

## FIRST DIVISION

[ G.R. No. 159213, July 03, 2013 ]

**VECTOR SHIPPING CORPORATION AND FRANCISCO SORIANO,  
PETITIONERS, VS. AMERICAN HOME ASSURANCE COMPANY AND  
SULPICIO LINES, INC., RESPONDENTS.**

### D E C I S I O N

**BERSAMIN, J.:**

Subrogation under Article 2207 of the *Civil Code* gives rise to a cause of action created by law. For purposes of the law on the prescription of actions, the period of limitation is ten years.

#### The Case

Vector Shipping Corporation (Vector) and Francisco Soriano appeal the decision promulgated on July 22, 2003,<sup>[1]</sup> whereby the Court of Appeals (CA) held them jointly and severally liable to pay P7,455,421.08 to American Home Assurance Company (respondent) as and by way of actual damages on the basis of respondent being the subrogee of its insured Caltex Philippines, Inc. (Caltex).

#### Antecedents

Vector was the operator of the motor tanker M/T Vector, while Soriano was the registered owner of the M/T Vector. Respondent is a domestic insurance corporation.<sup>[2]</sup>

On September 30, 1987, Caltex entered into a contract of affreightment<sup>[3]</sup> with Vector for the transport of Caltex's petroleum cargo through the M/T Vector. Caltex insured the petroleum cargo with respondent for P7,455,421.08 under Marine Open Policy No. 34-5093-6.<sup>[4]</sup> In the evening of December 20, 1987, the M/T Vector and the M/V Doña Paz, the latter a vessel owned and operated by Sulpicio Lines, Inc., collided in the open sea near Dumali Point in Tablas Strait, located between the Provinces of Marinduque and Oriental Mindoro. The collision led to the sinking of both vessels. The entire petroleum cargo of Caltex on board the M/T Vector perished.<sup>[5]</sup> On July 12, 1988, respondent indemnified Caltex for the loss of the petroleum cargo in the full amount of P7,455,421.08.<sup>[6]</sup>

On March 5, 1992, respondent filed a complaint against Vector, Soriano, and Sulpicio Lines, Inc. to recover the full amount of P7,455,421.08 it paid to Caltex (Civil Case No. 92-620).<sup>[7]</sup> The case was raffled to Branch 145 of the Regional Trial Court (RTC) in Makati City.

On December 10, 1997, the RTC issued a resolution dismissing Civil Case No. 92-

620 on the following grounds:

This action is upon a quasi-delict and as such must be commenced within four <sup>[4]</sup> years from the day they may be brought. [Art. 1145 in relation to Art. 1150, Civil Code] "From the day [the action] may be brought" means from the day the quasi-delict occurred. [Capuno v. Pepsi Cola, 13 SCRA 663]

The tort complained of in this case occurred on 20 December 1987. The action arising therefrom would under the law prescribe, unless interrupted, on 20 December 1991.

When the case was filed against defendants Vector Shipping and Francisco Soriano on 5 March 1992, the action not having been interrupted, had already prescribed.

Under the same situation, the cross-claim of Sulpicio Lines against Vector Shipping and Francisco Soriano filed on 25 June 1992 had likewise prescribed.

The letter of demand upon defendant Sulpicio Lines allegedly on 6 November 1991 did not interrupt the [tolling] of the prescriptive period since there is no evidence that it was actually received by the addressee. Under such circumstances, the action against Sulpicio Lines had likewise prescribed.

Even assuming that such written extra-judicial demand was received and the prescriptive period interrupted in accordance with Art. 1155, Civil Code, it was only for the 10-day period within which Sulpicio Lines was required to settle its obligation. After that period lapsed, the prescriptive period started again. A new 4-year period to file action was not created by the extra-judicial demand; it merely suspended and extended the period for 10 days, which in this case meant that the action should be commenced by 30 December 1991, rather than 20 December 1991.

Thus, when the complaint against Sulpicio Lines was filed on 5 March 1992, the action had prescribed.

**PREMISES CONSIDERED**, the complaint of American Home Assurance Company and the cross-claim of Sulpicio Lines against Vector Shipping Corporation and Francisco Soriano are **DISMISSED**.

Without costs.

