

Title: Asia Pacific Chartering (Phils.) Inc. vs. Maria Linda R. Farolan

Facts:

Maria Linda R. Farolan was employed by Asia Pacific Chartering (Phils.) Inc., a general sales agent for Scandinavian Airline System (SAS), as Sales Manager on December 16, 1992. Her responsibilities included selling passenger and cargo spaces. Despite Farolan's efforts to improve sales, including securing lower fares and launching sales promotions, SAS experienced a decline in sales revenue. An informal investigation led by Roberto Zozobrado, at the behest of petitioner, preliminarily took over some of Farolan's responsibilities due to perceived inadequacies in her performance. On July 18, 1994, Farolan received a termination letter from the petitioner, citing "loss of confidence" in her managerial and marketing capabilities due to a decline in SAS' sales performance.

Farolan filed a complaint for illegal dismissal, resulting in a favorable decision from the Labor Arbiter, which awarded her separation pay, moral, and exemplary damages. However, the National Labor Relations Commission (NLRC) reversed this decision, asserting the employer's prerogative to dismiss based on loss of trust and confidence. Farolan appealed to the Court of Appeals, which reversed the NLRC's decision, reinstated the Labor Arbiter's ruling with modifications, and consequently, Asia Pacific Chartering petitioned for review under Rule 45 of the 1997 Rules of Civil Procedure.

Issues:

1. ****Legal Basis for Termination****: Whether Farolan's dismissal based on "loss of confidence" due to perceived managerial inadequacy was legally justified.
2. ****Due Process****: Whether Farolan was accorded due process prior to her dismissal.
3. ****Award of Damages****: The appropriateness of the award of moral and exemplary damages to Farolan.

Court's Decision:

The Supreme Court affirmed the decision of the Court of Appeals with modification on the awarded damages. It held that Farolan was illegally dismissed as the petitioner failed to substantiate the claims of loss of confidence with sufficient evidence, thereby violating her right to due process. The Court distinguished between the treatment of managerial and rank-and-file employees concerning loss of trust and confidence, emphasizing that a willful breach must underpin such a claim for managerial employees. The Court found no evidence of such willful breach or incompetence on Farolan's part, noting her thorough report and subsequent positive feedback from SAS. The Supreme Court adjusted the moral and

exemplary damages awarded to Farolan but affirmed her entitlement to separation pay and backwages.

Doctrine:

Loss of trust and confidence as a ground for dismissal must be based on clear, valid grounds specifically related to the performance of managerial duties, and due process must be observed. A managerial employee's termination for loss of confidence requires substantive basis and procedural fairness. Moreover, the decision reiterated the importance of evidentiary support in claims of managerial incompetence and the severity of unlawful dismissal in determining damages.

Class Notes:

- ****Managerial vs. Rank-and-File Employees****: Different thresholds for establishing loss of trust and confidence.
- ****Due Process in Termination****: Requirement for substantive and procedural due process in the dismissal of employees.
- ****Damages****: Determinants for awarding moral and exemplary damages involve bad faith or malfeasance in the dismissal process.

Historical Background:

This case underscores the evolving jurisprudence concerning the rights of managerial employees in the Philippines. It delves into the complexities of proving "loss of confidence" and emphasizes the employer's burden of proof in dismissal cases, highlighting the legal protections afforded to employees irrespective of their rank within the company.