

Title:

****People’s Car, Inc. vs. Commando Security Service Agency: A Case of Contractual Liability****

Facts:

In a contractual dispute brought before the Philippine Supreme Court, People’s Car, Inc. (Plaintiff-Appellant) sought recovery of actual damages amounting to PHP 8,489.10 against Commando Security Service Agency (Defendant-Appellee) arising from the actions of Defendant’s security guard. Under a “Guard Service Contract”, Defendant was tasked to protect Plaintiff’s business premises. Contrary to this duty, on April 5, 1970, Defendant’s security guard unauthorizedly used and damaged a car belonging to Plaintiff’s customer. This incident led Plaintiff to incur costs in repairs and car rental charges, for which they claimed full compensation based on Paragraph 5 of their contract.

The case journeyed through the legal system starting at the Davao Court of First Instance, where it was adjudicated upon stipulation of facts, limiting Plaintiff’s recovery to only PHP 1,000.00. Dissatisfied, Plaintiff appealed directly to the Supreme Court, invoking that only questions of law were presented, bypassing the Court of Appeals due to procedural nuances and an administrative error in the forwarding of records.

Issues:

1. The proper interpretation of the Guard Service Contract, specifically the liability clauses (Paragraphs 4 and 5), in the context of the wrongful acts committed by the Defendant’s security guard.

Court’s Decision:

The Supreme Court reversed the trial court’s decision, granting Plaintiff’s appeal. It clarified that Paragraph 5 of the contract unequivocally made the Defendant liable for the actions of its guards, distinguishing the case at hand from mere negligence covered under Paragraph 4, which limited liability to PHP 1,000.00 per guard post. The court stressed the necessity of fulfilling contractual obligations in good faith, particularly emphasizing that the security agency’s guard, by deviating from his duties, triggered full liability for the damages incurred, as stipulated in their contract.

Doctrine:

This case reaffirms the principle that obligations arising from contracts have the force of law between the contracting parties and must be complied with in good faith (Article 1159,

Civil Code of the Philippines). Additionally, it highlights that specific contractual provisions will prevail in determining the extent of liability for damages caused by the actions or omissions related to the performance of contracted duties.

Class Notes:

- **Contractual Obligation:** Obligations agreed upon in a contract carry the force of law between the parties involved.
- **Interpretation of Contracts:** The specific stipulations in a contract, especially those delineating liability, should be clearly understood and followed according to their explicit terms.
- **Liability for Acts of Agents:** An entity can be held directly liable for the acts of its agents or employees if such liability is explicitly assumed within a contract.
- **Article 1159, Civil Code:** "Obligations arising from contracts have the force of law between the contracting parties and should be complied with in good faith."

Historical Background:

This case underscores the evolving legal landscape in the Philippines regarding contractual disputes and liabilities. It reflects the judiciary's role in interpreting contractual provisions in light of the principles of good faith and fair dealing, thus ensuring justice and clarifying obligations amongst business entities and service providers in a commercial setting.