FIRST DIVISION

[G.R. No. 229877, July 15, 2020]

FILCON READY MIXED, INC. AND GILBERT S. VERGARA, PETITIONERS, VS. UCPB GENERAL INSURANCE COMPANY, INC., RESPONDENT.

DECISION

LAZARO-JAVIER, J.:

The Case

This petition for review on certiorari[1] assails the following dispositions of the Court of Appeals in CA-G.R. SP No. 140921, entitled "*UCPB General Insurance Company, Inc. v. Filcon Ready Mixed, Inc. and Gilberts. Vergara ":*

1. Decision[2] dated September 30, 2016, which reversed the trial court's ruling and held that respondent's action for sum of money had not prescribed; and

2. Resolution[3] dated February 1, 2017, denying petitioners' motion for reconsideration.

Antecedents

Marco P. Gutang is the registered owner of a Honda Civic with plate number ZDR-835. The vehicle was insured with respondent UCPB General Insurance Company, Inc. (UCPB) with Policy No. QCT07MD-MNP 586570 covering the period April 17, 2007 to April 17, 2008. On November 16, 2007, the car figured in a vehicular accident in Quezon City involving three (3) other vehicles: a Toyota Revo, a Mitsubishi Adventure and a cement mixer bearing Plate Number UCK-750 owned by petitioner Filcon Ready Mixed Inc. and driven by petitioner Gilbert S. Vergara.[4]

Based on the Traffic Accident Investigation Report, Vergara left the cement mixer with its engine running at the uphill portion of Boni Serrano Extension. It moved backward and hit the front portion of the Mitsubishi Adventure parked behind it. This car, in turn, hit the front portion of the insured vehicle. The rear portion of the insured vehicle rammed into the Toyota Revo parked behind it.[5]

By Complaint dated February 1, 2012, respondent essentially averred that the proximate cause of the accident was Vergara's gross negligence and lack of precaution. As a consequence, the insured vehicle got damaged. Gutang brought the car to Honda Cars Pasig City for repair. As Gutang's insurer, respondent paid the total cost of repairs in the amount of P195,409.50 to Honda. Thereafter, Gutang executed a document captioned "Release and Discharge" which effectively assigned to respondent all his claims against petitioners.[6]

By virtue of this legal subrogation, respondent sent a demand letter dated September 1, 2011 to petitioners, but the latter simply ignored it. Hence, respondent was constrained to file the present action for sum of money before the Metropolitan Trial Court (MeTC) - Branch 62, Makati City.[7]

Petitioners, on the other hand, interposed extinctive prescription as an affirmative defense. They claimed that under Article 1146 of the Civil Code, actions based on quasi-delict prescribes in four (4) years. Too, the complaint failed to state a cause of action as respondent failed to attach thereto proof of payment to Gutang and to show any privity between Gutang and BPI Rental which was named as the payee in the undated and unnotarized Release and Discharge.[8]

The Trial Court's Ruling

By Decision[9] dated August 16, 2013, the trial court dismissed the complaint on ground of prescription. Since the accident happened on November 16, 2007, the claim should have been filed only until November 16, 2011. Here, the claim was filed on February 1, 2012 or more than two (2) months late.

The Regional Trial Court's (RTC's) Ruling

On appeal, the RTC affirmed, *viz.*:[10]

> WHEREFORE, viewed in the light of the foregoing considerations, this Court finds no cogent reason to reverse, modify or set aside the decision of the court *a quo* as the same is supported by the evidence and law.
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> Accordingly, the decision of the court *a quo* dated August 16, 2013 is hereby ordered AFFIRMED IN TOTO.
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> SO ORDERED.

Respondent moved for reconsideration which was denied in Resolution[11] dated June 1, 2015.

The Proceedings Before the Court of Appeals

Respondent alleged that the RTC ignored the fact that its subrogation to the rights of Gutang was by virtue of an express provision of law under Articles 2207[12] and 1144 (2)[13] of the Civil Code stating that an obligation created by law must be brought within ten (10) years from the time the cause of action accrued.[14]

The Court of Appeals' Ruling

By Decision[15] dated September 30, 2016, the Court of Appeals reversed. It found that respondent successfully proved it was subrogated to the rights of its assured, Marco Gutang. Evidence showed that the repairs on the insured vehicle were undertaken by Honda Cars Pasig pursuant to Letters of Authority dated December 7, 2007 and January 8, 2008 issued by respondent. On February 6, 2008, per Service Invoice Nos. 0468927 and 0468928, the insured vehicle was released to Gutang.

