

WARNER, BARNES & CO., LTD., PLAINTIFF AND APPELLANT, VS. EDMUNDO YASAY, ET AL., DEFENDANTS AND APPELLEES.*G.R. No. 12984. July 26, 1960*

Ponente: REYES, J.B.L., J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-12984/>**REYES, J.B.L., J.:**

Sometime in October, 1940, Edmundo Yasay purchased on credit from Warner, Barnes & Co., Ltd. fertilizer valued at P8,320.25, payable during the milling season of the 1941-42 sugar crop, with 8% annual interest compounded quarterly. To secure the payment of this obligation, Yasay executed a deed of chattel mortgage hypothecating 2,368 piculs of sugar of the crop year 1941-42 Of the Haciendas "Libertad" and "Pangulayan". The obligation was still unpaid when the war broke out, and the indebtedness had amounted to P9,500.49 as of April 30, 1942. The sugar mortgaged was lost in the war before it could be sold to pay for the obligation for which it was given as security.

After the war, Warner, Barnes & Co., Ltd. made repeated demands upon Edmundo Yasay to pay the obligation in question, but the obligation was not paid. Whereupon, on September 20, 1954, Warner, Barnes & Co., Ltd. filed against Yasay Civil Case No. 3171 in the Court of First Instance of Negros Occidental, for the collection of the obligation in question, which had reached the amount of P16,388.08 including accrued interests, plus 8% annual interest from September 1, 1954, plus 20% of the total indebtedness as attorney's fees.

In his answer to the complaint, defendant Yasay claimed that he contracted the obligation sued upon not in his personal capacity but as manager of Araneta Bros., a general co-partnership which was then leasing Haciendas "Libertad" and "Pangulayan". Consequently, plaintiff Warner, Barnes & Co., Ltd. amended its complaint to include as co-defendants former members of the dissolved partnership Araneta Bros., and increasing the principal demand to P17,602.67.

On May 15, 1957, the court below rendered judgment sentencing defendants Edmundo Yasay, et al., to pay said plaintiff the sum of P9,500.49 with interest at 8% per annum from the date of the filing of the second amended complaint, April 26, 1956, plus 20% of the total amount due as attorney's fees and expenses of litigation. From this judgment, plaintiff Warner, Barnes & Co., Ltd. appealed to this Court against that part thereof exempting defendants from the payment of interests except from the date of the filing of the second amended complaint.

The reasons of the court a quo in not holding defendants-appellees liable for the payment of interests on the principal claim except from the date of the filing of the second amended complaint were explained thus:

"However, all things considered, taking into view Exhibit '10', letter of the plaintiff dated March 8, 1953 and signed by F. A. Whitney, wherein the willingness was expressed not only to waive accrued interest and accept the principal amount of P9,500.49 in full settlement of the plaintiff's claim but also to allow payment by installments over a period of even three years; and remembering further that this case could not have been filed sooner without the fault of any of the parties; the court feels that it would be in consonance with equity not to charge the defendants interest at least up to the filing of the second amended complaint."

It is appellant's contention, however, that neither its letter Exhibit 10, nor the fact that this action could not have been filed sooner without the fault of the parties because of the Moratorium Law, justifies the conclusion of the trial court that it would be inequitable to make defendants-appellees pay the accrued interests due on their obligation except from the date of the filing of the second amended complaint.

We find merit in the appeal.

Firstly, as to the letter Exhibit "10", the same reads:

"The Company is still agreeable to make a compromise settlement with you. That is, if the account can be adjusted by not later than March 31, 1953, the accrued interests will be waived, and the principal amount of P9,500.49 will be accepted in full settlement; and moreover, if it is necessary, the account may be paid by installments over a period of time, say two or three years, with interests at 6%, per annum."

"* * * The compromise offer made herein will stand good until March 31, 1953."

As correctly pointed out by appellant, the above offer to condone interest due was made in consideration of an early settlement of the principal obligation; that is, the offer was subject to the condition that defendants-appellees either liquidate the account not later than March 31, 1953, or pay the same in installments over a period of two or three years at 6% per annum interest. The fact that the obligation in question has remained unpaid up to this time shows that the offer to waive interests was not at all accepted by the debtors or, having been initially accepted, did not become effective for failure of the debtors to comply with the condition of payment in consideration for which the offer was made. In either case, the offer to waive interests did not become binding upon appellant, and the latter has the perfect right to enforce the obligation in its original tenor, namely, with 8% annual interest compounded quarterly until paid.

As for the effect of the Moratorium Law on the right of appellant to collect interests that had accrued on the obligation in question during the effectivity of said law, again appellant is correct in arguing that under our doctrine in *De Guzman vs. Fernando*, 90 Phil., 251, said law did not have the effect of condoning these interests. In said case, we ruled:

"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 payment 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 Ciu Vda. de Samson*, 85 Phil., 142; 47 Off. Gaz., 2849.

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 obligation 'is temporarily suspended pending action by the Commonwealth Government.' When the law is clear there is no room for interpretation."

If appellees had wanted to avoid liability for all the interests that had fallen due on their debt to appellant during the time that the Moratorium Law was in effect, they could have renounced the benefits of said law and pay the obligation, or, in the very least, paid the interests as they accrued. Not having done either, they are legally bound to pay not only the principal obligation but all interests that had fallen due thereon pursuant to the terms of their contract with appellant.

As neither the letter Exhibit "10" nor the debt moratorium law operated to excuse or exempt appellees from their contractual obligation to pay appellant all the interests that had accrued on the obligation in question, appellees

should abide by their obligation voluntarily assumed to pay said interests.

Considering, however, that no bad faith is imputed to the debtors; that payment could not be made during the war years, even if the debtor had so desired, because the creditor was a British company and an enemy vis a vis the belligerent occupant of the Islands at the time; that the creditor was indirectly benefited by the debtor's inaction, thereby avoiding payment in military scrip; and that both under Article 1172 of the new Civil Code and Article 1103 of the old Code, the Courts have power to regulate or moderate the liability arising from negligence of a debtor, we think it equitable to reduce the interest by eliminating that which accrued during the war years, as well as to limit the attorneys' fees to 10% of the total amount of the judgment, this case presenting no unusual difficulty.

Wherefore, the judgment appealed from is modified in the sense that in addition to the P9,500.49 already awarded, appellees are ordered to pay the stipulated rate at 8% interest per annum on said amount of P9,500.49, from and after August 6, 1945 until full payment, plus 10% of the total judgment as attorneys' fees. Costs against defendants-appellees.

Paras, C. J., Bengzon, Padilla, Montemayor, Bautista Angelo, Labrador, Concepcion, Endencia, Barrera, and Gutierrez David, JJ., concur.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.