

COMMERCIAL UNION ASSURANCE CO., LTD., PLAINTIFF AND APPELLEE, VS. MANILA PORT SERVICE, ET AL., DEFENDANTS AND APPELLANTS.

G.R. Nos. L-14948 & L-14972. October 31, 1961

Ponente: PAREDES, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/2caf1206fc22/>

PAREDES, J.:

Upon stipulation of facts, the Court of First Instance of Manila, rendered judgment "sentencing the defendants to pay the plaintiffs the sum of P745.95 plus 15% per cent thereof as and for attorney's fees and costs." Plaintiff appealed from the decision, in so far as it failed to award interest at the legal rate upon the principal sum of P745.95, from the date of the filing of the complaint; attorney's fees in the sum of P300.00 and liquidated damages and costs in an amount equal to 15% per cent of said P745.95. The defendants likewise appealed on a question of law.

P. J. Rhodes & Co., as shipper, placed on board 'M.S. Tosima', at New Orleans, a shipment of 4,000 bags of soybeans meal, consigned to the same company for which the owner of the shipping company issued a bill of lading No. 5, which was endorsed by the consignee to San Miguel Brewery, Manila, on May 7, 1956. Of the 4,000 bags, defendant Manila Port Service, a subsidiary of the defendant Manila Railroad Co., Inc., failed to deliver to San Miguel Brewery 26 bags. Upon demand by San Miguel Brewery, the herein plaintiff, Commercial Union Assurance Company, Ltd., as insurer of the goods, paid the former the sum of P745.95, and thereafter the plaintiff became subrogated to all the rights of the insured. This action was brought by the insurer to collect from the arrastre operators (defendants) the value of the 26 bags which were lost.

In the answer presented by the defendant, as well as in the stipulation of facts, the main defense is that the plaintiff's claim was not filed within the fifteen day period from the date of the discharge of the last package at the port of Manila, in violation of section 15 of the management contract between the Manila Port Service and the Bureau of Customs dated February 29, 1956, which, according to the defendants, is binding upon the plaintiff. The plaintiff contends otherwise.

From the stipulation of facts, it appears that 'the last bag of the shipment was discharged from the carrying vessel on May 9, 1956, whereas the provisional claim was filed on May 25, 1956' or one day late.

In its appeal, the plaintiff alleged that the trial court erred in failing to award it legal interest on the principal sum of P745.95, from February 19, 1959, the date of judicial demand and in failing to award attorney's fees in full P300.00. In their appeal, the defendants averred that the lower court erred in not holding the management contract binding upon the plaintiff-appellee; in including in the decision the sum of P308.16, representing the marked-up value of the 26 bags of soybean meal, when the same had not been admitted by defendants-appellants in the stipulation of facts and in ordering them to pay damages.

The pertinent portion of section 15 of the management contract under consideration provides:—

"* * * in any event the contractor shall be relieved and released of any and all responsibility or liability for loss, damage, mis-delivery, and/or non delivery of goods unless suit in the court of proper jurisdiction is brought within a period of one (1) year from the date of the discharge of the goods, or from the date when the claim for the value of such goods have been rejected or denied by the contractor, provided that such claim shall have been filed with the contractor within fifteen (15) days from the date of discharge of the last package from the carrying vessel".

At the time the goods were discharged, the above quoted section 15 was stamped on the delivery permit and on the gate pass; the consignee signed the delivery permit and the corresponding gate pass, which signified acceptance of the said provision of the management contract. Of course, the trial court, and with it the plaintiff-appellant contended that said acts did not constitute acceptance of or acquiescence to the provisions of the management contract, but they merely showed that the consignee had taken delivery of the goods shipped; that the consignee, not being a party to the management contract, the latter cannot reach or affect it; and that Article 1311 of the Civil Code is not applicable, because the management contract does not contain provisions which are in the nature of stipulation "pour autrui".

