

Belgian Overseas Chartering and Shipping N.V. and Jardine Davies Transport Services, Inc. vs. Philippine First Insurance Co., Inc.

Title:

Belgian Overseas Chartering and Shipping N.V. and Jardine Davies Transport Services, Inc. vs. Philippine First Insurance Co., Inc. (G.R. No. 141146)

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Facts:

1. **Shipment of Goods**: On June 13, 1990, CMC Trading A.G. shipped 242 coils of Prime Cold Rolled Steel Sheets aboard MV Anangel Sky in Hamburg, Germany. The consignee was Philippine Steel Trading Corporation.
2. **Arrival and Inspection**: The vessel arrived in Manila on July 28, 1990. Upon unloading, four coils were found damaged.
3. **Declaration of Loss**: Philippine Steel Trading Corporation declared the four coils as a total loss due to their unfit condition for intended use.
4. **Insurer's Payment**: Philippine First Insurance Co., Inc. compensated the consignee PHP 506,086.50 and was subrogated to its rights against the carrier and its agent.
5. **Filing of Complaint**: The insurer filed a complaint for recovery against the petitioners on July 25, 1991.
6. **Defense**: Petitioners claimed pre-shipment damage, inherent vice of the goods, perils of the sea, and insufficiency of packing. They also cited limitations under the bill of lading and COGSA.
7. **RTC Ruling**: The Regional Trial Court of Makati City dismissed the complaint and the petitioners' counterclaim.
8. **CA Decision**: The Court of Appeals reversed the RTC ruling, holding petitioners liable for the damage. The CA awarded PHP 451,027.32 in damages with interest, attorney's fees, and costs.
9. **SC Petition**: Petitioners brought the case to the Supreme Court under Rule 45, challenging the CA's reversal.

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Issues:

1. **Evidence of Negligence**: Whether the presentation of a single witness was sufficient to apply Article 1735's presumption of negligence.

2. **Notice of Loss**: Whether the notice of loss was filed within the legally mandated time period.
3. **Pre-shipment Damage**: Whether pre-shipment damage noted in the Bill of Lading exempts the carrier from liability.
4. **Package Limitation**: Whether the limitation of liability under COGSA applies to this case.

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Court's Decision:

Issue 1: Evidence of Negligence

- **Ruling**: Article 1735 of the Civil Code presumes fault or negligence on the part of common carriers when goods arrive in bad order unless proven otherwise.
- **Legal Basis**: The Supreme Court reaffirmed the CA's position, stating various pieces of evidence supported the presumption of negligence. The Bill of Lading showed the goods were received in good order. Additionally, several documents, including inspection reports and bad order tally sheets, indicated damage occurred while in transit.
- **Conclusion**: The petitioners failed to provide adequate rebuttal evidence to overcome this presumption.

Issue 2: Notice of Loss

- **Ruling**: Section 3(6) of COGSA requires a notice of claim within three days unless the state of goods has been jointly inspected.
- **Legal Basis**: The SC held that the joint inspection qualified as timely notice and the claim was filed within the one-year limitation period.
- **Conclusion**: The petitioners' claim of untimeliness was without merit given the joint inspection and timely filing of the original suit.

Issue 3: Pre-shipment Damage

- **Ruling**: Article 1734(4) does not exempt carriers from liability if the goods' deterioration is preventable with proper storage.
- **Legal Basis**: The dented and rust-stained metal envelopes noted before shipment could not be conclusively linked to the damage, and there was no showing that petitioner exercised preventive measures.
- **Conclusion**: The notation did not absolve the carrier; therefore, petitioners were still liable for the damage.

Issue 4: Package Limitation

- **Ruling**: Section 4(5) of COGSA limits liability to USD 500 per package unless the shipper declares a higher value, evidenced by a bill of lading notation.
- **Legal Basis**: The SC found the “L/C No. 90/02447” notation in the Bill of Lading insufficient as it related only to financial arrangements, not the declared value for limited liability purposes.
- **Conclusion**: The SC applied the package limit and reduced petitioners’ liability to USD 2000.

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Doctrine:

- **Presumption of Negligence**: Common carriers are presumed negligent for damaged or lost goods unless proven otherwise with extraordinary diligence.
- **Joint Inspection for Notice**: A joint inspection can act as notice, exempting the claimant from strict adherence to a three-day notice period under COGSA.
- **Package Limitation Application**: The specific insertion of value declarations in the bill of lading is crucial to claiming more than the statutory package limit.

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Class Notes:

1. **Presumption of Negligence** (Article 1735, Civil Code)
2. **Extraordinary Diligence Requirement** (Article 1733, Civil Code)
3. **Exempt Causes for Liability** (Article 1734, Civil Code)
4. **Notice of Loss Requirements** (Sec. 3(6), COGSA)
5. **Package Limitation of Liability** (Sec. 4(5), COGSA)

Statutes:

- **Civil Code of the Philippines**: Articles 1733, 1734, 1735, 1742, 1749, 1750
- **Carriage of Goods by Sea Act (COGSA)**: Sec. 3(6), Sec. 4(5)

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Historical Background:

This case exemplifies the stringent standards imposed on common carriers under Philippine law. Carriers are presumed negligent for any loss or damage to cargo unless they can demonstrate having exercised extraordinary diligence. Furthermore, the case highlights the

intertwining functions of Bills of Lading as both receipt and contractual instruments, and the careful negotiation required around declared values to navigate package limitations under COGSA. The decision elucidates the prescriptive periods and the significance of joint inspections in maritime claims.