SUPREME COURT
SECOND DIVISION

PEPSI-COLA PRODUCTS PHILIPPINES, INC.,
***Petitioner*,**

-versus-

G.R. No. 145855
November 24, 2004

THE COURT OF APPEALS, and PEPSI-COLA PRODUCTS PHILIPPINES, INC. EMPLOYEES & WORKERS UNION (UOEF No. 70) represented by its incumbent president, ISIDRO REALISTA,
***Respondents*.**
x----------x

D E C I S I O N

CALLEJO, SR., *J.*:

Before us is a Petition for Review on Certiorari of the Decision[1] of the Court of Appeals (CA) in CA-G.R SP No. 50690, setting aside the decision of the National Labor Relations Commission (NLRC) in NLRC RABX Case No. RO-7-0234-86 and the reinstatement of the decision of the Executive Labor Arbiter in the said case.

The facts, as culled from the records of the case, are as follows:

Pepsi-Cola Products Philippines, Inc. Employees and Workers Union (PCEWU) is a duly- registered labor union of the employees of the Pepsi-Cola Distributors of the Philippines (PCDP).[2] On July 14, 1986, PCEWU, through its local union president, Arisedes T. Bombeo, filed a Complaint against PCDP with the Regional Arbitration Branch No. X of the Department of Labor and Employment (DOLE), Cagayan de Oro City, for payment of overtime services rendered by fifty-three (53) of its members, who were employed as salesmen, warehousemen, truck helpers, route salesmen, route sales workers, distributors, conductors and forklift operators, on the eight (8) days duly- designated as Muslim holidays for calendar year 1985, in their respective places of assignment, namely: Iligan City, Tubod, Lanao del Norte and Dipolog City.[3] The complaint was docketed as NLRC RABX Case No. RO-7-0234-86.

The PCEWU alleged, inter alia, that in previous years, they had been paid overtime pay for services rendered during the eight (8) Muslim holidays in their places of assignment, including Dipolog City. To support its claims, the PCEWU appended to its position paper the following: a photocopy of the applicable provisions of Presidential Decree (P.D.) No. 1083; a certification dated March 26, 1986 from the Regional Autonomous Government of Region 12-A, Marawi City, attesting to the eight (8) Muslim holidays observed in the said region in calendar year 1985; and the individual computation of the overtime claim of each of the workers concerned.[4]

In its position paper, the PCDP maintained that there were only five (5) legal Muslim holidays under the Muslim Code. It asserted that under the law, the cities of Cagayan de Oro and Dipolog were not included in the areas that officially observed the Muslim holidays, and that the said holidays were only applicable to Muslims. It also argued that even assuming that the employees were entitled to such overtime pay, only the rank-and-file employees and not the managerial employees should be given such benefit.

On May 26, 1987, the Executive Labor Arbiter (ELA)[5] rendered a Decision in favor of PCEWU, ordering PCDP to pay the claims of its workers. The decretal portion of the decision reads:

WHEREFORE, finding merit in complainant's claim, the respondent is hereby ordered to pay the complaining workers their claims for overtime services rendered in calendar year 1985 on duly-designated Muslim holidays corresponding to the following dates: May 20, 1985; June 17, 1985; June 19, 1985; August 26, 1985; September 4, 1985; September 24, 1985; November 25, 1985 and December 19, 1985, for workers involved with places of assignments at Iligan City and Tubod, Lanao del Norte and June 17, 1985; June 19, 1985; August 26, 1985; September 24, 1985 and November 25, 1985, for workers involved in the instant case whose place of assignment is at Dipolog City. Thus:

Ponciano Waslo	P 649.20
Valentin Estaño	P 1,003.68
Sergio Estrosas	P 711.52
Exequiel Cañeda	P 1,091.68
Guindelino Labial	P 649.20
Domingo Moreno	P 728.56
Eufemio Amora	P 1,001.44
Salvador Nisnisan	P 1,028.40
Leonides Lesonada	P 711.52
Zosimo Clemen	P 711.52
David Gotengco	P 1,017.52
Toriano Cabelbel	P 504.24
Arsenio Calumpang	P 711.52
Jose Sales, Jr.	P 711.52
Prudencio Labra	P 1,584.00
Romulo Dalagan	P 498.00
Rodrigo dela Cerna	P 498.00
Apolinario Oreniano	P 649.20
Pablo Cabanos	P 504.24
Felicisimo Dadofalsa	P 497.20
Simplecio Torres	P 1,071.52
Hadji Nur Usman	P 1,065.04
Lumna Salic	P 697.20
Cornelio Llanos	P 1,078.80
Godofredo Anana	P 504.24
Conrado Salon	P 504.24
Evaristo Tuante	P 1,164.83

Roque Clomas	P 711.45
Tomas Fillo	P 711.45
Bernaflor Macayan	P 1,091.68
Gregorio Moreno	P 711.52
Cornelio Iway	P 1,091.68
Salvador Anggot	P 504.24
Felix Lagat	P 711.52
Rogelio Mangubat	P 504.24
Avelino Jabonillo	P 504.52
Alberto Ordona	P 801.28
Dominador Ponce	P 1,028.88
Robinson Berhay	P 635.95
Juanito Cabale	P 405.75
Reynaldo Fulgarinas	P 444.70
Emelito Pineda	P 435.75
Antonio Andante	P 315.15
Dionesio Coyoca	P 315.15
Alberto Macapanas	P 315.15
Nestor Murro	P 315.15
Alfredo Nisnisan	P 315.15
Joseph Putian	P 315.15
Manuel Quirante	P 627.30
Antonio Torres	P 315.15
Arturo Pelare	P 649.00

Further respondent is hereby ordered to pay Complainant an amount equivalent to ten (10) percent of the aggregate award as attorney's fee.

SO ORDERED.[6]

The ELA ruled that, although P.D. No. 1083 does not specifically mention Dipolog City as one of the places where Muslim holidays are observed, it is nevertheless a part of Zamboanga del Norte and the autonomous region in Mindanao where such Muslim holidays are observed. He also ruled that while there were only five (5) Muslim holidays under P.D. No. 1083, and the Regional Legislative Assembly for Region 12 had passed legislation providing for three (3) more Muslim holidays per the Manifestation of the employees, the latter

failed to prove that a similar legislation had been approved by the Regional Legislative Assembly for Region 9. The ELA concluded that those employees assigned in Region 12 were entitled to overtime pay for eight (8) Muslim holidays, but those assigned in Region 9 were not so entitled.

The respondent appealed the decision to the NLRC where it reiterated its contention that, P.D. No. 1083 (Code of Muslim Personal Laws of the Philippines,) enumerates only five (5) legal Muslim holidays. It assailed the finding of the ELA that there were three (3) additional Muslim legal holidays in Region 12 based on the certification made by the Chief of the Administrative Division of the Office of Muslim Affairs, considering that the actual existence of any proclamation issued in relation thereto was not even verified. It argued that only Muslims were covered by the legal Muslim holidays' benefits, and not all persons found in the places enumerated in P.D. No. 1083. The respondent averred that since the employees failed to specify whether they were Muslims or non-Muslims, they were not entitled to the overtime pay awarded by the ELA. It further claimed that Dipolog City is a distinct political subdivision from the province of Zamboanga del Norte, and is not one of those areas enumerated under P.D. No. 1083.[7]

On March 21, 1991, the NLRC rendered judgment[8] affirming the decision of the ELA with modification:

> WHEREFORE, the decision appealed from is Modified consistent with the foregoing resolution. For purposes of recomputing the money claims of complainants, the Labor Arbiter is directed to conduct further proceedings affording both parties reasonable opportunity to be heard. The monetary award, as decreed in the decision of May 31, 1987, is hereby Vacated. No findings as to costs.
>
> SO ORDERED.[9]

The NLRC ruled that, since the respondent had been giving overtime pay during Muslim holidays to its employees, such proclamation had ripened into a company policy; hence, the respondent is estopped from denying the claims for overtime services rendered by its rank-

and-file employees during the said Muslim holidays.[10] The NLRC also declared that the other three (3) holidays considered by the ELA, aside from the five (5) Muslim holidays provided under P.D. No. 1083, were not customarily observed by Filipino Muslims. As such, these should not be included in the computation of overtime pay. It also ruled that since the complainants failed to present their daily time records, there can be no basis for the computation and determination for the claims of overtime pay. There was thus a need to present appropriate company records to determine the proper computation of the claims for overtime pay during the post arbitration stage.[11]

