

EQUITABLE LEASING CORPORATION, PETITIONER, VS. LUCITA SUYOM, MARISSA ENANO, MYRNA TAMAYO AND FELIX OLEDAN, RESPONDENTS.

G.R. No. 143360. September 05, 2002

Ponente: PANGANIBAN, J.

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PANGANIBAN, J.:

In an action based on quasi delict, the registered owner of a motor vehicle is solidarily liable for the injuries and damages caused by the negligence of the driver, in spite of the fact that the vehicle may have already been the subject of an unregistered Deed of Sale in favor of another person. Unless registered with the Land Transportation Office, the sale -- while valid and binding between the parties -- does not affect third parties, especially the victims of accidents involving the said transport equipment. Thus, in the present case, petitioner, which is the registered owner, is liable for the acts of the driver employed by its former lessee who has become the owner of that vehicle by virtue of an unregistered Deed of Sale.

Statement of the Case

Before us is a Petition for Review under Rule 45 of the Rules of Court, assailing the May 12, 2000 Decision[1] of the Court of Appeals[2] (CA) in CA-GR CV No. 55474. The decretal portion of the Decision reads as follows:

“WHEREFORE, premises considered, the instant appeal is hereby DISMISSED for lack of merit. The assailed decision, dated May 5, 1997, of the Regional Trial Court of Manila, Branch 14, in Civil Case No. 95-73522, is hereby AFFIRMED with MODIFICATION that the award of attorney’s fees is DELETED.”[3]

On the other hand, in Civil Case No. 95-73522, the Regional Trial Court (RTC) of Manila (Branch 14) had earlier disposed in this wise:

“WHEREFORE, judgment is hereby rendered in favor of the plaintiffs and against the defendant Equitable Leasing Corporation ordering said defendant to pay to the plaintiffs the following:

A. TO MYRNA TAMAYO

1. the sum of P50,000.00 for the death of Reniel Tamayo;
2. P50,000.00 as moral damages; and
3. P56,000.00 for the damage to the store and its contents, and funeral expenses.

B. TO FELIX OLEDAN

1. the sum of P50,000.00 for the death of Felmarie Oledan;
2. P50,000.00 as moral damages; and
3. P30,000.00 for medical expenses, and funeral expenses.

C. TO MARISSA ENANO

1. P7,000.00 as actual damages

D. TO LUCITA SUYOM

1. The sum of P5,000.00 for the medical treatment of her two sons.

The sum of P120,000.00 as and for attorney's fees.”[4]

The Facts

On July 17, 1994, a Fuso Road Tractor driven by Raul Tutor rammed into the house cum store of Myrna Tamayo located at Pier 18, Vitas, Tondo, Manila. A portion of the house was destroyed. Pinned to death under the engine of the tractor were Respondent Myrna Tamayo's son, Reniel Tamayo, and Respondent Felix Oledan's daughter, Felmarie Oledan. Injured were Respondent Oledan himself, Respondent Marissa Enano, and two sons of Respondent Lucita Suyom.

Tutor was charged with and later convicted of reckless imprudence resulting in multiple homicide and multiple physical injuries in Criminal Case No. 296094-SA, Metropolitan Trial Court of Manila, Branch 12.[5]

Upon verification with the Land Transportation Office, respondents were furnished a copy of Official Receipt No. 62204139[6] and Certificate of Registration No. 08262797,[7] showing that the registered owner of the tractor was “Equitable Leasing Corporation/leased to Edwin Lim.” On April 15, 1995, respondents filed against Raul Tutor, Ecatine Corporation (“Ecatine”) and Equitable Leasing Corporation (“Equitable”) a Complaint[8] for damages docketed as Civil Case No. 95-73522 in the RTC of Manila, Branch 14.

The trial court, upon motion of plaintiffs' counsel, issued an Order dropping Raul Tutor, Ecatine and Edwin Lim from the Complaint, because they could not be located and served with summonses.[9] On the other hand, in its Answer with Counterclaim,[10] petitioner alleged that the vehicle had already been sold to Ecatine and that the former was no longer in possession and control thereof at the time of the incident. It also claimed that Tutor was an employee, not of Equitable, but of Ecatine.

