

ROLANDO R. LIGON, PETITIONER-APPELLANT, VS. HONORABLE COURT OF APPEALS AND DAMASO S. FLORES, RESPONDENTS-APPELLEES.*G.R. No. 84644. August 29, 1989*

Ponente: PADILLA, J.

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In September 1983, petitioner Rolando R. Ligon extended various loan accommodations to private respondent Damaso S. Flores, amounting to P1,130,000.00. As private respondent failed to pay his obligation, petitioner filed a complaint for sum of money with the RTC of Quezon City, docketed as Civil Case No. Q-45825. Thereafter, the parties came up with a compromise agreement, which was approved by the trial court on 26 September 1985, under which private respondent acknowledged his principal obligation to petitioner in the amount of P1,869,700.00.

The compromise agreement also provided, among others, that in case of failure of private respondent to comply with its terms and conditions, the entire obligation then remaining outstanding and unpaid would become immediately due and demandable and private respondent would then vacate and turn over the possession, use, administration and operation of his cockpit arena, known as Paranaque Cockpit Stadium, to petitioner and allow the latter to use, possess, manage and operate the same as his own, provided that the amount of the obligation that was outstanding and unpaid totalled at least P500,000.00.

However, a conflict arose between the parties as to the computation of the interests due under the compromise agreement. Hence, on 10 April 1986, the trial court ruled on the divergent interpretations of the parties on the computation of the interest, and then it issued a writ of execution against private respondent, on the ground that the latter's payment of P300,000.00 under the first installment due was short of what was required in said compromise agreement. From said order of 10 April 1986, private respondent appealed to the Court of Appeals where the appeal was docketed as CA-G.R. No. 10259.

On 9 May 1986, petitioner Ligon filed in Civil Case No. Q-45825 a motion for execution pending appeal, to which motion, private respondent Flores filed an opposition alleging that the trial court had lost jurisdiction to grant the motion, as the same was filed long after private respondent had perfected his appeal and after the period for appeal had expired. The trial court, nevertheless, granted the motion for execution pending appeal on 22 May 1986, and accordingly, possession of the cockpit was wrested from private respondent in favor of petitioner on 23 May 1986.

On the same day, 23 May 1986, private respondent filed before the Court of Appeals a petition for certiorari with prayer for the issuance of a temporary restraining order, docketed as CA-G.R. No. 09061. The Court of Appeals temporarily restrained petitioner Ligon from enforcing the 22 May 1986 order granting execution pending appeal, and upon refusal of petitioner to comply, a resolution was issued ordering the latter to immediately surrender possession of the cockpit to private respondent Flores.

However, on 16 July 1986, the Court of Appeals, through its First Special Cases Division, dismissed the petition of private respondent in said CA-G.R. No. 09061. But upon motion for reconsideration filed by private respondent, the appellate court's Seventh Division rendered an Amended Decision dated 19 September 1986 giving due course to the petition, initially dismissed, and nullifying the trial court's order of 22 May 1986, holding that it (trial court) had lost jurisdiction to order execution pending appeal after the period to appeal had expired.

From the above Court of Appeals decision in CA-G.R. No. 09061, petitioner Ligon filed before this Court a petition for review on certiorari, docketed as G.R. No. 76039, assigned to the First Division. The Court affirmed the decision of the Court of Appeals and dismissed the petition for review of petitioner Ligon in a resolution of 10 March 1988.

After this Court's resolution in G.R. No. 76039 became final and executory by reason of the entry of judgment there-in, private respondent Flores moved for a writ of execution with the trial court in Civil Case No. Q-45825, which was granted in an order dated 20 April 1988. This would have restored possession of the cockpit to private respondent.

The above writ of execution could not, just the same, be enforced because, on 17 May 1988, the Court of Appeals in CA-G.R. No. 10259 issued a temporary restraining order, upon motion of petitioner Ligon. However, in a decision dated 9 August 1988, the Court of Appeals in the same CA-G.R. No. 10259 reversed and set aside the order of 10 April 1986 of the trial court interpreting the computation of interest and ordered private respondent to pay petitioner Ligon the sum of P1,619,700.00 plus accrued interest at 4% per month from 1 October 1985 until full payment, and remanded the case to the lower court for further proceedings to determine the income derived by petitioner Ligon from the operation of the cockpit from 22 May 1986 until its possession is returned to private respondent. Whereupon, petitioner Ligon filed this petition for review, now docketed as G.R. No. 84644, assigned to the Second Division.

