

PETRON CORPORATION, PETITIONER, VS. SPOUSES CESAR JOVERO AND ERMA F. CUDILLA, SPOUSES LONITO TAN AND LUZVILLA SAMSON, AND SPOUSES ROGELIO LIMPOCO AND LUCIA JOSUE, BEING REPRESENTED BY...

G.R. No. 151038. January 18, 2012

Ponente: SERENO, J.

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SERENO, J.:

The present case is a Petition for Review[1] under Rule 45 filed by petitioner Petron Corporation. Petitioner assails the Decision[2] of the Court of Appeals (CA), which affirmed the Decision of the Regional Trial Court (RTC) of Iloilo City in consolidated Civil Case Nos. 19633, 19684, 20122, respectively filed by herein respondents.

The facts of the case are as follows:

On 25 April 1984, Rubin Uy entered into a Contract of Lease with Cesar J. Jovero over a property located at E. Reyes Ave., Estancia, Iloilo for the purpose of operating a gasoline station for a period of five (5) years.

On 30 April 1984, petitioner, a domestic corporation engaged in the importation and distribution of gasoline and other petroleum products, entered into a Retail Dealer Contract[3] with Rubin Uy for the period 1 May 1984 to 30 April 1989. Under the dealership contract, petitioner sold its products in quantities as ordered by the dealer. It likewise obligated itself to deliver the products to the dealer at the places agreed upon by the parties. The dealer, meanwhile, obligated himself to exclusively maintain petitioner's trademarks and brand names in his gasoline station. The parties also agreed that the dealer shall make good, settle and pay, and hold petitioner harmless against all losses and claims including those of the parties, their agents and employees – for death, personal injury or property damage arising out of any use or condition of the dealer's premises or the equipment and facilities thereon, regardless of any defects therein; the dealer's non-performance of the contract; or the storage and handling of products on the premises.

In order to comply with its obligation to deliver the petroleum products to the dealer, petitioner contracted the hauling services of Jose Villaruz, who did business under the name Gale Freight Services. The hauling contract[4] was executed in March 1988 for a period of three years, renewable for another three upon agreement of the parties.

Under the hauling contract, Villaruz specifically assigned three (3) units of tank trucks exclusively for the hauling requirements of petitioner for the delivery of the latter's products, namely tank trucks with the plate numbers FVG 605, FVG 581 and FVG 583. Delivery "includes not only transportation but also proper loading and unloading and delivery." [5] The parties also agreed that Villaruz shall save petitioner from any and all claims of third persons arising out of, but not necessarily limited to, his performance of the terms and conditions of the contract. Furthermore, Villaruz obligated himself to be answerable to petitioner for damage to its plant, equipment

and facilities, including those of its employees, dealers and customers, resulting from his negligence and/or lack of diligence.

Meanwhile, on 27 October 1988, Rubin Uy executed a Special Power of Attorney (SPA) in favor of Chiong Uy authorizing the latter to manage and administer the gasoline station. Chiong Uy and his wife, Dortina M. Uy, operated the gasoline station as agents of Rubin Uy. However, on 27 November 1990, Chiong Uy left for Hong Kong, leaving Dortina Uy to manage the gasoline station.

On 3 January 1991, around ten o'clock in the morning, Ronnie Allanaraiz, an employee of the gasoline station, ordered from petitioner various petroleum products. Petitioner then requested the services of Villaruz for the delivery of the products to the gasoline station in Estancia, Iloilo. He, however, used a tank truck different from the trucks specifically enumerated in the hauling contract executed with petitioner. Petitioner nevertheless allowed the transport and delivery of its products to Estancia in the tank truck driven by Pepito Igdanis.

