



Republic of the Philippines
Supreme Court
Baguio City

SUPREME COURT OF THE PHILIPPINES
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SECOND DIVISION

PHILIPPINE COMMERCIAL AND
INTERNATIONAL BANK (now
BANCO DE ORO UNIBANK, INC.),
Petitioner,

G.R. No. 195372

- versus -

WILLIAM GOLANGCO
CONSTRUCTION CORPORATION,
Respondent.

X -----X

WILLIAM GOLANGCO
CONSTRUCTION CORPORATION,
Petitioner,

G.R. No. 195375

Present:

- versus -

CARPIO, J., Chairperson,
PERLAS-BERNABE,*
JARDELEZA,**
CAGUIOA, and
LAZARO-JAVIER, JJ.

PHILIPPINE COMMERCIAL AND
INTERNATIONAL BANK (now
BANCO DE ORO UNIBANK, INC.),
Respondent.

Promulgated:

10 APR 2019

X -----X

[Handwritten Signature]

DECISION

CAGUIOA, J.:

The Petitions

Before the Court are petitions for review on *certiorari* filed under Rule 45 of the Rules of Court, entitled "*Philippine Commercial and International*

* On leave.

** Designated additional Member per Raffle dated January 21, 2019; on wellness leave.

[Handwritten Signature]

*Bank (now Banco De Oro Unibank, Inc.) v. William Golangco Construction Corporation*¹ docketed as G.R. No. 195372 and (ii) "*William Golangco Construction Corporation v. Philippine Commercial and International Bank*"² docketed as G.R. No. 195375 (collectively, the Petitions).

The Petitions were consolidated pursuant to the Court's Resolution³ dated September 26, 2016, and proceed from the Decision⁴ dated December 10, 2009 (assailed Decision) and Resolution⁵ dated January 28, 2011 (assailed Resolution) in CA-G.R. SP. No. 106452 rendered by the Court of Appeals (CA), First Division and Special Former First Division, respectively.

The Facts

The undisputed facts, as narrated by the CA, are as follows:

[William Golangco Construction Corporation (WGCC)] and x x x Philippine Commercial International Bank (PCIB) entered into a contract for the construction of the extension of PCIB Tower II x x x on October 20, 1989. The project included, among others, the application of a [granite] wash-out finish on the exterior walls of the building.

[PCIB] accepted the turnover of the completed work by [WGCC] in a letter dated June 1, 1992. To answer for any defect arising within a period of one year, [WGCC] submitted a guarantee bond dated July 1, 1992 issued by Malayan Insurance Company, Inc. in compliance with the construction contract.

The controversy arose when portions of the [granite] wash-out finish of the exterior walls of the building began peeling off and falling from the walls in 1993. [WGCC] made minor repairs after [PCIB] requested it to rectify the construction defects. In 1994, [PCIB] entered into another contract with Brains and Brawn Construction and Development Corporation to re-do the entire [granite] wash-out finish after [WGCC] manifested that it was "not in a position to do the new finishing work," though it was willing to share part of the cost. [PCIB] incurred expenses amounting to [P]11,665,000[.00] for the repair work.

[PCIB] filed a request for arbitration with the [Construction Industry Arbitration Commission (CIAC)] for the reimbursement of its expenses for the repairs made by another contractor. [WGCC], on the other hand, interposed a counterclaim for [P]5,777,157.84 for material cost adjustment.

The CIAC, by *Decision of June 21, 1996 [CIAC Decision]*, found that [PCIB] was entitled to recover from [WGCC] the sum of [P]9,741,829.00 representing cost of repairs done by another

¹ *Rollo* (G.R. No. 195372), pp. 9-35, excluding Annexes.

² *Rollo* (G.R. No. 195375), pp. 3-33, excluding Annexes.

³ *Rollo* (G.R. No. 195372), p. 370.

⁴ *Id.* at 40-50; *rollo* (G.R. No. 195375), pp. 35-45. Penned by Associate Justice Apolinario D. Bruselas, Jr., with Presiding Justice Conrado M. Vasquez, Jr. and Associate Justice Jose C. Reyes, Jr. (now a Member of this Court) concurring.

