

**REINSURANCE COMPANY OF THE ORIENT, INC., PETITIONER, VS.
THE HONORABLE COURT OF APPEALS, HON. FIDEL A. PURISIMA, AS
JUDGE OF THE CFI OF MANILA, BRANCH XX, GAUDIOSO M.
TIONGCO, A...**

G.R. No. 61250. June 03, 1991

Ponente: FELICIANO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-61250/>

FELICIANO, J.:

On 24 April 1963, Joaquin V. Gozun, Jr. signed a promissory note for P30,000.00, promising to pay respondent Gaudioso M. Tiongco or order the sum of P30,000.00, with interest at 10% per annum. The condition of the note was that its payment was to be secured by a surety bond acceptable to the payee. On 8 May 1963, the spouses Joaquin V. Gozun, Jr. and Maria Nieves Toledo-Gozun jointly and severally, as principals, and petitioner Reinsurance Company of the Orient, Inc. ("Reinsurance"), as surety, executed a surety bond in favor of respondent Tiongco in the sum of P30,000.00 to guaranty faithful compliance with the terms and conditions of the 24 April 1963 promissory note.

A week later, on 17 May 1963, respondent Tiongco and the Industrial & Commercial Factors, Inc. ("Factors") entered into a financing and servicing agreement, stipulating, among other things, the following:

"x x x x x x x x

7. That Factors shall purchase only accounts receivables arising from a promissory note executed by Mr. Joaquin V. Gozun, Jr., in the amount of P30,000.00, with interest at 10% per annum, dated April 24, 1963.

8. That the Firm [respondent Tiongco] guarantees to Factors the genuineness and legality of the accounts receivables assigned to Factors, covering the articles sold and of the obligations evidenced thereby, as well as the solvency of the customers, and such guarantee shall continue and remain in force and shall bind the Firm until all the amounts and liabilities owing under and by virtue of the said accounts receivables shall have been paid or remitted in full to Factors. The Firm hereby renounces the benefits of excussion granted to him by the provisions of Article 2058 of the New Civil Code.

x x x x x x x x

11. That Factors may resell or reassign to the Firm the accounts receivables discounted by Factors and the Firm shall repurchase the same for the total amount due, owing and outstanding from the Firm's customers at the time of the resale or reassignment, for any or all of the following grounds:

(a) When the customer for any reason is unable to pay the whole amount or any part thereof under the terms of the accounts receivables;

(b) When the customer refuses to pay the whole amount under the accounts receivables discounted;

x x x x x x x x."

On the same date (17 May 1963), respondent Tiongco, in consideration of the sum of P34,500.00, executed a deed of assignment in favor of Factors ceding, transferring and assigning all his rights and interests in the promissory note executed by Joaquin V. Gozun, Jr., in the amount of P30,000.00, dated 24 April 1963.

On 6 November 1964, Factors wrote a demand letter to Joaquin V. Gozun, Jr. demanding payment of the sum of P30,000.00, exclusive of interests, the promissory note having become due on 17 October 1964 but remaining unsettled. A similar letter of demand was sent on the same day to petitioner Reinsurance.

On 9 November 1964, Factors wrote a demand letter to respondent Tiongco, advising the latter to pay P35,061.18 arising from the financing and servicing agreement dated 17 May 1963.

On 23 December 1964, petitioner Reinsurance wrote a letter to Factors informing the latter of its conformity to extension of the time for payment of the P30,000.00 note up to the end of January 1965.