During the unloading of the petroleum from the tank truck into the fill pipe that led to the gasoline station's underground tank, for reasons unknown, a fire started in the fill pipe and spread to the rubber hose connected to the tank truck. During this time, driver Pepito Igdanis was nowhere to be found. Bystanders then tried to put out the flames. It was then that Igdanis returned to the gasoline station with a bag of dried fish in hand. Seeing the fire, he got into the truck without detaching the rubber hose from the fill pipe and drove in reverse, dragging the burning fuel hose along the way. As a result, a conflagration started and consumed the nearby properties of herein defendants, spouses Cesar J. Jovero and Erma Cudilla-Jovero, amounting to P1,500,000; of spouses Leonito Tan and Luzvilla Samson, amounting to P800,000; and of spouses Rogelio Limpoco and Lucia Josue Limpoco, amounting to P4,112,000.

Herein respondents thereafter filed separate actions for damages against petitioner, Villaruz, Rubin Uy, and Dortina Uy, docketed as Civil Case Nos. 19633, 19684 and 20122 at the Regional Trial Court (RTC) of Iloilo City. The cases, having arisen from the same set of facts, were subsequently consolidated. Respondents alleged that the negligence of petitioner and its co-defendants in the conduct of their businesses caused the fire that destroyed the former's properties.

In its separate Answer, petitioner Petron alleged that the petroleum products were already paid for and owned by Rubin Uy and Dortina Uy. Moreover, it alleged that Villaruz was responsible for the safe delivery of the products by virtue of the hauling contract. Thus, petitioner asserted, liability for the damages caused by the fire rested on Rubin Uy and Villaruz. Petitioner likewise filed a cross-claim against its co-defendants for contribution, indemnity, subrogation, or other reliefs for all expenses and damages that it may have suffered by virtue of the incident. It also filed a counterclaim against respondents herein.

On 27 April 1998, after trial on the merits, the RTC rendered its Decision in favor of respondents and found petitioner and its co-defendants solidarily liable for damages. The dispositive portion of the Decision states:

WHEREFORE, in view of the foregoing, DECISION is hereby rendered:

- Declaring defendants Petron Corporation, Jose Villaruz, Pepito Igdanis, Rubin Uy and Dortina Uy as being negligent in the conduct of their business activities, which led to the conflagration of January 3, 1991 at E. Reyes Avenue, Estancia, Iloilo, which resulted to (sic) the damages suffered by all the plaintiffs;
- Ordering all the aforementioned defendants to pay solidarily all the plaintiffs as follows:

a.)

In Civil Case No. 19633, plaintiffs-spouses Cesar J. Jovero and Erma Cudilla-Jovero the amount of

P1,500,00.00 as actual damages; P2,000.00 as litigation expenses; P4,000.00 as attorney's fees, and to pay the costs;

b.)

In Civil Case No. 19684, to pay plaintiffs-spouses Leonito Tan and Luzvilla Samson the sum of P800,000.00 as actual damages, P2,000.00 as litigation expenses; P4,000.00 as attorney's fees and to pay the costs;

c.)

In Civil Case No. 20122, to pay the plaintiffs-spouses Rogelio C. Limpoco and Lucia Josue Limpoco the amount of P4,112,000.00 as actual damages; P2,000.00 as litigation expenses; P5,000.00 as attorney's fees, and to pay the costs.

The counter-claims of the defendants against all the plaintiffs are hereby dismissed.

The cross-claims of the defendants against each other are likewise dismissed as they are all in "pari delicto".

SO ORDERED.[6]

The RTC held that Igdanis, as the driver of the tank truck, was negligent in the performance of his work when he left the tank truck while it was in the process of unloading the petroleum. He was also negligent when he drove the truck in reverse without detaching the burning fuel hose. The trial court stated that defendant Villaruz failed to convince the court that he had exercised due diligence in the hiring and supervision of his employees.

The RTC likewise held that petitioner was negligent in allowing Villaruz to use a tank truck that was not included among the trucks specifically enumerated under the hauling contract.

Finally, the court ruled that the gasoline station was owned and operated by Rubin Uy and Dortina Uy at the time of the incident.

Petitioner and co-defendants Dortina Uy and Rubin Uy thereafter filed their separate Notices of Appeal.

