

MANILA PORT SERVICE AND MANILA RAILROAD COMPANY, PETITIONERS, VS. COURT OF APPEALS AND NORTHWEST INSURANCE & SURETY CO., INC., RESPONDENTS.

G.R. No. L-22618. August 31, 1967

Ponente: CONCEPCION, C.J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/ff89751edd2e/>

CONCEPCION, C.J.:

Appeal from a decision of the Court of Appeals. As therein set forth, the facts are:

"On July 25, 1960, Smith Bell & Co. (London) Ltd. shipped on board the steamship 'Aeneas' one case containing spare parts and accessories for the Victoria Precision Milling Machine valued at \$2,105.30 and consigned to J.C.A. Lumber and General Merchandise at Manila. The consignee insured the shipment with the Northwest Insurance & Surety Co., Inc., against loss or damage that may be suffered by him, in the sum of P5,514.83.

"Upon arrival of the carrying vessel, the cargo was discharged therefrom and was received on September 4, 1960 in good order and condition by the Manila Port Service, a subsidiary of the Manila Railroad Company and the sole arrastre operator for the Port of Manila, as per the 'Management Contract' (Exh. 2) executed by and between the Service and the Bureau of Customs on February 29, 1966.

"A customs broker, the Eastern Brokerage Co., Inc., was engaged by the consignee to clear the shipment through the Bureau of Customs and to obtain delivery thereof. On September 8, 1960, pending the issuance of the corresponding delivery permit, the broker filed a provisional claim for any loss or damage to the cargo with the Manila Port Service (Exh. M). The delivery permit having been issued the brokerage firm presented it to the Manila Port Service in order to take delivery of the shipment but, after diligent search, the same could not be located. For this reason, no gate pass was ever issued and the delivery permit was surrendered to the Manila Port Service, which issued on November 10, 1960, a certification to the effect that the shipment in question was not delivered to the consignee or its agent (Exh. D).

"In view of the non-delivery of the cargo, the customs broker filed a formal claim with the Manila Port Service on November 2, 1960 (Exh. I). A similar claim was submitted to the Northwest Insurance & Surety Co., Inc. on the basis of the policy issued by it over the cargo in question (Exh. C). The insurance company settled the claim, paying the consignee the face value of the policy - i.e., P5,514.83 (Exhs. E and F).

"The Northwest Insurance & Surety Co., Inc., as the subrogee of the assured-consignee, pursued the claim filed with the Manila Port Service for the value of the lost cargo, but the latter failed and refused to settle the same. Hence this action commenced on September 4, 1961, in the Court of First Instance of Manila.

"The appeal under consideration was interposed by defendants Manila Port Service and Manila Railroad Company against the judgment of the court a quo ordering them to pay, jointly and severally, to the plaintiff the sum of P5,514.83, with interest at the legal rate from the date of the filing of the complaint until fully paid and further to pay the costs."

The decision of the trial court having been affirmed by the Court of Appeals, with costs against the Manila Port

Service and the Manila Railroad Company - hereinafter referred to as Appellants - the latter have brought the matter before the Supreme Court on petition for review by certiorari, to which we gave due course.

The main issue in this case is whether or not the Northwest Insurance & Surety Co., Inc., as subrogee of J.C.A. Lumber and General Merchandise - hereinafter referred to as consignee is bound by the provisions of the Management Contract between the Manila Port Service - hereinafter referred to as the arrastre operator - and the Bureau of Customs, particularly the stipulations in said contract fixing the period of time within which the consignee of goods lost in the possession of the arrastre operator may file a claim for reimbursement of the value of said goods, and limiting the liability there-for to P500 per package, unless the value of the goods is otherwise specified.

Although, admittedly the Consignee herein and the Northwest Insurance & Surety Co., Inc. - hereinafter referred to as the subrogee - are not parties to the Management Contract aforementioned, the arrastre operator maintains that the same is binding upon them, because the Consignee had been notified and had acted with prior knowledge of the provisions of said contract.

This pretense is manifestly devoid of merit. A contract between two (2) persons can not bind another, not a party thereto, merely because he is aware of such contract and has acted with knowledge thereof. Although, in the cases cited by appellants,[1] the provisions of the Management Contract in question have been held binding upon consignees who were not parties to the agreement, this was due to the fact that they were barred from objecting to the application of the provisions of said agreement, they having availed themselves of the benefits resulting from the operation thereof, by taking delivery of some of the goods consigned to them, through the use of a permit or gate pass issued by the arrastre operator, with a statement, stamped on the back thereof, to the effect that said permit or pass was "subject to all the terms and conditions of the Management Contract x x x."

