

CHINA AIRLINES LIMITED, PETITIONER, VS. COURT OF APPEALS AND MANUEL J. OCAMPO, RESPONDENTS.

G.R. No. 94590. July 29, 1992

Ponente: FELICIANO, J.

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FELICIANO, J.:

Private respondent Manuel J. Ocampo bought, through the Ultraman Travel Agency, a round-trip ticket for Manila-San Francisco-Manila from petitioner China Airlines Limited ("CAL"). The ticket purchased was a GV-10, or a Group Tour, ticket for which Ocampo paid a special discounted (reduced) price of P6,063.00. A Group Tour ticket is issued to members of a group of at least ten (10) passengers travelling for a minimum of fourteen (14) days and for a maximum of thirty-five (35) days. It is a condition of a Group Tour ticket that the holder thereof must stay in the place of destination (in this case, the United States), for at least fourteen (14) but not exceeding thirty-five (35) days. The portion of the ticket covering the return trip may be used only after expiration of fourteen (14) days counted from the date of arrival at the place of destination; beyond the thirty-five (35) allowable days, the return trip ticket is no longer valid.

The ticket purchased by respondent Ocampo bore the following schedule and status:

Manila-Taipei

Taipei-S.F.

S.F.-Honolulu

Honolulu-Tokyo

Tokyo-Taipei

Taipei-Manila

Date

Time

Status

09 May

09 May

24 May

30 May

02 June

09 June

1030

1525

2350

0405

1545

1120

RQ

RQ

RQ

RQ

RQ

RQ1

It will be noted from the above schedule that respondent Ocampo's return flight from San Francisco to Manila was scheduled for 24 May 1979, i.e., the 15th day after arrival in San Francisco. Respondent Ocampo, however, wanted to leave for Manila earlier than 24 May 1979 because he had several business meetings scheduled to be held here prior to 24 May 1979 and because of his desire to attend to his wife's and son's forthcoming departure for Europe scheduled on 24 May 1979.²

Notwithstanding the limitations on his discounted GV-10 ticket, therefore, respondent Ocampo sought to make special arrangements, through Ultraman Travel Agency, with CAL Manila for a change in schedule. The travel agency was, according to respondent Ocampo, assured that the necessary adjustments would be made and that Mr. Ocampo could definitely take the CAL flight from San Francisco on 18 May 1979. Not satisfied, respondent Ocampo sent his private secretary to the office of CAL Manila to have the ticket changed. There, the secretary was handed a typewritten note purporting to show a revised schedule for the different sectors of the return trip from San Francisco to Manila with the corresponding flight numbers. The revised schedule was as follows:

“CI001 - flight number

dep San Francisco 11:50 p.m. May 18

arr Honolulu 1:55 a.m. May 19

“CI007 - flight number

dep Honolulu 4:05 a.m. May 20

arr Taipei 10:25 a.m. May 21

“CI811 - flight number

dep Taipei 11:20 a.m. May 21

arr Manila 1:10 p.m. May 21”³

Respondent Ocampo was asked to reconfirm his return flight with CAL San Francisco which would alter the ticket by attaching a sticker on it showing the adjusted flights and departure dates. The revised schedule was also entered into respondent Ocampo's reservation card on file in the office of CAL Manila.

Respondent Ocampo left Manila for San Francisco on 9 May 1979 and arrived in San Francisco also on the same day, San Francisco local time. Next day, he proceeded to CAL San Francisco's office to confirm his revised return flight schedule. CAL San Francisco, however, declined to confirm his return flight, since the date indicated on the ticket was not 18 May 1979 but rather 24 May 1979. Mr. Ocampo, however, apprised CAL San Francisco about the special arrangement that he had requested from CAL Manila. CAL San Francisco contacted CAL Manila by telex requesting verification of the revised schedule for respondent Ocampo. CAL San Francisco, however, received a negative reply from CAL Manila.

