THIRD DIVISION

[G.R. No. 220400, March 20, 2019]

ANNIE TAN, PETITIONER, V. GREAT HARVEST ENTERPRISES, INC., RESPONDENT.

D E C I S I O N

LEONEN, J.:

Common carriers are obligated to exercise extraordinary diligence over the goods entrusted to their care. This is due to the nature of their business, with the public policy behind it geared toward achieving allocative efficiency and minimizing the inherently inequitable dynamics between the parties to the transaction.

This resolves a Petition for Review on Certiorari[1] filed under Rule 45 of the Rules of Civil Procedure by Annie Tan (Tan), assailing the Court of Appeals March 13, 2015 Decision[2] and September 15, 2015 Resolution[3] in CA-G.R. CV No. 100412. The assailed judgments upheld the Regional Trial Court January 3, 2012 Decision[4] in Civil Case No. Q-94-20745, which granted Great Harvest Enterprises, Inc.'s (Great Harvest) Complaint for sum of money against Tan.

On February 3, 1994, Great Harvest hired Tan to transport 430 bags of soya beans worth P230,000.00 from Tacoma Integrated Port Services, Inc. (Tacoma) in Port Area, Manila to Selecta Feeds in Camarin, Novaliches, Quezon City.[5]

That same day, the bags of soya beans were loaded into Tan's hauling truck. Her employee, Rannie Sultan Cabugatan (Cabugatan), then delivered the goods to Selecta Feeds.[6]

At Selecta Feeds, however, the shipment was rejected. Upon learning of the rejection, Great Harvest instructed Cabugatan to deliver and unload the soya beans at its warehouse in Malabon. Yet, the truck and its shipment never reached Great Harvest's warehouse.[7]

On February 7, 1994, Great Harvest asked Tan about the missing delivery. At first, Tan assured Great Harvest that she would verify the whereabouts of its shipment, but after a series of follow-ups, she eventually admitted that she could not locate both her truck and Great Harvest's goods.[8] She reported her missing truck to the Western Police District Anti-Carnapping Unit and the National Bureau of Investigation.[9]

On February 19, 1994, the National Bureau of Investigation informed Tan that her missing truck had been found in Cavite. However, the truck had been cannibalized and had no cargo in it.[10] Tan spent over P200,000.00 to have it fixed.[11]

Tan filed a Complaint against Cabugatan and Rody Karamihan (Karamihan), whom she accused of conspiring with each other to steal the shipment entrusted to her.[12] An Information[13] for theft was filed against Karamihan, while Cabugatan was charged with qualified theft.[14]

On March 2, 1994, Great Harvest, through counsel, sent Tan a letter demanding full payment for the missing bags of soya beans. On April 26, 1994, it sent her another demand letter. Still, she refused to pay for the missing shipment or settle the matter with Great Harvest.[15] Thus, on June 2, 1994, Great Harvest filed a Complaint for sum of money against Tan.[16]

In her Answer, Tan denied that she entered into a hauling contract with Great Harvest, insisting that she merely accommodated it. Tan also pointed out that since Great Harvest instructed her driver to change the point of delivery without her consent, it should bear the loss brought about by its deviation from the original unloading point.[17]

In its August 4, 2000 Decision,[18] the Regional Trial Court of Manila found Karamihan guilty as an accessory after the fact of theft, and sentenced him to serve a prison sentence between six (6) months of *arresto mayor* maximum to one (1) year of *prision correccional* minimum. He was also ordered to indemnify Tan P75,000.00, the amount he had paid Cabugatan for the 430 bags of soya beans.[19]

In its January 3, 2012 Decision,[20] the Regional Trial Court of Quezon City granted Great Harvest's Complaint for sum of money. It found that Tan entered into a verbal contract of hauling with Great Harvest, and held her responsible for her driver's failure to deliver the soya beans to Great Harvest.[21] The dispositive portion of the Decision read:

