



Republic of the Philippines
 Supreme Court
 Manila

SECOND DIVISION

RODOLFO G. CRUZ and . . . G.R. No. 191431
 ESPERANZA IBIAS,
 Petitioners, Present:

CARPIO, J., Chairperson,
 BRION,
 DEL CASTILLO,
 VILLARAMA, JR.,* and
 PERLAS-BERNABE, JJ.

- versus -

Promulgated:

ATTY. DELFIN GRUSPE,
 Respondent.

MAR 13 2013 *HM Cabalag/Perlas*

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DECISION

BRION, J.:

Before the Court is the petition for review on *certiorari*¹ filed under Rule 45 of the Rules of Court, assailing the decision² dated July 30, 2009 and the resolution³ dated February 19, 2010 of the Court of Appeals (CA) in CA-G.R. CV No. 86083. The CA rulings affirmed with modification the decision dated September 27, 2004 of the Regional Trial Court (RTC) of Bacoor, Cavite, Branch 19, in Civil Case No. BCV-99-146 which granted respondent Atty. Delfin Gruspe's claim for payment of sum of money against petitioners Rodolfo G. Cruz and Esperanza Ibias.⁴

* Designated as Acting Member in lieu of Associate Justice Jose P. Perez per Special Order No. 1426 dated March 8, 2013.

¹ *Rollo*, pp. 3-8.

² Penned by Associate Justice Amelita G. Tolentino, and concurred in by Associate Justices Pampio A. Abarintos and Mario V. Lopez; *id.* at 12-21.

³ *Id.* at 23-24.

⁴ *Id.* at 12-13.

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THE FACTUAL BACKGROUND

The claim arose from an accident that occurred on October 24, 1999, when the mini bus owned and operated by Cruz and driven by one Arturo Davin collided with the Toyota Corolla car of Gruspe; Gruspe's car was a total wreck. The next day, on October 25, 1999, Cruz, along with Leonardo Q. Ibias went to Gruspe's office, apologized for the incident, and executed a **Joint Affidavit of Undertaking** promising jointly and severally to replace the Gruspe's damaged car in 20 days, or until November 15, 1999, of the same model and of at least the same quality; or, alternatively, they would pay the cost of Gruspe's car amounting to ₱350,000.00, with interest at **12% per month** for any delayed payment after November 15, 1999, until fully paid.⁵ When Cruz and Leonardo failed to comply with their undertaking, Gruspe filed a complaint for collection of sum of money against them on November 19, 1999 before the RTC.

In their answer, Cruz and Leonardo denied Gruspe's allegation, claiming that Gruspe, a lawyer, prepared the Joint Affidavit of Undertaking and forced them to affix their signatures thereon, without explaining and informing them of its contents; Cruz affixed his signature so that his mini bus could be released as it was his only means of income; Leonardo, a *barangay* official, accompanied Cruz to Gruspe's office for the release of the mini bus, but was also deceived into signing the Joint Affidavit of Undertaking.

Leonardo died during the pendency of the case and was substituted by his widow, Esperanza. Meanwhile, Gruspe sold the wrecked car for ₱130,000.00.

In a decision dated September 27, 2004, the **RTC ruled in favor of Gruspe** and ordered Cruz and Leonardo to pay ₱220,000.00,⁶ plus 15% per annum from November 15, 1999 until fully paid, and the cost of suit.

On appeal, **the CA affirmed the RTC decision, but reduced the interest rate to 12% per annum pursuant to the Joint Affidavit of Undertaking.**⁷ It declared that despite its title, **the Joint Affidavit of**

⁵ Records, p. 6. Paragraph 5 of the Joint Affidavit of Undertaking read:

5. If we cannot replace said car within the said period, we will be liable to pay the cost of the car (Toyota Corolla 1.6 GLI 1993 Model) in the total amount of Three Hundred Fifty Thousand Pesos (₱350,000.00), Philippine currency, with interest rate of **12% per month** of any delayed payment after November 15, 1999 until fully paid.

