

ELIAS S. CIPRIANO AND/OR E.S. CIPRIANO ENTERPRISES, PETITIONER, VS. THE COURT OF APPEALS AND MACLIN ELECTRONICS, INC., RESPONDENTS.

G.R. No. 107968. October 30, 1996

Ponente: MENDOZA, J.

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MENDOZA, J.:

This is a petition for review of the decision[1] of the Court of Appeals in CA-G.R. CV No. 36045 which affirmed in toto the decision of Branch 58[2] of the Quezon City Regional Trial Court, ordering the petitioner to pay P252,155.00 to private respondent for the loss of the latter's vehicle while undergoing rustproofing and P10,000.00 in attorney's fees.

The facts of the case are as follows:

Petitioner Elias S. Cipriano is the owner of E.S. Cipriano Enterprises, which is engaged in the rustproofing of vehicles, under the style Motobillkote. On April 30, 1991, private respondent Maclin Electronics, Inc., through an employee, brought a 1990 model Kia Pride People's car to petitioner's shop for rustproofing. The car had been purchased the year before from the Integrated Auto Sales, Inc. for P252,155.00.

The vehicle was received in the shop under Job Order No. 123581,[3] which showed the date it was received for rustproofing as well its condition at the time. Neither the time of acceptance nor the hour of release, however, was specified. According to the petitioner, the car was brought to his shop at 10 o'clock in the morning of April 30, 1991 and was ready for release later that afternoon, as it took only six hours to complete the process of rustproofing.

In the afternoon of May 1, 1991, fire broke out at the Lambat restaurant, which petitioner also owned, adjoining his Mobillkote rustproofing shop. The fire destroyed both the shop and the restaurant, including private respondent's Kia Pride. The car had been kept inside the building, allegedly to protect it from theft. Petitioner claimed that despite efforts to save the vehicle, there was simply not enough time to get it out of the building, unlike three other cars which had been saved because they were parked near the entrance of the garage.[4]

On May 8 1991, private respondent sent a letter to petitioner, demanding reimbursement for the value of the Kia Pride. In reply, petitioner denied liability on the ground that the fire was a fortuitous event. This prompted private respondent to bring this suit for the value of its vehicle and for damages against petitioner. Private respondent alleged that its vehicle was lost due to the negligence and imprudence of the petitioner, citing petitioner's failure to register his business with the Department of Trade and Industry under P.D. No. 1572 and to insure it as required in the rules implementing the Decree.[5]

In his Answer, petitioner invoked Art. 1174 of the Civil Code and denied liability for the loss which he alleged was due to a fortuitous event. He later testified that he employed an electrician who regularly inspected the lighting in his restaurant and rustproofing shop. In addition, he claimed he had installed fire-fighting devices and

that the fire was an accident entirely independent of his will and devoid of any negligence on his part. He further averred that private respondent's car was ready for release as early as afternoon of April 30, 1991, and that it was private respondent's delay in claiming it that was the cause of the loss.

Petitioner explained that rustproofing involved spraying asphalt-like materials underneath motor vehicle so that rust will not corrode its body and that the materials and chemicals used for this purpose are not inflammable. Therefore, he could not be made to assume the risk of loss due to fire. He also claimed that he was not required to register his business with the Department of Trade and Industry, because he was not covered by P.D. No. 1572.

On the other hand, private respondent argued that petitioner was liable for the loss of the car even if it was caused by a fortuitous event. It contended that the nature of petitioner's business required him to assume the risk because under P.D. No. 1572, petitioner was required to insure his property as well as those of his customers.

The trial court sustained the private respondent's contention that the "failure of defendant to comply with P.D. No. 1572 is in effect a manifest act of negligence which renders defendant [petitioner herein] liable for the loss of the car even if the same was caused by fire,"[6] even as it ruled that the business of rustproofing is "definitely covered" by P.D. No. 1572. Since petitioner did not register his business and insure it, he must bear the cost of loss of his customers. As already noted, the court ordered petitioner to pay private respondent P252,155.00 with interest at 6% per annum from the filing of the case and attorney's fees in the amount of P10,000.00.

