

LUZON STEVEDORING CORPORATION, PETITIONER, VS. COURT OF APPEALS, HIJOS DE F. ESCANO, INC., AND DOMESTIC INSURANCE COMPANY OF THE PHILIPPINES, RESPONDENTS.

G.R. No. 58897. December 03, 1987

Ponente: GANCAYCO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-58897/>

GANCAYCO, J.:

On May 30, 1968 at past 6:00 in the morning a maritime collision occurred within the vicinity of the entrance to the North Harbor, Manila between the tanker LSCO "Cavite" owned by Luzon Stevedoring Corporation and MV "Fernando Escano" a passenger ship owned by Hijos de F. Escano, Inc. as a result of which said passenger ship sunk. An action in admiralty was filed by Hijos de F. Escano, Inc. and Domestic Insurance Company of the Philippines against the Luzon Stevedoring Company (LSC) in the Court of First Instance of Cebu. In the course of the trial, the trial court appointed two commissioners representing the plaintiffs and defendant to determine the value of the LSCO "CAVITE". Said commissioners found the value thereof to be P180,000.00.

After trial on the merits, a decision was rendered on January 24, 1974 finding that LSCO "Cavite" was solely to blame for the collision, thus its dispositive portion reads as follows:

"WHEREFORE, based on all the foregoing considerations, the Court renders judgment in favor of the plaintiffs and against the defendant ordering the latter to pay to the plaintiff Domestic Insurance Company of the Philippines the sum of P514,000.00, and to the plaintiff Hijos de F. Escano, Inc. the sum of P68,819.00, with interest on both sums at the legal rate, from the date the complaint was filed and the further sum of P252,346.70, with interest at the legal rate from August 7, 1972 and the sum of P163,721.91, without interest in trust for, and with direction that it pay the same to, the claimants concerned.

With costs against the defendant."[1]

In the penultimate paragraph of the decision the trial court held:

"With respect to the defense that defendant's liability is limited to the value of the LSCO "Cavite" and freight earned, invoking Art. 837 of the Code of Commerce, the Court believes and so holds that the defense has not been established. Moreover, the evidence is such that in principle Art. 837 does not apply here. The counterclaim of the defendant is likewise ordered dismissed for lack of merit."[2]

Not satisfied therewith the defendant interposed an appeal therefrom to the Court of Appeals wherein in due course a decision was rendered on June 30, 1981 affirming the decision of the court a quo in toto with costs against appellant. The motion for reconsideration filed by the defendant of the decision was denied in a resolution of the Court of Appeals of November 7, 1981. Hence said defendant filed a petition for certiorari in this Court based on the following grounds:

"I

THE LOWER COURT ERRED IN FINDING THAT THE LSCO "CAVITE" WAS THE VESSEL AT FAULT IN THE COLLISION.

II

THE LOWER COURT ERRED IN NOT FINDING THAT THE COLLISION BETWEEN THE M/V "FERNANDO ESCANO" AND THE LSCO "CAVITE" WAS DUE SOLELY AND EXCLUSIVELY TO THE FAULT, NEGLIGENCE AND LACK OF SKILL OF THE MASTER OF THE FORMER VESSEL.

III

THE LOWER COURT ERRED IN NOT RULING THAT THE CIVIL LIABILITY OF THE PETITIONER, IF ANY THERE BE, SHOULD BE LIMITED TO THE VALUE OF THE LSCO "CAVITE" WITH ALL ITS APPURTENANCES AND FREIGHTAGE WHEN THE COLLISION TOOK PLACE."[3]

In a resolution of February 26, 1982 this Court denied the petition for lack of merit.

A motion for reconsideration of said resolution was filed by petitioner limiting the issue to the legal question of whether under Art. 837 of the Code of Commerce abandonment of vessel at fault is necessary in order that the liability of owner of said vessel shall be limited only to the extent of the value thereof, its appurtenances and freightage earned in the voyage. After respondents submitted their comment to the motion as required, on September 29, 1982 this Court denied the motion for reconsideration for lack of merit.

With leave of court petitioner filed a second motion for reconsideration of said resolution raising the following issues:

"1. Whether abandonment is required under Article 837 of the Code of Commerce. The decisions of this Honorable Court cited by the parties in support of their respective positions only imply the answer to the question, and the implied answers are contradictory.

