

**PERLA COMPANIA DE SEGUROS, INC. AND BIENVENIDO S. PASCUAL,
PETITIONERS, VS. SPS. GAUDENCIO SARANGAYA III AND PRIMITIVA
B. SARANGAYA, RESPONDENTS.**

G.R. NO. 147746. October 25, 2005

Ponente: CORONA, J.

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CORONA, J.:

This is an appeal by certiorari under Rule 45 of the 1997 Rules of Civil Procedure seeking to annul the decisions of the Court of Appeals (CA) dated June 29, 2000 and March 31, 2001, respectively, which affirmed the decision of the Regional Trial Court (RTC), Branch 21 of Santiago, Isabela.

In 1986, respondent spouses Gaudencio Sarangaya III and Primitiva Sarangaya erected a semi-concrete, semi-narra, one-storey commercial building fronting the provincial road of Santiago, Isabela. The building was known as "Super A Building" and was subdivided into three doors, each of which was leased out. The two-storey residence of the Sarangayas was behind the second and third doors of the building. On the left side of the commercial building stood the office of the Matsushita Electric Philippine Corporation (Matsushita).

In 1988, petitioner Perla Compania de Seguros, Inc. (petitioner-corporation), through its branch manager and co-petitioner Bienvenido Pascual, entered into a contract of lease of the first door of the "Super A Building," abutting the office of Matsushita. Petitioner-corporation renovated its rented space and divided it into two. The left side was converted into an office while the right was used by Pascual as a garage for a 1981 model 4-door Ford Cortina, a company-provided vehicle he used in covering the different towns within his area of supervision.

On July 7, 1988, Pascual left for San Fernando, Pampanga but did not bring the car with him. Three days later, he returned to Santiago and, after checking his appointments the next day, decided to "warm up" the car. When he pulled up the handbrake and switched on the ignition key, the engine made an "odd" sound and did not start. Thinking it was just the gasoline percolating into the engine, he again stepped on the accelerator and started the car. This revved the engine but petitioner again heard an unusual sound. He then saw a small flame coming out of the engine. Startled, he turned it off, alighted from the vehicle and started to push it out of the garage when suddenly, fire spewed out of its rear compartment and engulfed the whole garage. Pascual was trapped inside and suffered burns on his face, legs and arms.

Meanwhile, respondents were busy watching television when they heard two loud explosions. The smell of gasoline permeated the air and, in no time, fire spread inside their house, destroying all their belongings, furniture and appliances.

The city fire marshall conducted an investigation and thereafter submitted a report to the provincial fire marshall. He concluded that the fire was "accidental." The report also disclosed that petitioner-corporation had no fire permit as required by law.

Based on the same report, a criminal complaint for "Reckless Imprudence Resulting to (sic) Damage in (sic)

Property"[1] was filed against petitioner Pascual. On the other hand, petitioner-corporation was asked to pay the amount of P7,992,350, inclusive of the value of the commercial building. At the prosecutor's office, petitioner Pascual moved for the withdrawal of the complaint, which was granted.

Respondents later on filed a civil complaint based on quasi-delict against petitioners for a "sum of money and damages," alleging that Pascual acted with gross negligence while petitioner-corporation lacked the required diligence in the selection and supervision of Pascual as its employee. They prayed for payment of the following damages:

- P2,070,000.00 - representing the value of the 2-storey residential building and the 3-door apartment;
- P5,922,350.00 - representing the value of the jewelries, appliances, [furniture], fixtures and cash;
- P8,300.00 - a month for [lost rental] income from July 1995 until such time that the premises is restored to its former condition or payment for its value, whichever comes first;
- P2,000,000.00 - for moral damages;
- P1,000,000.00 - for exemplary damages, and
- Attorney's fees equivalent to 15% of the total amount to be awarded to the plaintiffs.[2]

During the trial, respondents presented witnesses who testified that a few days before the incident, Pascual was seen buying gasoline in a container from a nearby gas station. He then placed the container in the rear compartment of the car.

In his answer, Pascual insisted that the fire was purely an accident, a caso fortuito, hence, he was not liable for damages. He also denied putting a container of gasoline in the car's rear compartment. For its part, petitioner-corporation refused liability for the accident on the ground that it exercised due diligence of a good father of a family in the selection and supervision of Pascual as its branch manager.

