

**LAND SETTLEMENT AND DEVELOPMENT CORPORATION, PLAINTIFF  
AND APPELLEE, VS. CAROLINO MUNSAYAC, DEFENDANT AND  
APPELLANT.***G.R. No. L-14960. May 31, 1961*

Ponente: PADILLA, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/4262e701f548/>**PADILLA, J.:**

On 3 June 1957, in the Court of First Instance of Manila the Land Settlement and Development Corporation[1] brought an action against Carolino Munsayac to recover two sums of money and interests due thereon. It alleged, as first cause of action, that on 9 December 1946 the defendant purchased from the Agricultural Machinery and Equipment Corporation (AMEC) two tractors, crawler, International TD-9, for and in consideration of the sum of P9,777.50, payable by installment as follows: P2,444.38 upon the signing of the contract and P7,333.12 in three equal annual installments, the first, second and last installments to be due and payable on 9 December 1947 and on the same date every year thereafter, any amount remaining unpaid to bear interest at the rate of 4% per annum and the stipulated interest to be compounded upon failure to pay any installment due; and that to secure payment of the balance of the purchase price and interest thereon, the defendant executed a chattel mortgage on the said tractors in favor of the AMEC without prejudice to the right of the latter to exact fulfillment of the obligation undertaken by the defendant under the contract in an ordinary action (Annexes A & B); and as second cause of action, that on 29 April 1947 the defendant purchased from the same corporation two tractors, one model TD-18 and another model TD-9, for and in consideration of the sum of P5,922.50, payable by installment as follows: P1,480.61 upon the signing of the contract and P4,441.87 in three equal annual installments, the first, second and third installments to be due and payable on 29 April 1948 and on the same date every year thereafter, any amount remaining unpaid to bear interest at the rate of 4% per annum and the stipulated interest to be compounded upon failure to pay any installment due; and that to secure payment of the balance of the purchase price and the interest thereon, the defendant executed a chattel mortgage on the said tractors in favor of the AMEC, without prejudice to the right of the latter to exact fulfillment of the obligation undertaken by defendant under the contract in an ordinary action (Annexes C and D); and that as of 15 February 1957, the total amount of the defendant's indebtedness to the plaintiff on the two causes of action is P2,185.67, the unpaid balance of the purchase price of the four tractors and accumulated interest for failure to pay on time the installments due, stipulated at the rate of 4% per annum (Annex E); that notwithstanding repeated demands made by the plaintiff upon the defendant to pay his indebtedness, the latter has refused and failed to pay it; and that by reason of such refusal and failure to satisfy the plaintiff's claim, the plaintiff has incurred damages in the form of attorney's fees and expenses of litigation amounting to 25% of P2,185.67. It, therefore, prayed that the defendant be ordered to pay it the total sum of P2,185.67, with interest thereon at the rate of 4% per annum from 16 February 1957 to 3 June 1957 when the complaint was filed, and thereafter at the lawful rate until the whole amount be fully paid; 25% of P2,185.67 as attorney's fees; and the costs of the suit, and for other just and equitable relief (Civil No. 32687).

On 13 July 1957 the defendant filed a motion to dismiss the plaintiff's complaint on the ground that the Court has

no jurisdiction of the subject matter of the complaint and that the complaint states no cause of action. In support of his motion, he claimed that as shown in the statement of account, Annex E, his total indebtedness to the plaintiff is P1,927.28 only excluding interest; that under the provisions of section 44(c), in relation to section 88, of Republic Act No. 296, as amended, courts of first instance have original jurisdiction "in all civil cases in which the demand, exclusive of interest, or the value of the property in controversy, amounts to more than two thousand pesos;" that in view thereof the Court has no jurisdiction to hear and determine the plaintiff's claim; and that there being no allegation in the plaintiff's complaint that its claim had not yet been paid, it "has not alleged facts sufficient to constitute a cause of action against the defendant." On 30 July 1957 the plaintiff filed an objection to the defendant's motion to dismiss, disputing the defendant's claim. On 3 August 1957 the Court denied the defendant's motion to dismiss for lack of merit and ordered him to answer the complaint within ten days from receipt of notice of the order. On 20 August 1957 the defendant filed a motion for reconsideration of the foregoing order. On 7 September 1957 the Court denied the defendant's motion for reconsideration.

