

BALIWAG TRANSIT, INC. PETITIONER, VS. HON. COURT OF APPEALS AND SPS. SOTERO CAILIPAN, JR. AND ZENAIDA LOPEZ AND GEORGE L. CAILIPAN, RESPONDENTS.*G.R. No. 80447. January 31, 1989*

Ponente: MELENCIO-HERRERA, J.

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On 10 April 1985 a Complaint for damages arising from breach of contract of carriage was filed by private respondents, the Spouses Sotero Cailipan, Jr. and Zenaida Lopez, and their son George, of legal age, against petitioner Baliwag Transit (Baliwag, for brevity). The Complaint alleged that George, who was a paying passenger on a Baliwag bus on 17 December 1984, suffered multiple serious physical injuries when he was thrown off said bus driven in a careless and negligent manner by Leonardo Cruz, the authorized bus driver, along Barangay Patubig, Marilao, Bulacan. As a result, he was confined in the hospital for treatment, incurring medical expenses, which were borne by his parents, the respondent Spouses, in the sum of about P200,000.00 plus other incidental expenses of about P10,000.00.

On 26 April 1985 an Answer was filed by petitioner alleging that the cause of the injuries sustained by George was solely attributable to his own voluntary act in that, without warning and provocation, he suddenly stood up from his seat and headed for the door of the bus as if in a daze, opened it and jumped off while said bus was in motion, in spite of the protestations by the driver and without the knowledge of the conductor.

Baliwag then filed a Third-Party Complaint against Fortune Insurance & Surety Company, Inc., on its third-party liability insurance in the amount of P50,000.00. In its Answer, Fortune Insurance claimed limited liability, the coverage being subject to a Schedule of Indemnities forming part of the insurance policy.

On 14 November 1985 and 18 November 1985, respectively, Fortune Insurance and Baliwag each filed Motions to Dismiss on the ground that George, in consideration of the sum of P8,020.50 had executed a "Release of Claims" dated 16 May 1985. These Motions were denied by the Trial Court in an Order dated 13 January 1986 as they were filed beyond the time for pleading and after the Answers were already filed.

On 5 February 1986 Baliwag filed a Motion to Admit Amended Answer, which was granted by the Trial Court. The Amended Answer incorporated the affirmative defense in the Motion to Dismiss to the effect that on 16 May 1985, George had been paid all his claims for damages arising from the incident subject matter of the complaint when he executed the following "Release of Claims":

"For and in consideration of the payment to me/us of the sum of EIGHT THOUSAND TWENTY and 50/100 PESOS ONLY (P8,020.50), the receipt of which is hereby acknowledged, I/we, being of lawful age, do hereby release, acquit and forever discharge Fortune Insurance and/or Baliwag Transit, Inc. his/her heirs, executors and assigns, from any and all liability now accrued or hereafter to accrue on account of any and all claims or causes of action which I/we now or may hereafter have for personal injuries, damage to property, loss of services, medical expenses, losses or damages of any and every kind or nature whatsoever, now known or what

may hereafter develop by me/us sustained or received on or about 17th day of December, 1984 through Reckless Imprudence Resulting to Physical Injuries, and I/we hereby declare that I/we fully understand the terms of this settlement and voluntarily accept said sum for the purpose of making a full and final compromise adjustment and settlement of the injuries and damages, expenses and inconvenience above mentioned." (Rollo, p. 11)

During the preliminary hearing on the aforementioned affirmative defense, Baliwag waived the presentation of testimonial evidence and instead offered as its Exhibit "1" the "Release of Claims" signed by George and witnessed by his brother Benjamin L. Cailipan, a licensed engineer.

By way of opposition to petitioner's affirmative defense, respondent Sotero Cailipan, Jr. testified that he is the father of George, who at the time of the incident was a student, living with his parents and totally dependent on them for their support; that the expenses for his hospitalization were shouldered by his parents; and that they had not signed the "Release of Claims."

In an Order dated 29 August 1986, the Regional Trial Court of Bulacan, Branch 20,[1] dismissed the Complaint and Third-party Complaint, ruling that since the contract of carriage is between Baliwag and George L. Cailipan, the latter, who is of legal age, had the exclusive right to execute the Release of Claims despite the fact that he is still a student and dependent on his parents for support. Consequently, the execution by George of the Release of Claims discharges Baliwag and Fortune Insurance.

Aggrieved, the Spouses appealed to respondent Court of Appeals.

