

**PEOPLE'S FINANCING CORP. AND ENRIQUE V. ARCENAS,
PETITIONERS, VS. COURT OF APPEALS (SIXTEENTH DIVISION),
GAUDIOSO MANLIGUEZ AND PURIFICACION MANLIGUEZ,
RESPONDENTS.**

G.R. No. 80791. December 04, 1990

Ponente: CRUZ, J.

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CRUZ, J.:

On September 13, 1976, Kalmar Construction and Mining Exploration Co. purchased several pieces of heavy equipment from J. P. Enterprises for the total amount of P787,000.00. The buyer made a 30% down payment in the sum of P237,000.00, leaving a balance of P550,000.00, to be paid in 18 monthly installments of P41,217.00 beginning October 1976. To secure payment of this indebtedness, a promissory note and a chattel mortgage were signed by Nicolas Kalubiran, as general manager of Kalmar, Gaudioso Manliguez as operation manager, Adelaide Kalubiran as treasurer, Andrea Bihag as mining superintendent, and Alan Manliguez as comptroller. These instruments provided for a 14% interest per annum on each unpaid monthly installment, with a rebate for any installment paid on or before due date.

On the same date, the promissory note and the chattel mortgage were assigned by the seller to People's Financing Corporation, the herein petitioner, of which Enrique V. Arcenas is the manager.

On February 15, 1978, Gaudioso Manliguez and his wife, Purificacion Manliguez, executed a real estate mortgage on one-third of a parcel of land owned by them and located at Mandaue City "as additional security for the payment of an existing obligation in the sum of FIVE HUNDRED SIXTY FOUR THOUSAND ONE HUNDRED SEVENTY PESOS AND 70/100 (P564,170.70) re Promissory Note dated September 13, 1976."

On February 26, 1979, the petitioners caused the extrajudicial foreclosure of this mortgage for non-payment of the promissory note. The subject property was sold to PFC as the highest bidder and the sale was registered in the Office of the Register of Deeds of Mandaue City on March 5, 1979.

On February 6, 1980, the private respondents filed a complaint in the Regional Trial Court of Cebu for annulment of the real estate mortgage and the foreclosure sale and for damages. Judge Valeriano P. Tomol, Jr. issued a restraining order enjoining the issuance of a final certificate of sale and the consolidation of ownership of the mortgaged property in the name of PFC. On April 12, 1984, after trial, the complaint was dismissed; on the counterclaim, Enrique V. Arcenas was awarded P20,000.00 moral damages, P10,000.00 attorney's fees and P1,000.00 litigation expenses.

On November 9, 1987, the decision was modified by the Court of Appeals,[1] which disposed as follows:

WHEREFORE, the appealed decision is hereby modified as follows:

- 1) The grant of moral damages, counsel fees and litigation expenses are hereby set aside;

2) Defendants-appellees Enrique V. Arcenas and People's Financing Corporation are hereby ordered jointly and severally to pay or return to plaintiffs the sum of P191,906.00 with legal interest thereon from the date of this judgment until fully paid, and subject to the ruling granting plaintiffs-appellants the right to redeem the property with the right to offset the amount of P191,906.00 including interest out of the redemption price and costs, considering Sections 30 and 34, Rule 39, Rules of Court.

In all other respects, the judgment appealed from is hereby Affirmed. No costs.

SO ORDERED.

The petitioners are now before this Court, contending that the respondent court erred in: (a) requiring them to return to the private respondents the sum of P191,906.00 as excessive finance charges not duly disclosed to them; (b) granting the private respondents the right to redeem the mortgaged property; and (c) setting aside the award of moral damages, and attorney's fees.

The decision shall be modified.

On the first issue, we find that the private respondents have been sufficiently informed of the additional charges of P191,906.00, because the real estate mortgage specifically referred to the promissory note of September 13, 1976. This was the subject of the disclosure statement issued on the same date in which the amount was indicated as the "total finance charges." Gaudioso Manliguez could not have not known of such charges as he was one of the signatories to the promissory note as operation manager of Kalmar. We are not convinced that his wife was unaware of these charges as the natural presumption is that her husband would have told her about them, considering the amount of the indebtedness they were securing and the value of the property they were mortgaging. It is difficult to believe that they were all along ignorant of the said charges and that they would never have executed the mortgage had they been properly informed.

The Court notes that private respondent Gaudioso Manliguez is an experienced businessman and presumably knowledgeable in business matters, including the contracting of substantial loans through financing arrangements. He was one of the key officials of Kalmar who signed the promissory note for more than half a million pesos. He would not have signed it with his eyes closed or without any idea of where the payment was coming from. It is more reasonable to suppose that he was fully cognizant of all the details of the transaction, including the financing charges that had to be paid as a condition for the extension of the loan.