⁵ *Id.* at 52-53; *id.* at 48-49. Penned by Associate Justice Apolinario D. Bruselas, Jr., with Associate Justices Jose C. Reyes, Jr. (now a Member of this Court) and Isaias P. Dicdican concurring.

contractor on the project. It also awarded [WGCC]'s counterclaim in the amount of [P]5,777,157.84. The CIAC accordingly disposed as follows:

“After summing up the award to both parties this TRIBUNAL hereby awards the amount of x x x [P3,964,671.16] to CLAIMANT [PCIB]. [WGCC] is hereby ordered to pay the stated amount **with legal interest of x x x 6% x x x from date of this decision until fully paid.**”

[WGCC] assailed that portion of the foregoing [CIAC Decision] that rendered it liable for the construction defects. It went up to the Supreme Court [in G.R. No. 142830⁶] which held that it was not liable for the amount claimed by [PCIB]. Said decision became final on [April 27, 2006].

[PCIB] likewise appealed that part of the [CIAC Decision] that rendered it liable for the material cost adjustments but the Supreme Court ruled against [it] [in G.R. No. 127275⁷].

On [January 5, 2007], [WGCC] filed a *Motion for Execution* of the [CIAC Decision], as modified by the Supreme Court in G.R. No. 142830. In said motion, [WGCC] prayed for the inclusion of legal interest of 6% computed from [June 21, 1996].

On [January 22, 2007], the CIAC issued a *Writ of Execution* for the principal amount of [P]5,777,157.84 [(principal award)] but without mention of the legal interest sought by [WGCC].

[WGCC] filed a *Motion to Amend 22 January 2007 Writ of Execution* to include legal interest of 6% per annum computed from [June 21, 1996] on the principal [award] of [P]5,777,157.84, and to state that any reference to “PCIB” or “CLAIMANT” in the writ of execution includes Equitable-PCI Bank or its successor/s-in-interest.

On [April 3, 2007], [PCIB] opposed [WGCC]'s motion to include legal interest of 6% per annum, on the principal [award] of [P]5,777,157.84, in relation to which, [WGCC] filed its reply.

In its Order dated [May 25, 2007], the CIAC granted [WGCC]'s motion to amend the writ of execution, thus:

“ACCORDINGLY, the Motion to Amend [January 22, 2007] Writ of Execution is hereby granted. The said writ of execution shall be amended as follows:

- (1) To state that any reference to “PCIB” or “CLAIMANT” in the writ of execution includes or refers to Equitable-PCI Bank or its successor/s-in-interest.
- (2) The inclusion of legal interest of x x x 6% on the principal [award] awarded to [PCIB] of x x x [P5,777,157.84] computed from **[June 21, 1996]** and

⁶ *William Golangco Construction Corporation v. Philippine Commercial International Bank*, 520 Phil. 167 (2006).

⁷ *Philippine Commercial International Bank v. Court of Appeals*, 452 Phil. 542 (2003).

until such time as the same had been fully paid, as part of the amount to be executed in the instant case.

SO ORDERED.” x x x

[PCIB] moved for reconsideration. It argued that its liability for interest [on the principal award] should commence only on [April 27, 2006], the date on which the Supreme Court’s *Decision* that granted [WGCC]’s appeal became final, and not on [June 21, 1996, when the CIAC Decision was issued].

After [WGCC] opposed [PCIB]’s motion for reconsideration, the CIAC amended the third paragraph of its [May 25, 2007 *Order*] in this wise:

“(2) **The inclusion of legal interest of x x x 12% on the principal [award] awarded to [PCIB] of x x x [P5,777,157.84] computed from [April 27, 2006] and until such time as the same had been fully paid, as part of the amount to be executed in the instant case.**” x x x

On [November 29, 2007], [WGCC] filed a *Motion for Clarification and/or Partial Reconsideration* to which [PCIB] made a *Comment/Opposition*.

In its [July 25, 2008] *Order*, the CIAC sustained its earlier ruling that the computation of the interest should be reckoned from the time the decision of the Supreme Court in G.R. No. 142830 became final on [April 27, 2006] and not on [June 21, 1996]. It, however, reduced the interest rate from 12% to 6% per annum. x x x⁸
(Additional emphasis and underscoring supplied)

On August 15, 2008, William Golangco Construction Corporation (WGCC) filed a *Motion for Reconsideration* of CIAC’s July 25, 2008 Order, which Philippine Commercial International Bank (PCIB) again opposed.⁹ This motion was denied by the CIAC in its October 28, 2008 Order,¹⁰ which reads:

x x x x

This Tribunal took note of the decision of the Supreme Court [in G.R. No. 142830], reversing the earlier pronouncements of the [CA] and of this Arbitral Tribunal relative to this case.

