SUPREME COURT
THIRD DIVISION

PHILIPPINE CARPET EMPLOYEES ASSOCIATION and JONATHAN BARQUIN,
***Petitioners*,**

-versus-

G.R. No. 140269-70
September 14, 2000

PHILIPPINE CARPET MANUFACTURING CORPORATION, RAUL RODRIGO AND MANUEL TROVELA,
***Respondents*.**
x----------x

D E C I S I O N

GONZAGA REYES, *J.*:

This Petition for Review on Certiorari seeks the reversal of the Resolution of the Court of Appeals[1] in CA G.R. SP No. 41985[2] dated January 29, 1999 which reversed and set aside its Decision dated January 30, 1998 ordering the reinstatement of Jonathan Barquin.
The following facts are undisputed:

"The Philippine Carpet Employees Association (Union for brevity) is the certified sole and exclusive collective bargaining agent of all rank

and file employees in Philippine Carpet Manufacturing Corporation, a local company engaged in the business of carpet and rug making. Jonathan Barquin is a union member who was hired by the company as casual worker (janitor) on July 15, 1995. Seven months later, on January 27, 1996, he was extended a probationary employment, as a helper in the Company's weaving department.

On January 16, 1996, the Regional Tripartite Productivity Board (NCR) promulgated Wage Order No. 4 and 4-A granting a two-tier increase in the minimum wage as follows: (a) P16.00 effective February 2, 1996; and (b) P4.00 effective May 1, 1996.

On February 29, 1996, the Union wrote the company and its officers, asking for an across-the-board implementation of Wage Order No. 4 and 4-A. In the said letter, the Union invoked the Company's 'decades old practice of implementing wage orders across-the-board to all rank and file employees.

In a letter dated March 14, 1996, the company refused to grant the Union's request on the ground that the company is suffering from poor business situation; that all the present workers/employees are earning above P145.00/day, hence, not covered by Wage Order No. 4 and 4-A.

On March 18, 1996, the Union reiterated its demand for an across-the-board implementation, threatening legal action against the company in the event that the said demand is denied.

In a memorandum dated March 29, 1996, the Company reiterated its position that the employees are not covered by Wage order No. 4 and 4-A for the reason that nobody in the company is receiving a salary of P145.00 a day.

In the meantime, Jonathan Barquin received a notice dated March 14, 1996 from the company, advising him that his services were to be terminated effective at the close of working hours on April 13, 1996. In lieu of the 30-day notice requirement for his termination, he was placed on forced leave status effective March 15, 1996 but was paid in full for the duration of the said leave. The company justified Baquin's separation from the service as a valid act of retrenchment. While the

Union averred that the separation is tantamount to illegal dismissal resorted to by the company to avoid compliance with the provisions of Wage Order 4 and 4-A."[3]

Failing to resolve the issues in the mediation level, the parties agreed to submit the case for voluntary arbitration. On August 3, 1996, the voluntary arbitrator, Angelita Alberto Gacutan ruled that Jonathan Barquin (BARQUIN) was hastily dismissed to avoid compliance with Wage Order Nos. 4 and 4-A, but held that he is not entitled to reinstatement because he received his separation pay and voluntarily signed the Deed of Release and Quitclaim and acquiesced to his separation. The dispositive portion of the Resolution[4] of the voluntary arbitrator reads:

> "WHEREFORE, PREMISES CONSIDERED, herein Voluntary Arbitrator renders judgment ordering Respondents:
>
> 1. To pay the minimum wage to those receiving P145.00 a day or below the minimum wage of P161.00 as of February 2, 1996.
>
> 2. To pay Jonathan Barquin a salary differential based on the wage increase as of February 2, 1996 up to his separation from the service on April 13, 1996.
>
> 3. To apply the formula prescribed under section 11, Wage Order No. 4 and 4-A, thereby avoiding the possible distortion in the wage structure of the employees.
>
> SO ORDERED."[5]

Motion for Reconsideration[6] was denied prompting both the petitioners and the respondents to appeal to the Court of Appeals assailing the decision of the voluntary arbitrator. On January 30, 1998, the Court of Appeals ruled that the respondent company failed to prove actual poor financial condition as just cause for retrenchment nor prove that BARQUIN voluntarily signed the quitclaim; thus the court affirmed with modification the decision of

the voluntary arbitrator and ordered BARQUIN's reinstatement as follows:

> "WHEREFORE, the appealed Resolution is hereby AFFIRMED with modification that Jonathan Barquin shall be reinstated with payment of full backwages and other benefits and privileges from the time he was dismissed up to actual reinstatement."[7]

A motion for reconsideration filed by private respondent was partly granted; the Court of Appeals reconsidered its earlier decision and set aside the order of reinstatement of BARQUIN, on the ground that BARQUIN had the burden to prove that his execution of the Deed of Release and Quitclaim was involuntary.[8] The Resolution of the Court of Appeals states:

> "Accordingly, the motion for reconsideration is partly granted. Our Decision is hereby partly reconsidered by setting aside the reinstatement of Jonathan Barquin."[9]

Motion for reconsideration of this last Resolution filed by the herein petitioners was denied[10] for lack of merit; hence this present appeal wherein the petitioners state the issue as: "whether there being a finding of illegal dismissal by the voluntary arbitrator and the Court of Appeals, the relief of reinstatement follows as a matter of law as provided by Article 279 of the Labor Code and jurisprudence."[11] The following arguments are raised in support of the petition.