No payment having been made even after the extended date, Factors filed a complaint in the Court of First Instance of Manila, Branch 20, docketed as Civil Case No. 61254, against respondent Tiongco, the spouses Gozun, and petitioner. The prayer of Factors' complaint read:

"WHEREFORE, it is respectfully prayed that judgment be rendered in favor of the plaintiff;

1. Ordering the defendant Tiongco to pay the plaintiff [Factors] the sum of THIRTY-SIX THOUSAND TWO HUNDRED SIXTY-NINE PESOS & 99/100 (P36,269.99) under the terms and conditions of the Financing and Servicing Agreement (Annex 'A'); and/or

2. Ordering the defendants spouses Gozun and Reinsurance Company of the Orient, Inc., to pay the plaintiff jointly and severally, with defendant Tiongco, the sum of THIRTY-FOUR THOUSAND EIGHT HUNDRED SIXTY-SIX PESOS & 96/100 (P34,866.96) plus interest thereon at ten per cent (10%) per annum from November 30, 1964 until complete payment is made;

3. Ordering all defendants to pay the plaintiff, jointly and severally, a sum equivalent to twenty five per cent (25%) of their outstanding obligation, as litigation expenses and attorney's fees;

4. Ordering defendant Tiongco to pay the plaintiff the collection fee of one per cent (1%) and a penalty of three and five tenth (3.5%) percent per month on the accounts receivable representing the sum of P36,269.99 as of November 30, 1964;

Plaintiff further prays for such other relief as this Honorable Court may deem just and equitable on the premises."

In his Answer with a Cross-Claim against Reinsurance and the Gozuns, respondent Tiongco prayed that:

"x x x in the event that judgment be rendered ordering him, [Tiongco] to pay to the plaintiff [Factors] the amount claimed in the latter's complaint, that the cross-defendants [petitioner and the Gozun spouses] be simultaneously ordered to pay [him] back x x x whatever amount is paid x x x to the plaintiff in accordance with said judgment;

x x x x x x x x"

Upon the other hand, petitioner Reinsurance in its Answer denied having any liability to Factors, and asserted a cross-claim against the Gozun spouses, praying that:

"x x x x x x x x"

In the remote event that cross-claimant [Reinsurance] is adjudged liable under [Factors'] Complaint, cross-claimant further prays that judgment be rendered - x x x"

Under the cross-claim -?

"a) sentencing cross-defendant [Gozun spouses] to pay the cross-claimant whatever amount or amounts the latter may be compelled to pay under its Surety Bond, RICO Bond No. 105/63, to the plaintiff [Factors] plus interest thereon at the rate of 12% per annum, computed from the date of such payment to the date when reimbursement is fully effected by cross-defendants;

b) sentencing cross-defendants to pay the cross-claimant an additional sum equivalent to 25% of whatever amount or amounts cross-claimant may be compelled to pay to plaintiff under its Surety Bond, RICO Bond No. 105/63, by way of attorney's fees and expenses of litigation;

c) pending the hearing of this case, that cross-claimant be appointed receiver without the necessity of filing a bond as stipulated in the Agreement of Counter-Indemnity with Mortgage (Annex "2-RICO"), and to take charge of the properties mortgaged;

d) that the usual decree of foreclosure issue for the sale at public auction of the aforementioned two (2) parcels of land, and for the disposition of the proceeds thereon in accordance with the Agreement of Counter-Indemnity with Mortgage (Annex "2-RICO"), upon failure by cross-defendants to fully reimburse to cross-claimant whatever amount or amounts it may be required to pay under the Surety Bond, RICO Bond No. 105/63."

The spouses Gozun also filed their Answer, with a cross-claim against Tiongco.

After trial, Judge L.B. Reyes of the Court of First Instance of Manila on 6 June 1970 rendered a Decision,[1] the dispositive portion of which stated:

"WHEREFORE, judgment is rendered -

(1) Ordering defendant Gaudioso M. Tiongco to pay plaintiff [Factors] the sum of P36,269.99, under the terms and conditions of the financing and servicing agreement, and the collection fee of 1% and penalty of 3.5% per month on the accounts receivable as of November 30, 1964; or, in default of said defendant-

(2) Ordering defendant spouses Joaquin V. Gozun, Jr., and Maria Nieves Toledo-Gozun and defendant Reinsurance Company of the Orient, Inc. to pay plaintiff, jointly and severally, the sum of P34,866.96, plus interest thereon at 10% per annum from November 30, 1964, until complete payment is made;

(3) Ordering all defendants to pay plaintiff, jointly and severally, a sum equivalent to 10% of their outstanding obligation, as litigation expenses and attorney's fees.

