

**PACITA F. REFORMINA AND HEIRS OF FRANCISCO REFORMINA,
PETITIONERS, VS. THE HONORABLE VALERIANO P. TOMOL, JR., AS
JUDGE OF THE COURT OF FIRST INSTANCE, BRANCH XI, CEBU CITY,
SHEL...**

G.R. No. 59096. October 11, 1985

Ponente: CUEVAS, J.

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CUEVAS, J.:

How much by way of legal interest, should a judgment debtor pay the judgment creditor - is the issue raised by the REFORMINAS (herein petitioners) in this Petition for Review on Certiorari of the Resolution of the Hon. respondent Judge Valeriano P. Tomol, Jr. of the then Court of First Instance of Cebu - Branch XI, issued in Civil Case No. R-11279, an action for Recovery of Damages for Injury to Person and Loss of Property.

The dispositive portion of the assailed Resolution reads as follows —

"In light (sic) of the foregoing, the considered view here that by legal interest is meant six (6%) percent as provided for by Article 2209 of the Civil Code. Let a writ of execution be issued.

SO ORDERED."[1]

Petitioners' motion for the reconsideration of the questioned Resolution having been denied, they now come before Us through the instant petition praying for the setting aside of the said Resolution and for a declaration that the judgment in their favor should bear legal interest at the rate of twelve (12%) percent per annum pursuant to Central Bank Circular No. 416 dated July 29, 1974.

Hereunder are the pertinent antecedents:

On June 7, 1972, judgment was rendered by the Court of First Instance of Cebu in Civil Case No. R-11279,[2] the dispositive portion of which reads —

"WHEREFORE, judgment is hereby rendered in favor of the plaintiffs and third party defendants and against the defendants and third party plaintiffs as follows:

Ordering defendants and third party plaintiffs Shell and Michael, Incorporated to pay jointly and severally the following persons:

(a)

x x x x

(g) Plaintiffs Pacita F. Reformina and Francisco Reformina the sum of P131,084.00 which is the value of the boat F B Pacita III together with its accessories, fishing gear and equipment minus P80,000.00 which is the value of the insurance recovered and the amount of P10,000.00 a month as the estimated monthly loss suffered by them as a result of the fire of May 6, 1969 up to the time they are actually paid or already the total sum of P370,000.00 as of June 4, 1972 with legal interest from the filing of the complaint until paid and to pay

attorney's fees of P5,000.00 with costs against defendants and third party plaintiffs."

On appeal to the then Court of Appeals, the trial court's judgment was modified to read as follows —

"WHEREFORE, the judgment appealed from is modified such that defendants-appellants Shell Refining Co. (Phils.), Inc. and Michael, Incorporated are hereby ordered to pay x x x. The two (2) defendants-appellants are also directed to pay P100,000.00 with legal interests from the filing of the complaint until paid as compensatory and moral damages and P41,000.00 compensation for the value of the lost boat with legal interest from the filing of the complaint until fully paid to Pacita F. Reformina and the heirs of Francisco Reformina. The liability of the two defendants for all the awards is solidary.

x x x x x x x x

Except as modified above, the rest of the judgment appealed from is affirmed. The defendants-appellants shall pay costs in favor of the plaintiffs. Appellants Shell and Michael and third party defendant Anita L. Abellanosa shall shoulder their respective costs.

SO ORDERED."[3]

The said decision having become final on October 24, 1980, the case was remanded to the lower court for execution, and this is where the controversy started. In the computation of the "legal interest" decreed in the judgment sought to be executed, petitioners claim that the "legal interest" should be at the rate of twelve (12%) percent per annum, invoking in support of their aforesaid submission, Central Bank of the Philippines Circular No. 416. Upon the other hand, private respondents insist that said legal interest should be at the rate of six (6%) percent per annum only, pursuant to and by authority of Article 2209 of the New Civil Code in relation to Articles 2210 and 2211 thereof.

In support of their stand, petitioners contend that Central Bank Circular No. 416 which provides —

"By virtue of the authority granted to it under Section 1 of Act 2655, as amended, otherwise known as the "Usury Law" the Monetary Board in its Resolution No. 1622 dated July 29, 1974, has prescribed that 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%) per cent per annum. This Circular shall take effect immediately." (Underscoring supplied)

includes the judgment sought to be executed in this case, because it is covered by the phrase "and the rate allowed in judgments in the absence of express contract as to such rate of interest ..." in the aforequoted circular.

The petition is devoid of merit. Consequently, its dismissal is in order.

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." (Underscoring supplied)

Acting pursuant to this grant of authority, the Monetary Board increased the rate of legal interest from that of 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 judgment.

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 forbearance 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.[4] 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.[5]

Another formidable argument against the tenability of petitioners' stand are the whereases of PD No. 116 which brought about the grant of authority to the Central Bank and which reads thus —

"WHEREAS, the interest rate, together with other monetary and credit policy instruments, performs a vital role in mobilizing domestic savings and attracting capital resources into preferred areas of investments;

WHEREAS, the monetary authorities have recognized the need to amend the present Usury Law to allow for more flexible interest rate ceilings that would be more responsive to the requirements of changing economic conditions;

WHEREAS, the availability of adequate capital resources is, among other factors, a decisive element in the achievement of the declared objective of accelerating the growth of the national economy."

