

Title: Equitable Banking Corporation (Now Known as Equitable-PCI Bank) versus Ricardo Sadac

Facts:

Ricardo Sadac was appointed as Vice President of the Legal Department and subsequently as General Counsel of Equitable Banking Corporation in 1981. On June 26, 1989, nine lawyers under his department accused him of abusive conduct, prompting the Bank to seek his replacement based on a loss of confidence. Sadac requested a full hearing and investigation, which was ignored. On November 9, 1989, after filing a complaint for illegal dismissal, Sadac was terminated. The Labor Arbiter initially dismissed his complaint, but the NLRC reversed this decision, declaring the dismissal illegal and ordering reinstatement and compensation. The Bank's appeal to the Supreme Court resulted in a June 13, 1997 decision affirming the NLRC's resolution but with modifications, notably excluding moral and exemplary damages. The decision, including backwages until Sadac turned 60 and a P5,000 increase, became final on July 28, 1997. Subsequent motions for execution led to disputes over the computation of backwages and benefits. The NLRC's decision to exclude general salary increases and certain benefits in the computation was reversed by the Court of Appeals, which included these in Sadac's backwages and applied a 12% interest per annum from the judgment's finality until full payment.

Issues:

1. Whether general salary increases should be included in the computation of full backwages.
2. Entitlement of Sadac to check-up benefit, clothing allowance, and cash conversion of vacation leaves.
3. The appropriateness of awarding attorney's fees and the imposition of 12% interest per annum on the amount due.

Court's Decision:

The Supreme Court partially granted the petition, ruling that Sadac's backwages should exclude claimed prospective salary increases, check-up benefit, clothing allowance, and cash conversion of vacation leaves. However, the Court affirmed the award of attorney's fees equal to 10% of all monetary awards and upheld the imposition of a 12% interest per annum from the finality of the judgment until full payment. The appellate court's decisions were thus modified accordingly.

Doctrine:

Backwages awarded to an illegally dismissed employee should be based on the wage rate at the time of dismissal, inclusive of regular allowances, but excluding prospective salary increases and certain claimed benefits unless these are unequivocally stipulated. Also, attorney's fees awarded by the final and executory judgment of the Supreme Court must be respected, and legal interest applies from the finality of the judgment until its satisfaction.

Class Notes:

- Article 279 of the Labor Code, as amended by Republic Act No. 6715, provides the basis for the security of tenure and the computation of full backwages, inclusive of allowances and benefits, from the time compensation was withheld up to actual reinstatement.
- The Supreme Court's precedent establishes that backwages are to be computed based on the wage rate at the time of dismissal, including regular allowances but excluding prospective salary increases and other benefits unless expressly provided.
- Legal interest at 12% per annum applies from the time a judgment awarding sum of money becomes final and executory until its satisfaction.

Historical Background:

The legal battle between Sadac and Equitable Banking Corporation reflects the evolving interpretation of backwages and benefits entitlement under Philippine labor law, particularly after the amendments introduced by Republic Act No. 6715. This case underscored the contentious nature of computing backwages and reiterated the principles governing the award of attorney's fees and the imposition of legal interest on final and executory judgments.