

**PHILIPPINE VIRGINIA TOBACCO ADMINISTRATION, PETITIONER,
VS. HON. RICARDO P. TENSUAN, AS JUDGE OF THE COURT OF FIRST
INSTANCE OF RIZAL, BRANCH IV, QUEZON CITY, AND EASTERN
VIGAN ...**

G.R. No. 58817. August 20, 1990

Ponente: PARAS, J.

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PARAS, J.:

The legal issue raised for our determination is whether or not Central Bank Circular No. 416, dated July 29, 1974 and issued pursuant to the authority granted under Act No. 2655, as amended (The Usury Law), and prescribing that:

"xxx the rate of interest for the loan, or forbearance of any money, goods, or credits and the rate allowed in judgments, in the absence of express contract as to such rate of interest, shall be twelve (12%) percent per annum,"

is applicable to the decision of respondent court dated December 28, 1970 in Civil Case No. 11973 entitled "Eastern Vigan VTPA, Inc., et al. v. Phil. - Virginia Tobacco Administration, et al."

It appears that on various dates in 1963 the private respondents, who are farmers' cooperatives, delivered to the Central Cooperative Exchange, Inc. (CCE, for brevity) in the latter's redrying plant at Agoo, La Union, certain quantities of tobacco under particular guias. At that time, CCE had a management contract with petitioner under which it obligated itself to procure, redry and service Virginia Tobacco for petitioner and to advance the payment of the tobacco to the private respondents at the government support price. On July 24, 1963, a fire destroyed the tobacco shipments of private respondents in the redrying plant of the CCE, which shipments were already unloaded therein though still awaiting inspection, grading and weighing. Petitioner failed to pay the price of the burned tobacco, prompting private respondents to institute Civil Case No. 11973 entitled "Eastern Vigan VTPA, Inc., et al. v. Phil. Virginia Tobacco Administration, et. al.". After trial, on December 28, 1970, petitioner was ordered to pay private respondents the total amount of P1,036,717.09, plus legal interest from December 29, 1970 until fully paid, on the ground that petitioner already had the legal control and custody of the tobacco shipments and should be deemed to have accepted them. Pursuant to a writ of execution issued by the respondent Judge, the funds of the petitioner deposited at the Philippine National Bank (Cubao Branch) were garnished by the Sheriff of Quezon City to satisfy the judgment in favor of the private respondents.

Petitioner did not agree with the computation of the interest of 12% per annum based on Central Bank Circular No. 416 and insisted on the application of the 6% legal rate of interest under Art. 2209 of the Civil Code which reads:

"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 interest agreed upon, and in the absence of stipulation, the legal interest which is six percent per annum."

Thus, on August 12, 1981, private respondents filed an ex--parte motion praying for the issuance of an order fixing the legal rate of interest at 12% per annum. Petitioner filed an opposition thereto.

On November 4, 1981, the respondent judge issued the order prayed for the dispositive portion of which reads as follows:

"xxx xxx xxx

"(a) The judgment obligation is determined as bearing interest thereon at 6% per annum up to August 12, 1974, and thereafter at 12% per annum until fully paid; and

"b) The Ilocos Sur Tobacco Industries Corporation is declared as entitled to a judgment obligation in the sum of P27,640.78, with interest thereon at the rate set forth in paragraph (a) immediately above.

"SO ORDERED. ."

Hence, the instant petition.

Private respondents maintain that Article 2209 is "merely descriptive of the legal rate and does not mean that the legal rate will be 6% per annum forever; it was added to Art. 2209 because in 1950 when the Civil Code took effect the prevailing rate was 6%. Now, however, the prevailing legal rate is 12% per annum x x x. This must be so because the law is not stagnant x x x." They further argue that the term "judgments" in CB Circular No. 416 is not limited to judgments on loans or forbearance of money, or to "interest by way of earnings" but should apply to all judgments for the payment of a sum of money (as the law does not distinguish).

