Republic of the Philippines
Supreme Court
Manila

**FIRST DIVISION**

| | |
|---|---|
| **FILCON READY MIXED, INC. and GILBERT S. VERGARA,** *Petitioners,* | **G.R. No. 229877** |
| | Members: |
| **- versus-** | PERALTA, *C.J.*, CAGUIOA, REYES, J., JR., LAZARO-JAVIER, LOPEZ, *JJ.* |
| **UCPB GENERAL INSURANCE COMPANY, INC.,** *Respondent.* | Promulgated: JUL 15 2020 |

x----------x

**D E C I S I O N**

**LAZARO-JAVIER, *J.*:**

**The Case**

This petition for review on certiorari[1] assails the following dispositions of the Court of Appeals in CA-G.R. SP No. 140921, entitled *"UCPB General Insurance Company, Inc. v. Filcon Ready Mixed, Inc. and Gilbert S. Vergara"*:

1. Decision[2] dated September 30, 2016, which reversed the trial court's ruling and held that respondent's action for sum of money had not prescribed; and

---

[1] *Rollo*, pp. 3-27.
[2] Penned by Associate Justice Ramon M. Bato, Jr. and concurred in by Associate Justices Manuel M. Barrios and Maria Elisa Sempio Diy; *rollo*, pp. 35-45.

2. Resolution[3] dated February 1, 2017, denying petitioners' motion for reconsideration.

## Antecedents

Marco P. Gutang is the registered owner of a Honda Civic with plate number ZDR-835. The vehicle was insured with respondent UCPB General Insurance Company, Inc. (UCPB) with Policy No. QCT07MD-MNP 586570 covering the period April 17, 2007 to April 17, 2008. On November 16, 2007, the car figured in a vehicular accident in Quezon City involving three (3) other vehicles: a Toyota Revo, a Mitsubishi Adventure and a cement mixer bearing Plate Number UCK-750 owned by petitioner Filcon Ready Mixed Inc. and driven by petitioner Gilbert S. Vergara.[4]

Based on the Traffic Accident Investigation Report, Vergara left the cement mixer with its engine running at the uphill portion of Boni Serrano Extension. It moved backward and hit the front portion of the Mitsubishi Adventure parked behind it. This car, in turn, hit the front portion of the insured vehicle. The rear portion of the insured vehicle rammed into the Toyota Revo parked behind it.[5]

By Complaint dated February 1, 2012, respondent essentially averred that the proximate cause of the accident was Vergara's gross negligence and lack of precaution. As a consequence, the insured vehicle got damaged. Gutang brought the car to Honda Cars Pasig City for repair. As Gutang's insurer, respondent paid the total cost of repairs in the amount of ₱195, 409.50 to Honda. Thereafter, Gutang executed a document captioned "Release and Discharge" which effectively assigned to respondent all his claims against petitioners.[6]

By virtue of this legal subrogation, respondent sent a demand letter dated September 1, 2011 to petitioners, but the latter simply ignored it. Hence, respondent was constrained to file the present action for sum of money before the Metropolitan Trial Court (MeTC) – Branch 62, Makati City.[7]

Petitioners, on the other hand, interposed extinctive prescription as an affirmative defense. They claimed that under Article 1146 of the Civil Code, actions based on quasi-delict prescribes in four (4) years. Too, the complaint failed to state a cause of action as respondent failed to attach thereto proof of payment to Gutang and to show any privity between Gutang and BPI Rental which was named as the payee in the undated and unnotarized Release and Discharge.[8]

---

[3] *Rollo*, pp. 47-49.
[4] *Id.* at 35.
[5] *Id.* at 35-36.
[6] *Id.* at 36.
[7] *Id.*
[8] *Id.*

## The Trial Court's Ruling

By Decision[9] dated August 16, 2013, the trial court dismissed the complaint on ground of prescription. Since the accident happened on November 16, 2007, the claim should have been filed only until November 16, 2011. Here, the claim was filed on February 1, 2012 or more than two (2) months late.