Respondent Ocampo persisted in his efforts to book himself on the CAL San Francisco-Honolulu flight on 18 May 1979. By telephone, he contacted his private secretary in Manila to make the necessary inquiry and verification at CAL Manila. His secretary later telephoned back to inform him that CAL Manila would forthwith send a communication to CAL San Francisco to correct the situation. With that information, respondent Ocampo proceeded once more to CAL San Francisco and left his telephone number and address where he could be contacted upon receipt of confirmation from CAL Manila.

CAL San Francisco never sent any notice to private respondent. On the morning of 18 May 1979, respondent Ocampo went to CAL San Francisco's office to check again on the status of his return flight; there he was apparently informed that CAL Manila had not responded. Respondent Ocampo was accordingly constrained to take a Philippine Airlines flight which left San Francisco on 20 May 1979, the earliest available return flight which respondent Ocampo could secure after 18 May 1979.⁵

Upon arrival in Manila, respondent Ocampo demanded an explanation from CAL Manila. He was told candidly that a mistake had been committed by an employee of CAL Manila who had sent a negative reply to CAL San Francisco's request for confirmation without first consulting Ocampo's passenger reservation card. Another employee or representative of CAL Manila offered private respondent compensation for actual expenses incurred by him due to his inability to board the CAL 18 May 1979 flight from San Francisco. Private respondent asked that the offer be reduced to writing; however, nothing in writing emanated from CAL Manila and nothing further happened.

Private respondent then filed a complaint for damages before the then Court of First Instance of Manila. He asked for P200,000.00 as moral damages, P200,000.00 as exemplary damages and P50,000.00 as attorney's fees.

On 23 May 1983, after trial on the merits, the trial court rendered a decision, the dispositive portion of which read as follows:

"In View of the Foregoing Considerations, the Court is of the opinion and so holds that when the plaintiff tried to return to Manila from San Francisco, a date different from the scheduled date of his departure from San Francisco as contained in his plane ticket, the plaintiff is considered as a chance passenger and could only board the defendant's plane on his departure on May 18, 1979 depending upon the volume of passengers and plane load on May 18, 1979 and defendant had not violated any provisions of the plane ticket issued to the plaintiff which is the contract between plaintiff and the defendant; the complaint is hereby dismissed for lack of cause of action. On principles of equity and justice, defendant is hereby ordered to reimburse the plaintiff the sum of \$601.00 or its equivalent value in Philippine Currency at the rate then existing on May 18, 1979. The counterclaim of the defendant is hereby dismissed as the same had not been fully established, without

special pronouncement as to cost.

So ordered."⁶

On appeal by private respondent, the Court of Appeals reversed the trial court's decision. The Court of Appeals found petitioner CAL guilty of bad faith in not allowing respondent Ocampo to board the 18 May 1979 CAL flight in San Francisco despite messages from CAL Manila confirming the change in schedule and the availability of seats for the different sectors of the flight from San Francisco to Manila. The Court of Appeals awarded, in addition to the US\$601 that the trial court had ordered CAL to pay to private respondent, the sum of P200,000.00 as moral damages, another P200,000.00 as exemplary damages and attorney's fees of P50,000.00.

In the instant Petition for Review, petitioner CAL argues that:

1. The respondent Court erred when it concluded that the petitioner [was] liable to the private respondent on the basis that he had a confirmed reservation contrary to the express finding of the lower court.
2. The respondent Court erred when it concluded that the petitioner was guilty of bad faith.
3. The respondent Court erred when it awarded damages not warranted by the evidence and which are excessive.⁷

We note that while the ticket, held by private respondent himself, showed on its face a 24 May 1979 departure from San Francisco to Honolulu and a "RQ" [Request] status, the evidence of record showed that private respondent had indeed requested CAL Manila for an earlier return flight, to which request CAL Manila eventually agreed. The record shows a stream of telexes between the several offices of petitioner CAL involved in respondent's trip, disclosing the following salient facts:

1. On 7 May 1979 at 2:54 p.m., Manila time, CAL Manila sent telexes to CAL Taipei and CAL San Francisco informing the two (2) offices that respondent Ocampo had a sold seat for the sector San Francisco-Honolulu on 18 May 1979, but that the status of the sector Honolulu-Taipei for 20 May 1979 and the sector Taipei-Manila for 21 May 1979, was only "wait listed."
2. On 7 May 1979 at 4:44 p.m., San Francisco time, CAL San Francisco sent a reply to CAL Manila to confirm the San Francisco-Honolulu sector scheduled for 18 May 1979 as well as the Honolulu-Taipei sector for 20 May 1979.
3. On 8 May 1979, at 10:10 a.m., Manila time, CAL Manila sent another telex to CAL Taipei, urging the latter to do everything possible to confirm the Taipei-Manila sector of the flight scheduled for 21 May 1979.
4. On 14 May 1979 at 8:06 a.m., Taipei time, CAL Taipei telexed CAL Manila confirming the Taipei-Manila sector as earlier requested.
5. On 17 May 1979 at 1:10 p.m., San Francisco time, CAL San Francisco, which by then had learned about the confirmed status of all segments of the flight San Francisco-Manila, reiterated its request to CAL Manila for an early departure authority, i.e., as an exception to the regular conditions of a GV-10 ticket, so that respondent Ocampo may be allowed to board the 18 May 1979 flight leaving San Francisco for Honolulu.
6. On 17 May 1979 at 2:28 p.m., Manila time, CAL Manila instructed CAL San Francisco to inform respondent Ocampo of the confirmed status of the different sectors of his return flight, and to accept private respondent for carriage by reason of a prior arrangement made with CAL Manila.
7. On 18 May 1979 at 9:32 a.m., Manila time, CAL Manila sent an urgent message to CAL San Francisco substantially reiterating the instructions in CAL Manila's telex of 17 May 1979 sent at 2:28 p.m. For some reason not clear in the record, the last two (2) telexes received in CAL San Francisco from CAL Manila

apparently did not get to the attention of, and were not acted upon by, the right person or persons in CAL San Francisco.

Because CAL Taipei had confirmed as early as 14 May 1979 the Taipei-Manila sector of private respondent's return trip, public respondent Court of Appeals considered CAL San Francisco's refusal to board private respondent as an act of bad faith, and awarded private respondent the large amounts he sought by way of moral and exemplary damages totalling P400,000.00.

We consider that private respondent was able to show that petitioner CAL had indeed confirmed a seat for Mr. Ocampo on the 18 May 1979 flight from San Francisco-Honolulu (and all the way to Manila). We agree, therefore, with the Court of Appeals that petitioner CAL had breached its contract of carriage with private respondent by such failure or refusal to board him on that flight.

We are not, however, persuaded that that breach of contractual obligation had been attended by bad faith or malice or gross negligence amounting to bad faith. To the contrary, it appears to the Court that petitioner CAL had exercised diligent efforts to effect the change of schedule which it apparently had earlier stated to private respondent (prior to his departure from Manila) it would carry out. There was clearly a concerted effort among the involved CAL offices as shown by the flow of telexes from one to the others. If at the outset, petitioner CAL simply did not intend to comply with its promise to private respondent that it would accommodate his requested change of schedule, it would not have taken the trouble of composing and transmitting all those telexes between its several offices.

CAL San Francisco was obviously aware of the limitations on a GV-10 CAL ticket and its employee(s) who had refused to accede summarily to respondent Ocampo's request for confirmation of his revised schedule, cannot be held guilty of bad faith; the procedure adopted of seeking verification from CAL Manila was one taken in the usual course of business and was not in itself unreasonable or arbitrary.⁸ The responsible officer(s) of CAL Manila admitted that it had initially sent an erroneous message to CAL San Francisco concerning authorization for early departure of private respondent from San Francisco. While the CAL Manila employee who had sent a mistaken telex message was negligent, there was no evidence either of deliberate malice or of gross negligence. The last two (2) telexes sent by CAL Manila to CAL San Francisco on 17 May and 18 May 1979 were presumably received by CAL San Francisco in time to have relayed to respondent Ocampo his acceptance as a passenger on the CAL flight out of San Francisco scheduled for 18 May 1979. Again, however, we do not believe that respondent Ocampo had convincingly shown that the employees of petitioner CAL were motivated by personal malice or bad faith, or that there was patently negligence so gross as to amount to bad faith. Bad faith under the law is not presumed; it must be established by clear and convincing evidence.⁹ Private respondent has not adduced that kind of evidence in the instant case. There was no pretense that any of the employees of any of the CAL offices involved knew respondent Ocampo from Adam.