SO ORDERED. <sup>[8]</sup>

Respondent appealed to the CA, which promulgated its assailed decision on July 22, 2003 reversing the RTC. <sup>[9]</sup> Although thereby absolving Sulpicio Lines, Inc. of any liability to respondent, the CA held Vector and Soriano jointly and severally liable to respondent for the reimbursement of the amount of P7,455,421.08 paid to Caltex,

explaining:

x x x x

The resolution of this case is primarily anchored on the determination of what kind of relationship existed between Caltex and M/V Dona Paz and between Caltex and M/T Vector for purposes of applying the laws on prescription. The Civil Code expressly provides for the number of years before the extinctive prescription s[e]ts in depending on the relationship that governs the parties.

x x x x

After a careful perusal of the factual milieu and the evidence adduced by the parties, We are constrained to rule that the relationship that existed between Caltex and M/V Dona Paz is that of a **quasi-delict** while that between Caltex and M/T Vector is **culpa contractual** based on a Contract of Affreightment or a charter party.

x x x x

On the other hand, the claim of appellant against M/T Vector is anchored on a breach of contract of affreightment. The appellant averred that M/T Vector committed such act for having misrepresented to the appellant that said vessel is seaworthy when in fact it is not. The contract was executed between Caltex and M/T Vector on September 30, 1987 for the latter to transport thousands of barrels of different petroleum products. Under **Article 1144** of the New Civil Code, actions based on written contract must be brought within 10 years from the time the right of action accrued. A passenger of a ship, or his heirs, can bring an action based on culpa contractual within a period of 10 years because the ticket issued for the transportation is by itself a complete written contract (**Peralta de Guerrero vs. Madrigal Shipping Co., L 12951, November 17, 1959**). Viewed with reference to the statute of limitations, an action against a carrier, whether of goods or of passengers, for injury resulting from a breach of contract for safe carriage is one on contract, and not in tort, and is therefore, in the absence of a specific statute relating to such actions governed by the statute fixing the period within which actions for breach of contract must be brought (**53 C.J.S. 1002 citing Southern Pac. R. Co. of Mexico vs. Gonzales 61 P. 2d 377, 48 Ariz. 260, 106 A.L.R. 1012**).

Considering that We have already concluded that the prescriptive periods for filing action against M/V Doña Paz based on quasi delict and M/T Vector based on **breach of contract** have not yet expired, are We in a position to decide the appeal on its merit.

We say yes.

x x x x

**Article 2207** of the Civil Code on subrogation is explicit that if the plaintiff's property has been insured, and he has received indemnity from the insurance company for the injury or loss arising out of the wrong or breach of contract complained of, the insurance company should be subrogated to the rights of the insured against the wrongdoer or the person who has violated the contract. Undoubtedly, the herein appellant has the rights of a subrogee to recover from M/T Vector what it has paid by way of indemnity to Caltex.

WHEREFORE, foregoing premises considered, the decision dated December 10, 1997 of the RTC of Makati City, Branch 145 is hereby REVERSED. Accordingly, the defendant-appellees Vector Shipping Corporation and Francisco Soriano are held jointly and severally liable to the plaintiff-appellant American Home Assurance Company for the payment of P7,455,421.08 as and by way of **actual damages**.

SO ORDERED.<sup>[10]</sup>

Respondent sought the partial reconsideration of the decision of the CA, contending that Sulpicio Lines, Inc. should also be held jointly liable with Vector and Soriano for the actual damages awarded.<sup>[11]</sup> On their part, however, Vector and Soriano immediately appealed to the Court on September 12, 2003.<sup>[12]</sup> Thus, on October 1, 2003, the CA held in abeyance its action on respondent's partial motion for reconsideration pursuant to its internal rules until the Court has resolved this appeal.<sup>[13]</sup>

### **Issues**

The main issue is whether this action of respondent was already barred by prescription for bringing it only on March 5, 1992. A related issue concerns the proper determination of the nature of the cause of action as arising either from a quasi-delict or a breach of contract.

The Court will not pass upon whether or not Sulpicio Lines, Inc. should also be held jointly liable with Vector and Soriano for the actual damages claimed.

### **Ruling**

The petition lacks merit.

Vector and Soriano posit that the RTC correctly dismissed respondent's complaint on the ground of prescription. They insist that this action was premised on a quasi-delict or upon an injury to the rights of the plaintiff, which, pursuant to Article 1146 of the *Civil Code*, must be instituted within four years from the time the cause of action accrued; that because respondent's cause of action accrued on December 20, 1987, the date of the collision, respondent had only four years, or until December 20, 1991, within which to bring its action, but its complaint was filed only on March 5, 1992, thereby rendering its action already barred for being commenced beyond the four-year prescriptive period;<sup>[14]</sup> and that there was no showing that respondent had made extrajudicial written demands upon them for the