

PHILIPPINE CHARTER INSURANCE CORPORATION, PETITIONER, VS. NEPTUNE ORIENT LINES/OVERSEAS AGENCY SERVICES, INC., RESPONDENTS.

G.R. No. 145044. June 12, 2008

Ponente: AZCUNA, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-145044/>

AZCUNA, J.:

This is a petition for review on certiorari^[1] of the Resolution of the Court of Appeals (CA) in CA-G.R. CV No. 52855 promulgated on April 13, 2000 granting respondents' motion for reconsideration dated March 9, 2000. The Resolution held respondents liable for damages to petitioner subject to the limited-liability provision in the bill of lading.

The facts are as follows:

On September 30, 1993, L.T. Garments Manufacturing Corp. Ltd. shipped from Hong Kong three sets of warp yarn on returnable beams aboard respondent Neptune Orient Lines' vessel, M/V Baltimar Orion, for transport and delivery to Fukuyama Manufacturing Corporation (Fukuyama) of No. 7 Jasmin Street, AUV Subdivision, Metro Manila.

The said cargoes were loaded in Container No. IEAU-4592750 in good condition under Bill of Lading No. HKG-0396180. Fukuyama insured the shipment against all risks with petitioner Philippine Charter Insurance Corporation (PCIC) under Marine Cargo Policy No. RN55581 in the amount of P228,085.

During the course of the voyage, the container with the cargoes fell overboard and was lost.

Thus, Fukuyama wrote a letter to respondent Overseas Agency Services, Inc. (Overseas Agency), the agent of Neptune Orient Lines in Manila, and claimed for the value of the lost cargoes. However, Overseas Agency ignored the claim. Hence, Fukuyama sought payment from its insurer, PCIC, for the insured value of the cargoes in the amount of P228,085, which claim was fully satisfied by PCIC.

On February 17, 1994, Fukuyama issued a Subrogation Receipt to petitioner PCIC for the latter to be subrogated in its right to recover its losses from respondents.

PCIC demanded from respondents reimbursement of the entire amount it paid to Fukuyama, but respondents refused payment.

On March 21, 1994, PCIC filed a complaint for damages against respondents with the Regional Trial Court (RTC) of Manila, Branch 35.

Respondents filed an Answer with Compulsory Counterclaim denying liability. They alleged that during the voyage, the vessel encountered strong winds and heavy seas making the vessel pitch and roll, which caused the subject container with the cargoes to fall overboard. Respondents contended that the occurrence was a fortuitous event which exempted them from any liability, and that their liability, if any, should not exceed US\$500 or the

limit of liability in the bill of lading, whichever is lower.

In a Decision dated January 12, 1996, the RTC held that respondents, as common carrier,[2] failed to prove that they observed the required extraordinary diligence to prevent loss of the subject cargoes in accordance with the pertinent provisions of the Civil Code.[3] The dispositive portion of the Decision reads:

WHEREFORE, judgment is rendered ordering the defendants, jointly and severally, to pay the plaintiff the Peso equivalent as of February 17, 1994 of HK\$55,000.00 or the sum of P228,085.00, whichever is lower, with costs against the defendants.[4]

Respondents' motion for reconsideration was denied by the RTC in an Order dated February 19, 1996.

Respondents appealed the RTC Decision to the CA.

In a Decision promulgated on February 15, 2000, the CA affirmed the RTC Decision with modification, thus:

WHEREFORE, the assailed decision is hereby MODIFIED. Appellants Neptune and Overseas are hereby ordered to pay jointly and severally appellee PCIC P228,085.00, representing the amount it paid Fukuyama. Costs against the appellants.[5]

Respondents moved for reconsideration of the Decision of the CA arguing, among others, that their liability was only US\$1,500 or US\$500 per package under the limited liability provision of the Carriage of Goods by Sea Act (COGSA).

In its Resolution dated April 13, 2000, the CA found the said argument of respondents to be meritorious. The dispositive portion of the Resolution reads:

WHEREFORE, the motion is partly granted in the sense that appellants shall be liable to pay appellee PCIC the value of the three packages lost computed at the rate of US\$500 per package or a total of US\$1,500.00.[6]

Hence, this petition raising this lone issue:

THE COURT OF APPEALS ERRED IN AWARDING RESPONDENTS DAMAGES SUBJECT TO THE US\$500 PER PACKAGE LIMITATION.

