

PENTA CAPITAL FINANCE CORPORATION, PETITIONER, VS. THE HONORABLE TEODORO BAY, PRESIDING JUDGE OF THE REGIONAL TRIAL COURT, QUEZON CITY, BRANCH 86; ANGELITO ACOSTA, DEPUTY SHERIF...

G.R. No. 162100. January 18, 2012

Ponente: SERENO, J.

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SERENO, J.:

Before us is a consolidated Petition for Review on Certiorari under Rule 45 impugning the Decision dated 30 July 2003 and Resolution dated 9 February 2004 of the Court of Appeals,[1] which modified the interests applied by the trial court in computing the judgment awards; but affirmed the Orders dated 3 and 19 April, 23 May, 2 August, and 3 October 2002 issued by the trial court in the course of execution proceedings.

Penta Capital Finance Corporation (Penta) was originally known as Commercial Credit Corporation (CCC), a financing and investment firm, which established in different parts of the country certain franchise companies, including Commercial Credit Corporation of Quezon City (CCC-QC). CCC designated its own employees as resident managers of its franchise companies, with Bibiano Reynoso IV (Reynoso) as resident manager of CCC-QC.

CCC-QC accepts funds from depositors to whom it issues interest-bearing promissory notes. In view of the exclusive management contract between CCC and CCC-QC, the latter would sell/discount and/or assign its receivables to the former, which loans them out to various borrowers as money market placements.[2]

In view of the Central Bank's promulgation of the DOSRI Rule,[3] CCC subsequently created CCC Equity Corporation (CCC Equity), a wholly owned subsidiary, to which it had transferred its 30% equity and two seats in the franchise corporations' board of directors. In February 1976, CCC allegedly transferred to its stockholders all its shares in CCC Equity as property dividends.

Under the new setup, CCC Equity substituted CCC in the management contract with the franchise companies. Several CCC-QC officials, like Reynoso, became employees of CCC Equity and received salaries and allowances from the latter. Still, all employees of CCC-QC remained qualified members of the Commercial Credit Corporation Employees Pension Plan, even when CCC-QC was already partly owned by CCC Equity and technically had nothing to do with CCC.

Reynoso deposited personal funds to CCC-QC, which in return issued to him interest-bearing Promissory Notes.[4]

In a separate transaction, Reynoso mortgaged to CCC his house and lot in Valle Verde, Pasig City.[5] The latter later foreclosed the property, and the title thereto was later consolidated in its name when no redemption was made.

On 15 August 1980, CCC-QC instituted with the Regional Trial Court of Quezon City, Branch 86[6] (RTC QC), a Complaint[7] against Reynoso for a sum of money with preliminary attachment, on the allegation that he had embezzled company funds amounting to P1,300,593.11. Reynoso filed a Counterclaim[8] based on his money placements with CCC-QC, as shown by 23 checks he had issued in its favor.

During the pendency of the case, or on 2 September 1983, CCC changed its name to General Credit Corporation (GCC).

On 14 January 1985, the RTC QC – then presided by Judge Antonio Solano – rendered a Decision[9] dismissing CCC-QC’s Complaint, but granting Reynoso’s Counterclaim. The dispositive portion of the Decision reads:

Premises considered, the court finds the complaint without merit. Accordingly, said complaint is hereby DISMISSED.

By reason of said complaint, defendant Bibiano Reynoso IV suffered degradation, humiliation and mental anguish.

On the counterclaim, which the Court finds to be meritorious, plaintiff corporation is hereby ordered:

- a) to pay defendant the sum of P185,000.00 plus 14% interest per annum from October 2, 1980 until fully paid;
- b) to pay defendant P3,639,470.82 plus interest thereon at the rate of 14% per annum from June 24, 1981, the date of filing of Amended Answer, until fully paid; from this amount may be deducted the remaining obligation of defendant under the promissory note of October 24, 1977, in the sum of P9,738.00 plus penalty at the rate of 1% per month from December 24, 1977 until fully paid;
- c) to pay defendants P200,000.00 as moral damages;
- d) to pay defendants P100,000.00 as exemplary damages;
- e) to pay defendants ?25,000.00 as and for attorney's fees; plus costs of the suit.

SO ORDERED.

This Decision became final and executory on 27 May 1989.[10]

On 24 July 1989, the RTC QC issued a Writ of Execution on the “goods and chattels of plaintiff COMMERCIAL CREDIT CORPORATION.”[11] When the writ was returned unsatisfied on 11 December 1989, Reynoso filed a Motion for Issuance of Alias Writ of Execution and, thereafter, a Motion for examination of the financial records of CCC-QC. In the course of opposing his Motion, CCC-QC President Dr. Concepcion vda. de Blaylock (Blaylock) alleged that the company had not been operating for about 10 years, and that “the Commercial Credit Corporation of the Philippines took possession of the premises of the office of CCC-QC, together with all its records and documents. ...”[12]

On 16 August 1991, the RTC QC again ordered the issuance of the alias writ against “the goods and chattels of plaintiff COMMERCIAL CREDIT CORPORATION.”

