

**SPOUSES SILVESTRE AND CELIA PASCUAL, PETITIONERS, VS.
RODRIGO V. RAMOS, RESPONDENT.***G.R. No. 144712. July 04, 2002*

Ponente: DAVIDE, JR., C.J.

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Before us is a petition for review on certiorari assailing the 5 November 1999 Decision[1] and the 18 August 2000 Resolution[2] of the Court of Appeals in CA G.R. CV No. 52848. The former affirmed the 5 June 1995 and 7 September 1995 Orders of the Regional Trial Court, Malolos, Bulacan, Branch 21, in Civil Case No. 526-M-93, and the latter denied petitioner's motion for reconsideration.

The case at bar stemmed from the petition[3] for consolidation of title or ownership filed on 5 July 1993 with the trial court by herein respondent Rodrigo V. Ramos (hereafter RAMOS) against herein petitioners, Spouses Silvestre and Celia Pascual (hereafter the PASCUALs). In his petition, RAMOS alleged that on 3 June 1987, for and in consideration of P150,000, the PASCUALs executed in his favor a Deed of Absolute Sale with Right to Repurchase over two parcels of land and the improvements thereon located in Bambang, Bulacan, Bulacan, covered by Transfer Certificate of Title (TCT) No. 305626 of the Registry of Deeds of Bulacan. This document was annotated at the back of the title. The PASCUALs did not exercise their right to repurchase the property within the stipulated one-year period; hence, RAMOS prayed that the title or ownership over the subject parcels of land and improvements thereon be consolidated in his favor.

In their Answer,[4] the PASCUALs admitted having signed the Deed of Absolute Sale with Right to Repurchase for a consideration of P150,000 but averred that what the parties had actually agreed upon and entered into was a real estate mortgage. They further alleged that there was no agreement limiting the period within which to exercise the right to repurchase and that they had even overpaid RAMOS. Furthermore, they interposed the following defenses: (a) the trial court had no jurisdiction over the subject or nature of the petition; (b) RAMOS had no legal capacity to sue; (c) the cause of action, if any, was barred by the statute of limitations; (d) the petition stated no cause of action; (e) the claim or demand set forth in RAMOS's pleading had been paid, waived, abandoned, or otherwise extinguished; and (f) RAMOS has not complied with the required confrontation and conciliation before the barangay.

By way of counterclaim, the PASCUALs prayed that RAMOS be ordered to execute a Deed of Cancellation, Release or Discharge of the Deed of Absolute Sale with Right to Repurchase or a Deed of Real Estate Mortgage; deliver to them the owner's duplicate of TCT No. T-305626; return the amount they had overpaid; and pay each of them moral damages and exemplary damages in the amounts of P200,000 and P50,000, respectively, plus attorney's fees of P100,000; appearance fee of P1,500 per hearing; litigation expenses; and costs of suit.

After the pre-trial, the trial court issued an order[5] wherein it identified the following issues: (1) whether the Deed of Absolute Sale with Right to Repurchase is an absolute sale or a mere mortgage; (2) whether the PASCUALs have paid or overpaid the principal obligation; (3) whether the ownership over the parcel of land may

be consolidated in favor of RAMOS; and (4) whether damages may be awarded.

Among the documents offered in evidence by RAMOS during the trial on the merits was a document denominated as Sinumpaang Salaysay[6] signed by RAMOS and Silvestre Pascual, but not notarized. The contents of the document read:

Ako, si SILVESTRE PASCUAL, Filipino, nasa hustong gulang, may asawa at kasalukuyang naninirahan sa Bambang, Bulacan, Bulacan, ay nagsasabing buong katotohanan at sumusumpa sa aking mga salaysay sa kasulatang ito:

- Na ngayong June 3, 1987 dahil sa aking matinding pangangailangan ng puhunan ay lumapit ako at nakiusap kay Rodrigo Ramos ng Taal, Pulilan, Bulacan na pautangin ako ng halagang P150,000.00.
- Na aming napagkasunduan na ang nasabing utang ay babayaran ko ng tubo ng seven percent (7%) o P10,500.00 isang buwan (7% per month).
- Na bilang sangla (collateral security) sa aking utang, kami ay nagkasundo na mag-execute ng Deed of Sale with Right to Repurchase para sa aking bahay at lupa (TCT No. 305626) sa Bo. Taliptip, Bambang, Bulacan, Bulacan ngayong June 3, 1987 at binigyan ako ni Mr. Ramos ng isang taon hanggang June 3, 1988 upang mabiling muli ang aking isinanla sa kaniya sa kasunduang babayaran kong lahat ang capital na P150,000.00 pati na ang P10,500.00 na tubo buwan buwan.
- Na bilang karagdagang condition, si RODRIGO RAMOS ay pumayag sa aking kahilingan na kung sakali na hindi ko mabayaran ng buo ang aking pagkakautang (Principal plus interest) sa loob ng isang taon mula ngayon, ang nakasanglang bahay at lupa ay hindi muna niya iilitin (foreclose) o ipalilipat sa pangalan niya at hindi muna kami paaalisin sa tinitirhan naming bahay hanggat ang tubo (interest) na P10,500.00 ay nababayaran ko buwan buwan.
- Na ako ay sumasang-ayon sa kundisyon ni Rodrigo Ramos na pagkatapos ng isang taon mula ngayon hanggang June 3, 1988 at puro interest lamang ang aking naibabayad buwan-buwan, kung sakaling hindi ako makabayad ng tubo for six (6) consecutive months (1/2 year after June 3, 1988 (6 na buwang hindi bayad ang interest ang utang ko) si Rodrigo Ramos ay binibigyan ko ng karapatan at kapangyarihan na mag-mayari ng aming bahay at lupa at kami ng aking pamilya ay kusang loob na aalis sa nasabing bahay at lupa na lumalabas na ibinenta ko sa kaniya dahil hindi ako nakasunod sa aming mga pinagkasunduang usapan.
- At bilang finale ng aming kasunduan, ako ay nangangako na hindi maghahabol ng ano mang sukli sa pagkakailit ng aming bahay at lupa kung sakali mang dumating sa ganuong pagkakataon o sitwasyon o di kaya'y magsasampa ng reklamo kanino man.

Bilang pagsang-ayon sa mga nasabing kasunduan, kami ay lumagda sa ibaba nito kalakip ng aming mga pangalan ngayong ika-3 ng Hunyo, 1987.

(Sgd.)Rodrigo Ramos

(Sgd.) Silvestre Pascual

Nagpautang

Umutang

For their part, the PASCUALs presented documentary evidence consisting of acknowledgment receipts[7] to prove the payments they had made.

The trial court found that the transaction between the parties was actually a loan in the amount of P150,000, the payment of which was secured by a mortgage of the property covered by TCT No. 305626. It also found that the PASCUALs had made payments in the total sum of P344,000, and that with interest at 7% per annum, the PASCUALs had overpaid the loan by P141,500. Accordingly, in its Decision[8] of 15 March 1995 the trial court decreed as follows:

WHEREFORE, judgment is hereby rendered in favor of the defendants and against the plaintiff in the following manner:

- Dismissing the plaintiff's petition;
- Directing the Register of Deeds to cancel the annotation of the Deed of Sale with Right to Repurchase on the dorsal side of TCT No. 305626;
- Awarding the defendants the sum of P141,500.00 as overpayment on the loan and interests;
- Granting the defendants attorney's fee in the sum of P15,000.00 and P3,000.00 for litigation expenses.

With costs against the plaintiff.

RAMOS moved for the reconsideration of the decision, alleging that the trial court erred in using an interest rate of 7% per annum in the computation of the total amount of obligation because what was expressly stipulated in the Sinumpaang Salaysay was 7% per month. The total interest due from 3 June 1987 to 3 April 1995 was P987,000. Deducting therefrom the interest payments made in the sum of P344,000, the amount of P643,000 was still due as interest. Adding the latter to the principal sum of P150,000, the total amount due from the PASCUALs as of 3 April 1995 was P793,000.

Finding merit in the motion for reconsideration, which was not opposed by the PASCUALs, the trial court issued on 5 June 1995 an Order[9] modifying its decision by deleting the award of P141,500 to the PASCUALs as overpayment of the loan and interest and ordering them to pay RAMOS P511,000 representing the principal loan plus interest. The trial court acknowledged that it had inadvertently declared the interest rate to be 7% per annum when, in fact, the Sinumpaang Salaysay stipulated 7% per month. It noted that during trial, the PASCUALs never disputed the stipulated interest rate. However, the court declared that the 7% per month interest is too burdensome and onerous. Invoking the protective mantle of Article 24 of the Civil Code, which mandates the courts to be vigilant for the protection of a party at a disadvantage due to his moral dependence, ignorance, indigence, mental weakness, tender age or other handicap, the trial court unilaterally reduced the interest rate from 7% per month to 5% per month. Thus, the interest due from 3 June 1987 to 3 April 1995 was P705,000. Deducting therefrom the payments made by the PASCUALs in the amount of P344,000, the net interest due was P361,000. Adding thereto the loan principal of P150,000, the total amount due from the PASCUALs was P511,000.

