

UNITED STATES LINES COMPANY, PETITIONER, VS. SAN MIGUEL BREWERY, INC., RESPONDENT.

G.R. No. 19383. April 30, 1964

Ponente: LABRADOR, J.

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LABRADOR, J.:

This is a petition to review by certiorari the decision of the Court of Appeals in Case CA—G.R. No. 19188-R entitled "United States Lines Company, plaintiff-appellee vs. San Miguel Brewery, Inc. defendant-appellant" on the ground that said decision is contrary to law.

The facts established by the evidence and admitted by the parties are as follows: plaintiff-appellee United States Lines Company, petitioner herein, is a foreign corporation duly licensed to do business in the Philippines and is the agent in this country of the vessel S/S "Peter J. McGuire", while defendant-appellant, respondent herein, operates the Insular Ice and Cold Storage Plant in Manila. On November 1, 1951, while the S/S "Peter J. McGuire" was anchored in Manila Bay, its refrigeration facilities went out of order. Mr. Finch, one of petitioner's officers, contacted Chua Seng, Manager of the People's Food Supply to inform him that they needed a place wherein to store the perishable supplies of the vessel. Chua recommended the Insular Ice and Cold Storage Plant, and after arrangements made between Finch and Jose H. Martinez, then in-charge of the plant, compartment A in room I-B on the ground floor of the storage plant was leased to the petitioner at a daily rental of P19.00. The food provisions of the vessel were stored in said compartment on November 1, 1951 and withdrawn on November 6, 1951 when they were brought by launch direct to the S/S "Peter J. McGuire" in the Manila Bay. It was then that petitioner found the foodstuffs stored by it to have been gnawed, soiled and damaged by rodents. Whereupon, petitioner reported the matter to the Bureau of Quarantine, whose representative Dr. Isagani Chanco went aboard the vessel and examined the foodstuffs. Dr. Chanco found "evidence of rat bites and gnawings" as well as "several pieces of rat excrete" in the food provisions, for which reason he told the captain of the vessel to throw the provisions out of sea because they were contaminated and no longer fit for consumption. Employees of the Rodent Control Section of the Bureau of Quarantine were ordered by its Director to catch the rats in respondent's cold storage plant, and in three weeks, i.e., from November 19 to December 15, 1951, a total of 66 rats were caught by these government employees in said room I-B of the storage plant.

The United States Lines Company, therefore, brought an action in the Court of First Instance of Manila, against the San Miguel Brewery, Inc. to recover the sum of P2,262.38 for damages and another amount in the sum of P600.00 for attorney's fees. Defendant interposed several affirmative defenses and in turn asked for damages in the sum of P4,000.00 by way of counterclaim.

The Court of First Instance of Manila rendered judgment sentencing defendant to pay plaintiff said sum off P2,262.38 as damages, with interest at the rate of 6% per annum from the date of the decision until said amount is paid in full, another amount in the sum of P500.00 as attorney's fees and the costs of the suit, and dismissing defendant's counterclaim against the plaintiff. Defendant appealed to the Court of Appeals which reversed the decision of the Court of First Instance insofar as it ordered appellant to pay appellee the amounts stated' in the

lower court's judgment, but affirmed the decision insofar as it dismissed defendant's counterclaim.

Not satisfied with the decision of the Court of Appeals petitioner has elevated the case to Us for resolution of the main legal issue involved, which is, whether a lessor of a cold storage plant may be held responsible for the deterioration of the foodstuffs stored in one of its cold storage rooms by a lessee thereof, because said foodstuffs were gnawed by rodents which gained entrance into said cold storage room.

Before proceeding to consider the main issue in this case, which is a legal one, it might be proper to consider the statement in the decision of the Court of Appeals that "a serious doubt has been engendered in the mind of this Court" because of the supposed 'lone and uncorroborated testimony of James Boyd' without "other evidence presented by the plaintiff to prove that rats were actually found inside room I-B of the ice plant at the time the provisions in question were withdrawn therefrom." Evidently, the respondent, court failed to take into account that among the evidence submitted at the trial of the case is the fact (which fact the Court of First Instance considered decisive), that between November 19 to December 15, 1951, as many as 66 rats were caught by employees of the Bureau of Quarantine inside the big room, one compartment of which was leased to petitioner. While the rats were caught about 10 days after the foodstuffs were withdrawn from the compartment, there is no evidence to show that the rats entered the big room and the compartment after the foodstuffs had been removed therefrom, and the possibility is that they must have been in the room when the compartment was leased. Under these circumstances, We agree with the finding of the Court of First Instance that the destruction of the foodstuffs, was caused by the rats that were caught by the Quarantine service. To Our mind, therefore, there cannot be any reasonable doubt that the rats that gnawed the foodstuffs were already in the big room containing the compartment leased by the defendant to the plaintiff, at the time of such lease.

The legal question before Us is the ruling of the respondent court that a lessee is not entitled to damages caused by a defect in the leased premises unless there has been fraud and bad faith on the part of the lessor. In support of its ruling, the case of Yap Kim Chuan vs. Tiaoqui, 31 Phil. 433 is cited by the respondent court. We have examined the case cited and We find that the citation is the syllabus alone, without consideration of the facts.

The facts of that case are that a torrential rain had fallen (considered as force majeure), which had caused the building leased to be drenched with water; thereby damaging the articles deposited by the lessee in the building. The reason for absolving the defendant from the action for damages was because the court found that the damage was caused by a force majeure, namely, the unexpected torrential rain that fell while the goods of the plaintiff were stored in the building. The syllabus of the decision cited does not reflect correctly the ruling of the court as claimed by appellee to be, namely, that a lessor is liable to damages for defects in the thing leased only if he is guilty of bad faith or fraud.

Coming now to the legal merits of the case, We declare: considering that the agreement between the petitioner United States Lines Company and the respondent San Miguel Brewery, Inc. should be understood as having warranted that the leased premises would be free from rats, which would destroy the foodstuffs stored in the premises. To such effect is the provision of Article 1653 of the Civil Code, which is as follows:

"Art. 1653. The provisions governing warranty, contained in the Title on Sales, shall be applicable to the contract of lease.

"In the cases where the return of the price is required, reduction shall be made in proportion to the time during which the lessee enjoyed the thing."

The warranty provided for is found in Article 1566 of the Civil Code, and is as follows:

"Art. 1566. The vendor is responsible to the vendee for any hidden faults or defects in the thing sold, even

though he was not aware thereof.

"This provision shall not apply if the contrary has been stipulated, and the vendor was not aware of the hidden faults or defects in the thing sold."

There being no reason or ground for not applying the above provisions of law to the respondent lessor, We set aside the decision of the Court of Appeals subject of the present appeal and affirm that of the Court of First Instance, which is that the defendant-respondent shall pay to the plaintiff-petitioner the sum of P2,262.38, as damages, with interest at the rate of 6% per annum from the date of the decision until said amount is paid in full, plus P500.00 as attorney's fees and the costs of the suit.

SO ORDERED.

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

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