

SECOND DIVISION

[G.R. No. 151038, January 18, 2012]

PETRON CORPORATION, PETITIONER, VS. SPOUSES CESAR JOVERO AND ERMA F. CUDILLA, SPOUSES LONITO TAN AND LUZVILLA SAMSON, AND SPOUSES ROGELIO LIMPOCO AND LUCIA JOSUE, BEING REPRESENTED BY PIO JOSUE, RESPONDENTS.

DECISION

SERENO, J.:

The present case is a Petition for Review^[1] under Rule 45 filed by petitioner Petron Corporation. Petitioner assails the Decision^[2] of the Court of Appeals (CA), which affirmed the Decision of the Regional Trial Court (RTC) of Iloilo City in consolidated Civil Case Nos. 19633, 19684, 20122, respectively filed by herein respondents.

The facts of the case are as follows:

On 25 April 1984, Rubin Uy entered into a Contract of Lease with Cesar J. Jovero over a property located at E. Reyes Ave., Estancia, Iloilo for the purpose of operating a gasoline station for a period of five (5) years.

On 30 April 1984, petitioner, a domestic corporation engaged in the importation and distribution of gasoline and other petroleum products, entered into a Retail Dealer Contract^[3] with Rubin Uy for the period 1 May 1984 to 30 April 1989. Under the dealership contract, petitioner sold its products in quantities as ordered by the dealer. It likewise obligated itself to deliver the products to the dealer at the places agreed upon by the parties. The dealer, meanwhile, obligated himself to exclusively maintain petitioner's trademarks and brand names in his gasoline station. The parties also agreed that the dealer shall make good, settle and pay, and hold petitioner harmless against all losses and claims including those of the parties, their agents and employees – for death, personal injury or property damage arising out of any use or condition of the dealer's premises or the equipment and facilities thereon, regardless of any defects therein; the dealer's non-performance of the contract; or the storage and handling of products on the premises.

In order to comply with its obligation to deliver the petroleum products to the dealer, petitioner contracted the hauling services of Jose Villaruz, who did business under the name Gale Freight Services. The hauling contract^[4] was executed in March 1988 for a period of three years, renewable for another three upon agreement of the parties.

Under the hauling contract, Villaruz specifically assigned three (3) units of tank trucks exclusively for the hauling requirements of petitioner for the delivery of the latter's products, namely tank trucks with the plate numbers FVG 605, FVG 581 and

FVG 583. Delivery "includes not only transportation but also proper loading and unloading and delivery."^[5] The parties also agreed that Villaruz shall save petitioner from any and all claims of third persons arising out of, but not necessarily limited to, his performance of the terms and conditions of the contract. Furthermore, Villaruz obligated himself to be answerable to petitioner for damage to its plant, equipment and facilities, including those of its employees, dealers and customers, resulting from his negligence and/or lack of diligence.

Meanwhile, on 27 October 1988, Rubin Uy executed a Special Power of Attorney (SPA) in favor of Chiong Uy authorizing the latter to manage and administer the gasoline station. Chiong Uy and his wife, Dortina M. Uy, operated the gasoline station as agents of Rubin Uy. However, on 27 November 1990, Chiong Uy left for Hong Kong, leaving Dortina Uy to manage the gasoline station.

On 3 January 1991, around ten o'clock in the morning, Ronnie Allanaraiz, an employee of the gasoline station, ordered from petitioner various petroleum products. Petitioner then requested the services of Villaruz for the delivery of the products to the gasoline station in Estancia, Iloilo. He, however, used a tank truck different from the trucks specifically enumerated in the hauling contract executed with petitioner. Petitioner nevertheless allowed the transport and delivery of its products to Estancia in the tank truck driven by Pepito Igdanis.