It might have been different if the borrowers were, say, an ordinary couple eager to buy their first car and beguiled into accepting onerous terms for the financing of the installment payments they have to make. Such borrowers are usually not conversant with the intricacies of financing arrangements and are likely to enter into such transactions without fully realizing the charges they will have to pay in addition to the actual purchase price of whatever it is they are buying. In such cases, the Court would be disposed to be stricter in the application of the Truth in Lending Act and insist on proof that the borrowers were fully informed of what they were getting into. But in the case at bar, considering the experience and familiarity of Manliguez with loan and financing transactions, we must hold, in light of the evidence before us, that he was duly informed of the financing charges and fully understood their implications and effects.

The contention that the charges are excessive and unlawful are also not acceptable. Section 5 of R.A. 5980 provides:

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 evidence 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 by financing companies 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.

As correctly observed in the petitioner's memorandum:

Private respondents' indebtedness covers an 18-month installment period.

Accordingly, the legal purchase discount is 21%, broken down as follows:

For the 1st 12 months - 14%

Excess 6 months - 7%

Please note that this is exclusive of interest and other charges. Under CB Circular 494, non-banking institutions are allowed to charge 14% as interest/finance charges on loans.

Therefore, the total Finance Charges applicable under Rep. Act No. 5980 and CB Circular No. 494 taken together is thirty five (35%) percent (21% and 14%) even higher than the 34.89% computed by J.P. Enterprises, seller of the accounts receivables to People's Financing Corporation.

Moreover, in Central Bank Circular No. 905, Series of 1982, it is clearly provided that:

SECTION 1. The rate of interest, including commissions, premiums, fees and other charges, on a loan or forbearance of any money, goods, or credits, regardless of maturity and whether secured or unsecured, that may be charged or collected by any person, whether natural or judicial, shall not be subject to any ceiling prescribed under or pursuant to the Usury Law, as amended.

Thus, applying that provision in *Liam Law v. Olympic Sawmill*,^[2] this Court said:

Moreover, for sometime now, usury has been legally non-existent. Interest can now be charged as lender and borrower may agree upon. The Rules of Court in regards to allegations of usury, procedural in nature, should be considered repealed with retroactive effect.

Statutes regulating the procedure of the courts will be construed as applicable to actions pending and undetermined at the time of their passage. Procedural laws are retrospective in that sense and to that extent.

On the second issue, the respondent court said as follows:

The one-year period of redemption provided for in Sec. 6 of Act No. 3135, as amended by Act No. 4118, has never commenced. The issuance of the Final Deed of Sale set for by the Sheriff on February 26, 1980 was stopped by the trial court on February 11, 1980. The mortgaged lot is covered by Transfer Certificate of Title No. T-13564. Appellants claim one-third portion thereof is now with a market value of P3,000,000.00. On registered lands, the one-year period of redemption starts not from the date of the sale but from the date when the certificate of sale issued by the sheriff is registered in the office of the register of deeds (*Salazar vs. Maneses*, 8 SCRA 495; *Reyes vs. Fajardo*, CA-G.R. No. 39588-R, Jan. 15, 1973, 69 OG No. 48, Nov. 26, 1973, 18 C.A.R. 2s p. 79).

The record shows, however, that the certificate of sale was duly registered by the petitioners in the Office of the Register of Deeds of Mandaue City on March 5, 1979. The one-year redemption period began to run from that date and expired on March 5, 1980, without any redemption having been effected by the private respondents. The consequence is that ownership was legally consolidated in PFC, which had a right to the issuance of a new certificate of title in its name.

It is not correct to say that the restraining order issued on February 11, 1980, by the trial court (which ultimately

dismissed the complaint four years later) had the effect of suspending the running of the redemption period. As we held through Chief Justice Concepcion in *Sumerariz v. Development Bank of the Philippines*,^[3] "there is no statute or decision which supports plaintiff's contention that the period of one year to redeem land sold at the sheriff's sale was suspended by the institution of an action to annul the foreclosure sale."

On the third issue, we find for the private respondents. It has not been sufficiently established that the complaint they filed was intended merely to harass and place petitioner Arcenas in disrepute as they apparently were pursuing a cause of action they sincerely believed was meritorious. The fact that they have failed does not necessarily mean that they were acting in bad faith. The mere filing of a complaint against a person, while it may cause him some anxiety, is not per se evidence of ill will on which a claim for damages may be based. A contrary rule would discourage peaceful recourse to the courts of justice and induce resort to methods less than legal, and perhaps even violent.

WHEREFORE, the appealed decision is MODIFIED. The rulings of the respondent court requiring the petitioner to pay the private respondents the sum of P191,906.00 and allowing the latter to redeem the mortgaged property are SET ASIDE. The rest of the decision is AFFIRMED.

SO ORDERED.

Narvasa, (Chairman), Gancayco, Griño-Aquino, and Medialdea, JJ., concur.

[1] Decision penned by Justice L. Ines Luciano, with Herrera and Torres, JJ., concurring.

[2] 129 SCRA 439.

[3] 21 SCRA 1374

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