

SINGAPORE AIRLINES LIMITED, PETITIONER, VS. THE COURT OF APPEALS AND PHILIPPINE AIRLINES, RESPONDENTS.*G.R. No. 107356. March 31, 1995*

Ponente: ROMERO, J.

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Sancho Rayos was an overseas contract worker who had a renewed contract with the Arabian American Oil Company (Aramco) for the period covering April 16, 1980, to April 15, 1981. As part of Aramco's policy, its employees returning to Dhahran, Saudi Arabia from Manila are allowed to claim reimbursement for amounts paid for excess baggage of up to 50 kilograms, as long as it is properly supported by receipt. On April 13, 1980, Rayos took a Singapore Airlines (SIA) flight to report for his new assignment, with a 50-kilogram excess baggage for which he paid P4,147.50. Aramco reimbursed said amount upon presentation of the excess baggage ticket.

In December 1980, Rayos learned that he was one of several employees being investigated by Aramco for fraudulent claims. He immediately asked his wife Beatriz in Manila to seek a written confirmation from SIA that he indeed paid for an excess baggage of 50 kilograms. On December 10, 1980, SIA's manager, Johnny Khoo, notified Beatriz of their inability to issue the certification requested because their records showed that only three kilograms were entered as excess and accordingly charged. SIA issued the certification requested by the spouses Rayos only on April 8, 1981, after its investigation of the anomaly and after Beatriz, assisted by a lawyer, threatened it with a lawsuit. On April 14, 1981, Aramco gave Rayos his travel documents without a return visa. His employment contract was not renewed.

On August 5, 1981, the spouses Rayos, convinced that SIA was responsible for the non-renewal of Rayos' employment contract with Aramco, sued it for damages. SIA claimed that it was not liable to the Rayoses because the tampering was committed by its handling agent, Philippine Airlines (PAL). It then filed a third-party complaint against PAL. PAL, in turn, countered that its personnel did not collect any charges for excess baggage; that it had no participation in the tampering of any excess baggage ticket; and that if any tampering was made, it was done by SIA's personnel.

Judge Jesus O. Ibay of the Regional Trial Court of Manila, Branch 30, rendered judgment on September 9, 1988, in favor of the plaintiffs, the dispositive portion of which reads thus:

"WHEREFORE, judgment is hereby rendered in favor of the plaintiffs and against the defendant Singapore Airlines Limited, sentencing the latter to pay the former the following:

1. The sum of Four Hundred Thirty Thousand Nine Hundred Pesos and Eighty Centavos (P430,900.80) as actual damages, with interest at the legal rate from the date of the filing of the complaint until fully paid.
2. The sum of Four Thousand One Hundred Forty-Seven Pesos and Fifty Centavos (P4,147.50) as reimbursement for the amount deducted from Mr. Rayos' salary, also with legal rate of interest from the filing of the complaint until paid in full;

3. The sum of Fifty Thousand Pesos (P50,000.00) as moral damages;
4. The sum equivalent to ten Per Cent (10%) of the total amount due as and for attorney's fees; and
5. The cost of suit.

The defendant's counterclaim is hereby dismissed.

ON THE THIRD PARTY COMPLAINT, the third-party defendant PAL is ordered to pay defendant and third-party plaintiff SIA whatever the latter has paid the plaintiffs.

SO ORDERED."

In so ruling, the court a quo concluded that the excess baggage ticket of Rayos was tampered with by the employees of PAL and that the fraud was the direct and proximate cause of the non-renewal of Rayos' contract with Aramco.

All parties appealed to the Court of Appeals. SIA's appeal was dismissed for non-payment of docket fees, which dismissal was eventually sustained by this Court. The Rayos spouses withdrew their appeal when SIA satisfied the judgment totalling P802,435.34.

In its appeal, PAL claimed that the spouses Rayos had no valid claim against SIA because it was the inefficiency of Rayos which led to the non-renewal of his contract with Aramco, and not the alleged tampering of his excess baggage ticket. On the other hand, SIA argued that the only issue in the said appeal is whether or not it was entitled to reimbursement from PAL, citing the case of *Firestone Tire and Rubber Company of the Philippines v. Tempongko*.^[1]

The appellate court disagreed with SIA's contention that PAL could no longer raise the issue of SIA's liability to the Rayoses and opined "that SIA's answer to the complaint should inure to the benefit of PAL, and the latter may challenge the lower court's findings against SIA in favor of plaintiffs-appellees (the Rayos spouses) for the purpose of defeating SIA's claim against it, and not for the purpose of altering in any way the executed judgment against SIA." In its answer to the main complaint, SIA set up the defense that the excess baggage ticket was indeed tampered with but it was committed by PAL's personnel. On September 21, 1992, the appellate court granted PAL's appeal and absolved it from any liability to SIA.