2. If abandonment is required under Article 837 of the Code of Commerce, when should it be made? The Code of Commerce is silent on the matter. The decision of this Honorable Court in *Yangco v. Laserna*, 73 Phil. 330, left the question open and no other decision, as far as petitioner can ascertain, has resolved the question.

3. Is the decision of this Honorable Court in *Manila Steamship Co., Inc. v. Abdulhaman*, 100 Phil. 32, wherein it was held that '(t)he international rule to the effect that the right of abandonment of vessels, as a legal limitation of a shipowner's own fault', invoked by private respondents and apparently a major consideration in the denial of the motion for reconsideration, applicable to petitioner under the circumstances of the case at bar?[4]

The respondents were required to comment thereto and after said comment was submitted petitioners submitted a reply thereto to which the respondents filed a rejoinder.

On November 28, 1983, the Court gave due course to the petition for review and considered the respondents' comment thereto as the Answer. The parties were required to file their briefs. Both parties having filed their briefs the case is now submitted for decision.

Articles 587, 590, and 837 of the Code of Commerce provide as follows:

"ART. 587. The ship agent shall also be civilly liable for the indemnities in favor of third persons which arise from the conduct of the captain in the vigilance over the goods which the vessel carried; but he may exempt himself therefrom by abandoning the vessel with all her equipment and the freight he may have earned during

the voyage."

x x x x

"ART. 590. The co-owners of the vessel shall be civilly liable in the proportion of their contribution to the common fund for the results of the acts of the captain, referred to in Article 587.

Each co-owner may exempt himself from this liability by the abandonment, before a notary, of that part of the vessel belonging to him.

x x x x

"ART. 837. The civil liability incurred by the shipowners in the cases prescribed in this section, shall be understood as limited to the value of the vessel with all her appurtenances and freight earned during the voyage."[5]

In the case of Philippine Shipping Company vs. Garcia[6], which is an action for damages instituted by the Philippine Shipping Company for the loss of Steamship "Ntra. Sra. de Lourdes" as a result of the collision with the Steamship "Navarra" of Garcia, it was found that the "Navarra" was responsible for the collision. The claim of the Philippine Shipping is that the defendant should pay P18,000.00, the value of the "Navarra" at the time of its loss, in accordance with the provision of Article 837 of the Code of Commerce, and that it was immaterial that the "Navarra" had been entirely lost provided the value could be ascertained since the extent of liability of the owner of the colliding vessel resulting from the collision is to be determined by its value.

This Court speaking through the then Chief Justice Arellano held:

"Article 837 of the Code of Commerce provides: 'The civil liability contracted by the shipowners in the cases prescribed in this section shall be understood as limited to the value of the vessel with all her equipment and all the freight money earned during the voyage.'

'This section is a necessary consequence of the right to abandon the vessel given to the shipowner in article 587 of the code, and it is one of the many superfluities contained in the code.' (Lorenzo Benito, 'Lecciones,' 352.)

'ART. 587. The agent shall also be civilly liable for the indemnities in favor of third persons which arise from the conduct of the captain in the care of the goods which the vessel carried but he may exempt himself therefrom by abandoning the vessel with all her equipments and the freight he may have earned during the trip.

'ART. 590. The part owners of a vessel shall be civilly liable, in the proportion of their contribution to the common fund, for the results of the acts of the captain referred to in Article 587. Each part owner may exempt himself from this liability by the abandonment, before a notary, of the part of the vessel belonging to him.'

The 'Exposicion de motivos' of the Code of Commerce contains the following: 'The present code (1829) does not determine the juridical status of the agent where such agent is not himself the owner of the vessel. This omission is supplied by the proposed code, which provides in accordance with the principles of maritime law that by agent it is to be understood the person intrusted with the provisioning of the vessel, or the one who represents her in the port in which she happens to be. This person is the only one who represents the vessel--that is to say, the only one who represents the interests of the owner of the vessel. This provision has therefore cleared the doubt which existed as to the extent of the liability, both of the agent and of the owner of the vessel. Such liability is limited by the proposed code to the value of the vessel and other things appertaining thereto.'

There is no doubt that if the Navarra had not been entirely lost, the agent, having been held liable for the negligence of the captain of the vessel, could have abandoned her with all her equipment and the freight money earned during the voyage, thus bringing himself within the provisions of article 837 in so far as the subsidiary

civil liability is concerned. This abandonment which would have amounted to an offer of the value of the vessel, of her equipment, and freight money earned could not have been refused, and the agent could not have been personally compelled, under such circumstances, to pay the 18,000 pesos, the estimated value of the vessel at the time of the collision.

