Republic of the Philippines
Supreme Court
Manila

EN BANC

VICENTE G. HENSON, JR.,
Petitioner,

- versus -

UCPB GENERAL INSURANCE CO., INC.,
Respondent.

G.R. No. 223134

Present:

BERSAMIN, *C.J.*,
CARPIO,
PERALTA,
PERLAS-BERNABE,
LEONEN,
JARDELEZA,*
CAGUIOA,
REYES, A., JR.,
GESMUNDO,
REYES, J., JR.,
HERNANDO,**
CARANDANG,
LAZARO-JAVIER,
INTING, and
ZALAMEDA, *JJ.*

Promulgated:

August 14, 2019

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

D E C I S I O N

PERLAS-BERNABE, *J.*:

Assailed in this petition for review on *certiorari*[1] are the Decision[2] dated November 13, 2015 and the Resolution[3] dated February 26, 2016 of the

---

* No part.
** No part.
1 *Rollo*, pp. 10-27.
2 Id. at 196-203. Penned by Associate Justice Stephen C. Cruz with Associate Justices Elihu A. Ybañez and Ramon Paul L. Hernando (now a Member of this Court), concurring.
3 Id. at 193-194.

Court of Appeals (CA) in CA-G.R. SP. No. 138147, which affirmed the Orders dated June 10, 2014[4] and September 22, 2014[5] of the Regional Trial Court of Makati City, Branch 138 (RTC) in Civil Case No. 10-885, ruling that the suit filed by respondent UCPB General Insurance Co., Inc. (respondent) has yet to prescribe, and resultantly, allowing the inclusion of petitioner Vicente G. Henson, Jr. (petitioner) as party-defendant to the same.

The Facts

From 1989 to 1999, National Arts Studio and Color Lab[6] (NASCL) leased the front portion of the ground floor of a two (2)-storey building located in Sto. Rosario Street, Angeles City, Pampanga, then owned by petitioner.[7] In 1999, NASCL gave up its initial lease and instead, leased the right front portion of the ground floor and the entire second floor of the said building, and made renovations with the building's piping assembly.[8] Meanwhile, Copylandia Office Systems Corp. (Copylandia) moved in to the ground floor.[9] On **May 9, 2006**, a water leak occurred in the building and damaged Copylandia's various equipment, causing injury to it in the amount of ₱2,062,640.00.[10] As the said equipment were insured with respondent,[11] Copylandia filed a claim with the former. Eventually, the two parties settled on **November 2, 2006** for the amount of ₱1,326,342.76.[12] This resulted in respondent's subrogation to the rights of Copylandia over all claims and demands arising from the said incident.[13] On **May 20, 2010**, respondent, as subrogee to Copylandia's rights, demanded from, *inter alia*, NASCL for the payment of the aforesaid claim, but to no avail.[14] Thus, it filed a complaint for damages[15] against NASCL, among others, before the RTC, docketed as Civil Case No. 10-885.[16]

Meanwhile, sometime in 2010, petitioner transferred the ownership of the building to Citrinne Holdings, Inc. (CHI), where he is a stockholder and the President.[17]

On **October 6, 2011**, respondent filed an Amended Complaint (Second Amendment),[18] impleading CHI as a party-defendant to the case, as the new

---

4 Id. at 52-55. Penned by Presiding Judge Josefino A. Subia.
5 Id. at 56-58.
6 "National Art Studio," "National Art Studio Lab," or "National Art Studio and Color Lab" in some parts of the *rollo*.
7 See *rollo*, pp. 196-197.
8 See id. at 197.
9 See id.
10 See id.
11 See Policy Schedule; id. at 117-141.
12 See id. at 198.
13 See Loss and Subrogation Receipt; id. at 142.
14 Id. at 198.
15 Not attached to the *rollo*.
16 *Rollo*, p. 198.
17 Id.
18 Dated October 6, 2011. Id. at 61-64.

owner of the building. However, on **April 21, 2014**, respondent filed a Motion to Admit Attached Amended Complaint and Pre-Trial Brief (Third [A]mendment),[19] praying that petitioner, instead of CHI, be impleaded as a party-defendant to the case, considering that petitioner was then the owner of the building when the water leak damage incident happened.[20]