After the trial, the court a quo ruled in favor of respondents. The decretal portion of the decision read:

WHEREFORE, in the light of the foregoing considerations judgment is hereby rendered ORDERING the defendants, Bienvenido Pascual and Perla Compania de Seguros, Inc. to pay jointly and solidarily to the plaintiffs spouses Gaudencio and Primitiva Sarangaya the total sum of Two Million Nine Hundred Four Thousand Eight Hundred and Eighty Pesos ([P]2,904,880.00) as actual damages with legal interest thereon from December 12, 1995 until fully paid.[3] (emphasis supplied)

The court a quo declared that, although the respondents failed to prove the precise cause of the fire that engulfed the garage, Pascual was nevertheless negligent based on the doctrine of *res ipsa loquitur*. [4] It did not, however, categorically rule that the gasoline container allegedly placed in the rear compartment of the car caused the fire. The trial court instead declared that both petitioners failed to adduce sufficient evidence to prove that they employed the necessary care and diligence in the upkeep of the car. [5] Contrary to the claims of petitioner-corporation, the trial court also found that it failed to employ the diligence of a good father of a family, as required by law, in the selection and supervision of Pascual.

With respect to the amount of damages, the trial court awarded to respondents no more than their claim for actual damages covering the cost of the 2-storey residential building and the commercial building, including their personal properties. It explained:

According to the plaintiff Gaudencio Sarangaya III, he made a list of what was lost. His list includes the commercial building that was burned which he valued at P2,070,000.00. The defendants take exception to the

value given by the plaintiff and for this purpose they submitted the tax declaration of the building which states that the market value is P183,770.00. The Court takes judicial notice that the valuation appearing on the tax declaration of property is always lower [than] the correct value thereof. Considering that the building that was burned was a two-storey residential house with a commercial building annex with a total floor area of 241 square meters as stated in the tax declaration, mostly concrete mixed with narra and other lumber materials, the value given by the plaintiffs of P2,070,000.00 is reasonable and credible and it shall be awarded to the plaintiffs.

The other items listed are assorted [furniture] and fixtures totaling P307,000.00 assorted appliances worth P358,350.00; two filing cabinets worth P7,000.00 and clothing and other personal effects costing P350,000.00, household utensils costing P15,000.00. The Court finds them reasonable and credible considering the social and financial stature of the plaintiffs who are businessmen. There could be no question that they were able to acquire and own quite a lot of home furnishings and personal belongings. The costing however is high considering that these belongings were already used for quite some time so a 20% depreciation should be equitably deducted from the cost of acquisition submitted by plaintiffs. Thus, the total amount recoverable would be P1,037,350.00 less 20% or a total of P829,880.00. The P5,000.00 representing foodstock can also be ordered paid to the plaintiffs. x x x.[6]

On appeal to the Court of Appeals, the appellate court again ruled in favor of respondents but modified the amount of damages awarded by the trial court. It held:

x x x the Decision of the Court a quo is AFFIRMED, with the modification that the Appellants are hereby ordered to pay the Appellees, jointly and severally, the total amount of P600,000.00 by way of nominal damages under Articles 2222 and 2223 of the New Civil Code, with interest thereon, at the rate of 6% per annum from the date of the Decision of this Court.[7]

The appellate court was in accord with the trial court's findings that the doctrine of *res ipsa loquitur* was correctly applied in determining the liability of Pascual and that petitioner-corporation, as the employer, was vicariously liable to respondents. Nonetheless, for respondents' failure to substantiate their actual loss, the appellate court granted nominal damages of P600,000 to them.

Petitioners and respondents filed their respective motions for reconsideration.

In their MR, petitioners contested the findings of fact of the appellate court. They denied any liability whatsoever to respondents but this was rejected by the CA for lack of merit. Thus, the present appeal.

Respondents, on the other hand, argued in their MR that the award of nominal damages was erroneous. They prayed that, in lieu of the award of nominal damages, the case should instead be remanded to the trial court for reception of additional evidence on their claim for actual damages. The CA granted respondents' MR. Hence they did not appeal the CA's decision to us. According to the CA:

Anent Plaintiffs-Appellees' plea that, in lieu of the Court's award of nominal damages, the case be remanded to the Court a quo, in the interest of justice, to enable them to adduce evidence to prove their claim for actual damages, we find the same meritorious.