The only pending issue which this Tribunal seeks to resolve is the award of legal interests in favor of [WGCC] after having obtained a favorable judgment from the Supreme Court to serve as restitution or reparation of damages, as equity and justice may warrant given the circumstances. x x x

After careful study of the circumstances presented, the Tribunal further clarifies that [WGCC] is not entitled to legal interest from June 21, 1996 to [April 26, 2006] at the rate of [6%] per annum as an award of damages x x x. [PCIB] is not at fault nor has incurred delay,

⁸ *Rollo* (G.R. No. 195372), pp. 40-44; *rollo* (G.R. No. 195375), pp. 35-39.

⁹ *Id.* at 16-17; *id.* at 13-14.

¹⁰ *Id.* at 199-200; *id.* at 97-98.

either by negligence or intention in the payment of judgment award, since it was [WGCC] who sought for the reversal of the decision by way of an appeal.

Further, the amount finally adjudged by the Supreme Court could not have been paid earlier than the date when it rendered the decision [in G.R. No. 142830], thus this Tribunal reiterates that the legal interest shall only accrue starting [April 26, 2006]. x x x [I]t is only then that [PCIB] can be held liable for the payment of legal interests at the rate of [12%] per annum when the [CIAC Decision] had become final and executory until such time that it has been fully paid.¹¹ (Emphasis and italics supplied)

Aggrieved, WGCC filed its petition for review before the CA (WGCC's CA Petition).¹² Citing *Eastern Shipping Lines v. Court of Appeals*¹³ (*Eastern Shipping*), WGCC argued that it is entitled to 6% interest per annum on the principal award from the date the CIAC Decision was issued on June 21, 1996 until April 26, 2006, in addition to the legal interest of 12% applicable to the entire award (*i.e.*, the sum of the principal award and 6% interest payable), reckoned from the finality of the Court's Decision in G.R. No. 142830 on April 27, 2006, until full payment.¹⁴

Opposing WGCC's CA Petition, PCIB averred that the 6% interest set forth in *Eastern Shipping* applies only when there is a breach of an obligation not constituting a loan or forbearance of money. PCIB stresses that the imposition of such interest lies within the discretion of the court. Thus, it must be explicitly imposed in the final decision sought to be enforced. In this connection, PCIB claims that neither the CIAC Decision nor the Court's Decision in G.R. No. 142830 imposed such interest.¹⁵

Meanwhile, WGCC filed a *Manifestation and Motion* before the CIAC on January 23, 2009 praying for the execution of the CIAC Decision. Granting said motion, the CIAC issued an Order on February 9, 2009 (February 2009 CIAC Writ) directing the issuance of a writ of execution for the enforcement of: (i) the principal award of ₱5,777,157.84; and (ii) **12% interest per annum** on the principal award computed from April 27, 2006 until full payment, without prejudice to the outcome of WGCC's CA Petition.¹⁶

Subsequently, WGCC filed a *Manifestation* before the CA stating that **on March 10, 2009, Banco De Oro Unibank, Inc. (BDO), as successor of PCIB, issued two (2) checks in its favor in the amount of ₱5,777,157.84 and ₱1,965,816.45 (BDO Checks) as full and final satisfaction of the principal award and legal interest due thereon, in accordance with the February 2009 CIAC Writ.**¹⁷

¹¹ Id. at 199; id. at 97.

¹² See id. at 45; id. at 40.

¹³ 304 Phil. 236 (1994).

¹⁴ *Rollo* (G.R. No. 195372), p. 45; *rollo* (G.R. No. 195375), p. 40.

¹⁵ See id. at 45-46; id. at 40-41.

¹⁶ As quoted in WGCC's *Manifestation*, see *rollo* (G.R. No. 195372), p. 231.

¹⁷ *Rollo* (G.R. No. 195372), pp. 19, 232.

Thereafter, on December 10, 2009, the CA issued the assailed Decision, the dispositive portion of which reads:

WHEREFORE, in the light of the foregoing, [WGCC's CA Petition] is **PARTLY GRANTED**. The writ of execution shall include legal interest of x x x **6% on the principal [award] awarded to [WGCC]** and to be computed from [June 21, 1996] until it is fully paid as so provided in the very same final and executory judgment x x x.