The foregoing conclusions deserve scant consideration. Applying the case of *Reformina v. Tomol*, 139 SCRA 260, which bears essentially the same issues as in the case at hand, We hold that Central Bank Circular No. 416 dated July 29, 1974, which fixes the legal rate of interest at 12% per annum is not applicable here since the circular applies only to loans or forbearance of money, goods or credits and court judgment thereon. As held in the *Reformina* case:

"Central Bank Circular No. 416 which took effect on July 29, 1974 was issued and promulgated by the Monetary Board pursuant to the authority granted to the Central Bank by P.D. No. 116, which amended Act No. 2655, otherwise known as the Usury Law. The amendment from which said authority emanated reads as follows ?

'Section 1.a. The Monetary Board is hereby authorized to prescribe the maximum rate or rates of interest for the loan or renewal thereof or the forbearance of any money, goods or credits, and to change such rate or rates whenever warranted by prevailing economic and social conditions. Provided, That such changes shall not be made oftener than once every twelve months.

'In the exercise of the authority herein granted, the Monetary Board may prescribe higher maximum rates for consumer loans or renewals thereof as well as such loans made by pawnshops, finance companies and other similar credit institutions although the rates prescribed for these institutions need not necessarily be uniform.' (Italics supplied)

"Acting pursuant to this grant of authority, the Monetary Board increased the rate of legal interest from that of the six (6%) percent per annum originally allowed under Section 1 of Act No. 2655 to twelve (12%) percent per annum.

"It will be noted that Act No. 2655 deals with interest on (1) loans; (2) forbearances of any money, goods, or credits, and (3) rate allowed in judgments.

"The issue now is--what kind of judgment is referred to under the said law. Petitioners maintain that it covers all kinds of monetary judgments.

"The contention is devoid of merit.

"The judgments spoken of and referred to are judgments in litigations involving loans or forbearance of any money, goods or credits. Any other kind of monetary judgment which has nothing to do with, nor involving loans or forbearances of any money, goods or credits does not fall within the coverage of the said law for it is not within the ambit of the authority granted to the Central Bank. The Monetary Board may not tread on forbidden grounds. It cannot rewrite other laws. That function is vested solely with the legislative authority. It is axiomatic in legal hermeneutics that statutes should be construed as a whole and not as a series of disconnected articles and phrases. In the absence of a clear contrary intention, words and phrases in statutes should not be interpreted in isolation from one another. A word or phrase in a statute is always used in association with other words or phrases and its meaning may thus be modified or restricted by the latter."

The Reformina case was an Action for Damages for injury to persons and loss of property which was held not to involve any loan, much less forbearance of any money, goods or credits and therefore the law applicable is Art. 2209 of the Civil Code and not Central Bank Circular No. 416. To make the latter law applicable to any case other than those specifically provided for by the Usury Law would be to violate the principle of undue delegation of legislative powers since the Monetary Board will be exercising legislative functions which was beyond the intendment of P.D. 116.

We find no cogent reason to deviate from the Reformina ruling in this case before Us. The pertinent transaction here does not also involve any loan or forbearance of any money, etc. It was a contract of sale wherein there was default in the payment of the price and interest was awarded therefor. The interest here is therefore not within the contemplation of the Usury Law. Thus, Art. 2209 is the law applicable.

As regards the position of private respondents that the term "judgments" in Central Bank Circular No. 416 is not limited to judgments on loans or forbearance of money but should apply to all money judgments, We strongly disagree and hold that the "judgments" contemplated in the said Circular are judgments involving such loans or forbearances only and not in judgments in litigations that have nothing to do with loans as in the case at bar.

WHEREFORE, the Order of Judge Ricardo P. Tensuan dated November 4, 1981 is hereby MODIFIED in that all the amounts specified in the dispositive portion of the Decision of the Court of First Instance dated December 28, 1970 shall earn interest of six percent (6%) per annum from the time the complaint was filed until the same is fully paid.

SO ORDERED.

Melencio-Herrera, (Chairman), Padilla, and Regalado, JJ., concur.
Sarmiento, J., on leave.

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