METRO MANILA TRANSIT CORPORATION, PETITIONER, VS. REYNALDO CUEVAS AND JUNNEL CUEVAS, REPRESENTED BY REYNALDO CUEVAS, RESPONDENTS.

G.R. No. 167797. June 15, 2015

Ponente: BERSAMIN, J.

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BERSAMIN, J.:

The registered owner of a motor vehicle whose operation causes injury to another is legally liable to the latter. But it is error not to allow the registered owner to recover reimbursement from the actual and present owner by way of its cross-claim.

Antecedents

Metro Manila Transit Corporation (MMTC) and Mina's Transit Corporation (Mina's Transit) entered into an agreement to sell dated August 31, 1990,[1] whereby the latter bought several bus units from the former at a stipulated price. They agreed that MMTC would retain the ownership of the buses until certain conditions were met, but in the meantime Mina's Transit could operate the buses within Metro Manila.

On October 14, 1994, one of the buses subject of the agreement to sell, bearing plate number NXM-449-TB-pil 94, hit and damaged a Honda Motorcycle owned by Reynaldo and driven by Junnel. Reynaldo and Junnel sued MMTC and Mina's Transit for damages in the Regional Trial Court (RTC) in Cavite, docketed as Civil Case No. N-6127, pertinently alleging and praying as follows:

> 5. Defendants Metro Manila Transit Corporation and Mina's Transit are registered joint-owners or operators of an MMTC/Minas Transit passenger bus with Plate No. NXM-449-TB-pil 94, and is the employers (sic) of the driver Jessie Rillera y Gaceta.
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> 6. On October 14, 1994, at around 7:45 P.M., while Plaintiff was riding on a Honda Motocycle, with a companion at the back, along South Superhighway, in front of Magallanes Supermarket in Makati, Metro Manila, a few meters away from the approaches of Magallanes Overpass complex, coming from the South and heading toward the North, the defendants' driver Jessie Rillera Y Gaceta, driving the MMTC/Mina's Transit Passenger bus with Plate No. NXM-449-TB-pil 94, heading in the same direction and following Plaintiffs motorcycle, recklessly and carelessly attempted to overtake Plaintiffs Motorcycle on the right side of the lane, in the course of which the said Jessie Rillera side swiped the Plaintiff as the said Jessie Rillera accelerated speed;
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> 7. As a result, plaintiff Junnel Cuevas and his companion were thrown to the road and Plaintiffs right leg was severely fractured, and the Honda Motorcycle owned by plaintiff Reynaldo Cuevas was extensively damaged;
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> 8. Plaintiff Junnel Cuevas and his companion were then brought to the Philippine General Hospital along Taft Avenue in Manila, where the said Plaintiff had to undergo several operations on his right leg; but in spite of the several operations which he had undergone, Plaintiff Junnel Cuevas, even up to now, is unable to walk on his own without the aid of crutches and is still scheduled for more operations; a xerox copy of his medical

certificate is hereto attached as Annex A hereof;[2]

x x x x x x x x x

WHEREFORE, it is most respectfully prayed that after notice and hearing a judgment be rendered ordering the defendants jointly and severally to pay Plaintiffs the following sums of money:

1) P200,000.00 more or less, representing actual medical expenses;
2) P18,940.00 representing the cost of repair of the damaged motorcycle
3) P300,000.00 as moral damage(s)
4) P100,000.00 as exemplary damage(s)
5) P50,000.00 as nominal damage(s)
6) P15,000.00 as litigation expenses
7) P30,000.00 as attorney's fees
8) to pay the cost of the suit.[3]

In its answer with compulsory counterclaim and cross-claim,[4] MMTC denied liability, and averred that although it retained the ownership of the bus, the actual operator and employer of the bus driver was Mina's Transit; and that, in support of its cross-claim against Mina's Transit, a provision in the agreement to sell mandated Mina's Transport to hold it free from liability arising from the use and operation of the bus units.[5]

On its part, Mina's Transit contended that it was not liable because: (a) it exercised due diligence in the selection and supervision of its employees; (b) its bus driver exercised due diligence; and (c) Junnel's negligence was the cause of the accident.

