

THIRD DIVISION

[G.R. No. 168987, October 17, 2012]

PHILIPPINE AIRLINES, INC., PETITIONER, VS. FRANCISCO LAO LIM, THE HEIRS OF HENRY GO, MANUEL LIMTONG AND RAINBOW TOURS AND TRAVEL, INC., RESPONDENTS.

DECISION

PERALTA, J.:

This resolves the Petition for Review on *Certiorari* under Rule 45 of the Rules of Court, praying that the Decision^[1] of the Court of Appeals (CA), dated March 22, 2005, and its Resolution^[2] dated July 15, 2005, denying herein petitioner's Motion for Reconsideration of the aforementioned Decision, be reversed and set aside.

The records reveal the CA's narration of the facts to be accurate, to wit:

Plaintiffs are Cebu-based businessmen, that is, plaintiff Francisco Lao Lim is engaged in real estate and trading, Mr. Henry Go in export and distribution of weighing scales and Mr. Manuel Limtong in the printing press business. All three plaintiffs decided to venture into business transactions involving the purchase of weighing scales from one Mrs. Ng Yuen Ming of Hongkong and printing press equipments from Mrs. Myrna Irsch of Germany. In line with these ventures, they scheduled important appointments with the said dealers in Hongkong on 26 February 1991 in order to conclude their agreements and thereafter sign the necessary contracts.

On 22 February 1991, plaintiff Francisco Lao Lim went to the office of third-party defendant Rainbow Tours and Travel, Inc. ("Rainbow Tours") and purchased three (3) confirmed PAL roundtrip tickets. They were booked on a Link-Flight PR842 Cebu-Manila on February 25, 1991 (Monday) at 12:05 P.M. and Flight PR300 Manila-Hongkong on February 26, 199[1] (Tuesday) at 8:00 A.M. The return trip was on March 1, 199[1] at 11:05 A.M. Hongkong-Manila (Flight PR301) and Manila-Cebu (Link-Flight PR512) at 2:50 P.M. of the same day.

On February 23, 1991, plaintiff Francisco Lao Lim returned to the office of Rainbow Tours to inquire on the availability of seats for the PAL Manila-Hongkong flight on February 26, 1992 at 5:00 p.m. so that they could reset their Hongkong meetings scheduled on 26 February 1991 to a later time. Francisco Lao Lim was referred to Rainbow Tours travel agent, Gemma Dingal, who called up PAL Reservations. Upon being informed of the unavailability of seats for the 5:00 p.m. flight, Francisco Lao Lim left Rainbow Tours without making any cancellations of their confirmed

bookings that were stated in their respective tickets.

As scheduled, plaintiffs took the Cebu-Manila Flight No. PR842 on February 25, 1991. The next day, February 26, 1991, at the check-in counter at the Ninoy Aquino International Airport (NAIA), plaintiffs Francisco Lao Lim and Henry Go were informed by PAL's check-in clerk that their bookings on Flight PR300 Manila-Hongkong (8:00 a.m.) had been cancelled and that their names were not on the computer's passenger list for the said flight. Plaintiff Manuel Limtong, however, was able to board the flight. Francisco Lao Lim and Henry Go explained to the check-in clerk that they were holding confirmed bookings and that they did not have the same cancelled. They likewise begged and pleaded that they be allowed to board the said flight but their pleas fell on deaf ears. At 5:00 p.m. of the same day, plaintiffs Francisco Lao Lim and Henry Go took Flight No. PR301 leaving Manila to Hongkong.

Plaintiffs brought this suit for breach of contract of carriage and damages against PAL alleging that the PAL personnel at the check-in clerk at NAIA arrogantly shouted at them and humiliated them in front of the other passengers by labeling their tickets "cheap tickets" thus entitling them to moral damages in the amount of P350,000.00 each as such abusive and injurious language had humiliated them, wounded their feelings and besmirched their reputations. Plaintiffs further claimed that because of their failure to reach Hongkong in time for the scheduled business conferences, their contacts did not anymore wait for them. They claimed that the 26 February 1991 business meeting with Mrs. Ng involving the purchase of weighing scales at discounted rates should have pushed through since this was the last day given to the plaintiffs to close the deal otherwise Mrs. Ng is selling the stocks to other interested buyers. Even though Manuel Limtong was able to meet with Mrs. Ng, the deal was not finalized since it was only plaintiff Henry Go who could properly negotiate with Mrs. Ng as to what kind of scales they should purchase. Plaintiffs likewise claim that the transaction on the purchase of several German printing press equipments on consignment was not consummated because their German contact, Mrs. Irche, insisted on meeting all three plaintiffs considering that the proposed transaction involved a huge amount. According to the plaintiffs, Mrs. Ng disposed the stocks of weighing scales to another buyer whereas Mrs. Irche left Hongkong without meeting with them despite their efforts to schedule another meeting with her. Since the business deals that could have earned them a profit of P3,567,000.00 were not consummated, they should then be entitled to the said amount. Plaintiffs also seek the payment of exemplary damages and attorney's fees.