On 25 September 1957 the defendant filed his answer admitting the allegations contained in paragraphs 1 to 9 but denying the allegations contained in paragraph 10 of the complaint, claiming that the "plaintiff never made any extrajudicial demand for the payment of defendant's indebtedness;" and setting up the affirmative defenses that the court had no jurisdiction of the subject matter of the complaint for reasons already stated and that the plaintiff was not entitled to collect from him attorney's fees and expenses of litigation for lack of stipulation in their contract.

At the hearing held on 21 October 1958, neither the defendant nor his counsel appeared despite previous notice. On the same date the Court rendered judgment holding that—

\* \* \* By reason of the admission in defendant's answer there remains no question of fact to be tried by this Court and the only question is one of law. \* \* \*. Under Sections 4 and 5 of Article 2208, NCC, the Court may award attorney's fees even in the absence of any stipulation in the cases therein related, one of which is where the defendant acted in bad faith in refusing to satisfy plaintiff's plainly valid and demandable claim, and also in the case of a clearly unfounded proceeding against the plaintiff. In the mind of this Court these provisions apply squarely on the facts of the present case. (pp. 53, 54-55, rec. on app.)

and ordering the defendant—

\* \* \* to pay the plaintiff the sum of TWO THOUSAND ONE HUNDRED EIGHTY-FIVE PESOS AND SIXTY-SEVEN CENTAVOS (P2,185.67), with 4% interest thereon from February 16, 1967 until the filing of the complaint on June 3, 1957, and thereafter, at the legal rate of 6% until the whole amount is paid to the plaintiff, plus P200 as attorney's fees, and the costs of this action. (pp. 55, rec. on app.)

The defendant has appealed to this Court on questions of law only.

At the time of the filing of the appellee's complaint the jurisdictional amount originally cognizable by courts of first instance was limited to more than P2,000.[1]

The appellant presses the question of jurisdiction. It is a settled rule that when a party has several claims for money against another arising from different transactions, he may sue for recovery of the total amount in a single complaint.[2] The totality of his claims exclusive of costs and interests determines the jurisdictional amount of the court.[3]

It appears that the parties have stipulated that "any amount (of the purchase price or installment) remaining unpaid shall draw interest at the rate of 4% per annum" (Annexes A and C) and that unpaid interest shall be "compounded upon failure to pay the installments due" (Annexes B and D). It also appears in the statement of account, Annex E, that in the first account (C.F. No. 307), the appellant had an unpaid balance of P63.98 as of 3

June 1955 and P4.38 interest due thereon at the rate of 4% per annum from that date to 15 February 1957; that in the second account (C.F. No. 657), the appellant had an unpaid balance of P1,863.30 as of 20 September 1953 and P254.01 interest due thereon at the same rate from that date to 15 February 1957. Pursuant to the appellant's undertaking that interest unpaid shall be compounded or added to the principal indebtedness upon failure to pay the installments due, the interests due on the respective amounts became part of the principal. Adding up all the outstanding accounts unpaid and the interests due thereon, we have P2,185.67 as the total amount due from the appellant, which was then within the jurisdictional amount cognizable by the Court of First Instance.