> WHEREFORE, judgment is hereby rendered in favor of the plaintiff and against the defendant, ordering the latter:
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> 1. To pay the sum of P230,000.00 with interest thereon at the rate of 12% per annum starting from June 2, 1994 (when the case was filed) and until paid;
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> 2. To pay the sum of P50,000.00 as Attorney's fees; and
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> 3. Costs against the defendant.
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> SO ORDERED.[22]

Tan moved for reconsideration of the January 3, 2012 Decision, but her Motion was denied by the trial court in its November 21, 2012 Order.[23]

Tan filed an Appeal, but the Court of Appeals dismissed it in its March 13, 2015 Decision.[24]

In affirming the January 3, 2012 Decision, the Court of Appeals found that the parties' standard business practice when the recipient would reject the cargo was to deliver it to Great Harvest's warehouse. Thus, contrary to Tan's claim, there was no deviation from the original destination.[25]

The Court of Appeals also held that the cargo loss was due to Tan's failure to exercise the extraordinary level of diligence required of her as a common carrier, as she did not provide security for the cargo or take out insurance on it.[26]

The dispositive portion of the Court of Appeals Decision read:

> **WHEREFORE**, the premises considered, the instant appeal is hereby **DISMISSED** and the assailed Decision dated January 3, 2012 [is] **AFFIRMED *in toto*.**
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> **IT IS SO ORDERED.**[27] (Emphasis in the original)

Tan moved for reconsideration, but her Motion was denied by the Court of Appeals in its September 15, 2015 Resolution.[28]

Thus, Tan filed her Petition for Review on Certiorari,[29] maintaining that her Petition falls under the exceptions to a Rule 45 petition since the assailed Court of Appeals Decision was based on a misapprehension of facts.[30]

Petitioner contends that she is not liable for the loss of the soya beans and points out that the agreement with respondent Great Harvest was to deliver them to Selecta Feeds, an obligation with which she complied. She claims that what happened after that was beyond her control. When Selecta Feeds rejected the soya beans and respondent directed Cabugatan to deliver the goods to its warehouse, respondent superseded her previous instruction to Cabugatan to return the goods to Tacoma, the loading point. Hence, she was no longer required to exercise the extraordinary diligence demanded of her as a common carrier.[31]

Tan opines that she is not liable for the value of the lost soya beans since the truck hijacking was a fortuitous event and because "the carrier is not an insurer against all risks of travel."[32]

She prayed for: (1) P500,000.00 in actual damages to compensate for the expenses she incurred in looking for and fixing her truck; (2) P500,000.00 in moral damages for the stress and mental anguish she experienced in searching for her truck and the missing soya beans; (3) P500,000.00 in exemplary damages to deter respondent from filing a similar baseless complaint in the future; and (4) P200,000.00 as attorney's fees. On the other hand, if she is found liable to respondent, petitioner concedes that her liability should only be pegged at P75,000.00, the actual price Karamihan paid for respondent's shipment.[33]

On January 25, 2016,[34] respondent was directed to comment on the petition but it manifested[35] that it was waiving its right to file a comment.

The sole issue for this Court's resolution is whether or not petitioner Annie Tan should be held liable for the value of the stolen soya beans.

The Petition must fail.

The Rules of Court is categorical that only questions of law may be raised in petitions filed under Rule 45, as this Court is not a trier of facts. Further, factual findings of appellate courts, when supported by substantial evidence, are binding upon this Court.[36]

However, these rules do admit of exceptions.[37] In particular, petitioner referred to the exception "[w]hen the judgment is based on a misapprehension of facts"[38] to justify the questions of fact in her Petition for Review on Certiorari.

A careful review of the records of this case convinces us that the assailed judgments of the Court of Appeals are supported by substantial evidence.

Article 1732 of the Civil Code defines common carriers as "persons, corporations, firms or associations engaged in the business of carrying or transporting passengers or goods or both, by land, water or air, for compensation, offering their services to the public." The Civil Code outlines the degree of diligence required of common carriers in Articles 1733, 1755, and 1756:

> ARTICLE 1733. Common carriers, from the nature of their business and for reasons of public policy, are bound to observe extraordinary diligence in the vigilance over the goods and for the safety of the passengers transported by them, according to all the circumstances of each case.
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> . . . .
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> ARTICLE 1755. A common carrier is bound to carry the passengers safely as far as human care and foresight can provide, using the utmost diligence of very cautious persons, with a due regard for all the circumstances.
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> ARTICLE 1756. In case of death of or injuries to passengers, common carriers are presumed to have been at fault or to have acted negligently, unless they prove that they observed extraordinary diligence as prescribed in articles 1733 and 1755.

