

INTERNATIONAL HARVESTER MACLEOD, INC., PETITIONER, VS. MARIANO MEDINA, JR. AND HON. TOMAS P. MADDELA, JR., IN HIS CAPACITY AS PRESIDING JUDGE OF BRANCH XXXIV OF THE COURT OF FIR...

G.R. NO. 53623. March 22, 1990

Ponente: GRIÑO-AQUINO, J.

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GRIÑO-AQUINO, J.:

The petitioner, International Harvester Macleod, Inc. (IHMI) has appealed by a petition for certiorari, the decision dated November 7, 1979 of the Honorable Judge Tomas P. Maddela, Jr., of the Court of First Instance of Manila (now Regional Trial Court) in Civil Case No. 111336, entitled "Mariano Medina, Jr. vs., International Harvester Macleod, Inc.," the dispositive part of which provides:

"WHEREFORE, judgment is hereby rendered in favor of the plaintiff and against the defendant ordering the latter as follows:

"(1) To return or to reimburse to the plaintiff the total amount of P325,596.79 as illegally imposed and collected finance charges, plus 12% per cent interest per year from the filing of the Complaint until the entire amount is fully paid;

"(2) To pay the sum of P50,000.00 as moral damages for having acted fraudulently or in bad faith;

"(3) To pay as attorney's fees the sum equal to 10% of the total amount due and payable to the plaintiff as provided herein; and

"(4) The costs of litigation." (pp. 124-125, Rollo.)

The factual findings of the trial court based on the stipulation of facts of the parties, are the following:

1. The International Harvester Macleod, Inc (hereafter IHMI) is not a financing company as defined by Republic Act No. 5980;
2. IHMI's primary business is the sale of automotives products and machineries;
3. Between July 14, 1971 (Exhibit A-12) to June 27, 1973 (Exhs. A-14 and A-15), Medina purchased on installment from IHMI twenty-four (24) truck engines;
4. IHMI imposed and collected the total sum of P325,596.79 (Exh. A) as finance charges on the installment sales, evidenced by Retail Notes Analysis and covering transmittal letters, marked as Exhibits A-7 to A-22 and Exhibits B-7 to B-22, which were prepared by IHMI, delivered to, and signed by Medina;
5. In the Retail Notes Analysis (Exhs. A-1 to A-22) IHMI used the words "Finance Income Unearned," "Finance Rate," "Rate per year," "Total Amount Financed," "Date Finance Begun" to denote certain entries therein;

6. In connection with these transactions, IHMI sent letters to Medina (Exhs. C to H) which mention "our Finance Operations Committee," and were signed by the "General Supervisor, Finance Operations;"

7. A third letter (Exh. E) was signed by T. A. Meneses, Jr., General Supervisor, Finance Operations;

8. A fourth letter (Exh. F) was signed by the General Supervisor, Finance Operations, stating:

"Unless this arrangement is complied with, it may be necessary for our Company to discontinue financing your accounts with us."

9. A fifth letter (Exh. G) signed by R. I. Belarmino, Finance Operations Manager, states in part:

"x x x I have often repeated to you the gross injustice and unfairness on a situation where the motor trucks we are financing are operating and we are not receiving payment from the proceeds of such operations."

10. The last letter (Exh. H) signed also by Belarmino, speaks of "whether to continue financing your account or not." (pp. 116-118, Rollo.)

Upon those facts, the trial court noted that: "there simply cannot be any room for doubt but that the defendant (IHMI) imposed and collected the amount of P325,596.79 purely as financing charges and this is conclusive of the fact that it did engage in the business of a financing company without authority from the Securities and Exchange Commission in gross violation of R.A. 5980" (p. 119, Rollo). Respondent Judge further observed:

"IN THE FINAL ANALYSIS, therefore, it is clear that defendant had no author-ity to impose and collect financing charges for accounts arising from sales in installment transactions. It had no authority and power to self-finance the accounts resulting from its sales in installment of its product since it is not a financing company and had no authority from the Securities and Exchange Commission. Being ultra vires, its acts cannot be validated. (Republic v. Acoje Mining Co., L-18062, February 28, 1963, 7 SCRA 365). Although all the accounts, including these financing charges, have been fully paid there can be no waiver on the part of plaintiff. 'Rights maybe waived, unless the waiver is contrary to law. x x x.' (Art. 6, Civil Code), and criminal acts cannot give rise to estoppel.

