579 Phil. 418

THIRD DIVISION

[G.R. No. 162267, July 04, 2008]

PCI LEASING AND FINANCE, INC., PETITIONER, VS. UCPB GENERAL INSURANCE CO., INC., RESPONDENT.

D E C I S I O N

AUSTRIA-MARTINEZ, J.:

Before the Court is a Petition for Review on *Certiorari* under Rule 45 of the Rules of Court, seeking a reversal of the Decision[1] of the Court of Appeals (CA) dated December 12, 2003 affirming with modification the Decision of the Regional Trial Court (RTC) of Makati City which ordered petitioner and Renato Gonzaga (Gonzaga) to pay, jointly and severally, respondent the amount of P244,500.00 plus interest; and the CA Resolution[2] dated February 18, 2004 denying petitioner's Motion for Reconsideration.

The facts, as found by the CA, are undisputed:

> On October 19, 1990 at about 10:30 p.m., a Mitsubishi Lancer car with Plate Number PHD-206 owned by United Coconut Planters Bank was traversing the Laurel Highway, Barangay Balintawak, Lipa City. The car was insured with plantiff-appellee [UCPB General Insurance Inc.], then driven by Flaviano Isaac with Conrado Geronimo, the Asst. Manager of said bank, was hit and bumped by an 18-wheeler Fuso Tanker Truck with Plate No. PJE-737 and Trailer Plate No. NVM-133, owned by defendants-appellants PCI Leasing Finance, Inc. allegedly leased to and operated by defendant-appellant Superior Gas Equitable Co., Inc. (SUGECO) and driven by its employee, defendant appellant Renato Gonzaga.
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> The impact caused heavy damage to the Mitsubishi Lancer car resulting in an explosion of the rear part of the car. The driver and passenger suffered physical injuries. However, the driver defendant-appellant Gonzaga continued on its [sic] way to its [sic] destination and did not bother to bring his victims to the hospital.
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> Plaintiff-appellee paid the assured UCPB the amount of P244,500.00 representing the insurance coverage of the damaged car.
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> As the 18-wheeler truck is registered under the name of PCI Leasing, repeated demands were made by plaintiff-appellee for the payment of the aforesaid amounts. However, no payment was made. Thus, plaintiff-appellee filed the instant case on March 13, 1991.[3]

PCI Leasing and Finance, Inc., (petitioner) interposed the defense that it could not be held liable for the collision, since the driver of the truck, Gonzaga, was not its

employee, but that of its co-defendant Superior Gas Equitable Co., Inc. (SUGECO).[4] In fact, it was SUGECO, and not petitioner, that was the actual operator of the truck, pursuant to a Contract of Lease signed by petitioner and SUGECO.[5] Petitioner, however, admitted that it was the owner of the truck in question.[6]

After trial, the RTC rendered its Decision dated April 15, 1999,[7] the dispositive portion of which reads:

> WHEREFORE, premises considered, judgment is hereby rendered in favor of plaintiff UCPB General Insurance [respondent], ordering the defendants PCI Leasing and Finance, Inc., [petitioner] and Renato Gonzaga, to pay jointly and severally the former the following amounts: the principal amount of P244,500.00 with 12% interest as of the filing of this complaint until the same is paid; P50,000.00 as attorney's fees; and P20,000.00 as costs of suit.
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> SO ORDERED.[8]

Aggrieved by the decision of the trial court, petitioner appealed to the CA.

In its Decision dated December 12, 2003, the CA affirmed the RTC's decision, with certain modifications, as follows:

> WHEREFORE, the appealed decision dated April 15, 1999 is hereby AFFIRMED with modification that the award of attorney's fees is hereby deleted and the rate of interest shall be six percent (6%) per annum computed from the time of the filing of the complaint in the trial court until the finality of the judgment. If the adjudged principal and the interest remain unpaid thereafter, the interest rate shall be twelve percent (12%) per annum computed from the time the judgment becomes final and executory until it is fully satisfied.
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> SO ORDERED.[9]

Petitioner filed a Motion for Reconsideration which the CA denied in its Resolution dated February 18, 2004.