Law and economics provide the policy justification of our existing jurisprudence. The extraordinary diligence required by the law of common carriers is primarily due to the nature of their business, with the public policy behind it geared toward achieving allocative efficiency between the parties to the transaction.

Allocative efficiency is an economic term that describes an optimal market where customers are willing to pay for the goods produced.[39] Thus, both consumers and producers benefit and stability is achieved.

The notion of common carriers is synonymous with public service under Commonwealth Act No. 146 or the Public Service Act.[40] Due to the public nature of their business, common carriers are compelled to exercise extraordinary diligence since they will be burdened with the externalities or the cost of the consequences of their contract of carriage if they fail to take the precautions expected of them.

Common carriers are mandated to internalize or shoulder the costs under the contracts of carriage. This is so because a contract of carriage is structured in such a way that passengers or shippers surrender total control over their persons or goods to common carriers, fully trusting that the latter will safely and timely deliver them to their destination. In light of this inherently inequitable dynamics— and the potential harm that might befall passengers or shippers if common carriers exercise less than extraordinary diligence— the law is constrained to intervene and impose sanctions on common carriers for the parties to achieve allocative efficiency.[41]

Here, petitioner is a common carrier obligated to exercise extraordinary diligence[42] over the goods entrusted to her. Her responsibility began from the time she received the soya beans from respondent's broker and would only cease after she has delivered them to the consignee or any person with the right to receive them.[43]

Petitioner's argument is that her contract of carriage with respondent was limited to delivering the soya beans to Selecta Feeds. Thus, when Selecta Feeds refused to accept the delivery, she directed her driver to return the shipment to the loading point. Respondent refutes petitioner's claims and asserts that their standing agreement was to deliver the shipment to respondent's nearest warehouse in case the consignee refused the delivery.

After listening to the testimonies of both parties, the trial court found that respondent was able to prove its contract of carriage with petitioner. It also found the testimony of respondent's witness, Cynthia Chua (Chua), to be more believable over that of petitioner when it came to the details of their contract of carriage:

> Defendant's assertion that the diversion of the goods was done without her consent and knowledge is self-serving and is effectively belied by the positive testimony of witness Cynthia Chua, Account Officer of plaintiff corporation (page 23, TSN, March 26, 1996). Equally self-serving is defendant's claim that she is not liable for the loss of the soyabeans (*sic*) considering that the plaintiff has no existing contract with her. Such a sweeping submission is also belied by the testimony of plaintiff's witness Cynthia Chua who categorically confirmed the existing business relationship of plaintiff and defendant for hauling and delivery of goods as well as the arrangement to deliver the rejected goods to the plaintiff's nearest warehouse in the event that goods are rejected by the consignee with prior approval of the consignor (page 11, TSN, March 26, 1996).[44]

The trial court's appreciation of Chua's testimony was upheld by the Court of Appeals:

> Verily, the testimony alone of appellee's Account Officer, Cynthia Chua, dispels the contrary allegations made by appellant in so far as the nature of their business relationship is concerned. Consistently and without qualms, said witness narrated the details respecting the company's relations with the appellant and the events that transpired before, during and after the perfection of the contract and the subsequent loss of the subject cargo. Said testimony and the documentary exhibits, i.e., the Tacoma waybill and the appellee's waybill, prove the perfection and existence of the disputed verbal contract.
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> Emphatically, from the aforesaid waybills, it was duly established that while verbal, the parties herein has (sic) agreed for the hauling and delivery of the soya beans from the company's broker to the intended recipient. It was further proven by evidence that appellant had agreed and consented to the delivery of the soya beans to the company's nearest warehouse in case the cargo goods had been rejected by the recipient as it had been the practice between the parties.[45] (Citation omitted)