Aggrieved by the modification of the decision, the PASCUALs filed a motion to reconsider the Order of 5 June 1995. They alleged that the motion for reconsideration filed by RAMOS was a mere scrap of paper because they received a copy of said motion only a day before the hearing, in violation of the 3-day-notice rule. Moreover, they had already paid the interests and had in fact overpaid the principal sum of P150,000. Besides, RAMOS, being an individual, could not charge more than 1% interest per month or 12% per annum; and, the interest of either 5% or 7% a month is exorbitant, unconscionable, unreasonable, usurious and inequitable.

RAMOS opposed the motion of the PASCUALs. He contended that the non-compliance with the 3-day-notice

rule was cured when the trial court gave them an opportunity to file their opposition, but despite the lapse of the period given them, no opposition was filed. It is not correct to say that he was not allowed to collect more than 1% per month interest considering that with the moratorium on the Usury Law, the allowable interest is that agreed upon by the parties. In the absence of any evidence that there was fraud, force or undue influence exerted upon the PASCUALs when they entered into the transaction in question, their agreement embodied in the Sinumpaang Salaysay should be respected. Furthermore, the trial court had already reduced the interest rate to 5% per month, a rate which is not exorbitant, unconscionable, unreasonable and inequitable.

Their motion for reconsideration having been denied in the Order[10] of 7 September 1995, the PASCUALs seasonably appealed to the Court of Appeals. They pointed out that since the only prayer of RAMOS in his petition was to have the title or ownership over the subject land and the improvements thereon consolidated in his favor and he did not have any prayer for general relief, the trial court had no basis in ordering them to pay him the sum of P511,000.

In its Decision[11] of 5 November 1999, the Court of Appeals affirmed in toto the trial court's Orders of 5 June 1995 and 7 September 1995. It ruled that while RAMOS's petition for consolidation of title or ownership did not include a prayer for the payment of the balance of the petitioners' obligation and a prayer for general relief, the issue of whether there was still a balance from the amount loaned was deemed to have been raised in the pleadings by virtue of Section 5, Rule 10 of the Rules of Court, which provides that "[w]hen issues not raised by the pleadings are tried with the express or implied consent of the parties, they shall be treated in all respects as if they had been raised in the pleadings." In the course of the trial, receipts were presented by the PASCUALs evidencing the payments they had made. Taken in conjunction with the Sinumpaang Salaysay which specified the interest rate at 7% per month, a mathematical computation readily leads to the conclusion that there is still a balance due from the PASCUALs, even at a reduced interest rate of 5% interest per month.

With the denial of their motion for reconsideration of the decision by the Court of Appeals, the PASCUALs filed before us the instant petition raising the sole issue of whether they are liable for 5% interest per month from 3 June 1987 to 3 April 1995. Invoking this Court's ruling in *Medel v. Court of Appeals*,[12] they argue that the 5% per month interest is excessive, iniquitous, unconscionable and exorbitant. Moreover, respondent should not be allowed to collect interest of more than 1% per month because he tried to hide the real transaction between the parties by imposing upon them to sign a Deed of Absolute Sale with Right to Repurchase.

For his part, RAMOS contends that the issue raised by petitioners cannot be entertained anymore because it was neither raised in the complaint nor ventilated during the trial. In any case, there was nothing illegal on the rate of interest agreed upon by the parties, since the ceilings on interest rates prescribed under the Usury Law had expressly been removed, and hence parties are left freely at their discretion to agree on any rate of interest. Moreover, there was no scheme to hide a usurious transaction. RAMOS then prays that the challenged decision and resolution be affirmed and that petitioners be further ordered to pay legal interest on the interest due from the time it was demanded.

We see at once the proclivity of the PASCUALs to change theory almost every step of the case.

