

**LBC EXPRESS, INC., PETITIONER, VS. THE COURT OF APPEALS,
ADOLFO M. CARLOTO, AND RURAL BANK OF LABASON, INC.,
RESPONDENTS.**

G.R. No. 108670. September 21, 1994

Ponente: PUNO, J.

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PUNO, J.:

In this Petition for Review on Certiorari, petitioner LBC questions the decision[1] of respondent Court of Appeals affirming the judgment of the Regional Trial Court of Dipolog City, Branch 8, awarding moral and exemplary damages, reimbursement of P32,000.00, and costs of suit; but deleting the amount of attorney's fees.

Private respondent Adolfo Carloto, incumbent President-Manager of private respondent Rural Bank of Labason, alleged that on November 12, 1984, he was in Cebu City transacting business with the Central Bank Regional Office. He was instructed to proceed to Manila on or before November 21, 1984 to follow-up the Rural Bank's plan of payment of rediscounting obligations with Central Bank's main office in Manila.[2] He then purchased a round trip plane ticket to Manila. He also phoned his sister Elsie Carloto-Concha to send him ONE THOUSAND PESOS (P1,000.00) for his pocket money in going to Manila and some rediscounting papers thru petitioner's LBC Office at Dipolog City.[3]

On November 16, 1984, Mrs. Concha thru her clerk, Adelina Antigo consigned thru LBC Dipolog Branch the pertinent documents and the sum of ONE THOUSAND PESOS (P1,000.00) to respondent Carloto at No. 2 Greyhound Subdivision, Kinasangan, Pardo, Cebu City. This was evidenced by LBC Air Cargo, Inc., Cashpack Delivery Receipt No. 34805.

On November 17, 1984, the documents arrived without the cashpack. Respondent Carloto made personal follow-ups on that same day, and also on November 19 and 20, 1984 at LBC's office in Cebu but petitioner failed to deliver to him the cashpack.

Consequently, respondent Carloto said he was compelled to go to Dipolog City on November 24, 1984 to claim the money at LBC's office. His effort was once more in vain. On November 27, 1984, he went back to Cebu City at LBC's office. He was, however, advised that the money has been returned to LBC's office in Dipolog City upon shipper's request. Again, he demanded for the ONE THOUSAND PESOS (P1,000.00) and refund of FORTY-NINE PESOS (P49.00) LBC revenue charges. He received the money only on December 15, 1984 less the revenue charges.

Respondent Carloto claimed that because of the delay in the transmittal of the cashpack, he failed to submit the rediscounting documents to Central Bank on time. As a consequence, his rural bank was made to pay the Central Bank THIRTY-TWO THOUSAND PESOS (P32,000.00) as penalty interest.[4] He allegedly suffered embarrassment and humiliation.

Petitioner LBC, on the other hand, alleged that the cashpack was forwarded via PAL to LBC Cebu City branch on

November 22, 1984.[5] On the same day, it was delivered at respondent Carloto's residence at No. 2 Greyhound Subdivision, Kinasangan, Pardo, Cebu City. However, he was not around to receive it. The delivery man served instead a claim notice to insure he would personally receive the money. This was annotated on Cashpack Delivery Receipt No. 342805. Notwithstanding the said notice, respondent Carloto did not claim the cashpack at LBC Cebu. On November 23, 1984, it was returned to the shipper, Elsie Carloto-Concha at Dipolog City.

Claiming that petitioner LBC wantonly and recklessly disregarded its obligation, respondent Carloto instituted an action for Damages Arising from Non-performance of Obligation docketed as Civil Case No. 3679 before the Regional Trial Court of Dipolog City on January 4, 1985. On June 25, 1988, an amended complaint was filed where respondent rural bank joined as one of the plaintiffs and prayed for the reimbursement of THIRTY-TWO THOUSAND PESOS (P32,000.00).

After hearing, the trial court rendered its decision, the dispositive portion of which reads:

"WHEREFORE, judgment is hereby rendered:

1. Ordering the defendant LBC Air Cargo, Inc. to pay unto plaintiff Adolfo M. Carloto and Rural Bank of Labason, Inc., moral damages in the amount of P10,000.00; exemplary damages in the amount of P5,000.00; attorney's fees in the amount of P3,000.00 and litigation expenses of P1,000.00;
2. Sentencing defendant LBC Air Cargo, Inc., to reimburse plaintiff Rural Bank of Labason, Inc. the sum of P32,000.00 which the latter paid as penalty interest to the Central Bank of the Philippines as penalty interest for failure to rediscount its due bills on time arising from the defendant's failure to deliver the cashpack, with legal interest computed from the date of filing of this case; and
3. Ordering defendant to pay the costs of these proceedings.

SO ORDERED."[6]

On appeal, respondent court modified the judgment by deleting the award of attorney's fees. Petitioner's Motion for Reconsideration was denied in a Resolution dated January 11, 1993.