This is the difference which exists between the lawful acts and lawful obligations of the captain and the liability which he incurs on account of any unlawful act committed by him. In the first case, the lawful acts and obligations of the captain beneficial to the vessel may be enforced as against the agent for the reason that such obligations arise from the contract of agency (provided, however, that the captain does not exceed his authority), while as to any liability incurred by the captain through his unlawful acts, the ship agent is simply subsidiarily civilly liable. This liability of the agent is limited to the vessel and it does not extend further. For this reason the Code of Commerce makes the agent liable to the extent of the value of the vessel, as the codes of the principal maritime nations provide, with the vessel, and not individually. Such is also the spirit of our code.

The spirit of our code is accurately set forth in a treatise on maritime law, from which we deem proper to quote the following as the basis of this decision:

'That which distinguishes the maritime from the civil law and even from the mercantile law in general is the real and hypothecary nature of the former, and the many securities of a real nature that maritime customs from time immemorial the laws, the codes, and the later jurisprudence, have provided for the protection of the various and conflicting interests which are ventured and risked in maritime expeditions, such as the interests of the vessel and of the agent, those of the owners of the cargo and consignees, those who salvage the ship, those who make loans upon the cargo, those of the sailors and members of the crew as to their wages, and those of a constructor as to repairs made to the vessel.

'As evidence of this "real" nature of the maritime law we have (1) the limitation of the liability of the agents to the actual value of the vessel and the freight money, and (2) the right to retain the cargo and the embargo and detention of the vessel even in cases where the ordinary civil law would not allow more than a personal action against the debtor or person liable. It will be observed that these rights are correlative, and naturally so, because if the agent can exempt himself from liability by abandoning the vessel and freight money, thus avoiding the possibility of risking his whole fortune in the business, it is also just that his maritime creditor may for any reason attach the vessel itself to secure his claim without waiting for a settlement of his rights by a final judgment, even to the prejudice of a third person.

'This repeals the civil law to such an extent that, in certain cases, where the mortgaged property is lost no personal action lies against the owner or agent of the vessel. For instance, where the vessel is lost the sailors and members of the crew can not recover their wages; in case of collision, the liability of the agent is limited as aforesaid, and in case of shipwreck, those who loan their money on the vessel and cargo lose all their rights and can not claim reimbursement under the law.

'There are two reasons why it is impossible to do away with these privileges, to wit: (1) The risk to which the thing is exposed, and (2) the "real" nature of the maritime law, exclusively "real", according to which the liability of the parties is limited to a thing which is at the mercy of the waves. If the agent is only liable with the vessel and freight money and both may be lost through the accidents of navigation it is only just that the maritime creditor have some means of obviating this precarious nature of his rights by detaining the ship, his only security, before it is lost.

'The liens, tacit or legal, which may exist upon the vessel and which a purchaser of the same would be obliged to respect and recognize are--in addition to those existing in favor of the State by virtue of the privileges which are granted to it by all the laws--pilot, tonnage, and port dues and other similar charges, the wages of the crew earned during the last voyage as provided in article 646 of the Code of Commerce, salvage dues under article 842, the indemnification due to the captain of the vessel in case his contract is terminated on account of the

voluntary sale of the ship and the insolvency of the owner as provided in article 608, and all other liabilities arising from collisions under articles 837 and 838.' (Madariaga, pp. 6062, 63, 85.)

We accordingly hold that the defendant is liable for the indemnification to which the plaintiff is entitled by reason of the collision, but he is not required to pay such indemnification for the reason that the obligation thus incurred has been extinguished on account of the loss of the thing bound for the payment thereof, and in this respect the judgment of the court below is affirmed except in so far as it requires the plaintiff to pay the costs of this action, which is not exactly proper. No special order is made as to costs of this appeal. After the expiration of twenty days let judgment be entered in accordance herewith and ten days thereafter the record be remanded to the Court of First Instance for execution. So ordered." [7]

From the foregoing the rule is that in the case of collision, abandonment of the vessel is necessary in order to limit the liability of the shipowner or the agent to the value of the vessel, its appurtenances and freightage earned in the voyage in accordance with Article 837 of the Code of Commerce. The only instance where such abandonment is dispensed with is when the vessel was entirely lost. In such case, the obligation is thereby extinguished.