There being no leviable properties of CCC-QC, Sheriff Edgardo Tanangco reported that on 23 August 1991, he “levied whatever rights, interests, titles, participation said plaintiff may have” over the Valle Verde property, which was registered in the name of “Commercial Credit Corporation.” The said property was sold on execution on 20 September 1991 by Deputy Sheriff Edgardo Tanangco at public auction, with Reynoso as the highest and sole bidder in the amount of P650,151.50. This amount was credited as partial satisfaction of the judgment obligation.[13] Meanwhile, the Notice of Sheriff’s Sale was sent to “General Credit Corporation (Formerly

Commercial Credit Corporation, ACE Bldg., RADA corner dela Rosa Sts., Makati, Metro Manila” on 2 October 1991, but this notice was returned with the notation “RTS UNKNOWN AT GIVEN ADDRESS 10-9.”

On 29 October 1991, Deputy Sheriff Tanangco issued a Sheriff's Certification of Sale of the levied property.

On 11 November 1991, Reynoso filed a second Alias Writ of Execution, arguing that CCC-QC and CCC were one and the same, and praying that the sheriff be directed to levy upon CCC's personal and real properties. Attached to the Motion was the 23 February 1990 Decision of Hearing Officer Antonio Esteves in Securities and Exchange Commission (SEC) Case No. 2581, entitled “Avelina G. Ramoso, et al. v. General Credit Corporation et al.,” which held that CCC (then known as GCC) and CCC-QC, together with others, were one and the same corporation.[14]

On 22 November 1991, CCC's counsel appeared before the RTC QC and was granted time to file a comment on the Alias Writ of Execution.[15] In its Special Appearance and Opposition,[16] CCC alleged that it was not a party to the case, and that the cited Decision in SEC Case No. 2581 was still pending resolution of the SEC en banc. CCC also moved that further levies on its other properties be stopped. On 9 December 1991, the RTC QC ordered the issuance of the second alias writ.[17] On 18 December 1991, CCC filed an Omnibus Motion 1) to reconsider the Order of 9 December 1991; 2) to quash the alias writ of 21 August 1991; and 3) to nullify the sale of its Valle Verde property.[18] Attached to this Motion was a copy of a SEC Certification that SEC Case No. 2581 was still pending. This Omnibus Motion was denied by the RTC QC in its 13 February 1992 Order due to the admission by CCC in the latter's pleading that it was an alter ego of CCC-QC.[19]

To recover its Valle Verde property, CCC filed with the Regional Trial Court of Pasig City, Branch 167 (RTC Pasig),[20] on 21 February 1992, an action for *terceria* (third-party claim) against Reynoso and Quezon City Deputy Sheriff Edgardo Tanangco. CCC prayed that (1) the levy on the Valle Verde property be declared void; (2) respondents be enjoined from consolidating ownership over the property pending resolution of the suit; and (3) respondents be enjoined from making further levies on petitioner's properties to answer for any liability under the Decision in Civil Case No. Q-30583.

The RTC Pasig denied the prayer for injunction of CCC, prompting the latter to file on 13 March 1992 a Petition for Certiorari with prayer for preliminary injunction and/or temporary restraining order. Docketed in the Court of Appeals (CA) as CA-G.R. SP No. 27518, the Petition was filed against Reynoso, Deputy Sheriff Tanangco, and Judge Flores of RTC Pasig (and also, subsequently, against Judge Solano of RTC QC).

Meanwhile, noting that the records failed to show that CCC had taken a legal step to suspend the implementation of its Order dated 9 December 1991, the RTC QC issued another Alias Writ of Execution against the goods and chattels of petitioner GCC on 6 March 1992.[21]

On 6 April 1992, the RTC QC's issuance of the second Alias Writ of Execution was impugned by the CCC in the CA via a Petition for Certiorari with prayer for preliminary injunction and/or temporary restraining order, docketed as CA-G.R. SP No. 27683. RTC QC Judge Solano, Reynoso and Deputy Sheriff Tanangco were named respondents therein.

Meanwhile, CCC/GCC changed its name to Penta Capital Finance Corporation (Penta) on 1 December 1993.

The CA consolidated CA-G.R. SP Nos. 27683 and 27518. On 7 July 1994, it granted the Petition, nullified the Alias Writ of Execution, and declared that the proper remedy for the Valle Verde property was the *terceria* filed with the Pasig court.[22]

Reynoso questioned this CA Decision via a Petition for Review before the Supreme Court (SC), docketed as G.R.