Petitioner contends that the CA erred in awarding damages to respondents subject to the US\$500 per package limitation since the vessel committed a "quasi deviation" which is a breach of the contract of carriage when it intentionally threw overboard the container with the subject shipment during the voyage to Manila for its own benefit or preservation based on a Survey Report[7] conducted by Mariner's Adjustment Corporation, which firm was tasked by petitioner to investigate the loss of the subject cargoes. According to petitioner, the breach of contract resulted in the abrogation of respondents' rights under the contract and COGSA including the US\$500 per package limitation. Hence, respondents cannot invoke the benefit of the US\$500 per package limitation and the CA erred in considering the limitation and modifying its decision accordingly.

The contention lacks merit.

The facts as found by the RTC do not support the new allegation of facts by petitioner regarding the intentional throwing overboard of the subject cargoes and quasi deviation. The Court notes that in petitioner's Complaint before the RTC, petitioner alleged as follows:

xxx xxx xxx

2.03

In the course of the maritime voyage from Hongkong to Manila subject shipment fell overboard while in the

custody of the defendants and were never recovered; it was part of the LCL cargoes packed by defendants in container IEAU-4592750 that fell overboard during the voyage.[8]

Moreover, the same Survey Report cited by petitioner stated:

From the investigation conducted, we noted that Capt. S.L. Halloway, Master of MV "BALTIMAR ORION" filed a Note of Protest in the City of Manila, and was notarized on 06 October 1993.

Based on Note of Protest, copy attached hereto for your reference, carrier vessel sailed from Hongkong on 1[st] October 1993 carrying containers bound for Manila.

Apparently, at the time the vessel [was] sailing at about 2400 hours of 2[nd] October 1993, she encountered winds and seas such as to cause occasional moderate to heavy pitching and rolling deeply at times. At 0154 hours, same day, while in position Lat. 20 degrees, 29 minutes North, Long. 115 degrees, 49 minutes East, four (4) x 40 ft. containers were lost/fell overboard. The numbers of these containers are NUSU-3100789, TPHU-5262138, IEAU-4592750, NUSU-4515404.

xxx xxx xxx

Furthermore, during the course of voyage, high winds and heavy seas were encountered causing the ship to roll and pitch heavily. The course and speed was altered to ease motion of the vessel, causing delay and loss of time on the voyage.

xxx xxx xxx

SURVEYORS REMARKS:

In view of the foregoing incident, we are of the opinion that the shipment of 3 cases of Various Warp Yarn on Returnable Beams which were containerized onto 40 feet LCL (no. IEAU-4592750) and fell overboard the subject vessel during heavy weather is an "Actual Total Loss".[9]

The records show that the subject cargoes fell overboard the ship and petitioner should not vary the facts of the case on appeal. This Court is not a trier of facts, and, in this case, the factual finding of the RTC and the CA, which is supported by the evidence on record, is conclusive upon this Court.

As regards the issue on the limited liability of respondents, the Court upholds the decision of the CA.

Since the subject cargoes were lost while being transported by respondent common carrier from Hong Kong to the Philippines, Philippine law applies pursuant to the Civil Code which provides:

Art. 1753. The law of the country to which the goods are to be transported shall govern the liability of the common carrier for their loss, destruction or deterioration.

Art. 1766. In all matters not regulated by this Code, the rights and obligations of common carriers shall be governed by the Code of Commerce and by special laws.

The rights and obligations of respondent common carrier are thus governed by the provisions of the Civil Code, and the COGSA,[10] which is a special law, applies suppletorily.

The pertinent provisions of the Civil Code applicable to this case are as follows:

Art. 1749. A stipulation that the common carrier's liability is limited to the value of the goods appearing in the bill of lading, unless the shipper or owner declares a greater value, is binding.

Art. 1750. A contract fixing the sum that may be recovered by the owner or shipper for the loss, destruction, or deterioration of the goods is valid, if it is reasonable and just under the circumstances, and has been fairly and

freely agreed upon.

In addition, Sec. 4, paragraph (5) of the COGSA, which is applicable to all contracts for the carriage of goods by sea to and from Philippine ports in foreign trade, provides:

Neither the carrier nor the ship shall in any event be or become liable for any loss or damage to or in connection with the transportation of goods in an amount exceeding \$500 per package lawful money of the United States, or in case of goods not shipped in packages, per customary freight unit, or the equivalent of that sum in other currency, unless the nature and value of such goods have been declared by the shipper before shipment and inserted in the bill of lading. This declaration, if embodied in the bill of lading shall be prima facie evidence, but shall be conclusive on the carrier.

In this case, Bill of Lading No. 0396180 stipulates:

Neither the Carrier nor the vessel shall in any event become liable for any loss of or damage to or in connection with the transportation of Goods in an amount exceeding US\$500 (which is the package or shipping unit limitation under U.S. COGSA) per package or in the case of Goods not shipped in packages per shipping unit or customary freight, unless the nature and value of such Goods have been declared by the Shipper before shipment and inserted in this Bill of Lading and the Shipper has paid additional charges on such declared value. . . .

