

**ANTONIO CHIENG, SUBSTITUTED BY WILLIAM CHIENG,
PETITIONER, VS. SPOUSES EULOGIO AND TERESITA SANTOS,
RESPONDENTS.**

G.R. NO. 169647. August 31, 2007

Ponente: CHICO-NAZARIO, J.

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CHICO-NAZARIO, J.:

Before this Court is a Petition for Review on Certiorari under Rule 45 of the Rules of Court,[1] praying that the Decision, dated 13 September 2005 of the Court of Appeals in CA-G.R. CV No. 79971[2] be set aside and the Decision[3] and Order[4] of the Olongapo City Regional Trial Court (RTC), Branch 74, in Civil Case No. 239-0-93, dated 23 October 2001 and 11 January 2002, respectively, which were reversed by the appellate court, be reinstated.

Stripped of the non-essentials, the facts are as follows:

On 17 August 1989, petitioner Antonio Chieng[5] extended a loan in favor of respondent spouses Eulogio and Teresita Santos. As security for such loan, the respondents executed in favor of petitioner a Deed of Real Estate Mortgage over a piece of land, consisting of 613 square meters, situated at West Bajac-Bajac, Olongapo City, and covered by Transfer Certificate of Title (TCT) No. T-2570 issued by the Registry of Deeds of Olongapo City in the name of respondents. On even date, the Deed of Real Estate Mortgage was registered with the Registry of Deeds of Olongapo City and was duly annotated on TCT No. T-2570.

Thereafter, respondent Eulogio issued several checks in favor of petitioner as payment for the loan. Some of these checks were dishonored, prompting the petitioner to file a criminal case against respondent Eulogio for violation of Batas Pambansa Blg. 22 before the Olongapo City RTC, Branch 72, docketed as Criminal Cases No. 612-90 to No. 615-90. During the pre-trial conference of these cases, petitioner and respondent Eulogio entered into a compromise agreement, which was contained in the Order of the court, to wit:

ORDER

When this case was called for pre-trial conference in the presence of the Honorable Prosecutor, accused Eulogio Santos and private complainant Antonio Chieng came to an agreement that the total indebtedness of Mr. Santos as of today, July 15, 1991 amounts to Two Hundred Thousand (P200,000.00) Pesos including interest since the beginning and excluding those already paid for. It is understood that at a payment of P20,000.00 each month starting on or before July 31, 1991 and upon the completion of the amount of P200,000.00 without any interest, the indebtedness of Mr. Santos shall/have been discharged and upon payment of P20,000.00 on or before July 31 1991, the next payment on or before August 31 1991, these cases will be considered terminated.

Prosecutor Martinez, Accused Eulogio Santos and complainant Antonio Chieng are notified of this assignment.[6]

Respondent Eulogio failed to comply with his obligation in the compromise agreement.

On 17 June 1993, petitioner filed with the Olongapo City RTC, Branch 74, an action for foreclosure of mortgage constituted on respondents' real property docketed as Civil Case No. 239-0-93. Petitioner alleged that he extended a loan of P600,000.00 in favor of respondents for which respondents executed the Deed of Real Estate Mortgage dated 17 August 1987 in his favor. Despite his repeated demands, respondents failed to pay the loan.

Respondents sought the dismissal of the case on the ground of lack of cause of action claiming that the Deed of Real Estate Mortgage did not reflect the parties' true intention or agreement because the total amount of their indebtedness was only around P200,000.00, not P600,000.00 as stated in the Deed. Respondents and petitioner supposedly agreed to make it appear that respondents' loan amounted to P600,000.00 to protect the latter from the claims of their other creditors who were trying to attach or levy their property. Respondents further averred that they had partly paid their loan but petitioner refused to issue them receipts and to render an accounting of their remaining obligation.

