

****Title:**** Servando vs Philippine Steam Navigation Co. (1982): On Carriers' Liability and Fortuitous Events

****Facts:**** On November 6, 1963, plaintiffs-appellees Amparo C. Servando and Clara Uy Bico shipped goods on board FS-176, a vessel owned by defendant-appellant Philippine Steam Navigation Co. (PSNC), from Manila to Pulpandan, Negros Occidental. Upon arrival at Pulpandan on November 18, 1963, the cargoes were unloaded in good condition into a Bureau of Customs warehouse. That afternoon, a fire of unknown origin destroyed the warehouse and the goods. Despite this, Uy Bico had managed to retrieve some of her goods prior to the fire. Both plaintiffs sought compensation for their losses, which was denied by PSNC. Consequently, they filed separate complaints in the Court of First Instance of Negros Occidental, which were decided in their favor. PSNC appealed, and the case was elevated to the Supreme Court due to the involvement of pure questions of law.

****Issues:****

1. Whether the delivery of the shipment to the Customs warehouse constituted delivery to the consignee under Article 1736 of the Civil Code.
2. The validity and effect of the clause in the bills of lading exempting the carrier from liability for loss due to fortuitous events.
3. Whether the appellant can be held liable for the loss due to negligence.

****Court's Decision:****

1. ****Delivery to Customs Warehouse****: The Court ruled that the delivery to the Customs warehouse did not constitute delivery to the consignees as envisioned by Article 1736. The extraordinary responsibility of the carrier continues until the goods are actually or constructively delivered to the consignee.
2. ****Validity of the Liability Limitation Clause****: The Supreme Court upheld the clause in the bills of lading that exempted the carrier from liability for loss or damage due to fortuitous events as valid and not contrary to law, morals, or public policy. The Court referenced its decision in *Ong Yiu vs. Court of Appeals* to emphasize that provisions in a contract of adhesion, such as a bill of lading, bind the parties.
3. ****Carrier's Liability for Negligence****: The Court found no evidence of negligence on the part of PSNC. The fire was determined to be a fortuitous event that could not have been foreseen or prevented by PSNC. Since the loss occurred due to a fortuitous event without any contributory negligence from the carrier, the Court absolved PSNC from liability.

Doctrines: The extraordinary diligence required of common carriers under Article 1736 of the Civil Code does not extend to losses caused by fortuitous events, provided no negligence on the carrier's part contributed to the loss. Contracts of adhesion, including terms on the reverse side of tickets or bills of lading that are not signed by the contracting party, are binding provided they are not contrary to law, morals, or public policy.

Class Notes:

- **Contracts of Carriage and Adhesion Contracts:** Contracts where terms are established by one party (carrier) and the other party (passenger or shipper) adheres without much choice except to accept or reject the contract in its entirety.
- **Article 1736 vs. Article 1174 of the Civil Code:** While the former requires common carriers to observe extraordinary diligence over goods transported until delivered to the consignee, the latter exempts parties from liability for events that could not be foreseen or were inevitable (fortuitous events).
- **Liability Exemption Clauses:** Are effective and binding when not contrary to law, morals, public policy, or good customs.
- **Definition and Treatment of Fortuitous Events:** Events outside the control of the parties, unpredictable, or inevitable, do not hold the performing party liable for non-performance.

Historical Background: The decision clarifies and underscores the principles underlying the responsibilities and liabilities of common carriers in relation to goods in their custody, particularly regarding the effects of fortuitous events. It delves into the specifics of what constitutes delivery from the standpoint of the carrier's liability and the validity of contract terms limiting such liabilities in the event of unforeseeable catastrophes.