After trial on the merits, the RTC rendered its Decision ordering petitioner to pay actual and moral damages and attorney's fees to respondents. It held that since the Deed of Sale between petitioner and Ecatine had not been registered with the Land Transportation Office (LTO), the legal owner was still Equitable.[11] Thus, petitioner was liable to respondents.[12]

Ruling of the Court of Appeals

Sustaining the RTC, the CA held that petitioner was still to be legally deemed the owner/operator of the tractor, even if that vehicle had been the subject of a Deed of Sale in favor of Ecatine on December 9, 1992. The reason cited by the CA was that the Certificate of Registration on file with the LTO still remained in petitioner's name.[13] In order that a transfer of ownership of a motor vehicle can bind third persons, it must be duly recorded in the LTO.[14]

The CA likewise upheld respondents' claim for moral damages against petitioner because the appellate court considered Tutor, the driver of the tractor, to be an agent of the registered owner/operator.[15]

Hence, this Petition.[16]

Issues

In its Memorandum, petitioner raises the following issues for the Court's consideration:

I

“Whether or not the Court of Appeals and the trial court gravely erred when they decided and held that petitioner [was] liable for damages suffered by private respondents in an action based on quasi delict for the negligent acts of a driver who [was] not the employee of the petitioner.

II

“Whether or not the Court of Appeals and the trial court gravely erred when they awarded moral damages to private respondents despite their failure to prove that the injuries they suffered were brought by petitioner’s wrongful act.”[17]

This Court’s Ruling

The Petition has no merit.

First Issue:

Liability for Wrongful Acts

Petitioner contends that it should not be held liable for the damages sustained by respondents and that arose from the negligence of the driver of the Fuso Road Tractor, which it had already sold to Ecatine at the time of the accident. Not having employed Raul Tutor, the driver of the vehicle, it could not have controlled or supervised him.[18]

We are not persuaded. In negligence cases, the aggrieved party may sue the negligent party under (1) Article 100[19] of the Revised Penal Code, for civil liability ex delicto; or (2) under Article 2176[20] of the Civil Code, for civil liability ex quasi delicto.[21]

Furthermore, under Article 103 of the Revised Penal Code, employers may be held subsidiarily liable for felonies committed by their employees in the discharge of the latter’s duties.[22] This liability attaches when the employees who are convicted of crimes committed in the performance of their work are found to be insolvent and are thus unable to satisfy the civil liability adjudged.[23]

On the other hand, under Article 2176 in relation to Article 2180[24] of the Civil Code, an action predicated on quasi delict may be instituted against the employer for an employee’s act or omission. The liability for the negligent conduct of the subordinate is direct and primary, but is subject to the defense of due diligence in the selection and supervision of the employee.[25] The enforcement of the judgment against the employer for an action based on Article 2176 does not require the employee to be insolvent, since the liability of the former is solidary -- the latter being statutorily considered a joint tortfeasor.[26] To sustain a claim based on quasi delict, the following requisites must be proven: (a) damage suffered by the plaintiff, (b) fault or negligence of the defendant, and (c) connection of cause and effect between the fault or negligence of the defendant and the damage incurred by the plaintiff.[27]

These two causes of action (ex delicto or ex quasi delicto) may be availed of, subject to the caveat[28] that the offended party cannot “recover damages twice for the same act or omission” or under both causes.[29] Since these two civil liabilities are distinct and independent of each other, the failure to recover in one will not necessarily preclude recovery in the other.[30]

In the instant case, respondents -- having failed to recover anything in the criminal case -- elected to file a separate civil action for damages, based on quasi delict under Article 2176 of the Civil Code.[31] The evidence is clear that the deaths and the injuries suffered by respondents and their kins were due to the fault of the driver of the

Fuso tractor.

Dated June 4, 1991, the Lease Agreement[32] between petitioner and Edwin Lim stipulated that “it is the intention of the parties to enter into a FINANCE LEASE AGREEMENT.”[33] Under such scheme, ownership of the subject tractor was to be registered in the name of petitioner, until the value of the vehicle has been fully paid by Edwin Lim.[34] Further, in the “Lease Schedule,”[35] the monthly rental for the tractor was stipulated, and the term of the Lease was scheduled to expire on December 4, 1992. After a few months, Lim completed the payments to cover the full price of the tractor.[36] Thus, on December 9, 1992, a Deed of Sale[37] over the tractor was executed by petitioner in favor of Ecatine represented by Edwin Lim. However, the Deed was not registered with the LTO.