⁶ The total claim for ₱350,000.00 less the ₱130,000.00 that Gruspe received for selling his car; *rollo*, p. 14.

⁷ *Id.* at 20. The dispositive portion of the CA decision dated July 30, 2009 read:

Undertaking is a contract, as it has all the essential elements of consent, object certain, and consideration required under Article 1318 of the Civil Code. The CA further said that **Cruz and Leonardo failed to present evidence to support their contention of vitiated consent**. By signing the Joint Affidavit of Undertaking, they voluntarily assumed the obligation for the damage they caused to Gruspe's car; Leonardo, who was not a party to the incident, could have refused to sign the affidavit, but he did not.

THE PETITION

In their appeal by *certiorari* with the Court, Cruz and Esperanza assail the CA ruling, contending that the Joint Affidavit of Undertaking is not a contract that can be the basis of an obligation to pay a sum of money in favor of Gruspe. They consider an affidavit as different from a contract: an affidavit's purpose is simply to attest to facts that are within his knowledge, while a contract requires that there be a meeting of the minds between the two contracting parties.

Even if the Joint Affidavit of Undertaking was considered as a contract, Cruz and Esperanza claim that it is invalid because Cruz and Leonardo's consent thereto was vitiated; the contract was prepared by Gruspe who is a lawyer, and its contents were never explained to them. Moreover, Cruz and Leonardo were simply forced to affix their signatures, otherwise, the mini van would not be released.

Also, they claim that prior to the filing of the complaint for sum of money, Gruspe did not make any demand upon them. Hence, pursuant to Article 1169 of the Civil Code, they could not be considered in default. Without this demand, Cruz and Esperanza contend that Gruspe could not yet take any action.

THE COURT'S RULING

The Court finds the petition **partly meritorious** and accordingly modifies the judgment of the CA.

WHEREFORE, premises considered, the appeal is DISMISSED. The assailed decision dated September 27, 2004 of the Regional Trial Court of Bacoor, Cavite, Branch 19, is AFFRIMED with the MODIFICATION that the interest charged be changed from 15% to ***12% per annum pursuant to the Joint Affidavit of Undertaking*** of the defendants-appellants.

Contracts are obligatory no matter what their forms may be, whenever the essential requisites for their validity are present. In determining whether a document is an affidavit or a contract, the Court looks beyond the title of the document, since the denomination or title given by the parties in their document is not conclusive of the nature of its contents.⁸ In the construction or interpretation of an instrument, the intention of the parties is primordial and is to be pursued. If the terms of the document are clear and leave no doubt on the intention of the contracting parties, the literal meaning of its stipulations shall control. If the words appear to be contrary to the parties' evident intention, the latter shall prevail over the former.⁹

A simple reading of the terms of the Joint Affidavit of Undertaking readily discloses that it contains stipulations characteristic of a contract. As quoted in the CA decision,¹⁰ the Joint Affidavit of Undertaking contained a stipulation where Cruz and Leonardo promised to replace the damaged car of Gruspe, 20 days from October 25, 1999 or up to November 15, 1999, of the same model and of at least the same quality. In the event that they cannot replace the car within the same period, they would pay the cost of Gruspe's car in the total amount of ₱350,000.00, with interest at 12% per month for any delayed payment after November 15, 1999, until fully paid. **These, as read by the CA, are very simple terms that both Cruz and Leonardo could easily understand.**

There is also no merit to the argument of vitiated consent. An allegation of vitiated consent must be proven by preponderance of evidence; Cruz and Leonardo failed to support their allegation. Although the undertaking in the affidavit appears to be onerous and lopsided, this does not necessarily prove the alleged vitiation of consent. They, in fact, admitted the genuineness and due execution of the Joint Affidavit and Undertaking when they said that they signed the same to secure possession of their vehicle. If they truly believed that the vehicle had been illegally impounded, they could have refused to sign the Joint Affidavit of Undertaking and filed a complaint, but they did not. That the release of their mini bus was conditioned on their signing the Joint Affidavit of Undertaking does not, by itself, indicate that their consent was forced – they may have given it grudgingly, but it is not indicative of a vitiated consent that is a ground for the annulment of a contract.

