

Title:

****Loadstar Shipping Co., Inc. v. Court of Appeals and Manila Insurance Co., Inc.****

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Facts:

1. ****Initial Shipment****: On November 19, 1984, Loadstar Shipping Co., Inc. (“LOADSTAR”) received goods on board its vessel, M/V “Cherokee”:
 - 705 bales of lawanit hardwood.
 - 27 boxes and crates of tilewood assemblies and others.
 - 49 bundles of mouldings R & W (3) Apitong Bolidenized.
2. ****Insurance Details****: The shipment, valued at P6,067,178, was insured with Manila Insurance Co., Inc. (“MIC”) against risks including “TOTAL LOSS BY TOTAL LOSS OF THE VESSEL”. The vessel was also insured by Prudential Guarantee & Assurance, Inc. (“PGAI”) for P4 million.
3. ****Sinking Incident****: On November 20, 1984, the vessel sank off Limasawa Island while en route from Nasipit, Agusan del Norte to Manila.
4. ****Claims****: The consignee made a claim to LOADSTAR, which ignored it. MIC then paid P6,075,000 to the insured and was subrogated to the latter’s rights.
5. ****Trial Court****: On February 4, 1985, MIC filed a complaint against LOADSTAR and PGAI, alleging negligence. PGAI was eventually dropped from the case after paying the insurance proceeds to LOADSTAR.
6. ****Decision****: The Regional Trial Court of Manila ruled in favor of MIC, ordering LOADSTAR to pay MIC P6,067,178 plus interest and attorney’s fees.
7. ****Appeal****: LOADSTAR appealed to the Court of Appeals, which affirmed the trial court’s decision. LOADSTAR’s motion for reconsideration was denied.

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Issues:

1. ****Nature of Carrier****:

- Is M/V "Cherokee" a private or common carrier?

2. **Diligence Observed**:

- Did LOADSTAR observe due diligence in ensuring the vessel's seaworthiness and safe transportation of goods?

3. **Seaworthiness**:

- Was the vessel seaworthy at the time of the voyage?

4. **Application of Limited Liability**:

- Is the limited liability doctrine applicable considering the circumstances?

5. **Validity of Bill of Lading Provisions**:

- Are the stipulations in the bill of lading limiting LOADSTAR's liability enforceable?

6. **Prescription of Claim**:

- Was MIC's claim barred by prescription given the timeline of events?

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Court's Decision:

1. Nature of Carrier:

- **Common Carrier**: The Court held that M/V "Cherokee" is a common carrier, emphasizing that a certificate of public convenience is not necessary to classify a vessel as such. The vessel's lack of a fixed schedule or route and carrying of both cargo and passengers reinforced this classification.

2. Diligence Observed:

- **Negligence**: LOADSTAR failed to observe due diligence. The vessel was not seaworthy as it was undermanned and not adequately equipped for the voyage.

3. Seaworthiness:

- **Not Seaworthy**: The Court ruled the vessel was unseaworthy due to insufficient manning and inadequate preparations, further exacerbated by allowing the vessel to sail despite warnings of typhoons.

4. Application of Limited Liability:

- **Not Applicable**: The doctrine of limited liability does not apply due to LOADSTAR's

negligence in maintaining the vessel's seaworthiness. The Court found that the vessel's sinking was not due to force majeure but rather was a result of negligence.

****5. Validity of Bill of Lading Provisions**:**

- ****Null and Void****: The Court invalidated the stipulations in the bill of lading that limited LOADSTAR's liability, ruling them contrary to public policy. As MIC was subrogated to all rights of the shipper, those limitations did not apply against MIC.

****6. Prescription of Claim**:**

- ****Not Prescribed****: The Court dismissed LOADSTAR's claim of prescription, noting that the one-year prescriptive period under the Carriage of Goods by Sea Act (COGSA) was applicable and had not lapsed when MIC filed its complaint.

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Doctrine:

****1. Common Carrier Definition****: A vessel can be deemed a common carrier even without a certificate of public convenience and irrespective of its schedule, route, or whether it sometimes carries goods for specific parties.

****2. Seaworthiness****: A carrier must ensure that its vessel is sufficiently manned and equipped for the voyage. Failure to do so constitutes negligence.

****3. Limited Liability Inapplicability****: The limited liability doctrine does not protect a carrier where negligence in maintaining seaworthiness is proven.

****4. Liability Restrictions****: Provisions that seek to limit a common carrier's liability below what is mandated by law are null and void.

****5. One-Year Prescriptive Period****: Claims under the Carriage of Goods by Sea Act are subject to a one-year prescriptive period, barring stipulations to the contrary.

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Class Notes:

1. ****Common Carrier (Art. 1732, Civil Code)****:

- Definition: Unrestricted by the need for a public convenience certificate.

- Applicability: Engages in transporting goods or passengers, with or without a regular

schedule.

2. ****Seaworthiness Requirement (Art. 1755, Civil Code)**:**

- Obligation: Adequate equipping and manning of vessel.
- Liability: Breach incurs liability for negligence.

3. ****Limited Liability Doctrine**:**

- Limitation: Does not shield carriers negligent in maintaining seaworthy vessels.

4. ****Invalid Liability Limiting Clauses (Arts. 1744-1745, Civil Code)**:**

- Invalid Provisions: Null if limiting liability contrary to public policy.

5. ****COGSA Applicability**:**

- Prescriptive Period: One-year for filing claims, applicable to insurers as subrogees.

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Historical Background:

This case exemplifies the judiciary's emphasis on ensuring common carriers uphold stringent standards of care and responsibility towards their customers' goods. It reinforces the maritime law principle that carriers cannot contract out of liability through stipulations and must maintain seaworthy vessels, reflecting the legal context of increased oversight and protection for consumers in maritime transport during the late 20th century in the Philippines.