In the said complaints, respondent faults: (*a*) NASCL for its negligence in not properly maintaining in good order the comfort room facilities where the renovated building's piping assembly was utilized; and (*b*) CHI/petitioner, as the owner of the building, for neglecting to maintain the building's drainage system in good order and in tenantable condition. According to respondent, such negligence on their part directly resulted in substantial damage to Copylandia's various equipment amounting to ₱2,062,640.00.[21]

CHI opposed[22] the motion principally on the ground of prescription, arguing that since respondent's cause of action is based on *quasi-delict*, it must be brought within four (4) years from its accrual on May 9, 2006. As such, respondent is already barred from proceeding against CHI/petitioner, especially since the latter never received any prior demand from the former.[23]

The RTC Ruling

In an Order[24] dated June 10, 2014, the RTC ruled in respondent's favor and accordingly, ordered the: (*a*) dropping of CHI as party-defendant; and (*b*) joining of petitioner as one of the party-defendants in the case.[25]

The RTC pointed out that respondent's cause of action against the party-defendants, including petitioner, arose when it paid Copylandia's insurance claim and became subrogated to the rights and claims of the latter in connection with the water leak damage incident. Since respondent was merely enforcing its right of subrogation, the prescriptive period is ten (10) years based on an obligation created by law reckoned from the date of Copylandia's indemnification, or on November 2, 2006. As such, respondent's claim against petitioner has yet to prescribe when it sought to include the latter as party-defendant on April 21, 2014.[26]

---

19 Dated April 21, 2014. Id. at 92-94.
20 See id. at 198.
21 See Amended Complaints; id. at 62 and 114. See also id. at 20.
22 See Comment/Opposition (to Motion to Admit Attached Amended Complaint and Pre-Trial Brief [Third Amendment]) dated May 5, 2014; id. at 151-154.
23 See id. at 53.
24 Id. at 52-55.
25 See id. at 55.
26 See id. at 53-54.

CHI moved for reconsideration,[27] which was, however, denied in an Order[28] dated September 22, 2014. Aggrieved with his inclusion as party-defendant to the case, petitioner filed a petition for *certiorari*[29] under Rule 65 of the Rules of Court before the CA, docketed as CA-G.R. SP. No. 138147.

The CA Ruling

In a Decision[30] dated November 13, 2015, the CA affirmed the RTC ruling. It held that respondent's cause of action has not yet prescribed since it was not based on *quasi-delict*, which must be brought within four (4) years from the date of the occurrence of the negligent act. Rather, it is based on an obligation created by law, which has a longer prescriptive period of ten (10) years reckoned from its accrual.[31]

Undaunted, petitioner moved for reconsideration,[32] but the same was denied in a Resolution[33] dated February 26, 2016; hence, this petition.

The Issue Before the Court

The issue for the Court's Resolution is whether or not respondent's claim has yet to prescribe.

The Court's Ruling

In ruling that respondent's claim against petitioner has yet to prescribe, the courts *a quo* cited *Vector Shipping Corporation v. American Home Assurance Company* (*Vector*).[34] In that case, therein petitioner Vector Shipping Corporation (Vector) entered into a contract of affreightment with Caltex Philippines, Inc. (Caltex) for the transport of the latter's goods. In connection therewith, Caltex insured its goods with therein respondent American Home Assurance Company (American Home). During transport on **December 20, 1987**, Vector's ship collided with another vessel and sank, resulting in the total loss of Caltex's goods. On **July 12, 1988**, American Home fully indemnified Caltex for its loss in the amount of ₱7,455,421.08, and thereafter, filed a suit against, *inter alia*, Vector for the recovery of such amount on **March 5, 1992**. Initially, the RTC ruled that American Home's claim against Vector has prescribed as it was based on a *quasi-delict* which should have been filed within four (4) years from the time Caltex suffered a

---

27 See motion for reconsideration dated July 4, 2014; id. at 174-181.
28 Id. at 56-58.
29 With Prayer for Temporary Restraining Order and/or Writ of Preliminary Injunction dated November 24, 2014. Id. at 30-47.
30 Id. at 196-203.
31 See id. at 202.
32 See motion for reconsideration dated December 1, 2015; id. at 259-268.
33 Id. at 193-194.
34 713 Phil. 198 (2013).

