546 Phil. 658

FIRST DIVISION

[G.R. NO. 166309-10, March 09, 2007]

REPUBLIC OF THE PHILIPPINES, REPRESENTED BY THE COMMISSIONER OF CUSTOMS, PETITIONER, VS. UNIMEX MICRO-ELECTRONICS GMBH, RESPONDENT.

D E C I S I O N

CORONA, J.:

This is an appeal by certiorari under Rule 45 of the Rules of Court seeking to nullify and set aside the decision of the Court of Appeals (CA) dated August 30, 2004[1] and its amended decision of November 30, 2004[2] in CA-G.R. SP No. 75359 and CA-G.R. SP No. 75366.

The antecedent facts follow.

Sometime in April 1985, respondent Unimex Micro-Electronics GmBH (Unimex) shipped a 40-foot container and 171 cartons of Atari game computer cartridges, duplicators, expanders, remote controllers, parts and accessories to Handyware Phils., Inc. (Handyware). Don Tim Shipping Corporation transported the goods with Evergreen Marine Corporation as shipping agent.

After the shipment arrived in the Port of Manila on July 9, 1985, the Bureau of Customs (BOC) agents discovered that it did not tally with the description appearing on the cargo manifest. As a result, BOC instituted seizure proceedings against Handyware and later issued a warrant of seizure and detention against the shipment.

On June 5, 1987, the Collector of Customs issued a default order against Handyware for failing to appear in the seizure proceedings. After an *ex parte* hearing, the Collector of Customs forfeited the goods in favor of the government.

Subsequently, on June 15, 1987, respondent Unimex (as shipper and owner of the goods) filed a motion to intervene in the seizure proceedings. The Collector of Customs granted the motion but later on declared the June 5, 1987 default order against Handyware as final

and executory, thus affirming the goods' forfeiture in favor of the government.

Respondent filed a petition for review against petitioner Commissioner of Customs (BOC Commissioner) in the Court of Tax Appeals (CTA). This case was docketed as CTA Case No. 4317.[3]

In a decision[4] dated June 15, 1992, the CTA reversed the forfeiture decree and ordered the release of the subject shipment to respondent subject to the payment of customs duties. The CTA decision became final and executory on July 20, 1992. The decision read:

> WHEREFORE, the decree of forfeiture of [petitioner] Commissioner of Customs is hereby reversed and the subject shipment is hereby ordered released to [respondent] subject to the condition that the correct duties, taxes, fees and other charges thereon be paid to the Bureau of Customs based on the actual quality and condition of the shipments at the time of the filing of the corresponding import entry in compliance with this decision and further subject to the presentation of Central Bank Release Certificate.[5]

Unfortunately, however, respondent's counsel failed to secure a writ of execution to enforce the CTA decision. Instead, it filed separate claims for damages against Don Tim Shipping Corporation and Evergreen Marine Corporation[6] but both cases were dismissed.

On September 5, 2001, respondent filed in the CTA a petition for the revival of its June 15, 1992 decision. It prayed for the immediate release by BOC of its shipment or, in the alternative, payment of the shipment's value plus damages. The BOC Commissioner failed to file his answer, hence, he was declared in default.

During the *ex parte* presentation of respondent's evidence, BOC informed the court that the subject shipment could no longer be found at its warehouses.

In its decision of September 19, 2002,[7] the CTA declared that its June 15, 1992 decision could no longer be executed due to the loss of respondent's shipment so it ordered the BOC Commissioner to pay respondent the commercial value of the goods based on the prevailing exchange rate at the time of their importation. The dispositive portion of the decision read:

> WHEREFORE, premises considered, the instant petition is PARTIALLY GRANTED. Accordingly, [petitioner] is ORDERED to PAY [respondent] the amount of P8,675,200.22 representing the commercial value of the shipment at the time of importation subject, however, to the payment of the proper taxes, duties, fees and other charges thereon. The payment shall be taken from the sale

> or sales of the goods or properties seized or forfeited by the Bureau of Customs. [8]

The BOC Commissioner and respondent filed their respective motions for reconsideration (MRs) of the above decision.