In the case of *Government of the Philippines vs. Maritime* this Court citing *Philippine Shipping* stated the exception thereto in that while "the total destruction of the vessel extinguishes a maritime lien, as there is no longer any risk to which it can attach, but the total destruction of the vessel does not affect the liability of the owner for repairs of the vessel completed before its loss,[8] interpreting the provision of Article 591 of the Code of Commerce in relation with the other Articles of the same Code.

In *Ohta Development Company vs. Steamship "Pompey"*[9] it appears that the pier sunk and the merchandise was lost due to the fault of the steamship "Pompey" that was then docked at said pier. This Court ruled that the liability of the owner of "Pompey" may not be limited to its value under Article 587 of the Code of Commerce as there was no abandonment of the ship. We also held that Article 837 cannot apply as it refers to collisions which is not the case here.[10]

In the case of *Guison vs. Philippine Shipping Company*[11] involving the collision at the mouth of the Pasig river between the motor launches *Martha* and *Manila H* in which the latter was found to be at fault, this Court, applying Article 837 of the Code of Commerce limited the liability of the agent to its value.

In the case of *Yangco vs. Laserna*[12] which involved the steamers *SS "Negros"* belonging to Yangco which after two hours of sailing from Romblon to Manila encountered rough seas as a result of which it capsized such that many of its passengers died in the mishap, several actions for damages were filed against Yangco for the death of the passengers in the Court of First Instance of Capiz. After rendition of the judgment for damages against Yangco, by a verified pleading, he sought to abandon the vessel to the plaintiffs in the three cases together with all the equipment without prejudice to the right to appeal. This Court in resolving the issue held as follows:

"Brushing aside the incidental issues, the fundamental question here raised is: May the shipowner or agent, notwithstanding the total loss of the vessel as a result of the negligence of its captain, be properly held liable in damages for the consequent death of its passengers? We are of the opinion and so hold that this question is controlled by the provision of article 587 of the Code of Commerce. Said article reads:

"The agent shall also be civilly liable for the indemnities in favor of third persons which arise from the conduct of the captain in the care of the goods which the vessel carried; but he may exempt himself therefrom by abandoning the vessel with all her equipments and the freight he may have earned during the voyage."

The provision accords a shipowner or agent the right of abandonment; and by necessary implication, his liability is confined to that which he is entitled as of right to abandon--'the vessel with all her equipments and the freight it may have earned during the voyage.' It is true that the article appears to deal only with the limited

liability of shipowners or agents for damages arising from the misconduct of the captain in the care of the goods which the vessel carries, but this is a mere deficiency of language and in no way indicates the true extent of such liability. The consensus of authorities is to the effect that notwithstanding the language of the afore-quoted provision, the benefit of limited liability therein provided for, applies in all cases wherein the shipowner or agent may properly be held liable for the negligent or illicit acts of the captain. Dr. Jose Ma. Gonzalez de Echabbarri y Vivanco, commenting on said article, said:

'La letra del Codigo, en el articulo 587, presenta una gravisima cuestion. El derecho de abandono, si se atiende a lo escrito, solo se refiere a las indemnizaciones a que diere lugar la conducta del Capitan en la custodia de los efectos que cargo en el buque.

'Es ese el espiritu del legislador? No; habra derecho de abandono en las responsabilidades nacidas de obligaciones contraidas por el Capitan y de otros actos de este? Lo reputamos evidente y, para fortalecer nuestra opinion, basta copiar el siguiente parrafo de la Exposicion de motivos:

'El proyecto, al aplicar estos principios, se inspire tambien en los intereses del comercio maritimo, que quedaran mas asegurados ofreciendo a todo el que contrata con el naviero o Capitan del buque, la garantia real del mismo, cualesquiera que sean las facultades o atribuciones de que se hallen investidos.' (Echavarri, Codigo de Comercio, Tomo 4, 2. ed., pags. 483-484.)