When the original briefs of the parties in this case were submitted; there was really much room for indulging in legal disquisitions on the dominant question involved herein. Since then, however, this tribunal had blazed the trail to pursue. Thus, in the case of the Domestic Insurance Co. of the Philippines vs. Manila Port Service, et al., L-15060, Aug. 31, 1960, We said:—

"In previous cases * * * already decided by this Court, we held that where the third party is duly notified, and acts with knowledge of the provisions of the Management Contract, such party would be bound by the Contract. In the case of Tomas Grocery vs. Delgado Brothers, Inc., 105 Phil., 549; 56 Off. Gaz., (27) 4422, we likewise held that under the fact therein found, the 15-day period provision was binding. In other words, it cannot be said that the Management Contract is, or not binding on third parties, without regard to the facts of each particular case. And since the appealed decision now before us, does not contain enough findings of fact upon which to resolve with justice the rights of the parties hereto, we decide to give them further opportunity to fully prove their respective contentions.

In the case of Villanueva vs. Barber-Wilhelmsen Line, et al., 110 Phil., 34, We stated:—

"* * * The question whether the above-quoted paragraph of the management contract is binding to a consignee, who, though not a party thereto, has taken delivery of the goods upon presentation of a pass and a delivery permit making reference to said paragraph and reproducing substantially the provisions thereof, as one of the conditions of said pass and delivery permit, has already been settled in several decisions of this Court. In Northern Motors, Inc. vs. Prince Line, 107 Phil., 253, we said:

'Even therefore, if appellant was not a signatory to said management contract, it legally became a party thereto when through its broker, the Luzon Brokerage Co., Inc. obtained the delivery permit and gate pass in the above manner prescribed by law and, making use of them, demanded from appellee the delivery of the 33 cases, pursuant to appellee's undertaking in virtue of the very same Management Contract. Again, it became bound when it brought court action against appellee, also by virtue of the letter's obligations as the arrastre contractor under the same Management Contract, for the purpose of recovering the reasonable value of the missing case of auto spare parts and accessories'.

This view was reiterated in Tomas Grocery vs. Delgado Brothers, 105 Phil., 549; 56 Off. Gaz., [27] 4422, Bernabe vs. Delgado Brothers, 107 Phil., 287; Bernabe vs. Delgado Brothers, 107 Phil., 679, Delgado Brothers vs. Li Yao & Co., 107 Phil., 839; Sun Brothers vs. Manila Port Service 107 Phil., 988; and Juan Ismael & Co., Inc. vs. United States Lines Co., L-14394, April 30, 1960".

Being a settled issue, that a management contract has a binding effect on the consignee who takes advantage

thereof, even though he is not a party thereto, the next question posed is whether or not the management contract under consideration has been complied with. Plaintiff-appellant explained in its reply memorandum that although the cargo was discharged on May 9, 1956, from the carrying vessel, it was only on May 25, 1956 that defendants delivered them to the consignee; so that, according to said plaintiff-appellant, the corresponding claim for the missing bags could not have been made before May 25, 1956, inasmuch as the consignee could not have known how many bags of the shipment in question were actually missing until after the delivery of the last bag had been made. But the management contract in question provided: "Within fifteen (15) days from the date of the discharge of the last package from the carrying vessel", and not 15 days from the receipt of the last bag by the consignee, and the stipulation of facts stated that "the last bag of the shipment in question was discharged from the carrying vessel at the Port of Manila on May 9, 1956, whereas provisional claim was filed by the consignee on May 25, 1956, which is beyond the 15-day period"—one day late.

In view of the above conclusion, we deem it necessary to pass upon the other issues raised by both parties. The decision appealed from, therefore, is reversed and another entered dismissing the complaint, with costs against the plaintiff-appellant.

Bengzon, C. J., Padilla, Bautista Angelo, Labrador, Concepcion, Reyes, J.B.L., and De Leon, JJ., concur

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.