During the unloading of the petroleum from the tank truck into the fill pipe that led to the gasoline station's underground tank, for reasons unknown, a fire started in the fill pipe and spread to the rubber hose connected to the tank truck. During this time, driver Pepito Igdanis was nowhere to be found. Bystanders then tried to put out the flames. It was then that Igdanis returned to the gasoline station with a bag of dried fish in hand. Seeing the fire, he got into the truck without detaching the rubber hose from the fill pipe and drove in reverse, dragging the burning fuel hose along the way. As a result, a conflagration started and consumed the nearby properties of herein defendants, spouses Cesar J. Jovero and Erma Cudilla-Jovero, amounting to P1,500,000; of spouses Leonito Tan and Luzvilla Samson, amounting to P800,000; and of spouses Rogelio Limpoco and Lucia Josue Limpoco, amounting to P4,112,000.

Herein respondents thereafter filed separate actions for damages against petitioner, Villaruz, Rubin Uy, and Dortina Uy, docketed as Civil Case Nos. 19633, 19684 and 20122 at the Regional Trial Court (RTC) of Iloilo City. The cases, having arisen from the same set of facts, were subsequently consolidated. Respondents alleged that the negligence of petitioner and its co-defendants in the conduct of their businesses caused the fire that destroyed the former's properties.

In its separate Answer, petitioner Petron alleged that the petroleum products were already paid for and owned by Rubin Uy and Dortina Uy. Moreover, it alleged that Villaruz was responsible for the safe delivery of the products by virtue of the hauling contract. Thus, petitioner asserted, liability for the damages caused by the fire rested on Rubin Uy and Villaruz. Petitioner likewise filed a cross-claim against its co-defendants for contribution, indemnity, subrogation, or other reliefs for all expenses and damages that it may have suffered by virtue of the incident. It also filed a counterclaim against respondents herein.

On 27 April 1998, after trial on the merits, the RTC rendered its Decision in favor of

respondents and found petitioner and its co-defendants solidarily liable for damages. The dispositive portion of the Decision states:

WHEREFORE, in view of the foregoing, DECISION is hereby rendered:

1. Declaring defendants Petron Corporation, Jose Villaruz, Pepito Igdanis, Rubin Uy and Dortina Uy as being negligent in the conduct of their business activities, which led to the conflagration of January 3, 1991 at E. Reyes Avenue, Estancia, Iloilo, which resulted to (sic) the damages suffered by all the plaintiffs;
2. Ordering all the aforementioned defendants to pay solidarily all the plaintiffs as follows:
 - a.) In Civil Case No. 19633, plaintiffs-spouses Cesar J. Jovero and Erma Cudilla-Jovero the amount of P1,500,00.00 as actual damages; P2,000.00 as litigation expenses; P4,000.00 as attorney's fees, and to pay the costs;
 - b.) In Civil Case No. 19684, to pay plaintiffs-spouses Leonito Tan and Luzvilla Samson the sum of P800,000.00 as actual damages, P2,000.00 as litigation expenses; P4,000.00 as attorney's fees and to pay the costs;
 - c.) In Civil Case No. 20122, to pay the plaintiffs-spouses Rogelio C. Limpoco and Lucia Josue Limpoco the amount of P4,112,000.00 as actual damages; P2,000.00 as litigation expenses; P5,000.00 as attorney's fees, and to pay the costs.

The counter-claims of the defendants against all the plaintiffs are hereby dismissed.

The cross-claims of the defendants against each other are likewise dismissed as they are all in "*pari delicto*".

SO ORDERED. ^[6]

The RTC held that Igdanis, as the driver of the tank truck, was negligent in the performance of his work when he left the tank truck while it was in the process of unloading the petroleum. He was also negligent when he drove the truck in reverse without detaching the burning fuel hose. The trial court stated that defendant Villaruz failed to convince the court that he had exercised due diligence in the hiring and supervision of his employees.

The RTC likewise held that petitioner was negligent in allowing Villaruz to use a tank truck that was not included among the trucks specifically enumerated under the hauling contract.

Finally, the court ruled that the gasoline station was owned and operated by Rubin

Uy and Dortina Uy at the time of the incident.

Petitioner and co-defendants Dortina Uy and Rubin Uy thereafter filed their separate Notices of Appeal.

