

REPUBLIC OF THE PHILIPPINES, REPRESENTED BY THE CHIEF OF THE PHILIPPINE NATIONAL POLICE, PETITIONER, VS. THI THU THUY T. DE GUZMAN, RESPONDENT.

G.R. No. 175021. June 15, 2011

Ponente: LEONARDO-DE CASTRO, J.

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LEONARDO-DE CASTRO, J.:

This is a Petition for Review on Certiorari [1] filed by Republic of the Philippines, as represented by the Chief of the Philippine National Police (PNP), of the September 27, 2006 Decision [2] of the Court of Appeals in CA-G.R. CV No. 80623, which affirmed with modification the September 8, 2003 Decision [3] of the Regional Trial Court (RTC), Branch 222, of Quezon City in Civil Case No. Q99-37717.

Respondent is the proprietress of Montaguz General Merchandise (MGM), [4] a contractor accredited by the PNP for the supply of office and construction materials and equipment, and for the delivery of various services such as printing and rental, repair of various equipment, and renovation of buildings, facilities, vehicles, tires, and spare parts. [5]

On December 8, 1995, the PNP Engineering Services (PNPES), released a Requisition and Issue Voucher [6] for the acquisition of various building materials amounting to Two Million Two Hundred Eighty-Eight Thousand Five Hundred Sixty-Two Pesos and Sixty Centavos (P2,288,562.60) for the construction of a four-storey condominium building with roof deck at Camp Crame, Quezon City. [7]

Respondent averred that on December 11, 1995, MGM and petitioner, represented by the PNP, through its chief, executed a Contract of Agreement [8] (the Contract) wherein MGM, for the price of P2,288,562.60, undertook to procure and deliver to the PNP the construction materials itemized in the purchase order [9] attached to the Contract. Respondent claimed that after the PNP Chief approved the Contract and purchase order, [10] MGM, on March 1, 1996, proceeded with the delivery of the construction materials, as evidenced by Delivery Receipt Nos. 151-153, [11] Sales Invoice Nos. 038 and 041, [12] and the "Report of Public Property Purchase" [13] issued by the PNP's Receiving and Accounting Officers to their Internal Auditor Chief. Respondent asseverated that following the PNP's inspection of the delivered materials on March 4, 1996, [14] the PNP issued two Disbursement Vouchers; one in the amount of P2,226,147.26 in favor of MGM, [15] and the other, [16] in the amount of P62,415.34, representing the three percent (3%) withholding tax, in favor of the Bureau of Internal Revenue (BIR). [17]

On November 5, 1997, the respondent, through counsel, sent a letter dated October 20, 1997 [18] to the PNP, demanding the payment of P2,288,562.60 for the construction materials MGM procured for the PNP under their December 1995 Contract.

On November 17, 1997, the PNP, through its Officer-in-Charge, replied [19] to respondent's counsel, informing her of the payment made to MGM via Land Bank of the Philippines (LBP) Check No. 0000530631, [20] as evidenced by Receipt No. 001, [21] issued by the respondent to the PNP on April 23, 1996. [22]

On November 26, 1997, respondent, through counsel, responded by reiterating her demand [23] and denying having ever received the LBP check, personally or through an authorized person. She also claimed that Receipt No. 001, a copy of which was attached to the PNP's November 17, 1997 letter, could not support the PNP's claim of payment as the aforesaid receipt belonged to Montaguz Builders, her other company, which was also doing business with the PNP, and not to MGM, with which the contract was made.

On May 5, 1999, respondent filed a Complaint for Sum of Money against the petitioner, represented by the Chief of the PNP, before the RTC, Branch 222 of Quezon City. [24] This was docketed as Civil Case No. Q99-37717.

