

SOLID HOMES, INC., PETITIONER, VS. HON. COURT OF APPEALS AND PHILIPPINE SUNROOF CORPORATION, RESPONDENTS.

G.R. No. 79752. February 08, 1989

Ponente: SARMIENTO, J.

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SARMIENTO, J.:

Assailed in this petition for review on certiorari is the decision[*] of the Court of Appeals in CA-G.R. CV No. 03979 promulgated on August 27, 1987, modifying the decision of the Regional Trial Court, Branch XCIII, Quezon City.

The decretal portion of the said decision reads as follows:[1]

IN VIEW OF THE FOREGOING, the decision appealed from is hereby MODIFIED, in that defendant-appellant is ordered to pay plaintiff-appellee ONLY (1) the interest at the rate of 12% per annum counted from October 8, 1981 until April 27, 1984; and (2) the sum of P5,000.00 as attorney's fees,

With costs against defendant?appellant.

The facts are summarized by the trial court in its decision,[**] to wit:

From the evidence presented, it was adduced that on March 31, 1981, the parties entered into an Offsetting Agree-ment (Exh. A) whereby the plaintiff shall deliver to the defendant Roman tiles, corrugated sheets, flat sheets and other asbestos moulded accessories worth P632,500.00 in consideration of which, the latter shall sell to the former Lot No. 19, Block No. 9. Loyola Grand Villas, West II, containing an area of 1,000 square meters; that the defendant executed a Contract to Sell (Exh. B) over the above-described lot in favor of the plaintiff; that pursuant to said offsetting agreement, the plaintiff made several deliveries of asbestos materials to the defendant with a total value of P632,502.40 (Exhs. C & D); that the said amount was duly credited by the defendant for the account of the plaintiff (Exhs. E & F); that after the complete delivery of the asbestos materials, the defendant failed to comply with the offsetting agreement and did not deliver to the plaintiff the lot covered by the contract to sell; that the plaintiff orally demanded compliance from the defendant but instead, the defendant, thru a letter dated January 5, 1982 (Exh. G) informed the plaintiff that the title to the lot could not be delivered "because of some problems"; that in reply thereto, the plaintiff sent to the defendant a letter dated January 20, 1982 (Exh. H) demanding settlement of the obligation and giving it 15 days from receipt to settle the obligation; that no compliance yet being done by the defendant, the plaintiff received another letter from the former proposing to substitute the lot with another (Exh. I) to which proposal the plaintiff did not agree; that the plaintiff, in its letter dated February 12, 1982 (Exh. J), demanded from the defendant compliance with the agreement within five (5) days from receipt thereof; and that for failure of the defendant to comply with the agreement, the plaintiff was constrained to cause the filing of the instant case in court.

For failure of the petitioner or its counsel to appear for pre-trial despite due notice, upon motion of the private respondent (plaintiff), the petitioner (defendant) was declared in default, and the private respondent was allowed

to present its evidence ex-parte on March 12, 1984, after it was reset from January 27, 1984.

On the basis of the ex-parte evidence presented by the plaintiff (private respondent), the trial court, in its decision dated April 17, 1984, decreed[2] as follows:

The claim of the plaintiff having been duly established and proved by evidence, JUDGMENT is hereby rendered rescinding the Offsetting Agreement between the parties dated March 31, 1981 and declaring the same as null and void and ordering the defendant, SOLID HOMES, INC., to pay to the plaintiff the sum of P632,502.40 with interest at the rate of 12% per annum counted from October 8, 1981 until fully paid; to pay the sum of P5,000.00 as and for attorney's fees; and to pay the costs of the suit.

SO ORDERED.

The issues are: 1) whether or not the delivery of Transfer Certificate of Title No. 312433 covering Lot 19, Block 9, Loyola Grand Villas Subdivision, by way of settlement in Criminal Case No. 54940, can be considered a full payment of the principal obligation in Civil Case No. Q-37649, thus precluding recovery of interest under Article 1235 of the new Civil Code; 2) if interest is still recoverable, how much should that interest be?

The petitioner submits that the acceptance of the delivery of the subdivision lot constituted full compliance with the prestation in the absence of a finding by the respondent court that a protest or objection was made by said respondent with respect to the payment of interest.[3] It further submits that the rate of interest that should be imposed is only 6% pursuant to the case of *Reformina vs. Tomol, Jr.*[4] (No. L-59096, October 11, 1985, 139 SCRA 260).