Petitioner, in its appeal, insisted that it had already sold and transferred ownership of its petroleum products to the dealer, Rubin Uy, upon payment and receipt of these products at its depot. Thus, it asserted, it ceased to own the products even during transit and while being unloaded at the gasoline station. It also stated that the transportation, delivery, receipt and storage of the petroleum products were solely the responsibility of hauler Villaruz, who was neither an employee nor an agent of petitioner. It reiterated that liability rested on Rubin Uy and Villaruz pursuant to the respective contracts it had executed with them.

Petitioner also alleged that the RTC erred in ruling that the former was negligent in allowing the use of a tank truck not specified in the hauling contract. Petitioner thus insisted that it had examined the tank truck and found it to be in good condition. It added that, since the fire did not originate from the tank truck, the proximate cause of the fire was not attributable to any defect in the truck.

Finally, petitioner alleged that respondents failed to prove that the damages they suffered were the direct result of any culpable act or omission on its part.

Meanwhile, defendant Villaruz allegedly proved during trial that he had exercised diligence in the selection and supervision of his employees and, thus, he was not responsible for the damages caused by the fire. In addition, he alleged that Igdanis, whom respondents failed to implead as a defendant in the lower court, did not have a chance to defend himself. Since there was no showing that any act or omission of Igdanis was the proximate cause of the fire, Villaruz insisted that the latter himself could not be held liable for the acts of his employee, who was not even impleaded or proven to be negligent.

Dortina Uy, in her appeal, alleged that she had no direct participation in the management or administration of the gasoline station. She also alleged that she was not the employer of Igdanis, the driver of the tank truck who had caused the fire to spread in the vicinity.

Since defendant Rubin Uy failed to file his Appellant's Brief within the reglementary period, the CA dismissed his appeal.[7]

Respondents, meanwhile, maintained that petitioner Petron was negligent in selling and storing its products in a gasoline station without an existing dealer's contract from May 1989 up to the time of the incident on 3 January 1991. They contended that petitioner, in effect, was itself operating the gasoline station, with the dealer as mere agent of the former. Respondents also insisted that petitioner had the obligation to ensure that the gasoline station was safe and properly maintained, considering the products stored and sold there. Likewise, they asserted that petitioner was responsible for the safe delivery and proper storage of its goods in the gasoline station, and that this responsibility would cease only when the goods had been sold to the end consumer.

Additionally, respondents contended that petitioner Petron was also negligent when the latter allowed the use of an unaccredited truck in violation of its hauling contract with Villaruz.

On 12 December 2001, the CA promulgated its Decision affirming that of the trial court, to wit:

WHEREFORE, premises considered, the instant appeals are DISMISSED and the assailed consolidated Decision of the court a quo dated 27 April 1998 in Civil Case Nos. 19633, 19684 and 20122 is AFFIRMED in all respects. Costs against appellants.

SO ORDERED.[8]

The appellate court upheld the findings of the RTC that petitioner Petron was negligent for having allowed the operation of the gasoline station absent a valid dealership contract. Thus, the CA considered the gasoline station as one run by petitioner itself, and the persons managing the gasoline station as petitioner's mere agents. Even if a valid dealership contract existed, petitioner was still liable for damages, because there was as yet no complete delivery of its products. The fire had broken out while petroleum was being unloaded from the tank truck to the storage tank.

The CA further held that petitioner was also negligent in allowing Villaruz to use an unaccredited tank truck for the transport and delivery of the petroleum at the time of the incident.

With regard to the liability of Villaruz, the appellate court found him to be negligent in the conduct of his business. Thus, he was made liable for the damages caused by his employee in accordance with Article 2180 in relation to Article 2176 of the Civil Code.

Finally, with regard to Dortina Uy, the CA held that, as one of the operators of the gasoline station, she failed to submit evidence that she had exercised due diligence in the operation thereof.

Dissatisfied with the CA's ruling, petitioner is now before us with the present Petition for Review.