On 10 February 1994, petitioner made his formal offer of evidence. Upon submission by respondents of their Comment/Objections to petitioner's formal offer of evidence, the court issued an Order dated 1 September 1994, admitting petitioner's offer of evidence, and set the hearing for the reception of respondents' evidence on 28 September 1994. However, hearings were successively postponed upon the motions of respondents. On 14 January 1997, the court issued an Order declaring that (1) the respondents were deemed to have waived their right to present evidence; and (2) the case was considered submitted for decision. Respondents filed a Motion for Reconsideration of the said RTC Order dated 14 January 1997, but this was denied.[7]

On 9 July 1997, the Olongapo City RTC, Branch 74, rendered a Decision[8] ordering the respondents to pay petitioner their loan obligation amounting to P600,000.00, plus interests and attorney's fees, thus:

WHEREFORE, judgment is hereby rendered ordering the [herein respondents] to pay [herein petitioner] within 90 days from receipt of this Decision the sum of P600,000.00 with legal rate of interest of 12% per annum from August 13, 1992 until the amount is fully paid; to pay [petitioner] the amount of P60,000.00 as attorney's fees; and the costs of this suit.

In default of such payment, the Sheriff of this Court is ordered to sell at public auction the property described in the Deed of Real Estate Mortgage x x x together with the improvements thereon and apply the proceeds thereof to the principal obligation, interests, attorney's fees and the costs of this suit.

Respondents filed a Motion for Reconsideration[9] arguing:

[C]onsidering that another branch of this Honorable Court, particularly Branch 72 through Judge Esther Nobles Bans had issued an order fixing the actual obligation of the [herein respondents] to [herein petitioner] in the sum of P200,000.00 with the conformity of both the herein parties, a copy of the said order is hereto attached as Annex "I" of this motion for the ready reference and guidance of this Honorable Court.

In effect, the said order is in the nature of a judicial compromise or judgment that should be strictly complied with and/or honored by the herein parties, unless the same was entered into through palpable mistake.

Besides, it would be the height of injustice to compel the herein [respondents] to pay more than P200,000.00 when the herein parties had already pegged the obligation of the herein [respondents] to the said [petitioner] in the sum of P200,000.00.

On 6 October 1997, the court issued an Order setting aside its earlier Decision dated 9 July 1997.[10]

Respondent Eulogio explained that he issued several checks amounting to P107,000.00 in favor of petitioner as partial payment of the loan as evidenced by a memorandum. He added that some of the checks he issued bounced; thus, he and his wife failed to fully discharge their loan. Instead of foreclosing the mortgage on their property,

petitioner chose to institute criminal cases against respondent Eulogio for issuing bouncing checks in violation of Batas Pambansa Blg. 22, docketed as Criminal Cases No. 612-90 to No. 615-90 before the Olongapo City RTC, Branch 72. He bared that the P200,000.00 which he was directed to pay petitioner by the Olongapo City RTC, Branch 72 in its Order dated 15 July 1991 in Criminal Cases No. 612-90 to No. 615-90 was the same subject of Civil Case No. 239-0-93 pending with the Olongapo City RTC, Branch 74.

On 23 September 1998, petitioner passed away.[11] Thereafter, his heirs filed a motion to substitute him in Civil Case No. 239-0-93.[12] In its Order dated 12 January 1999, the Olongapo City RTC, Branch 74 granted the motion and directed the substitution of petitioner by his son, William Chieng.[13]

On 23 October 2001, the Olongapo City RTC, Branch 74 rendered a Decision in Civil Case No. 239-0-93 directing the respondents to pay petitioner the amount of P377,000.00 with interest, plus attorney's fees and costs.[14] The decretal portion of the decision reads:

WHEREFORE, finding [herein respondents] Eulogio Santos and Teresita Santos liable to [herein petitioner] Antonio Chieng (substituted herein by William Cheng) in the sum of P377,000.00 including interest;

-judgment is hereby rendered directing Eulogio Santos and Teresita Santos, to jointly and severally pay to the Court:

- the sum of Three Hundred Seventy Seven Thousand Pesos (P377,000.00) within a period of not less than ninety (90) days from notice of this judgment;

- the sum of P25,000.00 to pay for the attorney's fees of [petitioner's] counsel;

- the sum of P3,210.00 costs/filing fees.

In default of such payment, the property to be sold by the Court's Deputy Sheriff, to realize the mortgage debt and costs.[15]

It agreed with respondents that the Deed of Real Estate Mortgage was simulated and that the loan obligation was only P200,000.00. It also found that respondents made payments amounting to P107,000.00. Respondent's liability was arrived at in this manner:

Since the mortgage debt of P200,000.00 was contracted on August 17, 1989, when judicially demanded on June 23, 1993, the mortgage debt of P200,000.00 at 12% per annum (without compounding since there is no written agreement to that effect) earned an interest of P92,000.00 on June 17, 1993. From 1993 up to the present, a total of P192,000.00 in interest again accrued and adding the same to the interest due from August 17, 1989, an overall total interest of P284,000.00 at 12% per annum without compounding, is due from the [herein respondents].