IT IS SO ORDERED.¹⁸ (Emphasis supplied)

PCIB filed a *Motion for Reconsideration* assailing the award of 6% interest on the principal award.¹⁹

On the other hand, WGCC filed a *Motion for Clarification and/or Partial Reconsideration*, requesting for an amendment of the assailed Decision to explicitly state that the entire award should itself earn interest at the rate of 12% per annum, from April 27, 2006, until its full satisfaction.²⁰

The CA denied both motions on January 28, 2011 *via* the assailed Resolution.²¹

Hence, these Petitions.

The Issue

The Petitions call on the Court to determine whether the CA erred in:

- (i) Directing PCIB to pay interest on the principal award at the rate of 6% per annum, reckoned from June 21, 1996, or the date of the issuance of the CIAC Decision, until full payment; and
- (ii) Denying WGCC's prayer to treat the entire judgment award as a forbearance of money that is subject to interest at the rate of 12% per annum, reckoned from the finality of the Court's Decision in G.R. No. 142830 on April 27, 2006, or, until full payment.

The Court's Ruling

The Court affirms the assailed Decision and Resolution.

¹⁸ Id. at 50; *rollo* (G.R. No. 195375), p. 45.

¹⁹ Id. at 52; id. at 48.

²⁰ Id. at 52-53; id. at 48-49.

²¹ Id.; id.



Monetary and Compensatory Interest

The crux of the controversy hinges on two different concepts of interest — monetary and compensatory. The Civil Code provisions governing these concepts read as follows:

ART. 1956. No interest shall be due unless it has been expressly stipulated in writing.

x x x x

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 [6%] per annum**.

ART. 2210. Interest may, in the discretion of the court, be allowed upon **damages awarded for breach of contract**.

ART. 2211. In crimes and quasi-delicts, interest as a part of the damages may, in a proper case, be adjudicated in the discretion of the court.

ART. 2212. Interest due shall earn legal interest from the time it is judicially demanded, although the obligation may be silent upon this point.

ART. 2213. Interest cannot be recovered upon unliquidated claims or damages, except when the demand can be established with reasonable certainty. (Emphasis supplied)

Monetary interest under Article 1956 serves as compensation fixed by the parties for the use or forbearance of money.²² As can be gleaned from the foregoing provision, payment of monetary interest is allowed only if: (i) there was an express stipulation for the payment of interest; and (ii) the agreement for the payment of interest was reduced in writing. The concurrence of the two conditions is required for the payment of monetary interest.²³

On the other hand, compensatory interest (*i.e.*, interest awarded as damages under Articles 2209 to 2213 of the Civil Code) is that which is “allowed in actions for **breach of contract or tort** for the unlawful detention of money already due.”²⁴ As the governing provisions indicate, compensatory interest may be imposed by law or by the courts as penalty or indemnity for damages.²⁵

In *Eastern Shipping*, the Court set forth the guidelines on the computation of compensatory interest in accordance with the provisions of the Civil Code, thus:

²² *Siga-an v. Villanueva*, 596 Phil. 760, 769 (2009).

²³ *Id.* at 769.

²⁴ *Mendoza v. Spouses Gomez*, 736 Phil. 460, 485 (2014).

²⁵ *Siga-an v. Villanueva*, *supra* note 22, at 769.

x x x With regard particularly to an award of interest in the concept of actual and compensatory damages, the rate of interest, as well as the accrual thereof, is imposed, as follows:

1. When the obligation is breached, and it consists in the payment of a sum of money, *i.e.*, a **loan or forbearance of money**, the interest due should be that which may have been stipulated in writing. Furthermore, the interest due shall itself earn legal interest from the time it is judicially demanded. In the absence of stipulation, the rate of interest shall be 12% per annum to be computed from default, *i.e.*, from judicial or extrajudicial demand under and subject to the provisions of Article 1169²⁶ of the Civil Code.

2. When an obligation, **not constituting a loan or forbearance of money**, is breached, an interest on the amount of damages awarded may be imposed at the *discretion of the court* at the rate of 6% per annum. No interest, however, shall be adjudged on unliquidated claims or damages except when or until the demand can be established with reasonable certainty. **Accordingly, where the demand is established with reasonable certainty, the interest shall begin to run from the time the claim is made judicially or extrajudicially (Art. 1169, Civil Code) but when such certainty cannot be so reasonably established at the time the demand is made, the interest shall begin to run only from the date of the judgment of the court is made (at which time the quantification of damages may be deemed to have been reasonably ascertained).** The actual base for the computation of legal interest shall, in any case, be on the amount of finally adjudged.

