

**\*\*Title\*\*:** Southern Lines, Inc. vs. Court of Appeals and City of Iloilo

**\*\*Facts\*\*:**

In 1948, the City of Iloilo requisitioned rice from the National Rice and Corn Corporation (NARIC) in Manila. On August 24, 1948, NARIC shipped 1,726 sacks of rice to Iloilo aboard the SS "General Wright" operated by Southern Lines, Inc. The bill of lading showed a weight of 129,450 kilos and a total cost of P63,115.50. The City of Iloilo paid this amount upon receiving the shipment on September 3, 1948. However, the City found that only 1,685 sacks, weighing 116,131 kilos, were received, indicating a shortage of 13,319 kilos equivalent to 41 sacks valued at P6,486.35.

On February 14, 1951, the City of Iloilo filed a complaint in the Court of First Instance of Iloilo against NARIC and Southern Lines, Inc., seeking to recover the value of the shortage. The court absolved NARIC but ordered Southern Lines, Inc. to pay P4,931.41, deducting P1,554.94 owed to Southern Lines Inc. for handling and freight.

Southern Lines, Inc. appealed to the Court of Appeals, which affirmed the lower court's decision. The company then filed a petition for certiorari before the Supreme Court.

**\*\*Issues\*\*:**

1. Whether Southern Lines, Inc. is liable for the shortage of 13,319 kilos of rice.
2. Whether the City of Iloilo's failure to file a claim within 24 hours, as stated in the bill of lading and Article 366 of the Code of Commerce, bars it from seeking compensation.

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

1. **\*\*Liability for Shortage\*\*:** The Supreme Court held that Southern Lines, Inc. was liable for the loss, noting that the company's contention of shrinkage, leakage, or spillage due to the poor condition of the sacks was not sufficient to absolve it from liability. The court highlighted that if the defective condition of the sacks was apparent but the carrier accepted the goods regardless, the carrier remains responsible for any resulting losses. Testimonies showed negligence on the part of Southern Lines, Inc., indicating that some bags were broken, with personnel distributing collected spilled rice among themselves.
2. **\*\*24-Hour Claim Requirement\*\*:** The Court ruled that the requirement to file a claim within 24 hours was not applicable since Southern Lines, Inc. waived this defense by failing to plead it in their answer to the complaint. Furthermore, the bill of lading did not contain a

stipulation restricting the period for claiming a refund for overpayment. The City of Iloilo filed its action within a reasonable time, seeking a refund for the excess payment made, not for damages per se.

Thus, the Supreme Court affirmed the decision of the Court of Appeals, maintaining the award of P4,931.41 in favor of the City of Iloilo.

**\*\*Doctrine\*\***:

1. **\*\*Carrier Liability for Insufficiently Packed Goods\*\***: A carrier is not relieved of liability for loss or injury due to improper packing if such condition is known to or observable by the carrier at the time of acceptance.
2. **\*\*Waiver of Defense\*\***: A defense not raised in an answer is deemed waived and cannot be asserted at trial or on appeal.
3. **\*\*Failure to File Claim within Timeframe\*\***: Stipulations requiring claims for damages to be filed within a specified time are seen as conditions precedent, and if not pleaded in defense, they are considered waived.

**\*\*Class Notes\*\***:

- **\*\*Elements of a Carrier's Liability\*\***:
  - Proof of damage caused by nature or defect of goods lies with the carrier (Article 361, Code of Commerce).
  - Carrier liable for damages unless it proves the goods' loss was due to nature of goods, force majeure, or fortuitous event and shows it took precautions that careful persons would take (Article 362, Code of Commerce).
- **\*\*Waiver of Defenses\*\***:
  - Procedural requirement: defenses must be timely raised (Sec. 10, Rule 9, Rules of Court).
- **\*\*Legal Precedent\*\***:
  - Cases cited: Government vs. Ynchausti & Co., Triton Insurance Co. vs. Jose.

**\*\*Historical Background\*\***:

The case arose post-World War II, a time when the Philippines was reconstructing its economy. Proper transportation of essential goods like rice was crucial, and accountability

in protective measures during transit was particularly scrutinized to prevent shortages and economic loss. This legal interaction underscores the importance of transport laws and the responsibilities of carriers towards shippers, reflecting the economic vulnerabilities and the need for stringent legal frameworks during that period of national rebuilding.