

### Title:

\*\*Mindanao Terminal and Brokerage Service, Inc. vs. Phoenix Assurance Company of New York/McGee & Co., Inc.\*\*

### Facts:

This case originates from the contractual relationship where Del Monte Philippines, Inc. contracted Mindanao Terminal and Brokerage Service, Inc. (Mindanao Terminal) for the loading and stowage of a shipment of bananas and pineapples into the vessel M/V Mistrau, destined for Inchon, Korea. Del Monte Produce insured the shipment with Phoenix Assurance Company of New York (Phoenix) and McGee & Co. Inc. (McGee). Upon the shipment's arrival in Korea, it was discovered that a significant portion of the cargo was damaged. Phoenix and McGee, having compensated Del Monte Produce under the insurance policy, sought to recover the damages from Mindanao Terminal, alleging improper stowage.

The Regional Trial Court (RTC) of Davao City dismissed the complaint against Mindanao Terminal, finding the stowage appropriate and attributing the damage to a typhoon encountered during transit. The Court of Appeals, however, reversed the RTC's decision, imposing liability on Mindanao Terminal for the cargo damage.

Mindanao Terminal petitioned the Supreme Court for review, raising issues regarding their alleged carelessness in cargo stowage and the applicability of quasi-delict under Article 2176 of the Civil Code.

### Issues:

1. Whether Phoenix and McGee have a cause of action against Mindanao Terminal.
2. Whether Mindanao Terminal, as a stevedoring company, is obliged to observe extraordinary diligence in loading and stowing cargo.
3. Whether Mindanao Terminal observed the requisite degree of diligence.

### Court's Decision:

The Supreme Court granted Mindanao Terminal's petition, reinstating the RTC's decision that absolved Mindanao Terminal from liability for the cargo damage. The Court found:

1. **Cause of Action**: Phoenix and McGee had a legitimate cause of action based on quasi-delict, arising from alleged negligence in the stowage process.
2. **Degree of Diligence**: Mindanao Terminal was only required to observe ordinary diligence, not the extraordinary diligence required of common carriers and warehousemen. There was no contractual or legal basis to impose a higher degree of diligence on Mindanao

Terminal.

3. **Observance of Diligence**: The Court agreed with the RTC's findings, supported by evidence that Mindanao Terminal exercised proper care in the loading and stowage of the cargo, under the direction and supervision of the ship's officers and in accordance with relevant standards.

### ### Doctrine:

This case distinguishes the degrees of diligence required between different entities involved in the shipping and handling of goods. Specifically, a stevedoring company, which is responsible for loading and stowing cargoes, is required to observe only ordinary diligence, as opposed to extraordinary diligence required of common carriers and warehousemen, unless a higher degree is specifically mandated by contract or special law.

### ### Class Notes:

- **Quasi-Delict**: Actionable wrong independent of contractual relations, based on negligence or carelessness (Art. 2176, Civil Code).
- **Degree of Diligence**:
- **Ordinary Diligence**: Care that a reasonably prudent person would use under the same circumstances.
- **Extraordinary Diligence**: Highest possible degree of care, expected of common carriers and warehousemen.
- **Stevedoring** vs. **Arrastre Services**: Stevedoring involves loading/stowing of cargo within the vessel, requiring ordinary diligence; arrastre refers to handling of cargo on the wharf or between the ship and shore, requiring extraordinary diligence due to the custodial nature of the tasks.

### ### Historical Background:

This case provides insights into the operational nuances and legal interpretations of the roles and responsibilities within the maritime and shipping industry in the Philippines. By distinguishing between the duties and required diligence of stevedoring companies and other entities like common carriers and arrastre operators, the Supreme Court clarifies the applicability of certain legal doctrines in the context of cargo handling and transportation, reflecting the complex regulatory and operational environment in which these entities operate.