

Title

Trans-Asia Shipping Lines, Inc. vs. Court of Appeals and Atty. Renato T. Arroyo

Facts

1. **Initial Voyage and Observation**: On 12 November 1991, Atty. Renato T. Arroyo, employed as a public attorney, purchased a ticket from Trans-Asia Shipping Lines Inc. for a voyage from Cebu City to Cagayan de Oro City on the M/V Asia Thailand. Upon boarding at around 5:30 PM, Atty. Arroyo observed repair works on the vessel's engine.
2. **Departure and Engine Trouble**: The vessel, running on only one engine, departed at around 11:00 PM. After an hour, the vessel stopped near Kawit Island and dropped anchor due to engine trouble. Alarmed passengers requested to return to Cebu City.
3. **Return to Port and Passenger Disembarkation**: Acceding to the passengers' requests, the vessel returned to Cebu City. Atty. Arroyo and some other passengers disembarked. The vessel later proceeded to Cagayan de Oro City without them.
4. **Alternative Transport and Damages Claim**: The next day, Atty. Arroyo boarded the M/V Asia Japan for the same voyage. Consequently, he was not transported to his destination on the scheduled date. He filed a complaint for damages against Trans-Asia Shipping Lines, seeking compensatory, moral, and exemplary damages.
5. **Trial Court Findings**: The trial court dismissed the complaint after determining that there was no fraud, negligence, malice, or bad faith on the part of Trans-Asia Shipping Lines. It attributed the cessation of voyage to the passengers' request rather than engine malfunction.
6. **Appeal and CA Decision**: Unsatisfied, Atty. Arroyo appealed to the Court of Appeals (CA-G.R. CV No. 39901). The CA reversed the trial court's decision, finding Trans-Asia liable for moral and exemplary damages. It concluded there was a breach of duty under Article 1755 of the Civil Code for not exercising utmost diligence.

Issues

1. **Carrier's Liability for Damages**: Was Trans-Asia Shipping Lines liable for damages due to the interruption of the voyage and its eventual return to Cebu City?
2. **Applicability of Civil Code Articles**: Should the case be governed by the Civil Code

provisions on common carriers, or Article 698 of the Code of Commerce concerning voyage interruption?

Court's Decision

1. **Carrier's Liability under Civil Code Provisions**: The Supreme Court upheld that Trans-Asia Shipping Lines was bound to observe extraordinary diligence as per Articles 1733 and 1755 of the Civil Code, which it failed to do. The petitioner's decision to let the vessel sail with only one engine, which eventually failed, demonstrated a lack of due diligence and rendered the vessel unseaworthy.
2. **Applicability of Article 698 of the Code of Commerce**: The Court acknowledged that Article 698 suppletorily applied pursuant to Article 1766 of the Civil Code but emphasized that petitioner's liability arose from its failure to exercise extraordinary diligence, thus rendering Articles 2199, 2200, 2201, and 2208 relevant.
3. **Compensatory Damages**: The Supreme Court noted that despite Atty. Arroyo's claims for pecuniary loss due to additional expenses and loss of income, there was insufficient proof of these damages, leading the CA to deny the claim for actual damages.
4. **Moral and Exemplary Damages**: The award of moral damages (P20,000.00) and exemplary damages (P10,000.00) was warranted due to Trans-Asia's bad faith and disregard for passenger safety.
5. **Attorney's Fees**: The claim for attorney's fees was rejected, as it lacked factual and legal basis, and Atty. Arroyo failed to specifically pray for it. The Court emphasized the need for a "factual, legal, and equitable justification" for such an award.

Doctrine

1. **Extraordinary Diligence of Common Carriers**: Common carriers must carry passengers safely, applying utmost diligence akin to the care that very cautious persons would. They are liable for damages if they fail to meet this standard (Arts. 1733, 1755, and 1766, Civil Code).
2. **Compensatory Damages**: Actual or compensatory damages require conclusive evidence of pecuniary loss directly attributable to the carrier's failure (Art. 2199, Civil Code).

3. **Moral and Exemplary Damages**: Awarded for mental anguish and serious anxiety resulting from fraud, bad faith, or malicious conduct by the common carrier (Arts. 2200, 2217, 2229, and 2232, Civil Code).

Class Notes

- **Elements of Common Carrier's Liability**:
 - Contract of carriage establishment
 - Obligation to exercise extraordinary diligence (Arts. 1733 and 1755)
 - Breach leading to failure in transport and passenger safety (Art. 1764)
 - Conditions for awarding moral and exemplary damages.
- **Key Principles**:
 - Utmost diligence and extraordinary care.
 - Seaworthiness of the vessel mandated.
 - Documentation of precise damages required for compensatory claims.
 - Moral and exemplary damages rooted in bad faith or wanton conduct.

Historical Background

In the context of the Philippines' maritime industry in the early 1990s, safety standards for inter-island vessels were under significant scrutiny due to several maritime accidents leading to loss of lives and properties. The case highlights the judicial insistence on strict adherence to statutory obligations by common carriers, emphasizing the protection of passenger rights and bolstering accountability within the transport sector.