total loss of its goods. However, the CA reversed the ruling, holding that the claim has yet to prescribe as it is based on a breach of Vector's contract of affreightment with Caltex, which has a longer prescriptive period of ten (10) years, again reckoned from the time of the loss.[35] The Court, in *Vector*, agreed with the CA that the claim has yet to prescribe, but qualified that "the present action was not upon a written contract, but upon an obligation created by law,"[36] *viz.*:

> We concur with the CA's ruling that respondent's action did not yet prescribe. The legal provision governing this case was not Article 1146 of the Civil Code, but Article 1144 of the Civil Code, which states:
>
> > Article 1144. The following actions must be brought within ten years from the time the cause of action accrues:
> >
> > (1) Upon a written contract;
> > (2) Upon an obligation created by law;
> > (3) Upon a judgment.
>
> We need to clarify, however, that we cannot adopt the CA's characterization of the cause of action as based on the contract of affreightment between Caltex and Vector, with the breach of contract being the failure of Vector to make the M/T Vector seaworthy, so as to make this action come under Article 1144 (1), supra. **Instead, we find and hold that the present action was not upon a written contract, but upon an obligation created by law**. Hence, it came under Article 1144 (2) of the Civil Code. This is because the subrogation of respondent to the rights of x x x the insured was by virtue of the express provision of law embodied in Article 2207 of the Civil Code, to wit:
>
> > Article 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.
>
> The juridical situation arising under Article 2207 of the *Civil Code* is well explained in *Pan Malayan Insurance Corporation v.* [*CA*,[37]] as follows:
>
> > Article 2207 of the Civil Code is founded on the well-settled principle of subrogation. If the insured property is destroyed or damaged through the fault or negligence of a party other than the assured, then the insurer, upon payment to the assured, will be subrogated to the rights of the assured to recover from the wrongdoer to the extent that the insurer has been obligated to pay. **Payment by the insurer to the assured operates as an equitable assignment to the former of all remedies which the latter may have against the third party**

---

35 See id. at 201-204.
36 Id. at 206.
37 262 Phil. 919 (1990).

> **whose negligence or wrongful act caused the loss. The right of subrogation is not dependent upon, nor does it grow out of, any privity of contract or upon written assignment of claim. It accrues simply upon payment of the insurance claim by the insurer** [*Compañia Maritima v. Insurance Company of North America*, 120 Phil. 998 (1964); *Fireman's Fund Insurance Company v. Jamila & Company, Inc.*, 162 Phil. 421 (1976)].
>
> Verily, the contract of affreightment that Caltex and Vector entered into did not give rise to the legal obligation of Vector and Soriano to pay the demand for reimbursement by respondent because it concerned only the agreement for the transport of Caltex's petroleum cargo. As the Court has aptly put it in *Pan Malayan Insurance Corporation v.* [*CA*], supra, respondent's right of subrogation pursuant to Article 2207, supra, was "not dependent upon, nor d[id] it grow out of, any privity of contract or upon written assignment of claim [but] accrue[d] simply upon payment of the insurance claim by the insurer."
>
> Considering that the cause of action accrued as of the time respondent actually indemnified Caltex in the amount of ₱7,455,421.08 on July 12, 1988, the action was not yet barred by the time of the filing of its complaint on March 5, 1992, which was well within the 10-year period prescribed by Article 1144 of the Civil Code.[38] (Emphases and underscoring supplied)

In *Vector*, the Court held that the insured's (*i.e.*, American Home's) claim against the debtor (*i.e.*, Vector) was premised on the right of subrogation pursuant to Article 2207 of the Civil Code and hence, an obligation created by law. While indeed American Home was entitled to claim against Vector by virtue of its subrogation to the rights of the insured (*i.e.*, Caltex), the Court failed to discern that **no new obligation was created between American Home and Vector** for the reason that a subrogee only steps into the shoes of the subrogor; hence, **the subrogee-insurer only assumes the rights of the subrogor-insured based on the latter's original obligation with the debtor**.