In its defense, PAL contended that plaintiffs were revenue passengers who made their travel arrangements with Rainbow Tours. [PAL then impleaded Rainbow Tours and Travel, Inc. as third-party defendants, ascribing liability on the latter for whatever damages were suffered by plaintiffs Lao Lim and Go.] Based on the Post Date Investigation Print-out and the testimonies of PAL witnesses Racil Corcuera (PAL Passenger load analyst at Cebu Mactan Office) and Rosy Mancao (Sales Representative), PAL contended that the cancellation of plaintiffs Mr. Lao Lim and Mr. Go's

confirmed bookings for the 8:00 a.m. Manila-Hongkong flight on 26 February 1991 was upon request of Gemma Dingal ("Gemma") of Rainbow Tours. PAL alleges that Gemma called Racil Corcuera ("Racil") at 10:46 a.m. of 23 February 1991 and instructed Racil to cancel the original confirmed bookings of plaintiffs Mr. Lao Lim and Mr. Go. While in the process of encoding the new itinerary, Racil found out that PR310 Manila-Hongkong (5:00 p.m. flight) on 26 February 1991 was already fully booked. Racil asked Gemma if she was definite about the new itinerary even if there was no confirmation of the PR310 flight and that plaintiffs will be put on the waitlist, to which, Gemma replied that plaintiffs clearly instructed her that they did not want to stay overnight in Manila and that it was alright to cancel their original confirmed reservations, put the plaintiffs on waitlist status for PR310 February 26, 1991 and then book them for the PR511 (Cebu-Manila) flight at 12:10 p.m. on 26 February 1991 to be connected to PR310 (Manila-Hongkong) flight at 5:00 p.m. on 26 February 1991. As for the Hongkong-Manila trip, Gemma instructed that plaintiffs be booked on PR301 at 11:05 a.m. on 3 March 1991 with connecting flight to Cebu at 2:50 p.m. of the same day. After giving all the foregoing instructions, Gemma then requested Racil to retain plaintiffs' confirmed booking PR300 (8:00 a.m.) Manila-Hongkong on 26 February 1991). Records show, however, that Racil erroneously requested for the reinstatement for the PR 300 flight on February 25, 1991 instead of February 26, 1991. Three hours later, Racil made the proper correction by requesting for the reinstatement of plaintiffs' booking for PR300 on 26 February 1991. Several requests for reinstatement were subsequently made but there was no respond from the flight controller. Eventually, Racil learned from Violy of the Manila Office that the request was on critical status because of the overflow of passengers since the PR300 (Manila-Hongkong) flight on 25 February 1991 had been cancelled. Despite several efforts by PAL employees, viz, Rosy Mancao, Lyndon Maceren (Senior Passenger Loan Analyst) and Lito Camboanga (Shift Supervisor), plaintiffs' bookings for the PR300 flight could not be confirmed.

A perusal of the records show that PAL witness Rosy Mancao testified that PAL and Rainbow Tours agreed not to tell the plaintiffs that their confirmed bookings for PR300 on 26 February 1991 had been erroneously cancelled and that the said flight was on critical status due to an overbooking of passengers because if they inform the plaintiffs "it would just create further problems."

PAL witness Mariano Aldee III who was assigned at the Check-In Counter disputed plaintiffs' claims that they were rudely treated by PAL employees, giving five reasons why passengers must be handled politely and courteously, to wit: (1) PAL employees underwent 5-week trainings on proper handling and courteous treatment; (2) airline employees' uniform practice of treating passengers politely; (3) PAL's corporate policy is "Total Passenger Care"; (4) PAL subjects employees to administrative sanctions when employees are impolite and discourteous, and (5) their superiors would make them explain if employees exhibit any rudeness or discourtesy to passengers. Mr. Aldee further testified that Flight PR300 on February 26, 1991 was an Airbus 300 with a

capacity of 344 passengers, 24 of these on the business class while 220 seats for the economy class. Two jump seats were occupied by non-revenue passengers who were PAL employees but not on duty on that particular flight. For that said flight, PAL overbooked for 44 more passengers, that is, 28 for the business class and 260 for the economy class. Since there were only 22 business class passengers who showed up, two passengers from the economy class were "upgraded" to business class. Witness further testified that no waitlisted passenger was accepted for boarding on that flight.

