GAMBOA, RODRIGUEZ, RIVERA & CO., INC., CIFRA & COMPANY, INC., AND ARCA & COMPANY, INC., PETITIONERS, VS. COURT OF APPEALS AND PHILIPPINE NATIONAL BANK, RESPONDENTS.

G.R. NO. 117456. May 06, 2005

Ponente: CORONA, J.

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CORONA, J.:

This petition for review on certiorari assails the decision[1] of the Court of Appeals dated September 29, 1993 and its resolution[2] denying petitioners' motion for reconsideration in CA-G.R. CV No. 28808.

The uncontroverted facts of the case follow.

> During the 1971-1972 crop year, the Pampanga Sugar Mills (PASUMIL) issued negotiable sugar quedans to several planters, who had their sugar milled, representing their share in the physical sugar. The planters negotiated/sold their quedans to several traders, among which were plaintiffs-appellees GARORICO, CIFRA and ARCA.
>
> In 1972, plaintiffs-appellees, upon presentation of the quedans to PASUMIL, discovered that the quedans were issued without any physical sugar to back them up.
>
> To solve the problem and to preserve the sanctity of sugar quedans, the Sugar Quota Administration conducted a conference with PASUMIL and sugar traders holding 1971-1972 outstanding quedans. It was agreed that no quedans covering the mill's production share of the 1972-1973 crop will be issued, and that the sugar shall be made available to service said outstanding quedans.
>
> Out of the physical sugar set aside and earmarked to service the unserviced quedans, plaintiffs-appellees were able to make partial withdrawals. During the crop year 1973-1974, physical sugar representing PASUMIL's mill share for said crop year was again set aside and earmarked to service the outstanding balance of the quedans.
>
> Plaintiffs-appellees, however, were not able to withdraw their respective shares in the earmarked physical sugar. On May 25, 1974, pursuant to Letter of Instructions No. 189-A and 311, PNB took over the management, control, operation and assets of PASUMIL. Consequently, the physical sugar earmarked from the mill share of PASUMIL for crop year 1973-1974 was not distributed to the creditors of PASUMIL (including herein plaintiffs-appellees).[3]

On October 19, 1981, petitioners filed a complaint for recovery of proceeds of the sale before the Regional Trial Court, Branch 30, Manila.

In the complaint, petitioners sought to recover the following amounts: GARORICO[4] – P1,601,283.20 for 10,008.02 piculs class A (export) sugar; CIFRA[5]- P1,083,811.20 for 6,773.82 piculs class A (export) sugar; and ARCA[6]- P1,577,265.60 for 9,857.91 piculs class B (domestic) sugar. The amounts were computed based on the

price of P160 per picul.

The petitioners also sought to recover from PNB P500,000 for actual damages incurred when they were compelled to purchase sugar from other sources and moral damages also in the amount of P500,000.

The trial court rendered a decision on October 12, 1988:[7]

> WHEREFORE, judgment is hereby rendered ordering the defendant Philippine National Bank to pay the plaintiffs as follows:
>
> - To plaintiff GARORICO the sum of SIX HUNDRED SIXTY THOUSAND FIVE HUNDRED TWENTY-NINE PESOS and THIRTY-TWO CENTAVOS (P660,529.32), with 14% interest thereon per annum from October 19, 1981 (date of the filing of the complaint) until fully paid;
>
> - To pay plaintiff CIFRA the sum of FOUR HUNDRED FORTY-SEVEN THOUSAND SEVENTY-TWO PESOS and TWELVE CENTAVOS (P447,072.12), with 14% interest thereon per annum from October 19, 1981 until fully paid;
>
> - To pay plaintiff ARCA the sum of FIVE HUNDRED FIFTY-TWO THOUSAND FORTY-TWO PESOS and NINETY SIX CENTAVOS (P552,042.96), with 14% interest thereon per annum from October 19, 1981 until fully paid;
>
> - To pay all the plaintiffs the sum of equivalent to TEN PERCENT (10%) of the total amount due as and for attorney's fees; and
>
> - The cost of suit.