Thus, on the issue of the validity and enforceability of the Joint Affidavit of Undertaking, the CA did not commit any legal error that merits the reversal of the assailed decision.

⁸ In *Tayco v. Heirs of Concepcion Tayco-Flores*, G.R. No. 168692, December 13, 2010, 637 SCRA 742, 751, the Court declared that “[t]he denomination given by the parties in their contract is not conclusive of the nature of the contents.”

⁹ *Ayala Life Assurance, Inc. v. Ray Burton Dev't. Corp.*, 515 Phil. 431, 437 (2006).

¹⁰ *Supra* note 2, at 19.

Nevertheless, the CA glossed over the issue of demand which is material in the computation of interest on the amount due. The RTC ordered Cruz and Leonardo to pay Gruspe “₱350,000.00 as cost of the car xxx plus fifteen percent (15%) per annum from November 15, 1999 until fully paid[.]”¹¹ The 15% interest (later modified by the CA to be 12%) was computed from November 15, 1999 – the date stipulated in the Joint Affidavit of Undertaking for the payment of the value of Gruspe’s car. In the absence of a finding by the lower courts that Gruspe made a demand prior to the filing of the complaint, the interest cannot be computed from November 15, 1999 because until a demand has been made, Cruz and Leonardo could not be said to be in default.¹² “In order that the debtor may be in default[,] it is necessary that the following requisites be present: (1) that the obligation be demandable and already liquidated; (2) that the debtor delays performance; and (3) that the creditor requires the performance judicially and extrajudicially.”¹³ Default generally begins from the moment the creditor demands the performance of the obligation. In this case, demand could be considered to have been made upon the filing of the complaint on November 19, 1999, and it is only from this date that the interest should be computed.

Although the CA upheld the Joint Affidavit of Undertaking, we note that it imposed interest rate on a *per annum* basis, instead of the *per month* basis that was stated in the Joint Affidavit of Undertaking without explaining its reason for doing so.¹⁴ Neither party, however, questioned the change. Nonetheless, the Court affirms the change in the interest rate from 12% per month to 12% per annum, as we find the interest rate agreed upon in the Joint Affidavit of Undertaking excessive.¹⁵

WHEREFORE, we **AFFIRM** the decision dated July 30, 2009 and the resolution dated February 19, 2010 of the Court of Appeals in CA-G.R.

¹¹ *Id.* at 12.

¹² Civil Code, 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 declare; 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.

¹³ *Social Security System v. Moonwalk Development and Housing Corporation*, G.R. No. 73345, April 7, 1993, 221 SCRA 119, 128.

¹⁴ Compare paragraph 5 of the Joint Affidavit of Undertaking (*supra*, note 5) and the dispositive portion of the CA decision dated July 30, 2009 (*supra*, note 7).

¹⁵ See *Asian Cathay Finance and Leasing Corporation v. Spouses Gravador*, G.R. No. 186550, July 5, 2010, 623 SCRA 517, 523.

CV No. 86083, subject to the **MODIFICATION** that the twelve percent (12%) per annum interest imposed on the amount due shall accrue only from November 19, 1999, when judicial demand was made.

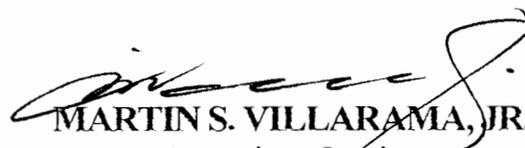
SO ORDERED.


ARTURO D. BRION
Associate Justice

WE CONCUR:


ANTONIO T. CARPIO
Associate Justice


MARIANO C. DEL CASTILLO
Associate Justice


MARTIN S. VILLARAMA, JR.
Associate Justice


ESTELA M. BERLAS-BERNABE
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

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, and the Division Chairperson Attestation, it is hereby certified 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.



MARIA LOURDES P. A. SERENO
Chief Justice