The NLRC also held that the managerial employees were not entitled to receive overtime pay because they were paid on a monthly basis. Furthermore, such overtime pay did not appear to be included in their monthly salaries, and that they were allowed "day-off" privileges or to offset any absences they may have incurred in case they had already exhausted their respective vacation or sick leave credits. The NLRC also declared that the matter of whether the complainants were managerial employees or not should be threshed out during the post arbitration proceedings.[13]

The PCDP filed its motion for partial reconsideration of the NLRC decision. The employees also filed a motion for reconsideration of the decision on April 17, 1991. Pending resolution of the said motions, ownership of various Pepsi-Cola bottling plants was transferred to petitioner Pepsi-Cola Products Philippines, Inc. (PCPPI). The NLRC directed the parties to file their respective pleadings concerning the respondent's existence as a corporate entity. The PCDP alleged that it had ceased to exist as a corporation on July 24, 1989 and that it has winded up its corporate affairs in accordance with law. It also averred that it was now owned by PCPPI.[13]

On February 11, 1992, the NLRC issued a Resolution[14] dismissing the complaint of the PCEWU for the reason that, with the cessation and dissolution of the corporate existence of the PCDP, rendering any judgment against it is incapable of execution and satisfaction:

> WHEREFORE, premises considered, judgment is hereby rendered dismissing the above-entitled case on account of a

> lawful supervening event, that is the dissolution and cessation of the corporate and juridical personality of respondent company thereby rendering any judgment against it incapable of execution and satisfaction. This is without prejudice to the rights of complainants from pursuing their money claims with the proper forum. This order supersedes the previous orders of this Commission in so far as the enforcement of the money claims of complainants are concerned with this labor tribunal. No findings as to costs.
>
> SO ORDERED.[15]

The NLRC ruled that it was not competent for it to proceed against the PCDP because it had ceased to exist as a juridical entity. Thus, it no longer resolved the respondent's motion for partial reconsideration, as well as the motion for reconsideration of the employees.

The PCEWU filed a motion for reconsideration of the February 11, 1992 Resolution of the NLRC, but the latter issued a Resolution on June 4, 1992[16] denying the said motion for lack of merit.

The petitioner filed a petition for the nullification of the February 11, 1992 Resolution of the NLRC. In a Resolution dated November 23, 1998, the Court referred the case to the Court of Appeals (CA) for proper disposition.[17] In its petition, the petitioner raised the following issues:

1. WHETHER OR NOT PEPSI-COLA PRODUCTS PHILIPPINES, INC., AS SUCCESSOR-IN-INTEREST OF THE DISSOLVED PEPSI-COLA DISTRIBUTORS OF THE PHILIPPINES, IS LIABLE OVER THE UNPAID OBLIGATION OF THE DISSOLVED CORPORATION TOWARDS ITS EMPLOYEES;

2. WHETHER OR NOT A DISSOLVED CORPORATION IS EXEMPT FROM THE PAYMENT OF ITS OBLIGATION;

3. WHETHER OR NOT THE NLRC HAS JURISDICTION OVER PEPSI-COLA DISTRIBUTORS OF THE PHILIPPINES.[18]

For its part, the respondent averred that notwithstanding the dissolution of the PCDP while the complaint was pending resolution by the NLRC, the latter continued existing as a corporation for a period of three years from the time when it would have been dissolved, conformably to Section 122 of the Corporation Code. It prayed that judgment be rendered in its favor, thus:

> WHEREFORE, premises considered, petitioner prays that this Honorable Court issue judgment:
>
> 1. Declaring the National Labor Relations Commission to have committed grave abuse of discretion in rendering the assailed resolutions.
>
> 2. Reversing the decision of the NLRC in the above-entitled case.
>
> 3. Reinstating the decision of the executive labor arbiter on May 4, 1987, ordering respondent to pay the complaining workers their claims for overtime services.
>
> 4. Granting petitioner such other reliefs and remedies equitable under the circumstances.[19]

In its comment on the petition, the Office of the Solicitor General (OSG) recommended that the petition be granted and that the NLRC be ordered to resolve the motions for reconsideration of the petitioner and respondent therein as follows:

> Indeed, respondent NLRC acted without lawful justification when it dismissed the complaint of petitioner union.