"The imposition and collection of finance charges by defendant being in contravention of R.A. 5980 which penalizes such acts with fine and/or imprisonment, the same therefore amounts to a criminal offense. At the very least defendant is guilty of having acted fraudulently or in bad faith in representing itself as being authorized to impose and collect said finance charges although it is not." (p. 124, Rollo.)

In its petition for certiorari, IHMI raises the lone issue of whether by imposing and collecting finance charges in connection with the installment sale of its trucks, IHMI, which is admittedly not a financing company, violated R.A. 5980 by engaging in the business of a financing company without requisite authority from the Securities and Exchange Commission.

The main argument of the appellant IHMI is that the type of "financing" involved in its business of selling trucks and machinery on installment, is not the business of financing defined in Section 3, R.A. 5980 which means "extending credit facilities to consumers and to industrial, commercial or agricultural enterprises, either by discounting or factoring commercial papers or accounts receivables, or by buying and selling contracts, leases, chattel mortgages, or other evidence of indebtedness, or by leasing of motor vehicles, heavy equipment and industrial, machinery, business and office machines and equipment, appliances and other movable property, x x x"

Section 5 of R.A. 5980 limits the rates of discount, fees, service and other charges that financing companies may collect on the purchase of commercial papers and receivables, as follows:

"SECTION 5. Limitation on purchase discount, fees, service and other charges. - In the case of assignments of

credit or the buying of installment papers, accounts receivables and other evidences of indebtedness by financing companies, the purchase discount, exclusive of interest and other charges, shall be limited to fourteen (14%) per cent of the value of the credit assigned or the value of the installment papers, accounts receivable and other evidence of indebtedness purchased based on a period of twelve (12) months or less, and to one and one-sixth (1-1/6%) per cent for each additional month or fraction thereof in excess of twelve months, regardless of the terms and conditions of the assignment or purchase.

"In the case of assignment of credit or the buying of installment papers, accounts receivable and other evidence of indebtedness pertaining to appliances, furniture, and office equipment, the purchase discount, exclusive of interest charges, shall be limited to eighteen (18%) per cent of the value at maturity of the credit assigned or receivable purchased, based on a period of twelve months or less, and to one and one-half (1-1/2%) per cent for each additional month or fraction thereof in excess of twelve months, regardless of the terms and conditions of the assignment or purchase.

"In case of factoring of accounts receivables or other evidences of indebtedness, the discounting rate that can be charged, exclusive of interest and other charges, shall not exceed two per cent of the value of the credit assigned or receivable purchased for every thirty days, regardless of the terms and conditions of the factoring agreement.

"The Securities and Exchange Commission, in consultation with the financing companies, shall prescribe reasonable limitations on fees, service and other charges which shall be uniform for all financing companies, taking into consideration the nature of the transactions or service and the cost thereof to the financing companies."

Evidently, the financing transaction that is regulated by R.A. 5980 involves the buying, discounting, or factoring of promissory notes and sales on credit or installment. IHMI did not purchase from itself the Retail Notes Analysis executed by Medina. IHMI only extended credit to Medina by allowing him to pay for the 24 truck engines in installment. While the increased price of the sale included a "financing charge," that charge was simply another name for the interest to be paid by the installment buyer (Medina) on the deferred payment of the purchase price of the vehicles sold and delivered to him by IHMI.

The use of the words "finance charge," "financing" or "finance operation" in the documents prepared, and letters sent, by IHMI to Medina, was in compliance with R.A. 3765 (Truth in Lending Act) which requires a creditor (or seller) to fully disclose to the debtor (or buyer) the true cost of credit "with a view of preventing the uninformed use of credit to the detriment of the national economy." Section 3, R.A. No. 3765 defines "credit," "finance charge" and creditor" as follows:

"SEC. 3. As used in this Act, the term -

“(1) xxx xxx xxx

“(2) ‘Credit’ means any loan, mortgage, deed of trust, advance, or discount; any conditional sales contract; any contract to sell, or sale or contract of sale of property or services, either for present or future delivery, under which part or all of the price is payable subsequent to the making of such sale or contract; any rental-purchase contract; any contract or arrangement for the hire, bailment, or leasing of property; any option, demand, lien, pledge, or other claim against, or for the delivery of, property or money; any purchase, or other acquisition of, or any credit upon the security of, any obligation or claim arising out of any of the foregoing; and any transaction or series of transactions having a similar purpose or effect.