Meanwhile, Mina's Transit filed a third-party complaint against its insurer, Perla Compania de Seguros, Inc. (Perla), seeking reimbursement should it be adjudged liable, pursuant to its insurance policy issued by Perla with the following coverage: (a) third-party liability of P50,000.00 as the maximum amount; and (b) third-party damage to property of P20,000.00 as the maximum amount.[6]

In its answer to the third-party complaint, Perla denied liability as insurer because Mina's Transit had waived its recourse by failing to notify Perla of the incident within one year from its occurrence, as required by Section 384 of the Insurance Code.[7] It submitted that even assuming that the claim had not yet prescribed, its liability should be limited to the maximum of P50,000.00 for third-party liability and P20,000.00 for third-party damage.[8]

After trial, the RTC rendered judgment in favor of the respondents on September 17, 1999[9] ordering petitioner Metro Manila Transit Corporation (MMTC) and its co-defendant Mina's Transit Corporation (Mina's Transit) to pay damages in favor of respondents Reynaldo Cuevas and Junnel Cuevas to wit:

WHEREFORE, premises considered, defendants Metro Manila Transit Corporation and Mina's Transit Corporation are hereby held solidarity liable for the payment to the plaintiffs of the following:

a. P115,436.50 as actual damages;
b. P100,000.00 as moral damages
c. P50,000.00 as exemplary damages; and
d. P20,000.00 as attorney's fees.

Costs are also adjudged against defendants.

SO ORDERED.[10]

The RTC concluded that the proximate cause of the mishap was the negligence of the bus driver; that following Article 2180 of the Civil Code, his employers should be solidarity liable; that MMTC and Mina's Transit, being

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the joint owners of the bus, were liable; and that the third-party complaint was dismissed because no evidence was presented to prove it. The RTC, however, did not rule on the propriety of the cross-claim.

On appeal, the CA affirmed the RTC's decision.[11]

Issue

Hence, this appeal, in which MMTC posits the sole issue of whether or not it was liable for the injuries sustained by the respondents despite the provision in the agreement to sell that shielded it from liability.

Ruling of the Court

The appeal is partly meritorious.

MMTC urges the revisit of the registered-owner rule in order to gain absolution from liability. It contends that although it retained ownership of the bus at the time of the vehicular accident, the actual operation was transferred to Mina's Transit; that for it to be held liable for the acts of the bus driver, the existence of an employer-employee relationship between them must be established; and that because the bus driver was not its employee, it was not liable for his negligent act.

The contentions of MMTC cannot persuade.

In view of MMTC's admission in its pleadings that it had remained the registered owner of the bus at the time of the incident, it could not escape liability for the personal injuries and property damage suffered by the Cuevases. This is because of the registered-owner rule, whereby the registered owner of the motor vehicle involved in a vehicular accident could be held liable for the consequences. The registered-owner rule has remained good law in this jurisdiction considering its impeccable and timeless rationale, as enunciated in the 1957 ruling in Erezo, et al. v. Jepte,[12] where the Court pronounced:

> Registration is required not to make said registration the operative act by which ownership in vehicles is transferred, as in land registration cases, because the administrative proceeding of registration does not bear any essential relation to the contract of sale between the parties (Chinchilla vs. Rafael and Verdaguer, 39 Phil. 888), but to permit the use and operation of the vehicle upon any public highway (section 5 [a], Act No. 3992, as amended.) 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.
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> "'One of the principal purposes of motor vehicles legislation is identification of the vehicle and of the operator, in case of accident; and another is that the knowledge that means of detection are always available may act as a deterrent from lax observance of the law and of the rules of conservative and safe operation. Whatever purpose there may be in these statutes, it is subordinate at the last to the primary purpose of rendering it certain that the violator of the law or of the rules of safety shall not escape because of lack of means to discover him.' The purpose of the statute is thwarted, and the displayed number becomes a 'snare and delusion,' if courts would entertain such defenses as that put forward by appellee in this case. No responsible person or corporation could be held liable for the most outrageous acts of negligence, if they should be allowed to place a 'middleman' between them and the public, and escape liability by the manner in which they recompense their servants." (King vs. Brenham Automobile Co., 145 S.W. 278, 279.)

The Court has reiterated the registered-owner rule in other rulings, like in Filcar Transport Services v.

Espinas,[13] to wit:

> x x x It is well settled that in case of motor vehicle mishaps, the registered owner of the motor vehicle is considered as the employer of the tortfeasor-driver, and is made primarily liable for the tort committed by the latter under Article 2176, in relation with Article 2180, of the Civil Code.
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> In Equitable Leasing Corporation v. Suyom, we ruled that in so far as third persons are concerned, the registered owner of the motor vehicle is the employer of the negligent driver, and the actual employer is considered merely as an agent of such owner.
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> In that case, a tractor registered in the name of Equitable Leasing Corporation (Equitable) figured in an accident, killing and seriously injuring several persons. As part of its defense, Equitable claimed that the tractor was initially leased to Mr. Edwin Lim under a Lease Agreement, which agreement has been overtaken by a Deed of Sale entered into by Equitable and Ecatine Corporation (Ecatine). Equitable argued that it cannot be held liable for damages because the tractor had already been sold to Ecatine at the time of the accident and the negligent driver was not its employee but of Ecatine.
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> In upholding the liability of Equitable, as registered owner of the tractor, this Court said 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." The Court further stated that "[i]n 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." Thus, Equitable, as the registered owner of the tractor, was considered under the law on quasi delict to be the employer of the driver, Raul Tutor; Ecatine, Tutor's actual employer, was deemed merely as an agent of Equitable.
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> Thus, it is clear that for the purpose of holding the registered owner of the motor vehicle primarily and directly liable for damages under Article 2176, in relation with Article 2180, of the Civil Code, the existence of an employer-employee relationship, as it is understood in labor relations law, is not required. It is sufficient to establish that Filcar is the registered owner of the motor vehicle causing damage in order that it may be held vicariously liable under Article 2180 of the Civil Code. (Citations Omitted)