Petitioner presents the following issues for the resolution of this Court:

- Whether or not Petron may be considered at fault for continuing to do business with Rubin Uy, an independent petroleum dealer, without renewing or extending their expired dealership agreement;
- Whether or not a causal connection exists between Petron's failure to renew or extend its dealership contract with Rubin Uy and the fire that inflicted damages on the buildings surrounding the latter's gas station;

- Whether or not Petron is liable for the fire that occurred during the unloading by an independent hauler of the fuel it sold to an equally independent dealer at the latter's gas station; and
- Whether or not a supplier of fuel can be held liable for the neglect of others in distributing and storing such fuel. [9]

In the present case, petitioner does not implead its co-defendants Villaruz, Rubin Uy and Dortina Uy. Neither does it assail the dismissal by the lower courts of the cross-claim or counterclaim it filed against its co-defendants and herein respondents, respectively. Nor is there any question on respondents' right to claim damages. Petitioner merely prays for absolution from liability resulting from the fire by claiming that it had no direct participation in the incident.

In support of the issues raised above, petitioner contends that, first, there was an implied renewal of the dealership contract – Rubin Uy remained as the operator of the gasoline station. It further contends that there is no law supporting the conclusion of the CA that, upon expiration of the contract, the dealer automatically became the supplier's agent.

Second, petitioner asserts that there was no rational link between its alleged neglect in renewing the dealership agreement and the act that caused the fire.

Third, petitioner insists that ownership of the petroleum products was transferred when the dealer's representative, Ronnie Allanaraiz, went to petitioner's oil depot, bought and paid for the gasoline, and had Villaruz's tank truck receive the products for delivery.

Moreover, petitioner points out, neither Igdanis nor Villaruz was its employee and, thus, it cannot be held vicariously liable for the damages to respondents caused by Igdanis. Furthermore, it asserted that the tank truck transporting the petroleum – though not included in the enumeration in the hauling contract – had complied with the standards required of Villaruz.

Petitioner also alleges that there was no evidence that the fire was attributable to its distribution and storage safety measures.

Finally, petitioner states that both hauler and dealer must bear the costs of their acts and those of their employees, considering that this was an explicit provision in their respective contracts with it.

The Petition has some merit.

We first discuss the liability of petitioner in relation to the dealership contract.

Petitioner, as an importer and a distributor of gasoline and other petroleum product, executed with a dealer of these products an exclusive dealership agreement for mutual benefit and gain. On one hand, petitioner benefits from the sale of its products, as well as the advertisement it gains when it broadens its geographical coverage in contracting with independent dealers in different areas. The products sold and the services rendered by the dealer also contribute to its goodwill. Thus, despite the transfer of ownership upon the sale and delivery of its products, petitioner still imposes the obligation on the dealer to exclusively carry its products.

The dealer also benefits from the dealership agreement, not only from the resale of the products of petitioner, but also from the latter's goodwill.

However, with the use of its trade name and trademark, petitioner and the dealer inform and guarantee to the public that the products and services are of a particular standard or quality. More importantly, the public, which is not privy to the dealership contract, assumes that the gasoline station is owned or operated by petitioner. Thus,

respondents, who suffered damages from the act or omission that occurred in the gasoline station and that caused the fire, may file an action against petitioner based on the representations it made to the public. As far as the public is concerned, it is enough that the establishment carries exclusively the name and products of petitioner to assume that the latter is liable for acts done within the premises.

Second, respondents have a claim against petitioner based on the dealership agreement.

The RTC and the CA ruled that, by virtue of the expiration of the dealership contract, the dealer was relegated to being petitioner's agent. On this point, we agree with petitioner that the expiration or nonexistence of a dealership contract did not ipso facto transform the relationship of the dealer and petitioner into one of agency. As far as the parties to the dealership contract were concerned, the rights and obligations as to them still subsisted, since they continued to mutually benefit from the agreement. Thus, neither party can claim that it is no longer bound by the terms of the contract and the expiration thereof.

We then judiciously reviewed the terms of the contract and found that petitioner is liable to respondents for the damages caused by the fire.

As petitioner itself points out, it owns the equipment relevant to the handling and storage of gasoline, including the gasoline pumps and the underground tank.[10] It is also responsible for the delivery of the petroleum to the dealer. The incident occurred at the time the petroleum was being unloaded to the underground tank petitioner owned. Aside from failing to show the actual cause of the fire, it also failed to rebut the presumption that it was negligent in the maintenance of its properties and in the conduct of its business.