In his MR, the BOC Commissioner argued that the CTA altered its June 15, 1992 decision by converting it from an action for specific performance into a money judgment.[9] On the other hand, respondent contended that the exchange rate prevailing at the *time of actual payment* should apply. It also argued that the CTA erred in not imposing legal interest on BOC's obligation.

The CTA denied both MRs. The BOC Commissioner and the respondent then filed separate petitions in the CA. The BOC Commissioner's appeal was docketed as CA-G.R. SP No. 75359 and respondent's as CA-G.R. SP No. 75366. The CA consolidated the two cases.

On August 30, 2004, the CA dismissed the BOC Commissioner's appeal and granted respondent's.

In CA-G.R. SP No. 75359, the CA held that the BOC Commissioner was liable for the value of the subject shipment as the same was lost while in its custody. On the other hand, in CA-G.R. SP No. 75366, it ruled that the CTA erred in using as basis the prevailing peso-dollar exchange rate at the time of the importation instead of the prevailing rate at the time of actual payment pursuant to RA 4100.[10] It added that respondent was also entitled to legal interest. According to the CA:

> ...Considering that the BOC was grossly negligent in handling the subject shipment, this Court finds Unimex entitled to legal interests. Accordingly, the actual damages thus awarded shall be subject to 6% interest per annum.
>
> Be that as it may, such interest shall accrue only from the date of the CTA Decision on 19 September 2002 since it is from that the quantification of Unimex's damages have been reasonably ascertained...
>
> xxx xxx xxx
>
> Finally, Unimex is likewise entitled to 12% interest per annum in lieu of 6% per annum from the time this Decision becomes final and executory until fully paid, in as much as the interim period is equivalent to a forbearance of credit.
>
> xxx xxx xxx

> WHEREFORE, the appealed Decision, dated 19 September 2002, is hereby ***AFFIRMED WITH MODIFICATION*** in that the Bureau of Customs is adjudged liable to Unimex for the value of the subject shipment in the amount of $466,885.54. The Bureau of Customs' liability may be paid in Philippine currency, computed at the exchange rate prevailing at the time of actual payment with legal interest thereon at the rate of 6% per annum from 19 September 2002 up to its finality. Upon finality of this Decision, the rate of legal interest shall be 12% per annum until the value of the subject shipment is fully paid.[11]

The BOC Commissioner and respondent again filed their respective MRs of the above decision. The Commissioner insisted that the BOC was not liable to respondent. On the other hand, respondent's MR sought payment of the goods' value in euros, not in US dollars.[12] It also demanded that the 6% legal interest be reckoned from the date of its judicial demand on June 15, 1987.

On November 30, 2004, the CA denied the BOC Commissioner's MR and granted respondent's. Accordingly, the decretal portion of its amended decision read:

> WHEREFORE, the appealed Decision, dated 19 September 2002, is hereby *AFFIRMED WITH MODIFICATION* in that the Bureau of Customs is adjudged liable to Unimex for the value of the subject shipment in the amount of Euro 669,982.565. The Bureau of Custom's liability [may be] paid in the Philippine currency, computed at the exchange rate prevailing at the time of actual payment with legal interests thereon at the rate of 6% per annum from 15 June 1987 up to the finality of this Decision. In lieu of the 6% interest, the rate of legal interest shall be 12% per annum upon finality of this Decision until the value of the subject shipment is fully paid.[13]

The Republic of the Philippines, represented by the BOC Commissioner, now comes to us via this petition assailing the CTA decision on the following grounds: (1) the June 15, 1992 CTA judgment could not be altered after it became final and executory; (2) laches has already set in, hence, respondent's case (reviving the June 15, 1992 CTA judgment) should have been dismissed outright; (3) the legal interest imposed was erroneous and (4) the government funds cannot be charged with respondent's claim without a corresponding appropriation.