No. 116124-25 and entitled “Reynoso v. Court of Appeals.” On 22 November 2000, this Court issued a Decision²³ overturning that of the CA. CCC filed a Motion for Reconsideration, but it was denied by this Court on 6 August 2001.

On 21 December 2001, CCC registered with the Sheriff of Quezon City a third-party claim (with an Affidavit of Third-Party Claim executed by petitioner's president, Jovencio Cinco) on its Valle Verde property; two condominium units under Condominium Certificates of Title Nos. 5462 and 5463; bank deposits; and various office equipment, all subjects of the Notice of Garnishment and Notice of Levy upon personal properties. CCC stated that it was exercising its right of redemption *ad cautelam* over the Valle Verde property. It remitted to the sheriff Metrobank Cashier's Check No. 2610004069 in the amount of P703,987.36, inclusive of interest amounting to P53,095.71.

On 12 March 2002, CCC filed with the RTC QC a Motion to Quash the Alias Writ of Execution on its Valle Verde property and the Alias Writ of Execution dated 6 March 1992 pertaining to its two condominium units on the 10th floor of the ACT Tower Condominium.

Judge Teodoro Bay, who took over from Judge Solano upon the latter's retirement as presiding judge of the RTC QC, denied the Motion to Quash the Writ of Execution in the Order dated 3 April 2002. Judge Bay reasoned that, as finally decided by the SC in *Reynoso v. Court of Appeals*, CCC-QC, CCC, and GCC were one and the same corporation.

In an Order dated 19 April 2002, the RTC QC directed the issuance of another Alias Writ of Execution to implement its 1985 Decision in response to Reynoso's Ex Parte Motion to Issue an Alias Writ of Execution on the ground that while the ruling in CA-G.R. SP No. 27518 had previously enjoined the sheriff from levying on the properties of CCC and selling them on execution, the SC had already overturned the said CA ruling.

The Alias Writ of Execution was then issued, commanding Sheriff Angelito Acosta (who had taken the place of deceased Deputy Sheriff Edgardo Tanangco) to execute on the “goods and chattels of Commercial Credit Corporation of Quezon City/General Credit Corporation/Penta Capital Finance Corporation.”

On 29 April 2002, CCC filed an Urgent Consolidated Motion praying that 1) the execution be quashed; 2) the sheriff be required to file a monthly report in accordance with Section 14, Rule 39 of the Rules of Court; and 3) the RTC QC declare itself without jurisdiction to resolve with finality the issue of piercing the corporate veil, since the issue was within the jurisdiction of the RTC Pasig City in Civil Case No. 61777 (92).

In an Order dated 23 May 2002, the RTC QC denied CCC's Consolidated Motion and required the parties to submit their own computation of the amount of execution. Reynoso filed his Compliance; CCC filed a Compliance *Ad Cautelam* and, the next day, a Motion to resolve/clarify in the interest of substantial justice. The Motion of CCC sought to reopen discussions on the matter of piercing its corporate veil of fiction.

In its Order dated 2 August 2002, the RTC QC denied CCC's Motion to resolve/clarify, reiterating that the issue had already been resolved with finality by the SC.

In its Order dated 9 August 2002, the RTC QC issued an Order determining that the sum of P71,768,227.35^[24] minus the outstanding obligation of Reynoso to CCC was the proper computation of the award in his favor. In its Order dated 3 October 2002, the RTC QC reiterated its 9 August 2002 Order.

On 8 October 2002, CCC filed with the CA another Petition for Certiorari and Prohibition, docketed as CA-G.R. SP No. 73207 and entitled “Penta Capital Finance Corporation v. Judge Teodoro Bay, et al.,” to nullify the RTC QC Orders dated 3 and 19 April, 23 May, 2 and 9 August and 3 October 2002 as well as the Alias Writ of

Execution dated 23 April 2002 and Notice of Sheriff's Sale dated 17 May 2002.

In its Decision dated 30 July 2003,[25] the CA declared as excessive the interests fixed by the RTC QC. It held that Reynoso was entitled to recover from CCC only the amount of P13,947,240.04, based on the computation[26] made in the presence of the parties by the CA's chief accountant, Carmencita Angelo. The appellate court, however, affirmed the RTC QC Orders dated 3 and 19 April, 23 May, 2 and August, and 3 October 2002.

Both parties filed their respective Motions for Reconsideration of the Decision of the CA, which subsequently denied both motions.

CCC then filed an appeal by certiorari with this Court, docketed as G.R. No. 162100, wherein it raises the following issues: (1) the interest computation made by the RTC QC was grossly excessive; (2) the execution is tainted with irregularities; and (3) the RTC QC judge should have suspended execution of the properties of petitioner and allowed it to pursue its third-party claim to its logical conclusion.