Accordingly, [respondents] have paid a total of P107,000.00 to [herein petitioner], hence, deducting that amount from the total interest due, would leave an unpaid interest of P177,000.00. Adding this to the uncontroverted principal debt of P200,000.00, the [respondents] owe [petitioner] the total sum of P377,000.00.[16]

Respondents filed a Motion for Reconsideration asserting that the charging of interest on the loan obligation was unwarranted because no payment of interest was agreed upon.[17] In its Order dated 11 January 2002, the court denied the Motion for Reconsideration, reasoning that respondents were the ones who presented as evidence the supposed compromise agreement between petitioner and respondent Eulogio, as stated in the Order dated 15 July 1991 of the Olongapo City RTC, Branch 72, in Criminal Cases No. 612-90 to No. 615-90.[18] According to the court, it used the very same compromise agreement as its basis for imposing the 12% per annum interest rate, and that respondents were precluded from disclaiming the said agreement.

Unsatisfied, respondents filed an appeal with the Court of Appeals, docketed as CA- G.R. CV No. 79971. In a decision dated 13 September 2005, the appellate court reversed the Decision dated 23 October 2001 and Order dated 11 January 2002 of the Olongapo City RTC, Branch 74, and dismissed Civil Case No. 239-0-93.[19] Citing our ruling in *Bank of America v. American Realty Corporation*,[20] it held that a mortgagor-creditor has two choices of action: he may either file an ordinary action to recover the indebtedness or foreclose the mortgage. In short, once a collection suit is filed, the action to foreclose the mortgage is barred.

It ratiocinated that although Criminal Cases No. 612-90 to No. 615-90 for Violation of Batas Pambansa Blg. 22 before the Olongapo City RTC, Branch 72, were not strictly in the nature of ordinary actions for collection/payment of debts or loans, the resulting compromise agreement in the said cases between petitioner and respondent Eulogio, on the matter of payment of the loan, had the effect of settling respondents' indebtedness to petitioner. This is pursuant to Section 1, Rule 111 of the 1985 Rules on Criminal Procedure which provides that the civil action for the recovery of civil liability is impliedly instituted in the criminal actions. Having been impliedly instituted in the criminal cases, any separate civil action for the collection or payment of the loan, like the action for foreclosure of real estate mortgage, can no longer be availed of by petitioner. Thus, it pronounced that the issue of the payment of the loan, having been the subject of the Order dated 15 July 1991 of the Olongapo City RTC, Branch 72, in Criminal Cases No. 612-90 to No. 615-90, cannot be re-litigated and that the proper course of action for petitioner was to seek the execution of the said order. In closing, the Court of Appeals decreed:

Having made the foregoing pronouncement, the Court finds no necessity to discuss the second assignment of error because there being no loan obligation which can be enforced, no interest could be likewise granted in favor of [herein petitioner].

WHEREFORE, in view of the foregoing, the Decision of the Regional Trial Court of Olongapo, Branch 74, in Civil Case No. 239-0-93 is hereby REVERSED and a new one entered DISMISSING the complaint.[21]

Petitioner thus filed the instant Petition before us challenging the Decision dated 13 September 2005 of the Court of Appeals. In our Resolution dated 5 December 2005, we denied the Petition due to petitioner's failure to submit the duplicate original or certified true copy of the assailed decision pursuant to Sections 4(d) and 5, Rule 45 in relation to Section 5(d), Rule 56 of the Rules of Court.[22] Petitioner filed a Motion for Reconsideration praying that his submission of one certified true copy of the questioned decision be considered as substantial compliance with the Rules.[23] Finding the Motion meritorious, we issued a Resolution dated 19 April 2006 reinstating the present Petition.[24]

The sole issue to be resolved is: whether petitioner, by filing Criminal Cases No. 612-90 to No. 615-90 for violation of Batas Pambansa Blg. 22 against respondent Eulogio, was already barred or precluded from availing himself of the other civil remedy of the foreclosure of the real estate mortgage.[25]