Modification of a Final
And Executory Judgment

In support of its first argument, petitioner contends that once a judgment becomes final and executory, it becomes immutable and unalterable, thus the CTA erred in changing the tenor

of its June 15, 1992 decision by ordering it to instead pay the value of the goods.[14]

We disagree.

Indeed, the general rule is that once a decision becomes final and executory, it cannot be altered or modified. However, this rule is not absolute. In some cases,[15] we held that where facts or events transpire after a decision has become executory, which facts constitute a supervening cause rendering the final judgment unenforceable, said judgment may be modified. Also, a final judgment may be altered when its execution becomes impossible or unjust.

In the case at bar, parties do not dispute the fact that after the June 15, 1992 CTA decision became final and executory, respondent's goods were inexplicably lost while under the BOC's custody. Certainly, this fact presented a supervening event warranting the modification of the CTA decision. Even if the CTA had maintained its original decision, still petitioner would have been unable to comply with it for the obvious reason that there was nothing more to deliver to respondent.

Laches Did Not Set in to Frustrate Respondent's Petition to Revive The June 15, 1992 CTA Decision

Regarding petitioner's second argument, we hold that it cannot impugn respondent's claim on the basis of laches. Laches is the failure or negligence to assert a right within a reasonable time, giving rise to a presumption that a party has abandoned it or declined to assert it.[16] It is not a mere question of lapse or passage of time but is principally a question of the inequity or unfairness of permitting a right or claim to be asserted.[17]

It is clear from the records that respondent was not guilty of negligence or omission. Neither did it abandon its claim against petitioner. We agree with the CTA (as later affirmed by the CA) that:

> There was never negligence or omission to assert its right within a reasonable period of time on the part of [respondent]. In fact, from the moment it intervened in the proceedings before the Bureau of Customs up to the present time, [respondent] is diligently trying to fight for what it believes is right. [Respondent] may have failed to secure a writ of execution with this court when the [CTA decision] became final and executory due to wrong legal advice, yet it does not mean that it was sleeping on its right for it filed a case against the shipping agent and/or the sub-agent. Therefore, there [was never] an occasion wherein petitioner had abandoned or declined to assert its right. [18]

The rule is that the findings of fact by the lower court,[19] if affirmed by the CA, are conclusive on us.[20] Absent any reason that compels us to deviate from the rule, as in this case, we shall not disturb such findings.

Moreover, the doctrine of laches is based upon grounds of public policy and equity. It is invoked to discourage stale claims but is entirely addressed to the sound discretion of the court.[21] Since it is an equitable doctrine, its application is likewise controlled by reasonable considerations. Thus, the better rule is that courts, under the principle of equity, should not be bound by the doctrine of laches if wrong or injustice will result.[22]

Given the attendant circumstances, laches cannot stall respondent's right to recover what is due to it especially where BOC's negligence in the safekeeping of the goods appears indubitable. There is no denying that BOC exhibited gross carelessness and ineptitude in the performance of its duty as it could not even explain why or how the goods vanished while in its custody. With this, it is difficult to exonerate petitioner from liability; otherwise, we would countenance a wrong and exacerbate respondent's loss which to this day has remained unrecompensed.

More importantly, laches never set in because respondent filed its petition for revival of judgment within the period set by the Rules. In particular, Rule 39, Section 6 states:

> SEC. 6. *Execution by motion or by independent action*. - A final and executory judgment or order may be executed on motion within five (5) years from the date of its entry. After the lapse of such time, and before it is barred by the statute of limitations, a judgment may be enforced by action. The revived judgment may also be enforced by motion within five (5) years from the date of its entry and thereafter by action before it is barred by the statute of limitations.

Furthermore, Article 1144 of the Civil Code, an action "upon a judgment" may be brought within ten (10) years from the time the right of action accrues.

The CTA judgment sought to be revived became final and executory on July 20, 1992[23] and was accordingly entered into the book of judgments on the same date. On the other hand, the petition to revive said judgment was filed on September 5, 2001. Clearly, the filing of the petition for the revival of judgment was well within the reglementary period provided by law.