We hold petitioner liable for the deaths and the injuries complained of, because it was the registered owner of the tractor at the time of the accident on July 17, 1994.[38] The Court has consistently ruled that, regardless of sales made of a motor vehicle, the registered owner is the lawful operator insofar as the public and third persons are concerned; consequently, it is directly and primarily responsible for the consequences of its operation.[39] In contemplation of law, the owner/operator of record is the employer of the driver, the actual operator and employer being considered as merely its agent.[40] The same principle applies even if the registered owner of any vehicle does not use it for public service.[41]

Since Equitable remained the registered owner of the tractor, it could not escape primary liability for the deaths and the injuries arising from the negligence of the driver.[42]

The finance-lease agreement between Equitable on the one hand and Lim or Ecatine on the other has already been superseded by the sale. In any event, it does not bind third persons. The rationale for this rule has been aptly explained in *Erezo v. Jепte*,[43] which we quote hereunder:

“x x x. The main aim of motor vehicle registration is to identify the owner so that if any accident happens, or that any damage or injury is caused by the vehicle on the public highways, responsibility therefor can be fixed on a definite individual, the registered owner. Instances are numerous where vehicles running on public highways caused accidents or injuries to pedestrians or other vehicles without positive identification of the owner or drivers, or with very scant means of identification. It is to forestall these circumstances, so inconvenient or prejudicial to the public, that the motor vehicle registration is primarily ordained, in the interest of the determination of persons responsible for damages or injuries caused on public highways.”[44]

Further, petitioner’s insistence on *FGU Insurance Corp. v. Court of Appeals* is misplaced.[45] First, in *FGU Insurance*, the registered vehicle owner, which was engaged in a rent-a-car business, rented out the car. In this case, the registered owner of the truck, which is engaged in the business of financing motor vehicle acquisitions, has actually sold the truck to Ecatine, which in turn employed Tutor. Second, in *FGU Insurance*, the registered owner of the vehicle was not held responsible for the negligent acts of the person who rented one of its cars, because Article 2180 of the Civil Code was not applicable. We held that no *vinculum juris* as employer and employee existed between the owner and the driver.[46] In this case, the registered owner of the tractor is considered under the law to be the employer of the driver, while the actual operator is deemed to be its agent.[47] Thus, Equitable, the registered owner of the tractor, is -- for purposes of the law on quasi delict -- the employer of Raul Tutor, the driver of the tractor. Ecatine, Tutor’s actual employer, is deemed as merely an agent of Equitable.[48]

True, the LTO Certificate of Registration, dated “5/31/91,” qualifies the name of the registered owner as “EQUITABLE LEASING CORPORATION/Leased to Edwin Lim.” But the lease agreement between Equitable and Lim has been overtaken by the Deed of Sale on December 9, 1992, between petitioner and Ecatine. While this

Deed does not affect respondents in this quasi delict suit, it definitely binds petitioner because, unlike them, it is a party to it.

We must stress that the failure of Equitable and/or Ecatine to register the sale with the LTO should not prejudice respondents, who have the legal right to rely on the legal principle that the registered vehicle owner is liable for the damages caused by the negligence of the driver. Petitioner cannot hide behind its allegation that Tutor was the employee of Ecatine. This will effectively prevent respondents from recovering their losses on the basis of the inaction or fault of petitioner in failing to register the sale. The non-registration is the fault of petitioner, which should thus face the legal consequences thereof.

Second Issue:

Moral Damages

Petitioner further claims that it is not liable for moral damages, because respondents failed to establish or show the causal connection or relation between the factual basis of their claim and their wrongful act or omission, if any. [49]

Moral damages are not punitive in nature, but are designed to compensate[50] and alleviate in some way the physical suffering, mental anguish, fright, serious anxiety, besmirched reputation, wounded feelings, moral shock, social humiliation, and similar injury unjustly caused a person.[51] Although incapable of pecuniary computation, moral damages must nevertheless be somehow proportional to and in approximation of the suffering inflicted.[52] This is so because moral damages are in the category of an award designed to compensate the claimant for actual injury suffered, not to impose a penalty on the wrongdoer.[53]

