

CHANROBLES PUBLISHING COMPANY

**SUPREME COURT
FIRST DIVISION**

**RUBBERWORLD (PHILS.), INC., and
JULIE YAO ONG,**
Petitioner,

-versus-

**G.R. No. 128003
July 26, 2000**

**NATIONAL LABOR RELATIONS
COMMISSION, AQUINO MAGSALIN,
PEDRO MANIBO, RICARDO BORJA,
ALICIA M. SAN PEDRO AND
FELOMENA B. TOLIN,**
Respondents.

X-----X

DECISION

PARDO, J.:

What is before the Court for resolution is a petition to annul the resolution of the National Labor Relations Commission (NLRC),^[1] affirming the labor-arbiter's award but deleting the moral and exemplary damages.

The facts are as follows:

Petitioner Rubberworld (Phils.), Inc. hereinafter Rubberworld, a corporation established in 1965, was engaged in manufacturing footwear, bags and garments.

Aquilino Magsalin, Pedro Manibo, Ricardo Borja, Benjamin Camitan, Alicia M. San Pedro, and Felomena Tolin were employed as dispatcher, warehouseman, issue monitor, foreman, jacks cementer and outer sole attacher, respectively.

On August 26, 1994, Rubberworld filed with the Department of Labor and Employment a notice of temporary shutdown of operations to take effect on September 26, 1994. Before the effectivity date, however, Rubberworld was forced to prematurely shutdown its operations.

On November 11, 1994, private respondents filed with the National Labor Relations Commission a complaint^[2] against petitioner for illegal dismissal and non-payment of separation pay.

On November 22, 1994, Rubberworld filed with the Securities and Exchange Commission (SEC) a petition for declaration of suspension of payments with a proposed rehabilitation plan.^[3]

On December 28, 1994, SEC issued the following order:

“Accordingly, with the creation of the Management Committee, all actions for claims against Rubberworld Philippines, Inc. pending before any court, tribunal, office, board, body, Commission or sheriff are hereby deemed SUSPENDED.

“Consequently, all pending incidents for preliminary injunctions, writ or attachments, foreclosures and the like are hereby rendered moot and academic.

“SO ORDERED.”^[4]

On January 24, 1995, petitioners submitted to the labor arbiter a motion to suspend the proceedings invoking the SEC order dated

December 28, 1994. The labor arbiter did not act on the motion and ordered the parties to submit their respective position papers.

On December 10, 1995, the labor arbiter rendered a decision, which provides:

“In the light of the foregoing, respondents are hereby declared guilty of ILLEGAL SHUTDOWN and that respondents are ordered to pay complainants their separation pay equivalent to one (1) month pay for every year of service.

Considering the malicious act of closing the business precipitately without due regard to the rights of complainants, moral damages and exemplary damage in the sum of P50,000.00 and P30,000.00 respectively is hereby awarded for each of the complainants.

Finally 10 % of all sums owing to complainants is hereby adjudged as attorney’s fees.

SO ORDERED.”^[5]

On February 5, 1996, petitioners appealed to the National Labor Relations Commission (NLRC) alleging abuse of discretion and serious errors in the findings of facts of the labor arbiter.

On August 30, 1996, NLRC issued a resolution, the dispositive portion of which reads:

“PREMISES CONSIDERED, the decision appealed from is hereby, AFFIRMED with MODIFICATION in that the award of moral and exemplary damages is hereby, DELETED.

SO ORDERED.”^[6]

On November 20, 1996, NLRC denied petitioners’ motion for reconsideration.

Hence, this petition.^[7]

The issue is whether or not the Department of Labor and Employment, the Labor Arbiter and the National Labor Relations Commission may legally act on the claims of respondents despite the order of the Securities and Exchange Commission suspending all actions against a company under rehabilitation by a management committee created by the Securities and Exchange Commission.

Presidential Decree No. 902-A is clear that “all actions for claims against corporations, partnerships or associations under management or receivership pending before any court, tribunal, board or body shall be suspended accordingly.” The law did not make any exception in favor of labor claims.^[8]

“The justification for the automatic stay of all pending actions for claims is to enable the management committee or the rehabilitation receiver to effectively exercise its/his powers free from any judicial or extrajudicial interference that might unduly hinder or prevent the ‘rescue’ of the debtor company. To allow such other actions to continue would only add to the burden of the management committee or rehabilitation receiver, whose time, effort and resources would be wasted in defending claims against the corporation instead of being directed toward its restructuring and rehabilitation.”^[9]

Thus, the labor case would defeat the purpose of an automatic stay. To rule otherwise would open the floodgates to numerous claims and would defeat the rescue efforts of the management committee.

Besides, even if an award is given to private respondents, the ruling could not be enforced as long as petitioner is under management committee.^[10]

This finds ratiocination in that the power to hear and decide labor disputes is deemed suspended when the Securities and Exchange Commission puts the corporation under rehabilitation.

Thus, when NLRC proceeded to decide the case despite the SEC suspension order, the NLRC acted without or in excess of its jurisdiction to hear and decide cases. As a consequence, any

resolution, decision or order that it rendered or issued without jurisdiction is a nullity.

WHEREFORE, the petition is hereby **GRANTED**. The decision of the labor arbiter dated December 10, 1995 and the NLRC resolution dated August 30, 1996, are **SET ASIDE**.

No costs.

SO ORDERED.

Davide, Jr., C.J., Puno, Kapunan and Ynares-Santiago, JJ., concur.

[1] In NLRC NCR 00-08125-94 (NLRC CA No. 010142-96)

[2] Docketed as NLRC NCR Case 00-11-08125-94.

[3] Docketed as SEC Case No. 11-94-4920.

[4] Order, SEC Case No. 11-94-4920, December 28, 1994, Rollo, pp. 55-59.

[5] Decision, Labor Arbiter Ariel Cadiente Santos, Rollo, pp. 48-54.

[6] Rollo, pp. 35-45, Raul T. Aquino, Presiding Commissioner, ponente, Commissioners Victoriano R. Calaycay and Rogelio I. Rayala, concurring.

[7] Filed on February 18, 1997, Rollo, pp. 3-31. On September 22, 1999, we gave due course to the petition, Rollo, pp. 174-175. We considered this case as an exception to the rule laid down in *St. Martin Funeral Home vs. NLRC*, 295 SCRA 494 [1998]. The issue raised is purely legal. Rather than refer the case to the Court of Appeals, whose decision would be appealable to the Supreme Court, our ruling would finally put an end to the litigation.

[8] PD 902-A, Section 6; *Rubberworld vs. NLRC*, 305 SCRA 721 [1999], citing *Barotac Sugar Mills vs. Court of Appeals*, 275 SCRA 497 [1997].

[9] *Rubberworld vs. NLRC*, supra, citing *BF Homes, Inc. vs. Court of Appeals*, 190 SCRA 262 [1990].

[10] Ibid.