Petitioner contends that under paragraph 8 of the dealership contract, the dealer's liability is as follows:

LOSSES AND CLAIMS. BUYER shall make good, settle and pay, and hold SELLER harmless against all losses and claims (including those of the parties, their agents and employees) for death, personal injury or property arising out of (1) any use or condition of BUYER's premises or the equipment and facilities thereon, regardless of any defects therein (2) BUYER's non-performance of this contract, or (3) the storage and handling of products on the premises.

While both parties to the contract have the right to provide a clause for non-liability, petitioner admits that they both share the maintenance of its equipment. Petitioner states that its responsibility extended to "the operating condition of the gasoline station, e.g. whether the fuel pumps were functioning properly." [11]

Moreover, it cannot be denied that petitioner likewise obligated itself to deliver the products to the dealer. When the incident occurred, petitioner, through Gale Freight Services, was still in the process of fulfilling its obligation to the dealer. We disagree with its contention that delivery was perfected upon payment of the goods at its depot. There was yet no complete delivery of the goods as evidenced by the aforementioned hauling contract petitioner executed with Villaruz. That contract made it clear that delivery would only be perfected upon the complete unloading of the gasoline.

Thus, with regard to the delivery of the petroleum, Villaruz was acting as the agent of petitioner Petron. For a fee, he delivered the petroleum products on its behalf. Notably, petitioner even imposed a penalty clause in instances when there was a violation of the hauling contract, wherein it may impose a penalty ranging from a written warning to the termination of the contract. Therefore, as far as the dealer was concerned with regard to the terms of the dealership contract, acts of Villaruz and his employees are also acts of petitioner. Both the RTC and the CA held that Villaruz failed to rebut the presumption that the employer was negligent in the supervision of an employee who caused damages to another; and, thus, petitioner should likewise be held accountable for the negligence of Villaruz and Igdanis.

To reiterate, petitioner, the dealer Rubin Uy – acting through his agent, Dortina Uy – shared the responsibility for the maintenance of the equipment used in the gasoline station and for making sure that the unloading and the storage of highly flammable products were without incident. As both were equally negligent in those aspects, petitioner cannot pursue a claim against the dealer for the incident. Therefore, both are solidarily liable to respondents for damages caused by the fire.

Petitioner was likewise negligent in allowing a tank truck different from that specifically provided under its hauling contract with Villaruz. The enumeration and specification of particular tank trucks in the contract serve a purpose – to ensure the safe transportation, storage and delivery of highly flammable products. Under the hauling contract, these requirements are as follows:[12]

4.3.1

Duly registered under the hired truck (TH) classification and subject to the rules and regulations of Land Transportation Commission (LTC) and Board of Transportation (BOT).

4.3.2

Properly sealed and calibrated in accordance with the requirements of NSTA.

4.3.3.

Equipped with safety and other auxiliary equipment as specified by PETROPHIL (Petron) as per attached Annex “8”.[13]

4.3.4

Provided with fire permits and other permits required by the government authorities.

4.3.5

In good working condition and in good appearance at all times,

4.3.6

Fully complying with the tank truck color scheme, standard truck number, bumper stripes, hauler’s name on cab door, and such other similar requirements for good appearance as may be required by PETROPHIL.

Annex “B” attached to the contract, which refers to the tank truck safety and accessories equipment, likewise provides that the following are the specified safety equipment and other accessories for tank truck operations:[14]

- Fire extinguisher, Type B & C
- Manhole covers
- Manhole cover gasket
- Product level markers
- Manhole cover pins
- NIST Calibration and scale
- Discharge valves (quick closing)
- Front Fenders
- Door glasses

- _____ (illegible) glasses
- Windshield
- Wipers
- Horn
- Floor matting
- Ceiling
- Seats
- (Illegible)
- Air hose connector

With respect to the claims of third persons, it is not enough for petitioner to allege that the tank truck met the same requirements provided under the contract; it must duly prove its allegations. This, petitioner failed to do. To reiterate, it was not able to prove the proximate cause of the fire, only the involvement of the tank truck and the underground storage tank. Notably, both pieces of equipment were under its responsibility. Absent any positive determination of the cause of the fire, a presumption exists that there was something wrong with the truck or the underground storage tank, or both. Petitioner, which had the obligation to ensure that the truck was safe, is likewise liable for the operation of that truck.