It is petitioner's submission that the compromise agreement in Civil Case No. Q-45825 provides that the 4% interest should be based on the principal obligation of P1,869,700.00. The holding of respondent appellate court that the computation of private respondent is reflective of the intention of the parties to allow private respondent to accumulate his funds, is, according to petitioner, without basis because the same cannot be inferred from the terms of the compromise agreement.

Petitioner Ligon further claims that, in finding for private respondent, respondent Court of Appeals ignored accepted legal and financial principles in computing interest on a debt, among which principles are:

1. Article 1253. If the debt produces interest, payment of the principal shall not be deemed to have been made until the interests have been covered. (Civil Code of the Philippines)
2. Interest is computed on the principal from the first day until the date of the first partial payment. The next time a payment is made, interest is calculated on the adjusted principal from the date of the previous payment up to the present (Rouche, Business Mathematics, 1973, Prentice Hall, Inc.)

The present petition further prayed for the issuance of a temporary restraining order to enjoin and prohibit the RTC of Quezon City, in Civil Case No. 45825, from acting on the application of respondent Flores to place him in possession of the Paranaque Cockpit Stadium. In a resolution dated 5 December 1988, this Court issued a temporary restraining order enjoining said trial court from acting on the application of respondent Flores for a writ of execution.

On 9 December 1988, private respondent filed an Urgent Motion To Lift Temporary Restraining Order and to Cite Petitioner and Counsels in Contempt of Court, for misleading the Court into believing that what the private

respondent is seeking to enforce in the trial court through the filing of a motion for a writ of execution, is the decision of 9 August 1988 of respondent Court of Appeals in CA-G.R. No. 10259, which is the subject of this petition, when in fact, what private respondent is seeking to enforce, by applying with the trial court for a writ of execution, is the decision of the Court of Appeals dated 19 September 1986 in CA-G.R. No. 09061 which was affirmed by this Court (First Division) in G.R. No. 76039, and which became final and executory on 25 March 1988.

Petitioner Ligon, in his Comment on the Motion to Lift Restraining Order and to Cite Him and Counsels in Contempt of Court, denies the allegation of private respondent that the Court was misled in issuing the TRO and argues against its lifting, because such lifting will allegedly render ineffectual any judgment that may be rendered in his favor.

On 30 January 1989, private respondent filed with this Court a Motion for Issuance of a Clarificatory Order, praying that a clarification be made to the effect that the temporary restraining order of 5 December 1988 pertains only to the enforcement and execution of the decision of the Court of Appeals dated 9 August 1988 in CA-G.R. No. 10259 and does not include or affect the enforcement of the Amended Decision of the Court of Appeals of 19 September 1986 in CA-G.R. No. 09061.

Petitioner, in his Comment on the above motion for clarification, states that he did not distort the facts of the case to mislead the Court into issuing the TRO. What has been stressed from the beginning, according to petitioner, is that private respondent should not be allowed to execute the Amended Decision dated 19 September 1986 rendered in CA-G.R. No. 09061, pending resolution of the instant petition inasmuch as the issue of who should possess the cockpit is part and parcel of the instant case.

Petitioner is correct in his position as regards the need for the TRO issued by the Court in this case dated 5 December 1988, it appearing that the Amended Decision in said CA-G.R. No. 09061, which was affirmed by this Court (First Division) in G.R. No. 76039 was not a decision on the merits of the controversy.

We now proceed to the merits of the controversy. As earlier stated, petitioner contends that the 4% monthly interest should not be applied only to the first installment of the principal obligation but to the entire principal obligation of P1,869,700.00. Following this computation, petitioner states that the amount due under the first installment is P556,630.00 and not P300,000.00 as claimed and paid by private respondent.

The trial court, in its order of 10 April 1986, sustained the computation of petitioner insofar as the amount due on the first installment is concerned, which is P556,630.00. It declared that the compromise agreement is clear in its provisions that the accrued 4% monthly interest should be imposed on the principal obligation of P1,869,700.00, as supported by par. 3 of the compromise agreement where the principal obligation is defined to be the amount of P1,869,700.00. The contention of the private respondent that the compromise agreement intended to allow him to slowly accumulate his funds, does not appear in nor can it be inferred from the provisions of the compromise agreement, according to the petitioner.