The following day, Honda sent respondent a Statement of Account which reflected the cost of parts and repairs of the insured vehicle amounting to P195, 409.50. On March 6, 2008, respondent issued a Motor Claims Requisition Voucher for this amount with notation "release to payee."[16]

Respondent's payment to Gutang operates as an equitable assignment to the former all the remedies that the latter may have against petitioners whose negligence caused the damage on the former's insured vehicle.[17]

As for prescription, it held that following the pronouncement of this ***Court in Vector Shipping Corp, et al. v. American Home Assurance Company, et al.,***[18] since respondent's cause of action was anchored on legal subrogation, an obligation created by law, the same must be brought within ten (10) years from the time the right of action accrued. Considering that respondent indemnified Gutang on February 6, 2008, the action will prescribe on February 6, 2018. Hence, the filing of respondent's complaint on February 1, 2012 was well within the ten year prescriptive period.[19]

By Resolution[20] dated February 1, 2017, the Court of Appeals denied petitioners' motion for reconsideration.

The Present Petition

Petitioners now seek affirmative relief and pray that the assailed dispositions of the Court of Appeals be reversed and the trial court's ruling declaring respondent's action for sum of money to have already prescribed, be reinstated.

Petitioners argue in the main that respondent's cause of action is based on quasi-delict since the cause of action stemmed from the alleged gross negligence of Vergara which led to the vehicular mishap on November 16, 2007. Thus, the prescriptive period within which to file the action is four (4) years from the accrual of cause of action or until November 16, 2011. Since respondent filed the action only on February 1, 2012, the action had already prescribed.

In subrogation, the rights to which the subrogee (respondent) succeeds are the same as, but not greater than those of the person (Gutang) whom he substituted. In effect, since Gutang's cause of action is based on quasi-delict which prescribes in four (4) years, when respondent stepped into Gutang's shoes, it can only initiate the action for sum of money also within the same four-year period. Failure to do so will render the action prescribed as in this case.[21]

On the other hand, respondent basically riposted that petitioners' cause of action is based on legal subrogation and not one based on quasi-delict because subrogation under Article 2207 of the Civil Code gives rise to a cause of action created by law. Its cause of action, too, had not prescribed pursuant to this Court's ruling in ***Vector*** which decreed that subrogation of an insurer to the rights of the insured is by virtue of an express provision of law which provides for a prescriptive period of ten (10) years from the time the cause of action arose within which to file an action.[22]

Issue

Is respondent's action for money claims against petitioners barred by prescription?

Ruling

We **DENY** the petition.

At the outset, it is noted that in the recent case of ***Henson, Jr. v. UCPB General Insurance Co., Inc.***[23] the Court overturned *Vector* and held that subrogation under Article 2207 of the Civil Code only allows the insurer, as the new creditor who assumes *ipso jure* the old creditor's rights without the need of any contract, to go after the debtor. But this does not mean that a new obligation is created between the debtor and the insurer. The insurer, as the new creditor, remains bound by the limitations of the old creditor's claims against the debtor, which includes, among others, the aspect of prescription. Hence, the debtor's right to invoke the defense of prescription cannot be circumvented by the mere expedient of successive payments of certain insurers that purport to create new obligations when, in fact, what remains subsisting is only the original obligation, *viz*.:

> xxx The Court must heretofore abandon the ruling in Vector that an insurer may file an action against the tortfeasor within ten (10) years from the time the insurer indemnifies the insured. Following the principles of subrogation, the insurer only steps into the shoes of the insured and therefore, for purposes of prescription, inherits only the remaining period within which the insured may file an action against the wrongdoer. To be sure, the prescriptive period of the action that the insured may file against the wrongdoer begins at the time that the tort was committed and the loss/injury occurred against the insured. The indemnification of the insured by the insurer only allows it to be subrogated to the former's rights, and does not create a new reckoning point for the cause of action that the insured originally has against the wrongdoer.
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> Be that as it may, it should, however, be clarified that this Court's abandonment of the *Vector* doctrine should be **prospective** in application for the reason that judicial decisions applying or interpreting the laws or the Constitution, until reversed, shall form part of the legal system of the Philippines, x x x

In ***Henson***, the Court came up with **guidelines** relative to the application of ***Vector*** and its Decision vis-a-vis the prescriptive period in cases where the insurer is subrogated to the rights of the insured against the wrongdoer **based on a *quasi-delict,*** thus:

> 1. For actions of such nature that **have already been filed and are currently pending** before the courts at the time of the finality of this Decision, the *rules on prescription prevailing at the time the action is filed* would apply. Particularly:
>
> (*a*) For cases that were filed by the subrogee-insurer **during** the applicability of the *Vector* ruling (*i.e*., from *Vector*'s, finality on August 15, 2013 up until the finality of this Decision), the prescriptive period is