SUPREME COURT
FIRST DIVISION

CARMELITO L. PALACOL, ET AL.,
***Petitioners*,**

-versus-

G.R. No. 85333
February 26, 1990

PURA FERRER-CALLEJA, Director of the Bureau of Labor Relations, MANILA CCBPI SALES FORCE UNION, and COCA-COLA BOTTLERS (PHILIPPINES), INC.,
***Respondents*.**
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D E C I S I O N

GANCAYCO, *J.*:

Can a special assessment be validly deducted by a labor union from the lump-sum pay of its members, granted under a collective bargaining agreement (CBA), notwithstanding a subsequent disauthorization of the same by a majority of the union members? This is the main issue for resolution in the instant Petition for *Certiorari*.

As gleaned from the records of the case, the pertinent facts are as follows:

On October 12, 1987, the respondent Manila CCBPI Sales Force Union (hereinafter referred to as the Union), as the collective bargaining agent of all regular salesmen, regular helpers, and relief helpers of the Manila Plant and Metro Manila Sales Office of the respondent Coca-Cola Bottlers (Philippines), Inc. (hereinafter referred to as the Company) concluded a new collective bargaining agreement with the latter.[1] Among the compensation benefits granted to the employees was a general salary increase to be given in lump-sum including recomputation of actual commissions earned based on the new rates of increase.

On the same day, the president of the Union submitted to the Company the ratification by the union members of the new CBA and authorization for the Company to deduct union dues equivalent to P10.00 every payday or P20.00 every month and, in addition, 10% by way of special assessment, from the CBA lump-sum pay granted to the union members. The last one among the aforementioned is the subject of the instant petition.

As embodied in the Board Resolution of the Union dated September 29, 1987, the purpose of the special assessment sought to be levied is "to put up a cooperative and credit union; purchase vehicles and other items needed for the benefit of the officers and the general membership; and for the payment for services rendered by union officers, consultants and others."[2] There was also an additional proviso stating that the "matter of allocation shall be at the discretion of our incumbent Union President."

This "Authorization and CBA Ratification" was obtained by the Union through a secret referendum held in separate local membership meetings on various dates.[3] The total membership of the Union was about 800. Of this number, 672 members originally authorized the 10% special assessment, while 173 opposed the same.[4]

Subsequently however, one hundred seventy (170) members of the Union submitted documents to the Company stating that although they have ratified the new CBA, they are withdrawing or disauthorizing the deduction of any amount from their CBA lump-sum. Later, 185 other union members submitted similar documents

expressing the same intent. These members, numbering 355 in all (170 + 185), added to the original oppositors of 173, turned the tide in favor of disauthorization for the special assessment, with a total of 528 objectors and a remainder of 272 supporters.[5]

On account of the above-mentioned disauthorization, the Company, being in a quandary as to whom to remit the payment of the questioned amount, filed an action for interpleader with the Bureau of Labor Relations in order to resolve the conflicting claims of the parties concerned. Petitioners, who are regular rank-and-file employees of the Company and bona fide members of the Union, filed a motion/complaint for intervention therein in two groups of 161 and 94, respectively. They claimed to be among those union members who either did not sign any individual written authorization, or having signed one, subsequently withdrew or retracted their signatures therefrom.

Petitioners assailed the 10% special assessment as a violation of Article 241(o) in relation to Article 222(b) of the Labor Code.

Article 222(b) provides as follows:

> "ART. 222. Appearances and Fees. —
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> x x x
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> (b) No attorney's fees, negotiation fees or similar charges of any kind arising from any collective bargaining negotiations or conclusion of the collective agreement shall be imposed on any individual member of the contracting union; Provided, however, that attorney's fees may be charged against union funds in an amount to be agreed upon by the parties. Any contract, agreement or arrangement of any sort to the contrary shall be null and void."

On the other hand, Article 241(o) mandates that:

> "ART. 241. Rights and conditions of membership in a labor organization. —

x x x

> (o) Other than for mandatory activities under the Code, no special assessments, attorney's fees, negotiation fees or any other extraordinary fees may be checked off from any amount due to an employee without an individual written authorization duly signed by the employee. The authorization should specifically state the amount, purpose and beneficiary of the deduction;"

As authority for their contention, petitioners cited Galvadores vs. Trajano,[6] wherein it was ruled that no check-offs from any amount due employees may be effected without individual written authorizations duly signed by the employees specifically stating the amount, purpose, and beneficiary of the deduction.

In its answer, the Union countered that the deductions not only have the popular indorsement and approval of the general membership, but likewise complied with the legal requirements of Article 241 (n) and (o) of the Labor Code in that the board resolution of the Union imposing the questioned special assessment had been duly approved in a general membership meeting and that the collection of a special fund for labor education and research is mandated.