## The Regional Trial Court's (RTC's) Ruling

On appeal, the RTC affirmed, *viz.*:[10]

> WHEREFORE, viewed in the light of the foregoing considerations, this Court finds no cogent reason to reverse, modify or set aside the decision of the court a quo as the same is supported by the evidence and law.
>
> Accordingly, the decision of the court a quo dated August 16, 2013 is hereby ordered AFFIRMED IN TOTO.
>
> SO ORDERED.

Respondent moved for reconsideration which was denied in Resolution[11] dated June 1, 2015.

## The Proceedings Before the Court of Appeals

Respondent alleged that the RTC ignored the fact that its subrogation to the rights of Gutang was by virtue of an express provision of law under Articles 2207[12] and 1144 (2)[13] of the Civil Code stating that an obligation created by law must be brought within ten (10) years from the time the cause of action accrued.[14]

## The Court of Appeals' Ruling

By Decision[15] dated September 30, 2016, the Court of Appeals reversed. It found that respondent successfully proved it was subrogated to

---

[9] Copy of the MeTC Decision not attached to the Petition; *rollo*, p. 36.
[10] Copy of the RTC Decision not attached to the Petition; *rollo*, p. 37.
[11] Copy of the RTC Resolution not attached to the Petition; *rollo*, p. 37.
[12] **Art. 2207.** If the plaintiff's property has been insured, and he has received indemnity from the insurance company for the injury or loss arising out of the wrong or breach of contract complained of, the insurance company shall be subrogated to the rights of the insured against the wrongdoer or the person who has violated the contract. If the amount paid by the insurance company does not fully cover the injury or loss, the aggrieved party shall be entitled to recover the deficiency from the person causing the loss or injury.
[13] **Art. 1144.** The following actions must be brought within ten years from the time the right of action accrues:
(1) Upon a written contract;
(2) Upon an obligation created by law;
(3) Upon a judgment. (n)
[14] *Rollo*, p. 37.
[15] Penned by Associate Justice Ramon M. Bato, Jr. and concurred in by Associate Justices Manuel M. Barrios and Maria Elisa Sempio Diy; *rollo*, pp. 35-45.

the rights of its assured, Marco Gutang. Evidence showed that the repairs on the insured vehicle were undertaken by Honda Cars Pasig pursuant to Letters of Authority dated December 7, 2007 and January 8, 2008 issued by respondent. On February 6, 2008, per Service Invoice Nos. 0468927 and 0468928, the insured vehicle was released to Gutang. The following day, Honda sent respondent a Statement of Account which reflected the cost of parts and repairs of the insured vehicle amounting to P195, 409.50. On March 6, 2008, respondent issued a Motor Claims Requisition Voucher for this amount with notation "release to payee."[16]

Respondent's payment to Gutang operates as an equitable assignment to the former all the remedies that the latter may have against petitioners whose negligence caused the damage on the former's insured vehicle.[17]

As for prescription, it held that following the pronouncement of this Court in ***Vector Shipping Corp, et al. v. American Home Assurance Company, et al.***,[18] since respondent's cause of action was anchored on legal subrogation, an obligation created by law, the same must be brought within ten (10) years from the time the right of action accrued. Considering that respondent indemnified Gutang on February 6, 2008, the action will prescribe on February 6, 2018. Hence, the filing of respondent's complaint on February 1, 2012 was well within the ten year prescriptive period.[19]

By Resolution[20] dated February 1, 2017, the Court of Appeals denied petitioners' motion for reconsideration.

**The Present Petition**

Petitioners now seek affirmative relief and pray that the assailed dispositions of the Court of Appeals be reversed and the trial court's ruling declaring respondent's action for sum of money to have already prescribed, be reinstated.

Petitioners argue in the main that respondent's cause of action is based on quasi-delict since the cause of action stemmed from the alleged gross negligence of Vergara which led to the vehicular mishap on November 16, 2007. Thus, the prescriptive period within which to file the action is four (4) years from the accrual of cause of action or until November 16, 2011. Since respondent filed the action only on February 1, 2012, the action had already prescribed.