A cursory examination will disclose that the principle of limited liability of a shipowner or agent is provided for in but three articles of the Code of Commerce--article 587 aforequoted and articles 590 and 837. Article 590 merely reiterates the principle embodied in article 587, where the vessel is owned by several persons. Article 837 applies the same principle in cases of collision, and it has been observed that said article is but 'a necessary consequence of the right to abandon the vessel given to the shipowner in article 587 to the Code, and it is one of the many superfluities contained in the Code.' (Lorenzo Benito, Lecciones 352, quoted in Philippine Shipping Co. vs. Garcia, 6 Phil. 281, 282.) In effect, therefore, only articles 587 and 590 are the provisions contained in our Code of Commerce on the matter, and the framers of said code had intended those provisions to embody the universal principle of limited liability in all cases. x x x x x x x ,"[13]

In the said case We invoked our ruling in Philippine Shipping and concluded as follows:

"In the light of all the foregoing, we therefore hold that if the shipowner or agent may in any way be held civilly liable at all for injury to or death of passengers arising from the negligence of the captain in cases of collisions or shipwrecks, his liability is merely co-extensive with his interest in the vessel such that a total loss thereof results in its extinction. In arriving at this conclusion, we have not been unmindful of the fact that the ill-fated steamship Negros, as a vessel engaged in inter-island trade, is a common carrier (De Villata v. Stanely, 32 Phil. 541), and that the relationship between the petitioner and the passengers who died in the mishap rests on a contract of carriage. But assuming that petitioner is liable for a breach of contract of carriage, the exclusively 'real and hypothecary nature' of maritime law operates to limit such liability to the value of the vessel, or to the insurance thereon, if any. In the instant case it does not appear that the vessel was insured.

Whether the abandonment of the vessel sought by the petitioner in the instant case was in accordance with law or not, is immaterial. The vessel having totally perished, any act of abandonment would be an idle ceremony."[14]

In the case of Abueg vs. San Diego,[15] which involves a claim of compensation under the Workmens' Compensation Act for the deceased members of the crew of the MS "San Diego II" and MS "Bartolome" which were caught by a typhoon in the vicinity of Mindoro Island and as a consequence of which they were sunk and totally lost, this Court held as follows:

"Counsel for the appellant cite article 587 of the Code of Commerce which provides that if the vessel together with all her tackle and freight money earned during the voyage are abandoned, the agent's liability to third

persons for tortious acts of the captain in the care of the goods which the ship carried is extinguished (*Yangco vs. Laserna*, 73 Phil. 330) article 837 of the same Code which provides that in cases of collision, the shipowners' liability is limited to the value of the vessel with all her equipment and freight earned during the voyage (*Philippine Shipping Company vs. Garcia*, 6 Phil. 281); and article 643 of the same Code which provides that if the vessel and freight are totally lost, the agent's liability for wages of the crew is extinguished. From these premises counsel draw the conclusion that appellant's liability, as owner of the two motor ships lost or sunk as a result of the typhoon that lashed the island of Mindoro on October 1, 1941, was extinguished.

The real and hypothecary nature of the liability of the shipowner or agent embodied in the provisions of the Maritime Law, Book III, Code of Commerce, had its origin in the prevailing conditions of the maritime trade and sea voyages during the medieval ages, attended by innumerable hazards and perils. To offset against these adverse conditions and to encourage shipbuilding and maritime commerce, it was deemed necessary to confine the liability of the owner or agent arising from the operation of a ship to the vessel, equipment, and freight, or insurance, if any, so that if the shipowner or agent abandoned the ship, equipment, and freight, his liability was extinguished.

But the provisions of the Code of Commerce invoked by appellant have no room in the application of the Workmen's Compensation Act which seeks to improve, and aims at the amelioration of, the condition of laborers and employees. It is not the liability for the damage or loss of the cargo or injury to, or death of, a passenger by or through the misconduct of the captain or master of the ship; nor the liability for the loss of the ship as a result of collision; nor the responsibility for wages of the crew, but a liability created by a statute to compensate employees and laborers in cases of injury received by or inflicted upon them, while engaged in the performance of their work or employment, or the heirs and dependents of such laborers and employees in the event of death caused by their employment. Such compensation has nothing to do with the provisions of the Code of Commerce regarding maritime commerce. It is an item in the cost of production which must be included in the budget of any well-managed industry.