On the cross-claim, ordering cross-defendants Joaquin V. Gozun, Jr., and Reinsurance Company of the Orient, Inc., to pay back, jointly and severally, the cross-claimant Tiongco whatever amount is paid by the latter to plaintiff in accordance with the judgment in this case, and, in case defendant Reinsurance Company of the Orient, Inc., pay(s) the claim of plaintiff, ordering cross-defendants Joaquin V. Gozun, Jr., and Maria Nieves Toledo-Gozun to pay cross-claimant Reinsurance Company of the Orient, Inc., whatever amount or amounts the latter would pay under its surety bond, RICO Bond No. 105/63, to plaintiff, plus interest thereon at the rate of 12% per annum, computed from the date of such payment to the date when reimbursement is fully effected by cross-defendants; to pay cross-claimant an additional sum equivalent to 10% of whatever amount or amounts cross-claimant would pay to plaintiff, by way of attorney's fees and expenses of litigation. Upon failure of cross-defendant[s] to fully reimburse to cross-claimant whatever amount or amounts might have been paid under its surety bond, the usual decree of foreclosure shall issue for the sale at public auction of the two parcels of land described in the agreement of counter-indemnity with mortgage and/or pledge (Exhibit "3-RICO"), and for the disposition of the proceeds thereon in accordance with the said agreement.

The cross-claim of Joaquin V. Gozun, Jr., is dismissed for lack of merit.

The counterclaim of defendant Gaudioso M. Tiongco is dismissed in view of the result."^[2]

A motion for reconsideration was filed by petitioner Reinsurance, on the grounds, among others, that: (a) its liability, if any, is based exclusively on its surety bond; (b) it is a stranger to the financing and servicing agreement between Factors and respondent Tiongco; and (c) its liability, if any, cannot be increased or extended. The trial court resolved this motion by amending its decision:

"Hence, paragraph (2) of the dispositive part of the decision is hereby amended to read as follows:

'(2) Ordering defendant spouses Joaquin V. Gozun, Jr. and Maria Nieves Toledo-Gozun and defendant Reinsurance Company of the Orient, Inc. to pay plaintiff, jointly and severally, the sum of P30,000.00, plus interest thereon at 10% per annum from November 30, 1964, until complete payment is made.

x x x x x x x x'

WHEREFORE, with the correction made, which hereby amends the dispositive part of the decision rendered in this case, the motion for reconsideration and new trial of [petitioner] is DENIED."

On appeal, the Court of Appeals, in CA-G.R. No. 47991-R, affirmed the decision of the lower court. The decision became final and a Writ of Execution dated 25 August 1980 was issued.

On 5 September 1980, petitioner Reinsurance paid to Factors the sum of P84,980.00 broken down as follows:

(1) Principal of Promissory Note P30,000.00

(2) 10% interest per annum from

November 30, 1963 47,250.00

(3) Litigation expenses and

attorney's fees under par. 3 7,725.00

(4) Filing fee 5.00

T O T A L P 84,980.00

Respondent Tiongco on 24 October 1980 -- which date was well within the 60-day lifetime of the Writ of Execution -- paid to Factors the sum of P221,329.19. On the same date, however, the lower court issued a Notice of Garnishment addressed to the Rizal Commercial Banking Corporation ("RCBC") for:

"the amount of THIRTY-SIX THOUSAND TWO HUNDRED SIXTY-NINE AND NINETY-NINE CENTAVOS (P36,269.99), plus 1% collection fee and 3.5% per month penalty charges from November 30, 1964 and other charges in accordance with the terms of the Writ of Execution dated August 25, 1980 as attached" --

to be obtained from the account of petitioner Reinsurance with the bank, in favor of respondent Tiongco (as the latter had already paid Factors). The trial court also issued a notice of levy upon personal property of petitioner.

Petitioner Reinsurance moved to set aside the notice of levy and the notice of garnishment upon the ground that its liability under the decision was only for P30,000.00, plus interest at 10% per annum from 30 November 1964 until the amount was paid; and that this amount, which with accumulated interest had reached P84,980.00 as of 8 September 1980, had already been paid to Factors on that date.