PRAYER

> WHEREFORE, it is respectfully prayed of this Honorable Court that respondent NLRC's Resolution dated February 11, 1992, dismissing the complaint of petitioner union, and Resolution dated June 4, 1992, denying petitioner union's motion for reconsideration, be annulled and set aside; and that respondent NLRC be ordered to decide on the merits [of] petitioner union's motion for reconsideration of April 17, 1991 only insofar as the actual number of Muslim holidays in 1985 is concerned.
>
> It is further respectfully prayed that, in as much as the instant Comment is adverse to respondent NLRC, the latter be given an opportunity to submit its own Comment, if it so desires.[20]

The CA found the petition meritorious, and on April 28, 1998, rendered judgment annulling the February 11, 1992 Resolution of the NLRC. It ruled that the NLRC committed grave abuse of its discretion when it dismissed the complaint, citing the ruling of this Court in Pepsi-Cola Bottling Co., et al. vs. NLRC.[21] The CA declared that the PCDP was still in existence when the complaint was filed, and that the supervening dissolution of the corporation did not warrant the dismissal of the complaint against it.[22] After all, the appellate court ratiocinated, every corporation is given three (3) years to wind up its affairs. Hence, in case any litigation is filed by or against the corporation within the three (3)-year period which could not be terminated within the expiration of the same, such period must necessarily be prolonged until the final determination of the case, for if the rule were otherwise, corporations in liquidation would lose what should justly belong to them or would be exempt from the payment of just obligations through mere technicality, something that courts should not countenance.[23] However, instead of remanding the case to the NLRC for the resolution of the respondent's motion for partial reconsideration and the petitioner's motion for reconsideration of the decision of the NLRC, the CA set aside the decision of the NLRC and reinstated the decision of the ELA, thus:

> WHEREFORE, premises considered, the instant petition is GIVEN DUE COURSE and GRANTED. The questioned resolutions of the NLRC in the above-entitled case are

> REVERSED and SET ASIDE. The decision of the Executive Labor Arbiter on May 4, 1987, ordering the respondent Pepsi Cola Distributors Philippines and its successor-in-interest Pepsi Cola Products Philippines, Inc., to pay the complaining workers their claims for overtime services, is hereby REINSTATED.[24]

The petitioner's motion for reconsideration of the CA decision was denied by the appellate court on September 15, 2000.[25]

Petitioner PCPPI, as the successor-in-interest of PCDP, filed the instant petition for review on certiorari with this Court, assailing the decision and resolution of the CA on the following issues:

> I. WHETHER OR NOT THE DECISION OF THE COURT OF APPEALS IS NULL AND VOID INSOFAR AS IT REINSTATED THE DECISION OF THE LABOR ARBITER IN FULL WITHOUT EXPRESSING THEREIN THE FACTS AND LAW ON WHICH IT IS BASED.
>
> II. WHETHER OR NOT NON-MUSLIMS LIVING AND WORKING IN PRIVATE COMPANIES LOCATED IN MUSLIM AREAS ARE ENTITLED TO THE MUSLIM HOLIDAY PROVISIONS OF P.D. 1083.
>
> III. WHAT IS THE SPIRIT BEHIND THE DECLARATION AND CELEBRATION OF MUSLIM HOLIDAYS? IS IT TO ENABLE MUSLIMS TO OBSERVE, ENJOY, AND CELEBRATE THEIR RELIGION, OR IS IT TO ALLOW MUSLIM AND NON-MUSLIM ALIKE TO ENJOY ADDITIONAL HOLIDAYS OVER AND ABOVE THE REGULAR AND NATIONWIDE SPECIAL DAYS ALREADY OBSERVED IN THE COUNTRY.
>
> IV. WHETHER OR NOT ALLOWING EVEN NON-MUSLIMS WORKING IN PRIVATE COMPANIES LOCATED IN MUSLIM AREAS, TO BE ENTITLED TO MUSLIM HOLIDAY PAY, IF THEY RENDER WORK DURING MUSLIM HOLIDAYS, WILL PROVE TO BE TOO ONEROUS AND UNFAIR TO THE EMPLOYER IN

VIOLATION OF THE LATTER'S RIGHT TO EQUAL PROTECTION OF THE LAW.

