

FIELDMEN'S INSURANCE CO., INC., PETITIONER, VS. MERCEDES VARGAS VDA. DE SONGCO, ET AL, AND COURT OF APPEALS, RESPONDENTS.*G.R. No. L-24833. September 23, 1968*

Ponente: FERNANDO, J.

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An insurance firm, petitioner Fieldmen's Insurance Co., Inc., was not allowed to escape liability under a common carrier insurance policy on the pretext that what was insured, not once but twice, was private vehicle and not a common carrier, the policy being issued upon the insistence of its agent who discounted fears of the insured that his privately owned vehicle might not fall within its terms, the insured moreover being "a man of scant education", finishing only the first grade. So it was held in a decision of the lower court thereafter affirmed by respondent Court of Appeals. Petitioner in seeking the review of the above decision of respondent Court of Appeals cannot be so sanguine as to entertain the belief that a different outcome could be expected. To be more explicit, we sustain the Court of Appeals.

The facts as found by respondent Court of Appeals, binding upon us, follow: "This is a peculiar case. Federico Songco of Floridablanca, Pampanga, a man of scant education, being only a first grader * * *, owned a private jeepney with Plate No. 41-269 for the year 1960. On September 15, 1960, as such private vehicle owner, he was induced by Fieldmen's Insurance Company Pampanga agent Benjamin Sambat to apply for a Common Carrier's Liability Insurance Policy covering his motor vehicle * * *. Upon paying an annual premium of P16. 50, defendant Fieldmen's Insurance Company Inc. issued on September 19, 1960, Common Carriers Accident Insurance Policy No. 45-H0-4254 * * * the duration of which will be for one (1) year, effective September 15, 1960 to September 15, 1961. On September 22, 1961, the defendant company, upon payment of the corresponding premium, renewed the policy by extending the coverage from October 15, 1961 to October 15, 1962. This time Federico Songco's private jeepney carried Plate No. L-68136- Pampanga-1961 * * *. On October 29, 1961, during the effectivity of the renewed policy, the insured vehicle while being driven by Rodolfo Songco, a duly licensed driver and son of Federico (the vehicle owner) collided with a car in the municipality of Calumpit, province of Bulacan, as a result of which mishap Federico Songco (father) and Rodolfo Songco (son) died, Carlos Songco (another son), the latter's wife, Angelita Songco, and a family friend by the name of Jose Manuel sustained physical injuries of varying degree." [1]

It was further shown according to the decision of respondent Court of Appeals: "Amor Songco, 42-year-old son of deceased Federico Songco, testifying as witness, declared that when insurance agent Benjamin Sambat was inducing his father to insure his vehicle, he butted in saying: 'That cannot be, Mr. Sambat, because our vehicle is an 'owner' private vehicle and not for passengers,' to which agent Sambat replied: 'whether our vehicle was an 'owner' type or for passengers it could be insured because their company is not owned by the Government and the Government has nothing to do with their company. So they could do what they please whenever they believe a vehicle is insurable' * * *. In spite of the fact that the present case was filed and tried in the CFI Pampanga, the

defendant company did not even care to rebut Amor Songco's testimony by calling on the witness-stand agent Benjamin Sambat, its Pampanga Field Representative.”[2]

The plaintiffs in the lower court, likewise respondents here, were the surviving widow and children of the deceased Federico Songco as well as the injured passenger Jose Manuel. On the above facts they prevailed, as had been mentioned, in the lower court and in the respondent Court of Appeals.

The basis for the favorable judgment is the doctrine announced in *Qua Chee Gan. v. Law Union and Rock Insurance Co. Ltd.*,[3] with Justice J. B. L. Reyes speaking for the Court. It is now beyond question that where inequitable conduct is shown by an insurance firm, it is "stopped from enforcing forfeitures in its favor, in order to forestall fraud or imposition on the insured.”[4]

As much, if not much more so than the *Qua Chee Gan* decision, this is a case where the doctrine of estoppel undeniably calls for application. After petitioner Fieldmen's Insurance Co, Inc. had led the insured Federico Songco to believe that he could qualify under the common carrier liability insurance policy, and to enter into contract of insurance paying the premiums due, it could not, there-after, in any litigation arising out of such representation, be permitted to change its stand to the detriment of the heirs of the insured. As estoppel is primarily based on the doctrine of good faith and the avoidance of harm that will befall the innocent party due to its in-jurious reliance, the failure to apply it in this case would result in a gross travesty of justice.

That is all that needs be said insofar as the first alleged error of respondent Court of Appeals is concerned, petitioner being adamant in its far-from-reasonable plea that estoppel could not be invoked by the heirs of the insured as a bar to the alleged breach of warranty and condition in the policy. It would now rely on the fact that the insured owned a private vehicle, not a common carrier, something which it knew all along, when not once but twice its agent, no doubt without any objection in its part, exerted the utmost pressure on the insured, a man of scant education, to enter into such a contract.

