JESUS T. DAVID, PETITIONER, VS. THE COURT OF APPEALS, HON. EDGARDO P. CRUZ, MELCHOR P. PEÑA, AND VALENTIN AFABLE, JR., RESPONDENTS.

G.R. No. 115821. October 13, 1999

Ponente: QUISUMBING, J.

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QUISUMBING, J.:

This is a petition for review, under Rule 45 of the Rules of Court, seeking the reversal of the Decision dated May 30, 1994, of the Court of Appeals, Ninth Division, in CA-G.R. SP No. 32782.

The parties do not dispute the facts in this case. The dispute concerns only the execution of the Decision of the Regional Trial Court of Manila, Branch 27, in Civil Case No. 94781, dated October 31, 1979, as amended by an Order dated June 20, 1980.

The Regional Trial Court of Manila, Branch 27, with Judge Ricardo Diaz, then presiding, issued a writ of attachment over real properties covered by TCT Nos. 80718 and 10289 of private respondents. In his Decision dated October 31, 1979, Judge Diaz ordered private respondent Afable to pay petitioner P66,500.00 plus interest from July 24, 1974, until fully paid, plus P5,000.00 as attorney's fees, and to pay the costs of suit.

On June 20, 1980, however, Judge Diaz issued an Order amending said Decision, so that the legal rate of interest should be computed from January 4, 1966, instead of from July 24, 1974. The amended Decision in the decretal portion reads:

> "WHEREFORE, judgment is hereby rendered against the defendant, Valentin Afable Jr., ordering him to pay to the plaintiff the sum of P66,500.00 plus the legal rate of interest thereon from January 4, 1966 up to the time the same is fully paid plus the amount of P5,000.00 as and for attorney's fees and to pay the costs of the suit." ordering the private respondent Afable to pay the petitioner the sum of P66,500.00 plus the legal rate of interest thereon from July 24, 1974, plus the amount of P5,000.00 as attorney's fees and to pay the costs of suit"[1] (Emphasis ours.)

Respondent Afable appealed to the Court of Appeals and then to the Supreme Court. In both instances, the decision of the lower court was affirmed. Entries of judgment were made and the record of the case was remanded to Branch 27, presided at that time by respondent Judge Edgardo P. Cruz, for the final execution of the Decision dated October 31, 1979, as amended by the Order dated June 20, 1980.

Upon petitioner's motion, respondent Judge issued an Alias Writ of Execution by virtue of which respondent Sheriff Melchor P. Peña conducted a public auction. Sheriff Peña informed the petitioner that the total amount of the judgment is P270,940.52. The amount included a computation of simple interest. Petitioner, however, claimed that the judgment award should be P3,027,238.50, because the amount due ought to be based on compounded interest.

Although the auctioned properties were sold to the petitioner, Sheriff Peña did not issue the Certificate of Sale

because there was an excess in the bid price in the amount of P2,941,524.47, which the petitioner failed to pay despite notice. This excess was computed by the Sheriff on the basis of petitioner's bid price of P3,027,238.50 minus the amount of P270,940.52 computed in the judgment award.

On May 18, 1993, petitioner filed a Motion praying that respondent Judge Cruz issue an order directing respondent Sheriff Peña to prepare and execute a certificate of sale in favor of the petitioner, placing therein the amount of the judgment as P3,027,238.50, the amount he bid during the auction which he won. His reason is that compound interest, which is allowed by Article 2212 of the Civil Code, should apply in this case.

On July 5, 1993, respondent Judge issued an Order denying petitioner's Motion dated May 18, 1993, which pertinently states:

> "In accordance with CB Circular No. 416 and as construed in Reformina vs. Tomol (139 SCRA 260), legal interest on P66,500.00 corresponds to 6% per annum for the period January 4, 1966 to July 28, 1974 and 12% per annum from July 29, 1974 up to April 26, 1993, amounting to P34,180.92 and P149,582.32, respectively, or a grand total of P183,763.24.
>
> Conformably with the Sheriff's Computation of Interest dated April 26, 1993 and Supplemental Report dated June 14, 1993, the judgment as of April 26, 1993 amounted to P271,039.84, broken down as follows:
>
> Principal P 66,500.00
>
> Interest 183,763.24
>
> Attorney's fees 5,000.00
>
> Publication expenses 15,500.00
>
> Costs of suit 276.60
>
> Total P271,039.84

Considering that plaintiff's P3,027,238.50 bid exceeds the amount of his judgment, then he is not entitled to a certificate of sale without paying the 'excess' in the sum of P2,756,198.66 (Secs. 22 and 23 Rule 39, Rules of Court). And since plaintiff did not pay the 'excess', then the sale did not materialize and the sheriff 'may again sell the property to the highest bidder' (Sec. 22, Rule 39, id.)."[2]

On August 11, 1993, petitioner moved for reconsideration of the Order dated July 5, 1993, reiterating his Motion dated May 18, 1993.