Accordingly, the Decision of the Court is hereby amended to read as follows:

IN THE LIGHT OF ALL THE FOREGOING, the Decision of the Court a quo appealed from is AFFIRMED. The award of nominal damages is set aside. Let the records be remanded to the Court a quo for the reception of additional evidence by the Plaintiffs-Appellees and the Defendants-Appellants anent Plaintiffs-Appellees' claim for actual damages.[8] (emphasis supplied)

Via this petition, petitioners ascribe the following errors to the appellate court:

(a) THE COURT OF APPEALS ERRED IN APPLYING THE DOCTRINE OF ["RES IPSA LOQUITUR"] IN THE PRESENT CASE;

(b) THE COURT OF APPEALS ERRED WHEN IT FOUND PERLA NEGLIGENT IN THE SUPERVISION OF PASCUAL, AND CONSEQUENTLY, VICARIOUSLY LIABLE FOR THE FIRE BECAUSE PERLA FAILED TO ADDUCE EVIDENCE OF SUPERVISION OF EMPLOYEE'S CARE AND UPKEEP OF COMPANY VEHICLES REQUIRED BY THE SUPREME COURT ON TRANSPORTATION COMPANIES; AND

(c) THE COURT OF APPEALS ERRED WHEN IT ORDERED THE REMAND OF THE CASE TO RTC ISABELA FOR RECEPTION OF ADDITIONAL EVIDENCE BY THE SARANGAYA SPOUSES ON THEIR CLAIM FOR ACTUAL DAMAGES.[9]

Res ipsa loquitur is a Latin phrase which literally means "the thing or the transaction speaks for itself." [10] It relates to the fact of an injury that sets out an inference to the cause thereof or establishes the plaintiff's prima facie case. [11] The doctrine rests on inference and not on presumption. [12] The facts of the occurrence warrant the supposition of negligence and they furnish circumstantial evidence of negligence when direct evidence is lacking. [13]

The doctrine is based on the theory that the defendant either knows the cause of the accident or has the best opportunity of ascertaining it and the plaintiff, having no knowledge thereof, is compelled to allege negligence in general terms. [14] In such instance, the plaintiff relies on proof of the happening of the accident alone to establish negligence. [15]

The doctrine provides a means by which a plaintiff can pin liability on a defendant who, if innocent, should be able to explain the care he exercised to prevent the incident complained of. Thus, it is the defendant's responsibility to show that there was no negligence on his part. [16]

To sustain the allegation of negligence based on the doctrine of res ipsa loquitur, the following requisites must concur:

- 1) the accident is of a kind which does not ordinarily occur unless someone is negligent;
- 2) the cause of the injury was under the exclusive control of the person in charge and
- 3) the injury suffered must not have been due to any voluntary action or contribution on the part of the person injured. [17]

Under the first requisite, the occurrence must be one that does not ordinarily occur unless there is negligence. "Ordinary" refers to the usual course of events. [18] Flames spewing out of a car engine, when it is switched on, is obviously not a normal event. Neither does an explosion usually occur when a car engine is revved. Hence, in this case, without any direct evidence as to the cause of the accident, the doctrine of res ipsa loquitur comes into play and, from it, we draw the inference that based on the evidence at hand, someone was in fact negligent and responsible for the accident.

The test to determine the existence of negligence in a particular case may be stated as follows: did the defendant in committing the alleged negligent act, use reasonable care and caution which an ordinarily prudent person in the same situation would have employed? [19] If not, then he is guilty of negligence.

Here, the fact that Pascual, as the caretaker of the car, failed to submit any proof that he had it periodically checked (as its year-model and condition required) revealed his negligence. A prudent man should have known that a 14-year-old car, constantly used in provincial trips, was definitely prone to damage and other defects. For

failing to prove care and diligence in the maintenance of the vehicle, the necessary inference was that Pascual had been negligent in the upkeep of the car.

Pascual attempted to exculpate himself from liability by insisting that the incident was a *caso fortuito*. We disagree.

The exempting circumstance of *caso fortuito* may be availed only when: (a) the cause of the unforeseen and unexpected occurrence was independent of the human will; (b) it was impossible to foresee the event which constituted the *caso fortuito* or, if it could be foreseen, it was impossible to avoid; (c) the occurrence must be such as to render it impossible to perform an obligation in a normal manner and (d) the person tasked to perform the obligation must not have participated in any course of conduct that aggravated the accident.[20]

In fine, human agency must be entirely excluded as the proximate cause or contributory cause of the injury or loss.[21] In a vehicular accident, for example, a mechanical defect will not release the defendant from liability if it is shown that the accident could have been prevented had he properly maintained and taken good care of the vehicle.[22]

The circumstances on record do not support the defense of Pascual. Clearly, there was no *caso fortuito* because of his want of care and prudence in maintaining the car.

Under the second requisite, the instrumentality or agency that triggered the occurrence must be one that falls under the exclusive control of the person in charge thereof. In this case, the car where the fire originated was under the control of Pascual. Being its caretaker, he alone had the responsibility to maintain it and ensure its proper functioning. No other person, not even the respondents, was charged with that obligation except him.

