Title:
Philippine Airlines, Inc. vs. National Labor Relations Commission and Aida M. Quijano

Facts:
Aida M. Quijano began her career at Philippine Airlines, Inc. (PAL) in December 1967. By September 1, 1984, she was promoted to Manager of the Agents Services Accounting Division (ASAD), a unit responsible for processing worldwide commission claims from agents. In May 1989, an investigative committee chaired by Leslie W. Espino charged Quijano with failure and gross negligence in connection with excessive commission payments to Goldair Pty. Ltd. during 1984-1987, involving several million Australian dollars. Quijano was accused of lacking proper supervision and verification procedures which contributed to these overpayments.

During the investigation, Quijano was placed under preventive suspension and required to submit a response to the charges. Quijano defended her actions, highlighting the complexities of her division's responsibilities, the reliability of her staff, and her proactive measures upon discovering discrepancies in payments to Goldair.

Further investigations implicated additional PAL executives, leading to several administrative charges, including a second Goldair charge against committee members Espino and Ines. Despite PAL recovering a substantial portion of the lost funds through legal actions in Australia, PAL's board deemed Quijano and others resigned for loss of confidence and acts inimical to the company's interest.

Quijano filed a case against PAL for illegal suspension and dismissal, which was dismissed by the Labor Arbiter. She appealed to the National Labor Relations Commission (NLRC), which vacated the labor arbiter's decision and directed PAL to provide Quijano separation pay in accordance with its Special Retirement & Separation Program.

Issues:
1. Whether Quijano's dismissal due to loss of confidence constitutes a valid exercise of managerial prerogative.
2. Whether the award of separation pay to Quijano, despite the lawful termination, is justifiable under legal and equitable considerations.

Court's Decision:
The Supreme Court affirmed the NLRC's ruling with modification. It was held that the PAL Board of Directors validly dismissed Quijano for loss of confidence due to her

mismanagement and incompetence, which led to financial losses. However, the Court also recognized the application of equity, allowing Quijano separation pay despite her valid dismissal. The determination was based on the special circumstances surrounding Quijano's case, including the systemic issues within PAL that predated her tenure, her contributions to the company, and the absence of fraud on her part. The Supreme Court modified the NLRC's decision by specifying the computation of the separation pay as one-half month salary for every year of service, excluding attorney's fees and without reference to PAL's Special Retirement & Separation Program.

Doctrine:
This case establishes the principle that separation pay can be awarded as a measure of social justice and based on equity in instances where an employee is dismissed for causes other than serious misconduct or those reflecting on their moral character.

Class Notes:
– **Key Elements**: Valid dismissal due to loss of confidence; equitable considerations for awarding separation pay.
– **Legal Statutes**: Articles 279, 282 of the Labor Code concerning termination of employment and the criteria for lawful dismissal.
– **Interpretation**: The Supreme Court clarifies the conditions under which separation pay may be awarded despite lawful termination, emphasizing the role of equity in labor disputes.

Historical Background:
– This case reflects the complexities of managerial roles within major corporations, particularly concerning oversight of financial transactions and the challenges faced in addressing fraud. It also illustrates how the Philippine legal system balances the strict interpretation of labor laws with equitable considerations to achieve justice in employment termination scenarios.