To expound, subrogation's legal effects under Article 2207 of the Civil Code are primarily between the subrogee-insurer and the subrogor-insured: by virtue of the former's payment of indemnity to the latter, it is able to acquire, by operation of law, all rights of the subrogor-insured against the debtor. The debtor is a stranger to this juridical tie because it only remains bound by its original obligation to its creditor whose rights, however, have already been assumed by the subrogee. In *Vector*'s case, American Home was able to acquire *ipso jure* all the rights Caltex had against Vector under their contract of affreightment by virtue of its payment of indemnity. If at all, subrogation had the effect of obliging Caltex to respect this assumption of rights in that it must now recognize that its rights against the debtor, *i.e.*, Vector, had already been transferred to American Home as the subrogee-insurer. In other words, by operation of Article 2207 of the Civil Code, Caltex cannot deny American Home of its right to claim against Vector. However,

---

[38] Id. at 206-208.

the subrogation of American Home to Caltex's rights did not alter the original obligation between Caltex and Vector.

Accordingly, the Court, in *Vector*, erroneously concluded that "the cause of action [against Vector] accrued as of the time [American Home] actually indemnified Caltex in the amount of ₱7,455,421.08 on July 12, 1988."[39] Instead, it is the subrogation of rights between Caltex and American Home which arose from the time the latter paid the indemnity therefor. Meanwhile, the accrual of the cause of action that Caltex had against Vector did not change because, as mentioned, no new obligation was created as between them by reason of the subrogation of American Home. The cause of action against Vector therefore accrued at the time it breached its original obligation with Caltex whose right of action just so happened to have been assumed in the interim by American Home by virtue of subrogation. "[A] right of action is the right to presently enforce a cause of action, while a cause of action consists of the operative facts which give rise to such right of action."[40]

The foregoing application hews more with the fundamental principles of civil law, especially on the well-established doctrines on subrogation. Article 1303 of the Civil Code states that "[s]ubrogation transfers to the person subrogated the credit with all the rights thereto appertaining, either against the debtor or against third persons x x x." In *Loadstar Shipping Company, Inc. v. Malayan Insurance Company, Inc.*,[41] the Court had clearly explained that because of the nature of subrogation as a mode of "creditor-substitution," the rights of a subrogee cannot be superior to the rights possessed by a subrogor, *viz.*:

> **The rights of a subrogee cannot be superior to the rights possessed by a subrogor**. "**Subrogation is the substitution of one person in the place of another with reference to a lawful claim or right**, so that he who is substituted succeeds to the rights of the other in relation to a debt or claim, including its remedies or securities. The rights to which the subrogee succeeds are the same as, but not greater than, those of the person for whom he is substituted, that is, he cannot acquire any claim, security or remedy the subrogor did not have. In other words, a subrogee cannot succeed to a right not possessed by the subrogor. **A subrogee in effect steps into the shoes of the insured and can recover only if the insured likewise could have recovered**."
>
> Consequently, an insurer indemnifies the insured based on the loss or injury the latter actually suffered from. If there is no loss or injury, then there is no obligation on the part of the insurer to indemnify the insured. **Should the insurer pay the insured and it turns out that indemnification is not due, or if due, the amount paid is excessive, the insurer takes the risk of not being able to seek recompense from the alleged wrongdoer. This is because the supposed subrogor did not possess the right to be**

---

39 Id. at 208.

40 *Philippine American General Insurance Co., Inc. v. Sweet Lines, Inc.*, G.R. No. 87434, August 5, 1992, 212 SCRA 194, 208.

41 748 Phil. 569 (2014).

> **indemnified and therefore, no right to collect is passed on to the subrogee**.[42] (Emphases and underscoring supplied)

Despite its error, *Vector* had aptly cited the case of *Pan Malayan Insurance Corporation v. CA* (*Pan Malayan*),[43] wherein it was explained that subrogation, under Article 2207 of the Civil Code, operates as a form of "**equitable assignment**"[44] whereby "the insurer, upon payment to the assured, will be subrogated to the rights of the assured to recover from the wrongdoer to the extent that the insurer has been obligated to pay."[45] **It is characterized as an "equitable assignment" since it is an assignment of credit without the need of consent** – as it was, in fact, mentioned in *Pan Malayan*, "[t]he right of subrogation is not dependent upon, nor does it grow out of, any privity of contract or upon written assignment of claim. It accrues simply upon payment of the insurance claim by the insurer."[46] **It is only to this extent that the equity aspect of subrogation must be understood**. Indeed, subrogation under Article 2207 of the Civil Code 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 it does not mean that a new obligation is created between the debtor and the insurer. Properly speaking, 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. Verily, equity should not be stretched to the prejudice of another.

