

Title:

Asian Terminals, Inc. vs. First Lepanto-Taisho Insurance Corporation

Facts:

On July 6, 1996, 3,000 bags of sodium tripolyphosphate were loaded onto M/V “Da Feng” in favor of Grand Asian Sales, Inc. (GASI) and insured by First Lepanto-Taisho Insurance Corporation (FIRST LEPANTO). The shipment arrived in Manila on July 18, 1996, and was handed over to Asian Terminals, Inc. (ATI). Upon withdrawal on August 8 and 9, GASI found discrepancies in the delivered goods, resulting in a claim of P166,772.41 for losses. After various unsuccessful recompense efforts, FIRST LEPANTO, having paid GASI the insurance indemnity and thus becoming subrogated, sought to recover from ATI and others. Following denial of its demands, FIRST LEPANTO filed a Complaint for sum of money against ATI, COSCO, and others with the Metropolitan Trial Court (MeTC) of Manila.

ATI denied liability, attributing any damage to prior mishandling. The MeTC absolved ATI and PROVEN, but couldn’t enforce judgment against COSCO and SMITH BELL due to jurisdictional limitations and lack of evidence, respectively. The Regional Trial Court (RTC) reversed the MeTC’s decision, holding ATI liable due to evidence contradicting its claims. The Court of Appeals (CA) upheld this, affirming FIRST LEPANTO’s subrogation rights and ATI’s liability.

Issues:

1. Whether ATI exercised due care and diligence in handling the shipment.
2. The necessity of presenting the marine insurance policy to prove FIRST LEPANTO’s subrogation rights.
3. Whether ATI can invoke the defense of prescription against FIRST LEPANTO’s claim.
4. The award of attorney’s fees and legal interest to FIRST LEPANTO.

Court’s Decision:

The Supreme Court denied ATI’s petition, upholding the CA’s decision. The Court found ATI liable as it failed to prove due diligence in handling the shipment, as substantiated by procedural discrepancies and witness testimonies. The Court ruled the non-presentation of the insurance contract was not fatal to FIRST LEPANTO’s cause, citing the established principle of subrogation that accords simply upon the insurer’s payment of the claim. It also ruled ATI’s invocation of prescription defense to be without merit since notice of the loss was substantially complied with early in the proceedings. Lastly, the Court affirmed the award of attorney’s fees and legal interest to FIRST LEPANTO.

Doctrine:

- The right of subrogation accrues simply upon payment by the insurance company of the insurance claim, not inherently requiring the presentation of the insurance contract.
- An arrastre operator must exercise the same degree of diligence as that required of a common carrier and warehouseman, proving such when a claim for loss is filed by the consignee or insurer.

Class Notes:

- **Subrogation:** Subrogation rights do not require the insurance contract to be presented if the payment of the claim is evidenced and the loss is clearly under the responsibility of the arrastre operator.
- **Arrastre Operator's Due Diligence:** The arrastre operator must show it took all reasonable means to handle and safeguard the cargo with due care, including protection from the elements, theft, or vandalism.
- **Prescription:** Substantial compliance with notice requirements via provisional claims can negate prescription defenses in arrastre operator cases.
- **Insurance Claim:** The payment of an insurance claim operates as an equitable assignment of all the rights and remedies from the insured to the insurer.

Historical Background:

This case highlights the rigorous processes involved in adjudicating claims related to shipping and goods handling, especially the complexities relating to arrastre operations, insurance, and subrogation rights in the maritime industry of the Philippines. It underscores the judiciary's role in affording justice based on the principles of fairness, due diligence, and equitable treatment in commercial transactions.