Petitioner maintains that, in filing Criminal Cases No. 612-90 to No. 615-90 for violation of Batas Pambansa Blg. 22 against respondent Eulogio, he should not be deemed to have impliedly instituted therein an ordinary action for collection of the loan which will preclude him from pursuing the remedy of foreclosure of real estate mortgage.[26] He asserts that no evidence was adduced proving that the obligation for which the checks were issued in Criminal Cases No. 612-90 to No. 615-90 was the same loan obligation secured by the Deed of Real Estate Mortgage in Civil Case No. 239-0-93. Petitioner's complaint- affidavit and the informations filed against respondent Eulogio in the said criminal cases, which could have shed light on the rights of the parties therein, were not presented during the trial before the Olongapo City RTC, Branch 74 in Civil Case No. 239-0-93. Petitioner argues that, if indeed the obligation for which the checks were issued in said criminal cases is the same as the obligation secured by the Deed of Real Estate Mortgage, the Olongapo City RTC, Branch 72 would have

mentioned in its Order dated 15 July 1991 in Criminal Cases No. 612-90 to No. 615-90 that the consideration in the Deed of Real Estate Mortgage was being reduced to only P200,000.00.[27]

Moreover, petitioner claims that respondents did not pay a single centavo under the compromise agreement in Criminal Cases No. 612-90 to No. 615-90. The compromise agreement was thus deemed abandoned, with no more force and effect. Petitioner further asseverates that 14 years had already lapsed from the time the Order dated 15 July 1991 of the Olongapo City RTC, Branch 72 in Criminal Cases No. 612-90 to No. 615-90 became final, so that he can no longer file a Motion for Execution thereof or an Action to Revive Judgment. It was for this very reason why petitioner was constrained to file an action for judicial foreclosure of mortgage. To enjoin his action to foreclose the real estate mortgage would be an injustice since he would be left with no other recourse in recovering the loan balance from respondents.[28]

For reasons of justice and equity, we rule in favor of petitioner.

At the threshold, the following discussion merits equal attention. A mortgage-creditor may, in the recovery of a debt secured by a real estate mortgage, institute against the mortgage-debtor either a personal action for debt or a real action to foreclose the mortgage. These remedies available to the mortgage-creditor are deemed alternative and not cumulative. An election of one remedy operates as a waiver of the other. In sustaining the rule that prohibits a mortgage-creditor from pursuing both remedies of a personal action for debt or a real action to foreclose the mortgage, we held in *Bachrach Motor Co., Inc. v. Icarangal*,[29] that a rule which would authorize the mortgage-creditor to bring a personal action against the mortgage-debtor and simultaneously or successively another action against the mortgaged property, would result not only in multiplicity of suits so offensive to justice and obnoxious to law and equity, but would also subject the mortgage-debtor to the vexation of being sued in the place of his residence or of the residence of the mortgage-creditor, and then again in the place where the property lies. Hence, a remedy is deemed chosen upon the filing by the mortgage-creditor of the suit for collection or upon his filing of the complaint in an action for foreclosure of mortgage, pursuant to the provisions of Rule 68 of the Rules of Court.[30]

Proceeding therefrom, we shall now determine whether petitioner's filing of Criminal Cases No. 612-90 to 615-90 is equivalent to the filing of a collection suit for the recovery of the mortgage-loan which, pursuant to the aforesaid rule on the alternative remedies of collection and foreclosure, precludes the petitioner from subsequently availing himself of the action to foreclose the mortgaged property.

When petitioner filed Criminal Cases No. 612-90 to No. 615-90 for violation of Batas Pambansa Blg. 22 against respondent Eulogio, petitioner's civil action for the recovery of the amount of the dishonored checks was impliedly instituted therein pursuant to Section 1(b) of Rule 111 of the 2000 Rules on Criminal Procedure. In the case of *Hyatt Industrial Manufacturing Corporation v. Asia Dynamic Electrix Corporation*,[31] we elucidated thus:

We agree with the ruling of the Court of Appeals that upon filing of the criminal cases for violation of B.P. 22, the civil action for the recovery of the amount of the checks was also impliedly instituted under Section 1(b) of Rule 111 of the 2000 Rules on Criminal Procedure. Under the present revised Rules, the criminal action for violation of B.P. 22 shall be deemed to include the corresponding civil action. The reservation to file a separate civil action is no longer needed. The Rules provide:

Section 1. Institution of criminal and civil actions. -

(a) x x x x

(b) The criminal action for violation of Batas Pambansa Blg. 22 shall be deemed to include the corresponding civil action. No reservation to file such civil action separately shall be allowed.