Legal Interest May Be Imposed for Use of Money or as Compensatory Damages

Petitioner likewise argues that the CA erred in imposing the 6% p.a. legal interest. According to petitioner, the obligation to pay legal interest only arises by virtue of a

contract or on account of damages due to delay or failure to pay the principal on which the interest is exacted. It added that since the June 15, 1992 CTA decision did not involve a monetary award but merely the release of the goods to respondent, there was no basis for the computation and/or imposition of the 6% p.a. legal interest.

We agree with petitioner.

> Interest may be paid only either as compensation for the use of money (monetary interest)[24] or as damages (compensatory interest).[25] We quote in agreement the CTA's disquisition in its decision dated September 19, 2002:
>
> Interest may be paid either as compensation for the use of money (monetary interest) referred to in Article 1956 of the New Civil Code or as damages (compensatory interest) under Article 2209 above cited. As clearly provided in [Article 2209], interest is demandable if: a) there is monetary obligation and b) debtor incurs delay.
>
> This case does not involve a monetary obligation to be covered by Article 2209. There is no dispute that this case was originally filed questioning the seizure of the shipment by the Bureau of Customs. Our decision subject of this action for revival [of judgment] did not refer to any monetary obligation by [petitioner] towards the [respondent]. In fact, if there was any monetary obligation mentioned, it referred to the obligation of [respondent] to pay the correct taxes, duties, fees and other charges before the release of the goods can be had. In one case, the Supreme Court held:
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>> "In a comprehensive sense, the term "debt" embraces not merely money due by contract, but whatever one is bound to render to another, either for contract or the requirement of the law, such as tax where the law imposes personal liability therefor."
>
> Therefore, the government was never a debtor to the petitioner in order that [Article] 2209 could apply. Nor was it in default for there was no monetary obligation to pay in the first place. There is default when after demand is made either judicially or extrajudicially. In other words, for interest to be demandable under Article 2209, there should be a monetary obligation and the debtor was in default...
>
> In the instant case, [petitioner] was never under monetary obligation to [respondent], no demand can be made either judicially or extrajudicially. Parallel thereto, there could be no default... [26]

No doubt, the present case does not fall within the first situation. Neither can it be considered as one involving interest based on damages under the second situation.

More importantly, interest is not chargeable against petitioner except when it has expressly stipulated to pay it or when interest is allowed by the legislature or in eminent domain cases where damages sustained by the owner take the form of interest at the legal rate.[27] Consequently, the CA's imposition of the 12% p.a. legal interest upon the finality of the decision of this case until the value of the goods is fully paid (as forbearance of credit) is likewise bereft of any legal anchor.

Government Liability
For Actual Damages

Finally, petitioner argues that a money judgment or any charge against the government requires a corresponding appropriation and cannot be decreed by mere judicial order.

Although it may be gainsaid that the satisfaction of respondent's demand will ultimately fall on the government, and that, under the political doctrine of "state immunity," it cannot be held liable for governmental acts (*jus imperii)*,[28] we still hold that petitioner cannot escape its liability. The circumstances of this case warrant its exclusion from the purview of the state immunity doctrine.

As previously discussed, the Court cannot turn a blind eye to BOC's ineptitude and gross negligence in the safekeeping of respondent's goods. We are not likewise unaware of its lackadaisical attitude in failing to provide a cogent explanation on the goods' disappearance, considering that they were in its custody and that they were in fact the subject of litigation. The situation does not allow us to reject respondent's claim on the mere invocation of the doctrine of state immunity. Succinctly, the doctrine must be fairly observed and the State should not avail itself of this prerogative to take undue advantage of parties that may have legitimate claims against it.[29]

In *Department of Health v. C.V. Canchela & Associates*,[30] we enunciated that this Court, as the staunch guardian of the people's rights and welfare, cannot sanction an injustice so patent in its face, and allow itself to be an instrument in the perpetration thereof. Over time, courts have recognized with almost pedantic adherence that what is inconvenient and contrary to reason is not allowed in law.[31] Justice and equity now demand that the State's cloak of invincibility against suit and liability be shredded.