On 26 February 1981, the trial court, this time through then Judge Fidel Purisima, denied petitioner's motion, ruling that the decision, to enforce which a Writ of Execution had been issued in 21 August 1980, which decision

ordered petitioner Reinsurance and the spouses Gozun to pay back, jointly and severally, respondent Tiongco "whatever amount is paid by the latter to [Factors] in accordance with the judgment of this case" -- had become final. Accordingly, the RCBC issued a manager's check in the amount of P280,367.02 to respondent Tiongco and debited Reinsurance's account for the same amount.

Petitioner thereafter filed with the Court of Appeals, docketed as C.A.-G.R. No. SP-12108, a Petition for Certiorari to annul the Writ of Execution and the proceedings resulting in garnishment, and to compel respondent Tiongco to return to petitioner the amount of P280,367.02. Petitioner contended that its liability under the amended decision of the lower court was only for P84,980.00 -- the amount of the promissory note which it had secured, plus interest and costs of suit; and that it could not be made to assume the obligation of respondent Tiongco to Factors under the financing and servicing agreement, which with accrued interest and other charges as of 9 March 1981 had reached the amount of P280,367.02, since it (Reinsurance) was not a party thereto.

By a Decision dated 7 May 1982, the Court of Appeals, speaking through Mendoza, V. J., denied the petition, holding that it had, in C. A. - G.R. No. 47991-R, earlier affirmed the modified judgment of the lower court in toto, which judgment had already rejected petitioner's contention:

"The judgment, subject of the writ of execution, carefully distinguishes between the liability of [petitioner] and its liability to Tiongco. As far as Factors is concerned, [petitioner's] liability is for P36,269.99 plus a collection fee of 1% a month and penalty of 3.5% a month of the amount outstanding.

Nor can [petitioner] elect to pay Factors the lesser amount in order to avoid payment of the greater sum to Tiongco. [Petitioner's] liability to Factors arises only 'in default of Tiongco.' If Tiongco does not default in the payment of his liability, [petitioner's] liability to Tiongco arises, and it is for 'whatever amount is paid by the latter to Factors in accordance with the judgment in this case.'

x x x x x x x x x x

However, except for the amendment of par. (2), which refers to [petitioner's] contingent liability to Factors, the trial court refused to reconsider the other parts of the decision. For its part, when the lower court's decision was appealed to it, this Court rejected [petitioner's] contention that the promissory note had been novated by the execution of the financing and servicing agreement, even as it affirmed the judgment of the lower court in toto.

[Petitioner] did not appeal any further. Consequently, it cannot now urge the same arguments without violating the principle of res judicata.

In the second place, the contention that to make [petitioner] liable for 'whatever amount is paid by (Tiongco) to (Factors)' as the judgment directs would be to make [petitioner] liable under the financing and servicing agreement to which [petitioner] is not a party is not correct. It is true that there is a difference in the amount which Tiongco is required to pay to Factors and that which [petitioner] is required to pay to the same party, that is, P36,269.99 in the case of Tiongco and P30,000.00, in the case of [petitioner]. The difference is due to the fact that Tiongco's obligation to Factors under the financing and servicing agreement includes not only the discounting of the note at the rate of 29.75% per month but also the payment of a collection fee of 1% per month and a penalty of 3.5% per month on all outstanding amounts in the event the note is not paid within 72 hours from the date of its maturity on October 17, 1964.

While it is true that Gozun and [petitioner] are not parties to the financing and servicing agreement, it is equally true that were it not for the failure of Gozun to pay the note upon its maturity, Tiongco would not have been liable for the discount rate, the collection fee, and the penalty to Factors. As very well pointed out by Tiongco, the difference represents damages suffered by Tiongco as a result of Gozun's and [petitioner's] failure to pay the amount of the note on time."^[3]

Its motion for reconsideration having been denied, petitioner came to this Court on the present Petition for Review.