Viewed as an action for quasi delict, the present case falls squarely within the purview of Article 2219 (2),[54] which provides for the payment of moral damages in cases of quasi delict.[55] Having established the liability of petitioner as the registered owner of the vehicle,[56] respondents have satisfactorily shown the existence of the factual basis for the award[57] and its causal connection to the acts of Raul Tutor, who is deemed as petitioner's employee.[58] Indeed, the damages and injuries suffered by respondents were the proximate result of petitioner's tortious act or omission.[59]

Further, no proof of pecuniary loss is necessary in order that moral damages may be awarded, the amount of indemnity being left to the discretion of the court.[60] The evidence gives no ground for doubt that such discretion was properly and judiciously exercised by the trial court.[61] The award is in fact consistent with the rule that moral damages are not intended to enrich the injured party, but to alleviate the moral suffering undergone by that party by reason of the defendant's culpable action.[62]

WHEREFORE, the Petition is DENIED and the assailed Decision AFFIRMED. Costs against petitioner.

SO ORDERED.

Puno, (Chairman), Corona, and Carpio-Morales, JJ., concur.

Sandoval-Gutierrez, J., on leave.

[1] Rollo, pp. 21-31.

[2] Third Division. Written by Justice B. A. Adefuin-de la Cruz and concurred in by Justices Quirino D. Abad Santos Jr. (Division chairman) and Renato C. Dacudao (member).

[3] Assailed Decision, p. 11; rollo, p. 31.

[4] RTC Decision, p. 8; rollo, p. 57; penned by Judge Inocencio D. Maliaman.

[5] See Annex “E”; rollo, p. 38.

[6]] See Annex “C”; id., p. 35.

[7] See Annex “C-1”; ibid.

[8] Annex “F”; rollo, p. 38.

[9] Respondents’ Memorandum, p. 1; rollo, p. 117.

[10] Annex “G”; rollo, p. 45; penned by Judge Lydia Querubin Layosa.

[11] RTC Decision, p. 5; rollo, p. 54.

[12] Petitioner’s Memorandum, p. 5; rollo, p. 11.

[13] CA Decision, p. 7; rollo, p. 27.

[14] Id., pp. 9 & 29.

[15] Id., pp. 10 & 30.

[16] The case was deemed submitted for decision on December 13, 2001, upon the Court’s receipt of respondents’ Memorandum, which was signed by Atty. Yolando F. Lim of Mercado Lim and Associates. Petitioner’s Memorandum, filed on October 24, 2001, was signed by Atty. Sergio M. Ceniza of Santos Pilapil and Associates.

[17] Page 7; rollo, p. 101. Original in upper case.

[18] Petitioner’s Memorandum, p. 9; rollo, p. 103.

[19] This article provides:

“ART. 100. Civil Liability of a person guilty of felony. - Every person criminally liable for a felony is also civilly liable.”

[20] This article provides:

“Art. 2176. Whoever by act or omission causes damage to another, there being fault or negligence, is obliged to pay for the damage done. Such fault or negligence, if there is no pre-existing contractual relation between the parties, is called a quasi-delict and is governed by the provision of this Chapter.”

[21] Rafael Reyes Trucking Corporation v. People, 329 SCRA 600, April 3, 2000; Casupanan and Capitulo v. Laroya, GR No. 145391, August 26, 2002.

[22] Ibid.

[23] Franco v. Intermediate Appellate Court, 178 SCRA 333, October 5, 1989.

[24] This article provides:

“ART. 2180. The obligation imposed by article 2176 is demandable not only for one’s own acts or omissions, but also for those of persons for whom one is responsible.

x x x x x x x x

“Employers shall be liable for the damages caused by their employees and household helpers acting within the scope of their assigned tasks, even though the former are not engaged in any business or industry.

x x x x x x x x”

[25] Rafael Reyes Trucking Corporation v. People, supra.

[26] Article 2194 Civil Code provides, “Art. 2194. The responsibility of two or more persons who are liable for a quasi-delict is solidary.”

[27] FGU Insurance Corporation v. Court of Appeals, 287 SCRA 718, March 23, 1998, citing Andamo v. Intermediate Appellate Court, 191 SCRA 195, November 6, 1990.

