

THE GOVERNMENT OF THE PHILIPPINE ISLANDS, PLAINTIFF AND APPELLEE, VS. JOSE VACA Y GARRIDO AND ANA CALDERON, DEFENDANTS AND APPELLANTS.

G. R. No. 44106. January 19, 1937

Ponente: VILLA-REAL, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-44106/>

VILLA-REAL, J.:

The defendants, Jose Vaca y Garrido and Ana Calderon, appeal to this court from the judgment of the Court of First Instance of Cavite, the dispositive part of which reads as follows:

"In view of all the foregoing, judgment is rendered:

"On the first cause of action:

"(a) The defendants are ordered to pay to the plaintiff the total amount of P46,693.39 plus the interest on the capital of P38,000 at 9 per cent per annum computed semiannually from April 30, 1935, until fully paid, together with compound interest at 9 per cent per annum on all semi-annual interest due and unpaid from said date until fully paid;

"(b) The said defendants are likewise ordered to pay interest at 9 per cent per annum on the total amount of 52,065.45, the insurance premiums and land taxes advanced by the Philippine Postal Savings Bank on the mortgaged properties, from April 30, 1935, until fully paid, and

" (c) Likewise to pay the sum of P1,000 as costs, expenses and attorney's fees.

"On the second cause of action:

" (a) The defendants are ordered to pay to the plaintiff the total amount of P3,024.63 plus the interest on the capital of P2,500 at 9 per cent per annum computed semiannually from April 30, 1935, until fully paid, together with compound interest at 9 per cent per annum on all semiannual interest due and unpaid from said date until fully paid;

"(b) Likewise to pay the sum of P125 as costs, expenses and attorney's fees, and

"(c) Finally, said defendants are likewise ordered to pay to the plaintiff any amount it might pay after April 29, 1935, as land taxes and insurance premiums or expenses for the repair of the mortgaged properties, plus interest at 9 per cent per annum on said sums, until fully paid.

"The defendants shall pay to the plaintiff all the sums adjudicated to the latter by virtue of this decision, within the period of 120 days from the date this decision becomes final, otherwise the mortgaged properties shall be sold in order to satisfy to the plaintiff, with the proceeds thereof, all the sums to which it is entitled by virtue of this decision. So ordered."

In support of their appeal, the appellants assign two alleged errors as committed by the court a quo in its decision in question, to wit:

"1. The lower court has fallen into error in rendering judgment against defendants for the amount represented by 9 per cent per annum on semi-annual interest due and unpaid of the capital loans of P38,000 and P2,500; and in sentencing defendants to pay further the sum of P1,125 as attorney's fees.

"2. The lower court also has committed an error in not granting the defendants' motion for a new trial based on statutory grounds."

The first question to be decided in the present appeal, which is raised in the first assignment of alleged error, is whether or not the court a quo erred in ordering the defendants to pay interest at 9 per cent per annum on the semi-annual interest due and unpaid on the loans of P38,000 and P2,500, respectively.

The appellants claim that the interest of 9 per cent per annum on the semi-annual interest due and unpaid on the loans of P38,000 and P2,500 is usurious.

The legal question herein raised has already been decided by this" court in the case of the Government of the Philippine Islands vs. Conde (61 Phil., 714), which states:

"It is well settled in this jurisdiction that when there is an express agreement to charge interest on interest, such fact should not be taken into consideration in determining whether or not the stipulated interest exceeds the limit prescribed by the Usury Law. (Government of the Philippine Islands vs. Schenkel and Gonzales, 43 Phil., 616; Villaruel vs. Alveyda and Vicencio, 46 Phil., 277; Valdezco vs. Francisco, 52 Phil., 350)."

The appellants likewise maintain that the sums of P1,000 and P125, stipulated as penalties for costs, collection expenses and attorney's fees, are excessive and should be taken into consideration in determining whether or not the Usury Law has been violated. This question has likewise been decided by this court in the case of the Government of the Philippine Islands vs. Macanaya (G., R. No. 40333 [60 Phil., 1049]), wherein this court stated:

"The errors assigned will have to be sustained. In the second paragraph of the note and in the mortgage contract, the defendant agreed in case of nonpayment on demand to pay to the Postal Savings Bank the sum of P1,000 in full, without any deduction, as and for costs, expenses, and attorney's fees for collection whether actually incurred or not. In other words, the defendant bound himself to pay said amount regardless of the fact of whether it was actually spent for attorney's fees or not. So whether the plaintiff was represented by the provincial fiscal was not important, for this official was in the service of the Government of the Philippine Islands and was paid by it."

In the case of the Government of the Philippine Islands vs. Lim (61 Phil, 737), this court likewise stated:

"In the promissory notes executed by the defendants and incorporated in the mortgage deeds, they voluntarily undertook to pay the sum of P1,300 as court costs, expenses of collection, and attorney's fees, whether incurred or not. This stipulation is a valid and permissible penal clause, not contrary to any law, morals, or public order, and is, therefore, strictly binding upon the defendants. (Arts. 1091, 1152, and 1258, Civil Code; Lambert vs. Fox, 26 Phil., 588; Bachrach vs. Golingco, 39 Phil., 138; Compania General de Tabacos vs. Jalandoni, 50 Phil., 501; Bachrach Motor Co. vs. Espiritu, 52 Phil., 346; Manila Building and Loan Association vs. Green, 54 Phil., 507.) It is neither excessive nor exorbitant, and the defendants have not made any payment upon their principal obligations, wherefore, the discretion conferred by article 1154 of the Civil Code may not be exercised to reduce the penalty."

In the light of the rulings above-cited, this court finds no merit in the foregoing assignments of error.

With respect to the costs, inasmuch as they are included in the penalties of P1,000 and P125, respectively, stipulated by the parties in the two mortgage contracts, the plaintiff's petition relative thereto should not be granted (Garcia vs. Lim Chu Sing, 59 Phil., 562; Bank of the Philippine Islands vs. Yulo, 31 Phil., 476).

In view of the foregoing, and finding the appealed judgment in accordance with the law, it is affirmed in toto, without special pronouncement as to costs. So ordered.

Avancena, C. J., Abad Santos, Imperial, Diaz, Laurel, and Conception, JJ., concur.

ABOUT BATAS.ORG

Study smarter at BATAS.org

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

The complete Philippine law library - free for everyone.

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

Audio case-brief lectures.

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

Bar review built on the science of memory.

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

The full law-school curriculum.

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

Mock exams that tell you where you stand.

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

A study planner that keeps you on pace.

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

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

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

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

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