Petitioner Reinsurance asks us to hold that both Judge L.B. Reyes of the trial court and the Court of Appeals in C.A.-G.R. No. 47991-R erred in holding petitioner Reinsurance liable beyond the terms and conditions found in the promissory note of 24 April 1963 executed by Mr. Gozun and on which Reinsurance became liable as surety pursuant to the Surety Bond it had issued in favor of respondent Tiongco.

The fundamental difficulty with Reinsurance's position is, of course, that the decision of Judge Reyes became final and executory upon being affirmed by the Court of Appeals in C.A.-G.R. No. 47991-R. Neither Gozun nor Reinsurance filed a Petition for Review to this Court after the Court of Appeals affirmed the decision of Judge Reyes back in August 1980.

It is true that even a judgment which has become final and executory may be clarified under certain circumstances. The dispositive portion of the judgment may, for instance, contain an error clearly clerical in nature (perhaps best illustrated by an error in arithmetical computation) or an ambiguity arising from inadvertent omission, which error may be rectified or ambiguity clarified and the omission supplied by reference primarily to the body of the decision itself. Supplementary reference to the pleadings previously filed in the case may also be resorted to by way of corroboration of the existence of the error or of the ambiguity in the dispositive part of the judgment. In *Locsin, et al. v. Paredes, et al.*[4] this Court allowed a judgment which had become final and executory to be clarified by supplying a word which had been inadvertently omitted and which, when supplied, in effect changed the literal import of the original phraseology:

"x x x it clearly appears from the allegations of the complaint, the promissory note reproduced therein and made a part thereof, the prayer and the conclusions of fact and of law contained in the decision of the respondent judge, that the obligation contracted by the petitioners is joint and several and that the parties as well as the trial judge so understood it. Under the juridical rule that the judgment should be in accordance with the allegations, the evidence and the conclusions of fact and law, the dispositive part of the judgment under consideration should have ordered that the debt be paid severally, and in omitting the word or adverb 'severally' inadvertently, said judgment became ambiguous. This ambiguity may be clarified at any time after the decision is rendered and even after it had become final (34 Corpus Juris, 235, 326). The respondent judge did not, therefore, exceed his jurisdiction in clarifying the dispositive part of the judgment by supplying the omission."[5] (Underscoring supplied)

In *Filipino Legion Corporation vs. Court of Appeals, et al.*,[6] the applicable principle was set out in the following terms:

"[Where there is ambiguity caused by an omission or mistake in the dispositive portion of a decision, the court may clarify such ambiguity by an amendment even after the judgment had become final, and for this purpose it may resort to the pleadings filed by the parties, the court's findings of facts and conclusions of law as expressed in the body of the decision."[7] (Underscoring supplied)

In *Republic Surety and Insurance Company, Inc. v. Intermediate Appellate Court*,[8] the Court applying the above doctrine said:

"x x x We clarify, in other words, what we did affirm. What is involved here is not what ordinarily regarded as a clerical error in the dispositive part of the decision of the Court of First Instance, which type of error is perhaps best typified by an error in arithmetical computation. At the same time, what is involved here is not a correction of an erroneous judgment or dispositive portion of a judgment. What we believe is involved here is in the nature of an inadvertent omission on the part of the Court of First Instance (which should have been noticed by private respondents' counsel who had prepared the complaint), of what might be described as a

logical follow-through of something set forth both in the body of the decision and in the dispositive portion thereof: the inevitable follow-through, or translation into, operational or behavioral terms, of the annulment of the Deed of Sale with Assumption of Mortgage, from which petitioners' title or claim of title embodied in TCT 133153 flows." [9] (Underscoring supplied)

The question which arises, therefore, is whether or not the doctrine in *Locsin*, *Filipino Legion and Republic Surety* is applicable in the instant case. A careful review of the Reyes' decision and of the Court of Appeals' decision in C.A.-G.R. No. 47991-R shows that the Reyes' decision had no ambiguity or inadvertent omission in its dispositive portion which may, notwithstanding the finality of that decision, legitimately be clarified by referring to the body of the Reyes' decision. The dispositive portion of the Reyes' decision had two parts: Part I and Part II.