Article 241(n) of the Labor Code states that —

> "ART. 241. Rights and conditions of membership in a labor organization. —
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> x x x
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> (n) No special assessment or other extraordinary fees may be levied upon the members of a labor organization unless authorized by a written resolution of a majority of all the members at a general membership meeting duly called for the purpose. The secretary of the organization shall record the minutes of the meeting including the list of all members present, the votes cast, the purpose of the special assessment or fees and the recipient of such assessments or fees. The record shall be attested to by the president;"

Med-Arbiter Manases T. Cruz ruled in favor of petitioners in an order dated February 15, 1988 whereby he directed the Company to remit the amount it had kept in trust directly to the rank-and-file personnel without delay.

On appeal to the Bureau of Labor Relations, however, the order of the Med-Arbiter was reversed and set aside by the respondent-Director in a resolution dated August 19, 1988 upholding the claim of the Union that the special assessment is authorized under Article 241(n) of the Labor Code, and that the Union has complied with the requirements therein.

Hence, the instant petition.

Petitioners allege that the respondent-Director committed a grave abuse of discretion amounting to lack or excess of jurisdiction when she held Article 241(n) of the Labor Code to be the applicable provision instead of Article 222(b) in relation to Article 241(o) of the same law.

According to petitioners, a cursory examination and comparison of the two provisions of Article 241 reveals that paragraph (n) cannot prevail over paragraph (o). The reason advanced is that a special assessment is not a matter of major policy affecting the entire union membership but is one which concerns the individual rights of union members.

Petitioners further assert that assuming arguendo that Article 241(n) should prevail over paragraph (o), the Union has nevertheless failed to comply with the procedure to legitimize the questioned special assessment by: (1) presenting mere minutes of local membership meetings instead of a written resolution; (2) failing to call a general membership meeting; (3) having the minutes of three (3) local membership meetings recorded by a union director, and not by the union secretary as required; (4) failing to have the list of members present included in the minutes of the meetings; and (5) failing to present a record of the votes cast.[7] Petitioners concluded their argument by citing Galvadores.

After a careful review of the records of this case, We are convinced that the deduction of the 10% special assessment by the Union was not made in accordance with the requirements provided by law.

Petitioners are correct in citing the ruling of this Court in Galvadores which is applicable to the instant case. The principle "that employees are protected by law from unwarranted practices that diminish their compensation without their knowledge and consent"[8] is in accord with the constitutional principle of the State affording full protection to labor.[9]

The respondent-Union brushed aside the defects pointed out by petitioners in the manner of compliance with the legal requirements as "insignificant technicalities." On the contrary, the failure of the Union to comply strictly with the requirements set out by the law invalidates the questioned special assessment. Substantial compliance is not enough in view of the fact that the special assessment will diminish the compensation of the union members. Their express consent is required, and this consent must be obtained in accordance with the steps outlined by law, which must be followed to the letter. No shortcuts are allowed.

The applicable provisions are clear. The Union itself admits that both paragraphs (n) and (o) of Article 241 apply. Paragraph (n) refers to "levy" while paragraph (o) refers to "check-off" of a special assessment. Both provisions must be complied with. Under paragraph (n), the Union must submit to the Company a written resolution of a majority of all the members at a general membership meeting duly called for the purpose. In addition, the secretary of the organization must record the minutes of the meeting which, in turn, must include, among others, the list of all the members present as well as the votes cast.

As earlier outlined by petitioners, the Union obviously failed to comply with the requirements of paragraph (n). It held local membership meetings on separate occasions, on different dates and at various venues, contrary to the express requirement that there must be a general membership meeting. The contention of the Union that "the local membership meetings are precisely the very general meetings required by law"[10] is untenable because the law would not

have specified a general membership meeting had the legislative intent been to allow local meetings in lieu of the latter.

It submitted only minutes of the local membership meetings when what is required is a written resolution adopted at the general meeting. Worse still, the minutes of three of those local meetings held were recorded by a union director and not by the union secretary. The minutes submitted to the Company contained no list of the members present and no record of the votes cast. Since it is quite evident that the Union did not comply with the law at every turn, the only conclusion that may be made therefrom is that there was no valid levy of the special assessment pursuant to paragraph (n) of Article 241 of the Labor Code.