On 22 October 1987, the Appellate Court rendered a Decision[2] setting aside the appealed Order and holding that the "Release of Claims" cannot operate as a valid ground for the dismissal of the case because it does not have the conformity of all the parties, particularly George's parents, who have a substantial interest in the case as they stand to be prejudiced by the judgment because they spent a sizeable amount for the medical bills of their son; that the Release of Claims was secured by Fortune Insurance for the consideration of P8,020.50 as the full and final settlement of its liability under the insurance policy and not for the purpose of releasing Baliwag from its liability as a carrier in this suit for breach of contract. The Appellate Court also ordered the remand of the case to the lower Court for trial on the merits and for George to return the amount of P8,020.50 to Fortune Insurance.

Hence, this Petition for Review on Certiorari by Baliwag assailing the Appellate Court judgment.

The issue brought to the fore is the legal effect of the Release of Claims executed by George during the pendency of this case.

We hold that since the suit is one for breach of contract of carriage, the Release of Claims executed by him, as the injured party, discharging Fortune Insurance and Baliwag from any and all liability is valid. He was then of legal age, a graduating student of Agricultural Engineering, and had the capacity to do acts with legal effect (Article 37 in relation to Article 402, Civil Code). Thus, he could sue and be sued even without the assistance of his parents.

Significantly, the contract of carriage was actually between George, as the paying passenger, and Baliwag, as the common carrier. As such carrier, Baliwag was bound to carry its passengers safely as far as human care and foresight could provide, and is liable for injuries to them through the negligence or wilful acts of its employees (Articles 1755 and 1759, Civil Code). Thus, George had the right to be safely brought to his destination and Baliwag had the correlative obligation to do so. Since a contract may be violated only by the parties thereto, as against each other, in an action upon that contract, the real parties in interest, either as plaintiff or as defendant, must be parties to said contract (*Marimperio Compania Naviera, S.A. vs. Court of Appeals*, No. L-40234, December 14, 1987, 156 SCRA 368). A real party-in-interest-plaintiff is one who has a legal right while a real

party-in-interest-defendant is one who has a correlative legal obligation whose act or omission violates the legal right of the former (Lee vs. Romillo, Jr., G. R. No. 60937, May 28, 1988). In the absence of any contract of carriage between Baliwag and George's parents, the latter are not real parties-in-interest in an action for breach of that contract.

"The general rule of the common law is that every action must be brought in the name of the party whose legal right has been invaded or infringed." 15 Enc. Pl. & Pr. p. 484. "For the immediate wrong and damage the person injured is the only one who can maintain the action." Id. p. 578. "The person who sustains an injury is the person to bring an action for the injury against the wrongdoer." Dicey, parties to Actions, 347. (Cited in Green v. Shoemaker, 73 A 688, 23 L.R.A., N.S. 667).

There is no question regarding the genuineness and due execution of the Release of Claims. It is a duly notarized public document. It clearly stipulates that the consideration of P8,020.50 received by George was "to release and forever discharge Fortune Insurance and/or Baliwag from any and all liabilities now accrued or to accrue on account of any and all claims or causes of action x x x for personal injuries, damage to property, loss of services, medical expenses, losses or damages of any and every kind or nature whatsoever, sustained by him on 17 December 1984 thru Reckless Imprudence Resulting to Physical Injuries." Consequently, the ruling of respondent Appellate Court that the "Release of Claims" was intended only as the full and final settlement of a third-party-liability for bodily injury claim and not for the purpose of releasing Baliwag from its liability, if any, in a breach of a contract of carriage, has to be rejected for being contrary to the very terms thereof. If the terms of a contract are clear and leave no doubt upon the intention of the contracting parties, the literal meaning of its stipulations shall control (Article 1370, Civil Code). The phraseology "any and all claims or causes of action" is broad enough to include all damages that may accrue to the injured party arising from the unfortunate accident.

The Release of Claims had the effect of a compromise agreement since it was entered into for the purpose of making a full and final compromise adjustment and settlement of the cause of action involved. A compromise is a contract whereby the parties, by making reciprocal concessions, avoid a litigation or put an end to one already commenced (Article 2028, Civil Code). The Release of Claims executed by the injured party himself wrote finish to this litigation.

WHEREFORE, the Decision dated 22 October 1987 of respondent Court of Appeals is SET ASIDE, the Decision of the Regional Trial Court of Bulacan, Branch 20, is REINSTATED, and the Complaint and Third-Party-Complaint are hereby ordered DISMISSED. No costs.

SO ORDERED.

Paras, Padilla, Sarmiento and Regalado JJ., concur.

[1] Name of Presiding Judge not stated.

[2] Fifteenth Division, composed of Justice Bienvenido C. Ejercito, Chairman - Ponente, Justices Segundino G. Chua and Nicolas P. Lapena, Jr., Members.

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