Respondent Reynoso also filed a Petition for Review with this Court, docketed as G.R. No. 162395, questioning the CA's reduction of the the sum due him under the RTC QC Decision. Reynoso argues that the CA failed to consider that the two judgment amounts were money market placements that were "rolled over." Thus, the principal (original placement) earns interest (in this case, 14% per annum) after the lapse of the agreed period. The earned interest plus the principal becomes the new principal/placement, which again earns interest when the placement is rolled over. Under the terms of the money market placement, the outstanding balance earns 14% interest per annum, until both principal and interest are paid. Aside from these interest earnings, a 12% interest per annum on the entire judgment award is applied also, as the awards partook of the nature of forbearance of credit when it remained unsatisfied after the finality of the judgment.

In its Resolution dated 27 April 2004, this Court ordered the consolidation of the two cases.

Consolidated Issues

- Whether the CA seriously erred in not holding that execution proceedings before the RTC QC was tainted with irregularities
- Whether the CA seriously erred in not finding that the RTC QC should have suspended execution of the properties of CCC/Penta and allowed the latter to pursue its third party claim to its logical conclusion
- Whether the CA seriously erred in holding that Penta's right of redemption had prescribed
- Whether the CA seriously erred in its computation of interest

Our Ruling

We affirm the CA Decision in toto.

On the first issue

In *Reynoso v. Court of Appeals*,[27] CCC/GCC/Penta assailed the validity of the execution proceedings in the RTC QC on various grounds, mainly the fact that the latter had allowed the levy and sale of the Valle Verde property. Allegedly, this property was not owned by judgment debtor CCC-QC, but by CCC/GCC/Penta itself – an entity separate and distinct from the former. We held in the said case, though, that since the circumstances warranted piercing the corporate veil, judgment in favor of Reynoso may be executed against GCC (now Penta), an alter ego of CCC-QC.

CCC/GCC/Penta presented the same arguments in *Reynoso*, as it has done now. Even assuming that any of its present arguments is novel, it would be unavailing if it is based on the same factual milieu under which the

Reynoso ruling was made. The orderly administration of justice and basic considerations of fair play abhor a piecemeal presentation of points of law, theories, issues, and arguments.[28] At any rate, CCC/GCC/Penta fails to identify any change in the facts upon which Reynoso was predicated as to warrant a different conclusion in the present case.

Thus, the Court's ruling in Reynoso may be considered "the law of the case" in respect of the validity of the execution proceedings against CCC/Penta. The principle of the law of the case is embodied in Section 47(b) and (c), Rule 39 of the Rules of Court.[29] As we explained in *Litton Mills, Inc. v. Galleon Trader, Inc.*,[30] this principle holds that "(w)hatever has been irrevocably established as the controlling legal rule between the parties in a case continues to be the law of the case, whether correct on general principles or not, so long as the facts on which such decision was predicated continue to be facts of the case before the Court. Once a judgment has become final, the issues therein should be laid to rest."

As Reynoso has long become final and can no longer be modified, the continued insistence of CCC/GCC/Penta that the execution proceedings were invalid cannot be entertained.

On the second issue

CCC insists that the RTC QC should have suspended execution insofar as the properties of CCC/Penta were concerned, and that the trial court should have allowed petitioner to pursue its third-party claim to its logical conclusion.

We disagree. As discussed in the first section, CCC and CCC-QC are one and the same entity in the context of the subject execution of the judgment in favor of Reynoso. Meanwhile, the remedy of *terceria* is available only to a third person other than the judgment obligor or the latter's agent who claims a property levied on.³¹ Hence, not being a third party to the execution proceedings, the remedy of *terceria* is not available to CCC/Penta.

On the third issue

Again, we find no error in the Decision of the CA, holding that Penta's right of redemption has prescribed. We quote with approval the pertinent portion of its assailed Decision in this regard:

Penta's right of redemption over the Valle Verde property was recognized by respondent Judge in the Order dated April 3, 2002, considering that CCC-QC, CCC and GCC, which was later renamed Penta Capital, are one and the same corporation as ruled with finality by the Supreme Court. Nonetheless, we agree with Reynoso that Penta Capital can no longer exercise its right to redeem the Valle Verde property.