To better understand the concept of legal subrogation under Article 2207 of the Civil Code as a form of "equitable assignment," it deserves mentioning that there exist intricate differences between assignment and subrogation, both in their legal and conventional senses. In *Ledonio v. Capitol Development Corporation*:[47]

> An assignment of credit has been defined as an agreement by virtue of which the owner of a credit (known as the assignor), by a legal cause – such as sale, *dation* in payment or exchange or donation – and without need of the debtor's consent, transfers that credit and its accessory rights to another (known as the assignee), who acquires the power to enforce it, to the same extent as the assignor could have enforced it against the debtor.
>
> On the other hand, subrogation, by definition, is the transfer of all the rights of the creditor to a third person, who substitutes him in all his rights. It may either be legal or conventional. **Legal subrogation is that which takes place without agreement but by operation of law because**

---

42 Id. at 584-585.
43 Supra note 37.
44 Id. at 923.
45 Id.
46 Id.
47 553 Phil. 344 (2007).

of certain acts. *Conventional subrogation is that which takes place by agreement of parties.*

Although it may be said that the effect of the assignment of credit is to subrogate the assignee in the rights of the original creditor, this Court still cannot definitively rule that assignment of credit and conventional subrogation are one and the same.

A noted authority on civil law provided a discourse on the difference between these two transactions, to wit –

> Conventional Subrogation and Assignment of Credits. – In the Argentine Civil Code, there is essentially no difference between conventional subrogation and assignment of credit. The subrogation is merely the effect of the assignment. In fact[,] it is expressly provided (Article 769) that conventional redemption shall be governed by the provisions on assignment of credit.
>
> Under our Code, however, conventional subrogation is not identical to assignment of credit. In the former, the debtor's consent is necessary; in the latter, it is not required. Subrogation extinguishes an obligation and gives rise to a new one; assignment refers to the same right which passes from one person to another. The nullity of an old obligation may be cured by subrogation, such that the new obligation will be perfectly valid; but the nullity of an obligation is not remedied by the assignment of the creditor's right to another. x x x

This Court has consistently adhered to the foregoing distinction between an assignment of credit and a conventional subrogation. Such distinction is crucial because it would determine the necessity of the debtor's consent. **In an assignment of credit, the consent of the debtor is not necessary in order that the assignment may fully produce the legal effects. What the law requires in an assignment of credit is not the consent of the debtor, but merely notice to him as the assignment takes effect only from the time he has knowledge thereof**. A creditor may, therefore, validly assign his credit and its accessories without the debtor's consent. **On the other hand, conventional subrogation requires an agreement among the parties concerned – the original creditor, the debtor, and the new creditor. It is a new contractual relation based on the mutual agreement among all the necessary parties**.[48] (Emphases and underscoring supplied)

As discussed above, in an assignment of credit, the consent of the debtor is not necessary in order that the assignment may fully produce legal effects (as notice to the debtor suffices); also, in assignment, no new contractual relation between the assignee/new creditor and debtor is created. On the other hand, in conventional subrogation, an agreement between all the parties concerning the substitution of the new creditor is necessary. ***Meanwhile, legal subrogation produces the same effects as assignment and also, no new obligation is created between the subrogee/new creditor and debtor***. As observed in commentaries on the subject:

---

[48] Id. at 360-362; citations omitted.

> The effect of legal subrogation is to transfer to the new creditor the credit and all the rights and actions that could have been exercised by the former creditor either against the debtor or against third persons, be they guarantors or mortgagors. **Simply stated, except only for the change in the person of the creditor, the obligation subsists in all respects as before the novation.**[49] (Emphasis supplied)

Unlike assignment, however, legal subrogation, to produce effects, does not need to be agreed upon by the subrogee and subrogor, unlike the need of an agreement between the assignee and assignor. As mentioned, "[l]egal subrogation is that which takes place without agreement but by operation of law because of certain acts,"[50] as in the case of payment of the insurer under Article 2207 of the Civil Code.