In this petition for review, SIA argues that PAL cannot validly assail for the first time on appeal the trial court's decision sustaining the validity of plaintiff's complaint against SIA if PAL did not raise this issue in the lower court. It added that the appellate court should have restricted its ruling on the right of SIA to seek reimbursement from PAL, as this was the only issue raised by SIA in its third-party complaint against PAL.

The instant appeal is impressed with merit.

The petitioner correctly pointed out that the case of *Firestone* squarely applies to the case at bench. In said case, the Court expounded on the nature of a third-party complaint and the effect of a judgment in favor of the plaintiff against the defendant and in favor of such defendant as third-party plaintiff against, ultimately, the third-party defendant. Speaking through then Justice and later Chief Justice Claudio Teehankee, the Court stated:

"The third-party complaint is, therefore, a procedural device whereby a "third party" who is neither a party nor privy to the act or deed complained of by the plaintiff, may be brought into the case with leave of court, by the defendant, who acts as third-party plaintiff to enforce against such third-party defendant a right for contribution, indemnity, subrogation or any other relief, in respect of the plaintiff's claim. The third-party complaint is actually independent of and separate and distinct from the plaintiff's complaint. x x x When leave to file the third-party complaint is properly granted, the Court renders in effect two judgments in the same case,

one on the plaintiff's complaint and the other on the third-party complaint. When he finds favorably on both complaints, as in this case, he renders judgment on the principal complaint in favor of plaintiff against defendant and renders another judgment on the third-party complaint in favor of defendant as third-party plaintiff, ordering the third-party defendant to reimburse the defendant whatever amount said defendant is ordered to pay plaintiff in the case. Failure of any of said parties in such a case to appeal the judgment as against him makes such judgment final and executory. By the same token, an appeal by one party from such judgment does not inure to the benefit of the other party who has not appealed nor can it be deemed to be an appeal of such other party from the judgment against him."

It must be noted that in the proceedings below, PAL disclaimed any liability to the Rayoses and imputed the alleged tampering to SIA's personnel. On appeal, however, PAL changed its theory and averred that the spouses Rayos had no valid claim against SIA on the ground that the non-renewal of Sancho's contract with Aramco was his unsatisfactory performance rather than the alleged tampering of his excess baggage ticket. In response to PAL's appeal, SIA argued that it was improper for PAL to question SIA's liability to the plaintiff, since this was no longer an issue on account of the finality and, in fact, satisfaction of the judgment.

Surprisingly, the appellate court ignored the Court's pronouncements in *Firestone* and declared:

"[T]here is nothing in the citation which would suggest that the appellant cannot avail of the defenses which would have been available to the non-appealing party against the prevailing party which would be beneficial to the appellant. After all, PAL's liability here is premised on the liability of SIA to plaintiffs-appellees. In its own defense, it should have the right to avail of defenses of SIA against plaintiffs-appellees which would redound to its benefit. This is especially true here where SIA lost the capability to defend itself on the technicality of failure to pay docket fee, rather than on the merits of its appeal. To hold otherwise would be to open the door to a possible collusion between the plaintiff and defendant which would leave the third-party defendant holding the bag."

There is no question that a third-party defendant is allowed to set up in his answer the defenses which the third-party plaintiff (original defendant) has or may have to the plaintiff's claim. There are, however, special circumstances present in this case which preclude third-party defendant PAL from benefitting from the said principle.

One of the defenses available to SIA was that the plaintiffs had no cause of action, that is, it had no valid claim against SIA. SIA investigated the matter and discovered that tampering was, indeed, committed, not by its personnel but by PAL's. This became its defense as well as its main cause of action in the third-party complaint it filed against PAL. For its part, PAL could have used the defense that the plaintiffs had no valid claim against it or against SIA. This could be done indirectly by adopting such a defense in its answer to the third-party complaint if only SIA had raised the same in its answer to the main complaint, or directly by so stating in unequivocal terms in its answer to SIA's complaint that SIA and PAL were both blameless. Yet, PAL opted to deny any liability which it imputed to SIA's personnel. It was only on appeal - in a complete turnaround of theory - that PAL raised the issue of no valid claim by the plaintiff against SIA. This simply cannot be allowed.

While the third-party defendant would benefit from a victory by the third-party plaintiff against the plaintiff, this is true only when the third-party plaintiff and third-party defendant have non-contradictory defenses. Here, the defendant and third-party defendant had no common defense against the plaintiffs' complaint, and they were even blaming each other for the fiasco.

Fear of collusion between the third-party plaintiff and the plaintiffs aired by the appellate court is misplaced if not totally unfounded. The stand of SIA as against the plaintiffs' claim was transparent from the beginning. PAL was aware of SIA's defense, and if it was convinced that SIA should have raised the defense of no valid claim by the

plaintiffs, it should have so stated in its answer as one of its defenses, instead of waiting for an adverse judgment and raising it for the first time on appeal.