Where the circumstances which caused the accident are shown to have been under the management or control of a certain person and, in the normal course of events, the incident would not have happened had that person used proper care, the inference is that it occurred because of lack of such care.[23] The burden of evidence is thus shifted to defendant to establish that he observed all that was necessary to prevent the accident from happening. In this aspect, Pascual utterly failed.

Under the third requisite, there is nothing in the records to show that respondents contributed to the incident. They had no access to the car and had no responsibility regarding its maintenance even if it was parked in a building they owned.

On the second assigned error, we find no reason to reverse the decision of the Court of Appeals. The relationship between the two petitioners was based on the principle of *pater familias* according to which the employer becomes liable to the party aggrieved by its employee if he fails to prove due diligence of a good father of a family in the selection and supervision of his employees.[24] The burden of proof that such diligence was observed devolves on the employer who formulated the rules and procedures for the selection and hiring of his employees.

In the selection of prospective employees, employers are required to examine them as to their qualifications, experience and service records.[25] While the petitioner-corporation does not appear to have erred in considering Pascual for his position, its lack of supervision over him made it jointly and solidarily liable for the fire.

In the supervision of employees, the employer must formulate standard operating procedures, monitor their implementation and impose disciplinary measures for the breach thereof.[26] To fend off vicarious liability, employers must submit concrete proof, including documentary evidence, that they complied with everything that was incumbent on them.[27] Here, petitioner-corporation's evidence hardly included any rule or regulation that

Pascual should have observed in performing his functions. It also did not have any guidelines for the maintenance and upkeep of company property like the vehicle that caught fire. Petitioner-corporation did not require periodic reports on or inventories of its properties either. Based on these circumstances, petitioner-corporation clearly did not exert effort to be apprised of the condition of Pascual's car or its serviceability.

Petitioner-corporation's argument that the liability attached to employers only applies in cases involving the supervision of employees in the transportation business is incorrect. Article 2180 of the Civil Code states that employers shall be liable for the damage caused by their employees. The liability is imposed on all those who by their industry, profession or other enterprise have other persons in their service or supervision.[28] Nowhere does it state that the liability is limited to employers in the transportation business.

WHEREFORE, the petition is hereby DENIED and the decision[29] of the Court of Appeals affirmed in toto.

Costs against petitioners.

SO ORDERED.

Panganiban, (Chairman), Sandoval-Gutierrez, Carpio-Morales, and Garcia, JJ., concur.

[1] Rollo, p. 132.

[2] Rollo, p. 773.

[3] Penned by Judge Fe Albano Madrid, Rollo, p. 397.

[4] Rollo, pp. 9-10.

[5] Id.

[6] Rollo, p. 554.

[7] Penned by Justice Romeo J. Callejo, Sr. (now Associate Justice of the Supreme Court), and concurred in by Justices Salome A. Montoya and Martin S. Villarama, Jr. of the First Division, Rollo, pp. 11-48.

[8] Rollo, pp. 60-61.

[9] Rollo, p. 722

[10] Ramos v. Court of Appeals et al., 378 Phil. 1198 (1999).

[11] Id.

[12] Risberg v. Duluth, 47 Northeastern Reporter, 2nd, 113.

[13] Sweeney v. Erving, 57 L.Ed. 815, cited in Gray v. Baltimore, Federal Reporter, 2nd, 671.

[14] 57B Am Jur 2d, Negligence § 1819

[15] Id.

[16] Id.

[17] Reyes v. Sisters of Mercy Hospital, G.R. No. 130547, 3 October 2000, 341 SCRA 760.

[18] Webster Third New International Dictionary.

[19]Picart v. Smith, 37 Phil. 809 (1918).

[20] Yobido v. Court of Appeals, 346 Phil. 1 (1997).

[21]Vasquez v. Court of Appeals, No. L-42926, 13 September 1985, 138 SCRA 553.

[22] Supra.

[23] Africa, et al. v. Caltex (Phils.) Inc., et al. 123 Phil. 272 (1966).

[24] Article 2180, Civil Code of the Philippines.

[25] Metro Manila Transit Corp. v. CA, 359 Phil. 18 (1998).

[26]Id.

[27] Id.

[28]Arturo Tolentino, Civil Code of the Philippines, Annotated, Vol. V, p. 615.

[29]"If judgment is not rendered upon the whole case, or for all the relief asked and a trial is necessary," remanding the case to the trial court for further determination of claims for damages is not reversible error (Ramos v. Court of Appeals, 4 December 1989, 179 SCRA 719); see also Marmont Resort Hotel v. Guiange, G.R. No. L-79734, 8 December 1988, 168 SCRA 373.

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