Coming to the case at bar, the decision herein sought to be executed is one rendered in an Action for Damages for injury to persons and loss of property and does not involve any loan, much less forbearances of any money, goods or credits. As correctly argued by the private respondents, the law applicable to the said case is Article 2209 of the New Civil Code which reads —

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

The above provision remains untouched despite the grant of authority to the Central Bank by Act No. 2655, as amended. To make Central Bank Circular No. 416 applicable to any case other than those specifically provided for by the Usury Law will make the same of doubtful constitutionality since the Monetary Board will be exercising legislative functions which was beyond the intendment of P.D. No. 116.

IN VIEW OF THE FOREGOING CONSIDERATIONS, and finding the instant petition to be without merit, the same is hereby DISMISSED with costs against petitioners.

SO ORDERED.

Makasiar, C.J., and Teehankee, J., concur with J. Plana's separate concurring and dissenting opinion.

Concepcion, Jr., Abad Santos, Melencio-Herrera, Escolin, Relova, Gutierrez, Jr., De la Fuente, Alampay, and Patajo, JJ., concur.

Aquino, J., in the result.

Plana, J., see separate opinion.

[1] Resolution dated September 8, 1981 in Civil Case No. R-11279, Annex "D", Petition.

[2] An action for the recovery of damages due to loss or injury to person or property.

[3] Decision dated May 26, 1980 of the Court of Appeals.

[4] Crawford, Statutory Construed, 940 Ed. IV, page 69.

[5] Lu Do & Lu Ym Corp. vs. Central Bank, 108 Phil. 566.

CONCURRING AND DISSENTING OPINION**PLANA, J.:**

1. Central Bank Circular 416 dated July 29, 1974 increased the rate of interest allowed in judgments from 6% to 12% per annum. To my knowledge, before the instant case, the validity of CB Circular 416 had not been challenged in this Court. In *Viloria vs. Court of Appeals*, 123 SCRA 259, it was assumed that the Central Bank was legally authorized to issue the said Circular. The only issue there raised was whether the increase in interest rate could be given retrospective operation.

2. I do not believe the Central Bank authority here in question is premised on Section 1-a of Act No. 2655 (Usury Law), as inserted by Presidential Decree 116. The cited section reads:

"Sec. 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."

The above law does not empower the Central Bank to fix the specific rate of interest to be charged for loans. It merely grants the power to prescribe the maximum interest rate, leaving it to the contracting parties to determine within the allowable limit what precisely the interest rate will be. In other words, the provision presupposes that the parties to the loan agreement are free to fix the interest rate, the ceiling prescribed by the Central Bank operating merely to restrict the parties' freedom to stipulate. So viewed, Sec. 1-a cannot include a provision on interest to be allowed in judgments, which is not the subject of contractual stipulations and therefore cannot logically be made subject to interest ceiling, which is all that Sec. 1-a covers. Note that Central Bank Circular 416 itself invokes as the basis for its issuance Sec. 1, rather than Sec. 1-a, of the Usury Law.

3. By purpose and operative effect, Sec. 1 of the Usury Law is different from Sec. 1-a.

"Section 1. 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 six per centum per annum or such rate as may be prescribed by the Monetary Board of the Central Bank of the Philippines for that purpose in accordance with the authority hereby granted." (Emphases supplied.)

This section envisages two situations: (a) a loan or forbearance of money, goods or credit, where the parties agreed on the payment of interest but failed to fix the rate thereof; and (b) a litigation that has ended in a final judgment for the payment of money. In either case, the role of Section 1 is to fix the specific rate of interest or legal interest (6%) to be charged. It also impliedly delegates to the Central Bank the power to modify the said interest rate. Thus, the interest rate shall be 6% per annum or "such rate as may be prescribed by the Monetary Board of the Central Bank..."

4. The authority to change the legal interest that has been delegated to the Central Bank under the quoted Section 1 is absolute and unqualified. It is true that Section 1 says that the rate of interest shall be 6% per annum or "such rate as may be prescribed by the Monetary Board of the Central Bank...in accordance with the authority hereby granted." But neither in the said section nor in any other section of the law is there a guideline or limitation imposed on the Central Bank. The determination of what the applicable interest rate shall be, as distinguished from interest rate ceiling, is completely left to the judgment of the Central Bank. In short, there is a total abdication of legislative power, which renders the delegation void.

5. Under the view taken above, it is unnecessary to make a distinction between judgments in litigations involving loans and judgments in litigations that have nothing to do with loans.

6. I conclude that the Central Bank authority to change the legal rate of interest allowed in judgments is constitutionally defective; and incidentally, this vice also affects its authority to change the legal interest of 6% per annum as to loans and forbearance of money, goods or credits, as envisaged in Section 1 of the Usury Law. If this conclusion be correct, it is imperative to enact a law either increasing the legal interest to a realistic level or supplying the deficiencies of the Usury Law which render the delegation of power therein constitutionally defective.

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