Record shows that the Valle Verde property, which was registered in the name of CCC under TCT No. 29940, was levied upon and sold at public auction on October 29, 1991 with Reynoso as the highest bidder. The certificate of sale in favor of Reynoso was registered on TCT No. 29940 on November 7, 1991. Section 28, Rule 39 of the Rules of Civil Procedure provides that the judgment obligor or redemptioner may redeem the property from the purchaser at any time within one (1) year from the date of the registration of the certificate of sale. Inasmuch as one year is composed of 365 days, CCC or its successors-in-interest had only until November 6, 1992 within which to redeem the Valle Verde property. However, it was only on December 21, 2002 that Penta Capital sent a notice to the Sheriff that it was redeeming *ad cautelam* the Valle Verde property, together with a cashier's check for P 703,897.36, inclusive of interest. On February 20, 1992, Penta Capital filed with the Regional Trial Court of Pasig City a third-party claim with respect to the Valle Verde property and other properties that may be levied upon by Deputy Sheriff Edgardo C. Tanangco of respondent court.

Penta Capital's argument that it could not redeem the Valle Verde property within the one year period, which expired on November 6, 1992, in view of the temporary restraining order issued by this Court on March 13, 1992, the writ of preliminary injunction issued on April 7, 1994 and the decision dated July 7, 1994 of this

Court in CA-G.R. SP No. 27518, does not persuade us.

As correctly pointed out by Reynoso, the injunction issued by this Court in CA-G.R. SP No. 27518 did not cover the Valle Verde property. The temporary restraining order and injunction issued by this Court in said case merely enjoined the respondents therein from conducting an auction sale on execution of the properties of GCC, as well as from initiating similar acts of levying upon and selling on execution other properties of the latter until Civil Case No. 61777 before the Regional Trial Court of Pasig City shall have been finally terminated. On the other hand, the levy and sale of the Valle Verde property had already been consummated when the temporary restraining order and injunction were issued by this Court. Settled is the rule that consummated acts can no longer be restrained by injunction. Injunction would not lie where the acts sought to have been enjoined had already become a *fait accompli* or an accomplished or consummated act.

The right of redemption should be exercised within the period prescribed by law. The right to redeem becomes *functus officio* on the date of its expiry and its exercise after the period is not really one of redemption but a repurchase.^[32]

On the fourth issue

The RTC QC ruled that CCC/GCC/Penta should pay Reynoso the following amounts:

- a) to pay defendant the sum of P185,000.00 plus 14% interest per annum from October 2, 1980 until fully paid;
- b) to pay defendant P3,639,470.82 plus interest thereon at the rate of 14% per annum from June 24, 1981, the date of filing of Amended Answer, until fully paid; from this amount may be deducted the remaining obligation of defendant under the promissory note of October 24, 1977, in the sum of P9,738.00 plus penalty at the rate of 1% per month from December 24, 1977 until fully paid;
- c) to pay defendants P200,000.00 as moral damages;
- d) to pay defendants P100,000.00 as exemplary damages;
- e) to pay defendants P25,000.00 as and for attorney's fees; plus costs of the suit.

Based on the above figures, the RTC QC eventually computed the award to Reynoso as P71,768,227.35. When this matter reached the CA, its chief accountant computed the judgment award at P13,947,240.04, after both parties had agreed to deduct from the total judgment award the sum of P 650,150.50 paid by Reynoso for the Valle Verde property. The CA's computation is as follows:

A. Principal Amount

P185,000.00

Interest therein @ 14% per annum from

October 2, 1980 up to November 30, 2002

573,986.57

Total

P758,986.57

B. Principal Amount

P3,639,470.82

Interest therein @ 14 per annum from

June 24 to November 30, 2002

9,912,788.77

P13,552,259.59

Less: The sum of

P9,738.00

Penalty @ 1% per mo. from

December 24, 1977 up to

November 24, 2002

29,116.62

P38,854.62

Sub-total

P13,513,404.97

Less: Bid Price of Auctioned Property

bought by defendant

650,151.50

Total

P12,863,253.47

C. Moral Damages

P 200,000.00

D. Exemplary Damages

P 100,000.00

E. Attorney's Fees

P 25,000.00

TOTAL AMOUNT DUE as of November 30, 2002

P13,947,240.04

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* Note 1 Penalty of 1% per month on P9,738 loan is computed from December 24, 1997 up to November 24, 2002 only.

** Note 2 Amount of Bid Price on Auctioned sale in the amount of P650,151.50 was already deducted from the total amount due.”[33]

Two things must be priorly explained regarding the above computation of the CA. First, the principal amounts in items A and B (P185,000.00 and P3,639,470.82, respectively) were subjected to a 14% per annum interest only until 30 November 2002, because the CA's chief accountant who prepared the computation on 21 November

2002 had anticipated that the parties would be settling the matter by the end of November 2002. Second, the interest on the sum of P9,738 (which was deducted from the principal amount in item B) was subjected to a penalty until 24 November 2002, only because the RTC QC judgment pegged the interest rate thereon at 1% per month, commencing on 24 December 1977. Accordingly, the interest was computed on a month-to-month basis.