Upon filing of the aforesaid joint criminal and civil actions, the offended party shall pay in full the filing fees based on the amount of the check involved, which shall be considered as the actual damages claimed. Where the complaint or information also seeks to recover liquidated, moral, nominal, temperate or exemplary damages, the offended party shall pay additional filing fees based on the amounts alleged therein. If the amounts are not so alleged but any of these damages are subsequently awarded by the court, the filing fees based on the amount awarded shall constitute a first lien on the judgment.

Where the civil action has been filed separately and trial thereof has not yet commenced, it may be consolidated with the criminal action upon application with the court trying the latter case. If the application is granted, the trial of both actions shall proceed in accordance with section 2 of this Rule governing consolidation of the civil and criminal actions.

The foregoing rule was adopted from Circular No. 57-97 of this Court. It specifically states that the criminal action for violation of B.P. 22 shall be deemed to include the corresponding civil action. It also requires the complainant to pay in full the filing fees based on the amount of the check involved. Generally, no filing fees are required for criminal cases, but because of the inclusion of the civil action in complaints for violation of B.P. 22, the Rules require the payment of docket fees upon the filing of the complaint. This rule was enacted to help declog court dockets which are filled with B.P. 22 cases as creditors actually use the courts as collectors. Because ordinarily no filing fee is charged in criminal cases for actual damages, the payee uses the intimidating effect of a criminal charge to collect his credit gratis and sometimes, upon being paid, the trial court is not even informed thereof. The inclusion of the civil action in the criminal case is expected to significantly lower the number of cases filed before the courts for collection based on dishonored checks. It is also expected to expedite the disposition of these cases. Instead of instituting two separate cases, one for criminal and another for civil, only a single suit shall be filed and tried. It should be stressed that the policy laid down by the Rules is to discourage the separate filing of the civil action. The Rules even prohibit the reservation of a separate civil action, which means that one can no longer file a separate civil case after the criminal complaint is filed in court. The only instance when separate proceedings are allowed is when the civil action is filed ahead of the criminal case. Even then, the Rules encourage the consolidation of the civil and criminal cases. We have previously observed that a separate civil action for the purpose of recovering the amount of the dishonored checks would only prove to be costly, burdensome and time-consuming for both parties and would further delay the final disposition of the case. This multiplicity of suits must be avoided. Where petitioners' rights may be fully adjudicated in the proceedings before the trial court, resort to a separate action to recover civil liability is clearly unwarranted. x x x.

The impliedly instituted civil action in Criminal Cases No. 612-90 to No. 615-90 for violation of Batas Pambansa Blg. 22 was, in effect, a collection suit or suit for the recovery of the mortgage-debt since the dishonored checks involved in the said criminal cases were issued by respondent Eulogio to petitioner for the payment of the same loan secured by the Deed of Real Estate Mortgage. As correctly found by the Olongapo City RTC, Branch 74, in its Decision dated 23 October 2001 in Civil Case No. 239-0-93:

After a careful scrutiny of the evidence adduced by the parties, this Court will not hesitate to state that -

- it is convinced that the parties had one and only transaction, the one constituted on August 17, 1989;

x x x x

- the bouncing checks for which defendant was criminally charged with, were part of the checks issued to plaintiff in consideration of the mortgage debt secured on August 17, 1989;

-defendant's payment for those checks should appropriately be considered as payment of the mortgage debt, defendant's only obligation in favor of the plaintiff;

x x x x

The Court has likewise taken note of the fact that plaintiff is a businessman by his admission, and the fact that the purpose of the defendants' seeing him on August 17, 1989 is in order to borrow money. The testimony of plaintiff that defendants are known to him cannot be related to any special occasion or event of meeting and later becoming friends, otherwise plaintiff could have stated so. His having known the defendants refer to only one occasion, that is, when the defendants came to his business office to obtain a loan. Anyone can do that. That person would then be his debtor. And so, defendants on August 17, 1989 became debtors of the plaintiff.