Private respondent, upon the other hand, claims that the computation of the accrued interest of 4% per month should be based on the amount of P250,000.00 which is the first installment due on the principal obligation and not on the total indebtedness. Hence, the first payment he made in the sum of P300,000.00 complied with the provisions of the compromise agreement. Private respondent further submits that his interpretation should prevail not only because it reflects the true intent of the parties but also because any doubt as to the meaning of the compromise agreement should be resolved in his favor, considering that the agreement is more onerous to him.

Well-settled is the rule that where the literal interpretation of a contract is contrary to the evident intention of the

parties, the latter prevails.[1] After a thorough examination of the records, we find merit in the contention of private respondent that the true intent of the parties is to give him time to slowly accumulate his resources by the gradual increase of the payable interest. Said intention is shown by the following circumstances, which respondent appellate court aptly enumerates:

"1) The principal obligation was broken down or parcelarized into five principal installments which gradually increases, from a low P250,000.00 principal for the first installment to a high of P469,700.00 for the last installment.

It would have been easier and most natural to divide the total obligation into five (5) equal principals of P373,940.00 each, but this was not done by plaintiff-appellee (Ligon).

2) In the September 26, 1985 'Joint Manifestation/Motion to Amend compromise Agreement' (Annex 'D', Appellant's Brief), the parties realized that the principal obligation mentioned in the September 25, 1985 Compromise Agreement was mathematically short by P69,700. The parties, in correcting said defect, added the P69,700.00 deficit to the last installment, evidencing an intention of the parties to allow defendant-appellant the opportunity to slowly accumulate his funds.

3) The compromise agreement, consistent with the intention of the parties to allow defendant-appellant to slowly accumulate his funds, counted the periods for the five (5) installments uniformly from October 1, 1985. Consequently, the interests gradually increase because the duration of the periods for the five (5) principal installments gradually became longer, not because the interest rate increases.

It is important to remember that the amount of P1,869,700.00 was the result of a compilation of several sets of previous obligations that bore different maturity dates. This being so, then the applicable interest to each particular set of obligations was to be computed only for that particular set of obligations and only for the duration for which it was utilized.

Thus, the breaking down of the figure P1,869,700 into paragraphs 5A.1 for P250,000, 5A.2 for P350,000, 5A.3 for P400,000, 5A.4 for P400,000 and 5A.5 for P469,700 shows the resurrected previous sets of obligations which are now presented in a streamlined manner and with definite terms that includes the specific duration for accrual and computation of interest - all being from October 1, 1985, as it is very clear from paragraphs 5A.1 to 5A.5 of the Compromise Agreement, whereas before, all sets of obligations had open-ended terms.

The essence of the Compromise Agreement is clearly evident here. Both the conceptualization of the streamlined different set of obligations, which are now with definite due dates, and the gradual increase in the amount of principal obligation and corresponding interest due are glaring representation of the intention of the parties.

The Supreme Court, in the case of Nielson & Co., Inc. vs. Lepanto Consolidated Mining Co., 18 SCRA 1040 held:

'At the outset, it should be stated that, as a rule, in the construction and interpretation of a document the intention of the parties must be sought (Rule 130, Section 10, Rules of Court). This is the basic rule in the interpretation of contracts because all other rules are but ancillary to the ascertainment of the meaning intended by the parties. And once this intention has been ascertained it becomes an integral part of the contract as though it has been originally expressed therein in unequivocal terms. (Shoreline Oil Corp. vs. Guy, App. 189. So., 348, cited in 17A C.J.S., P. 47) (emphasis supplied).'" [2]

Thus, inasmuch as the true intention of the parties when they executed the compromise agreement has been ascertained and determined, the same binds them without the need of extraneous evidence such as accepted banking and financial practices.

ACCORDINGLY, finding no reversible error in the respondent appellate court's decision, dated 9 August 1988, in CA-GR No. 10259, the petition is DENIED and said decision is AFFIRMED. The temporary restraining order of this Court, dated 5 December 1988, is LIFTED. Costs against petitioner.

SO ORDERED.

Sarmiento and Regalado, JJ., concur.

Melencio-Herrera, (Chairman), No part. Son's law office is counsel for petitioner.

Paras, J., No part. My wife concurred in CA decision.

[1] Labasan vs. Lacuesta, G. R. No. L-25931, October 30, 1978, 86 SCRA 16

[2] Rollo, pp. 55-57

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