Hence, this petition raising the following questions, to wit:

1. Whether or not respondent Rural Bank of Labason Inc., being an artificial person should be awarded moral damages.
2. Whether or not the award of THIRTY-TWO THOUSAND PESOS (P32,000.00) was made with grave abuse of discretion.
3. Whether or not the respondent Court of Appeals gravely abused its discretion in affirming the trial court's decision ordering petitioner LBC to pay moral and exemplary damages despite performance of its obligation.

We find merit in the petition.

The respondent court erred in awarding moral damages to the Rural Bank of Labason, Inc., an artificial person.

Moral damages are granted in recompense for physical suffering, mental anguish, fright, serious anxiety, besmirched reputation, wounded feelings, moral shock, social humiliation, and similar injury.[7] A corporation, being an artificial person and having existence only in legal contemplation, has no feelings, no emotions, no senses; therefore, it cannot experience physical suffering and mental anguish.[8] Mental suffering can be experienced only by one having a nervous system and it flows from real ills, sorrows, and griefs of life[9] - all of which cannot be suffered by respondent bank as an artificial person.

We can neither sustain the award of moral damages in favor of the private respondents. The right to recover moral damages is based on equity. Moral damages are recoverable only if the case falls under Article 2219 of the Civil Code in relation to Article 21.[10] Part of conventional wisdom is that he who comes to court to demand equity, must come with clean hands.

In the case at bench, respondent Carloto is not without fault. He was fully aware that his rural bank's obligation would mature on November 21, 1984 and his bank has set aside cash for these bills payable.[11] He was all set to go to Manila to settle this obligation. He has received the documents necessary for the approval of their rediscounting application with the Central Bank. He has also received the plane ticket to go to Manila. Nevertheless, he did not immediately proceed to Manila but instead tarried for days allegedly claiming his ONE THOUSAND PESOS (P1,000.00) pocket money. Due to his delayed trip, he failed to submit the rediscounting papers to the Central Bank on time and his bank was penalized THIRTY-TWO THOUSAND PESOS (P32,000.00) for failure to pay its obligation on its due date. The undue importance given by respondent Carloto to his ONE THOUSAND PESOS (P1,000.00) pocket money is inexplicable for it was not indispensable for him to follow up his bank's rediscounting application with Central Bank. According to said respondent, he needed the money to "invite people for a snack or dinner." [12] The attitude of said respondent speaks ill of his ways of business dealings and cannot be countenanced by this Court. Verily, it will be revolting to our sense of ethics to use it as basis for awarding damages in favor of private respondent Carloto and the Rural Bank of Labason, Inc.

We also hold that respondents failed to show that petitioner LBC's late delivery of the cashpack was motivated by personal malice or bad faith, whether intentional or thru gross negligence. In fact, it was proved during the trial that the cashpack was consigned on November 16, 1984, a Friday. It was sent to Cebu on November 19, 1984, the next business day. Considering this circumstance, petitioner cannot be charged with gross neglect of duty. Bad faith under the law can not be presumed; it must be established by clear and convincing evidence.[13] Again, the unbroken jurisprudence is that in breach of contract cases where the defendant is not shown to have acted fraudulently or in bad faith, liability for damages is limited to the natural and probable consequences of the breach of the obligation which the parties had foreseen or could reasonably have foreseen. The damages, however, will not include liability for moral damages.[14]

Prescinding from these premises, the award of exemplary damages made by the respondent court would have no legal leg to support itself. Under Article 2232 of the Civil Code, in a contractual or quasi-contractual relationship, exemplary damages may be awarded only if the defendant had acted in "a wanton, fraudulent, reckless, oppressive, or malevolent manner." The established facts do not so warrant the characterization of the action of petitioner LBC.

IN VIEW WHEREOF, the Decision of the respondent court dated September 30, 1992 is REVERSED and SET ASIDE; and the Complaint in Civil Case No. 3679 is ordered DISMISSED. No costs.

SO ORDERED.

Narvasa, C.J., (Chairman), Padilla, Regalado, and Mendoza, JJ., concur.

[1] Herrera, Manuel, J., Ponente; Torres, Justo, and Gutierrez, Angelina, JJ., concurring.

[2] Rollo, Court of Appeals Decision, p. 78.

[3] Ibid.

[4] Ibid., p. 79.

[5] Ibid.

[6] Rollo, pp. 127-128, penned by Regional Trial Court Judge Pelagio R. Lachica.

[7] Civil Code, Article 2217.

[8] Tamayo vs. University of Negros Occidental, 58 OG No. 37, p. 6023, September 10, 1962.

[9] Supra., at p. 6032.

[10] Garciano vs. Court of Appeals, G.R. No. 96126, August 10, 1992, 212 SCRA 436.

[11] Rollo, p. 214.

[12] Id., p. 216.

[13] See People's Bank and Trust Co. vs. Syvel's Inc., No. L-29280, August 11, 1988, 164 SCRA 247.

[14] See China Airlines Limited vs. Court of Appeals, G.R. No. 94590, July 29, 1992, 211 SCRA 897.

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