

CHANROBLES PUBLISHING COMPANY

**SUPREME COURT
FIRST DIVISION**

**SIMPLICIO PALANCA and UNITED
SALES AND SERVICES EMPLOYEES
ASSOCIATION (PAFLU), et al.
(impleaded as co-petitioners since
complainant union members are
parties to the compromise agreement),
*Petitioners,***

-versus-

**G.R. Nos. L-33364-65
November 24, 1972**

**COURT OF INDUSTRIAL RELATIONS
sitting En Banc,**

Respondent.

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DECISION

TEEHANKEE, J.:

Appeal by Certiorari from the En Banc Resolution of the Court of Industrial Relations upholding the trial court's order denying approval of the compromise agreement submitted by the parties as full and complete satisfaction of the back wages awarded the union members in a final decision of the said court pending recomputation of said back wages.

Petitioner-employer Simplicio Palanca impleaded the United Sales & Services Employees Association (PAFLU) as co-petitioners, since as stated in the title, the complainant union members in the original cases are the other contracting parties to the compromise agreement rejected by respondent court, which rejection is the subject of the present appeal.

The original cases were unfair labor practice cases docketed on October 7, 1957 and June 2, 1958 as Cases Nos. 26-ULP-Iloilo and No. 46-ULP-Iloilo, respectively. Since they both involved the same complainant union and respondent-employer, both petitioners herein, a joint hearing was conducted.

On October 14, 1965, the industrial court per its en banc resolution affirmed the trial court's joint decision of July 6, 1964 in the two unfair labor practice cases sustaining the two complaints jointly heard and sentencing petitioner Palanca to pay the individual complainants their back wages. Its affirmance having become final, the industrial court thereafter remanded the cases to the trial court for further proceedings in the computation of back wages to be paid to the union members.

On June 3, 1968, the industrial court's chief examiner submitted his report on such computation of the back wages due the 26 union members. Petitioner Palanca filed his opposition thereto, alleging inter alia that the questioned report did not indicate the periods covered by the back wages allegedly due in the amounts therein stated, that some of the complainants had already died, and that he wished to present evidence showing that the complainants were employed elsewhere during the period covered by the report.

On March 14, 1969 and May 23, 1969, the industrial court ordered the chief examiner, at petitioner Palanca's instance, to make a more detailed examination of the books of accounts, payrolls and other pertinent accounting records of Palanca, with the assistance of representatives of both parties. The chief examiner thereafter submitted on September 5, 1969 a partial report on the basis on the available books of accounts.

On January 19, 1970, the industrial court ordered the setting for hearing of the said cases at Bacolod City (where Palanca's four theaters involved in the cases are located), directing Palanca to bring at the hearing the documents mentioned in its previous order of May 23, 1969 and advising the parties to prepare their evidence on related issues such as the earnings elsewhere of the individual union members during the period of their lay-off from Palanca's employ. Said order further commissioned Atty. Teodorico L. Ruiz, hearing examiner, to receive the parties' evidence and thereafter to submit his report for further disposition.

On September 23, 1970, when the hearing examiner was about to hear the cases as directed by the industrial court, the parties submitted their compromise agreement dated March, 1970^[1] for the said court's approval.

The compromise agreement executed between the employer Palanca on the one hand and most of the 26 individual union members and their counsel, Atty. Owen R. Ruiz, stipulated that "(Palanca) shall pay to the petitioners (complainants) through counsel, Atty. Owen R. Ruiz the sum of THIRTY-ONE THOUSAND PESOS (P31,000.00) in Bacolod City as a full and complete satisfaction of the petitioners to be paid in two (2) equal installments"^[2] of P5,500.00 each to be paid within the first seven (7) days of March, 1970 and within thirty (30) days after date of the first payment.