“(3) ‘Finance charge’ includes interest, fees, service charges discounts, and such other charges incident to the extension of credit as the Board may by regulation prescribe.

“(4) ‘Creditor’ means any person engaged in the business of extending credit (including any person who as a

regular business practise makes loans or sells or rents property or services on a time, credit, or installment basis, either as principal or as agent) who requires as an incident to the extension of credit the payment of a finance charge."

Section 4 of the law requires the creditor or seller to disclose the following information -

"SEC. 4. Any creditor shall furnish to each person to whom credit is extended, prior to the consummation of the transaction, a clear statement in writing setting forth, to the extent applicable and in accordance with rules and regulations prescribed by the Board, the following information:

"(1) the cash price or delivered price of the property or service to be acquired;

"(2) the amounts, if any, to be credited as down payment and/or trade-in;

"(3) the difference between the amounts set forth under clauses (1) and (2);

"(4) the charges, individually itemized, which are paid or to be paid by such person in connection with the transaction but which are not incident to the extension of credit;

"(5) the total amount to be financed;

"(6) the finance charge expressed in terms of pesos and centavos; and

"(7) the percentage that the finance charge bears to the total amount to be financed expressed as a simple annual rate on the outstanding unpaid balance of the obligation."

IHMI used the word "finance charge" instead of "interest" in the Retail Notes Analysis which it delivered to Medina, because that is the term used in the Truth in Lending Act (Sec. 4, subpar. 6, R.A. 3765).

IHMI correctly pointed out that its transaction with Medina differs from a financing transaction under R.A. 5980, in that there were only two parties in its transaction with Medina, namely: IHMI and Medina, while in a financing transaction under R.A. 3765, there are three (3) parties involved, namely: (1) the installment buyer, (2) the seller, and (3) the financing company. The buyer executes a note or notes for the unpaid balance of the price of the thing purchased by him on installment. The seller assigns the notes or discounts them with a financing company which is subrogated in the place of the seller, as creditor of the installment buyer.

The transaction between IHMI and Medina did not involve any discounting, factoring or assignment of IHMI's credit against Medina to a finance company. The transaction was bilateral, not trilateral. No financing company stepped into the shoes of IHMI as assignee or purchaser of IHMI's credit against Medina. Medina himself, not a financing company, paid IHMI for the truck engines. Medina made his installment payments or amortizations to IHMI, not to a financing company.

Since IHMI's business of selling trucks in installment is not the business of a financing company under R.A. 5980, IHMI did not need SEC authorization to engage in it.

The trial court's belief that R.A. 3765 (the Truth in Lending Act) was repealed by R.A. 5980 (the Financing Company Act) is unwarranted. The two statutes do not deal with the same subject matter and are not repugnant to each other. Each was enacted for a different purpose. R.A. 3765 deals with requirements for the full disclosure of the cost of credit. R.A. 5980, on the other hand, regulates the business of financing companies. An implied repeal of the earlier statute by the later one is not favored, and may not be presumed, in the absence of absolute incompatibility or inconsistency between them (*Mangayao vs. Lasud*, 120 Phil. 154; *Esperat vs. Avila*, 20 SCRA 596; *Iloilo Palay & Corn Planters' Association, Inc. vs. Feliciano*, 121 Phil. 358).

WHEREFORE, the petition for certiorari is granted. The decision of the trial court in Civil Case No. 111336 is hereby annulled and set aside and the complaint therein is dismissed. The plaintiff (now private respondent), Mariano Medina, Jr., is ordered to pay reasonable attorney's fees in the sum of P10,000 to the petitioner, and costs.

SO ORDERED.

Narvasa, (Chairman), Gancayco, and Medialdea, JJ., concur.
Cruz, J., no part. Related to petitioner's counsel.

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