3. When the judgment of the court awarding a sum of money becomes final and executory, the rate of legal interest, whether the case falls under paragraph 1 or paragraph 2, above, shall be 12% per annum from such finality until its satisfaction, **this interim period being deemed to be by then an equivalent to a forbearance of credit.**²⁷ (Emphasis supplied)

Subsequently, the Bangko Sentral ng Pilipinas Monetary Board (BSP-MB) issued Circular No. 799, series of 2013 reducing the rate of interest applicable on loan or forbearance of money from 12% to 6% per annum. The reduced rate became effective on July 1, 2013.²⁸ In *Nacar v. Gallery Frames*,²⁹ the Court clarified that the reduced interest rate of 6% per annum

²⁶ ART. 1169. Those obliged to deliver or to do something incur in delay from the time the obligee judicially or extrajudicially demands from them the fulfillment of their obligation.

However, the demand by the creditor shall not be necessary in order that delay may exist:

- (1) When the obligation or the law expressly so declares; or
- (2) When from the nature and the circumstances of the obligation it appears that the designation of the time when the thing is to be delivered or the service is to be rendered was a controlling motive for the establishment of the contract; or
- (3) When demand would be useless, as when the obligor has rendered it beyond his power to perform.

In reciprocal obligations, neither party incurs in delay if the other does not comply or is not ready to comply in a proper manner with what is incumbent upon him. From the moment one of the parties fulfills his obligation, delay by the other begins.

²⁷ *Eastern Shipping*, supra note 13, at 252-254.

²⁸ *Nacar v. Gallery Frames*, 716 Phil. 267, 279-281 (2013).

²⁹ *Id.*

can only be applied prospectively. Thus, the rate of 12% per annum shall be made to apply until June 30, 2013.³⁰

WGCC is entitled to compensatory interest reckoned from the issuance of the CIAC Decision.

As earlier stated, the principal award represents the material cost adjustment incurred by WGCC which PCIB failed to pay. The award proceeds from PCIB's breach of its construction contract with WGCC — a contract which does *not* constitute a loan or forbearance of money. Accordingly, the interest disputed herein constitutes compensatory interest awarded pursuant to Article 2210 of the Civil Code, thereby falling under paragraph 2 of the guidelines set forth in *Eastern Shipping*.

PCIB insists that it cannot be held liable to pay compensatory interest, since the CIAC Decision directing payment of the principal award in WGCC's favor was silent in this respect. According to PCIB, the imposition of such interest at this stage in the proceedings would run counter to the rule on immutability of judgments.

PCIB's assertions lack merit.

To recall, the CIAC initially found: (i) WGCC liable to pay PCIB for construction deficiencies amounting to ₱9,741,829.00; and (ii) PCIB liable to pay material cost adjustment amounting to ₱5,777,157.84. These amounts resulted in a *net* award in favor of PCIB, in the amount of ₱3,964,671.16. The CIAC Decision explicitly imposed compensatory interest upon such *net* award, at the rate of 6% per annum.

The relevant portion of the CIAC Decision states:

VII. SUMMARY OF AWARD

The TRIBUNAL on the basis of the above decision hereby make the awards as follows:

A. CLAIMANT:

ITEMS	CLAIM	AWARD
Payment to another contractor to do the repairs	₱11,665,000.00	₱9,741,829.00
Payment for damaged properties and injuries to persons	3,000,000.00	0.00
	-----	-----
TOTAL	₱14,665,000.00	₱9,741,829.00

³⁰ Id. at 281.