Part I dealt with the claims of Factors asserted against respondent *Tiongco* and against the *Gozun* spouses and petitioner *Reinsurance* in the following manner -

(a) Claims of Factors against respondent *Tiongco*:

"(1) Ordering defendant *Gaudioso M. Tiongco* to pay plaintiff [Factors] the sum of P36,269.99, under the terms and conditions of the financing and servicing agreement, and the collection fee of 1% and penalty of 3.5% per month on the accounts receivable as of November 30, 1964; or, in default of said defendant --"

(b) Claims of Factors against the *Gozun* spouses and petitioner *Reinsurance*:

"(2) Ordering defendant spouses *Joaquin V. Gozun, Jr.*, and *Maria Nieves Toledo-Gozun* and defendant *Reinsurance Company of the Orient, Inc.*, to pay plaintiff, jointly and severally, the sum of P34,866.96, plus interest thereon at 10% per annum from November 30, 1964, until complete payment is made;" (Underscoring supplied)

Part II dealt with (a) the cross-claim asserted by respondent *Tiongco* against the *Gozun* spouses and petitioner *Reinsurance*, as well as (b) the cross-claim asserted by *Reinsurance* against the *Gozun* spouses in the following manner:

"On the cross-claim, ordering cross-defendants *Joaquin V. Gozun, Jr.*, and *Reinsurance Company of the Orient, Inc.*, to pay back, jointly and severally, the cross-claimant *Tiongco* whatever amount is paid by the latter to plaintiff in accordance with the judgment in this case, and, in case defendant *Reinsurance Company of the Orient, Inc.*, pay[s] the claim of plaintiff, ordering cross-defendants *Joaquin V. Gozun, Jr.*, and *Maria Nieves Toledo-Gozun* to pay cross-claimant *Reinsurance Company of the Orient, Inc.*, whatever amount or amounts the latter would pay under its surety bond, *RICO Bond No. 105/63*, to plaintiff, plus interest thereon at the rate of 12% per annum, computed from the date of such payment to the date when reimbursement is fully effected by cross-defendants; to pay cross-claimant an additional sum equivalent to 10% of whatever amount or amounts cross-claimant would pay to plaintiff, by way of attorney's fees and expenses of litigation. Upon failure of cross-defendant(s) to fully reimburse to cross-claimant whatever amount or amounts might have been paid under its surety bond, the usual decree of foreclosure shall issue for the sale at public auction of the two parcels of land described in the agreement of counter-indemnity with mortgage and/or pledge (Exhibit "3-RICO"), and for the disposition of the proceeds thereon in accordance with the said agreement.

x x x x x x x x"

(Underscoring supplied)

It will be noted that in Part II of the dispositive portion, Judge Reyes ordered the *Gozun* spouses and petitioner *Reinsurance* "to pay back jointly and severally, the cross-claimant *Tiongco* whatever amount is paid by the latter to plaintiff [Factors] in accordance with the judgment in this case, x x x". Complying with Paragraph (1) of Part I

of the dispositive portion of the Reyes' decision, respondent Tiongco paid Factors the amount of P221,329.19, and it is this amount (with interest computed up to 26 February 1981) which Reinsurance was compelled to pay to respondent Tiongco and which Reinsurance now seeks to recover. There was, in other words, literal compliance with the wording of Part II of the dispositive portion of the Reyes' decision.

Viewed in the light most favorable to it, Reinsurance in effect urges that there is contradiction between Part I dealing with claims of Factors and Part II dealing with cross-claims of Tiongco and Reinsurance. Unfortunately, in itself, no contradiction is apparent in the dispositive portion of the decision. Part II of the decision ordered the Gozun spouses and Reinsurance to reimburse Tiongco whatever Tiongco paid under the judgment; and Tiongco paid under Part I Paragraph (1) as he was ordered to do by the decision.

We do not mean to suggest that there was no error in Part II of the dispositive portion of the Reyes' decision; indeed it is quite clear to the Court that Part II was vitiated by error. But that error became irremediable when the Reyes' decision became final.