The petitioner filed a Motion to Dismiss [25] on July 5, 1999, on the ground that the claim or demand set forth in respondent's complaint had already been paid or extinguished, [26] as evidenced by LBP Check No. 0000530631 dated April 18, 1996, issued by the PNP to MGM, and Receipt No. 001, which the respondent correspondingly issued to the PNP. The petitioner also argued that aside from the fact that the respondent, in her October 20, 1997 letter, demanded the incorrect amount since it included the withholding tax paid to the BIR, her delay in making such demand "[did] not speak well of the worthiness of the cause she espouse[d]." [27]

Respondent opposed petitioner's motion to dismiss in her July 12, 1999 Opposition [28] and September 10, 1999 Supplemental Opposition to Motion to Dismiss. [29] Respondent posited that Receipt No. 001, which the petitioner claimed was issued by MGM upon respondent's receipt of the LBP check, was, first, under the business name "Montaguz Builders," an entity separate from MGM. Next, petitioner's allegation that she received the LBP check on April 19, 1996 was belied by the fact that Receipt No. 001, which was supposedly issued for the check, was dated four days later, or April 23, 1996. Moreover, respondent averred, the PNP's own Checking Account Section Logbook or the Warrant Register, showed that it was one Edgardo Cruz (Cruz) who signed for the check due to MGM, [30] contrary to her usual practice of personally receiving and signing for checks payable to her companies.

After conducting hearings on the Motion to Dismiss, the RTC issued an Order [31] on May 4, 2001, denying the petitioner's motion for lack of merit. The petitioner thereafter filed its Answer, [32] wherein it restated the same allegations in its Motion to Dismiss.

Trial on the merits followed the pre-trial conference, which was terminated on June 25, 2002 when the parties failed to arrive at an amicable settlement. [33]

On September 3, 2002, shortly after respondent was sworn in as a witness, and after her counsel formally offered her testimony in evidence, Atty. Norman Bueno, petitioner's counsel at that time, made the following stipulations in open court:

Atty. Bueno (To Court)

Your Honor, in order to expedite the trial, we will admit that this witness was contracted to deliver the construction supplies or materials. We will admit that she complied, that she actually delivered the materials. We will admit that Land Bank Corporation check was issued although we will not admit that the check was not released to her, as [a] matter of fact, we have the copy of the check. We will admit that Warrant Register indicated that the check was released although we will not admit that the check was not received by the [respondent].

Court (To Atty. Albano)

So, the issues here are whether or not the [respondent] received the check for the payment of the construction materials or supplies and who received the same. That is all.

Atty. Albano (To Court)

Yes, your Honor.

Court (To Atty. Albano)

I think we have an abbreviated testimony here. Proceed. [34] (Emphasis ours.)

The stipulations made by the petitioner through Atty. Bueno were in consonance with the admissions it had previously made, also through Atty. Bueno, in its Answer, [35] and pre-trial brief [36]:

Answer:

IX

It ADMITS the allegation in paragraph 9 of the Complaint that [respondent] delivered to the PNP Engineering Service the construction materials. It also ADMITS the existence of Receipt Nos. 151, 152 and 153 alleged in the same paragraph, copies of which are attached to the Complaint as Annexes "G," "G-1" and "G-2." [37] (Emphasis ours.)

Pre-trial Brief:

III

ADMISSIONS

3.1. Facts and/or documents admitted

For brevity, [petitioner] admit[s] only the allegations in [respondent's] Complaint and the annexes thereto that were admitted in the Answer. [38] (Emphases ours.)

With the issue then confined to whether respondent was paid or not, the RTC proceeded with the trial.

Respondent, in her testimony, narrated that on April 18, 1996, she went to the PNP Finance Center to claim a check due to one of her companies, Montaguz Builders. As the PNP required the issuance of an official receipt upon claiming its checks, respondent, in preparation for the PNP check she expected, already signed Montaguz Builders Official Receipt No. 001, albeit the details were still blank. However, upon arriving at the PNP Finance Center, respondent was told that the check was still with the LBP, which could not yet release it. Respondent then left for the Engineering Services Office to see Captain Rama, along with Receipt No. 001, which she had not yet issued. [39] Respondent claimed that after some time, she left her belongings, including her receipt booklet, at a bench in Captain Rama's office when she went around the Engineering Office to talk to some other people. [40] She reasoned that since she was already familiar and comfortable with the people in the PNPES Office, she felt no need to ask anyone to look after her belongings, as it was her "normal practice" [41] to leave her belongings in one of the offices there. The next day, respondent alleged that when she returned for the check due to Montaguz Builders that she was not able to claim the day before, she discovered for the first time that Receipt No. 001, which was meant for that check, was missing. Since she would not be able to claim her check without issuing a receipt, she just informed the releaser of the missing receipt and issued Receipt No. 002 in its place. [42] After a few months, respondent inquired with the PNP Finance Center about the payment due to MGM under the Contract of December 1995 and was surprised to find out that the check payable to MGM had already been released. Upon making some inquiries, respondent learned that the check, payable to MGM, in the amount of P2,226,147.26, was received by Cruz, who signed the PNP's Warrant Register. Respondent admitted to knowing Cruz, as he was connected with Highland Enterprises, a fellow PNP-accredited contractor. However, she denied ever having authorized Cruz or Highland Enterprises to receive or claim any of the checks due to MGM or Montaguz Builders. [43] When asked why she had not filed a case against Cruz or Herminio Reyes, the owner of Highland Enterprises, considering the admitted fact that Cruz claimed the check due to her, respondent declared