A

> THE DECISION OF THE HON. COURT REVERSING ITS EARLIER RULING OF ORDERING FOR (sic) THE REINSTATEMENT OF JONATHAN BARQUIN IS CONTRARY TO THE LABOR CODE (ARTICLE 279) AND JURISPRUDENTIAL LAW.
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> WHERE THERE IS A FINDING OF ILLEGAL DISMISSAL THE LAWFUL CONSEQUENCE OF SUCH FINDING- IS REINSTATEMENT IN ACCORDANCE WITH ARTICLE 279 OF THE LABOR CODE AND JURISPRUDENTIAL LAW.

B

THE HON. COURT'S RULING IS CONTRARY TO THE DOCTRINE LAID DOWN IN TREND LINE CASE, G.R. NO. 112923, BARQUIN WAS MISLED BY RESPONDENTS INTO SIGNING THE QUITCLAIM BY PRETENDING THERE WAS A VALID RETRENCHMENT.

C

THE HON. COURT, IT IS RESPECTFULLY SUBMITTED COMMITTED GRAVE ABUSE OF DISCRETION IN RULING THAT THERE IS A PRESUMPTION OF VOLUNTARINESS OF EXECUTION OF QUITCLAIMS IN LABOR CASE (sic) CONTRARY TO THE DOCTRINE LAID DOWN IN THE CASE OF SALONGA VERSUS NLRC, G.R. NO. 118120.

D

SIGNING QUITCLAIMS DOES NOT BAR THE PURSUIT OF ILLEGAL DISMISSAL CASE.

THE SIGNING OF QUITCLAIM DOES NOT BAR THE PURSUIT OF ILLEGAL DISMISSAL CASE IN ACCORDANCE WITH JURISPRUDENCE — EMILIANO A. RIZALDE VERSUS NATIONAL LABOR RELATIONS COMMISSION, G.R. NO. 96982, SEPT. 21, 1999 (THIRD DIVISION).[12]

The only issue posed now concerns the reinstatement of BARQUIN. In essence, the petitioners maintain that since both the voluntary arbitrator and the Court of Appeals found that petitioner, BARQUIN, was illegally dismissed, he is entitled to reinstatement as a matter of right pursuant to Article 279 of the Labor Code.[13] The petitioners also contend that contrary to the finding of both the Court of Appeals and the voluntary arbitrator, BARQUIN did not voluntarily sign the Deed of Release and Quitclaim.[14] It was the fact that the respondent company misled him into signing said deed by leading him to believe in bad faith that there was a valid retrenchment, which made him sign the quitclaim. Petitioners further argue that at any rate,

quitclaims are not favored in this jurisdiction and it is incumbent upon the employer to prove voluntariness; that by signing the quitclaim and by accepting separation pay to tide him over while pursuing the case, BARQUIN did not renounce any right nor will the signing of the quitclaim prevent him from pursuing his case.

Respondents, on the other hand, maintain that the finding of both the voluntary arbitrator and the Court of Appeals that BARQUIN freely and voluntarily signed and executed the Deed of Release and Quitclaim is a factual finding which is conclusive and should be given great weight and respect by this Court. Moreover, the respondents claim that the consideration therein was a fair and full settlement of the amount legally due to BARQUIN who never alleged that he was physically threatened or intimidated into signing the quitclaim.

In essence, the petitioners' position is that as a consequence of a finding that BARQUIN's dismissal was illegal as he was misled by the company into believing that there was a valid retrenchment, which representation made him sign the quitclaim, he is entitled to reinstatement and backwages.[15] The respondent company, on the other hand, points out that the crux of the controversy boils down to the resolution of the issue of the validity of the Deed of Release and Quitclaim signed by BARQUIN, and both the voluntary arbitrator and the Court of Appeals ruled that it was freely and intelligently signed by him.

The petition is meritorious.