Under Article 2201 of the Civil Code, the measure of recoverable damages for breach of contract varies according to the circumstances attending that breach. Article 2201 provides:

"In contracts and quasi-contracts, the damages for which the obligor who acted in good faith is liable shall be those that are the natural and probable consequences of the breach of the obligation, and which the parties have foreseen or could have reasonably foreseen at the time the obligation was constituted.

In case of fraud, bad faith, malice or wanton attitude the obligor shall be responsible for all damages which may be reasonably attributed to the non-performance of the obligation." (Underscoring supplied)

Article 2220 is also pertinent:

"Willful injury to property may be a legal ground for awarding moral damages if the court should find that, under the circumstances, such damages are justly due. The same rule applies to breaches of contract where the defendant acted fraudulently or in bad faith." (Underscoring supplied)

Clearly, the law distinguishes a contractual breach effected in good faith from one attended by bad faith. Where in breaching the contract, the defendant is not shown to have acted fraudulently or in bad faith, liability for damages is limited to the natural and probable consequences of the breach of the obligation and which the parties had foreseen or could reasonably have foreseen; and in that case, such liability would not include liability for moral and exemplary damages.¹⁰ Under Article 2232 of the Civil Code, in a contractual or quasi-contractual relationship, exemplary damages may be awarded only if the defendant had acted in "a wanton, fraudulent, reckless, oppressive or malevolent manner." We are unable to so characterize the behavior here shown of the employees of CAL Manila and of CAL San Francisco. Thus, we believe and so hold that the damages recoverable by respondent Ocampo are limited to the peso value of the Philippine Airlines ticket it had purchased for his return flight from San Francisco; and reasonable expenses occasioned to private respondent by reason of the delay in his return San Francisco-Manila trip -- exercising the Court's discretion, we believe that for such expenses, US\$1,500.00 would be a reasonable amount -- plus attorney's fees in the amount of P15,000.00, considering that respondent Ocampo was ultimately compelled to litigate his claim against petitioner.

WHEREFORE, the Decision of the Court of Appeals dated 25 July 1990 is hereby REVERSED and SET ASIDE. A new judgment is hereby ENTERED requiring petitioner to pay private respondent Ocampo the Philippine Peso equivalent of US\$2,101.00, at the rate of exchange prevailing at the time of payment thereof, as reasonable compensatory damages, plus attorney's fees in the amount of P15,000.00 and costs. Petitioner's counterclaim before the trial court is hereby DISMISSED.

SO ORDERED.

Gutierrez, Jr., (Chairman), Bidin, Davide, Jr., and Romero, JJ., concur.

1 Folder of Exhibits.

2 Paragraph 6, Complaint; RTC Record, p. 2.

3 Folder of Exhibits.

5 Court of Appeals Decision, pp. 2-3; Rollo, pp. 26-27

6 Trial Court Decision, Rollo, pp. 33-46.

7 Petition for Review, p. 5; Rollo, p. 12.

8 *Air France v. Court of Appeals*, 171 SCRA 399 (1989).

9 *People's Bank and Trust Co. v. Syvel's, Inc.*, 164 SCRA 247 (1988).

10 *China Airlines Ltd. v. Intermediate Appellate Court*, 169 SCRA 226 (1989); *Sabena Belgian World Airlines v. Court of Appeals*, 171 SCRA 620 (1989); *Necesito, et al. v. Paras, et al.*, 104 Phil. 75 (1958).

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