Both parties impugn the computation by the CA of interest on the judgment awards. On the one hand, Reynoso claims that its computation was deficient, because two items in the judgment pertain to money market placements. These placements were subject to “roll overs” – in this case, pertaining to the reinvestment of the principal together with its earned interest of 14% per annum, which shall earn another 14% per annum, and so forth. Reynoso further alleges that the resulting amount should be subjected to the 12% per annum legal interest on the judgment awards after finality of the judgment, pursuant to the rule laid down in *Eastern Shipping Lines, Inc. v. Court of Appeals* [34] and *Crismina Garments, Inc. v. Court of Appeals*. [35] On the other hand, CCC claims that the CA’s computation was excessive, because the judgment award should be subject to a 12% interest rate only.

We uphold the CA ruling on the computation of interest on the judgment awards pertaining to the principal amounts P185,000.00 and P3,639,470.82.

Referring to *Eastern Shipping Lines* and *Crismina Garments*, which Reynoso claimed to be supportive of his position, the CA elucidated as follows:

The above-mentioned cases state that the imposition of interest at the rate of 12% per annum from finality of judgment applies only where the rate of interest decreed in the judgment of the court is only 6% per annum, in accordance with Article 2209 of the Civil Code. Thus, the dispositive portions of the decisions in the above-mentioned cases provided for payment of interest at 6% per annum from the date of the filing of the complaint until the finality of the judgment and a 12% interest per annum, in lieu of 6% interest per annum, upon finality of the judgment until it is fully satisfied. In the case at bench, the decision in Civil Case No. Q-30583 ordered the payment of interest at the rate of 14% per annum from October 2, 1980, with respect to the amount of P 185,000.00, and from June 24, 1981, with respect to the amount of P 3,639,470.82, until the same shall have been fully paid. Inasmuch as the rate of interest imposed in Civil Case No. Q-30583 is even higher than 12% per annum, Reynoso is no longer entitled to the payment of 12% interest upon finality of the judgment.[36]

In fine, *Eastern Shipping* merely provides that in the absence of a written stipulation, the applicable interest rate to be imposed in judgments involving a forbearance of credit shall be 12% per annum in accordance with Central Bank (CB) Circular No. 416. On the other hand, if the judgment refers to payment of indemnities in the concept of damages arising from a breach or a delay in the performance of obligations in general, the applicable interest rate shall be 6% per annum, in accordance with Article 2206 of the Civil Code. Both interest rates apply from the time of judicial or extrajudicial demand until the finality of the judgment. However, from the time the judgment of the court awarding a sum of money becomes final until it is satisfied, the award it granted shall be considered a forbearance of credit, whether or not the judgment award actually pertained to one. Accordingly, during this interim period, the interest rate of 12% per annum for forbearance of money shall apply.[37]

In the present case, the parties agreed in writing to apply an annual interest rate of 14% to the amounts covered by the Promissory Notes. The trial court ruled that after the finality of judgment, as long as the subject amounts remain unpaid, they shall bear 14% annual interest in lieu of the default interest rate for forbearance of credit, which is 12% per annum. The RTC QC’s application of 14% interest rate from the finality of the judgment until its full satisfaction is permitted to remain herein, only because the judgment has become final – as it was not impugned at all before the CA – and therefore, can no longer be modified. It is not meant to overturn the Court’s consistent application of the 12% interest rate in court judgments awarding a sum of money from the time it

becomes final until it is satisfied.

We further uphold the CA's rejection of Reynoso's computation, which incorporates "roll overs" of the said two items in the judgment awards.

Reynoso argues that the "roll over" could be implied from the trial court Decision, considering that the two items in the judgment (P185,000.00 and P3,639,470.82) pertained to his money market placements, and considering further that the trial court applied such rollovers to its subsequent computation.

We are not convinced. The mere fact that RTC QC's subsequent computation applied rollovers is an insufficient basis to rule that these were proper. We stress that "execution must conform to that ordained or decreed in the dispositive part of the decision; consequently, where the order of execution is not in harmony with and exceeds the judgment which gives it life, the order has pro tanto no validity." [38] In the present case, we observe that nowhere in the RTC QC judgment is there a provision calling for the "roll over" of the P185,000.00 and P 3,639,470.82 awards.