[28] This caveat is found in Art. 2177 of the Civil Code which states:

“ART. 2177. Responsibility for fault or negligence under the preceding article is entirely separate and distinct from the civil liability arising from negligence under the Penal Code. But the plaintiff cannot recover damages twice for the same act or omission of the defendant.”

[29] Padilla v. Court of Appeals, 129 SCRA 558, March 31, 1984; Mendoza v. Arrieta, 91 SCRA 113, June 29, 1979; Barredo v. Garcia, 73 Phil. 607, July 8, 1942.

[30] Rafael Reyes Trucking Corporation v. People, supra.

[31] Ibid.

[32] Annex “B”; rollo, p. 32

[33] Annex “B-1”; rollo, p. 34.

[34] Petitioner’s Memorandum, p. 2; rollo, p. 8.

[35] Annex “B-1”; rollo, p. 34.

[36] Petitioner’s Memorandum, p. 2; rollo, p. 8.

[37] Annex “D”; rollo, p. 36

[38] Aguilar v. Commercial Savings Bank, GR No. 128705, June 29, 2001.

[39] MYC-Agro-Industrial Corporation v. Vda. de Caldo, 132 SCRA 10, September 7, 1984, citing Vargas v. Langcay, 6 SCRA 174, September 29, 1962; Vda. de Medina v. Cresencia, 99 Phil. 506, July 11, 1956; Timbol v. Osias, 96 Phil. 989, April 30, 1955; Montoya v. Ignacio, 94 Phil. 182, December 29, 1953; Tamayo v. Aquino et al., 105 Phil. 949, May 29, 1959.

[40] First Malayan Leasing and Finance Corporation v. Court of Appeals, 209 SCRA 660, June 9, 1992.

[41] BA Finance Corporation v. Court of Appeals, 215 SCRA 715, November 13, 1992.

[42] Aguilar v. Commercial Savings Bank, supra.

[43] 102 Phil. 103, September 30, 1957, per Labrador, J.

[44] Id., p. 108, per Labrador, J.

[45] Maloles II v. Philips, 324 SCRA 172, January 31, 2000.

[46]

[47] First Malayan Leasing and Finance Corporation v. Court of Appeals, 209 SCRA 660, June 9, 1992.

[48] Ibid.

[49] Petitioner's Memorandum, p. 15; rollo, p. 109.

[50] Dee Hua Liong Electrical Equipment Corp. v. Reyes, 145 SCRA 713, November 25, 1986.

[51]] Expertravel & Tours Inc. v. Court of Appeals, 309 SCRA 141, June 25, 1999.

[52] Philtranco Services Enterprises Inc. v. Court of Appeals, 273 SCRA 562, June 17, 1997.

[53] Radio Communication v. Rodriguez, 182 SCRA 899 February 28, 1990; San Miguel Brewery Inc., 21 SCRA 292, September 29, 1967

[54] "Art. 2219. Moral damages may be recovered in the following and analogous cases:

(1) A criminal offense resulting in physical injuries;

(2) Quasi-delicts causing physical injuries;

x x x x x x x x."

[55] Fabre Jr. v. Court of Appeals, 259 SCRA 426, July 26, 1996.

[56] BA Finance Corporation v. Court of Appeals, supra.

[57] "ART. 2217. Moral damages include physical suffering, mental anguish, fright, serious anxiety, besmirched reputation, wounded feelings, moral shock, social humiliation, and similar injury. Though incapable of pecuniary computation, moral damages may be recovered if they are the proximate result of the defendant's wrongful act or omission."

[58] Philippine Veterans Bank v. NLRC, 317 SCRA 510, October 26, 1999.

[59] San Miguel Brewery, Inc. v. Magno, 21 SCRA 292, September 29, 1967; Dee Hua Liong Electrical Equipment Corp v. Reyes, supra.

[60] "ART. 2216. No proof of pecuniary loss is necessary in order that moral, nominal, temperate, liquidated or exemplary damages, may be adjudicated. The assessment of such damages, except liquidated ones, is left to the discretion of the court, according to the circumstances of each case."

[61] Salao v. Court of Appeals, 284 SCRA 493, January 22, 1998.

[62] Philippine Airlines v. Court of Appeals, supra.

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