

Title: Vicente G. Henson, Jr. vs. UCPB General Insurance Co., Inc.: A Case of Legal Subrogation and Prescriptive Period

Facts:

From 1989 to 1999, National Arts Studio and Color Lab (NASCL) rented a property in Angeles City owned by Vicente G. Henson, Jr. (Henson). In May 2006, a water leak in the building damaged the equipment of Copylandia Office Systems Corp., causing losses amounting to P2,062,640.00. Copylandia's equipment was insured by respondent UCPB General Insurance Co., Inc. (UCPB General Insurance), which settled the insurance claim for P1,326,342.76.

With the right of subrogation, UCPB General Insurance demanded reimbursement from NASCL in 2010 but to no avail. Consequently, UCPB General Insurance sued NASCL for damages. Henson later transferred the building ownership to Citrinne Holdings, Inc. (CHI), where he is affiliated. UCPB General Insurance amended its complaint multiple times, eventually seeking to drop CHI and implead Henson as party-defendant in 2014, under the contention that he was the building's owner when the incident occurred. NASCL and CHI argued the suit was barred by prescription, claiming UCPB General Insurance's cause of action was based on quasi-delict and should have been filed within four years from the leak.

The Regional Trial Court (RTC) ruled in favor of UCPB General Insurance, explaining that the suit is based on an obligation created by law and thus prescribed in ten years, starting from when Copylandia was indemnified. Henson filed a petition for certiorari with the Court of Appeals (CA), which maintained the RTC's decision. Henson then took the matter to the Supreme Court, contesting the claim's prescription.

Issues:

1. Whether or not UCPB General Insurance's claim against Henson prescribed.

Court's Decision:

The Supreme Court sided with the lower courts and CA, relying on the precedent *Vector Shipping Corporation v. American Home Assurance Company*, which characterized the cause of action as based on an obligation created by law, thus governed by a ten-year prescriptive period. The Court concluded that no new obligation is created during subrogation and that the prescriptive period should begin from the time of the act or omission causing loss or damage, not the indemnification payment. With UCPB General Insurance's action initiated on April 21, 2014, the ten-year prescription starting from

November 2, 2006, had not yet lapsed. However, the Court resolved to discontinue the application of the Vector doctrine prospectively, affirming the applicability of a four-year prescriptive period for quasi-delicts.

Doctrine:

In cases where an insurer is subrogated to the rights of the insured against the wrongdoer based on a quasi-delict, the insurer inherits the residual period within which the insured may file an action against the wrongdoer. The prescriptive period for the action starts at the time of the tort committed and the loss/injury against the insured. The insurer's subsequent indemnification allows for subrogation to the insured's rights, not establishing a new starting point for the cause of action against the wrongdoer.

Class Notes:

- The principle of legal subrogation does not create a new obligation between the insurer and the debtor; it merely allows the insurer to step into the shoes of the insured.
- The prescriptive period for an action based on quasi-delict is four years from the occurrence of the act or omission (Article 1146, Civil Code).
- The obligation created by the indemnification payment for insurance claims was previously deemed to have a prescriptive period of ten years (Article 1144 of the Civil Code). This interpretation has been discontinued.

Historical Background:

The case exemplifies the evolving interpretation of legal subrogation in Philippine jurisprudence, particularly regarding the repercussions of indemnification by an insurer and the consequent rights against a third-party wrongdoer. The Supreme Court's decision to abandon its previous stance on the prescriptive period for insurers' subrogation claims marks a significant shift towards aligning with general principles of equity and the prescription for quasi-delicts.