Even if the interests of P4.38 and P254.01, or a total of P258.39, be excluded from the total amount of P2,185.67, claimed by the appellee, thereby reducing its claim to only P1,927.23, still the case remained within the jurisdiction of the Court of First Instance, because the appellee alleged in its complaint "that notwithstanding repeated demands made by the plaintiff (appellee) on the defendant (appellant) on the amounts of the First and Second Causes of Action, the latter has in gross and evident bad faith, neglected, failed, and refused and continues to neglect, fail and refuse to pay his account long overdue; and that by reason of the defendant's (appellant's) neglect, failure and refusal to satisfy the plaintiff's (appellee's) valid, just and demandable claim, the plaintiff (appellee) incurred damages in the form of attorney's fees and expenses of litigation amounting to 25% of P2,185.67, the plaintiff's (appellee's) claim under this complaint," and prayed that the appellant be ordered to pay it "damages in the form of attorney's fees amounting to 25% of P2,185.67, the plaintiff's (appellee's) claim under this complaint." Consequential damages and attorney's fees, when properly recoverable as an item of damage, are not excluded from the jurisdictional amount, is the rule in *Suanes vs. Almeda-Lopez*, 73 Phil. 573. Therefore, consequential damages and attorney's fees, when properly recoverable as an item of damage, is included in the jurisdictional amount. Article 2208 of the Civil Code provides that "In the absence of stipulation, attorney's fees and expenses of litigation, other than judicial costs, cannot be recovered, except; (5) Where the defendant acted in gross and evident bad faith in refusing to satisfy the plaintiff's plainly valid, just and demandable claim." Twenty-five per cent of P1,927.28 amounts to P481.82. Adding these two amounts, we have a total of P2,409.10, which brings the total claim of the appellee within the jurisdiction of the Court of First Instance.

The appellant in his answer having admitted the material averments of the appellee's complaint except paragraph 10, claiming that the latter did not make any extrajudicial demand for payment of his indebtedness, and not having introduced any evidence in support of its defense, is now precluded from raising questions tending to inquire into the facts of the case as alleged in the appellee's complaint and expressly admitted by him in the answer.

The appellant contests the legality of that part of the judgment ordering him to pay interest at the rate of 6% per annum from 4 June 1957 notwithstanding the fact that the stipulated rate is 4% per annum on unpaid accounts. In other words, he claims that the rate of interest for which he should be liable is only 4% per annum on unpaid accounts from the date the installments were due until they are fully paid. The appellant is in error. The 4% interest stipulated by him and the appellee is penalty for failure to pay on time the installments due while the 6% interest imposed by the trial court from 4 June 1957 is penalty for failure to satisfy the plaintiff's valid and demandable claim after extrajudicial demand. In the absence of stipulation for the latter eventuality, the lawful rate of 6% should be imposed. This the trial court correctly did.

The judgment appealed from is affirmed, with costs against the appellant.

Bengzon, C.J., Bautista Angelo, Labrador, Reyes, J.B.L., Paredes, Dizon, De Leon, and Natividad, JJ., concur.

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[1] The Agricultural Machinery and Equipment Corporation, which sold the four tractors in question to Carolino Munsayac, was created under the provisions of Commonwealth Act No. 694. On 4 October 1947, it was

converted into a department of the National Development Company (the Machinery and Equipment Department) and all its properties and assets were transferred and assigned to the said Company, pursuant to section 7, Executive Order No. 93, series of 1947 (43 Off. Gaz. 4547, 4549). On 23 October 1950 the Machinery and Equipment Department of the National Development Company was dissolved and the Land Settlement Development Corporation (LASEDECO) was created, and "the personnel, records, properties, equipment, assets, rights, choses in actions, obligations, liabilities, and contracts of the former were transferred to, vested in and assumed by the latter," pursuant to Executive Order No. 355, as authorized by Republic Act No. 422 (46 Off. Gaz. 4671-4676).

[1] Section 44(c), Republic Act No. 296. This section was amended on 1 August 1959 increasing the jurisdictional amount cognizable by court of first instance to more than P5,000 (Republic Act No. 2613)

[2] Soriano vs. Omila, 97 Phil., 62; 51 Off. Gaz., [7] 3465; Despo vs. Sta. Maria, 98 Phil., 305; 53 Off. Gaz., [12] 3759; Campos Rueda Corporation vs. Sta. Cruz Timber Co., 98 Phil., 627; 52 Off. Gaz., [3] 1387.

[3] Section 44 (c), in relation to section 88, Republic Act No. 296; Carlos vs. P. J. Kiener Construction Ltd., 100 Phil., 29; 52 Off. Gaz., [15] 6554.

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