Nor is there any merit to the second alleged error of re-spondent Court that no legal liability was incurred under the policy by petitioner. Why liability under the terms of the policy[5] was inescapable was set forth in the decision of respondent Court of Appeals. Thus: Since some of the conditions contained in the policy issued by the defendant-appellant were impossible to comply with under the existing conditions at the time and inconsistent with the known facts, the insurer is estopped from asserting breach of such conditions. From this jurisprudence, we find no valid reason to deviate and consequently hold that the decision appealed from should be affirmed. The injured parties, to wit, Carlos Songco, Angelito Songco and Jose Manuel, for whose hospital and medical expenses the defendant company was being made liable, were passengers of the jeepney at the time of the occurrence, and Rodolfo Songco, for whose burial expenses the defendant company was also being made liable was the driver of the vehicle in question. Except for the fact, that they were not fare-paying passengers, their status as beneficiaries under the policy is recognized therein.”[6]

Even if it be assumed that there was an ambiguity, an excerpt from the *Qau Chee Can* decision would reveal anew the weakness of petitioner's contention. Thus: "Moreover, taking into account the well known rule that ambiguities or obscurities Must be strictly interpreted against the party that caused them, the 'memo of warranty invoked by appellant bars the latter from questioning the existence of the appliances called for in the insured premises, side its initial expression, 'the under-noted appliances for the extinction of fire being kept on the premises insured hereby. * * * it is hereby warranted * * *', admits of interpretation as an admission of the existence of such appliances which appellant cannot now contradict, should the parol evidence rule apply.”[7]

To the same effect is the following citation from the same leading case: "This rigid application of the rule on ambiguities has become necessary in view of current business practices. The courts cannot ignore that nowadays

monopolies, cartels and concentrations of capital, endowed with overwhelming economic power, manage to impose upon parties dealing with them cunningly prepared 'agreements' that the weaker party may not change one whit, his participation in the 'agreement' being reduced to the alternative to 'take it or leave it' labelled since Raymond Saleilles 'contracts by adherence' (contrato d'adhesion), in contrast to these entered into by parties bargaining on an equal footing, such contracts (of which policies of insurance and international bills of lading are prime example) obviously call for greater strictness and vigilance on the part of courts of justice with a view to protecting the weaker party from abuses and imposition, and prevent their becoming traps for the unwary (New Civil Code, Article 24; Sent. of Supreme Court of Spain, 13 Dec. 1934, 27 February 1942)."[8]

The last error assigned which would find fault with the decision of respondent Court of Appeals insofar as it affirmed the lower court award for exemplary damages as well as attorney's fees is, on its face, of no persuasive force at all.

The conclusion that inescapably emerges from the above is the correctness of the decision of respondent Court of Appeals sought to be reviewed. For, to borrow once again from the language of the Qua Chee Gan opinion: "The contract of insurance is one of perfect good faith (uberrima fides) not for the insured alone, but equally so for the insurer; in fact, it is more so for the latter, since its dominant bargaining position carries with it stricter responsibility." [9]

This is merely to stress that while the morality of the business world is not the morality of institutions of rectitude like the pulpit and the academe, it cannot descend so low as to be another name for guile or deception. Moreover, should it happen there, a court of justice should allow itself to lend its approval and support.

We have no choice but to recognize the monetary responsibility of petitioner Fieldmen's Insurance Co., Inc. It did not succeed in its persistent effort to avoid complying with its obligation in the lower court and the Court of Appeals. Much less should it find any receptivity from us for its unwarranted and unjustified plea to escape from its liability.

WHEREFORE, the decision of respondent Court of Appeals of July 20, 1965, is affirmed in its entirety. Costs against petitioner Fieldmen's Insurance Co., Inc.

Concepcion, C.J., Reyes, J.B.L., Dizon, Makalintal, Zaldivar, Sanchez, Castro, and Angeles, JJ., concur.

[1] Brief for Defendant-Appellant, Appendix A, pp. 27-28.

[2] Ibid, p. 31.

[3] 98 Phil. 85 (1955).

[4] Ibid, p. 92.

[5] The policy provided as follows: "'The company will, subject to the limits of liability and under terms of this policy, indemnify the insured in the event of accident caused by or arising out of the use of motor vehicle against all sums which the insured will become liable to pay in respect of: death or bodily injury to any fare paying passenger including the driver, conductor, and/or inspector who is riding in the motor vehicle insured at the time of the accident or injury. (RA 9)." (Brief for Defendant-Appellant, p. 36).

[6] Ibid p. 37.

[7] 98 Phil. 85, 92-93 (1955).

[8] Ibid, p. 95.

[9] Ibid, p. 95.

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