On October 12, 1970, the industrial court denied "for lack of merit the parties' motion ex-parte submitting compromise agreement" as filed on September 23, 1970, stating that "(C)onsidering that the Decision of July 6, 1964, has long become final and executory, as in fact it was during the recomputation of the backwages that the parties, as represented, entered into a compromise agreement, the Court cannot grant the motion."^[3]

Palanca moved for reconsideration averring that no report of the examiners had as yet been approved by respondent court definitely fixing the amounts due under the judgment to the individual complainants and hence their compromise agreement merited the said court's approval unless contrary to law, morals, and public order or public policy.

Under date of January 21, 1971, respondent court issued its en banc resolution denying reconsideration on the ground of “failure to find sufficient justification in altering or modifying the aforesaid orders.”^[4]

Hence, the petition at bar. The Court, per its resolution of April 13, 1971, considered the action as a special civil action and resolved to require the union, through its counsel, Atty. Ruiz, to confirm “whether or not they are willing to join petitioners in this petition.”

Atty. Ruiz, in his manifestation dated May 14, 1971, informed the Court that his services as counsel for complainants in the two unfair labor practice cases “(were) terminated upon the execution of (the) amicable settlement.” The Court in its resolution of June 2, 1971 required the union to comply with the previous resolution of April 13, 1971 and state its willingness to join in the petition. No comment having been received from the union, summons was issued to respondent court on January 14 1972. At the hearing of May 12, 1972, the parties were directed to file their memoranda in lieu of oral argument.

The Court, per its resolution of June 27, 1972, upon receipt of Palanca’s memorandum and upon noting that the Philippine Association of Free Labor Unions (PAFLU) had stated that the union was no longer affiliated with it and hence could not be found at its (PAFLU’s) given address, granted the union a further period of 15 days from notice within which to file its memorandum and directed that such notice be served through the Department of Labor. The said union could no longer be located, however, at its last known address.^[5]

Respondent court, through its counsel, filed its one-paragraph memorandum reiterating its stand against the compromise agreement on the ground that “the decision of the trial judge dated July 6, 1964 has long become final at the time the compromise agreement was executed on March 3, 1970.”

The Court finds merit in the petition.

While respondent court's decision of July 6, 1964 awarding back wages had indeed long become final, still there was as yet no final pronouncement on the amount thereof. Precisely, as recognized in the questioned order of October 12, 1971, the March 3, 1970 compromise agreement was submitted by the parties "during the recomputation of the back wages" which had been ordered by respondent court itself. Respondent court had precisely designated its hearing examiner to receive the evidence of the parties at Bacolod City such as the pertinent accounting books and the earnings elsewhere of the individual complainants during the period of their dismissal.

It was therefore well within the right and prerogative of the parties to come to a compromise agreement on the amount of back wages to be paid under the final Judgment by Palanca to the 26 individual complainants. In the absence of a showing of fraud or that the compromise agreement thus reached is contrary to law, morals, good customs, public order or public policy,^[6] such compromise agreement should have been acted upon and approved by respondent court,^[7] instead of its declining to take any action thereon on the erroneous premise that the judgment had long become final and executory when precisely its order for recomputation of the back wages due and payable was yet to be implemented and hearings for the reception of evidence still had to be conducted and the results thereof submitted for its final disposition. Aside from being in line with the policy of the Magna Carta of Labor which promotes the settlement of differences between management and labor by mutual agreement,^[8] such compromise agreements as in the case at bar promote the expeditious termination of the proceedings and prompt payment of the amounts to which the workers are indisputably entitled.

As was held in a recent case,^[9] where the contending parties arrived at a compromise agreement approved by the industrial court, "it is as if by agreement of the parties, the court had fixed the amount of the back wages." Going nevertheless into the claim in said case that "petitioners were fooled into accepting such amount (of P20,000.00) which is more than three hundred thousand pesos less than what was supposed to be computed by the court examiner to be due to them" notwithstanding the binding nature of respondent court's contrary findings of fact, the Court was satisfied by respondent court's answer,

averring inter alia that as in the present case, “the court examiner’s report was not yet final and subject to further disposition by the court in view of the numerous objections thereto of respondent company, which objections do appear to Us to be worthy of serious consideration.”