Also, while it is true that the said judgment awards correspond to the amounts Reynoso invested as money market placements, he himself points out in his Petition that each placement is a separate and distinct transaction. He explains that a rollover is a "new and independent transaction where the amount of money market placement is considered as a fresh infusion of a principal amount regardless of the fact that part of the amount 'rolled over' was in reality the interest earned from the original placement or the immediately preceding 'roll-over' transaction." [39] Thus, a money market transaction does not necessarily include a rollover, which would take place only if the parties agree to the reinvestment of the proceeds of the earlier money market transaction. The parties' agreement to a rollover is a separate transaction whereby the new placement, consisting of the original placement plus the earned interest, becomes the new placement that shall earn interest at the end of the agreed period. In the present case, it does not appear that there was an agreement between CCC-QC and Reynoso for the automatic rollover of all of his placements.

Finally, Reynoso is entitled to interest on the moral and exemplary damages, as well as the attorney's fees awarded him. As stressed in our above discussion of Eastern Shipping, an award of a sum of money shall be considered as a forbearance of credit once it becomes final, whether or not the award actually pertained to one. Hence, from its finality until its satisfaction, the judgment award to Reynoso of moral and exemplary damages, as well as attorney's fees, shall be subject to the interest rate of 12% per annum.

WHEREFORE, premises considered, the consolidated Petitions are hereby DENIED. The Court of Appeals assailed Decision and Resolution are AFFIRMED with MODIFICATION in that an interest rate of 12% per annum is to be applied to the awards of moral and exemplary damages and attorney's fees from the finality until the satisfaction of the 14 January 1985 Decision of the Regional Trial Court of Quezon City, Branch 86 in Civil Case No. Q-30583.

SO ORDERED.

Carpio, (Chairperson), Perez, Reyes, and Perlas-Bernabe, JJ., concur.

[*] Designated as acting Member of the Second Division vice Associate Justice Arturo D. Brion per Special Order No. 1174 dated January 9, 2012.

[1] The Court of Appeals Special Fifteenth Division Decision and Resolution in CA-GR. SP No. 73207 was penned by Justice Marina Buzon and concurred in by Justices Rebecca de Guia-Salvador and Jose Mendoza.

[2] In *Perez v. Court of Appeals*, G.R. No. L-56101, 20 February 1984, 127 SCRA 636, the Court quoted the definition of “money market” as follows:

As defined by Lawrence Smith ‘the money market is a market dealing in standardized short-term credit instruments (involving large amounts) where lenders and borrowers do not deal directly with each other but through a middle man or dealer in the open market.’ It involves ‘commercial papers’ which are instruments ‘evidencing indebtedness of any person or entity . . . , which are issued, endorsed, sold or transferred or in any manner conveyed to another person or entity, with or without recourse’. The fundamental function of the money market device in its operation is to match and bring together in a most impersonal manner both the ‘fund users’ and the ‘fund suppliers.’ The money market is an ‘impersonal market’, free from personal considerations.’ The market mechanism is intended to provide quick mobility of money and securities.

The impersonal character of the money market device overlooks the individuals or entities concerned. The issuer of a commercial paper in the money market necessarily knows in advance that it would be expeditiously transacted and transferred to any investor/lender without need of notice to said issuer. In practice, no notification is given to the borrower or issuer of commercial paper of the sale or transfer to the investor.

[3] Section 1326 of the Central Bank’s “Manual of Regulations for Banks and other Financial Intermediaries” provides:

Dealings of a bank with any of its directors, officers or stockholders and their related interests should be in the regular course of business and upon terms not less favorable to the bank than those offered to others.

[4] RTC records, Vol. 1, at 205-208. The Promissory Notes issued by CCC-QC in favor of Reynoso on various dates from 6 July 1979 to 8 August 1979 totaling P185,000 contain the following terms and conditions:

1. This loan shall be payable one (1) month from demand, provided that, if the aggregate amount demanded within one (1) month shall exceed the sum of FIFTY THOUSAND (P50,000.00) Pesos, the same shall be payable in monthly amortizations not exceeding FIFTY THOUSAND (P50,000.00) Pesos each, the first amortization to start one (1) month from demand.

2. This loan shall be payable with interest at the rate of fourteen (14%) per cent per annum on the outstanding balance until fully paid, computed and paid at the time of payment of each amortization; but if the Payee shall not make demand for payment within one (1) year from the date of this note, the interest shall be ____ per cent per annum, on the outstanding balance computed and to be paid at the time of payment for each amortization.

3. The COMMERCIAL CREDIT CORPORATION OF QUEZON CITY may, at any time at its option pay any portion or the entire amount of this note, even without demand from the Payee and before it falls due; and, from the time tender of payment is made to the Payee or his order in person or at his last known address, the interest provided for in the preceding paragraph corresponding to the portion or amount so tendered, shall cease to be in effect.

[5] No. 12 Macopa Street, Valle Verde I, Pasig City, under TCT No. 29940.

[6] The Complaint was initially filed with the Court of First Instance and docketed as Civil Case No. Q-30583. It was transferred to the RTC QC after the reorganization of the judiciary.

