

THIRD DIVISION

[G.R. No. 213418, September 21, 2016]

**ALFREDO S. RAMOS, CONCHITA S. RAMOS, BENJAMIN B. RAMOS,
NELSON T. RAMOS AND ROBINSON T. RAMOS, PETITIONERS, VS.
CHINA SOUTHERN AIRLINES CO. LTD., RESPONDENT.**

DECISION

PEREZ, J.:

For resolution of the Court is this Petition for Review on *Certiorari*^[1] filed by petitioners Alfredo S. Ramos, Conchita S. Ramos, Benjamin B. Ramos, Nelson T. Ramos and Robinson T. Ramos, seeking to reverse and set aside the Decision^[2] dated 19 March 2013 and Resolution^[3] dated 9 July 2014 of the Court of Appeals (CA) in CA-G.R. CV. No. 94561. The assailed decision and resolution affirmed with modification the 23 March 2009 Decision^[4] of the Regional Trial Court (RTC) of Manila, Branch 36, which ordered respondent China Southern Airlines to pay petitioners the amount of P692,000.00, representing the amount of damages and attorney's fees. On appeal, the appellate court affirmed the award of actual damages but deleted the order for payment of moral and exemplary damages in the amount of P600,000.00.^[5]

The Facts

On 7 August 2003, petitioners purchased five China Southern Airlines roundtrip plane tickets from Active Travel Agency for \$985.00.^[6] It is provided in their itineraries that petitioners will be leaving Manila on 8 August 2003 at 0900H and will be leaving Xiamen on 12 August 2003 at 1920H.^[7] Nothing eventful happened during petitioners' flight going to Xiamen as they were able to successfully board the plane which carried them to Xiamen International Airport. On their way back to the Manila, however, petitioners were prevented from taking their designated flight despite the fact that earlier that day an agent from Active Tours informed them that their bookings for China Southern Airlines 1920H flight are confirmed.^[8] The refusal came after petitioners already checked in all their baggages and were given the corresponding claim stubs and after they had paid the terminal fees. According to the airlines' agent with whom they spoke at the airport, petitioners were merely chance passengers but they may be allowed to join the flight if they are willing to pay an additional 500 Renminbi (RMB) per person. When petitioners refused to defray the additional cost, their baggages were offloaded from the plane and China Southern Airlines 1920H flight then left Xiamen International Airport without them.^[9] Because they have business commitments waiting for them in Manila, petitioners were constrained to rent a car that took them to Chuan Chio Station where they boarded the train to Hongkong.^[10] Upon reaching Hong Kong, petitioners purchased new plane tickets from Philippine Airlines (PAL) that flew them back to Manila.^[11]

Upon arrival in Manila, petitioners went to Active Travel to inform them of their unfortunate fate with China Southern Airlines. In their effort to avoid lawsuit, Active Travel offered to refund the price of the plane tickets but petitioners refused to accept the offer. Petitioners then went to China Southern Airlines to demand for the reimbursement of their airfare and travel expenses in the amount of P87,375.00. When the airline refused to accede to their demand, petitioners initiated an action for damages before the RTC of Manila against China Southern Airlines and Active Travel. In their Complaint docketed as Civil Case No. 04-109574, petitioners sought for the payment of the amount of P87,375.00 as actual damages, P500,000.00 as moral damages, P500,000.00 as exemplary damages and cost of the suit.^[12]

In their Answer,^[13] China Southern Airlines denied liability by alleging that petitioners were not confirmed passengers of the airlines but were merely chance passengers. According to the airlines, it was specifically provided in the issued tickets that petitioners are required to re-confirm all their bookings at least 72 hours before their scheduled time of departures but they failed to do so which resulted in the automatic cancellation of their bookings.

The RTC then proceeded with the reception of evidence after the pre-trial conference.

On 23 March 2009, the RTC rendered a Decision^[14] in favor of the petitioners and ordered China Southern Airlines to pay damages in the amount of P692,000.00, broken down as follows:

"WHEREFORE, judgment is hereby rendered ordering the defendant [China Southern Airlines] to pay [petitioners]:

1. The sum of [P]62,000.00 as actual damages;
2. The sum of [P]300,000.00 as moral damages;
3. The sum of [P]300,000.00 as exemplary damages; and
4. The sum of [P]30,000.00 for attorney's fees.

The defendants' counterclaim against plaintiffs are [hereby] dismissed for insufficiency of evidence [enough] to sustain the damages claimed."^[15]

On appeal, however, the CA modified the RTC Decision by deleting the award for moral and exemplary damages. According to the appellate court, petitioners failed to prove that China Southern Airlines' breach of contractual obligation was attended with bad faith.^[16] The disquisition of the CA reads:

"xxx. Where in breaching the contract, the defendant is not shown to have acted fraudulently or in bad faith, liability for damages is limited to the natural and probable consequences of the breach of the obligation and which the parties had foreseen or could reasonably have foreseen; and in that case, such liability would not include liability for moral and exemplary damages.