The bill of lading[11] submitted in evidence by petitioner did not show that the shipper in Hong Kong declared the actual value of the goods as insured by Fukuyama before shipment and that the said value was inserted in the Bill of Lading, and so no additional charges were paid. Hence, the stipulation in the bill of lading that the carrier's liability shall not exceed US\$500 per package applies.

Such stipulation in the bill of lading limiting respondents' liability for the loss of the subject cargoes is allowed under Art. 1749 of the Civil Code, and Sec. 4, paragraph (5) of the COGSA. *Everett Steamship Corporation v. Court of Appeals*[12] held:

A stipulation in the bill of lading limiting the common carrier's liability for loss or destruction of a cargo to a certain sum, unless the shipper or owner declares a greater value, is sanctioned by law, particularly Articles 1749 and 1750 of the Civil Code which provide:

`Art. 1749. A stipulation that the common carrier's liability is limited to the value of the goods appearing in the bill of lading, unless the shipper or owner declares a greater value, is binding.'

`Art. 1750. A contract fixing the sum that may be recovered by the owner or shipper for the loss, destruction, or deterioration of the goods is valid, if it is reasonable and just under the circumstances, and has been fairly and freely agreed upon.'

Such limited-liability clause has also been consistently upheld by this court in a number of cases. Thus, in *Sea-Land Service, Inc. vs. Intermediate Appellate Court*, we ruled:

`It seems clear that even if said section 4 (5) of the Carriage of Goods by Sea Act did not exist, the validity and binding effect of the liability limitation clause in the bill of lading here are nevertheless fully sustainable on the basis alone of the cited Civil Code Provisions. That said stipulation is just and reasonable is arguable from the fact that it echoes Art. 1750 itself in providing a limit to liability only if a greater value is not declared for the shipment in the bill of lading. To hold otherwise would amount to questioning the justness and fairness of the law itself.... But over and above that consideration, the just and reasonable character of such stipulation is implicit in it giving the shipper or owner the option of avoiding accrual of liability limitation by the simple and surely far from onerous expedient of declaring the nature and value of the shipment in the bill of lading.'

The CA, therefore, did not err in holding respondents liable for damages to petitioner subject to the US\$500 per

package limited- liability provision in the bill of lading.

WHEREFORE, the petition is DENIED. The Resolution of the Court of Appeals in CA-G.R. CV No. 52855 promulgated on April 13, 2000 is hereby AFFIRMED.

Costs against petitioner.

SO ORDERED.

Puno, (Chairperson), Carpio, Corona, and Leonardo-De Castro, JJ., concur.

[1] Under Rule 45 of the Rules of Court.

[2] Civil Code, Art. 1732. Common carriers are persons, corporations, firms or associations engaged in the business of carrying or transporting passengers or goods or both, by land, water, or air, for compensation, offering their services to the public.

[3] Pertinent provisions of the Civil Code:

Art. 1733. Common carriers, from the nature of their business and for reasons of public policy, are bound to observe extraordinary diligence in the vigilance over the goods and for the safety of the passengers transported by them, according to all the circumstances of each case.

Art. 1734. Common carriers are responsible for the loss, destruction, or deterioration of the goods, unless the same is due to any of the following causes only:

- (1) Flood, storm, earthquake, lightning, or other natural disaster or calamity;
- (2) Act of the public enemy in war, whether international or civil;
- (3) Act of omission of the shipper or owner of the goods;
- (4) The character of the goods or defects in the packing or in the containers;
- (5) Order or act of competent public authority.

Art. 1735. In all cases other than those mentioned in Nos. 1,2, 3, 4, and 5 of the preceding article, if the goods are lost, destroyed or deteriorated, common carriers are presumed to have been at fault or to have acted negligently, unless they prove that they observed extraordinary diligence as required in article 1733.

[4] Records, p. 186.

[5] Rollo, p. 35.

[6] Id. at 40.

[7] Exh. E, E-1, records, pp. 120-121.

[8] Records, pp. 2-3.

[9] Exhs. E, E-2, and E-3, records, pp. 122-123.

[10] The Carriage of Goods by Sea Act (COGSA), Public Act No. 521 of the 74th Congress of the United States, which was made applicable to all contracts for the carriage of goods by sea to and from Philippine ports in foreign trade by Commonwealth Act No. 65, was approved on October 22, 1936.

[11] Exh. "A," records, p. 116.

[12] G.R. No. 122494, October 8, 1998, 297 SCRA 496, 501-502.

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.