V. WHETHER OR NOT THE MUSLIM HOLIDAY PROVISIONS OF P.D. 1083 COVER THE CITY OF DIPOLOG.

VI. WHETHER OR NOT MANAGERIAL EMPLOYEES ARE ENTITLED TO OVERTIME PAY.

VII. WHETHER THERE ARE FIVE (5) OR EIGHT (8) MUSLIM HOLIDAYS TO BE OBSERVED IN THE AREAS AT ISSUE.[26]

The petitioner avers that the decision of the CA, setting aside the decision of the NLRC and reinstating the decision of the ELA, is null and void because it failed to delve into the factual and legal issues on the merits, such as the number of Muslim legal holidays, and whether non-Muslims, who were assigned in the Muslim areas, were entitled to overtime pay. Despite such failure, it set aside the decision of the NLRC and reinstated that of the ELA. The petitioner avers that this violated Section 14, Article VIII of the Constitution, which reads:

> Sec. 14. No decision shall be rendered by any court without expressing therein clearly and distinctly the facts and the law on which it is based.

No petition for review or motion for reconsideration of a decision of the court shall be refused due course or denied without stating the legal basis therefor.

For its part, the respondent avers that the decision of the CA is in accord with law and the facts. The OSG opted not to file any comment on the petition.

We agree with the ruling of the CA that the NLRC committed a grave abuse of its discretion amounting to lack of jurisdiction in dismissing the case. The NLRC clearly erred in perceiving that, upon the petitioner's acquisition of the PCDP, the latter lost its corporate personality. The appellate court delved into and resolved the issue

with sufficient fullness, and supported the same with statutory provisions and applicable case law. Under Section 122 of the Corporation Code, a corporation whose corporate existence is terminated in any manner continues to be a body corporate for three (3) years after its dissolution for purposes of prosecuting and defending suits by and against it and to enable it to settle and close its affairs, culminating in the disposition and distribution of its remaining assets. It may, during the three-year term, appoint a trustee or a receiver who may act beyond that period. The provision which reads in full:

> SEC. 122. Corporate Liquidation. – Every corporation whose charter expires by its own limitation or is annulled by forfeiture or otherwise, or whose corporate existence for other purposes is terminated in any other manner, shall nevertheless be continued as a body corporate for three (3) years after the time when it would have been so dissolved, for the purpose of prosecuting and defending suits by or against it and enabling it to settle and close its affairs, to dispose of and convey its property and to distribute its assets, but not for the purpose of continuing the business for which it was established.

At any time during the said three (3) years, the corporation is authorized and empowered to convey all of its properties to trustees for the benefit of stockholders, members, creditors, and other persons in interest. From and after any such conveyance by the corporation of its properties in trust for the benefit of its stockholders, members, creditors and others in interest, all interest which the corporation had in the properties terminates the legal interest vests in the trustees, and the beneficial interest in the stockholders, members, creditors or other persons in interest.

Upon the winding up of the corporate affairs, any asset distributable to any creditor or stockholder or member, who is unknown or cannot be found, shall be escheated to the city or municipality where such assets are located.

Except by decrease of capital stock and as otherwise allowed by this Code, no corporation shall distribute any of its assets or property

except upon lawful dissolution and after payment of all its debts and liabilities.

The termination of the life of a corporate entity does not by itself cause the extinction or diminution of the rights and liabilities of such entity.[27] If the three-year extended life has expired without a trustee or receiver having been expressly designated by the corporation, within that period, the board of directors (or trustees) itself, may be permitted to so continue as "trustees" by legal implication to complete the corporate liquidation.[28]

However, we agree with the petitioner's contention that the decision of the CA setting aside the decision of the NLRC and reinstating the decision of the ELA is null and void for lack of jurisdiction.