On the other hand, the private respondent denies that it accepted the delivery of the subdivision lot, subject matter of the offsetting agreement, as full payment of the principal obligation without any protest or objection.[5] It claims "that the lot was received as settlement of Criminal Case No. 54920 entitled 'People of the Philippines vs. Victorio V. Soliven' for non-delivery of title and not to pay the principal obligation." [6] It claims that it was the Court of Appeals which considered the receipt of the title payment of the principal obligation pursuant to the principle that no person should enrich himself at the expense of another. Further, it posits that since it did not accept the title as payment of the principal obligation, it could not possibly make a protest or objection to the non-payment of interest, hence, Art. 1235 of the new Civil Code[7] is not applicable to this case.

It further submits that the *Reformina* case relied upon by the petitioner is likewise inapplicable to this case citing the following marked distinctions: a) here the cause of action is rescission of contract while in *Reformina*, the cause of action is recovery of damages for injury to person and loss of property; b) in the former, the judgment referred to involves forbearance of money, goods, or credits while in the latter, the judgment sought to be executed was rendered in an action for damages for injury to person and loss of property; c) and lastly, in the former, there is as between the parties an express stipulation in writing for the payment of interest, at twelve per centum per annum, on all overdue account, while in the latter there is no such stipulation.[8]

On the issue of payment, the Court of Appeals ruled:

The delivered title should be considered as payment for the cost of the asbestos materials delivered by the appellees to the appellant, the principal obligation. To allow further recovery from appellant of the amount of P632,502.40 after such delivery of title, would amount to unjust enrichment at the expense of another which is contrary to law and good morals. (Article 2142, Civil Code of the Philippines).[9]

(Emphasis supplied)

It is clear from the above-quoted portion of the assailed decision that only the principal obligation was considered

to have been paid or performed. That is correct. But having incurred delay in the settlement of its obligation, the petitioner cannot deny the private respondent its right to collect interest pursuant to Art. 2209 of the new Civil Code. There is no merit in petitioner's contention that private respondent's failure to object or protest the non-payment of interest at the time it accepted delivery of the certificate of title bars further recovery under Art. 1235 of the new Civil Code. Note must be taken of the fact that the decision of the trial court in Civil Case No. Q-37649 for rescission of contract was rendered on April 17, 1984, or ten days before the private respondent's acceptance from the petitioner of Transfer Certificate Of Title No. 312433 in Criminal Case No. 54920, on April 27, 1984.¹⁰ It is evident that having earlier obtained a favorable judgment in the civil case, the private respondent felt that receipt of the title was enough as settlement of the criminal case.

On the matter of interest, we agree with the trial court and the Court of Appeals that the proper rate of interest is twelve (12%) per centum per annum, which is the rate of interest expressly agreed upon in writing by the parties, as appearing in the invoices (Exhibits "C" and "D"), and sanctioned by Art. 2209 of the Civil Code, which provides:

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.

Likewise, we agree with the Court of appeals that the title already transferred in the name of the private respondent should be considered as payment for the cost of the asbestos materials subject matter of the off-setting agreement, for to allow the private respondent to recover still from the petitioner the sum of P632,502.40 would constitute unjust enrichment and neither justice nor equity countenances such imbalance.

In sum, we do not find any reversible error in the decision of the respondent court.

WHEREFORE, the petition is DENIED and the decision of the Court of Appeals is affirmed in toto.

SO ORDERED.

Melencio-Herrera, (Chairman), Padilla, and Regalado, JJ., concur.

Paras, J., no part, wife penned CA decision.

[*] PARAS, GLORIA C. ponente; Campos, Jose C. Jr., and Limcaoco, Conrado T., JJ., concurring.

[1] Decision, Court of Appeals, 16.

[**] Rendered by Remigio E. Zari, presiding judge; Rollo, 42-43.

[2] Decision, RTC, 43.

[3] Petition, 8.

[4] Id., 8-9.

[5] Comment, 36.

[6] Id., 37.

[7] "Art.1235. When the obligee accepts the performance, knowing its incompleteness or irregularity, and without expressing any protest or objection, the obligation is deemed fully complied with."

[8] Decision, RTC 43.

[9] Decision, Court of Appeals, 15.

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