

**SMITH, BELL & CO., LTD. PLAINTIFF AND APPELLEE VS.
MANILA PORT SERVICE & MANILA RAILROAD CO., INC.,
DEFENDANTS. MANILA PORT SERVICE, DEFENDANT AND
APPELLANT.**

G.R. No. 14711. April 22, 1961

Ponente: PADILLA, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-14711/>

PADILLA, J.:

Smith, Bell & Co., Ltd. brought an action in the Court of First Instance of Manila against the Manila Port Service and/or Manila Railroad Company, Inc., jointly and or alternatively, to recover P2,063.18, lawful interests thereon from the date of the first demand until paid, P500 for litigation expenses and attorney's fees and costs and to secure any just and equitable relief (civil No. 36034). In support thereof, it alleges that on or about S July 1957 it purchased from Smith, Bell & Co., Ltd. (London) a "Crossley" diesel engine with a total value of \$7,380 (C & F) for importation into the Philippines; that the said diesel engine was shipped on board the "SS Patroclus," marked "SB-169-Manila," under bill of lading No. 99, consigned to order, and arrived in Manila on or about 25 July 1957 and discharged into the custody of the defendants; that the shipping documents were indorsed and sent to the plaintiff who paid for the value they represented and cleared the documents with the agents of the vessel and the Bureau of Customs; that while the said engine was being unloaded, because of the "negligent act" of their employees and/or "the use of inadequate or defective machinery in the delivery of" the engine, a flywheel of the machine was broken beyond repair and became a total loss, causing damage to the plaintiff in the total sum of P2,063.18;[1] that the plaintiff made a demand upon the defendants to pay the last stated amount but the latter have failed and refused to pay it; and that in view of the defendant's refusal to pay the plaintiff's claim, it had to institute this action thereby incurring expenses for litigation and attorney's fee in no less than P500.

The defendants answered the complaint denying that their employees had been negligent and that they had used inadequate or defective equipment in discharging into their custody the flywheel that was broken, the truth being that the mishap had been the result of ordinary handling and, as special defense, claiming that under the provisions of the management contract entered into by and between the Bureau of Customs and the defendant subsidiary on 29 February 1956, their liability for cargoes lost or damaged is limited only to the invoice value of the cargo but in no case to exceed P500 for each package; and that all parties taking delivery of cargoes from it are bound by the provisions of the said management contract not only pursuant to law but by virtue of its acceptance of the applicability thereof by presenting and signing the pertinent documents covering the release of the cargoes.

After hearing, the parties presenting their respective evidence and submitting their respective memoranda, the Court rendered judgment holding that the flywheel in question was broken as a result of a fall from the forklift operated by one of the employees of the defendants because the forklift used was not strong enough to lift it; that it was broken beyond repair; that the value of the damage incurred by the plaintiff as a result thereof was P2,027.88; that the defendants are liable to the plaintiff for the damage incurred by it; that section 15 of the

management contract limiting the liability of the defendants for cargoes lost or damaged only to the invoice value of the cargo which in no case shall exceed P500 for each package, and of which the plaintiff was not a signatory or party, is not binding upon it; and that the defendants are not liable for the cost of survey of the damage amounting to P35.30, and expenses of litigation and attorney's fee; and ordering the defendant Manila Port Service to pay to the plaintiff the sum of P2,027.88, with legal interest thereon from the date of the filing of the complaint until fully paid and the costs of the suit. The Court dismissed the case as against the defendant Manila Railroad Company for lack of evidence.

The defendant Manila Port Service has appealed to this Court. The Court of Appeals, to which the record on appeal was forwarded, on motion of the appellant, in turn forwarded it to this Court. The appeal raised questions of law only.

The facts, as found by the trial court, are:

On July 3, 1957 Smith, Bell & Co. Ltd. by virtue of Smith, Bell & Co. Ltd., London, received 9 packages as component parts for one "Crossley" Diesel Engine among with (which) was one Flywheel, for the sum of US \$7,380.00 to be imported into the Philippines; it was shipped on the SS PATROCLUS under bill of lading, Exh. B; the vessel arrived in due time in Manila and the machinery was discharged into the custody of the Manila Port Service; but in the discharge of the cargo, according to witness Benito Nuguid of plaintiff, one Flywheel fell when it was being lifted by the forklift operated by the Manila Port Service; this flywheel was not crated because it was not possible to crate it and it weighed about 600 lbs. with a diameter of 8 to 10 feet, and a thickness from 12 to 14 inches, according to witness Antonio Esteban; because of the damage, according to witness Eustaquio Partolo, the same was rendered useless and could no longer be repaired; therefore, he filed a claim for damages amounting to its value of P2,027.88, plus the sum of P35.30 paid by plaintiff for the survey of the damage or a total of P2,063.18, but this was rejected by defendant Manila Port Service, according to the letters of their Attorney dated November 2, 1957 and February 21, 1958, Exhs. N and N-1, respectively; the said letters were to the effect that the Manila Port Service was agreeable to pay only P500.00 on the basis of the management contract, Exh. 1, which was the contract entered into on February 29, 1956, between the Bureau of Customs and the Manila Port Service, * * *. The claim not having been paid in full, plaintiff instituted this action on the 23rd day of April, 1958, against both Manila Port Service and the Manila Railroad Company.