Why would defendants come to plaintiff if not for that purpose? Plaintiff is known in Olongapo City as a money lender. His business at 1670 Rizal Avenue, West Bajac- bajac is a money lending business.

As a lender, plaintiff's prime concern is profit. In order to attain this, he has to impose double measures to protect his interest. First, to ask the borrower to produce the title to the property intended as collateral. On this, the lender asks the borrower to execute a deed of mortgage. Plaintiff does not operate as a commercial bank neither as a rural bank, hence, he belongs to the group that allows a borrower to repay within a shorter period. Secondly, to facilitate collection of the monthly repayments, the lender requires the borrower to issue checks for each month ensuing all in equal amounts. Usually, the checks so issued would also include the interest due each month, but in this case, there is no testimony to that effect. However, it can be assumed considering the subsequent acts of the parties.

As soon as the borrower is able to satisfy the two conditions, he gets the desired loan. The lender then has the borrower's head, as well as his tail, in his hands, and that is the predicament where the defendants found themselves in. Defendants were, however, confronted with a problem. Someone else is after their property, a third person in whose favor they owe a demandable obligation. This person is hot on pursuing the property to satisfy what defendants owe her. And defendants opened up and relayed their predicament to the plaintiff and the latter agreed.

Anxious that the defendants' property will eventually be attached or levied, leaving the loan he will give without any collateral, plaintiff agreed to simulate the amount in the Deed, to an amount higher than the third persons claim against the defendants but at the same time he required from the defendants checks to cover the P200,000.00 loan. Defendant Eulogio testified that he issued the checks for the amount of P200,000.00 and plaintiff did not deny this. x x x.[32]

Consequently, when petitioner filed Criminal Cases No. 612-90 to No. 615-90, he was deemed to have already availed himself of the remedy of collection suit. Following the rule on the alternative remedies of a mortgage-creditor, petitioner is barred from subsequently resorting to an action for foreclosure.

However, it should be stressed that respondents have not yet fully paid the loan. In fact, respondents themselves admitted that they still owe petitioner the balance of the loan.[33]

To allow respondents to benefit from the loan without paying its whole amount to petitioner, and to preclude the petitioner from recovering the remaining balance of the loan, would constitute unjust enrichment at the expense of petitioner. The principle that no person may unjustly enrich himself at the expense of another (*Nemo cum alterius detrimento locupletari potest*) is embodied in Article 22 of the New Civil Code, to wit:

ART. 22. Every person who through an act of performance by another, or any other means, acquires or comes into possession of something at the expense of the latter without just or legal ground, shall return the same to him.

As can be gleaned from the foregoing, there is unjust enrichment when (1) a person is unjustly benefited, and (2) such benefit is derived at the expense of or with damages to another.[34] The main objective of the principle of unjust enrichment is to prevent one from enriching oneself at the expense of another.[35] It is commonly accepted

that this doctrine simply means that a person shall not be allowed to profit or enrich himself inequitably at another's expense.[36] One condition for invoking this principle is that the aggrieved party has no other action based on contract, quasi-contract, crime, quasi- delict or any other provision of law.[37]

The principle of unjust enrichment obliges the respondents to pay the remaining balance of the loan plus interest. Relieving the respondents of their obligation to pay the balance of the loan would, indeed, be to sanction unjust enrichment in favor of respondents and cause unjust poverty to petitioner.

In the exercise of our mandate as a court of justice and equity,[38] we hold, *pro hac vice*, that respondents are still liable to pay the remaining balance of the loan.

We, nonetheless, do not subscribe to the computations made by the RTC. In *Eastern Shipping Lines, Inc. v. Court of Appeals*,[39] we ruled that when the obligation is breached and it consists in the payment of a sum of money such as a loan, the interest due should be that which may have been stipulated in writing. We also held that the interest due shall itself earn legal interest from the time it is demanded, and that in the absence of stipulation as to the payment of interest, the rate of interest shall be 12% per annum to be computed from default, i.e., from judicial or extra-judicial demand. We further declared that when the judgment of the court awarding a sum of money becomes final and executory, the rate of legal interest, regardless of whether it is a loan/forbearance of money case or not, shall be 12% per annum from such finality until its satisfaction, this interim period being deemed to be then equivalent to a forbearance of credit.