It is not disputed that the respondent company was guilty of illegal dismissal in terminating BARQUIN's employment. As a rule, an illegally dismissed employee is entitled to 1) either reinstatement or separation pay if reinstatement is no longer viable, and 2) backwages.[16]

In holding that although BARQUIN was illegally dismissed he was not entitled to reinstatement, both the Court of Appeals and the voluntary arbitrator upheld the validity of the Deed of Release and Quitclaim that BARQUIN signed after concluding that he voluntarily signed the same for the reason that the respondent company did not coerce or intimidate him into signing and receiving his separation

pay, and consequently ruled that he waived his right to reinstatement. The Court of Appeals added that the burden of proof to show that the quitclaim was signed and executed involuntarily is on the party who assails it inasmuch as a person is presumed to intend the consequences of his voluntary act and that a person takes ordinary care of his concerns and that private transactions have been fair and regular.[17] Respondents posit that such a factual finding is conclusive upon this Court.

We disagree.

The validity of quitclaims executed by laborers has long been recognized in this jurisdiction. In Periquet vs. National Labor Relations Commission,[18] this Court ruled that not all waivers and quitclaims are invalid as against public policy.[19] If the agreement was voluntarily entered into and represents a reasonable settlement of the claims of the employee, it is binding on the parties and may not later be disowned simply because of a change of mind.[20] Such legitimate waivers resulting from voluntary settlements of laborer's claims should be treated and upheld as the law between the parties.[21] However, when as in this case, the voluntariness of the execution of the quitclaim or release is put into issue, then the claim of employee may still be given due course.[22] The law looks with disfavor upon quitclaims and releases by employees pressured into signing the same by unscrupulous employers minded to evade legal responsibilities.[23]

In the present case, both the Court of Appeals and the voluntary arbitrator erred in concluding that BARQUIN voluntarily signed the Deed of Release and Quitclaim. Records reveal that the respondent company informed BARQUIN that his services were being terminated on the ground of retrenchment as the company was constrained to reduce the number of its personnel "due to the tremendous drop of production output since about the last quarter of 1994 up to the present."[24] However, this claim was rejected by both the voluntary arbitrator and the Court of Appeals, which ruled that the respondent company failed to prove that it was suffering from actual poor financial condition and that it was "doubtful if the retrenchment of one helper in the production department earning P145.00 a day would avert losses of the company."[25] Instead, the voluntary arbitrator found that the respondent company had an ulterior motive

behind BARQUIN's dismissal and that only he was singled out and retrenched by the respondent company. The voluntary arbitrator went as far as saying that BARQUIN's hasty dismissal in the guise of retrenchment was a feeble attempt at circumventing the law.[26] It was shown that BARQUIN was the only employee earning P145.00 a day and was qualified to receive the mandated wage increase granted by Wage Order Nos. 4 and 4-A. An increase in his salary would cause a wage distortion in the wage structure of the company, which would necessitate the adjustment of the wages of its other employees.[27] It is therefore reversible error to hold, despite such findings, that BARQUIN voluntarily signed the quitclaim for the only logical conclusion that can be drawn is that the respondent company feigned that it was suffering business losses in order to justify retrenchment and consequently enable it to terminate the services of BARQUIN in order to prevent the wage distortion. Respondent company's lack of candor and good faith in informing BARQUIN that he was being terminated due to a valid retrenchment and not because it sought to avoid compliance with the mandated wage increases amounted to a deception which led BARQUIN to the mistaken belief that there was legal ground for retrenchment and prompted him to acquiesce to his termination and sign the quitclaim. Petitioners correctly point out that such an act has been declared by this Court in the case of Trendline Employees Association-Southern Philippines Federation of Labor vs. NLRC[28] as tainted with bad faith and should not be countenanced as being prejudicial and oppressive to labor.[29] Verily, had the respondent company not misled BARQUIN into believing that there was a ground to retrench, it is not difficult to believe that he would have thought twice before signing the quitclaim inasmuch there was no reason for the termination of his employment.

Contrary to the assumption of both the Court of Appeals and the voluntary arbitrator, the mere fact that BARQUIN was not physically coerced or intimidated does not necessarily imply that he freely or voluntarily consented to the terms of the quitclaim. Under Article 1330 of the Civil Code, consent may be vitiated not only through intimidation or violence but also by mistake, undue influence or fraud. Mistake may invalidate consent when it refers to the substance of the thing which is the object of the contract or to those conditions which have principally moved one or both parties to enter into contract;[30] there is fraud when, through insidious words or

machinations of one of the contracting parties, the other is induced to enter into a contract which, without them, he would not have agreed to.[31]

Moreover, as correctly pointed out by the petitioners, this Court has ruled in Salonga vs. National Labor Relations Commission[32] that it is the employer (respondent company) and not BARQUIN who has the burden of proving that the quitclaim was voluntarily entered into by him.[33] The Court of Appeals therefore erred in ruling that the burden of proof to show that the deed of Release and Quitclaim was signed and executed voluntarily was on BARQUIN.

