

FIRST DIVISION

[G. R. No. 188283, July 20, 2016]

**CATHAY PACIFIC AIRWAYS, LTD., PETITIONER, VS. SPOUSES
ARNULFO AND EVELYN FUENTEBELLA, RESPONDENTS.**

DECISION

SERENO, C.J.:

This is a Petition for Review on Certiorari filed by Cathay Pacific Airways Ltd. from the Court of Appeals (CA) Decision^[1] and Resolution^[2] in CA-G.R. CV No. 87698. The CA affirmed with modification the Decision^[3] issued by the Regional Trial Court (RTC) Branch 30 in San Jose, Camarines Sur, in Civil Case No. T-635.

The Case

The case originated from a Complaint^[4] for damages filed by respondents Arnulfo and Evelyn Fuentebella against petitioner Cathay Pacific Airways Ltd., a foreign corporation licensed to do business in the Philippines. Respondents prayed for a total of P13 million in damages for the alleged besmirched reputation and honor, as well as the public embarrassment they had suffered as a result of a series of involuntary downgrades of their trip from Manila to Sydney via Hong Kong on 25 October 1993 and from Hong Kong to Manila on 2 November 1993.^[5] In its Answer,^[6] petitioner maintained that respondents had flown on the sections and sectors they had booked and confirmed.

The RTC ruled in favor of respondents and awarded P5 million as moral damages, P1 million as exemplary damages, and P500,000 as attorney's fees. Upon review, the CA upheld the disposition and the awards, with the modification that the attorney's fees be reduced to P100,000.

Petitioner prays that the Complaint be dismissed, or in the alternative, that the damages be substantially and equitably reduced.^[7]

Facts

In 1993, the Speaker of the House authorized Congressmen Arnulfo Fuentebella (respondent Fuentebella), Alberto Lopez (Cong. Lopez) and Leonardo Fugoso (Cong. Fugoso) to travel on official business to Sydney, Australia, to confer with their counterparts in the Australian Parliament from 25 October to 6 November 1993.^[8]

On 22 October 1993, respondents bought Business Class tickets for Manila to Sydney via Hong Kong and back.^[9] They changed their minds, however, and decided to upgrade to First Class.^[10] From this point, the parties presented divergent versions of facts. The overarching disagreement was on whether

respondents should have been given First Class seat accommodations for all the segments of their itinerary.

According to respondents, their travel arrangements, including the request for the upgrade of their seats from Business Class to First Class, were made through Cong. Lopez. [11] The congressman corroborated this allegation. [12] On the other hand, petitioner claimed that a certain Carol Dalag had transacted on behalf of the congressmen and their spouses for the purchase of airline tickets for Manila-Hong Kong-Sydney-Hong Kong- Manila. [13] According to petitioner, on 23 October 1993, one of the passengers called to request that the booking be divided into two: one for the Spouses Lopez and Spouses Fugoso, and a separate booking for respondents.[14] Cong. Lopez denied knowing a Carol Dalag. [15] He was not questioned regarding the request for two separate bookings. [16] However, in his testimony, he gave the impression that the travel arrangements had been made for them as one group. [17] He admitted that he had called up petitioner, but only to request an upgrade of their tickets from Business Class to First Class. [18] He testified that upon assurance that their group would be able to travel on First Class upon cash payment of the fare difference, he sent a member of his staff that same afternoon to pay.[19]

Petitioner admits that First Class tickets were issued to respondents, but clarifies that the tickets were open-dated (waitlisted). [20] There was no showing whether the First Class tickets issued to Sps. Lopez and Sps. Fugoso were open-dated or otherwise, but it appears that they were able to fly First Class on all the segments of the trip, while respondents were not.[21]

On 25 October 1993, respondents queued in front of the First Class counter in the airport. [22] They were issued boarding passes for Business Class seats on board CX 902 bound for Hong Kong from Manila and Economy Class seats on board CX 101 bound for Sydney from Hong Kong.[23] They only discovered that they had not been given First Class seats when they were denied entry into the First Class lounge.[24] Respondent Fuentebella went back to the check-in counter to demand that they be given First Class seats or at the very least, access to the First Class Lounge. He recalled that he was treated by the ground staff in a discourteous, arrogant and rude manner.[25] He was allegedly told that the plane would leave with or without them.[26] Both the trial court and the CA gave credence to the testimony of respondent Fuentebella.