There should be no question about the validity of the claim as far as the amount of damages is concerned; this has not been overthrown by any evidence of defendants; the Court will take it as the evidence proved that the flywheel has been rendered useless by its fall, Exh. R, the photograph graphically showing the damage, nor can there be any debate that its value is P2,027.88; nor does the Court have any doubt that the defendant Manila Port Service is to blame; there is evidence that the forklift used by it was not strong enough to lift the weight of the flywheel. The main defense is one of law and it is whether or not Exhibit 1 can sustain the claim of defendant that its liability should be limited only to P500.00. Fortunately for plaintiff, it turns out that the Court of Appeals has already ruled on a similar, case, *Li Yao & Company vs. Delgado Brothers, Inc.*, CA-G. R. No. 13632-R, promulgated on August 28, 1957, * * *[1]

It is true that according to Exhs. 2 and S there is apparently a notice to the effect that the delivery receipt which is in the permit to deliver imported goods at the back of Exh. 3 contains the stamped note which would appear to make reference to the management contract; but the Court notes that this rubber stamp is illegible; and more than that, the Court takes it to be correct, as plaintiff contends, that the consignee was given no choice in the matter of taking delivery; because if it did not sign Exh. 3, it would not receive or it could not receive the cargo; such a condition amounted to duress or in the least, it was an acceptance under a contract de adhesión. And for the reason that arrastre charges are computed on the basis of quantity, weight or measurement of the goods stored in the warehouse and not on their value, the court also believes and concurs with the argument of plaintiff that for that reason, it was irrelevant for the consignee to declare the true value of the goods because such value would not affect the warehouse charges; and then again, there is ground in the argument of plaintiff

that there is no showing that G. Manlapit, Inc. was authorized to bind plaintiff in Exh. 3. The long short of it is that the Court finds it to be established that by reason of the negligence of the Manila Port Service through its employee who operated the forklift that was not strong enough and was not fitted to carry and discharge the flywheel, said equipment fell and became a total loss in the sum of P2,027.88. This should be paid by the defendant Manila Port Service. But the Court will not make the Manila Port Service liable for the survey of the damage (of) P35.30 because that was not incurred for the benefit of defendant; or does the Court believe that this case falls under Art. 2208 of the Civil Code so as to justify the granting of attorney's fees; it is apparent that defendant in good faith believed that its liability was limited to P500.00 and was willing to pay that. (Pp. 9-18, rec. on app.)

The question raised in this appeal is whether or not section 15 of the management contract entered into by and between the appellant and the Bureau of Customs on 29 February 1956 pursuant to the provisions of Act No. 3002, as amended by Act No. 3851, Commonwealth Act No. 285 and Republic Act No. 140 (Exhibit 1), limiting the former's liability for loss, destruction or damage to any cargo while under its custody or control to P500 for each package, unless the value be otherwise specified or manifested and the corresponding arrastre charges have been paid, is binding upon the appellee who was not a party thereto or signatory thereof. Resolving a similar question in *Northern Motors, Inc. vs. Prince Line*; 107 Phil., 253 and *Delgado Bros., Inc. vs. Li Yao & Company*, 107 Phil., 939, this Court held:

Tested in the light of the above legal provision, Paragraph 15 of the Management Contract in question, it is believed, contains provisions which are in the nature of stipulations "pour autrui", that is, for the benefit or in favor of a third party, the appellant in the case at bar. By virtue thereof, appellee is expected to render service, not to the Bureau of Customs, but specifically and principally to the importers or consignees of the cargoes. Upon the importer's or consignee's compliance with certain conditions, namely, presentation of approved delivery permits, payment of arrastre fees, etc., he is entitled to receive, and the appellee arrastre contractor is obliged to discharge and deliver, the cargoes or merchandise corresponding to those described in the delivery permit of said importer or consignee. There can scarcely be any doubt that by said provision in the contract, appellee and the Bureau of Customs deliberately and purposely conferred benefit upon appellant, because it is to the latter that the merchandise was to be delivered in good order and payment made, in the event of damage, destruction, or loss thereof while in appellee's control or custody.

In the bill of lading, Exhibit D, the value of the broken flywheel is not specified or manifested. Hence its recoverable value should be limited to only P500.

In their answer, the appellant and the Manila Railroad Company admit that the former is a mere subsidiary of the latter, which is a domestic corporation. The Manila Railroad Company, the parent corporation of the appellant, is equally liable for the damage or loss suffered by the appellee. The case against it should not have been dismissed. Nevertheless, the plaintiff not having appealed from that part of the judgment dismissing the complaint as against the Manila Railroad Company, the same is final and cannot be reviewed.

The judgment appealed from is modified by reducing the amount recoverable from the appellant by the appellee to P500, without pronouncement as to costs.

Bengzon, Acting C.J., Bautista Angelo, Labrador, Concepcion, Reyes, J.B.L., Barrera, Paredes, and Dizon, JJ., concur.

[1] P1,974.70 as cost and freight of the broken flywheel, P12.68 as proportionate insurance premium thereon, P40.50 as arrastre service fee and P35.30 as cost of survey (see par. VI of the plaintiff's complaint, pp. 1, 3-4, rec. on app.).

[1] On appeal by certiorari under Rule 46 by Delgado Bros., Inc. on 29 April, 1960 this Court reduced the liability of the petitioner to only P500 per package (G. R. No. L-12872).

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.