

****Title:****

Vector Shipping Corporation and Francisco Soriano vs. American Home Assurance Company and Sulpicio Lines, Inc.

****Facts:****

1. ****Initial Agreement****: On September 30, 1987, Caltex Philippines, Inc. (Caltex) entered into a contract of affreightment with Vector Shipping Corporation (Vector) for the transport of its petroleum cargo via the motor tanker M/T Vector. Francisco Soriano was the registered owner of M/T Vector.
2. ****Insurance****: Caltex insured its petroleum cargo with American Home Assurance Company (respondent) under Marine Open Policy No. 34-5093-6 for P7,455,421.08.
3. ****Collision and Loss****: On December 20, 1987, M/T Vector collided with M/V Doña Paz, operated by Sulpicio Lines, Inc. The collision led to the sinking of both vessels and the loss of Caltex's petroleum cargo.
4. ****Indemnification****: On July 12, 1988, the respondent indemnified Caltex for the loss of the petroleum cargo in the full amount insured, P7,455,421.08.
5. ****Complaint Filed****: The respondent filed a complaint on March 5, 1992, in the Regional Trial Court (RTC) of Makati City to recover the amount indemnified from Vector, Soriano, and Sulpicio Lines, Inc. (Civil Case No. 92-620).
6. ****RTC Decision****: On December 10, 1997, the RTC dismissed the case on the ground that the action, arising from a quasi-delict, prescribed under Article 1146, which required filing within four years from the time the cause of action occurred (December 20, 1987). Thus, the March 5, 1992, filing was beyond the period.
7. ****Appeal to CA****: The respondent appealed to the Court of Appeals (CA), which on July 22, 2003, reversed the RTC's decision, absolving Sulpicio Lines, Inc., but holding Vector and Soriano liable for P7,455,421.08.
8. ****CA Ruling****: The CA noted the action was based on a breach of contract (culpa contractual) rather than a quasi-delict, applying a ten-year prescriptive period under Article 1144. Vector and Soriano were consequently liable.
9. ****Partial Motion for Reconsideration****: Respondent filed a motion for partial reconsideration seeking to hold Sulpicio Lines, Inc. liable too, but the CA held off action due

to Vector and Soriano's elevated appeal to the Supreme Court.

****Issues:****

1. ****Prescription Period****: Whether the respondent's action was already barred by prescription due to the filing date of March 5, 1992.
2. ****Nature of Action****: Whether the cause of action arose from a quasi-delict or a breach of contract.
3. ****Subrogation Rights****: Whether the respondent had the rights of subrogation against Vector and Soriano under Article 2207 of the Civil Code.
4. ****Admissibility of Payment Evidence****: Whether the subrogation receipt submitted by the respondent was properly admitted as evidence.

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

1. ****Prescription Period****:

- The Court upheld that the ten-year prescriptive period under Article 1144(2) of the Civil Code applied, not the four-year period under Article 1146. This was because the cause of action was based on an obligation created by law (subrogation under Article 2207), not a quasi-delict. Therefore, the action was timely filed.

2. ****Nature of Action****:

- The present action was categorized as arising from an obligation created by law through subrogation (Article 2207), not from a written contract or quasi-delict. Subrogation does not depend on a written contract but on payment by the insurer to the assured with the right transferring thereafter.

3. ****Subrogation Rights****:

- The Court agreed that the insurer (respondent) had established its right of subrogation under Article 2207 by proving payment to Caltex for the insured petroleum cargo. Consequently, the insurer succeeded to Caltex's rights against Vector and Soriano.

4. ****Admissibility of Payment Evidence****:

- The subrogation receipt (Exhibit I) admissibly proved payment as evidence and was correctly considered during the trial. The payment operated as the legal basis for subrogation, empowering the respondent to claim reimbursement from Vector and Soriano.

****Doctrine:****

- **Subrogation under Article 2207**: Subrogation arises upon payment of an insurance claim and is not contingent on a contractual relationship. It establishes a legal obligation where the insurer, as subrogee, succeeds to the rights of the insured against the wrongdoer.

Class Notes:

- **Article 2207**: Subrogation right arises upon payment of indemnity by the insurer.
- **Prescriptive Period**: Actions upon an obligation created by law fall under a ten-year prescriptive period (Article 1144(2)).
- **Quasi-delict vs. Contract**: Differentiation between cases arising from quasi-delicts (4 years, Article 1146) and obligations created by law (10 years, Article 1144).
- **Evidence in Subrogation**: Importance of properly identifying and admitting payment proofs, such as subrogation receipts.

Historical Background:

- This case elucidates significant statutory interpretations in maritime law and insurance claims in the Philippines, particularly the distinctions in actions arising from contractual obligations versus quasi-delicts and the role of subrogation in insurance law. The importance of procedural details in litigation and appeals is also highlighted, adding to the legal landscape's evolving nature.