During trial, petitioner offered the transcript of the deposition of its senior reservation supervisor, Nenita Montillana (Montillana).[27] She said that based on the record locator, respondents had confirmed reservations for Business Class seats for the Manila-Hong Kong, Sydney-Hong Kong, and Hong Kong-Manila flights; but the booking for Business Class seats for the Hong Kong-Sydney leg was "under request;" and due to the flight being full, petitioner was not able to approve the request.[28]

Montillana admitted that First Class tickets had been issued to respondents, but qualified that those tickets were open-dated. [29] She referred to the plane tickets,

which bore the annotations "OPEN F OPEN" for all sectors of the flight.^[30] Petitioner explained that while respondents expressed their desire to travel First Class, they could not be accommodated because they had failed to confirm and the sections were full on the date and time of their scheduled and booked flights.^[31] Petitioner also denied that its personnel exhibited arrogance in dealing with respondents; on the contrary, it was allegedly respondent Fuentebella who was hostile in dealing with the ground staff.^[32]

Respondents alleged that during transit through the Hong Kong airport on 25 October 1993, they were treated with far less respect and courtesy by the ground staff.^[33] In fact, the first employee they approached completely ignored them and turned her back on them.^[34] The second one did not even give them any opportunity to explain why they should be given First Class seats, but instead brushed aside their complaints and told them to just fall in line in Economy Class.^[35] The third employee they approached shoved them to the line for Economy Class passengers in front of many people.^[36]

Petitioner used the deposition of Manuel Benipayo (Benipayo), airport service officer, and Raquel Galvez-Leonio (Galvez-Leonio), airport services supervisor, to contradict the claims of respondents. Benipayo identified himself as the ground staff who had dealt with respondents' complaint.^[37] He testified that around five o'clock on 25 October 1993, respondent Fuentebella loudly insisted that he be accommodated on First Class. But upon checking their records, he found out that respondents were only booked on Business Class.^[38] Benipayo tried to explain this to respondents in a very polite manner,^[39] and he exerted his best effort to secure First Class seats for them, but the plane was already full.^[40] He presented a telex sent to their Hong Kong office, in which he requested assistance to accommodate respondents in First Class for the Hong Kong-Sydney flight.^[41] He claimed that he was intimidated by respondent Fuentebella into making the notations "Involuntary Downgrading" and "fare difference to be refunded" on the tickets.^[42]

For her part, Galvez-Leonio testified that it was company policy not to engage passengers in debates or drawn-out discussions, but to address their concerns in the best and proper way.^[43] She admitted, however, that she had no personal knowledge of compliance in airports other than NAIA.^[44]

Respondents narrated that for their trip from Hong Kong to Sydney, they were squeezed into very narrow seats for eight and a half hours and, as a result, they felt groggy and miserable upon landing.^[45]

Respondents were able to travel First Class for their trip from Sydney to Hong Kong on 30 October 1993.^[46] However, on the last segment of the itinerary from Hong Kong to Manila on 2 November 1993, they were issued boarding passes for Business Class.^[47]

Upon arrival in the Philippines, respondents demanded a formal apology and payment of damages from petitioner.^[48] The latter conducted an investigation, after which it maintained that no undue harm had been done to them.^[49] Ruling of

the Regional Trial Court

In resolving the case, the trial court first identified the ticket as a contract of adhesion whose terms, as such, should be construed against petitioner.^[50] It found that respondents had entered into the contract because of the assurance that they would be given First Class seats.^[51]

The RTC gave full faith and credence to the testimonies of respondents and Cong. Fugoso, who testified in open court:

[T]he court was able to keenly observe [the] demeanor [of respondents' witnesses] on the witness stand and they appear to be frank, spontaneous, positive and forthright neither destroyed nor rebutted in the course of the entire trial...The court cannot state the same observation in regard to those witnesses who testified by way of deposition [namely, Cong. Lopez all the witnesses of petitioner], except those appearing in the transcript of records. And on record, it appears [that] witness Nenita Montillana was reading a note.^[52]

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[Montillana's] credibility, therefore, is affected and taking together [her] whole testimony based on the so-called locator record of the plaintiffs spouses from the defendant Cathay Pacific Airways, the same has become less credible, if not, doubtful, to say the least.^[53]

The trial court ordered petitioner to pay P5 million as moral damages, P1 million as exemplary damages, and P500,000 as attorney's fees. In setting the award for moral damages, the RTC considered the prestigious position held by respondent Fuentebella, as well as the bad faith exhibited by petitioner.^[54] According to the trial court, the contract was flagrantly violated in four instances: first, when respondents were denied entry to the First Class lounge; second, at the check-in counter when the airport services officer failed to adequately address their concern; third, at the Hong Kong airport when they were ignored; and fourth, when respondents became the butt of jokes upon their arrival in Sydney.^[55]

RULING OF THE COURT OF APPEALS

The CA affirmed the RTC Decision with the modification that the attorney's fees be reduced to P100,000. The appellate court reviewed the records and found that respondents were entitled to First Class accommodation throughout their trip.^[56] It gave weight to the testimony of Cong. Lopez that they had paid the fare difference to upgrade their Business Class tickets to First Class.^[57] It also considered the handwritten notation on the First Class tickets stating "fare difference to be refunded" as proof that respondents had been downgraded.^[58]

With regard to the question of whether respondents had confirmed their booking, the CA considered petitioner's acceptance of the fare difference and the issuance of

the First Class tickets as proof that the request for upgrade had been approved.^[59] It noted that the tickets bore the annotation that reconfirmation of flights is no longer necessary, further strengthening the fact of confirmation.^[60]

The C A found that there were no conditions stated on the face of the tickets; hence, respondents could not be expected to know that the tickets they were holding were open-dated and were subject to the availability of seats.^[61] It applied the rule on contracts of adhesion, and construed the terms against petitioner.

Finding that there was a breach of contract when petitioner assigned Business Class and Economy Class seats to First Class ticket holders, the CA proceeded to determine whether respondents were entitled to moral damages. It said that bad faith can be inferred from the inattentiveness and lack of concern shown by petitioner's personnel to the predicament of respondents. ^[62] The court also considered as a badge of bad faith the fact that respondents had been downgraded due to overbooking.^[63]

As regards the amount of moral damages awarded by the RTC, the CA found no prejudice or corruption that might be imputed to the trial court in light of the circumstances.^[64] The appellate court pointed out that the trial court only awarded half of what had been prayed for.^[65]

The award of exemplary damages was sustained to deter a similar shabby treatment of passengers and a wanton and reckless refusal to honor First Class tickets. ^[66] The award for attorney's fees was likewise sustained pursuant to Article 2208(2) of the Civil Code which allows recovery thereof when an act or omission of the defendant compelled the plaintiff to litigate or incur expense to protect the latter's interest.^[67]

RULING OF THE COURT

There was a breach of contract.

In *Air France v. Gillego*^[68] this Court ruled that in an action based on a breach of contract of carriage, the aggrieved party does not have to prove that the common carrier was at fault or was negligent; all that he has to prove is the existence of the contract and the fact of its nonperformance by the carrier. In this case, both the trial and appellate courts found that respondents were entitled to First Class accommodations under the contract of carriage, and that petitioner failed to perform its obligation. We shall not delve into this issue more deeply than is necessary because We have decided to accord respect to the factual findings of the trial and appellate courts. We must, however, point out a crucial fact We have uncovered from the records that further debunks petitioner's suggestion^[69] that two sets of tickets were issued to respondents - one for Business Class and another for open-dated First Class tickets with the following entries:^[70]

Segment	Business Class Tickets Date of Issue: 23 October	First Class Tickets Date of Issue: 5 October 1993	Actual Class