In fine, the compromise agreement of March, 1970 whereby Palanca discharged his judgment obligation to his co-petitioners, the union members, by paying them the sum of P31,000.00 amounted to an agreement between them that this was the amount due as back wages under the judgment and payment thereof was in full satisfaction of the judgment, with the parties waiving any further proceedings and presentation of evidence to determine such amount.

Respondent court’s stated lone reason, as reiterated in its memorandum at bar, that it could no longer act or approve the compromise agreement as its judgment had “long become final and executory,” was therefore erroneous in law and in fact.

The Court has taken note of Judge Bugayong’s separate opinion concurring in respondent court’s en banc resolution of January 21, 1971, wherein he questioned the amount of the settlement for P31,000.00 when the chief examiner’s report “shows that ‘before deducting the earnings elsewhere, the computed back wages of the 26 complainants’ amount to P139,114.19” and that “without stating any reason, three (3) of the individual complainants did not sign the compromise agreement and without any special power of attorney or written authority, seven (7) persons signed for and in behalf of the seven (7) individual complainants” (while the rest duly signed the document), concluding with his statement that “in the interest of fairness, (that) the amount of P31,000.00 already paid by (Palanca) to the complainants be considered as partial payment of the back wages due the complainants concerned.”

Judge Bugayong’s reservation as to the amount of the settlement is based on the erroneous premise of not noting that the back wages were still to be recomputed and subject to serious objections, such as the intervening death of some complainants and that evidence of the worker’s earnings elsewhere for deduction in the recomputation was still to be presented by Palanca at the scheduled hearings.

In the absence of any complaint to the present from the union or the individual complainants concerned against the compromise agreement so executed in March, 1970 and submitted to respondent court since September 23, 1970, and respondent court itself not having made any derogatory finding adverse to the authority of the union leadership and counsel to assist and participate in the execution of the compromise agreement on behalf and for the benefit of the individual complainants as the real judgment creditors^[10] (who have been impleaded as co-petitioners at bar by virtue of their being signatories thereto against respondent court's erroneous refusal to act on and approve the same), the Court is satisfied that no legal or equitable impediment or objection exists against the execution and implementation of the said compromise agreement.

ACCORDINGLY, respondent court's appealed en banc resolution of January 21, 1971 and order of October 12, 1970 are hereby annulled and set aside, and the compromise agreement of the parties is approved. No costs.

Concepcion, C.J., Zaldivar, Castro, Barredo, Makasiar, Antonio and Esguerra, J., concur.
Makalintal, J., is on leave.
Fernando, J., did not take part.

[1] Annex A, petition. The blank for the specific date of execution of the agreement in March, 1970 is left unfilled.

[2] Idem, paragraph 1; note in parenthesis supplied.

[3] Annex B, petition.

[4] Annex D, petition.

[5] As per the communication dated Nov. 7, 1972 of the Department of Labor, notwithstanding their efforts on several occasions to serve the Court's notices on the union, the United Sales & Services Ass'n, through the PAFLU, they were informed by PAFLU that the union was "no longer affiliated with the PAFLU. They do not know his whereabouts and therefore refused to accept copy of the resolution." The communication further stated that "Accordingly, we forwarded the copy to the United Sales & Services Employees Association at 1539 Craig Street, Sampaloc, Manila, on September 15, 1972, but it was returned, the addressee being unknown (at the given address."

[6] Article 1409 (1), Civil Code.

- [7] See *Workmen's Ins. Co. Inc. vs. CA*, 24 SCRA 626 (1968), where this Court approved the compromise agreement submitted pending appeal, as "there is no legal objection to its approval, which will have the effect of setting aside the decision of the respondent Court of Appeals sought to be reviewed."
- [8] *Dionela vs. CIR*, 8 SCRA 832 (1963), per Concepcion, J.
- [9] *Kapisanan ng mga Manggagawa sa Alak (NAFLU) vs. Hamilton Distillery Co.*, L-23714, June 30, 1970, per Barredo, J. (note in parenthesis supplied).
- [10] See *Heirs of T.M. Cruz vs. CIR*, 30 SCRA 917 (1969).