That error, most succinctly described, lies in the failure of the trial court and of the Court of Appeals to take account of the provisions of Article 2209 of the Civil Code which provides as follows:

"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."

Both the Gozun spouses and Reinsurance were liable under the terms and conditions of the promissory note which stipulated payment of the principal amount of P30,000.00 plus interest at the rate of 10% per annum. By operation of Article 2209, quoted above, in relation to the promissory note, the measure of damages to which the Gozun spouses and Reinsurance could have appropriately been held to for mora, was not whatever respondent Tiongco had been compelled to pay to Factors under the financing and servicing agreement, as Judge Reyes had decreed in his decision. The appropriate measure of damages was, rather, simply the payment of an additional 10% per annum of interest; that is, the Gozuns should have been held liable only for 10% interest for the use of the money (from date of execution to date of payment) or "monetary interest", plus 10% interest as damages for delay in payment (from date of demand to date of payment) or "compensatory interest"[10]. There would have been no inequity in requiring respondent Tiongco to bear by himself alone the balance of his liability under his financing and servicing agreement with Factors. Only Tiongco was party to that agreement and he alone benefitted by it: he immediately realized the present value of the P30,000.00 stipulated in the promissory note instead of having to wait for maturity of the note.

All the above mentioned notwithstanding, petitioner Reinsurance is bound by the terms of the Reyes' decision which constitutes the law of the case, having been rendered by a court with undisputed jurisdiction *ratione materiae* and jurisdiction *ratione personae*, even though that decision was, as a matter of law, incorrect.

To be sure, there is also some inequity implicit in the result reached here. The Gozun spouses and Reinsurance paid twice: once to Factors (the amount of P84,980); and again to respondent Tiongco (the amount of P280,367.02). But as Mendoza, V. J. in C.A.-G.R. No. SP-12108 said, they have themselves principally to blame. They allowed the Reyes' decision to become final; they also paid Factors directly before respondent Tiongco was in default. They overpaid Factors; they overpaid Tiongco too. The Gozuns and Reinsurance had a right of recourse against both Factors and against Tiongco, but at least as against Tiongco, that right of recourse has been lost.

The harshness of the result here must be balanced against the fundamental nature of the public policy involved and to which we must give effect. All litigations must at last come to an end, however unjust the result of error

may appear. Otherwise, litigation would become even more intolerable than the wrong and injustice it is designed to correct. Considering the litigiousness of our people and the volume of litigation being processed in our judicial system, the importance of that public policy cannot be overstressed.

For all the foregoing, the Petition for Review is hereby DENIED and the result (but not necessarily the reasoning) of the Decision of the Court of Appeals in C.A.-G.R. No. SP-12108 dated 7 May 1982 and its Resolution dated 23 July 1982 are hereby AFFIRMED. No pronouncement as to costs.

SO ORDERED.

Fernan, C.J., (Chairman), Gutierrez, Jr., Bidin, and Davide, Jr., JJ., concur.

[1] Records on Appeal, pp. 23-35.

[2] Id., pp. 33-35; Underscoring supplied.

[3] Decision of the Court of Appeals, pp. 11-12; Rollo, pp. 60-69.

[4] 63 Phil. 87 (1936).

[5] 63 Phil. at 91-91.

[6] 56 SCRA 674 (1974).

[7] 56 SCRA at 691; also: *Presbitero v. Court of Appeals*, 129 SCRA 443 (1984).

[8] 152 SCRA 309 (1987).

[9] 152 SCRA at 315.

[10] The terms "monetary interest" and "compensatory interest" are borrowed from, 5 Paras, Civil Code of the Philippines, pp. 767-771, 1068 (12th ed., 1990). See also: *Integrated Realty Corporation, et al. v. Philippine National Bank, et al.*, 174 SCRA 295 (1989); *Lopez v. Del Rosario and Quiogue*, 44 Phil. 98 (1922); *Zobel v. City of Manila*, 47 Phil. 169 (1925).

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.