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**SUPREME COURT
THIRD DIVISION**

**RICARDO S. MEDENILLA, ZOSIMO
LACONSAY, RIZALINA REPEDRO,
TERESITA CONSUEGRA, LILIA
COLLADO, RIEGO DE DIOS, DALISAY
BARCELLANO, SOCORRO ESPINELLI,
MILAGROS LEE, EDUARDO CRUZ,
LUCIANO RAMIREZ JR., EUGENIO
SAN PASCUAL JR., AGNES ROBLES,
PATRIA FE SAULO, BERNADETTE
BARTOLOME, CARMEN BHOJARA,
FELICIANO ROMEO, EMETERIO
MARQUEZ, LEONARDO SERRANO,
AMANDO ALINCASTRE JR.,
REYNALDO DEFUNTORUM,
CARMELITO RONQUILLO,
ELIZABETH VERGARA, AMELIA
ABAYA, MANUEL GARCIA, MANUEL
HONTILLANO, ROSITA VELASCO,
PATRIA ECHALUCE, AURORA
AGBUGGO, SOCORRO CAMONAY,
MAURICIA MANZANARES, AIDA
MENES, NORA VEGA, YOLANDO
BALANCIO, ROBERTO DE ASIS,
TERESITA MONTEVIRGEN and
FLORDELIZ REYES,**

Petitioners,

-versus-

**G.R. No. 127673
March 13, 2000**

**PHILIPPINE VETERANS BANK,
RENAN V. SANTOS, PACIFICO U.
CERVANTES, LOIS OLARTE,
*Respondents.***

X-----X

D E C I S I O N

PURISIMA, J.:

Before the Court is a Petition for Certiorari under Rule 65 of the Rules of Court to set aside the Decision,^[1] of the National Labor Relations Commission (NLRC),^[2] and the Order^[3] dated June 21, 1995, denying petitioner's motion for reconsideration in NLRC-NCR-CA No. 002761-92, on the ground of grave abuse of discretion amounting to lack or excess of jurisdiction.

The antecedent facts are as follows:

Petitioners were employees of the Philippine Veterans Bank (PVB). On June 15, 1985, their services were terminated as a result of the liquidation of PVB pursuant to the order of the Monetary Board of the Central Bank embodied in MB Resolution No. 612 dated June 7, 1985.

On the same day of their termination, petitioners were rehired through PVB's Bank Liquidator, Antonio T. Castro, Jr.. However, all of them were required to sign employment contracts which provided that:

X X X X X X X X X

(1) The employment shall be strictly on a temporary basis and only for the duration of the particular undertaking for which a particular employee is hired;

X X X X X X X X X

(2) Such temporary employment will not entitle an employee to any benefits except those granted by law;

X X X

X X X

X X X

(3) The Liquidator reserves the right to terminate the services of the employee at any time during the period of such employment if the employee is found not qualified, competent or, efficient in the performance of his job, or have violated any rules and regulations, or such circumstances and conditions recognized by law.

X X X

X X X

X X X”

On January 18, 1991, petitioners received a uniform notice of dismissal effective a month from the date of receipt, which notice contained the reasons justifying the termination:

“(a) To reduce costs and expenses in the liquidation of closed banks in order to protect the interests of the depositors, creditors and stockholders of the Philippine Veterans Bank.

(b) The employment were on strictly temporary basis.”

On February 4, 1991, petitioners instituted a case for illegal dismissal before Honorable Labor Arbiter Oswald Lorenzo.

On January 14, 1992, the said Labor Arbiter came out with a decision declaring petitioners’ dismissal illegal, and disposing thus:

“WHEREFORE, premises considered, judgment is hereby rendered ordering the Philippine Veterans Bank, through its Liquidator or his Deputies, to reinstate complainants to their former or substantially equivalent position, without loss of seniority rights with full backwages from the time they were illegally dismissed up to the time they were reinstated, and to pay moral damages in the amount of ONE HUNDRED THOUSAND PESOS (P100,000) each as moral damages, plus the sum equivalent to Ten (10%) per centum of the total amount

due as attorney's fees. The claim for exemplary damages is hereby dismissed for lack of merits.

SO ORDERED.”^[4]

Respondent Bank appealed the aforesaid decision of the Labor Arbiter. On July 12, 1994, the NLRC reversed the decision of the Labor Arbiter and dismissed the Complaints for lack of merit.

On August 23, 1994, petitioners presented a Motion for Reconsideration but to no avail. The same was denied by the NLRC on June 21, 1995. Thus, the said decision became final and executory and Entry of Judgment issued on September 1, 1995.

