

Title: ABUNDIO BARAYOGA AND BISUDECO-PHILSUCOR CORFARM WORKERS UNION (PACIWU CHAP-TPC) v. ASSET PRIVATIZATION TRUST

Facts:

The Bicolandia Sugar Development Corporation (BISUDECO) faced financial difficulties, leading to its mortgage properties being transferred to the Asset Privatization Trust (APT) by virtue of Proclamation No. 50 and Administrative Order No. 14. Subsequently, BISUDECO's operations were taken over by the Philippine Sugar Corporation (Philsucor) until 1992, followed by an auction where APT acquired BISUDECO's foreclosed properties and chattels. The union filed complaints against unfair labor practices among other grievances, which were consolidated and included APT and Pensumil as party respondents. The Labor Arbiter ordered APT to pay employment benefits, which was affirmed with modifications by the National Labor Relations Commission (NLRC), but later reversed by the Court of Appeals (CA), leading to the petition before the Supreme Court.

Issues:

1. Whether the Court of Appeals erred in ruling that APT should not be held liable for the petitioner union's claims.
2. Whether the claims of the petitioners can be enforced against APT/PNB as the mortgagee of BISUDECO's foreclosed properties.
3. Whether the entitlement of petitioners upon their claims against APT is recognized under the law.

Court's Decision:

The Supreme Court denied the petition, upholding the Court of Appeals' decision that APT, as the mortgagee-creditor and not the employer, cannot be held liable for the claims of BISUDECO's workers. The Court clarified that liabilities, including monetary claims of employees, were not automatically transferred to APT as the purchaser of the mortgaged properties at auction. The principles of succession of employment rights and obligations, as well as the preference of worker's claims in the case of bankruptcy or liquidation under Article 110 of the Labor Code, were discussed and found not applicable to APT in this case.

Doctrine:

The liabilities of a mortgagor towards its employees cannot be transferred to a purchaser who is also the mortgagee-creditor of the foreclosed assets and chattels through an auction sale. Mortgage constitutes a lien on the determinate properties of the employer-debtor, subordinating the worker's monetary claims.

****Class Notes:****

- Employer-employee relations are in personam and binding only between the parties; no automatic assumption of liabilities in the case of transfer of assets.
- The principle of absorption is not obligatory; a bona fide buyer or transferee of an enterprise is not required to absorb the latter's employees.
- The rights of employees for unpaid wages and other benefits from the properties of their employer do not have preference over the employer's mortgage credit under Philippine law.
- Sale or transfer of business does not automatically terminate employer-employee relationships but does not enforce liabilities on the transferee unless expressly assumed or the transfer was made in bad faith.

****Historical Background:****

The context of this case is situated within the legal and administrative mechanisms set by the Philippine government for handling non-performing assets through Proclamation No. 50, amidst efforts to privatize government-held entities and manage financial recoveries through entities like the Asset Privatization Trust (APT). The decision delineates the boundaries of liability and protections provided to employees in the context of asset privatization and liquidation, clarifying the legal stance on the transfer of liabilities in the sale and acquisition of foreclosed assets.