that there was no reason for her to confront them as it was the PNP's fault that the check was released to the wrong person. Thus, it was the PNP's problem to find out where the money had gone, while her course of action was to go after the PNP, as the party involved in the Contract. [44]

On April 29, 2003, petitioner presented Ms. Jesusa Magtira, who was then the "check releaser" [45] of the PNP, to prove that the respondent received the LBP check due to MGM, and that respondent herself gave the check to Cruz. [46] Ms. Magtira testified that on April 23, 1996, she released the LBP check payable to the order of MGM, in the amount of P2,226,147.26, to the respondent herein, whom she identified in open court. She claimed that when she released the check to respondent, she also handed her a voucher, and a logbook also known as the Warrant Register, for signing. [47] When asked why Cruz was allowed to sign for the check, Ms. Magtira explained that this was allowed since the respondent already gave her the official receipt for the check, and it was respondent herself who gave the logbook to Cruz for signing. [48]

The petitioner next presented Edgardo Cruz for the purpose of proving that the payment respondent was claiming rightfully belonged to Highland Enterprises. Cruz testified that Highland Enterprises had been an accredited contractor of the PNP since 1975. In 1995, Cruz claimed that the PNPES was tasked to construct "by administration" a condominium building. This meant that the PNPES had to do all the work, from the canvassing of the materials to the construction of the building. The PNPES allegedly lacked the funds to do this and so asked for Highland Enterprises's help. [49] In a meeting with its accredited contractors, the PNPES asked if the other contractors would agree to the use of their business name [50] for a two percent (2%) commission of the purchase order price to avoid the impression that Highland Enterprises was monopolizing the supply of labor and materials to the PNP. [51] Cruz alleged that on April 23, 1996, he and the respondent went to the PNP Finance Center to claim the LBP check due to MGM. Cruz said that the respondent handed him the already signed Receipt No. 001, which he filled up. He claimed that the respondent knew that the LBP check was really meant for Highland Enterprises as she had already been paid her 2% commission for the use of her business name in the concerned transaction. [52]

On September 8, 2003, the RTC rendered its Decision, the dispositive of which reads:

WHEREFORE, premises considered, judgment is hereby rendered in favor of [respondent] and against [petitioner] ordering the latter to pay [respondent] the following sums:

- (1) P2,226,147.26 representing the principal sum plus interest at 14% per annum from April 18, 1996 until the same shall have been fully paid;
- (2) 20% of the sum to be collected as attorney's fees; and,
- (3) Costs of suit. [53]

The RTC declared that while Cruz's testimony seemed to offer a plausible explanation on how and why the LBP check ended up with him, the petitioner, already admitted in its Answer, and Pre-trial Brief, that MGM, did in fact deliver the construction materials worth P2,288,562.60 to the PNP. The RTC also pointed out the fact that the petitioner made the same admissions in open court to expedite the trial, leaving only one issue to be resolved: whether the respondent had been paid or not. Since this was the only issue, the RTC said that it had no choice but to go back to the documents and the "documentary evidence clearly indicates that the check subject of this case was never received by [respondent]." [54] In addition, the PNP's own Warrant Register showed that it was Edgardo Cruz who received the LBP check, and Receipt No. 001 submitted by the petitioner to support its claim was not issued by MGM, but by Montaguz Builders, a different entity. Finally, the RTC held that Cruz's testimony, which appeared to be an afterthought to cover up the PNP's blunder, were irreconcilable with the petitioner's earlier declarations and admissions, hence, not credit-worthy.