Appellant's assertion that in the case of *Enciso vs. DyLiacco* (57 Phil. 446), and *Murillo vs. Mendoza* (66 Phil. 689), the question of the extinction of the shipowner's liability due to abandonment of the ship by him was not fully discussed, as in the case of *Yangco vs. Laserna*, supra, is not entirely correct. In the last mentioned case, the limitation of the shipowner's liability to the value of the ship, equipment, freight, and insurance, if any, was the *lis mota*. In the case of *Enciso vs. Dy-Liacco*, supra, the application of the Workmen's Compensation Act to a master or patron who perished as a result of the sinking of the motorboat of which he was the master, was the controversy submitted to the court for decision. This Court held in that case that 'It has been repeatedly stated that the Workmen's Compensation Act was enacted to abrogate the common law and our Civil Code upon culpable acts and omissions, and that the employer need not be guilty of neglect or fault, in order that responsibility may attach to him' (pp. 449-450); and that the shipowner was liable to pay compensation provided for in the Workmen's Compensation Act, notwithstanding the fact that the motorboat was totally lost. In the case of *Murillo vs. Mendoza*, supra, this Court held that 'The rights and responsibilities defined in said Act must be governed by its own peculiar provisions in complete disregard of other similar provisions of the Civil as well as the mercantile law. If an accident is compensable under the Workmen's Compensation Act, it must be compensated even when the workman's right is not recognized by or is in conflict with other provisions of the Civil Code or of the Code of Commerce. The reason behind this principle is that the Workmen's Compensation Act was enacted by the Legislature in abrogation of the other existing laws.' This quoted part of the decision is in answer to the contention that it was not the intention of the Legislature to repeal articles 643 and 837 of the Code of Commerce with the enactment of the Workmen's Compensation Act."^[16]

In said case the Court reiterated that the liability of the shipowner or agent under the provision of Articles 587 and 837 of the Code of Commerce is limited to the value of the vessel with all her equivalent and freight earned during the voyage if the shipowner or agent abandoned the ship with all the equipment and freight. However, it

does not apply to the liability under the Workmen's Compensation Act where even as in said case the vessel was lost the liability thereunder is still enforceable against the employer or shipowner.

The case of *Manila Steamship Company, Inc. vs. Insa Abdulhaman and Lim Hong To*[17] is a case of collision of the ML "Consuelo V" and MS "Bowline Knot" as a result of which the ML "Consuelo V" capsized and was lost where nine (9) passengers died or were missing and all its cargoes were lost. In the action for damages arising from the collision, applying Article 837 of the Code of Commerce, this Court held that in such case where the collision was imputable to both of them, each vessel shall suffer her own damages and both shall be solidarily liable for the damages occasioned to their cargoes.[18] Thus, We held:

"In fact, it is a general principle, well established maritime law and custom, that shipowners and ship agents are civilly liable for the acts of the captain (Code of Commerce, Article 586) and for the indemnities due the third persons (Article 587); so that injured parties may immediately look for reimbursement to the owner of the ship, it being universally recognized that the ship master or captain is primarily the representative of the owner (*Standard Oil Co. vs. Lopez Castelo*, 42 Phil. 256, 260). This direct liability, moderated and limited by the owner's right of abandonment of the vessel and earned freight (Article 587) has been declared to exist, not only in case of breached contracts, but also in cases of tortious negligence (*Yu Biao Sontua vs. Osorio*, 43 Phil. 511, 515):

x x x x x

It is easy to see that to admit the defense of due diligence of a bonus paterfamilias (in the selection and vigilance of the officers and crew) as exempting the shipowner from any liability for their faults, would render nugatory the solidary liability established by Article 827 of the Code of Commerce for the greater protection of injured parties. Shipowners would be able to escape liability in practically every case, considering that the qualifications and licensing of ship masters and officers are determined by the State, and that vigilance is practically impossible to exercise over officers and crew of vessels at sea. To compel the parties prejudiced to look to the crew for indemnity and redress would be an illusory remedy for almost always its members are, from captains down, mere wage earners.

We, therefore, find no reversible error in the refusal of the Court of Appeals to consider the defense of the Manila Steamship Co., that it is exempt from liability for the collision with the M/L "Consuelo V" due to the absence of negligence on its part in the selection and supervision of the officers and crew of the M/S "Bowline Knot".[19]

However, insofar as respondent Lim Hong To, owner of M/L "Consuelo V" who admittedly employed an unlicensed master and engineer and who in his application for permission to operate expressly assumed full risk and responsibility thereby (Exh. 2) this Court held that the liability of Lim Hong To cannot be limited to the value of his motor launch by abandonment of the vessel as invoked in Article 587 of the Code of Commerce, We said:

"The international rule is to the effect that the right of abandonment of vessels, as a legal limitation of a shipowner's liability, does not apply to cases where the injury or the average is due to shipowner's own fault. Farina (*Derecho Commercial Maritimo*, Vol. I, pp. 122-123), on the authority of judicial precedents from various nations, sets the rule to be as follows:

x x x x x"[20]

From the foregoing, it is clear that in case of collision of vessels, in order to avail of the benefits of Article 837 of the Code of Commerce the shipowner or agent must abandon the vessel. In such case the civil liability shall be limited to the value of the vessel with all the appurtenances and freight earned during the voyage. However, where the injury or average is due to the ship-owner's fault as in said case, the shipowner may not avail of his right to limited liability by abandoning the vessel.