Rainbow Tours presented Gemma Dingal and Ruby Lim (one of the owners of Rainbow Tours) as its witnesses, whose testimonies mainly attributed the erroneous cancellation of Mr. Lao Lim and Mr. Go's confirmed bookings for the PR300 Manila-Hongkong flight at 8:00 a.m. to Racil Corcuera. According to Gemma, she called up PAL merely to inquiry (sic) as to the availability of seats for the 5:00 p.m. Manila-Hongkong flight on 26 February 1991. She was taken by surprise when Racil immediately cancelled the confirmed bookings even if there was no instruction on her part to do so. Gemma immediately informed Ruby Lim of the erroneous cancellation and despite all their efforts to reinstate the original confirmed bookings, the same could not be done.

On 18 June 1996, the court a quo [RTC] rendered a Decision with the following dispositive portion:

WHEREFORE, judgment is hereby rendered sentencing the defendant Philippine Airlines and third-party defendant Rainbow Tours and Travel, Inc. to jointly and severally pay unto the plaintiff Francis Lao Lim the sum of SEVENTY-FIVE THOUSAND PESOS (P75,000.00), in concept of reasonable temperate or moderate damages, and a like or similar sum to the substituted plaintiff-heirs of the late Henry Go, likewise by way of reasonable temperate or moderate damages plus the aggregate sum of TWENTY-FIVE THOUSAND PESOS (P25,000.00) as and for attorney's fees.

Costs against defendant Philippine Airlines and third-party defendant Rainbow Tours and Travel Incorporated.

SO ORDERED.

Aggrieved by the court a quo's ruling, plaintiffs and PAL interposed their respective appeals.^[3]

On March 22, 2005, the CA promulgated its Decision, holding that petitioner clearly breached its contract of carriage with Mr. Lao Lim and Mr. Go. The CA disposed as follows:

WHEREFORE, based on the foregoing premises, the 18 June 1996 Decision of the court a quo is **MODIFIED**, to wit:

1. Defendant-appellant and third-party plaintiff-appellee Philippine Airlines and third-party defendant-appellee Rainbow Tours and Travel, Inc. are jointly and severally liable to pay plaintiffs-appellants Francisco Lao Lim the sum of PESOS: Fifty Thousand (P50,000.00) in concept of moral damages and PESOS: Fifty Thousand (P50,000.00) by way of exemplary damages for breach of contract of carriage;
2. Defendant-appellant and third-party plaintiff-appellee Philippine Airlines and third-party defendant-appellee Rainbow Tours and Travel Inc. are jointly and severally liable to pay the substituted heirs of plaintiff-appellant of the late Henry Go (sic) the sum of PESOS: Fifty Thousand (P50,000.00) in concept of moral damages and PESOS: Fifty Thousand (P50,000.00) by way of exemplary damages for breach of contract of carriage;
3. Defendant-appellant and third-party plaintiff-appellee Philippine Airlines and third-party defendant-appellee Rainbow Tours and Travel Inc. are jointly and severally liable to pay each of the plaintiffs-appellants the sum of PESOS: One Hundred Thousand (P100,000.00) by way of temperate or moderate damages;
4. Defendant-appellant and third-party plaintiff-appellee Philippine Airlines and third-party defendant-appellee Rainbow Tours and Travel Inc. are jointly and severally liable to pay the aggregate sum of PESOS: Sixty Thousand (P60,000.00) as and for attorney's fees;
5. Defendant-appellant and third-party plaintiff-appellee Philippine Airlines' claim for contribution, indemnity, subrogation and other reliefs from third-party defendant-appellee Rainbow Tours and Travel Inc. is DENIED for lack of merit;
6. Costs against defendant-appellant and third-party plaintiff-appellee Philippine Airlines and third-party defendant-appellee Rainbow Tours and Travel Incorporated.

SO ORDERED.^[4]

Petitioner's motion for reconsideration of the CA Decision was denied per Resolution dated July 15, 2005.

Hence, this petition before the Court, with petitioner alleging that: