LIMITING THE LIMITED LIABILITY DOCTRINE

By: Gregorio M. Batiller, Jr.

Where the shipowner fails to overcome the presumption of negligence, the doctrine of limited liability cannot be applied

In the recent case of Aboitiz Shipping Corp. vs. New India Assurance ltd. (G.R. No. 156978, May 2, 2006), the Supreme Court clarified the applicability of the doctrine of limited liability in maritime cases.

The case involved a shipment of textiles transported from France, consigned to a Philippine company in Manila and insured by respondent New India Assurance Co. Inc. While in Hongkong, the cargo was at the typhoon's fringe, its hull leaked and is subsequently sunk.

In his maritime protest, the captain reported the wind force at 10 to 15 knots and described the weather as "moderate breeze, small waves becoming longer, fairly frequent white horses."

The petitioner shipping company informed the consignee of the total loss of the vessel and all its cargoes. The latter lodged a claim with respondent insurer. New India paid the consignee and was thus subrogated to the rights of the consignee. New India then engages the services of a survey to investigate the cause of the sinking. The surveyor traced the cause to the vessel's questionable seaworthiness. Consequently, New India sued to recover on the cost of the cargo premised on the failure of defendants to exercise extra-ordinary diligence in the transport of goods. Among the defenses raised by petitioner Aboitiz was that in accordance with the real and hypothecary nature of maritime law, the sinking of its vessel extinguished its liability on the loss of the cargo. The RTC awarded damages in the total value of the lost cargo plus legal interest in favor of New India. The CA sustained the RTC's ruling despite subsequent submission of the findings of the Board of Marine Inquiry exonerating the captain and crew of any administrative liability, finding the vessel seaworthy and attributing the sinking to its exposure to the approaching typhoon.

Affirming the CA's decision, the Supreme Court held:

An exception to the limited liability doctrine is when the damage is due to the fault of the shipowner or to the concurrent negligence of the shipowner and the captain, in which case the shipowner shall be liable to the full extent of the damage. We thus find it necessary to clarify the applicability here of the decision in Monarch.

From the nature of their business and for reasons of public policy, common carriers are bound to observe extraordinary diligence over the goods they transport according to all the circumstances of each case. In the event of loss, destruction or deterioration of the insured goods, common carriers are responsible, unless they can prove that the loss, destruction or deterioration was brought about the causes specified in Article 1734 of the Civil Code. In all other cases common carriers are presumed to have been at fault or to have acted negligently, unless they prove that they observed extraordinary diligence. Moreover, where the vessel is found unseaworthy, the shipowner is also presumed to be negligent since it is tasked with the maintenance of its vessel.

Through this duty can be delegated still the shipowner must exercise close supervision over its men.

In the present case, petitioner has the burden of showing that it exercised extraordinary diligence in the transport of the goods it had on board in order to be able to invoke the limited-liability doctrine. Differently put, to limit its liability to the amount of the insurance proceeds, petitioner has the burden to proving that the unseaworthiness of its vessel was not due to its fault or negligence. Considering the evidence presented and the circumstances obtaining in this case, we find that petitioner failed to discharge this burden. It initially attributed the sinking to the typhoon and relied on the BMI findings that it was not at fault. However, both the trial and the appellate courts in this case found that the sinking was not due to the typhoon but to the vessel's unseaworthiness. Evidence on record showed that the weather was moderate when the vessel sank. These factual findings of the Court of Appeals, affirming those of the trial court are not to be disturbed on appeal, but must be accorded great weight. These findings are conclusive not only on the parties but on this Court as well.

In contrast, the findings of the BMI are not deemed always binding on the courts. Besides exoneration of the vessel's officers and crew by the BMI merely concerns their respective administrative liabilities. It does not in any way operate to absolve the common carrier from its civil liabilities arising from its failure to exercise extraordinary diligence, the determination of which properly belongs to the courts.

Where the shipowner fails to overcome the presumption of negligence, the doctrine of limited liability cannot be applied. Therefore, we agree with the appellate court in sustaining the trial court's ruling that petitioner is liable for the total value of the lost cargo.