By invoking the decision in *Medel v. Court of Appeals*, the PASCUALs are actually raising as issue the validity of the stipulated interest rate. It must be stressed that they never raised as a defense or as basis for their counterclaim the nullity of the stipulated interest. While overpayment was alleged in the Answer, no ultimate facts which constituted the basis of the overpayment was alleged. In their pre-trial brief, the PASCUALs made a long list of issues, but not one of them touched on the validity of the stipulated interest rate. Their own evidence clearly shows that they have agreed on, and have in fact paid interest at, the rate of 7% per month. Exhibits "1" to "8"

specifically mentioned that the payments made were for the interest due on the P150,000 loan of the PASCUALs. In the course of the trial, the PASCUALs never put in issue the validity of the stipulated interest rate.

After the trial court sustained petitioners' claim that their agreement with RAMOS was actually a loan with real estate mortgage, the PASCUALs should not be allowed to turn their back on the stipulation in that agreement to pay interest at the rate of 7% per month. The PASCUALs should accept not only the favorable aspect of the court's declaration that the document is actually an equitable mortgage but also the necessary consequence of such declaration, that is, that interest on the loan as stipulated by the parties in that same document should be paid. Besides, when RAMOS moved for a reconsideration of the 15 March 1995 Decision of the trial court pointing out that the interest rate to be used should be 7% per month, the PASCUALs never lifted a finger to oppose the claim. Admittedly, in their Motion for Reconsideration of the Order of 5 June 1995, the PASCUALs argued that the interest rate, whether it be 5% or 7%, is exorbitant, unconscionable, unreasonable, usurious and inequitable. However, in their Appellants' Brief, the only argument raised by the PASCUALs was that RAMOS's petition did not contain a prayer for general relief and, hence, the trial court had no basis for ordering them to pay RAMOS P511,000 representing the principal and unpaid interest. It was only in their motion for the reconsideration of the decision of the Court of Appeals that the PASCUALs made an issue of the interest rate and prayed for its reduction to 12% per annum.

In *Manila Bay Club Corp. v. Court of Appeals*,^[13] this Court ruled that if an issue is raised only in the motion for reconsideration of the decision of the Court of Appeals, the effect is that it is as if it was never duly raised in that court at all.

Our ruling in *Medel v. Court of Appeals*^[14] is not applicable to the present case. In that case, the excessiveness of the stipulated interest at the rate of 5.5 % per month was put in issue by the defendants in the Answer. Moreover, in addition to the interest, the debtors were also required, as per stipulation in the promissory note, to pay service charge of 2% per annum and a penalty charge of 1% per month plus attorney's fee of equivalent to 25% of the amount due. In the case at bar, there is no other stipulation for the payment of an extra amount except interest on the principal loan. Thus, taken in conjunction with the stipulated service charge and penalty, the interest rate of 5.5% in the *Medel* case was found to be excessive, iniquitous, unconscionable, exorbitant and hence, contrary to morals, thereby making such stipulation null and void.

Considering the variance in the factual circumstances of the *Medel* case and the instant case, we are not prepared to apply the former lest it be construed that we can strike down anytime interest rates agreed upon by parties in a loan transaction.

It is a basic principle in civil law that parties are bound by the stipulations in the contracts voluntarily entered into by them. Parties are free to stipulate terms and conditions which they deem convenient provided they are not contrary to law, morals, good customs, public order, or public policy.^[15]

The interest rate of 7% per month was voluntarily agreed upon by RAMOS and the PASCUALs. There is nothing from the records and, in fact, there is no allegation showing that petitioners were victims of fraud when they entered into the agreement with RAMOS. Neither is there a showing that in their contractual relations with RAMOS, the PASCUALs were at a disadvantage on account of their moral dependence, ignorance, mental weakness, tender age or other handicap, which would entitle them to the vigilant protection of the courts as mandated by Article 24 of the Civil Code. Apropos in our ruling in *Vales vs. Villa*:

All men are presumed to be sane and normal and subject to be moved by substantially the same motives. When of age and sane, they must take care of themselves. In their relations with others in the business of life, wits, sense, intelligence, training, ability and judgment meet and clash and contest, sometimes with gain and advantage to all,

sometimes to a few only, with loss and injury to others. In these contests men must depend upon themselves – upon their own abilities, talents, training, sense, acumen, judgment. The fact that one may be worsted by another, of itself, furnishes no cause of complaint. One man cannot complain because another is more able, or better trained, or has better sense or judgment than he has; and when the two meet on a fair field the inferior cannot murmur if the battle goes against him. The law furnishes no protection to the inferior simply because he is inferior, any more than it protects the strong because he is strong. The law furnishes protection to both alike – to one no more or less than to the other. It makes no distinction between the wise and the foolish, the great and the small, the strong and the weak. The foolish may lose all they have to the wise; but that does not mean that the law will give it back to them again. Courts cannot follow one every step of his life and extricate him from bad bargains, protect him from unwise investments, relieve him from one-sided contracts, or annul the effects of foolish acts. Courts cannot constitute themselves guardians of persons who are not legally incompetent. Courts operate not because one person has been defeated or overcome by another, but because he has been defeated or overcome illegally. Men may do foolish things, make ridiculous contracts, use miserable judgment, and lose money by then – indeed, all they have in the world; but not for that alone can the law intervene and restore. There must be, in addition, a violation of law, the commission of what the law knows as an actionable wrong, before the courts are authorized to lay hold of the situation and remedy it.[16]

With the suspension of the Usury Law and the removal of interest ceiling, the parties are free to stipulate the interest to be imposed on loans. Absent any evidence of fraud, undue influence, or any vice of consent exercised by RAMOS on the PASCUALs, the interest agreed upon is binding upon them. This Court is not in a position to impose upon parties contractual stipulations different from what they have agreed upon. As declared in the decision of *Cuizon v. Court of Appeals*,[17]

It is not the province of the court to alter a contract by construction or to make a new contract for the parties; its duty is confined to the interpretation of the one which they have made for themselves without regard to its wisdom or folly as the court cannot supply material stipulations or read into the contract words which it does not contain.

Thus, we cannot supplant the interest rate, which was reduced to 5% per month without opposition on the part of RAMOS.

We are not persuaded by the argument of the PASCUALs that since RAMOS tried to hide the real transaction by imposing upon them the execution of a Deed of Absolute Sale with Right to Repurchase, he should not be allowed to collect more than 1% per month interest. It is undisputed that simultaneous with the execution of the said deed was the execution of the *Sinumpaang Salaysay*, which set forth the true agreement of the parties. The PASCUALs cannot then claim that they did not know the real transaction.

RAMOS's claim that the interest due should earn legal interest cannot be acted upon favorably because he did not appeal from the Order of the trial court of 5 June 1995, which simply ordered the payment by the PASCUALs of the amount of P511,000 without interest thereon. No relief can be granted a party who does not appeal.[18] Therefore, the order of the trial court should stand.

Incidentally, we noticed that in the Memorandum filed by RAMOS, the ruling in *Vales v. Valle* was reproduced by his counsel without the proper citation. Such act constitutes plagiarism. Atty. Felimon B. Mangahas is hereby warned that a repetition of such act shall be dealt with accordingly.

WHEREFORE, in view of all the foregoing, the petition is DENIED. The assailed decision of the Court of Appeals in CA-G.R. CV No. 52848 is AFFIRMED in toto.

Costs against petitioners.

SO ORDERED.

Vitug, Kapunan, Ynares-Santiago, and Austria-Martinez, JJ., concur.

[1] Rollo, 16-28. Per Salazar-Fernando, R., with Guerrero, B. and Aliño-Hormachuelos, P. JJ., concurring.

[2] Id., 33-35.

[3] Original Record (OR), 3-5.

[4] OR, 17-20.

[5] OR, 34-35.

[6] Exhibit "I."

[7] Exhibits "1" to "19," inclusive.

[8] OR, 59-62. Per Judge Cesar M. Solis.

[9] OR, 70-71.

[10] OR, 83-84.

[11] Supra note 1.

[12] 299 SCRA 481 [1998].

[13] 245 SCRA 715, 729 [1995].

[14] Supra note 12.

[15] Article 1306, Civil Code; See also Manila Bay Club Corp. v. Court of Appeals, supra note 13.

[16] 35 Phil. 769, 787-788 [1916]. See also Sanchez v. Court of Appeals, 279 SCRA 647 [1997].

[17] 260 SCRA 645, 667 [1996].

[18] Consolidated Bank and Trust Corporation (Solidbank) v. Court of Appeals, G.R. No. 114286, 19 April 2001.

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