Undaunted, petitioners brought the present petition on January 23, 1997.

The issue posed here is whether the NLRC acted with grave abuse of discretion in ruling that there was a valid fixed-period of employment, and in reversing the finding of the Labor Arbiter that there was illegal dismissal.

On the issue of whether the NLRC gravely abused its discretion in holding that the employment contract entered into by the complainants and the Liquidator of PVB was for a fixed-period, the ruling of the Court is in the negative.

There is tenability in the contention of the respondents that the employment of petitioners was really for a fixed-period.

For a more enlightened analysis of the contract entered into by the parties, the Court highlights the more important features thereof, to wit:^[5]

“In connection with the liquidation of the Philippine Veterans Bank under Monetary Board Resolution No. 612 dated June 7, 1985, we are confirming your employment under the following terms and conditions:

(1) The employment shall be on a strictly temporary basis and only for the duration of the particular undertaking for which you are hired and only for the particular days during which actual work is available as determined by the Liquidator or his representatives since the work requirements of the liquidation process merely demand intermittent and temporary rendition of services.” (Emphasis ours)

On June 15, 1985, the services of the petitioners were terminated when the Monetary Board ordered the liquidation of the Philippine Veterans Bank. However, petitioners were re-hired on the following day, June 16, 1985, by the Bank’s Liquidator on the basis of the abovementioned employment contract.

The Court has repeatedly upheld the validity of fixed-term employment. In the case of Philippine National Oil Company-Energy Development Corporation vs. NLRC,^[6] it was held:

“As can be gleaned from the said case, the two guidelines by which fixed contracts of employment can be said NOT to circumvent security of tenure, are either:

1. The fixed period of employment was knowingly and voluntarily agreed upon by the parties, without any force, duress or improper pressure being brought to bear upon the employee and absent any other circumstances vitiating his consent;

or:

2. It satisfactorily appears that the employer and employee dealt with each other on more or less equal terms with no moral dominance whatever being exercised by the former on the latter.”

The employment contract entered into by the parties herein appears to have observed the said guidelines. Furthermore, it is evident from the records that the subsequent re-hiring of petitioners which was to continue during the period of liquidation and the process of

liquidation ended prior to the enactment of RA 7169 entitled, “An Act to Rehabilitate Philippine Veterans Bank”, which was promulgated on January 2, 1992.

But did the NLRC act with grave abuse of discretion in finding that there was no illegal dismissal? On this crucial question, the Court rules in the affirmative.

Subject employment contract stipulated, that:

“(9) The Liquidator reserves the right to terminate your services at any time during this period of temporary employment if you are found not qualified, competent or inefficient in the performance of your job, or if you are found to have violated any of the rules and regulations. The Liquidator also reserves the right to terminate your services at any time under the circumstances and conditions recognized by law on the matter. In any event, you will be entitled to collect your compensation up to the close of working hours of the last day of the actual service, which compensation shall be paid to you after proper clearance.” (Emphasis supplied)

The reason given by the Liquidator for the termination of petitioners’ employment was “in line with the need of the objective of the Supervision and Examination Sector, Department V, Central Bank of the Philippines, to reduce costs and expenses in the liquidation of closed banks in order to protect the interest of the depositors, creditors and stockholders.”^[7]

In cases of illegal dismissal, the burden is on the employer to prove that there was a valid ground for dismissal. Mere allegation of reduction of costs without any proof to substantiate the same cannot be given credence by the Court. As the respondents failed to rebut petitioners’ evidence, the irresistible conclusion is that the dismissal in question was illegal. As aptly ratiocinated by the Labor Arbiter:

“As can be seen from the termination letters Exhs. “A”, “A-1” to “A-19” (inclusive), complainants were terminated thirty (30) days after receipt of such letters allegedly ‘to reduce costs and expenses in the liquidation of closed banks in order to protect

the interests of the depositors, creditors and stockholders of the Philippine Veterans Bank', which termination papers speaks of 'finality' by their very wordings that left complainants with no alternative but to accept it with grief foreseen sacrifice and only by going into this forum they may be vindicated by such action of the liquidator.