Such is not the situation obtaining in the case at bar. Indeed, the plea of estoppel has not been set up in the answer filed by herein appellants with the trial court. Said pleading merely assumes that the consignee is subject to the provisions of the Management Contract. What is more, the facts proven do not disclose any circumstance tending to show that the consignee herein had taken advantage of and received benefits under said contract. On the contrary - unlike the above-mentioned cases relied upon by appellants herein - in one case at bar: 1) there has been no partial delivery of the goods in question, all of which had been lost; 2) no gate pass had been issued to, or used by, the Consignee, for there were no goods it could have withdrawn, none having been found; 3) the permit issued by the latter was, for the same reason, not used by the Consignee; and 4) there is even no allegation in the pleadings or proof that, when said permit was delivered to the Consignee, it contained any reference whatsoever to the Management Contract.

This case is controlled by *Shell Company of the Philippines, Ltd. vs. Compañia General de Tabacos de Filipinas*[2] in which, speaking through Mr. Justice Jose P. Bengzon, this Court used the following language:

"In a long line of decisions we have consistently ruled that a consignee who, personally or through a broker, secures from the Bureau of Customs a delivery permit wherein is reproduced the limitations contained in the 'Important Notice' quoted above, signs and presents it to the arrastre contractor, and obtains, thereunder partial delivery of the goods, is bound by the provisions of the management contract between the Bureau of Customs and the arrastre contractor as if he were a party thereto. (*Tomas Grocery vs. Delgado Bros., Inc.*, 56 O.G. (27) 4422; *Northern Motors Inc. vs. Prince Lines*, L-13884, Feb. 29, 1960; *Bernabe vs. Delgado Bros., Inc.*, L-14360, Feb. 29, 1960; *Bernabe vs. Delgado Bros., Inc.*, 58 O.G. (38) 6774; *Juan Ysmael & Co., Inc. vs. United States Lines Co.*, L-14394, April 30, 1960; *Domestic Insurance Co. vs. Manila Port Service*, L-15060, August 31, 1960; *Ong Yet Hua Hardware Co., Inc. vs. Manila Railroad Co.*, L-15271, Nov. 29, 1960; *Villanueva vs. Barber Wilhemsens Line*, L-14764, Nov. 30, 1960; *Commercial Union Assurance Co., Ltd. vs.*

Manila Port Service, L-14948, Oct. 31, 1961; Insurance Company of North America vs. Manila Port Service, L-17331, Nov. 29, 1961; Domestic Insurance Co. of the Philippines vs. Manila Port Service, L-13439, Jan. 31, 1962; Atlantic Mutual Insurance Co. vs. Manila Port Service, L-16789, Oct. 31, 1962; Insurance Company of North America vs. United States Lines, L-17032, March 31, 1964.) In such cases the consignee was not only aware of the limitations contained in Paragraph 15 of the management contract but it also took advantage of and received benefits under said contract. In those cases, however, where the consignee did not sign the delivery permit and completely failed to obtain delivery thereunder because all the goods were missing or could not be located, we denied enforceability of the provisions of the management contract upon the consignee. (Sun Bros. & Co. vs. Manila Port Service, 58 O.G. (9) 1722; Reliance Surety & Insurance Co. vs. Manila Railroad Co., L-19589, April 30, 1964.)

"The consignee in the instant case did not make use of the delivery permit and derived no benefit from the management contract. Shell Co. of the Philippines, Ltd., could not have made use of the delivery permit or accepted the services of the Manila Port Service for no delivery, partial or total, was made because all the goods could not be found. As a matter of fact, the Manila Port Service certified to the non-delivery of said goods.

"Sheer notice of the provisions of the Management Contract on the part of Shell Company does not suffice to bind it as a party thereto. Where the consignee did not, personally or thru its broker, make use of any delivery permit as the goods were never withdrawn from the piers, it is not bound by the notice appearing on the back of the permit that claims for losses must be filed within 15 days from the discharge of the goods."

It should be noted that, in the aforementioned Shell case, a delivery permit was issued; that, at the back thereof, the statement to the effect that it was subject to the pertinent provisions of the management contract, had been stamped; and that the consignee's broker and agent had signed thereon, as well as presented the permit to the arrastre operator, but was unable to take delivery of any of the goods consigned to its principal, none having been found in the possession of said operator.

WHEREFORE, the decision appealed from should, as it is hereby, affirmed, with costs against appellants herein.

Reyes, Dizon, Makalintal, Zaldivar, Sanchez, Castro, Angeles, and Fernando, JJ., concur.

Bengzon, J.P., J., took no part.

[1] Northern Motors vs. Prince Lines, L-13884, Feb. 29, 1960; Sun Brothers, Inc. vs. Manila Port Service, L-13500, Apr. 29, 1960; Commercial Union Assurance Co., Ltd. vs. Manila Port Service, L-14448 & L-14972, Oct. 31, 1961; Domestic Insurance Co. of the Phil. vs. Manila Port Service, Jan. 31, 1962; Mendoza vs. Philippine Airlines, L-3668, Feb. 29, 1962.

[2] L-20230, July 30, 1965.

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.