Indeed, MMTC could not evade liability by passing the buck to Mina's Transit. The stipulation in the agreement to sell did not bind third parties like the Cuevases, who were expected to simply rely on the data contained in the registration certificate of the erring bus.

Although the registered-owner rule might seem to be unjust towards MMTC, the law did not leave it without any remedy or recourse. According to Filcar Transport Services v. Espinas,[14] MMTC could recover from Mina's Transit, the actual employer of the negligent driver, under the principle of unjust enrichment, by means of a cross-claim seeking reimbursement of all the amounts that it could be required to pay as damages arising from the driver's negligence. A cross-claim is a claim by one party against a co-party arising out of the transaction or occurrence that is the subject matter either of the original action or of a counterclaim therein, and may include a claim that the party against whom it is asserted is or may be liable to the cross-claimant for all or part of a claim asserted in the action against the cross-claimant.[15]

MMTC set up its cross-claim against Mina's Transit precisely to ensure that Mina's Transit would reimburse whatever liability would be adjudged against MMTC. Yet, it is a cause of concern for the Court that the RTC ignored to rule on the propriety of MMTC's cross-claim. Such omission was unwarranted, inasmuch as Mina's Transit did not dispute the cross-claim, or did not specifically deny the agreement to sell with MMTC, the actionable document on which the cross-claim was based. Even more telling was the fact that Mina's Transit did not present controverting evidence to disprove the cross-claim as a matter of course if it was warranted for it to do

so. Under the circumstances, the RTC should have granted the cross-claim to prevent the possibility of a multiplicity of suits, and to spare not only the MMTC but also the other parties in the case from further expense and bother. Compounding the RTC's uncharacteristic omission was the CA's oversight in similarly ignoring the cross-claim. The trial and the appellate courts should not forget that a cross-claim is like the complaint and the counterclaim that the court must rule upon.

WHEREFORE, the Court AFFIRMS the decision promulgated on June 28, 2004 subject to the MODIFICATION that the cross-claim of Metro Manila Transit Corporation against Mina's Transit Corporation is GRANTED, and, ACCORDINGLY, Mina's Transit Corporation is ORDERED to reimburse to Metro Manila Transit Corporation whatever amounts the latter shall pay to the respondents pursuant to the judgment of the Regional Trial Court in Civil Case No. N-6127.

No pronouncement on costs of suit.

SO ORDERED.

Sereno, C.J., Leonardo-De Castro, Perez, and Perlas-Bernabe, JJ., concur.

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[1] Rollo, pp. 43- 62.

[2] Id. at 64-65.

[3] Id. at 67-68.

[4] Id. at 76-83.

[5] Id. at 47.

[6] Records, pp. 66-68.

[7] Section 384. Any person having any claim upon the policy issued pursuant to this Chapter shall, without any unnecessary delay, present to the insurance company concerned a written notice of claim setting forth the nature, extent and duration of the injuries sustained as certified by a duly licensed physician. Notice of claim must be filed within six months from date of accident, otherwise, the claim shall be deemed waived. Action or suit for recovery of damage due to loss or injury must be brought, in proper cases, with the Commissioner or the Courts within one year from denial of the claim, otherwise, the claimant's right of action shall prescribe.

[8] Records, pp. 85-88.

[9] Rollo, pp. 107-120; penned by Judge Manuel A. Mayo.

[10] Id. at 120.

[11] Id. at 29-35; penned by Associate Justice Rosalinda Asuncion-Vicente (retired), concurred in by Associate Justice Delilah Vidallon-Magtolis (retired) and Associate Justice Bienvenido L. Reyes (now a Member of the Court).

[12] 102 Phil. 103, 108-109 (1957).

[13] G.R. No. 174156, June 20, 2012, 674 SCRA 117, 128-130.

[14] Id.

[15] Section 8, Rule 6 of the Rules of Court.

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