In sum, as legal subrogation is not equivalent to conventional subrogation, no new obligation is created by virtue of the insurer's payment under Article 2207 of the Civil Code; also, as legal subrogation is not the same as an assignment of credit (as the former is in fact, called an "equitable assignment"), no privity of contract is needed to produce its legal effects. Accordingly, "the insurer can take nothing by subrogation but the rights of the insured, and is subrogated only to such rights as the insured possesses. This principle has been frequently expressed in the form that the rights of the insurer against the wrongdoer cannot rise higher than the rights of the insured against such wrongdoer, since the insurer as subrogee, in contemplation of law, stands in the place of the insured and succeeds to whatever rights he may have in the matter. ***Therefore, any defense which a wrongdoer has against the insured is good against the insurer subrogated to the rights of the insured,***"[51] and this would clearly include the defense of prescription.

Based on the above-discussed considerations, 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 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.

---

[49] De Leon, Hector and De Leon, Hector Jr., COMMENTS AND CASES ON OBLIGATIONS AND CONTRACTS. 2014 Edition, p. 480.

[50] *Ledonio v. Capitol Development Corporation*, supra note 47, at 361.

[51] *Pasker v. Harleysville Mutual Ins. Co.*, 192 N.J. Super. 133 (1983), citing 44 Am.Jur.2d, Insurance, § 1821 at 748; emphasis and underscoring supplied.

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.[52] Unto this Court devolves the sole authority to interpret what the law means, and all persons are bound to follow its interpretation. As explained in *De Castro v. Judicial and Bar Council*:[53]

> Judicial decisions assume the same authority as a statute itself and, until authoritatively abandoned, necessarily become, to the extent that they are applicable, the criteria that must control the actuations, not only of those called upon to abide by them, but also of those duty-bound to enforce obedience to them.[54]

Hence, while the future may ultimately uncover a doctrine's error, it should be, **as a general rule**, recognized as a "good law" prior to its abandonment.[55] In *Philippine International Trading Corporation v. Commission on Audit*,[56] it was elucidated that:

> It is consequently clear that a judicial interpretation becomes a part of the law as of the date that law was originally passed, subject only to the qualification that when a doctrine of this Court is overruled and a different view is adopted, and more so when there is a **reversal thereof, the new doctrine should be applied prospectively and should not apply to parties who relied on the old doctrine and acted in good faith**. To hold otherwise would be to deprive the law of its quality of fairness and justice then, if there is no recognition of what had transpired prior to such adjudication.[57] (Emphasis and underscoring supplied)

In *Pesca v. Pesca*,[58] the Court further elaborated:

> The "doctrine of *stare decisis*," ordained in Article 8 of the Civil Code, expresses that judicial decisions applying or interpreting the law shall form part of the legal system of the Philippines. The rule follows the settled legal maxim – "*legis interpretado legis vim obtinet*" – that the interpretation placed upon the written law by a competent court has the force of law. The interpretation or construction placed by the courts establishes the contemporaneous legislative intent of the law. The [said interpretation or construction] would thus constitute a part of that law as of the date the statute is enacted. **It is only when a prior ruling of this Court finds itself later overruled, and a different view is adopted, that the new doctrine may have to be applied prospectively in favor of parties who have relied on the old doctrine and have acted in good faith** in accordance

---

52 See *Office of the Ombudsman v. Vergara*, G.R. No. 216871, December 6, 2017, 848 SCRA 151, 172, citing *Carpio Morales v. CA*, 772 Phil. 672, 775 (2015).

53 632 Phil. 657 (2010).

54 Id. at 686, citing *Caltex (Philippines), Inc. v. Palomar*, 124 Phil. 763, 774 (1966).

55 *Carpio Morales v. CA*, supra note 52, at 775.

56 G.R. No. 205837, November 21, 2017, 845 SCRA 583.

57 Id. at 596-597; citing *Columbia Pictures v. CA*, 329 Phil. 875, 908 (1996).

58 408 Phil. 713 (2001).