[7] RTC records, Vol. 1, pp. 1-8.

[8] *Id.* at 20-25.

[9] *Id.* at 463-466.

[10] *Id.* at 495. The Entry of Judgment indicates that Reynoso initially filed, but subsequently withdrew his

appeal.

[11] RTC records, Vol. 1, pp. 503-505.

[12] Rollo (G.R. No. 162395), p. 452.

[13] Sheriff's Return dated 4 November 1991. RTC rollo, Vol. 2, p. 545.

[14] Id. at 555-566. In this SEC case, Ramoso, et al. were individual investors in CCC/GCC who executed an "exclusive management contract with the latter. They gave the franchised companies of CCC/GCC full control and management of the franchised companies' business and affairs" through its designation of each franchised company's resident who was empowered to be a signatory of checks of the franchised companies. Petitioners Ramoso et al. applied for receivership, allegedly because, as a result of the mismanagement of GCC/CCC, the franchised companies became bankrupt, petitioners lost their investments, and they were subjected to liabilities in their personal capacities.

[15] RTC records, Vol. 2, p. 569.

[16] Id. at 570-573.

[17] RTC records, Vol. 2, pp. 583-585.

[18] Id. at 590-644.

[19] Id. at 704-705.

[20] The case was docketed as Civil Case No. 61777 and raffled to the sala presided by Judge Alfredo Flores.

[21] RTC records, Vol. 2, pp. 716-718.

[22] Rollo (G.R. No. 162100), pp. 113-117. The dispositive portion of the Decision reads as follows:

Wherefore, in SP No. 27518 we declare the issue of the respondent court's refusal to issue a restraining order as having been rendered moot by our Resolution of 7 April 1992 which, by way of injunctive relief, provided that the 'respondents and their representatives are hereby enjoined from conducting an auction sale (on execution) of petitioner's properties as well as initiating similar acts of levying (upon) and selling on execution other properties of said petitioner'. The injunction in force until Civil Case No 61777 shall have been finally terminated.

In SP No. 27683, we grant the petition on certiorari and accordingly NULLIFY and SET ASIDE, for having been issued in excess of jurisdiction, the Order of 13 February 1992 in Civil Case No. Q-30583 as well as any other order or process through which the petitioner is made liable under the judgment in said Civil Case No. Q-30583.

No damages and no costs.

SO ORDERED. (Underscoring supplied)

[23] Reynoso v. Court of Appeals, G.R. Nos. 116124-25, 22 November 2000, 345 SCRA 335. The dispositive portion of the Decision reads as follows:

WHEREFORE, the decision of the Court of Appeals is hereby REVERSED and SET ASIDE. The injunction of an auction sale for the execution of the decision in Civil Case No. Q-30583 of properties of General Credit Corporation, and the levying upon and selling on execution of other properties of General Credit Corporation is LIFTED.

SO ORDERED.

[24] The principal claim was computed at ₱4,952,220.43, with interest amounting to ₱66,816,006.92 as of 31 March 2002.

[25] Rollo (G.R. No. 162100), pp. 80 -110.

[26] CA rollo, p. 722. This amount was computed to be the total amount due Reynoso as of 30 November 2002.

[27] G.R. Nos. 116124-25, 22 November 2000, 345 SCRA 335.

[28] Roque v. Comelec, G.R. No. 188456, 10 February 2010, 612 SCRA 178.

[29] SEC. 47. Effect of judgments or final orders .—The effect of a judgment or final order rendered by a court of the Philippines, having jurisdiction to pronounce the judgment or final order, may be as follows:

... ..

In any other litigation between the same parties or their successors in interest, that only is deemed to have been adjudged in a former judgment or final order which appears upon its face to have been so adjudged, or which was actually and necessarily included therein or necessary thereto.

[30] G.R. No. L-40867, 26 July 1988, 163 SCRA 489.

[31] RULES OF COURT, Rule 39, Sec. 16.

[32] Court of Appeals Special Fifteenth Division Decision in CA-GR SP No. 73207 dated 30 July 2003, penned by Justice Marina L. Buzon, with the concurrence of Justices Rebecca de Guia-Salvador and Jose C. Mendoza. Rollo (G.R. No. 162100), pp. 80-119.

[33] CA rollo, p. 722.

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

[35] G.R. No. 128721, 9 March 1999, 304 SCRA 356.

[36] Rollo (G.R. No. 162395), pp. 90-91.

[37] See Sunga-Chan v. Court of Appeals, G.R. No. 164401, 25 June 2008, 555 SCRA 275.

[38] Florentino v. Rivera, G.R. No. 167968, 23 January 2006, 479 SCRA 522.

[39] Rollo (G.R. No. 162395), p. 43.

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