Paragraph (o) on the other hand requires an individual written authorization duly signed by every employee in order that a special assessment may be validly checked-off. Even assuming that the special assessment was validly levied pursuant to paragraph (n), and granting that individual written authorizations were obtained by the Union, nevertheless there can be no valid check-off considering that the majority of the union members had already withdrawn their individual authorizations. A withdrawal of individual authorizations is equivalent to no authorization at all. Hence, the ruling in Galvadores that "no check-offs from any amounts due employees may be effected without an individual written authorization signed by the employees" is applicable.

The Union points out, however, that said disauthorizations are not valid for being collective in form, as they are "mere bunches of randomly procured signatures, under loose sheets of paper."[11] The contention deserves no merit for the simple reason that the documents containing the disauthorizations have the signatures of the union members. The Court finds these retractions to be valid. There is nothing in the law which requires that the disauthorization must be in individual form.

Moreover, it is well-settled that "all doubts in the implementation and interpretation of the provisions of the Labor Code shall be resolved in favor of labor."[12] And as previously stated, labor in this case refers to the union members, as employees of the Company. Their mere desire

to establish a separate bargaining unit, albeit unproven, cannot be construed against them in relation to the legality of the questioned special assessment. On the contrary, the same may even be taken to reflect their dissatisfaction with their bargaining representative, the respondent-Union, as shown by the circumstances of the instant petition, and with good reason.

The Med-Arbiter correctly ruled in his Order that:

> "The mandate of the majority rank and file have (sic) to be respected considering they are the ones directly affected and the realities of the high standards of survival nowadays. To ignore the mandate of the rank and file would endure to destabilizing industrial peace and harmony within the rank and file and the employer's fold, which we cannot countenance.
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> Moreover, it will be recalled that precisely union dues are collected from the union members to be spent for the purposes alluded to by respondent. There is no reason shown that the regular union dues being now implemented is not sufficient for the alleged expenses. Furthermore, the rank and file have spoken in withdrawing their consent to the special assessment, believing that their regular union dues are adequate for the purposes stated by the respondent. Thus, the rank and file having spoken and, as we have earlier mentioned, their sentiments should be respected."

Of the stated purposes of the special assessment, as embodied in the board resolution of the Union, only the collection of a special fund for labor and education research is mandated, as correctly pointed out by the Union. The two other purposes, namely, the purchase of vehicles and other items for the benefit of the union officers and the general membership, and the payment of services rendered by union officers, consultants and others, should be supported by the regular union dues, there being no showing that the latter are not sufficient to cover the same.

The last stated purpose is contended by petitioners to fall under the coverage of Article 222 (b) of the Labor Code. The contention is impressed with merit. Article 222 (b) prohibits attorney's fees,

negotiations fees and similar charges arising out of the conclusion of a collective bargaining agreement from being imposed on any individual union member. The collection of the special assessment partly for the payment for services rendered by union officers, consultants and others may not be in the category of "attorney's fees or negotiations fees." But there is no question that it is an exaction which falls within the category of a "similar charge," and, therefore, within the coverage of the prohibition in the aforementioned article. There is an additional proviso giving the Union President unlimited discretion to allocate the proceeds of the special assessment. Such a proviso may open the door to abuse by the officers of the Union considering that the total amount of the special assessment is quite considerable — P1,027,694.33 collected from those union members who originally authorized the deduction, and P1,267,863.39 from those who did not authorize the same, or subsequently retracted their authorizations.[13] The former amount had already been remitted to the Union, while the latter is being held in trust by the Company.

The Court, therefore, strikes down the questioned special assessment for being a violation of Article 241, paragraphs (n) and (o), and Article 222 (b) of the Labor Code.

WHEREFORE, the instant petition is hereby **GRANTED**. The Order of the Director of the Bureau of Labor Relations dated August 19, 1988 is hereby REVERSED and SET ASIDE, while the order of the Med-Arbiter dated February 17, 1988 is reinstated, and the respondent Coca-Cola Bottlers (Philippines), Inc. is hereby ordered to immediately remit the amount of P1,267,863.39 to the respective union members from whom the said amount was withheld. No pronouncement as to costs. This decision is immediately executory.

SO ORDERED.

Narvasa, Griño-Aquino and Medialdea, *JJ.*, concur.
Cruz, *J.*, took no part.

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[1] Page 4, Rollo.
[2] Page 10, Rollo.

[3] Page 96, Rollo.
[4] Page 34, Rollo.
[5] Page 35, Rollo.
[6] 144 SCRA 138 (1986).
[7] Page 12, Rollo.
[8] Emphasis supplied.
[9] Section 3, Article XIII, 1987 Constitution.
[10] Page 105, Rollo.
[11] Pages 108-109, Rollo.
[12] Article 4, Labor Code.
[13] Page 5, Rollo.