

**\*\*Title:\*\*** Allied Banking Corporation vs. Court of Appeals and Potenciano L. Galanida

**\*\*Facts:\*\***

Potenciano L. Galanida was employed by Allied Banking Corporation (Allied Bank) on January 11, 1978, and over time rose to the position of Assistant Manager in 1991. His employment included a condition that allowed the bank to transfer or assign him to different departments or branches as needed. Following this, Galanida was transferred to various branches throughout his employment. In April 1994, Allied Bank decided to transfer Galanida to Bacolod City, which he refused due to personal reasons including parental obligations and additional expenses. Despite his refusal, Allied Bank then attempted to transfer him to the Tagbilaran City Branch. Galanida's refusal to comply with these transfer orders resulted in Allied Bank terminating his services effective September 1, 1994, citing his refusal to be transferred and to report for work as the reasons for dismissal.

Galanida then filed a complaint for constructive dismissal, which eventually became a case of illegal dismissal as Allied Bank formally terminated his employment. The labor arbiter ruled that Allied Bank abused its management prerogative in ordering the transfer, deeming the dismissal illegal but did not award back wages due to Galanida's partial blame. This decision was modified by the NLRC to include separation pay, backwages, and damages. The Court of Appeals upheld the NLRC's decision. Allied Bank appealed to the Supreme Court, arguing the validity of Galanida's dismissal and the exercise of its management prerogative.

**\*\*Issues:\*\***

1. Whether Allied Bank's exercise of its management prerogative to transfer Galanida was legal.
2. Whether Galanida's refusal to comply with the transfer orders constituted willful disobedience justifying dismissal.
3. Whether Allied Bank afforded Galanida due process in his dismissal.
4. Whether Galanida is entitled to any monetary awards following his dismissal.

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

The Supreme Court held that while the transfer of employees is within the management's prerogatives, it should not result in demotion or reduction of salaries, benefits, and privileges. The Court found that the transfer orders did not constitute demotion or violate Galanida's rights. However, the Court found that Allied Bank partly violated procedural due process in terminating Galanida's employment and modified the awards granted by the

lower courts. Although the Court recognized the legality of Galanida's dismissal for willful disobedience, it noted procedural discrepancies and awarded nominal damages and limited backwages to Galanida for the period leading up to the effective date of his dismissal.

**\*\*Doctrine:\*\***

The transfer of employees within a company's branches or departments is a prerogative of management and does not constitute illegal dismissal provided it does not result in demotion or reduction of salary, benefits, and other privileges. The decision also underscores the importance of adhering to procedural due process in the termination of employment.

**\*\*Class Notes:\*\***

- **\*\*Management Prerogative:\*\*** Employers have the right to transfer employees as long as it does not result in demotion or reduction of benefits.
- **\*\*Legal Dismissal for Willful Disobedience:\*\*** An employee's refusal to comply with lawful orders, such as transfer directives, can constitute just cause for dismissal under Article 282(a) of the Labor Code, provided that due process is observed.
- **\*\*Procedural Due Process in Dismissal:\*\*** Employers must observe due process in termination, including notice and the opportunity for the employee to be heard.
- **\*\*Nominal Damages for Violation of Due Process:\*\*** Awards of nominal damages may be granted to recognize violations of procedural rights, even if the dismissal is upheld for just cause.

**\*\*Historical Background:\*\***

The case illustrates the balance between management's prerogatives and employees' rights within Philippine labor law. It highlights the judiciary's role in ensuring that the exercise of such prerogatives does not unfairly prejudice employees and that due process is followed in disciplinary proceedings leading to termination. The decision contributes to jurisprudence on lawful transfers and dismissals, emphasizing the need for companies to observe both substantive and procedural requirements in employment terminations.