Petitioner maintains that by virtue of the hauling contract, Villaruz must be held responsible for the acts of Igdanis, the driver of the tank truck. In this aspect, petitioner is correct. While it may be vicariously liable to third persons for damages caused by Villaruz, the latter is nevertheless liable to petitioner by virtue of the non-liability clause in the hauling contract. Under this provision, he saved petitioner from any and all claims of third persons arising out of, but not necessarily limited to, his performance of the terms and conditions of this agreement. Petitioner even obligated him to maintain an acceptable Merchandise Floater Policy to provide insurance coverage for the products entrusted to him; and a Comprehensive General Liability Insurance to cover any and all claims for damages for personal injury, including death or damages to property, which may arise from operations under the contract.[15]

Thus, Villaruz is also liable to petitioner based on the hauling contract. Under Rule 6, Sec. 8 of the Rules of Court, petitioner may enforce the terms of the hauling contract against him. However, considering that it did not implead Villaruz in the present case, nor did it assail the Decision of the CA in dismissing the cross-claim, petitioner can no longer go after him based on that cross-claim.

Nonetheless, this is not the same as saying that Villaruz is no longer solidarily liable to respondents.

As the employer of Igdanis, Villaruz was impleaded by herein respondents in the lower court and was found to be solidarily liable with his other co-defendants. Absent an appeal before this Court assailing the ruling of the lower court and the CA, Villaruz remains to be solidarily liable with petitioner and co-defendants Rubin Uy and Dortina Uy. Thus, petitioner may only claim contribution from him in accordance with Article 1217 of the Civil Code, and not by virtue of its hauling contract, in the event that respondents decide to proceed against petitioner alone for the satisfaction of judgment. Art. 1217 states:

Payment made by one of the solidary debtors extinguishes the obligation. If two or more solidary debtors offer to pay, the creditor may choose which offer to accept.

He who made the payment may claim from his co-debtors only the share which corresponds to each, with the interest for the payment already made. If the payment is made before the debt is due, no interest for the intervening period may be demanded. (Emphasis supplied)

The share, meanwhile, of solidary debtors is contained in Art. 1208, to wit:

If from the law, or the nature of the wording of the obligations to which the preceding article refers the contrary does not appear, the credit of debt shall be presumed to be divided into as many equal shares as there are creditors or debtors, the credits or debts being considered distinct from one another, subject to the Rules of Court governing the multiplicity of suits. (Emphasis supplied)

To put it simply, based on the ruling of the lower courts, there are four (4) persons who are liable to pay damages to respondents. The latter may proceed against any one of the solidary debtors or some or all of them simultaneously, pursuant to Article 1216 of the Civil Code. These solidary debtors are petitioner Petron, the hauler Villaruz, the operator Dortina Uy and the dealer Rubin Uy. To determine the liability of each defendant to one another, the amount of damages shall be divided by four, representing the share of each defendant. Supposedly, under the hauling contract, petitioner may require Villaruz to indemnify it for its share. However, because it was not able to maintain the cross-claim filed against him, it shall be liable for its own share under Article 1208 and can no longer seek indemnification or subrogation from him under its dismissed cross-claim. Petitioner may not pursue its cross-claim against Rubin Uy and Dortina Uy, because the cross-claims against them were also dismissed; moreover, they were all equally liable for the conflagration as discussed herein.