BARQUIN's consent to the quitclaim cannot be deemed as being voluntarily and freely given inasmuch as his consent was vitiated by mistake or fraud, we have no recourse but to annul the same. There being no valid quitclaim, BARQUIN is entitled to receive the benefits granted an employee whose dismissal on the ground of retrenchment is declared illegal. BARQUIN is therefore entitled to reinstatement to his former position without loss of seniority rights and other privileges, as there is no evidence to show that reinstatement is no longer possible.[34] He is also entitled to backwages computed from the time of his dismissal up to the time of actual reinstatement, without qualification or deduction.[35] However, the amount BARQUIN received as separation pay if any when he signed the Deed of Release and Quitclaim should be deducted from this monetary award.[36]

ACCORDINGLY, the instant petition is **GRANTED** and the decision of the Court of Appeals in CA G.R. SP No. 41985 is **REVERSED** and **SET ASIDE**. Respondent Philippine Carpet Manufacturing Corporation is hereby ordered to reinstate Jonathan Barquin to his former position without loss of seniority rights and other privileges and to pay him backwages computed from the time of his dismissal up to the time of actual reinstatement, without qualification or deduction except for the amount previously received by him as separation pay.

No pronouncement as to costs.

SO ORDERED.

Melo, Vitug, Panganiban and Purisima, *JJ.*, concur.

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[1] Eleventh Division composed of the ponente J. Ruben T. Reyes and the members: J. Quirino D. Abad Santos, Jr. (Chairman) and J. Hilarion L. Aquino concurring.
[2] The case was consolidated with CA G.R. SP No. 42711, a Petition for Certiorari filed by herein respondents, which was dismissed by the Court of Appeals for being filed out of time.
[3] Decision of the Court of Appeals dated January 30, 1998, pp. 3-5; Rollo, 33-35.
[4] Rollo, 57-68.
[5] Resolution of the Voluntary Arbitrator dated August 3, 1996, p. 10; Rollo, 66.
[6] Rollo, 69-70.
[7] Decision of the Court of Appeals dated January 30, 1998, p. 21; Rollo, 51.
[8] Resolution of the Court of Appeals dated January 29, 1999; Rollo, 19-25.
[9] Rollo, 25.
[10] Resolution of the Court of Appeals dated October 1, 1999; Rollo, 28-29.
[11] Petitioners' Memorandum, 5; Rollo, 167.
[12] Memorandum of Petitioners. pp. 5, 8, 9 and 10; Rollo, pp. 167, 170, 171 and 172.
[13] Art. 279. Security of Tenure. — In case of regular employment, the employer shall not terminate the services of an employee except for a just cause or when authorized by this Title. An employee who is unjustly dismissed from work shall be entitled to reinstatement without loss of seniority rights and other privileges, and to his full backwages, inclusive of allowances, and to his other benefits or their monetary equivalent computed from the time his compensation was withheld from him up to the time of his actual reinstatement.
[14] Rollo, 159.
[15] Both petitioners and respondent have executed the decision of the Court of Appeals and the voluntary arbitrator insofar as backwages for the wage distortion is concerned. The issue presented on backwages in this present petition refers to backwages due in the event of a finding of illegal dismissal. See Petitioners' Memorandum; Rollo, 167.
[16] Serrano vs. National Labor Relations Commission, G.R. No. 117040, January 27, 2000, 23; Garcia vs. National Labor Relations Commission, G.R. No. 116568, September 3, 1999, 13.
[17] Resolution of the Court of Appeals dated January 29, 1999, pp. 54; Rollo; 23-24.
[18] 186 SCRA 724 [1990].
[19] Ibid., 730
[20] Ibid.
[21] Labor Congress of the Philippines vs. NLRC, 292 SCRA 469, 477 [1998].

[22] Talla vs. National Labor Relations Commission, 175 SCRA 479, 480-481 [1989].
[23] Labor Congress of the Philippines vs. NLRC, Supra.
[24] Rollo, 56.
[25] Decision of the Court of Appeals dated January 30, 1998 at p. 18; Rollo, 48.
[26] Resolution of the voluntary arbitrator, 8; Rollo, 64.
[27] Decision of the Court of Appeals dated January 30, 1998 at p. 19-20; Rollo, 49-50.
[28] 272 SCRA 172 [1997] — In said case, the Supreme Court ruled that the act of Trendline Department Store in leading its employees to believe that it was suffering business losses was an act of bad faith and that there was no valid retrenchment warranting the dismissal of the employees of Trendline.
[29] Ibid., 181.
[30] Article 1331, Civil Code.
[31] Article 1338, Civil Code.
[32] 254 SCRA 111 [1996].
[33] Ibid., 114.
[34] See note 16.
[35] Ibid.
[36] Lopez Sugar Corporation vs. Federation of Free Workers, 189 SCRA 179, 193 [1990].