The petitioner appealed this decision to the Court of Appeals, which affirmed with modification the RTC's ruling on September 27, 2006:

WHEREFORE, the decision appealed from is AFFIRMED with the MODIFICATION that the 14% interest per annum imposed on the principal amount is ordered reduced to 12%, computed from November 16, 1997 until fully paid. The order for the payment of attorney's fees and costs of the suit is DELETED. [55]

The Court of Appeals, in deciding against the petitioner, held that the petitioner's admissions and declarations, made in various stages of the proceedings are express admissions, which cannot be overcome by allegations of respondent's implied admissions. Moreover, petitioner cannot controvert its own admissions and it is estopped from denying that it had a contract with MGM, which MGM duly complied with. The Court of Appeals agreed with the RTC that the real issue for determination was whether the petitioner was able to discharge its contractual obligation with the respondent. The Court of Appeals held that while the PNP's own Warrant Register disclosed that the payment due to MGM was received by Cruz, on behalf of Highland Enterprises, the PNP's contract was clearly with MGM, and not with Highland Enterprises. Thus, in order to extinguish its obligation, the petitioner should have directed its payment to MGM unless MGM authorized a third person to accept payment on its behalf.

The petitioner is now before this Court, praying for the reversal of the lower courts' decisions on the ground that "the Court of Appeals committed a serious error in law by affirming the decision of the trial court." [56]

THE COURT'S RULING:

This case stemmed from a contract executed between the respondent and the petitioner. While the petitioner, in proclaiming that the respondent's claim had already been extinguished, initially insisted on having fulfilled its contractual obligation, it now contends that the contract it executed with the respondent is actually a fictitious contract to conceal the fact that only one contractor will be supplying all the materials and labor for the PNP condominium project.

Both the RTC and the Court of Appeals upheld the validity of the contract between the petitioner and the respondent on the strength of the documentary evidence presented and offered in Court and on petitioner's own stipulations and admissions during various stages of the proceedings.

It is worthy to note that while this petition was filed under Rule 45 of the Rules of Court, the assertions and arguments advanced herein are those that will necessarily require this Court to re-evaluate the evidence on record.

It is a well-settled rule that in a petition for review under Rule 45, only questions of law may be raised by the parties and passed upon by this Court. [57]

This Court has, on many occasions, distinguished between a question of law and a question of fact. We held that when there is doubt as to what the law is on a certain state of facts, then it is a question of law; but when the doubt arises as to the truth or falsity of the alleged facts, then it is a question of fact. [58] "Simply put, when there is no dispute as to fact, the question of whether or not the conclusion drawn therefrom is correct, is a question of law." [59] To elucidate further, this Court, in *Hko Ah Pao v. Ting* [60] said:

One test to determine if there exists a question of fact or law in a given case is whether the Court can resolve the issue that was raised without having to review or evaluate the evidence, in which case, it is a question of law; otherwise, it will be a question of fact. Thus, the petition must not involve the calibration of the probative value of the evidence presented. In addition, the facts of the case must be undisputed, and the only issue that should be left for the Court to decide is whether or not the conclusion drawn by the CA from a certain set of facts was appropriate. [61] (Emphases ours.)

In this case, the circumstances surrounding the controversial LBP check are central to the issue before us, the

resolution of which, will require a perusal of the entire records of the case including the transcribed testimonies of the witnesses. Since this is an appeal via certiorari, questions of fact are not reviewable. As a rule, the findings of fact of the Court of Appeals are final and conclusive [62] and this Court will only review them under the following recognized exceptions: (1) when the inference made is manifestly mistaken, absurd or impossible; (2) when there is a grave abuse of discretion; (3) when the finding is grounded entirely on speculations, surmises or conjectures; (4) when the judgment of the Court of Appeals is based on misapprehension of facts; (5) when the findings of fact are conflicting; (6) when the Court of Appeals, in making its findings, went beyond the issues of the case and the same is contrary to the admissions of both appellant and appellee; (7) when the findings of the Court of Appeals are contrary to those of the trial court; (8) when the findings of fact are conclusions without citation of specific evidence on which they are based; (9) when the Court of Appeals manifestly overlooked certain relevant facts not disputed by the parties and which, if properly considered, would justify a different conclusion; and (10) when the findings of fact of the Court of Appeals are premised on the absence of evidence and are contradicted by the evidence on record. [63]

