

Title: Philippine Airlines, Inc. v. Court of Appeals and Spouses Manuel S. Buncio and Aurora R. Buncio, et al.

Facts:

The case stems from an incident that occurred on 2 May 1980 involving the unaccompanied minor children of the spouses Manuel S. Buncio and Aurora R. Buncio, Deanna R. Buncio and Nikolai R. Buncio, who were scheduled to travel from Manila to San Francisco, and then connect from San Francisco to Los Angeles via Philippine Airlines (PAL) and United Airways, respectively. The parents had completed an indemnity bond as required by PAL for the minors' travel. However, upon arrival in San Francisco, PAL's personnel could not produce the indemnity bond, which had been lost during a stop-over in Honolulu, leading to the children being unable to board their connecting flight to Los Angeles and being stranded overnight. The parents, upon learning of their children's situation, demanded compensation from PAL for the alleged gross negligence, which PAL did not fulfill, leading to the filing of a complaint for damages.

Issues:

1. Whether PAL committed a breach of contract of carriage and if such breach entitles the respondents to moral damages.
2. Whether the conduct of PAL amounted to bad faith, warranting the award of exemplary damages.
3. The propriety of the award of attorney's fees.

Court's Decision:

The Supreme Court upheld the Court of Appeals' decision, which affirmed the RTC's ruling that PAL breached its contract of carriage, thereby entitling the respondents to damages. The Court found that PAL's negligence in losing the indemnity bond and its consequent failure to transport the minors as scheduled constituted gross negligence amounting to bad faith. This justified the award of moral damages. Furthermore, the Court agreed with the lower courts that the circumstances warranted the award of exemplary damages to set an example for public good. However, the Supreme Court modified the appellate court's decision by deleting the award for attorney's fees due to the lack of explicit justification in the text of the decision.

Doctrine:

The case reiterates the doctrine that a common carrier is obliged to observe extraordinary diligence in the vigilance over the goods and for the safety of the passengers transported by

them, according to all the circumstances of each case. Gross negligence on the part of the carrier that amounts to bad faith can justify the award of moral and exemplary damages in cases of breach of contract of carriage.

Class Notes:

- Contract of Carriage: A contract wherein one party (carrier) obliges itself to transport passengers, goods, or both, from one place to another by land, water, or air.
- Breach of Contract of Carriage: Occurs when the carrier fails to fulfill its obligation to transport the passenger or goods to the destination safely and on time.
- Extraordinary Diligence: The highest degree of care expected from common carriers in the transport of passengers or goods.
- Moral Damages: Compensation for physical suffering, mental anguish, fright, serious anxiety, besmirched reputation, wounded feelings, moral shock, social humiliation, and similar harm.
- Exemplary Damages: Awarded to set a public example and to deter the wrongful act from being committed in the future.
- Bad Faith: Refers to a carrier's disregard of its contractual obligation through some motive of self-interest, ill will, or spite.

Historical Background:

The case underscores the critical responsibility of carriers in ensuring the safety and welfare of unaccompanied minors during air travel. It highlights the legal consequences of failure in fulfilling such obligations, emphasizing the need for carriers to exhibit the highest degree of diligence in their operations, especially when dealing with vulnerable passengers.