B. RESPONDENT:

ITEMS	CLAIM	AWARD
Material cost adjustment	₱5,777,157.84	₱5,777,157.84
Interest	Not specified	0.00
Attorney's fees	300,000.00	0.00
	-----	-----
TOTAL	₱6,077,157.84	₱5,777,157.84
NET AWARD TO CLAIMANT		₱3,964,671.16

VIII. DISPOSITIVE ACTION

After summing up the award to both parties this TRIBUNAL hereby awards the amount of THREE MILLION NINE HUNDRED SIXTY-FOUR THOUSAND SIX HUNDRED SEVENTY ONE PESOS AND SIXTEEN CENTAVOS (₱3,964,671.16) to [PCIB]. [WGCC] is hereby ordered to pay the stated amount with legal interest of six (6%) percent from date of this decision until fully paid.³¹

However, in view of the Court's Decision in G.R. No. 142830 completely absolving WGCC from liability, the only award which now remains is the material cost adjustment adjudged in favor of WGCC. **Such principal award in the amount of ₱5,777,157.84 evidently remains subject to compensatory interest which CIAC imposed on the net award initially adjudged in favor of PCIB, but later deleted by the Court with finality.**

As correctly observed by the CA:

In the [CIAC Decision], finding that under the parties' contract, increase for labor and materials under certain conditions was allowed but that [PCIB] presented no strong, or at best, token opposition to the evidence presented by [WGCC] for the escalated cost of materials, the CIAC awarded [WGCC]'s counterclaim in the amount of [₱]5,777,157.84. Under the contract, [PCIB] is liable for materials cost adjustment but it failed to pay the same and that therefore, [WGCC] is entitled to an award of interest because of the former's breach. **The CIAC, however, did not [explicitly] award interest to [WGCC], not because the latter is not entitled thereto but because [WGCC] had also liabilities with [PCIB] upon which the CIAC did not also impose interest.** Yet, in the dispositive portion of the [CIAC Decision], the CIAC awarded "legal interest of [6%] from the date of this decision until fully paid" on the net liability ([₱]3,964,671.16) of [WGCC] after its counterclaim ([₱]5,777,157.84) was offset against its liability ([₱]9,741,829.00) with [PCIB]. Since the [Decision of the Court in G.R. No. 142830] merely reversed that portion of the [CIAC Decision] that made [WGCC] liable for construction deficiencies, the award of 6% interest stands,

³¹ Rollo (G.R. No. 195372), pp. 122-123; rollo (G.R. No. 195375), pp. 109-110.

which may [now] be applied to the amount awarded to [WGCC]. x x
x³² (Emphasis and underscoring supplied)

The CA was likewise correct when it reckoned the imposition of compensatory interest from the issuance of the CIAC Decision on June 21, 1996.

To recall, compensatory interest shall begin to run either:

1. From the date of judicial or extrajudicial demand (where the claim is liquidated or can otherwise be established with reasonable certainty),³³ or
2. **From “the date the judgment of the court [or quasi-judicial body] is made (at which time the quantification of damages may be deemed to have been reasonably ascertained).”³⁴**

The reckoning point for compensatory interest, when imposed on unliquidated claims, is set on the date of the judgment of the court or quasi-judicial body granting the award since it is only at such time when the amount claimed becomes “liquidated,” that is, determined with reasonable certainty.

In this case, WGCC’s claim became “liquidated” on June 21, 1996, the day the CIAC Decision awarding its counterclaim amounting to ₱5,777,157.84 was issued. Hence, WGCC is entitled to compensatory interest at the rate of 12% from June 21, 1996 to June 30, 2013, and 6% interest from July 1, 2013 until finality of this Decision.

WGCC is entitled to interest imposed on the entire award.

In addition to the compensatory interest awarded in its favor, WGCC claims that pursuant to the Court’s ruling in *Eastern Shipping*, it is also entitled to “interest on interest” at the rate of 12% per annum, reckoned from April 27, 2006 until full payment.

This is error.

To recall, paragraph 3 of the guidelines set forth in *Eastern Shipping* stems from Article 2212 of the Civil Code which, in turn, provides that “[i]nterest due shall earn legal interest from the time it is judicially demanded, although the obligation may be silent upon this point.”

³² Id. at 47-48; id. at 42-43.

³³ See *Eastern Shipping*, supra note 13, at 254.

³⁴ See CIVIL CODE, Art. 2213. See also *UPSI Property Holdings, Inc. v. Diesel Construction Co., Inc.*, 740 Phil. 655, 669 (2014), citing *Nacar v. Gallery Frames*, supra note 28, at 282.

In *Hun Hyung Park v. Eung Wong Choi*,³⁵ the Court clarified that the “interest on interest” referred to by Article 2212 only covers *accrued* interest.

x x x Article 2212 of the Civil Code x x x does not apply because “interest due” in Article 2212 refers only to *accrued* interest. A look at the counterpart provision of Article 2212 of the new Civil Code, Article 1109 of the old Civil Code, supports this. It provides:

Art. 1109. **Accrued interest** shall draw interest at the legal rate from the time the suit is filed for its recovery, even if the obligation should have been silent on this point.

