

****Title:**** G.J.T. Rebuilders Machine Shop, Godofredo Trillana, and Juliana Trillana vs. Ricardo Ambos, Benjamin Putian, and Russell Ambos

****Facts:****

G.J.T. Rebuilders, a single proprietorship owned by Spouses Godofredo and Juliana Trillana, was engaged in steel works and metal fabrication with Ricardo Ambos, Russell Ambos, and Benjamin Putian employed as machinists. The business rented space in the fire-damaged FEA Building which led to an eviction notice from the owner. Despite efforts to continue operations, G.J.T. Rebuilders closed on December 15, 1997. Following this, an Affidavit of Closure was filed with the Department of Labor and Employment in February 1998. The employees, having not received separation pay, filed a Complaint for illegal dismissal before the Labor Arbiter, which escalated the case through the National Labor Relations Commission (NLRC), the Court of Appeals, and finally to the Supreme Court.

****Issues:****

1. Whether G.J.T. Rebuilders proved serious business losses as a reason for non-payment of separation pay.
2. The obligation of G.J.T. Rebuilders to pay respondents their separation pay and nominal damages for failure to comply with procedural requirements.

****Court's Decision:****

The Supreme Court denied the petition for review on certiorari, affirming the decision of the Court of Appeals but with modification concerning the deletion of attorney's fees and the addition of nominal damages. The Court held that G.J.T. Rebuilders failed to sufficiently prove serious business losses which could exempt them from paying separation pay. The financial statement of two fiscal years was deemed insufficient to establish a pattern of loss justifying closure due to serious business losses. Further, the Court found G.J.T. Rebuilders liable for nominal damages for not complying with the notice requirement under Article 283 of the Labor Code.

****Doctrine:****

To prove serious business losses justifying non-payment of separation pay upon closure, an employer must present financial statements showing the net losses suffered by the business over a sufficient period. A single financial statement showing losses for one fiscal year is inadequate.

****Class Notes:****

1. **Management Prerogative:** Employers can lawfully close shop at any time for any reason, but must comply with legal requirements when doing so, especially regarding separation pay unless exempt due to serious business losses.
2. **Serious Business Losses:** This requires substantial, not minimal, losses demonstrated through financial statements over a significant period, not just a single fiscal year.
3. **Notice Requirement:** Employers must serve a written notice on the affected employees and the Department of Labor and Employment at least one month before the intended date of closure. Failure compels the employer to pay nominal damages.
4. **Separation Pay:** When closing a business not due to serious business losses, an employer must pay affected employees separation pay equivalent to one-month pay or at least one-half-month pay for every year of service, whichever is higher.

Historical Background:

This case highlights the critical balance between employer rights and worker protections within Philippine labor law, emphasizing the need for employers to substantiate claims of business loss comprehensively when deciding to close operations, to safeguard both business interests and employees' welfare.