- [37] Records, p. 106.
- [38] Ibid.
- [39] Records, p. 36.
- [40] Records, p. 106.
- [41] Records, p. 36.
- [42] Records, p. 106.
- [43] Gentle Supreme Philippines, Inc. v. Ricardo F. Consulta, G.R. No. 183182, 1 September 2010.
- [44] Joel R. Umandap v. Hon. Judge Jose L. Sabio, G.R. No. 140244, 29 August 2000.
- [45] Ibid.
- [46] Roberto Otero v. Roger Tan, G.R. No. 200134, 15 August 2012.
- [47] Erlinda Gajudo, et al. v. Traders Royal Bank, G.R. No. 151098, 21 March 2006.
- [48] Jacinto Saguid v. Court of Appeals, G.R. No. 150611, 10 June 2003.
- [49] TSN dated 15 May 2012, p. 4; TSN dated 15 May 2012, p. 12.
- [50] Folder of Exhibits for the plaintiff, Exhibit “H”.
- [51] Folder of Exhibits for the plaintiff, Exhibit “C-4”.
- [52] Folder of Exhibits for the plaintiff, Exhibit “C-3”.
- [53] Folder of Exhibits for the plaintiff, Exhibit “C-2”.
- [54] Folder of Exhibits for the plaintiff, Exhibit “C-1”.
- [55] Folder of Exhibits for the plaintiff, Exhibit “C”.
- [56] Folder of Exhibits for the plaintiff, Exhibit “C-5”.
- [57] Folder of Exhibits for the plaintiff, Exhibit “D-1”.
- [58] Folder of Exhibits for the plaintiff, Exhibit “D”.
- [59] Folder of Exhibits for the plaintiff, Exhibit “F”.
- [60] Folder of Exhibits for the plaintiff, Exhibit “C-5”, dorsal portion.
- [61] G.R. No. 189871, 13 August 2013.
- [62] Ibid.
- [63] Rollo, p. 22.

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