In the instant case, there was no written agreement as to the payment of interest on the mortgage-loan between petitioner and respondents. The rate of interest, therefore, is 12% per annum, to be computed from the time an extra-judicial demand was made by the petitioner on 30 July 1992.[40]

We also found that an amount of P107,000.00 out of the total loan of P200,000.00 was already paid by the respondents. Thus, only the balance of P93,000.00 should earn a legal interest of 12% per annum from the time of the extra-judicial demand on 30 July 1992. In addition, a legal interest of 12% per annum should also be imposed to be computed from the finality of this Decision up to its satisfaction.

WHEREFORE, the instant Petition is hereby GRANTED. The Decision of the Court of Appeals dated 13 September 2005 in CA-G.R. CV No. 79971 is hereby REVERSED and SET ASIDE. Respondents Eulogio and Teresita Santos are hereby ORDERED to pay petitioner Antonio Chieng, substituted by William Chieng, the balance of the loan amounting to P93,000.00, plus legal interest of 12% per annum from 30 July 1992 up to the finality of this Decision, and an additional legal interest of 12% per annum from the finality of this Decision up to its satisfaction. No costs. SO ORDERED.

Ynares-Santiago, (Chairperson), Austria-Martinez, Nachura, and Reyes, JJ., concur.

[1] Rollo, pp. 3-12.

[2] Penned by Associate Justice Andres B. Reyes Jr. with Associate Justices Lucas P. Bersamin and Celia C. Librea-Leagogo, concurring; *id.* at 15-25.

[3] Penned by Judge Fatima Gonzales-Asdala; *id.* at 41-50.

[4] Records, pp. 302-303.

[5] Antonio Chieng instituted Civil Case No. 239-0-93 before the Olongapo City RTC, Branch 74, but he died during the pendency of the case before the said trial court, and was substituted by his son, William Chieng.

Hence, it was already William Chieng who filed the Petition at bar. However, since William Chieng merely stepped into the rights of his father Antonio Chieng, we have treated them as one and the same in the person of the petitioner herein.

[6] Records, p. 172.

[7] Id. at 145.

[8] Penned by Judge Eliodoro G. Ubiadas; rollo, pp. 38-40.

[9] Records, pp. 155-156.

[10] Id. at 167.

[11] Id. at 197-199.

[12] Id.

[13] Id. at 207.

[14] Rollo, pp. 41-50.

[15] Id. at 50.

[16] Id. at 50.

[17] Records, pp. 297-299.

[18] Id. at 302.

[19] Rollo, pp. 15-25.

[20] 378 Phil. 1279, 1290-1291 (1999).

[21] Rollo, p. 25.

[22] Resolution of the Second Division of this Court; id. at 51.

[23] Resolution of the First Division of this Court; id. at 52.

[24] Id. at 74.

[25] Id. at 7-8.

[26] Id. at 8-10.

[27] Id. at 10.

[28] Id. at 10-12.

[29] 68 Phil. 287, 293-294 (1939).

[30] *Suico Rattan & Buri Interiors, Inc. v. Court of Appeals*, G.R. No. 138145, 15 June 2006, 490 SCRA 560, 582; *BPI Family Savings Bank, Inc. v. Vda. De Coscolluela*, G.R. No. 167724, 27 June 2006, 493 SCRA 472, 493-494.

[31] G.R. No. 163597, 29 July 2005, 465 SCRA 454, 459-461.

[32] Records, pp. 292-294.

[33] Records, p. 297.

[34] Tamio v. Ticson, G.R. No. 154895, 18 November 2004, 443 SCRA 44, 53; H.L. Carlos Construction, Inc. v. Marina Properties Corporation, 466 Phil. 182, 197 (2004).

[35] P.C. Javier & Sons, Inc. v. Court of Appeals, G.R. No. 129552, 29 June 2005, 462 SCRA 36, 47.

[36] Id.

[37] Reyes v. Lim, 456 Phil. 1, 13 (2003).

[38] National Development Company v. Madrigal Wan Hai Lines Corporation, 458 Phil. 1038, 1055 (2003).

[39] G.R. No. 97412, 12 July 1994, 234 SCRA 78, 95-97.

[40] The RTC misapplied the reckoning period of interest by holding that the interest begins to accrue, not from the date of the extra-judicial demand on 30 July 1992, but from the time the loan was obtained by the respondents on 17 August 1989.

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