On November 17, 1993, respondent Judge issued his Order denying the petitioner's motion for reconsideration.

Petitioner elevated said Orders to the Court of Appeals in a petition for certiorari, prohibition and mandamus. However, respondent appellate court dismissed the petition in a Decision dated May 30, 1994. Pertinent portions of said decision reads:

> " . . . In this case, the records show that no interest was stipulated by the parties. In the promissory note denominated as "Compromise Agreement" signed by private respondent which was duly accepted by petitioner, no interest was mentioned. In his complaint, petitioner merely prayed that defendant be ordered to pay plaintiff the sum of P66,500.00 with interest thereon at the legal rate from the date of filing of the complaint until fully paid." Clearly, there was no accrued conventional interest which could further earn interest when plaintiff-appellant made his judicial demand, thus, the respondent court awarded ' x x x the sum of P66,500.00 plus the legal rate of interest thereon x x x."
>
> "Further the Supreme Court in the same case [Referring to Philippine American Accident Insurance Company,

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> Inc. vs. the Hon. Jose P. Flores and Concordia G. Navalta, 97 SCRA 811; Rollo, p.9.] stressed that when the judgment ordered payment of simple legal interest only and nothing said about payment of compound interest, said interest should not be compounded. In this case, the decretal portion is clearly worded, that is, the legal rate of interest thereon from January 4, 1966. No mention or reference was made regarding compound interest. Ergo, the judgment award must be computed as simple legal interest only. (Emphasis ours.)
>
> "Foregoing considered, We find no grave abuse of discretion amounting to lack or excess of jurisdiction committed by public respondent judge in issuing the assailed orders
>
> "WHEREFORE, the petition is DENIED due course and is hereby DISMISSED.
>
> "SO ORDERED. "[3]

Petitioner now comes before the Court, claiming the appellate court committed the following errors in the abovecited decision:

> First Assigned Error
>
> THE RESPONDENT COURT OF APPEALS ERRED IN RULING THAT ARTICLE 2212 OF THE CIVIL CODE APPLIES ONLY WHERE THE PARTIES TO AN OBLIGATION STIPULATED OR AGREED TO PAY COMPOUNDED INTEREST.
>
> Second Assigned Error
>
> THE RESPONDENT COURT OF APPEALS ERRED IN CONFUSING LEGAL INTEREST (AS DISTINGUISHED FROM CONSENSUAL INTEREST) WITH SIMPLE INTEREST, JUST AS IT ALSO ERRED IN CONFUSING THE INTEREST ON THE PRINCIPAL WITH INTEREST ON THE INTEREST.
>
> Third Assigned Error
>
> THE RESPONDENT COURT OF APPEALS ERRED IN REFUSING TO APPLY THE SIMPLE MANDATE OF ARTICLE 2212 OF THE CIVIL CODE TO THE CASE AT BAR.
>
> Fourth Assigned Error
>
> THE RESPONDENT COURT OF APPEALS ERRED IN PROMULGATING ITS DECISION WHICH IS CLEARLY CONTRARY TO LAW.

Essentially, we find that the issue here is whether respondent appellate court erred in affirming respondent Judge's order for the payment of simple interest only rather than compounded interest.

Petitioner insists that in computing the interest due of the P66,500.00, interest should be computed at 6% on the principal sum of P66,500.00 pursuant to Article 2209 and then "interest on the legal interest" should also be computed in accordance with the language of Article 2212 of the Civil Code.[4] In his view, said article meant "compound interest".

However, this Court has already interpreted Article 2212, and defined the standards for its application in Philippine American Accident Insurance vs. Flores, 97 SCRA 811. As therein held, Article 2212 contemplates the presence of stipulated or conventional interest which has accrued when demand was judicially made. In cases where no interest had been stipulated by the parties, as in the case of Philippine American Accident Insurance, no accrued conventional interest could further earn interest upon judicial demand.[5]

In the said case, we further held that when the judgment sought to be executed ordered the payment of simple "legal interest" only and said nothing about payment of compound interest, but the respondent judge orders payment of compound interest, then, he goes beyond the confines of a judgment which had become final. Thus:

> " The judgment which was sought to be executed ordered the payment of simple "legal interest" only. It said nothing about the payment of compound interest. Accordingly, when the respondent judge ordered the payment of compound interest he went beyond the confines of his own judgment which had been affirmed by the Court of Appeals and which had become final. Fundamental is the rule that execution must conform to that ordained or decreed in the dispositive part of the decision. Likewise, a court can not, except for clerical errors or omissions amend a judgment that has become final (Jabon et. al. vs. Alo, et al., 91 Phil. 750 [1952]; Robles vs. Timario, et al., 107 Phil. 809 [1960] ; Collector of Internal Revenue vs. Gutierrez, et al., 108 Phil 215 [1960]; Ablaza vs. Sycip, et al., 110 Phil 4[1960].)
>
> "Private respondent invokes Sec.5 of the Usury Law . . . as well as Art.2212 of the Civil Code which stipulates: 'Interest due shall earn legal interest from the time it is judicially demanded, although the obligation may be silent upon this point.' Both legal provisions are in applicable (sic) for they contemplate the presence of stipulated or conventional interest which has accrued when demand was judicially made. (Sunico v. Ramirez, 14 Phil. 500[1909]; Salvador vs. Palencia, 25 Phil. 661[1913]; Bachrach vs. Golingco, 39 Phil 912[1919]; Robinson vs. Sackermann, 46 Phil. 539 [1924] ; Philippine Engineering Co. vs. Green, 48 Phil. 466 [1925]; and Cu Unjieng vs. Mabalacat Sugar Co., 54 Phil. 916 [1930].) ... In other words, there was no accrued conventional interests which could further earn interest upon judicial demand."

Note that in the case now before us, the Court of Appeals made the factual finding that " . . . no interest was stipulated by the parties. In the promissory note denominated as 'Compromise Agreement' signed by the private respondent which was duly accepted by petitioner no interest was mentioned. In his complaint, petitioner merely prayed that defendant be ordered to pay plaintiff the sum of P66,500.00 with interest thereon at the legal rate from the date of the filing of the complaint until fully paid."[6] Clearly here the Philippine American Accident Insurance ruling applies.

Petitioner also alleges that when the case was remanded to the trial court, respondent Judge, abused his discretion when he modified the Decision and amended its dispositive portion. He argues that when a decision has become final and executory, the court may no longer amend, revoke, nor alter the dispositive portion, and the only power of the court is to order its execution.

But the rule that once a judgment has become final and executory, it is the ministerial duty of the courts to order its execution is not absolute. It admits of certain exceptions.[7] One exception is that where facts and/or events transpire after a decision has become executory, which facts and/or events present a supervening cause or reason which renders the final and executory decision of the court no longer enforceable.[8] Under the law, the court may modify or alter a judgment even after the same has become executory whenever circumstances transpire rendering its execution unjust and inequitable, as where certain facts and circumstances justifying or requiring such modification or alteration transpired after the judgment has become final and executory.[9]

We earlier held that a case, in which an execution order has been issued, is still pending, so that all proceedings on the execution are still proceedings in the suit.[10] In the present case, after the case was remanded to the lower court, petitioner filed a motion for the issuance of an alias Writ of Execution. The motion was only finally resolved on July 5, 1993. When Central Bank Circular No. 416 took effect on July 29, 1974, the suit was still pending. Hence, when respondent Judge ordered the computation of legal interest for the execution of the amended October 31,1979 order, he correctly took judicial notice of the Court's pronouncement in Reformina vs. Tomol, Jr., 139 SCRA 260.

In Reformina, the Court applied Central Bank Circular No. 416 which took effect on July 29,1974, pursuant to P.D. 116, amending Act. 2655 (Usury Law) and raising the legal rate of interest from 6% to 12% per annum. Respondent Judge followed Reformina and did not err in modifying the Order of October 31, 1979. The passage of the Central Bank Circular No. 416 was a supervening event which happened after the decision had become

executory. Had respondent Judge failed to order the assailed amendment, the result would have been iniquitous. Hence, here, no error nor grave abuse of discretion could be ascribed to respondent Judge's order dated June 30, 1980. Likewise, respondent appellate court could not be faulted for affirming said order of respondent Judge.

WHEREFORE, the instant petition is DENIED. The Decision of the Court of Appeals dated May 30, 1994, in CA-G.R. SP NO. 32782 is hereby AFFIRMED. The records of the case are ordered remanded to the Regional Trial Court of Manila, Branch 27, for execution of the Decision in due course.

Costs against petitioner.

SO ORDERED.

Mendoza, Buena, and De Leon Jr., JJ., concur.

Bellosillo, J., (Chairman), on official leave.

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[1] Rollo, p. 27.

[2] Id. at 28-29.

[3] Id. at 29-30.

[4] Article 2212. Interest due shall earn legal interest from the time it is judicially demanded, although the obligation may be silent upon this point.

[5] Philippine American Accident Insurance Company, Inc. vs. Flores, 97 SCRA 811, 814 (1980).

[6] Supra, note 3.

[7] Rubio vs. MTCC, Branch 4, Cagayan de Oro City, 252 SCRA 172, 173 (1996).

[8] Flores vs. Court of Appeals, 259 SRA 618, 619 (1996);

[9] Aboitiz Shipping Employees Association vs. Trajano, 278 SCRA 387, 391 (1997);

[10] Balais vs. Velosa, 252 SCRA 707, 708 (1996).

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