

**TESTATE ESTATE OF THE DECEASED VALERIANA VELAYO,
AMANDA DE GUZMAN, ADMINISTRATRIX-APPELLANT, VS. FELINO
CH. FERNANDO AND MERCEDES T. DE FERNANDO,
CLAIMANTS-APPELLEES.**

G. R. No. L-4120. October 25, 1951

Ponente: BAUTISTA ANGELO, J.

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BAUTISTA ANGELO, J.:

The estate of the deceased Valeriana Velayo became indebted to Dr. Felino Ch. Fernando and his wife Mercedes T. Fernando because of a loan obtained by the deceased in the amount of P12,000 with an annual interest of 10 percent secured by two deeds of mortgage executed on September 15, 1942, and December 29, 1942.

The administratrix is agreeable to pay the principal of the loan but not the interests, invoking in her favor the moratorium law. It was agreed to sell the properties mortgaged and to pay out of the proceeds the principal in the amount of P12,000 with the understanding that the balance will be deposited in court until after the question as to whether the interests should be paid shall have been determined. After the parties had submitted their respective memoranda in support of their respective contentions, the court, on June 20, 1950, issued an order holding that the moratorium law has the effect of suspending merely the payment of the Interests, not of condoning them and, therefore, ordered the administratrix to pay said Interests In accordance with the stipulations agreed upon In the deeds of mortgage under consideration. Prom this order the administratrix appealed.

The only question to be determined is whether the moratorium law has the effect of condoning the interest due on a monetary obligation or of merely suspending its payment as in the case of the principal obligation.

Executive Order No. 25, as amended by Executive Order No. 32, provides:

"1.Enforcement of payment of all debts and other monetary obligations payable within the Philippines, except debts and other monetary obligations entered into in any area after declaration by Presidential Proclamation that such area has been freed from enemy occupation and control, is temporarily suspended pending action by the Commonwealth Government.

Interpreting the effect of moratorium law on a monetary obligation, this Court in a recent case said:

"The law on debt moratorium does not condone debts or the payments of obligations. It merely suspends collection and payment. The right to such suspension may be invoked by the debtor; but he may also waive or renounce it." (*Araneta vs. Marta Cui Vda. de Sanson*, Off.Gaz., 2849; 85 Phil. 142.).

It, therefore, appears that the moratorium law has merely the effect of suspending the collection or payment of the obligation. It does not condone the debt. Inasmuch as the interest is but an accessory to the obligation, the same must be deemed affected in the same manner. The accessory follows the principal. The moratorium order is couched in clear terms. It says that the enforcement of the payment of a debt or other monetary obligations "is temporarily suspended pending action by the Commonwealth Government". When the law Is clear there is no

room for interpretation.

In this connection, it would not be amiss to invite attention to Republic Act No. 401 approved by Congress on June 18, 1949, which provides for the condonation of all unpaid interests accruing from January 1, 1942, to December 31, 1945, on all obligations outstanding on December 8, 1941. Said Act condones all unpaid Interests due during the period above mentioned In favor of the Government or government-owned or controlled corporations under certain conditions. Section 1 of said Act contains a declaration of policy on the matter, and it says:

"SEC. 1. Declaration of policy.—Rehabilitation of those who have suffered the ravages of war constitutes a prime concern of the Government. In order to afford opportunities to debtors of the Government or Government-owned or controlled corporations to rehabilitate themselves, and to enable them to pay their pre-war obligations under terms and conditions beneficial to them, it is the declared policy of the State that the condonation of interests contemplated herein be extended."

While it is true that the condonation of interests is made only as regards debts due to the Government or any government-owned or controlled corporations, the declaration of policy is very significant for It indicates the trend of mind of the lawmaker regarding the effects of moratorium on monetary obligations. If the interests due on debts owed to the Government are not deemed condoned by virtue of the moratorium order so much so that an express legislation was necessary to effect their condonation, there is every reason to suppose that the Interests due on other kinds of monetary obligations are not likewise condoned simply because of the existence of the moratorium law. Said Act No. 401 is a clear indication that the moratorium law does not have the effect of condoning the interests but merely of suspending their payment as correctly interpreted by the lower court.

Wherefore, the order appealed from is affirmed, with costs against the appellant.

Paras, C. J., Feria, Pablo, Bengzon, Padilla, Tuason, Reyes, and Jugo, JJ., concur.

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