Finally, the incident occurred in 1992. Almost 20 years have passed; yet, respondents, who were innocent bystanders, have not been compensated for the loss of their homes, properties and livelihood. Notably, neither the RTC nor the CA imposed legal interest on the actual damages that it awarded respondents. In *Eastern Shipping Lines v. Court of Appeals*,^[16] enunciated in *PCI Leasing & Finance Inc. v. Trojan Metal Industries, Inc.*,^[17] we laid down the rules for the imposition of legal interest as follows:

I. When an obligation, regardless of its source, i.e., law, contracts, quasi-contracts, delicts or quasi-delicts is breached, the contravenor can be held liable for damages. The provisions under Title XVIII on "Damages" of the Civil Code govern in determining the measure of recoverable damages.

II. With regard particularly to an award of interest in the concept of actual and compensatory damages, the rate of interest, as well as the accrual thereof, is imposed, as follows:

1. When the obligation is breached, and it consists in the payment of a sum of money, i.e., a loan or forbearance of money, the interest due should be that which may have been stipulated in writing. Furthermore, the interest due shall itself earn legal interest from the time it is judicially demanded. In the absence of stipulation, the rate of interest shall be 12% per annum to be computed from default, i.e., from judicial or extrajudicial demand under and subject to the provisions of Article 1169 of the Civil Code.

2. When an obligation, not constituting a loan or forbearance of money, is breached, an interest on the amount of damages awarded may be imposed at the discretion of the court at the rate of 6% per annum. No interest, however, shall be adjudged on unliquidated claims or damages except when or until the demand can be established with reasonable certainty. Accordingly, where the demand is established with reasonable certainty, the interest shall begin to run from the time the claim is made judicially or extrajudicially (Art. 1169, Civil Code) but when such certainty cannot be so reasonably established at the time the demand is made, the interest shall begin to run only from the date the judgment of the court is made (at which time the quantification of damages may be deemed to have been reasonably ascertained). The actual base for the computation of legal interest shall, in any case, be on the amount finally adjudged.

3. When the judgment of the court awarding a sum of money becomes final and executory, the rate of legal

interest, whether the case falls under paragraph 1 or paragraph 2, above, shall be 12% per annum from such finality until its satisfaction, this interim period being deemed to be by then an equivalent to a forbearance of credit.

In the interest of substantial justice, we deem it necessary to impose legal interest on the awarded actual damages at the rate of 6% per annum from the time the cases were filed with the lower court; and 12% from the time the judgment herein becomes final and executory up to the satisfaction of such judgment.

WHEREFORE, in view of the foregoing, we AFFIRM the Decision of the Court of Appeals in Civil Case No. 60845 insofar as herein petitioner has been held solidarily liable to pay damages to respondents. The CA Decision is, however, MODIFIED and the actual damages awarded to respondents shall be subject to the rate of legal interest of 6% per annum from the time of filing of Civil Case Nos. 19633, 19684 and 20122 with the Regional Trial Court of Iloilo City up to the time this judgment becomes final and executory. Henceforth, the rate of legal interest shall be 12% until the satisfaction of judgment.

Costs against petitioner.

SO ORDERED.

Carpio, (Chairperson), Perez, Reyes, and Perlas-Bernabe, JJ.[*], concur.

[*] Designated as acting Member of the Second Division vice Associate Justice Arturo D. Brion per Special Order No. 1174 dated January 9, 2012.

[1] Rollo, pp. 10-29.

[2] Id. at 34-47. Penned by Associate Justice Rebecca de Guia-Salvador, with Associate Justices Eugenio S. Labitoria and Teodoro P. Regino, concurring.

[3] Records, pp. 351-353.

[4] Id. at 361-375.

[5] Id. at 361.

[6] Rollo, pp. 87-88. Penned by Judge Edgar D. Gustilo.

[7] CA rollo, p. 201.

[8] Rollo, pp. 46-47.

[9] Rollo, p. 7.

[10] TSN, 28 July 1995, p. 30.

[11] Rollo, p. 108.

[12] Records, p. 363.

[13] Note that the only attached annexes to the hauling contract are designated as Annex "A," "B," and "C." It appears that Annex "8" may be a typographical error that in fact refers to Annex "B."

[14] Records, p. 369.

[15] Records, p. 365.

[16] G.R. No. 97412, 12 July 1994, 234 SCRA 78.

[17] G.R. No. 176381, 15 December 2010, 638 SCRA 615.

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