Hence, herein Petition for Review.

The issues raised by petitioner are purely legal:

> Whether petitioner, as registered owner of a motor vehicle that figured in a *quasi-delict* may be held liable, jointly and severally, with the driver thereof, for the damages caused to third parties.
>
> Whether petitioner, as a financing company, is absolved from liability by the enactment of Republic Act (R.A.) No. 8556, or the Financing Company Act of 1998.

Anent the first issue, the CA found petitioner liable for the damage caused by the collision since under the Public Service Act, if the property covered by a franchise is transferred or leased to another without obtaining the requisite approval, the

transfer is not binding on the Public Service Commission and, in contemplation of law, the grantee continues to be responsible under the franchise in relation to the operation of the vehicle, such as damage or injury to third parties due to collisions. [10]

Petitioner claims that the CA's reliance on the Public Service Act is misplaced, since the said law applies only to cases involving common carriers, or those which have franchises to operate as public utilities. In contrast, the case before this Court involves a private commercial vehicle for business use, which is not offered for service to the general public.[11]

Petitioner's contention has partial merit, as indeed, the vehicles involved in the case at bar are not common carriers, which makes the Public Service Act inapplicable.

However, the registered owner of the vehicle driven by a negligent driver may still be held liable under applicable jurisprudence involving laws on compulsory motor vehicle registration and the liabilities of employers for *quasi-delicts* under the Civil Code.

The principle of holding the registered owner of a vehicle liable for *quasi-delicts* resulting from its use is well-established in jurisprudence. *Erezo v. Jepte,*[12] with Justice Labrador as *ponente,* wisely explained the reason behind this principle, thus:

> Registration is required not to make said registration the operative act by which ownership in vehicles is transferred, as in land registration cases, because the administrative proceeding of registration does not bear any essential relation to the contract of sale between the parties (Chinchilla vs. Rafael and Verdaguer, 39 Phil. 888), but to permit the use and operation of the vehicle upon any public highway (section 5 [a], Act No. 3992, as amended.) The main aim of motor vehicle registration is to identify the owner so that if any accident happens, or that any damage or injury is caused by the vehicle on the public highways, responsibility therefor can be fixed on a definite individual, the registered owner. Instances are numerous where vehicles running on public highways caused accidents or injuries to pedestrians or other vehicles without positive identification of the owner or drivers, or with very scant means of identification. It is to forestall these circumstances, so inconvenient or prejudicial to the public, that the motor vehicle registration is primarily ordained, in the interest of the determination of persons responsible for damages or injuries caused on public highways.
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> > "`One of the principal purposes of motor vehicles legislation is identification of the vehicle and of the operator, in case of accident; and another is that the knowledge that means of detection are always available may act as a deterrent from lax observance of the law and of the rules of conservative and safe operation. Whatever purpose there may be in these statutes, it is subordinate at the last to the primary purpose of rendering it certain that the violator of the law or of the rules of safety shall not escape because of lack of means to discover him.' The purpose of the statute is thwarted, and the displayed number becomes a `snare and delusion,' if courts

> would entertain such defenses as that put forward by appellee in this case. No responsible person or corporation could be held liable for the most outrageous acts of negligence, if they should be allowed to place a `middleman' between them and the public, and escape liability by the manner in which they recompense their servants." (King vs. Brenham Automobile Co., 145 S.W. 278, 279.)

With the above policy in mind, the question that defendant-appellant poses is: should not the registered owner be allowed at the trial to prove who the actual and real owner is, and in accordance with such proof escape or evade responsibility and lay the same on the person actually owning the vehicle? We hold with the trial court that the law does not allow him to do so; the law, with its aim and policy in mind, does not relieve him directly of the responsibility that the law fixes and places upon him as an incident or consequence of registration. Were a registered owner allowed to evade responsibility by proving who the supposed transferee or owner is, it would be easy for him, by collusion with others or otherwise, to escape said responsibility and transfer the same to an indefinite person, or to one who possesses no property with which to respond financially for the damage or injury done. A victim of recklessness on the public highways is usually without means to discover or identify the person actually causing the injury or damage. He has no means other than by a recourse to the registration in the Motor Vehicles Office to determine who is the owner. The protection that the law aims to extend to him would become illusory were the registered owner given the opportunity to escape liability by disproving his ownership. If the policy of the law is to be enforced and carried out, the registered owner should not be allowed to prove the contrary to the prejudice of the person injured, that is, to prove that a third person or another has become the owner, so that he may thereby be relieved of the responsibility to the injured person.

