SUPREME COURT
FIRST DIVISION

REPUBLIC PLANTERS BANK NOW KNOWN AS PNB-REPUBLIC BANK,
***Petitioner*,**

-versus-

G.R. No. 117460
January 6, 1997

NATIONAL LABOR RELATIONS COMMISSION and ANTONIO G. SANTOS,
***Respondents*.**
x----------x

D E C I S I O N

BELLOSILLO, *J.*:

ANTONIO G. SANTOS was employed by Republic Planters Bank, now known as PNB-Republic Bank (PNB-RB), for thirty-one (31) years and fifteen (15) days occupying various positions. At the time of his retirement on 31 May 1990 he was a Department Manager with a monthly salary of P8,965.00 and accumulated leave credits of two hundred and seventy-two (272) days. He received a gratuity pay of P434,468.52 out of which P20,615.62 was deducted for taxes due.

Santos filed the instant suit for underpayment of gratuity pay, non-payment of accumulated sick and vacation leaves, mid-year and year-

end bonuses, financial assistance, at the same time claiming damages and attorney's fees.

The Labor Arbiter found for complainant Santos and this finding was affirmed by the National Labor Relations Commission (NLRC) on appeal.

PNB-RB alleges in this petition that the resolution of NLRC is contrary to the evidence and existing jurisprudence; that NLRC gravely abused its discretion when it upheld the order of the Labor Arbiter awarding P661,210.63 to Santos; and, that the award to Santos of mid- year and year-end bonuses, moral and exemplary damages and attorney's fees has no legal basis. Petitioner argues that Santos is not entitled to the award as he signed a Release, Waiver and Quitclaim therefor when he received his gratuity pay of P434,468.52.

We are not unaware that a quitclaim by an employee in favor of his employer amounts to a valid and binding compromise agreement between them.[1] An agreement voluntarily entered into which represents a reasonable settlement is binding on the parties and may not later be disowned simply because of a change of mind.[2]

On the other hand, we are not also unmindful of the principle that quitclaims are ineffective to bar recovery for the full measure of the worker's rights[3] and that acceptance thereof does not amount to estoppel.[4] Generally, quitclaims by laborers are frowned upon as contrary to public policy.[5] And the fact that the consideration given in exchange thereof was very much less than the amount claimed renders the quitclaim null and void.[6] In the instant case, the total amount claimed by Santos is P908,022.65 of which only P434,468.52 was received by him. Considering that the Release, Waiver and Quitclaim was signed by Santos under protest as found by the Labor Arbiter and the NLRC, and the difference between the amount claimed and that paid cannot in any way be considered negligible, we deem it proper to recompute and determine the exact amount of the retirement benefits due private respondent. We perceive the waiver under the facts of the case to dangerously encroach on the entrenched domain of public policy.

Petitioner invokes Periquet vs. National Labor Relations Commission[7] to thwart private respondent's claim. Unfortunately, the case does not provide the desired relief. In Periquet, the consideration for the quitclaim was found to be credible and reasonable. In the case before us, we are unable to make such finding for the difference involved is considerably big and substantial. The total of the claim is P908,022.65. Deducting therefrom the amount of P434,468.52 already received by respondent Santos leaves a difference of P473,554.13 which is even more than what he had been given.

PNB-RB avers that the NLRC gravely abused its discretion when it computed the gratuity pay of Santos at P661,210.63 based on the salary rate of the next higher rank on the theory that he acquired a vested right over it pursuant to the 1971-1973 Collective Bargaining Agreement (CBA). Petitioner posits that as the CBA had long expired it could no longer be used as basis in computing the gratuity pay of its retiring officers; instead, the computation should be based on the practice and policy of the bank effective at the time of the employee's retirement.

We cannot agree. Not so long ago we resolved exactly the same issues in Republic Planters Bank vs. National Labor Relations Commission[8] which, coincidentally, emanated from a similar set of facts. In that case, Macario de Guzman resigned from PNB-RB on 3 June 1985. The following day he filed a complaint with the Department of Labor and Employment for underpayment of gratuity pay, underpayment of unused leaves and non-payment of accrued leave credits. De Guzman bewailed the erroneous computation of his gratuity pay and the cash value of his accumulated leave credits, and maintained that it should have been based on the provisions of the 1971-1973 CBA instead of the 1982-1985 CBA entered into between PNB-RB and its rank-and-file employees. In finding for de Guzman we ruled —

> Prior to private respondent's resignation, there were other managerial employees who resigned and/or retired from petitioner's employ who received their corresponding gratuity benefits and the cash value of their accumulated leave credits pursuant to the provisions of the old CBA of 1971-73 despite its

> expiration in 1976. Among them were Simplicio Manalo and Miguel Calimbas who resigned on 15 March 1977 and 15 July 1978, respectively. With such a practice and policy, petitioner cannot refuse to pay private respondent his gratuity benefits under the old CBA. Under Section 14(a), Rule 1 of the Rules and Regulations Implementing Book VI of the Labor Code, it is provided:
>
> > Sec. 14. Retirement Benefits. — (a) An employee who is retired pursuant to a bona fide retirement plan or in accordance with the applicable individual or collective agreement or established employer policy shall be entitled to all the retirement benefits provided therein." — (Emphasis supplied)

The foregoing provision explicitly states that a company practice or policy is a labor standard in determining the retirement benefits of its employees.

The petitioner's theory that the computation of the benefits of private respondent should be based on the 1982-85 CBA which was the one enforced at the time of his resignation is untenable. Said CBA was entered into by petitioner with its rank-and-file employees. Private respondent is a managerial employee who, by express provision of law, is excepted from the coverage of the aforesaid contract. Private respondent was not a party thereto and could not be bound thereby.

Since no new CBA had been entered into between the managerial employees and petitioner upon the expiration of the said 1971-73 CBA, private respondent has acquired a vested right to the said established policy of petitioner in applying the 1971-73 CBA to retiring or resigning executives of managerial employees. Such right cannot be curtailed or diminished.[9]

We maintain the same dictum in the case before us. PNB-RB insists on disowning any practice or policy of granting gratuity pay to its retiring officers based on the salary rate of the next higher rank. It admitted however that it granted gratuity pay on the basis of the salary rate of the next higher rank but only in the case of Simplicio Manalo. As to other instances when it granted gratuity pay based on

the salary rate of the next higher rank, PNB-RB explains that those were not voluntarily done but were in lawful compliance with court orders.

PNB-RB asserts that our findings in the Republic Planters Bank vs. National Labor Relations Commission[10] were definitely erroneous as they were contrary to law and the facts of the case. Thus, the error should not be perpetuated.[11]

A punctilious perusal of the records leads us to the same conclusion, i.e., that PNB-RB has adopted the policy of granting gratuity benefits to its retiring officers based on the salary rate of the next higher rank. It continued to adopt this practice even after the expiration of the 1971-1973 CBA. The grant was consistent and deliberate although petitioner knew fully well that it was not required to give the benefits after the expiration of the 1971-1973 CBA. Under these circumstances, the granting of the gratuity pay on the basis of the salary rate of the rank next higher may be deemed to have ripened into company practice or policy which can no longer be peremptorily withdrawn.[12] Any benefit and supplement being enjoyed by the employees cannot be reduced, diminished, discontinued or eliminated by the employer by virtue of Sec. 10 of the Rules and Regulations Implementing P.D. No. 851 and Art. 100 of the Labor Code which prohibit the diminution or elimination by the employer of the employees' existing benefits.[13] Leave credits should likewise be computed based on the upgraded salary rate, i.e., the salary rate of the next higher rank in conformity with the provisions of the 1971-1973 CBA which in part read —

> Section 14. The Bank agrees to grant to each regular supervisor employee upon his retirement, resignation or separation without cause after July 1, 1969, the following benefits:
>
> a) Gratuity pay equivalent to one (1) month salary plus the corresponding living allowance of the rank next higher than the rank of such supervisor at the time of his retirement, resignation or separation without cause, for every year of service in the Bank, provided that the said supervisor has at least five (5) years of continuous service with the Bank.

b) The cash equivalent of the accumulated sick and vacation leaves since the time of his initial employment with the Bank.[14]

Under this section, only the gratuity pay is expressly entitled to be computed based on the salary rate of the rank next higher. This however should not be interpreted in isolation. In this instance, it may be worth to look into the reasons which motivated the parties to enter into the above agreement. The conversion of leave credits into their cash equivalent is aimed primarily to encourage workers to work continuously and with dedication for the company. Companies offer incentives, such as the conversion of the accumulated leave credits into their cash equivalent, to lure employees to stay with the company. Leave credits are normally converted into their cash equivalent based on the last prevailing salary received by the employee. Considering all these, the accumulated leave credits should be converted based on the upgraded salary of the retiree, which is the salary rate of the rank next higher.

PNB-RB avers that it has sufficiently established that the salary of an officer is pegged to a minimum or maximum depending on his performance appraisal in accordance with the Executive Compensation Salary Structure[15] (ECSS) effective 1 May 1987. Since Santos' latest performance rating was only satisfactory, his gratuity pay should be based on the minimum and not on the maximum amount of the rate of the salary of the rank next higher. In this regard, we quote with approval the Comment of the Solicitor General that —

> Nothing in the provisions of the 1971 CBA from which emanated the one rank higher policy indicates a minimum or maximum range of the next higher rank. Instead, what is provided is an unqualified one rank higher concept. Petitioner is, therefore, precluded from drawing a distinction where none has been stated in the contract. Besides, assuming that an ambiguity does exist, the same must be resolved in the light of Article 1702 of the Civil Code that: In case of doubt, the labor legislation and all labor contracts shall be construed in favor of the safety and

> decent living for the laborer. Such should be liberally construed in favor of the persons intended to be benefited thereby.
>
> Moreover, petitioner, by invoking the salary structure and criteria for promotion as basis for determining the amount of gratuity has confused the two distinct concepts of gratuity and salary. Gratuity pay, unlike salary, is paid to the beneficiary for the past services or favor rendered purely out of the generosity of the giver or grantor. Gratuity, therefore, is not intended to pay a worker for actual services rendered or for actual performance. It is a money benefit or bounty given to the worker, the purpose of which is to reward employees who have rendered satisfactory service to the company. Salary, on the other hand, is a part of labor standard law based on the actual amount of work rendered or the number of days worked over the period of years. Hence, petitioner's attempt to apply the salary structure to determine gratuity would eradicate the very essence of a gratuity award, and make it partake of the character of a wage or salary given on the basis of actual work or performance. Such was never the intendment of the law and would run counter to essential social justice.[16]

Additionally, computing the gratuity pay based on the performance rating of the retiring officer is a practice that is very likely susceptible to abuse as he will be placed at the mercy of the members of the performance appraisal committee.

Petitioner argues that the claim of Santos for bonuses corresponding to the years 1985, 1986 and mid-year of 1987 has already prescribed. This is correct. Article 291 of the Labor Code states in part —

> All money claims arising from employer-employee relations accruing during the effectivity of this Code shall be filed within three (3) years from the time the cause of action accrued; otherwise they shall be forever barred.

> Since Santos filed his complaint only on 12 July 1990, his claim for 1985 (mid-year and year-end), 1986 (mid-year and year-end), and 1987 (mid-year) bonuses already prescribed. As regards bonuses for 1987 (year-end), 1988 (mid-year and year-end), 1989 (mid-year and year-end), and 1990 (mid-year), we agree with petitioner that these should be based on the existing salary rate at the time of their accrual. The record shows however that in 1988 Santos was found guilty of an administrative charge. Hence, in consonance with existing company policy, the 1988 (mid-year and year-end) bonus should be forfeited in favor of the Bank.[17]

As regards the award of moral and exemplary damages, as well as attorney's fees, we quote with approval the Comment of private respondent thus —

> On the matter of moral and exemplary damages, the same is a must considering that petitioner is guilty of bad faith by its continued refusal to pay his claims despite the final rulings of the Supreme Court in similar other cases earlier cited. By refusing to abide by the doctrinal pronouncements of the Highest Tribunal, petitioner has shown to be anti-labor. This stubborn attitude is not only contemptible but also contrary to morals, good customs and public policy. Regardless of its own thinking on the issues presented *vis-a-vis* the judicial pronouncements already made, petitioner is duty-bound to respect the Supreme Court decisions which have become part of the law of the land.
>
> Consequently, private respondent had suffered mental anguish and sleepless nights and therefore, should be entitled to moral damages. And to serve as example for the public good so that others similarly inclined could be dissuaded from adopting the same detestable practice, petitioner should also be sanctioned in the form of exemplary damages.
>
> In addition, petitioner had continuously and openly declared that it will continuously deny the existence of said policy as it

was based on erroneous assumption of facts, and private respondent is not at all surprised that petitioner has been throwing all kinds of blockade or obstacle, so as to stop a snowball application of the Supreme Court decision. Such act of the petitioner of arrogantly defying a well-laid down jurisprudence on the issue at hand (resulted) to the great prejudice of private respondent's interest. The delay on the part of the petitioner to rectify its error and grant private respondent what is really due him must have certainly caused undue damages on the part of the latter. Such defiant attitude does not really set good example on how one should abide by the decision of the highest tribunal of the land.

x x x

Private respondent has been dragged into this case because petitioner refuses and arrogantly defies the doctrine of stare decisis that had long set in, compelling private respondent to litigate. In this regard, private respondent's award for attorney's fees is proper.[18]

ACCORDINGLY, the 30 June 1993 Decision of the Labor Arbiter and the 30 August 1994 Resolution of the National Labor Relations Commission are **AFFIRMED** with the modification that petitioner PNB-REPUBLIC BANK is ordered to pay private respondent Antonio G. Santos the amount of P423,661.00, less the applicable taxes, computed as follows:

Basic gratuity pay:

Applicable monthly rate (P15,840.00)		
x length of service (31 years and 15 days) =		
P15,840.00 x 31 years	P491,040.00	
P15,840.00 x 15/251 days	946.00	P491,986.00

Leave credits:

P15,840 x 272 x 12/251	205,983.00

Accrued Bonuses:

1987 — year-end only	P1,300.00[19]	
1988 — forfeited (due adm. case)		
1989 — mid-year/year-end	11,380.00[20]	
1990 — mid-year only	8,965.00[21]	21,645.00
		P719,614.00
Less: Gratuity already received		434,468.00
Balance:		285,146.00
Add: Moral damage		50,000.00
Exemplary damages		50,000.00
Attorney's fees		38,515.00
Total:		P423,661.00
		==========

SO ORDERED.

Padilla, Vitug, Kapunan and Hermosisima, Jr., *JJ.*, concur.

---

[1] Wyeth-Suaco Laboratories, Inc. vs. National Labor Relations Commission, G.R. No. 100658, 2 March 1993, 219 SCRA 356.
[2] Veloso vs. Department of Labor and Employment, G.R. No. 87297, 5 August 1991, 200 SCRA 201.
[3] Medina vs. Consolidated Broadcasting System, G.R. Nos. 99054-56, 28 May 1993, 222 SCRA 707.
[4] Blue Bar Coconut Phils., Inc. vs. National Labor Relations Commission, G.R. No. 95914, 5 May 1992, 208 SCRA 371.
[5] Philippine National Construction Corp. vs. National Labor Relations Commission, G.R. No. 95816, 27 October 1992, 215 SCRA 204.
[6] Cruz vs. National Labor Relations Commission, G.R. No. 98273, 28 October 1991, 203 SCRA 286.
[7] G.R. No. 91298, 22 June 1990, 186 SCRA 724.
[8] G.R. No. 79488, 30 September 1988, 166 SCRA 197.
[9] Id., pp. 201-202.
[10] See Note 8.
[11] Petition, pp. 14-15; Rollo, pp. 15-16.
[12] Davao Integrated Port Stevedoring Services vs. Abarquez, G.R. No. 102132, 19 March 1993, 196 SCRA 197.
[13] Davao Fruits Corporation vs. Associated Labor Union, G.R. No. 85073, 24 August 1993, 225 SCRA 567.
[14] Petition, p. 18; Rollo, p. 19.
[15] Annex 4; Rollo, pp. 177-178.
[16] Comment, pp. 13-14; Rollo, pp. 177-178.

[17] Annex "9;" Rollo, p. 87.
[18] Comment, pp. 8-9; Rollo, pp. 153-154.
[19] Year-end bonus is equivalent to one and a-half (1-½) months salary
P7,100.00 = 1987 salary; see Annex "1," Rollo, p. 71
3,550.00 = ½ month salary
————
P10,650.00
9,350.00 = Amount received per Supplemental Affidavit; Rollo, p. 69
————
P1,300.00 = Balance
————
[20] Mid-year bonus is equivalent to one (1) month salary
P8,965.00 = 1989 salary per Annex "1," Rollo, p. 71
P8,965.00 = mid-year bonus
13,448.00 = year-end bonus
————
P22,413.00 = total bonuses for 1989
11,033.00 = Amount received (P7850.00 + 3,182.50) per Supplemental
———— Affidavit; Rollo, p. 69
P11,380.00 = Balance
[21] Annex "1," Rollo, p. 71.