Petitioner, in its appeal, insisted that it had already sold and transferred ownership of its petroleum products to the dealer, Rubin Uy, upon payment and receipt of these products at its depot. Thus, it asserted, it ceased to own the products even during transit and while being unloaded at the gasoline station. It also stated that the transportation, delivery, receipt and storage of the petroleum products were solely the responsibility of hauler Villaruz, who was neither an employee nor an agent of petitioner. It reiterated that liability rested on Rubin Uy and Villaruz pursuant to the respective contracts it had executed with them.

Petitioner also alleged that the RTC erred in ruling that the former was negligent in allowing the use of a tank truck not specified in the hauling contract. Petitioner thus insisted that it had examined the tank truck and found it to be in good condition. It added that, since the fire did not originate from the tank truck, the proximate cause of the fire was not attributable to any defect in the truck.

Finally, petitioner alleged that respondents failed to prove that the damages they suffered were the direct result of any culpable act or omission on its part.

Meanwhile, defendant Villaruz allegedly proved during trial that he had exercised diligence in the selection and supervision of his employees and, thus, he was not responsible for the damages caused by the fire. In addition, he alleged that Igdanis, whom respondents failed to implead as a defendant in the lower court, did not have a chance to defend himself. Since there was no showing that any act or omission of Igdanis was the proximate cause of the fire, Villaruz insisted that the latter himself could not be held liable for the acts of his employee, who was not even impleaded or proven to be negligent.

Dortina Uy, in her appeal, alleged that she had no direct participation in the management or administration of the gasoline station. She also alleged that she was not the employer of Igdanis, the driver of the tank truck who had caused the fire to spread in the vicinity.

Since defendant Rubin Uy failed to file his Appellant's Brief within the reglementary period, the CA dismissed his appeal.^[7]

Respondents, meanwhile, maintained that petitioner Petron was negligent in selling and storing its products in a gasoline station without an existing dealer's contract from May 1989 up to the time of the incident on 3 January 1991. They contended that petitioner, in effect, was itself operating the gasoline station, with the dealer as mere agent of the former. Respondents also insisted that petitioner had the obligation to ensure that the gasoline station was safe and properly maintained, considering the products stored and sold there. Likewise, they asserted that petitioner was responsible for the safe delivery and proper storage of its goods in the gasoline station, and that this responsibility would cease only when the goods had been sold to the end consumer.

Additionally, respondents contended that petitioner Petron was also negligent when

the latter allowed the use of an unaccredited truck in violation of its hauling contract with Villaruz.

On 12 December 2001, the CA promulgated its Decision affirming that of the trial court, to wit:

WHEREFORE, premises considered, the instant appeals are **DISMISSED** and the assailed consolidated Decision of the court *a quo* dated 27 April 1998 in Civil Case Nos. 19633, 19684 and 20122 is **AFFIRMED** in all respects. Costs against appellants.

SO ORDERED.^[8]

The appellate court upheld the findings of the RTC that petitioner Petron was negligent for having allowed the operation of the gasoline station absent a valid dealership contract. Thus, the CA considered the gasoline station as one run by petitioner itself, and the persons managing the gasoline station as petitioner's mere agents. Even if a valid dealership contract existed, petitioner was still liable for damages, because there was as yet no complete delivery of its products. The fire had broken out while petroleum was being unloaded from the tank truck to the storage tank.

The CA further held that petitioner was also negligent in allowing Villaruz to use an unaccredited tank truck for the transport and delivery of the petroleum at the time of the incident.

With regard to the liability of Villaruz, the appellate court found him to be negligent in the conduct of his business. Thus, he was made liable for the damages caused by his employee in accordance with Article 2180 in relation to Article 2176 of the Civil Code.

Finally, with regard to Dortina Uy, the CA held that, as one of the operators of the gasoline station, she failed to submit evidence that she had exercised due diligence in the operation thereof.

Dissatisfied with the CA's ruling, petitioner is now before us with the present Petition for Review.

Petitioner presents the following issues for the resolution of this Court:

1. Whether or not Petron may be considered at fault for continuing to do business with Rubin Uy, an independent petroleum dealer, without renewing or extending their expired dealership agreement;
2. Whether or not a causal connection exists between Petron's failure to renew or extend its dealership contract with Rubin Uy and the fire that inflicted damages on the buildings surrounding the latter's gas station;