Accordingly, we agree with the lower courts' directive that, upon payment of the necessary customs duties by respondent, petitioner's "payment shall be taken from the sale or sales of goods or properties seized or forfeited by the Bureau of Customs."[32]

WHEREFORE, the assailed decisions of the Court of Appeals in CA-G.R. SP Nos. 75359 and 75366 are hereby **AFFIRMED with MODIFICATION**. Petitioner Republic of the Philippines, represented by the Commissioner of the Bureau of Customs, upon payment of the necessary customs duties by respondent Unimex Micro-Electronics GmBH, is hereby ordered to pay respondent the value of the subject shipment in the amount of Euro 669,982.565. Petitioner's liability may be paid in Philippine currency, computed at the exchange rate prevailing at the time of actual payment.

SO ORDERED.

Puno, C.J., (Chaiperson), Sandoval-Gutierrez, Azcuna, and *Garcia, JJ.,* concur.

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[1] Penned by Justice Perlita J. Tria-Tirona (retired), with the concurrence of Justices Ruben T. Reyes and Jose C. Reyes, of the Sixth Division of the Court of Appeals. *Rollo*, pp. 68-80.

[2] Id., pp. 81-88.

[3] Entitled *"Unimex Micro-Electronics GmBH v. Commissioner of Customs."* Id., pp. 124-128.

[4] Id., pp. 98-123.

[5] Id., p. 123.

[6] *Supra* at 1.

[7] *Rollo*, pp. 129-144.

[8] Id., p. 144.

[9] The June 15, 1992 CTA Decision ordered the BOC Commissioner to release to respondent the goods while the CTA Amended Decision dated September 19, 2002 directed the payment of the its value.

[10] An Act to Assure the Uniform Value of Philippine Coin and Currency.

[11] *Supra* note 1.

[12] The shipment was paid initially in German Deutschmark. Per certification issued by the First Secretary of the Embassy of the Federal Republic of Germany in Manila, Hon. Dietmar Wenger, the Euro replaced Deutschmark on 01 January 1999 as common currency of eleven (11) European countries including Germany.

[13] Rollo, pp. 81-88.

[14] Petition, id., p. 53.

[15] *Balanoba v. Madriaga,* G.R. No. 160109, 22 November 2005, 475 SCRA 688; *Natalia Realty, Inc. v. Court of Appeals,* 440 Phil. 1 (2002); *Abalos v. Philex Mining Corporation*, 441 Phil. 386 (2002).

[16] *Lopez v. Court of Appeals*, 446 Phil. 722 (2003); *Domingo v. Roces,* 449 Phil. 189 (2003).

[17] *Republic v. Sandiganbayan,* 453 Phil. 1059 (2003).

[18] *Rollo,* p. 147.

[19] Pursuant to RA 9282 which took effect on March 30, 2004, the CTA was elevated to the level of a

collegiate court with special jurisdiction.

[20] *Bulay-og, et al. v. Bacalso*, G.R. No. 148795, 17 July 2006; *Cruz v. Cristobal,* G.R. No. 140422, 7 August 2006.

[21] *Bogo-Medellin Milling Co., Inc. v. Court of Appeals*, 455 Phil. 285 (2003).

[22] *Imperial Victor Shipping Agency v. NLRC,* G.R. No. 84672, 5 August 1991, 200 SCRA 178.

[23] *Supra* at 3.

[24] See Article 1956 of the Civil Code.

[25] See Article 2209, id.

[26] *Rollo*, pp. 139-140.

[27] *Cruz, Philippine Political Law, citing Arasola v. Trinidad* (40 Phil. 252), 1995 Ed., p. 46, Central Lawbook Publishing Company, Quezon City, Philippines.

[28] Id., p. 39, citing *United States of America v. Ruiz* (136 SCRA 487).

[29] Id., p. 35.

[30] G.R. Nos. 151373-74, 16 November 2005, 475 SCRA 218.

[31] *Republic v. Court of Appeals,* G.R. No. 108926, 12 July 1996, 258 SCRA 712.

[32] *Supra* note 8.

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