> therewith under the familiar rule of "*lex prospicit, non respicit.*"[59] (Emphasis and underscoring supplied)

With these in mind, the Court therefore sets the following **guidelines** relative to the application of *Vector* and this Decision vis-à-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***:

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[60] 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-

---

[59] Id. at 720.

[60] See supra note 34.

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.

Application to the Case at Bar

In this case, it is undisputed that the water leak damage incident, which gave rise to Copylandia's cause of action against any possible defendants, including NASCL and petitioner, happened on **May 9, 2006**. As this incident gave rise to an obligation classified as a *quasi-delict*, Copylandia would have only had four (4) years, or until **May 9, 2010**, within which to file a suit to recover damages.[61] When Copylandia's rights were transferred to respondent by virtue of the latter's payment of the former's insurance claim on **November 2, 2006**, as evidenced by the Loss and Subrogation Receipt,[62] respondent was likewise bound by the same prescriptive period. Since it was only on: (*a*) **May 20, 2010** when respondent made an extrajudicial demand to NASCL, and thereafter, filed its complaint; (*b*) **October 6, 2011** when respondent amended its complaint to implead CHI as party-defendant; and (*c*) **April 21, 2014** when respondent moved to further amend the complaint in order to implead petitioner as party-defendant in lieu of CHI, prescription – if adjudged under the present parameters of legal subrogation under this Decision – should have already set in.

---

61 Article 1146 (2) of the CIVIL CODE reads:

Art. 1146. The following actions must be instituted within four years:

x x x x

(2) Upon a *quasi-delict*.

62 *Rollo*, p. 142.

However, it must be recognized that the prevailing rule applicable to the pertinent events of this case is Vector. Pursuant to the guidelines stated above, specifically under **guideline 1 (a)**, the *Vector* doctrine – which was even relied upon by the courts *a quo* – would then apply. Hence, as the amended complaint[63] impleading petitioner was filed on April 21, 2014, which is within ten (10) years from the time respondent indemnified Copylandia for its injury/loss, *i.e.*, on November 2, 2006, the case cannot be said to have prescribed under *Vector*. As such, the Court is constrained to deny the instant petition.

WHEREFORE, the petition is **DENIED**. The Decision dated November 13, 2015 and the Resolution dated February 26, 2016 of the Court of Appeals in CA-G.R. SP No. 138147 are hereby **AFFIRMED** with **MODIFICATION** based on the guidelines stated in this Decision.

SO ORDERED.

ESTELA M. PERLAS-BERNABE
Associate Justice

WE CONCUR:

I dissent
LUCAS P. BERSAMIN
Chief Justice

ANTONIO T. CARPIO
Senior Associate Justice

I join the dissenting opinion of the C.J.
DIOSDADO M. PERALTA
Associate Justice

MARVIC M.V.F. LEONEN
Associate Justice

No part
FRANCIS H. JARDELEZA
Associate Justice

---

[63] Under Section 8, Rule 10 of the Rules of Court, an amended complaint supersedes an original one. As a consequence, the original complaint is deemed withdrawn and no longer considered as part of the records (*Mercado v. Spouses Espina*, 704 Phil. 545, 551 [2013], citing *Figuracion v. Libi*, 564 Phil. 46, 58 [2007]). Hence, for purposes of determining whether or not the claim is already barred by the statute of limitations, the date of filing of the amended complaint shall be controlling (see *Wallem Philippines Shipping, Inc. v. S.R. Farms, Inc.*, 638 Phil. 324, 333 [2010], citing *Republic v. Sandiganbayan*, 355 Phil. 181, 205 [1998]).

See Concurring Opinion

ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

See dissenting opinion

ANDRES B. REYES, JR.
Associate Justice

ALEXANDER G. GESMUNDO
Associate Justice

JOSE C. REYES, JR.
Associate Justice

No part

RAMON PAUL L. HERNANDO
Associate Justice

ROSMARI D. CARANDANG
Associate Justice

Pls. see concurring opinion

AMY C. LAZARO-JAVIER
Associate Justice

HENRI JEAN PAUL B. INTING
Associate Justice

RODIL V. ZALAMEDA
Associate Justice

CERTIFICATION

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.

LUCAS P. BERSAMIN
Chief Justice

CERTIFIED TRUE COPY

EDGAR O. ARICHETA
Clerk of Court En Banc
Supreme Court