“Thus the failure of respondent bank to dispute complainants' evidence pertinent to the various unnecessary and highly questionable expenses incurred renders the termination process as a mere subterfuge, as the same was not on the basis as it purports to see, for reason that immediately after the termination from their respective positions, the same were given to other employees who appear not qualified. What respondent's counsel did was merely to dispute by pleadings the jurisdiction of this Office and the claims for damages, which evidentiary matters respondent is required to prove to sustain the validity of such dismissals.”^[8]

Since findings by the Labor Arbiter are binding on this Court if supported by substantial evidence, the Court rules that there was illegal dismissal absent just cause, which is one of the facets of a dismissal. Such illegal dismissal warrants reinstatement and payment of backwages. However, since petitioners' reinstatement is now considered impractical because the new Philippine Veterans Bank has been rehabilitated by virtue of RA 7169, the Court limits the relief to be granted to the petitioners to the unpaid wages during the remaining period of their employment contract.

As held by this Court,^[9] if the contract is for a fixed term and the employee is dismissed without just cause, he is entitled to the payment of his salaries corresponding to the unexpired portion of the employment contract. In the case under scrutiny, the unpaid wages should be reckoned on February 18, 1991 to January 1, 1992. January 1, 1992 is considered the date of expiration of the period of liquidation since January 2, 1992 was the effectivity of RA 7169, entitled “An Act to Rehabilitate the Philippine Veterans Bank”.

The prayer of petitioners' for reinstatement cannot be granted. Their reliance on the ruling in the case of employees of Banco Filipino

Savings and Mortgage Bank, which was similarly placed under liquidation and whose separated employees were recalled upon resumption of banking business, is misplaced. A careful study of RA 7169 indicates that it is only mandated to create a new manning force for respondent PVB. The said law explicitly provides, thus:

“SECTION 7. Rehabilitation Committee. — To facilitate the implementation of the provisions of this Act, there is hereby created a rehabilitation committee.

Specifically, the Committee shall:

(b) Select and organize an initial manning force headed by a management team to be composed of competent, experienced and professional managers who must possess all qualifications and none of the disqualifications provided under the Central Bank rules and regulations. The management team shall be staffed by a trained workforce: Provided, That preference shall be given to the veterans and their dependents, other qualifications being equal;

X X X X X X X X X X.”

In computing the petitioners’ salaries corresponding to the unexpired portion of their contract, an examination of subject employment contract is necessary. Thereunder,^[10] it was stipulated that:

“(2) The temporary employment shall be effective on June 16, 1985 and will entitle you to a compensation of P3,130.00 per month, payable every 15th and end of the month.

(3) This temporary employment will not entitle you to any benefits apart from what the law requires.

X X X X X X X X X X”

As stated earlier, the period should be reckoned from the date of dismissal on February 18, 1991 to January 1, 1992, which latter date is deemed to be the expiration date of the period for liquidation as January 2, 1992 was the effectivity of RA 7169, entitled “An Act to Rehabilitate the Philippine Veterans Bank”, which legislation necessarily terminated the period of liquidation.

As to the issue of attorney’s fees, petitioners are entitled to an award of a reasonable amount of attorney’s fees pursuant to Article 2208 (par. 7) of the Civil Code. The award made by the Labor Arbiter of 10% of the total claims of the employees on the basis of Article 111 of the Labor Code cannot be upheld. The amount may be reduced as the attendant circumstances may warrant. The Court believes and so holds, that under the attendant circumstances, the amount of P15,000.00 should suffice.^[11]

WHEREFORE, the petition is **PARTLY GRANTED** and the decision of the NLRC is accordingly modified. Respondent Philippine Veterans Bank is hereby ordered to pay the petitioners their corresponding salaries for the unexpired portion of their contract; without any right to reinstatement. The award for moral damages is deleted^[12] absent any showing of bad faith on the part of the employer. The award for attorney’s fees is reduced from 10% of the total claims of the petitioners to a fixed amount of P15,000.00, which is considered just and equitable under the premises. No pronouncement as to costs.

SO ORDERED.

Melo, J., (Chairman), Vitug, Panganiban and Gonzaga-Reyes, JJ., concur.

[1] dated July 12, 1994.

[2] Rollo, pp. 50-58.

[3] Rollo, pp. 59-60.

[4] Supra, p. 92.

[5] Annex “I”, Petition; Comment, pp. 47-48.

[6] G.R. No. 97747, March 31, 1993, 220 SCRA 695, 699.

[7] January 18, 1991, Memorandum.

[8] Rollo, pp. 89-90.

[9] Teknika Skills and Trade Services, Inc. vs. NLRC, 212 SCRA 132.

[10] Supra.

[11] Sebuguero vs. NLRC, 248 SCRA 532; Roldan vs. Court of Appeals, 218 SCRA 713.

[12] Bernardo vs. NLRC, 255 SCRA 108.

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