In commercial transactions the provisions of the Code of Commerce shall govern.

Pawnshops and savings banks shall be governed by their special regulations. (Emphasis and underscoring supplied)³⁶

Nevertheless, the Court finds that while WGCC is not entitled to “interest on interest,” it *is*, consistent with the Court’s ruling in *Eastern Shipping*, entitled to interest at the rate of 6% per annum applied to the entire award computed from the finality of this Decision until full satisfaction, said entire award now being deemed to be a forbearance of credit during the interim period.

The records of the case show that as early as March 10, 2009, BDO (for and on behalf of PCIB) issued and delivered two checks to WGCC in the following amounts:³⁷

Check No.	Amount
00059321	₱1,965,816.45
00059322	₱5,777,157.84
Total	₱7,742,974.29

These checks were issued and delivered to WGCC pursuant to the February 2009 CIAC Writ directing the immediate enforcement of the CIAC Decision, subject to the outcome of WGCC’s CA Petition. To recall, the February 2009 CIAC Writ reads, in part:

This Tribunal finds that there is no legal obstacle to the immediate enforcement of payment of the following undisputed amounts in favor of WGCC[:]

- a. the principal award of ₱5,777,157.84[:] and

³⁵ G.R. No. 220826, March 27, 2019.

³⁶ Id. at 16-17.

³⁷ See *rollo* (G.R. No. 195372), p. 232.

- b. the award of **12% interest [per annum]** on the principal award of ₱5,777,157.84 computed from [April 27, 2006] until such time as the judgment award is fully paid.³⁸ (Emphasis supplied)

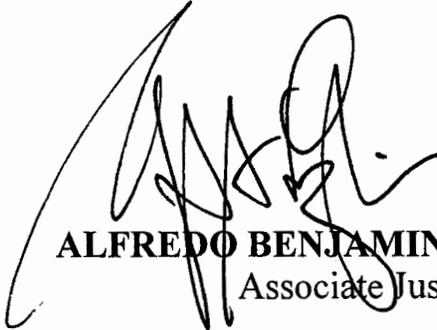
Thus, PCIB's remaining liability is equal to the sum of the following amounts (i) principal award; and (ii) compensatory interest applied to the principal award reckoned from the *issuance* of the CIAC Decision until finality of the judgment award, minus **₱7,742,974.29**:

In turn, the sum of (i) and (ii) above **less ₱7,742,974.29** shall earn interest at the rate of 6% per annum from the date of this Decision until full payment.

WHEREFORE, the Court **GRANTS** the Petition docketed as G.R. No. 195372, and **DENIES** the Petition docketed as G.R. No. 195375. Thus:

1. The Decision and Resolution respectively dated December 10, 2009 and January 28, 2011 issued by the Court of Appeals, First Division and Special Former First Division, respectively, in CA-G.R. SP. No. 106452 are **AFFIRMED**.
2. The Construction Industry Arbitration Commission is hereby **DIRECTED** to compute the remaining liability of Philippine Commercial and International Bank (now Banco de Oro Unibank, Inc.) in accordance with this Decision and effect payment thereof in favor of William Golangco Construction Corporation within thirty (30) days from receipt of the records of this case.

SO ORDERED.



ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

³⁸ As quoted in WGCC's *Manifestation*, see *id.* at 231.

WE CONCUR:



ANTONIO T. CARPIO
Associate Justice
Chairperson

(On leave)

ESTELA M. PERLAS BERNABE
Associate Justice

(On wellness leave)

FRANCIS H. JARDELEZA
Associate Justice



AMY C. LAZARO-JAVIER
Associate Justice

ATTESTATION

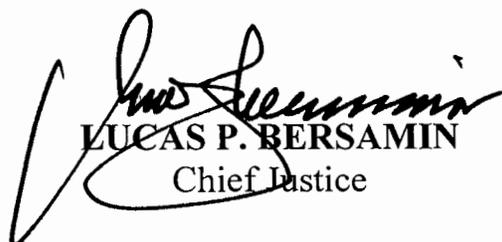
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



ANTONIO T. CARPIO
Associate Justice
Chairperson, Second Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



LUCAS P. BERSAMIN
Chief Justice