In subrogation, the rights to which the subrogee (respondent) succeeds are the same as, but not greater than those of the person (Gutang) whom he

---

[16] *Id.* at 39.
[17] *Id.* at 39-40.
[18] 713 Phil. 198 (2013).
[19] *Rollo*, p. 42-43.
[20] *Id.* at 47-49.

substituted. In effect, since Gutang's cause of action is based on quasi-delict which prescribes in four (4) years, when respondent stepped into Gutang's shoes, it can only initiate the action for sum of money also within the same four-year period. Failure to do so will render the action prescribed as in this case.[21]

On the other hand, respondent basically riposted that petitioners' cause of action is based on legal subrogation and not one based on quasi-delict because subrogation under Article 2207 of the Civil Code gives rise to a cause of action created by law. Its cause of action, too, had not prescribed pursuant to this Court's ruling in ***Vector*** which decreed that subrogation of an insurer to the rights of the insured is by virtue of an express provision of law which provides for a prescriptive period of ten (10) years from the time the cause of action arose within which to file an action.[22]

## Issue

Is respondent's action for money claims against petitioners barred by prescription?

## Ruling

We **DENY** the petition.

At the outset, it is noted that in the recent case of ***Henson, Jr. v. UCPB General Insurance Co., Inc.,***[23] the Court overturned ***Vector*** and held that subrogation under Article 2207 of the Civil Code only allows the insurer, as the new creditor who assumes *ipso jure* the old creditor's rights without the need of any contract, to go after the debtor. But this does not mean that a new obligation is created between the debtor and the insurer. The insurer, as the new creditor, remains bound by the limitations of the old creditor's claims against the debtor, which includes, among others, the aspect of prescription. Hence, the debtor's right to invoke the defense of prescription cannot be circumvented by the mere expedient of successive payments of certain insurers that purport to create new obligations when, in fact, what remains subsisting is only the original obligation, *viz.*:

> *x x x* The Court must heretofore abandon the ruling in *Vector* that an insurer may file an action against the tortfeasor within ten (10) years from the time the insurer indemnifies the insured. Following the principles of subrogation, the insurer only steps into the shoes of the insured and therefore, for purposes of prescription, inherits only the remaining period within which the insured may file an action against the wrongdoer. To be sure, the prescriptive period of the action that the insured may file

---

[21] *Id.* at 3-31.

[22] *Id.* at 56-70.

[23] G.R. No. 223134, August 14, 2019.

against the wrongdoer begins at the time that the tort was committed and the loss/injury occurred against the insured. The indemnification of the insured by the insurer only allows it to be subrogated to the former's rights, and does not create a new reckoning point for the cause of action that the insured originally has against the wrongdoer.

Be that as it may, it should, however, be clarified that this Court's abandonment of the *Vector* doctrine should be **prospective** in application for the reason that judicial decisions applying or interpreting the laws or the Constitution, until reversed, shall form part of the legal system of the Philippines. *x x x*

In ***Henson***, the Court came up with **guidelines** relative to the application of ***Vector*** and its Decision *vis-a-vis* the prescriptive period in cases where the insurer is subrogated to the rights of the insured against the wrongdoer **based on a *quasi-delict,*** thus:

1. For actions of such nature that **have already been filed and are currently pending** before the courts at the time of the finality of this Decision, the *rules on prescription prevailing at the time the action is filed* would apply. Particularly:

(*a*) For cases that were filed by the subrogee-insurer **during** the applicability of the *Vector* ruling (*i.e.*, from *Vector*'s finality on August 15, 2013 up until the finality of this Decision), the prescriptive period is ten (10) years from the time of payment by the insurer to the insured, which gave rise to an obligation created by law.

**Rationale**: Since the *Vector* doctrine was the prevailing rule at this time, issues of prescription must be resolved under *Vector*'s parameters.

(*b*) For cases that were filed by the subrogee-insurer **prior** to the applicability of the *Vector* ruling (*i.e.*, before August 15, 2013), the prescriptive period is four (4) years from the time the tort is committed against the insured by the wrongdoer.

**Rationale**: The *Vector* doctrine, which espoused unique rules on legal subrogation and prescription as aforedescribed, was not yet a binding precedent at this time; hence, issues of prescription must be resolved under the rules prevailing before *Vector*, which, incidentally, are the basic principles of legal subrogation vis-à-vis prescription of actions based on *quasi-delicts*.