In so ruling, the trial court stated:

> The computation should be revised, considering that during the conference attended by PNB representatives it was agreed that in the event PASUMIL opts for cash payment, the price per picul shall be P56.00 for domestic sugar and P66.00 for export sugar, with interest at 14% per annum.[8]

On appeal by both parties, the Court of Appeals affirmed the trial court's decision in toto. Petitioners' motion for reconsideration was likewise denied by the appellate court.

Hence, the instant petition.

The issues raised before us are:

> 1) whether or not petitioners were able to establish that the liability of PNB should be computed at P160 per picul of sugar (instead of P56 and P66 per picul);
>
> 2) whether actual and moral damages were duly proved and
>
> 3) whether the trial court was correct in ruling that the interest due petitioners should commence from the filing of the action in the trial court on October 19, 1981.

Should PNB's Liability Be Based on P160 or P56/P66 per Picul?

Petitioners presented Francisco Gamboa, President of Gamboa, Rodriguez, Rivera and Co., and Ernesto Santos, Vice-President of Cifra and Co., Inc. as witnesses. Both stated that the sugar was sold for P160 per picul. But because no receipts or other transactional documents were presented to prove their claim of P160 per picul, the trial court gave little credence to their testimonies.

We agree. Allegations in the complaint must be duly proven by competent evidence and the burden of proof is on

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the party making the allegation.

Petitioners could have easily moved for the production or inspection of documents and papers pertaining to the sale under Section 1, Rule 27 of the Revised Rules of Court.[9] They chose not to.

On the other hand, what carried more weight was the memorandum of then Sugar Quota Administrator Jose Unson, which embodied the agreement between the parties pegging the sugar price at P56 (domestic) and P66 (export) per picul, plus interest of 14% per annum.

The agreement or contract between the parties is the formal expression of the parties' rights, duties and obligations. It is the best evidence of the intention of the parties.[10] Thus, when the terms of an agreement have been reduced to writing, it is considered as containing all the terms agreed upon and there can be, between the parties and their successors in interest, no evidence of such terms other than the contents of the written agreement.[11]

Their agreement therefore bound the parties and P56/P66 per picul should be the basis of PNB's liability.

Were Actual and Moral Damages Proven?

We affirm the ruling of the trial court that there was no proof to support the award of actual and moral damages. No evidence was presented as to how much petitioners lost.

Article 2199 of the Civil Code provides:

> Except as provided by law or by stipulation, one is entitled to an adequate compensation only for such pecuniary loss suffered by him as he has duly proved. Such compensation is referred to as actual or compensatory damages.

The law does not require a definite degree of certainty when proving the amount of damages claimed. It is necessary, however, to establish evidence to substantiate the claim. To justify an award for actual damages, there must be competent proof of the actual amount of loss. Credence can be given only to claims which are duly supported by receipts.[12]

The trial court was also correct in not granting moral damages to petitioners. In Philippine Telegraph & Telephone Corp. v. Court of Appeals,[13] this Court held that, in the case of moral damages, recovery is more an exception rather than the rule. Moral damages are not punitive in nature. They are meant to compensate and alleviate the physical suffering, mental anguish, fright, serious anxiety, besmirched reputation, wounded feelings, moral shock, social humiliation and similar harm unjustly caused to a person. In order that an award for moral damages can be justified, the claimant must be able to satisfactorily prove that he underwent such suffering and that the injury causing it sprang from any of the cases listed in Articles 2219[14] and 2220.[15]

Although petitioners alleged that they were prevented from honoring their contractual obligations, thus impairing their good business reputation and good will, there was no evidence to support the same.

When Should the 14% p.a. Interest Commence to Run?

This Court holds that the stipulated 14% p.a. interest should start from the time the complaint was filed on October 19, 1981 until finality of this decision.

In the case of Eastern Shipping Lines, Inc. v. Court of Appeals,[16] this Court, through the Honorable Justice Jose C. Vitug, suggested the following rules of thumb:

> - When an obligation, regardless of its source, i.e., law, contracts, quasi-contracts, 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 or compensatory damages, the rate of interest, as well as the accrual thereof, is imposed, as follows:

- When an 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 12% 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.

- 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 (Article 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.

- 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 2 above, shall be 12% per annum from such finality until its satisfaction, this interim period being deemed to be by then an equivalent to a forbearance of credit.

PASUMIL reneged on its obligation when it failed to fully honor the quedans. However, the parties gave PASUMIL an extension of the period within which to comply with its obligation. This was crop year 1972-1973 (and the succeeding crop years) until the quedans were paid. In the interim, no interest accrued.

But when PNB sold the sugar already earmarked for petitioners, there was a breach of the agreement, thus entitling petitioners to payment of the stipulated interest of 14% per annum. From then on, demand became necessary. The filing of the complaint, being a judicial demand, reckoned the start of the accrual of interest, until finality of this decision.

Finally, as held in Eastern Shipping Lines, Inc., the legal interest of 12% per annum shall be imposed from the time this judgment becomes final and executory, until full satisfaction.

WHEREFORE, this petition for review on certiorari is hereby DENIED. The CA decision appealed from is hereby AFFIRMED, with the following modifications: (1) the stipulated interest of 14% per annum shall be reckoned from October 19, 1981 until finality of this decision; and (2) PNB shall pay legal interest of 12% per annum from the time this judgment becomes final and executory, until full satisfaction.

Cost against petitioners.

SO ORDERED.

Panganiban, (Chairman), Sandoval-Gutierrez, Carpio-Morales, and Garcia, JJ., concur.

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[1] Penned by Associate Justice Asaali S. Isnani and concurred in by Associate Justices Nathanael P. de Pano, Jr. and Corona Ibay Somera of the Fourth Division.

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[2] Penned by Associate Justice Asaali S. Isnani and concurred in by Associate Justices Nathanael P. de Pano, Jr. and Jesus M. Elbinias of the Former Special Fourth Division.

[3] Rollo, p. 67.

[4] Petitioner Gamboa, Rodriguez, Rivera & Co. Inc.

[5] Petitioner Cifra & Co. Inc.

[6] Petitioner Arca & Co. Inc.

[7] Penned by Honorable Judge Jesus O. Ibay, Branch 30, Manila, Rollo pp. 66-70.

[8] Rollo, pp. 62-63. The computation cited by the trial court referred to the amounts being claimed by petitioners in their complaint, which were all computed at the alleged price of P160 per picul. See first paragraph of page 3.

[9] Upon motion of any party showing good cause therefor, the court in which an action is pending may (a) order any party to produce and permit the inspection and copying or photographing, by or on behalf of the moving party, of any designated documents, papers, books, accounts, letters, photographs, objects or tangible things, not privileged, which constitute or contain evidence material to any matter involved in the action and which are in his possession, custody or control xxx

[10] Arwood Industries, Inc. v. D.M. Consunji, Inc., G.R. No. 142277, 11 December 2002, 394 SCRA 11.

[11] Rule 130 Section 9 Rules of Court.

[12] People v. Marollano, 342 Phil. 38 (1997).

[13] 437 Phil. 76 (2002).

[14] Article 2219. Moral damages may be recovered in the following and analogous cases:

(1) A criminal offense resulting in physical injuries;
(2) Quasi-delicts causing physical injuries;
(3) Seduction, abduction, rape or other lascivious acts;
(4) Adultery or concubinage;
(5) Illegal or arbitrary detention or arrest;
(6) Illegal search;
(7) Libel, slander or any other form of defamation;
(8) Malicious prosecution;
(9) Acts mentioned in Article 309;
(10) Acts and actions referred to in articles 21, 26, 27, 28, 29, 30,32, 34, and 35

The parents of the female seduced, abducted, raped, or abused, referred to in No. 3 of this article, may also recover moral damages.

The spouse, descendants, ascendants, and brothers and sisters may bring the action mentioned in No. 9 of this article, in the order named.

[15] Article 2220. Willful injury to property may be a legal ground for awarding moral damages if the court should find that, under the circumstances, such damages are justly due. The same rule applies to breaches of contract where the defendant acted fraudulently or in bad faith.

[16] G.R. No. 97412, 12 July 1994, 234 SCRA 78.

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