The above policy and application of the law may appear quite harsh and would seem to conflict with truth and justice. We do not think it is so. A registered owner who has already sold or transferred a vehicle has the recourse to a third-party complaint, in the same action brought against him to recover for the damage or injury done, against the vendee or transferee of the vehicle. The inconvenience of the suit is no justification for relieving him of liability; said inconvenience is the price he pays for failure to comply with the registration that the law demands and requires.

In synthesis, we hold that the registered owner, the defendant-appellant herein, is primarily responsible for the damage caused to the vehicle of the plaintiff-appellee, but he (defendant-appellant) has a right to be indemnified by the real or actual owner of the amount that he may be required to pay as damage for the injury caused to the plaintiff-appellant. [13]

The case is still good law and has been consistently cited in subsequent cases.[14] Thus, there is no good reason to depart from its tenets.

For damage or injuries arising out of negligence in the operation of a motor vehicle, the registered owner may be held civilly liable with the negligent driver either 1) *subsidiarily*, if the aggrieved party seeks relief based on a *delict* or crime under Articles 100 and 103 of the Revised Penal Code; or 2) *solidarily,* if the complainant seeks relief based on a *quasi-delict* under Articles 2176 and 2180 of the Civil Code. It is the option of the plaintiff whether to waive completely the filing of the civil action, or institute it with the criminal action, or file it separately or independently of a criminal action;[15] his only limitation is that he cannot recover damages twice for the same act or omission of the defendant.[16]

In case a separate civil action is filed, the long-standing principle is that the registered owner of a motor vehicle is primarily and directly responsible for the consequences of its operation, including the negligence of the driver, with respect to the public and all third persons.[17] In contemplation of law, the registered owner of a motor vehicle is the employer of its driver, with the actual operator and employer, such as a lessee, being considered as merely the owner's *agent*.[18] This being the case, even if a sale has been executed before a tortious incident, the sale, if unregistered, has no effect as to the right of the public and third persons to recover from the registered owner.[19] The public has the right to conclusively presume that the registered owner is the real owner, and may sue accordingly.[20]

In the case now before the Court, there is not even a sale of the vehicle involved, but a mere lease, which remained unregistered up to the time of the occurrence of the *quasi-delict* that gave rise to the case. Since a lease, unlike a sale, does not even involve a transfer of title or ownership, but the mere use or enjoyment of property, there is more reason, therefore, in this instance to uphold the policy behind the law, which is to protect the unwitting public and provide it with a definite person to make accountable for losses or injuries suffered in vehicular accidents.[21] This is and has always been the rationale behind compulsory motor vehicle registration under the Land Transportation and Traffic Code and similar laws, which, as early as *Erezo,* has been guiding the courts in their disposition of cases involving motor vehicular incidents. It is also important to emphasize that such principles apply to all vehicles in general, not just those offered for public service or utility.[22]

The Court recognizes that the business of financing companies has a legitimate and commendable purpose.[23] In earlier cases, it considered a financial lease or financing lease a legal contract,[24] though subject to the restrictions of the so-called *Recto Law* or Articles 1484 and 1485 of the Civil Code.[25] In previous cases, the Court adopted the statutory definition of a financial lease or financing lease, as:

> [A] mode of extending credit through a non-cancelable lease contract under which the lessor purchases or acquires, at the instance of the lessee, machinery, equipment, motor vehicles, appliances, business and office machines, and other movable or immovable property in consideration of the periodic payment by the lessee of a fixed amount of money sufficient to amortize at least seventy (70%) of the purchase price or acquisition cost, including any incidental expenses and a margin of profit over an obligatory period of not less than two (2) years during which the lessee has the right to hold and use the leased property, x x x