Although petitioner's sole ground to support this petition was stated in such a manner as to impress upon this Court that the Court of Appeals committed an error in law, what the petitioner actually wants us to do is to review and re-examine the factual findings of both the RTC and the Court of Appeals.

Since the petitioner has not shown this Court that this case falls under any of the enumerated exceptions to the rule, we are constrained to uphold the facts as established by both the RTC and the Court of Appeals, and, consequently, the conclusions reached in the appealed decision.

Nonetheless, even if we were to exercise utmost liberality and veer away from the rule, the records will show that the petitioner had failed to establish its case by a preponderance of evidence. [64] Section 1, Rule 133 of the Revised Rules of Court provides the guidelines in determining preponderance of evidence:

SECTION 1. Preponderance of evidence, how determined.-- In civil cases, the party having the burden of proof must establish his case by a preponderance of evidence. In determining where the preponderance or superior weight of evidence on the issues involved lies, the court may consider all the facts and circumstances of the case, the witnesses' manner of testifying, their intelligence, their means and opportunity of knowing the facts to which they are testifying, the nature of the facts to which they testify, the probability or improbability of their testimony, their interest or want of interest, and also their personal credibility so far as the same may legitimately appear upon the trial. The court may also consider the number of witnesses, though the preponderance is not necessarily with the greater number.

Expounding on the concept of preponderance of evidence, this Court in *Encinas v. National Bookstore, Inc.*, [65] held:

"Preponderance of evidence" is the weight, credit, and value of the aggregate evidence on either side and is usually considered to be synonymous with the term "greater weight of the evidence" or "greater weight of the credible evidence." Preponderance of evidence is a phrase which, in the last analysis, means probability of the truth. It is evidence which is more convincing to the court as worthy of belief than that which is offered in opposition thereto. [66]

The petitioner avers that the Court of Appeals should not have relied "heavily, if not solely" [67] on the admissions made by petitioner's former counsel, thereby losing sight of the "secret agreement" between the respondent and Highland Enterprises, which explains why all the documentary evidence were in respondent's name. [68]

The petitioner relies mainly on Cruz's testimony to support its allegations. Not only did it not present any other

witness to corroborate Cruz, but it also failed to present any documentation to confirm its story. It is doubtful that the petitioner or the contractors would enter into any "secret agreement" involving millions of pesos based purely on verbal affirmations. Meanwhile, the respondent not only presented all the documentary evidence to prove her claims, even the petitioner repeatedly admitted that respondent had fully complied with her contractual obligations.

The petitioner argued that the Court of Appeals should have appreciated the clear and adequate testimony of Cruz, and should have given it utmost weight and credit especially since his testimony was a "judicial admission against interest - a primary evidence which should have been accorded full evidentiary value." [69]

The trial court's appreciation of the witnesses' testimonies is entitled to the highest respect since it was in a better position to assess their credibility. [70] The RTC held Cruz's testimony to be "not credit worthy" [71] for being irreconcilable with petitioner's earlier admissions. Contrary to petitioner's contentions, Cruz's testimony cannot be considered as a judicial admission against his interest as he is neither a party to the case nor was his admission against his own interest, but actually against either the petitioner's or the respondent's interest. Petitioner's statements on the other hand, were deliberate, clear, and unequivocal and were made in the course of judicial proceedings; thus, they qualify as judicial admissions. [72] In *Alfelor v. Halasan*, [73] this Court held that:

A party who judicially admits a fact cannot later challenge that fact as judicial admissions are a waiver of proof; production of evidence is dispensed with. A judicial admission also removes an admitted fact from the field of controversy. Consequently, an admission made in the pleadings cannot be controverted by the party making such admission and are conclusive as to such party, and all proofs to the contrary or inconsistent therewith should be ignored, whether objection is interposed by the party or not. The allegations, statements or admissions contained in a pleading are conclusive as against the pleader. A party cannot subsequently take a position contrary of or inconsistent with what was pleaded. [74]

The petitioner admitted to the existence and validity of the Contract of Agreement executed between the PNP and MGM, as represented by the respondent, on December 11, 1995. It likewise admitted that respondent delivered the construction materials subject of the Contract, not once, but several times during the course of the proceedings. The only matter petitioner assailed was respondent's allegation that she had not yet been paid. If Cruz's testimony were true, the petitioner should have put respondent in her place the moment she sent a letter to the PNP, demanding payment for the construction materials she had allegedly delivered. Instead, the petitioner replied that it had already paid respondent as evidenced by the LBP check and the receipt she supposedly issued. This line of defense continued on, with the petitioner assailing only the respondent's claim of nonpayment, and not the rest of respondent's claims, in its motion to dismiss, its answer, its pre-trial brief, and even in open court during the respondent's testimony. Section 4, Rule 129 of the Rules of Court states:

SECTION 4. Judicial Admissions.-An admission, verbal or written, made by a party in the course of the proceedings in the same case, does not require proof. The admission may be contradicted only by showing that it was made through palpable mistake or that no such admission was made.

Petitioner's admissions were proven to have been made in various stages of the proceedings, and since the petitioner has not shown us that they were made through palpable mistake, they are conclusive as to the petitioner. Hence, the only question to be resolved is whether the respondent was paid under the December 1995 Contract of Agreement.

The RTC and the Court of Appeals correctly ruled that the petitioner's obligation has not been extinguished. The petitioner's obligation consists of payment of a sum of money. In order for petitioner's payment to be effective in extinguishing its obligation, it must be made to the proper person. Article 1240 of the Civil Code states:

Art. 1240. Payment shall be made to the person in whose favor the obligation has been constituted, or his successor in interest, or any person authorized to receive it.

In *Cembrano v. City of Butuan*, [75] this Court elucidated on how payment will effectively extinguish an obligation, to wit:

Payment made by the debtor to the person of the creditor or to one authorized by him or by the law to receive it extinguishes the obligation. When payment is made to the wrong party, however, the obligation is not extinguished as to the creditor who is without fault or negligence even if the debtor acted in utmost good faith and by mistake as to the person of the creditor or through error induced by fraud of a third person.

In general, a payment in order to be effective to discharge an obligation, must be made to the proper person. Thus, payment must be made to the obligee himself or to an agent having authority, express or implied, to receive the particular payment. Payment made to one having apparent authority to receive the money will, as a rule, be treated as though actual authority had been given for its receipt. Likewise, if payment is made to one who by law is authorized to act for the creditor, it will work a discharge. The receipt of money due on a judgment by an officer authorized by law to accept it will, therefore, satisfy the debt. [76]

The respondent was able to establish that the LBP check was not received by her or by her authorized personnel. The PNP's own records show that it was claimed and signed for by Cruz, who is openly known as being connected to Highland Enterprises, another contractor. Hence, absent any showing that the respondent agreed to the payment of the contract price to another person, or that she authorized Cruz to claim the check on her behalf, the payment, to be effective must be made to her. [77]

The petitioner also challenged the RTC's findings, on the ground that it "overlooked material fact and circumstance of significant weight and substance." [78] Invoking the doctrine of adoptive admission, the petitioner pointed out that the respondent's inaction towards Cruz, whom she has known to have claimed her check as early as 1996, should be taken against her. Finally, the petitioner contends that Cruz's testimony should be taken against respondent as well, under Rule 130, Sec. 32 of the Revised Rules on Evidence, since she has not presented any "controverting evidence x x x notwithstanding that she personally heard it." [79]

The respondent has explained her inaction towards Cruz and Highland Enterprises. Both the RTC and the Court of Appeals have found her explanation sufficient and this Court finds no cogent reason to overturn the assessment by the trial court and the Court of Appeals of the respondent's testimony. It may be recalled that the respondent argued that since it was the PNP who owed her money, her actions should be directed towards the PNP and not Cruz or Highland Enterprises, against whom she has no adequate proof. [80] Respondent has also adequately explained her delay in filing an action against the petitioner, particularly that she did not want to prejudice her other pending transactions with the PNP. [81]

The petitioner claims that the RTC "overlooked material fact and circumstance of significant weight and substance," [82] but it ignores all the documentary evidence, and even its own admissions, which are evidence of the greater weight and substance, that support the conclusions reached by both the RTC and the Court of Appeals.

We agree with the Court of Appeals that the RTC erred in the interest rate and other monetary sums awarded to respondent as baseless. However, we must further modify the interest rate imposed by the Court of Appeals pursuant to the rule laid down in *Eastern Shipping Lines, Inc. v. Court of Appeals* [83]:

I. When an obligation, regardless of its source, i.e., law, contracts, quasi-contracts, delicts or quasi-delicts is breached, the contravenor can be held liable for damages. The provisions under Title XVIII on "Damages" of the Civil Code govern in determining the measure of recoverable damages.

II. With regard particularly to an award of interest in the concept of actual and compensatory damages, the rate

of interest, as well as the accrual thereof, is imposed, as follows:

1. When the obligation is breached, and it consists in the payment of a sum of money, i.e., a loan or forbearance of money, the interest due should be that which may have been stipulated in writing.[]Furthermore, the interest due shall itself earn legal interest from the time it is judicially demanded. In the absence of stipulation, the rate of interest shall be 12% per annum to be computed from default, i.e., from judicial or extrajudicial demand under and subject to the provisions of Article 1169 of the Civil Code.
2. When an obligation, not constituting a loan or forbearance of money, is breached, an interest on the amount of damages awarded may be imposed at the discretion of the court at the rate of 6% per annum. No interest, however, shall be adjudged on unliquidated claims or damages except when or until the demand can be established with reasonable certainty. Accordingly, where the demand is established with reasonable certainty, the interest shall begin to run from the time the claim is made judicially or extrajudicially (Art. 1169, Civil Code) but when such certainty cannot be so reasonably established at the time the demand is made, the interest shall begin to run only from the date the judgment of the court is made (at which time the quantification of damages may be deemed to have been reasonably ascertained). The actual base for the computation of legal interest shall, in any case, be on the amount finally adjudged.
3. When the judgment of the court awarding a sum of money becomes final and executory, the rate of legal interest, whether the case falls under paragraph 1 or paragraph 2, above, shall be 12% per annum from such finality until its satisfaction, this interim period being deemed to be by then an equivalent to a forbearance of credit. [84]

Since the obligation herein is for the payment of a sum of money, the legal interest rate to be imposed, under Article 2209 of the Civil Code is six percent (6%) per annum:

Art. 2209. If the obligation consists in the payment of a sum of money, and the debtor incurs in delay, the indemnity for damages, there being no stipulation to the contrary, shall be the payment of the interest agreed upon, and in the absence of stipulation, the legal interest, which is six per cent per annum.

Following the guidelines above, the legal interest of 6% per annum is to be imposed from November 16, 1997, the date of the last demand, and 12% in lieu of 6% from the date this decision becomes final until fully paid.

Petitioner's allegations of sham dealings involving our own government agencies are potentially disturbing and alarming. If Cruz's testimony were true, this should be a lesson to the PNP not to dabble in spurious transactions. Obviously, if it can afford to give a 2% commission to other contractors for the mere use of their business names, then the petitioner is disbursing more money than it normally would in a legitimate transaction. It is recommended that the proper agency investigate this matter and hold the involved personnel accountable to avoid any similar occurrence in the future.

WHEREFORE, the Petition is hereby DENIED and the Decision of the Court of Appeals in C.A. G.R. CV No. 80623 dated September 27, 2006 is AFFIRMED with the MODIFICATION that the legal interest to be paid is SIX PERCENT (6%) per annum on the amount of P2,226,147.26, computed from the date of the last demand or on November 16, 1997. A TWELVE PERCENT (12%) per annum interest in lieu of SIX PERCENT (6%) shall be imposed on such amount upon finality of this decision until the payment thereof.

SO ORDERED.

Velasco, Jr.,[*] (Acting Chairperson), Bersamin,**] Del Castillo, and Perez, JJ., concur.

[*] Per Special Order No. 1003 dated June 8, 2011.

[**] Additional member per Special Order No. 1000 dated June 8, 2011.

[1] Under Rule 45 of the 1997 Rules of Civil Procedure.

[2] Rollo, pp. 9-21; penned by Associate Justice Amelita G. Tolentino with Associate Justices Portia Aliño-Hormachuelos and Arcangelita Romilla-Lontok, concurring.

[3] CA rollo, pp. 34-37.

[4] Id. at 43.

[5] Records, p. 10.

[6] Id. at 11-13.

[7] Id. at 14.

[8] Id. at 14-15.

[9] Id. at 16-17.

[10] Id. at 18.

[11] Id. at 19-21.

[12] Id. at 22-23.

[13] Id. at 23A-24.

[14] Id. at 25.

[15] Id. at 26

[16] Id. at 27.

[17] Id.

[18] Id. at 29.

[19] Id. at 263.

[20] Id. at 28.

[21] Id. at 44.

[22] Id.

[23] Id. at 266-267.

[24] Id. at 2-7.

[25] Id. at 40-43.

[26] Id. at 40.

[27] Id. at 42.

[28] Id. at 46-48.

[29] Id. at 51-53.

- [30] Id. at 54.
- [31] Id. at 159-160.
- [32] Id. at 167-175.
- [33] Id. at 201-202.
- [34] TSN, September 3, 2002, pp. 8-9.
- [35] Records, pp. 167-176.
- [36] Id. at 184-190.
- [37] Id. at 170.
- [38] Id. at 186.
- [39] TSN, September 3, 2002, pp. 25-27.
- [40] TSN, December 3, 2002, pp. 15-18.
- [41] Id. at 18.
- [42] TSN, September 3, 2002, p. 31.
- [43] Id. at 10-16.
- [44] TSN, December 3, 2002, pp. 37-40.
- [45] TSN, April 29, 2003, p. 6.
- [46] Id. at 14.
- [47] Id. at 8-11.
- [48] Id. at 24-26.
- [49] Id. at 42-45.
- [50] Id. at 84.
- [51] Id. at 74-78.
- [52] Id. at 50-54.
- [53] CA rollo, p. 37.
- [54] Id. at 36.
- [55] Rollo, p. 20.
- [56] Id. at 30.
- [57] Jarantilla, Jr. v. Jarantilla, G.R. No. 154486, December 1, 2010.
- [58] Suarez v. Judge Villarama, Jr., G.R. No. 124512, June 27, 2006, 493 SCRA 74, 80.
- [59] Cucueco v. Court of Appeals, 484 Phil. 254, 264 (2004).
- [60] G.R. No. 153476, September 27, 2006, 503 SCRA 551.

- [61] Id. at 559.
- [62] Microsoft Corporation v. Maxicorp, Inc., G.R. No. 140946, September 13, 2004, 438 SCRA 224, 230.
- [63] Go v. Court of Appeals, 403 Phil. 883, 890 (2001).
- [64] Hko Ah Pao v. Ting, *supra* note 60 at 560.
- [65] G.R. No. 162704, November 19, 2004, 443 SCRA 293.
- [66] Id. at 302.
- [67] Rollo, p. 33.
- [68] Id.
- [69] Id.
- [70] People v. Gasacao, 511 Phil. 435, 445 (2005).
- [71] CA rollo, p. 37.
- [72] Alfelor v. Halasan, G.R. No. 165987, March 31, 2006, 486 SCRA 451, 459.
- [73] Id.
- [74] Id. at 459-460.
- [75] G.R. No. 163605, September 20, 2006, 502 SCRA 494.
- [76] Id. at 511-512.
- [77] Montecillo v. Reynes, 434 Phil. 456, 464-465 (2002).
- [78] Rollo, p. 34.
- [79] Id.
- [80] TSN, December 3, 2002, pp. 35-40.
- [81] TSN, September 3, 2002, pp. 45-47.
- [82] Rollo, p. 34.
- [83] G.R. No. 97412, July 12, 1994, 234 SCRA 78.
- [84] Id. at 95-97.

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