We reiterate what We said in previous decisions that the real and hypothecary nature of the liability of the shipowner or agent is embodied in the provisions of the Maritime Law, Book III, Code of Commerce.[21] Articles 587, 590 and 837 of the same code are precisely intended to limit the liability of the shipowner or agent to the value of the vessel, its appurtenances and freightage earned in the voyage, provided that owner or agent abandons the vessel. Although it is not specifically provided for in Article 837 of the same code that in case of collision there should be such abandonment to enjoy such limited liability, said article on collision of vessels is a mere amplification of the provisions of Articles 587 and 590 of same code where abandonment of the vessel is a pre-condition. Even without said article, the parties may avail of the provisions of Articles 587 and 590 of same code in case of collision. This is the reason why Article 837 of the same code is considered a superfluity.[22]

Hence the rule is that in case of collision there should be abandonment of the vessel by the shipowner or agent in order to enjoy the limited liability provided for under said Article 837.

The exception to this rule is when the vessel is totally lost in which case there is no vessel to abandon so abandonment is not required. Because of such total loss the liability of the shipowner or agent for damages is extinguished. Nevertheless, the shipowner or agent is personally liable for claims under the Workmen's Compensation Act and for repairs of the vessel before its loss.[23]

In case of illegal or tortious acts of the captain the liability of the shipowner and agent is subsidiary. In such instance the shipowner or agent may avail of the provisions of Article 837 of the Code by abandoning the vessel.[24]

However, if the injury or damage is caused by the shipowner's fault as where he engages the services of an inexperienced and unlicensed captain or engineer, he cannot avail of the provisions of Article 837 of the Code by abandoning the vessel.[25] He is personally liable for the damages arising thereby.

In the case now before the Court there is no question that the action arose from a collision and the fault is laid at the doorstep of LSCO "Cavite" of petitioner. Undeniably petitioner has not abandoned the vessel. Hence petitioner can not invoke the benefit of the provisions of Article 837 of the Code of Commerce to limit its liability to the value of the vessel, all the appurtenances and freightage earned during the voyage.

In the light of the foregoing conclusion, the issue as to when abandonment should be made need not be resolved.

WHEREFORE, the petition is DENIED with costs against petitioner.

SO ORDERED.

Teehankee, C.J., Narvasa, Cruz, and Paras, JJ., concur.

[1] Page 96, Amended Record on Appeal, p. 47, Rollo.

[2] Pages 95-96, Supra.

[3] Page 24, Rollo.

[4] Pages 141-142, Rollo.

[5] Pages 129, 137, & 259, Code of Commerce.

[6] 6 Phil. 281 (1906).

[7] Supra, pp. 282-286, underscoring supplied.

[8] 45 Phil. 805 (1924), underscoring supplied.

[9] 49 Phil. 117 (1926).

[10] Supra 121.

[11] 69 Phil. 536 (1940).

[12] 73 Phil. 330 (1941).

[13] Supra, pages 331-333; underscoring supplied.

[14] Supra, page 341, underscoring supplied.

[15] 77 Phil. 730.

[16] Pages 732-735, Supra; underscoring supplied.

[17] 100 Phil. 32.

[18] Page 35, Supra.

[19] Pages 35-37, Supra.

[20] Pages 38-39, Supra; underscoring supplied.

[21] Abueg vs. San Diego, supra; Philippine Shipping vs. Garcia, supra, p. 284.

[22] Philippine Shipping vs. Garcia, supra, p. 282; Yangco vs. Laserna, p. 333, supra; Abueg vs. San Diego, supra; Manila Steamship Co. Inc. vs. Abdulhaman and Lim Hong To, supra.

[23] Philippine Shipping vs. Garcia, supra; Gov't. of the Philippines vs. Maritime, supra; Ohta Development vs. Steamship, Abueg vs. San Diego, supra.

[24] Philippine Shipping vs. Garcia, supra; Yanco vs. Laserna, supra; Abueg vs. San Diego, supra.

[25] Manila Steamship vs. Abdulhaman, supra.

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.