The judgment, therefore, as far as the Rayoses and SIA are concerned, has already gained finality. What remains to be resolved, as correctly pointed out by petitioner, is whether it is entitled to reimbursement from PAL, considering that PAL appealed that part of the decision to the appellate court. This is where the rule laid down in *Firestone* becomes applicable.

The trial court's decision, although adverse to SIA as defendant, made PAL ultimately answerable for the judgment by ordering the latter to reimburse the former for the entire monetary award. On appeal, PAL tried to exonerate itself by arguing that the Rayoses had no valid claim against SIA. From PAL's viewpoint, this seemed to be the only way to extricate itself from a mess which the court *a quo* ascribed to it. This cannot, however, be allowed because it was neither raised by SIA in its answer to the main complaint nor by PAL in its answer to the third-party complaint. The prudent thing that PAL should have done was to state in its answer to the third-party complaint filed by SIA against it everything that it may conceivably interpose by way of its defense, including specific denials of allegations in the main complaint which implicated it along with SIA.

The appellate court was in error when it opined that SIA's answer inured to the benefit of PAL for the simple reason that the complaint and the third-party complaint are actually two separate cases involving the same set of facts which is allowed by the court to be resolved in a single proceeding only to avoid a multiplicity of actions. Such a proceeding obviates the need of trying two cases, receiving the same or similar evidence for both, and enforcing separate judgments therefor. This situation is not, as claimed by the appellate court, analogous to a case where there are several defendants against whom a complaint is filed stating a common cause of action, where the answer of some of the defendants inures to the benefit of those who did not file an answer. While such a complaint speaks of a single suit, a third-party complaint involves an action separate and distinct from, although related to, the main complaint. A third-party defendant who feels aggrieved by some allegations in the main complaint should, aside from answering the third-party complaint, also answer the main complaint.

We do not, however, agree with the petitioner that PAL is solely liable for the satisfaction of the judgment. While the trial court found, and this has not been adequately rebutted by PAL, that the proximate cause of the non-renewal of Rayos' employment contract with Aramco was the tampering of his excess baggage ticket by PAL's personnel, it failed to consider that the immediate cause of such non-renewal was SIA's delayed transmittal of the certification needed by Rayos to prove his innocence to his employer.

SIA was informed of the anomaly in December 1980 but only issued the certification four months later or, more specifically, on April 8, 1981, a few days before the expiration of Rayos' contract. Surely, the investigation conducted by SIA could not have lasted for four months as the information needed by the Rayoses could easily be verified by comparing the duplicate excess baggage tickets which they and their handling agent, PAL, kept for record purposes. The fact that the Rayos spouses had to be assisted by counsel who threatened to file a damage suit against SIA if the certification they urgently needed was not immediately issued only strengthens the suspicion that SIA was not dealing with them in utmost good faith. The effect of SIA's mishandling of Beatriz Rayos' request became instantly apparent when her husband's contract was not renewed in spite of his performance which was constantly "highly regarded" by the manager of Aramco's equipment services department.

Former Chief Justice and noted remedial law expert Manuel V. Moran opined that "in an action upon a tort, the defendant may file a third-party complaint against a joint tort-feasor for contribution."^[2]

The non-renewal of Rayos' employment contract was the natural and probable consequence of the separate tortious acts of SIA and PAL. Under mandate of Article 2176 of the Civil Code, Rayos is entitled to be

compensated for such damages. Inasmuch as the responsibility of two or more persons, or tort-feasors, liable for a quasi-delict is joint and several,[3] and the sharing as between such solidary debtors is pro-rata,[4] it is but logical, fair, and equitable to require PAL to contribute to the amount awarded to the Rayos spouses and already paid by SIA, instead of totally indemnifying the latter.

WHEREFORE, the decision of the respondent Court of Appeals in CA-G.R. CV No. 20488 dated September 21, 1992, is hereby REVERSED and a new one is entered ordering private respondent Philippine Airlines to pay, by way of contribution, petitioner Singapore Airlines one-half (1/2) of the amount it actually paid to Sancho and Beatriz Rayos in satisfaction of the judgment in Civil Case No. 142252, dated September 9, 1988.

SO ORDERED.

Feliciano, (Chairman), Melo, Vitug, and Francisco, JJ., concur.

[1] G.R. No. L-24399, March 28, 1969, 27 SCRA 418.

[2] Moran, Comments on the Rules of Court, I, 1979 ed., p. 281.

[3] Art. 2194, Civil Code.

[4] Opinion of Retired Justice Edgardo L. Paras in interpreting Art. 1217 of the Civil Code, Civil Code of the Philippines Annotated, IV, 11th ed., pp. 271-272.

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