In this case, We are not persuaded that [China Southern Airlines] breach of contractual obligation had been attended by bad faith or malice or gross negligence amounting to bad faith. On the contrary, it appears that despite [petitioner's] failure to "re-confirm" their bookings, [China Southern Airlines] exerted diligent efforts to comply with its obligation to [petitioners]. If at the outset, [China Southern Airlines] simply did not intend to comply with its promise to transport [petitioners] back to Manila, it would not have taken the trouble of proposing that the latter could still board the plane as "chance passengers" provided [that] they will pay the necessary pay and penalties.

Thus, We believe and so hold that the damages recoverable by [petitioners] are limited to the peso value of the PAL ticket they had purchased for their return flight from Xiamen, plus attorney's fees, in the amount of [P]30,000.00, considering that [petitioners] were ultimately compelled to litigate their claim[s] against [China Southern Airlines]."^[17]

Since China Southern, Airlines' refusal to let petitioners board the plane was not attended by bad faith, the appellate court decided not to award petitioners moral and exemplary damages. The CA disposed in this wise:

"WHEREFORE, premises considered, the instant appeal is hereby **AFFIRMED** with **MODIFICATION** in that the award of moral and exemplary damages are hereby **DELETED**."^[18]

Dissatisfied, petitioners timely interposed a Motion for Partial Reconsideration which was partially granted by the CA in a Resolution^[19] dated 9 July 2014, to wit:

"ACCORDINGLY, the instant Motion is **PARTIALLY GRANTED**. The Decision dated 19 March 2013 rendered by this Court in CA-G.R. CV No. 94561 is hereby **MODIFIED** in that [China Southern Airlines] is **ORDERED** to pay [petitioners] interest of 6% **per annum** on the P62,000.00 as actual damages from the finality of this Court's Decision until the same is fully satisfied."^[20]

Unflinching, petitioners elevated the matter before the Court by filing the instant Petition for Review on *Certiorari* assailing the CA Decision and Resolution on the following grounds:

The Issues

I.

THE COURT OF APPEALS COMMITTED GRAVE AND SERIOUS ERROR WHEN IT DELETED THE AWARDS OF MORAL AND EXEMPLARY DAMAGES, A DEPARTURE FROM ESTABLISHED DOCTRINES THAT PASSENGERS WHO ARE BUMPED-OFF ARE ENTITLED TO MORAL AND EXEMPLARY DAMAGES;

I.

THE COURT OF APPEALS COMMITTED GRAVE AND SERIOUS ERROR WHEN IT DECLARED THAT BUMPING OFF OF THE PETITIONERS WAS NOT ATTENDED BY BAD FAITH AND MALICE CONTRARY TO THE FINDINGS OF

THE LOWER COURT;

III.

THE COURT OF APPEALS COMMITTED GRAVE AND SERIOUS ERROR WHEN IT HELD THAT THE LEGAL INTEREST COMMENCE ONLY FROM THE FINALITY OF THE DECISION INSTEAD OF FROM THE DATE OF EXTRA-JUDICIAL DEMAND ON 18 AUGUST 2003.^[21]

The Court's Ruling

We resolve to grant the petition.

A contract of carriage, in this case, air transport, is intended to serve the traveling public and thus, imbued with public interest.^[22] The law governing common carriers consequently imposes an exacting standard of conduct,^[23] viz:

"1755 of the New Civil Code. A common carrier is bound to carry passengers safely as far as human care and foresight can provide, using the utmost diligence of very cautious persons, with due regard for all the circumstances."

When an airline issues a ticket to a passenger confirmed on a particular flight, on a certain date, a contract of carriage arises, and the passenger has every right to expect that he would fly on that flight and on that date. If that does not happen, then the carrier opens itself to a suit for breach of contract of carriage.^[24] 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.^[25] All he has to prove is the existence of the contract and the fact of its non-performance by the carrier, through the latter's failure to carry the passenger to its destination.^[26]

It is beyond question in the case at bar that petitioners had an existing contract of air carriage with China Southern Airlines as evidenced by the airline tickets issued by Active Travel. When they showed up at the airport and after they went through the routine security check including the checking in of their luggage and the payment of the corresponding terminal fees, petitioners were not allowed by China Southern Airlines to board on the plane. The airlines' claim that petitioners do not have confirmed reservations cannot be given credence by the Court. The petitioners were issued two-way tickets with itineraries indicating the date and time of their return flight to Manila. These are binding contracts of carriage.^[27] China Southern Airlines allowed petitioners to check in their luggage and issued the necessary claim stubs showing that they were part of the flight. It was only after petitioners went through all the required check-in procedures that they were informed by the airlines that they were merely chance passengers. Airlines companies do not, as a practice, accept pieces of luggage from passengers without confirmed reservations. Quite tellingly, all the foregoing circumstances lead us to the inevitable conclusion that petitioners indeed were bumped off from the flight. We cannot from the records of this case deduce the true reason why the airlines refused to board petitioners back to Manila. What we can be sure of is the unacceptability of the proffered reason that rightfully gives rise to the claim for damages.