It bears stressing that the Court of Appeals had no appellate jurisdiction over the issue of whether the decision of the NLRC is correct or not. This is so because the only issue in the CA was whether or not the NLRC committed a grave abuse of its discretion in dismissing the complaint simply and merely because PCDP was acquired by herein petitioner while the complaint of the respondent was pending.

The issue of the correctness of the NLRC decision was not raised in the Court of Appeals by the petitioner therein (now the respondent). And the reason for this is obvious: the petitioner and the respondent therein which are the complainant-appellee and respondent-appellee in the NLRC had filed their respective motions for reconsideration of the decision of the NLRC, and the latter had yet to resolve such motions when it dismissed the case; thus, rendering moot and academic any resolutions on said motions. By dismissing the case, the NLRC thereby set aside, not only the decision of the ELA, but also its own. The only relief the petitioner in the Court of Appeals was entitled to was the nullification of the assailed Resolution of the NLRC and the reinstatement of the case before it. The petitioner was not entitled to a reversal of the decision of the NLRC on the merits of the appeal and the reinstatement of the decision of the ELA appealed from.

In sum, then, the decision of the CA setting aside the decision of the NLRC and reinstating the decision of the ELA is null and void. As we ruled in People vs. Court of Appeals:[29]

> If a court is authorized by statute to entertain jurisdiction in a particular case only, and undertakes to exercise the jurisdiction conferred in a case to which the statute has no application, the judgment rendered is void. The lack of statutory authority to make a particular judgment is akin to lack of subject-matter jurisdiction. In this case, the CA is authorized to entertain and resolve only errors of jurisdiction and not errors of judgment.
>
> A void judgment has no legal and binding effect, force or efficacy for any purpose. In contemplation of law, it is non-existent.

It behooved the CA, after nullifying the February 11, 1992 Resolution of the NLRC, to order the latter to reinstate the case, inclusive of its decision, and resolve, with reasonable dispatch, the pending motions for reconsideration of the parties. After the NLRC shall have resolved the pending motions, the aggrieved party may then file a petition on certiorari under Rule 65 of the Rules of Court from the decision of the NLRC and its resolution of the said motions.

IN LIGHT OF ALL THE FOREGOING, the petition is **PARTIALLY GRANTED**. The assailed Decision of the Court of Appeals, nullifying the February 11, 1992 Decision of the NLRC, is **AFFIRMED WITH MODIFICATION**. The NLRC is **DIRECTED** to resolve, with reasonable dispatch, the motions for reconsideration of the parties of its decision. No costs.

SO ORDERED.

Puno, *J.*, *(Chairman)*, Austria-Martinez, Tinga, and Chico-Nazario, *JJ.*, concur.

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[1] Penned by Associate Justice Bernardo P. Abesamis (retired), with Associate Justices Martin S. Villarama, Jr. and Elvi John S. Asuncion, concurring.

[2] See Rollo, p. 25.

[3] Ibid.
[4] Id. at 37.
[5] Executive Labor Arbiter Zosimo T. Vasallo.
[6] Rollo, pp. 41-43.
[7] Id. at 50-51.
[8] Penned by Presiding Commissioner Musib M. Buat.
[9] Rollo, p. 58.
[10] Id. at 56.
[11] Id. at 57-58.
[12] Id. at 58.
[13] Id. at 60.
[14] Id. at 60-65.
[15] Id. at 65.
[16] Id. at 66-68.
[17] Id. at 203.
[18] CA Rollo, p. 6.
[19] Id. at 11.
[20] Id. at 77-78.
[21] 210 SCRA 227 (1992).
[22] Rollo, pp. 31-32.
[23] Id. at 32.
[24] Id. at 33.
[25] Id. at 35.
[26] Id. at 8-9.
[27] See Gonzales vs. Sugar Regulatory Administration, 174 SCRA 377 (1989).
[28] See Gelano vs. Court of Appeals, 103 SCRA 90 (1981).
[29] G.R. No. 144332, June 10, 2004.