On appeal, the decision was affirmed. The Court of Appeals ruled that the provisions of the Civil Code relied upon by the petitioner are not applicable to this case, and that the law applicable to the case is P.D. No. 1572, the purpose of which is to protect customers who entrust their properties to service and repair enterprises. The Court of Appeals held that by virtue of the provisions of P.D. No. 1572 and its implementing rules and regulations which require fire insurance coverage prior to accreditation, owners of service and repair enterprises assume the risk of loss of their customer's property. The appellate court stated:

Defendant-appellant was operating the business of rustproofing of cars and other motor vehicles illegally at the time of the fire in question; i.e., without the necessary accreditation and license from the Department of Trade and Industry, and it is for this reason that it did not carry at least a fire insurance coverage to protect the vehicles entrusted to it by its customers. Therefore, it must bear the consequences of such illegal operation, including the risk of losses or injuries to the vehicles of its customers brought by unforeseen or fortuitous events like the fire that gutted its shop and completely burned appellee's car while said vehicle was in its possession.[7]

The Court of Appeals also affirmed the award of attorney's fees, ruling that although the lower court did not expressly and specifically state the reason for the award, the basis therefor could be inferred from the finding that petitioner unjustly refused to pay private respondent's valid and demandable claim. Said the appellate court

Such wanton, reckless, and illegal operation of appellant's business resulted in appellee's lack of protection from the fire that gutted appellant's shop and which completely burned its car while in appellant's possession for rustproofing. Yet appellant adamantly and stubbornly refused to pay appellee the value of its lost car. It was, therefore, correctly ordered by the court a quo to pay appellee reasonable attorney's fees as it had unjustly and unreasonably refused to satisfy the latter's plainly valid, just, and demandable claim, compelling said appellee to file this action to protect its interest (Art. 2208, pars. (2) and (5), New Civil Code).[8]

Hence, this appeal. Petitioner contends that the fire which destroyed private respondent's car was a fortuitous event for which he cannot be held responsible. In support of his argument, he cites the following provisions of the Civil Code:

ART. 1174. Except in cases expressly specified by the law, or when it is otherwise declared by stipulation, or

when the nature of the obligation requires the assumption of risk, no person shall be responsible for those events which could not be foreseen, or which, though foreseen, were inevitable.

ART. 1262. An obligation which consists in the delivery of a determinate thing shall be extinguished if it should be lost or destroyed without the fault of the debtor, and before he has incurred in delay.

When by law or stipulation, the obligor is liable even for fortuitous events, the loss of the thing does not extinguish the obligation, and he shall be responsible for damages. The same rule applies when the nature of the obligation requires the assumption of risk.

The contention is without merit. The issue in this case is whether petitioner was required to insure his business and the vehicles received by him in the course of his business and, if so, whether his failure to do so constituted negligence, rendering him liable for loss due to the risk required to be insured against. We hold that both questions must be answered in the affirmative.

We have already held that violation of a statutory duty is negligence per se. In *F.F. Cruz and Co., Inc. v. Court of Appeals*,^[9] we held the owner of a furniture shop liable for the destruction of the plaintiff's house in a fire which started in his establishment in view of his failure to comply with an ordinance which required the construction of a firewall. In *Teague v. Fernandez*,^[10] we stated that where the very injury which was intended to be prevented by the ordinance has happened, non-compliance with the ordinance was not only an act negligence, but also the proximate cause of the death.

Indeed, the existence of a contract between petitioner and private respondent does not bar a finding of negligence under the principles of quasi-delict, as we recently held in *Fabre v. Court of Appeals*.^[11] Petitioner's negligence is the source of his obligation. He is not being held liable for breach of his contractual obligation due to negligence but for his negligence in not complying with a duty imposed on him by law. It is therefore immaterial that the loss occasioned to private respondent was due to a fortuitous event, since it was petitioner's negligence in not insuring against the risk which was the proximate cause of the loss.

Thus, P.D. No. 1572, § 1 requires service and repair enterprises for motor vehicles, like that of petitioner's to register with the Department of Trade and Industry. As condition for such registration or accreditation, Ministry Order No. 32 requires covered enterprises to secure insurance coverage. Rule III of this Order provides in pertinent parts:^[12]

§1- REQUIREMENTS FOR ACCREDITATION

1) Enterprises applying for original accreditation shall submit the following:

- 1.1. List of machineries/equipment/tools in useful condition;
- 1.2. List of certified engineers/accredited technicians mechanics with their personal data;
- 1.3. Copy of Insurance Policy of the shop covering the property entrusted by its customer for repair, service or maintenance together with a copy of the official receipt covering the full payment of premium;
- 1.4. Copy of Bond referred to under Section 7, Rule III of this Rules and Regulations;
- 1.5. Written service warranty in the form prescribed by the Bureau;
- 1.6. Certificate issued by the Securities and Exchange Commission and Articles of Incorporation or Partnership in case of corporation or partnership;
- 1.7. Such other additional documents which the Director may require from time to time.

§8 - INSURANCE POLICY

The insurance policy for the following risks like theft, pilferage, fire, flood and loss should cover exclusively the machines, motor vehicles, heavy equipment, engines, electronics, electrical, airconditioners, refrigerators, office machines and data processing equipment, medical and dental equipment, other consumer mechanical and industrial equipment stored for repair and/or service in the premises of the applicant.

There is thus a statutory duty imposed on petitioner and it is for his failure to comply with this duty that he was guilty of negligence rendering him liable for damages to private respondent. While the fire in this case may be considered a fortuitous event,[13] this circumstance cannot exempt petitioner from liability for loss.

We think, however, that the Court of Appeals erred in sustaining the award of attorney's fees by the lower court. It is now settled that the reasons or grounds for an award of attorney's fees must be set forth in the decision of the court.[14] They cannot be left to inference as the appellate court held in this case. The reason for this is that it is not sound policy to penalize the right to litigate. An award of attorney's fees, being an exception to this policy and limited to the grounds enumerated in the law,[15] must be fully justified in the decision. It can not simply be inserted as an item of recoverable damages in the judgment of the court. Since in this case there is no justification for the award of attorney's fees in the decision of the trial court, it was error for the Court of Appeals to sustain such award.

WHEREFORE, the decision, dated November 18, 1992, of the Court of Appeals is AFFIRMED, with the modification that the award of attorney's fees is DELETED.

SO ORDERED.

Regalado (Chairman), Romero, Puno, and Torres, Jr., JJ., concur.

[1] Per Justice Alicia V. Sempio Diy and concurred in by Justices Ricardo P. Galvez and Ricardo J. Francisco, chairman.

[2] Per Judge Bernardo P. Abesamis.

[3] Exh. F, Record, p. 7.

[4] Testimony of Elias Cipriano, TSN, p. 8, September 26, 1991.

[5] EMPOWERING THE SECRETARY OF TRADE TO REGULATE AND CONTROL THE OPERATION OF SERVICE AND REPAIR ENTERPRISES FOR MOTOR VEHICLES, HEAVY EQUIPMENT AND ENGINES AND ENGINEERING WORKS; ELECTRONICS, ELECTRICAL AIRCONDITIONING AND REFRIGERATION; OFFICE EQUIPMENT; MEDICAL AND DENTAL EQUIPMENT; AND OTHER CONSUMER MECHANICAL AND INDUSTRIAL EQUIPMENT, APPLIANCES OR DEVICES, INCLUDING THE TECHNICAL PERSONNEL EMPLOYED THEREIN.

[6] Rollo, pp. 30-31.

[7] Id., at p. 75.

[8] Id., at p. 76.

[9] 164 SCRA 731 (1988)

[10] 51 SCRA 181 (1973).

[11] G.R. No. 111127. July 26, 1996, Accord, Singson v. Bank of the Philippine Islands, 23 SCRA 1117 (1968); Air France v. Carrascoso, 18 SCRA 155 (1966).

[12] Emphasis added.

[13] See Sun Bros. Appliances, Inc. v. Perez, 7 SCRA 977 (1963); Sian v. Lopez, 96 Phil. 964 (1954); Lasam v. Smith, 45 Phil. 657 (1924).

[14] E.g., Solid Homes, Inc. v. Court of Appeals, 235 SCRA 299 (1994); Stronghold Insurance Company, Inc. v. Court of Appeals, 173 SCRA 619 (1989); Mirasol v. De la Cruz, 84 SCRA 337 (1978).

[15] Art. 2208, CIVIL CODE.

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