2. For actions of such nature that have **not yet** been filed at the time of the finality of this Decision:

(a) For cases where the tort was committed and the consequent loss/injury against the insured occurred **prior** to the finality of **this Decision**, the subrogee-insurer is given a period not exceeding four (4) years from the time of the finality of this Decision to file the action against the wrongdoer; ***provided***, that in all instances, the total period to file such case shall not exceed ten (10) years from the time the insurer is subrogated to the rights of the insured.

**Rationale**: The erroneous reckoning and running of the period of prescription pursuant to the *Vector* doctrine should not be taken against any

> and all persons relying thereon because the same were based on the then-prevailing interpretation and construction of the Court. Hence, subrogees-insurers, who are, effectively, only now notified of the abandonment of *Vector*, must be given the benefit of the present doctrine on subrogation as ruled in this Decision.
>
> However, the benefit of the additional period (*i.e.*, not exceeding four [4] years) under this Decision must not result in the insured being given a total of more than ten (10) years from the time the insurer is subrogated to the rights of the insured (*i.e.*, the old prescriptive period in *Vector*); otherwise, the insurer would be able to unduly propagate its right to file the case beyond the ten (10)-year period accorded by *Vector* to the prejudice of the wrongdoer.
>
> (*b*) For cases where the tort was committed and the consequent loss/injury against the insured occurred only **upon or after** the finality of **this Decision**, the *Vector* doctrine would hold no application. The prescriptive period is four (4) years from the time the tort is committed against the insured by the wrongdoer.
>
> **Rationale**: Since the cause of action for *quasi-delict* and the consequent subrogation of the insurer would arise after due notice of *Vector*'s abandonment, all persons would now be bound by the present doctrine on subrogation as ruled in this Decision.

We apply here paragraph 1(b). Since the action was filed on February 1, 2012, prior to ***Vector***, the applicable prescriptive period is four (4) years pursuant to Article 1146 of the Civil Code.[24] Respondent, therefore, had four (4) years from November 16, 2007 when the vehicular mishap took place or until November 16, 2011 within which to file its action for sum of money against Vergara and his employer Filcon.

Within the four (4) year prescriptive period, or on September 1, 2011, respondent sent petitioners a demand letter of even date. The latter never denied receipt thereof. Pursuant to Article 1155 of the Civil Code, respondent's demand letter and petitioners' receipt thereof had the effect of interrupting the four (4) year prescriptive period and gave respondent a whole fresh period of four (4) years from petitioners' receipt of the demand letter within which to file the action for sum of money. Records show that respondent filed the action just within five (5) months from September 1, 2011, the date when it sent the demand letter to petitioners, who, as stated, never denied receipt thereof.

The Court of Appeals, thus, correctly reversed the dispositions of both MeTC and RTC and in lieu thereof, properly ruled that complaint was filed within the prescriptive period of four (4) years.

---

[24] **Article 1146.** The following actions must be instituted within four years:

(1) Upon an injury to the rights of the plaintiff;

(2) Upon a quasi-delict;

However, when the action arises from or out of any act, activity, or conduct of any public officer involving the exercise of powers or authority arising from Martial Law including the arrest, detention and/or trial of the plaintiff, the same must be brought within one (1) year.

**ACCORDINGLY**, the petition is **DENIED.** The Decision dated September 30, 2016 and Resolution dated February 1, 2017 of the Court of Appeals in CA-G.R. SP No. 140921 are **AFFIRMED.** The case is **REMANDED** to the trial court for further proceedings.

**SO ORDERED.**

**AMY C. LAZARO-JAVIER**
Associate Justice

**WE CONCUR:**

**DIOSDADO M. PERALTA**
Chief Justice

**ALFREDO BENJAMIN S. CAGUIOA**
Associate Justice

**JOSE C. REYES, JR.**
Associate Justice

**MARIO V. LOPEZ**
Associate Justice

**CERTIFICATION**

Pursuant to Section 13, Article VIII of the Constitution, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

**DIOSDADO M. PERALTA**
Chief Justice