

Title: *Sappari K. Sawadjaan v. Court of Appeals, Civil Service Commission, and Al-Amanah Investment Bank of the Philippines*

Facts:

Sappari K. Sawadjaan began his career at the Philippine Amanah Bank (PAB) in various roles, finally becoming a loans analyst. In February 1988, he evaluated properties offered as collateral by Compressed Air Machineries and Equipment Corporation (CAMEC) for a loan. Based on his report, PAB approved a P5,000,000.00 loan. On maturing, CAMEC extended the loan but later defaulted, and it was found that one property had a prior mortgage and the other did not exist. PAB transitioned to Al-Amanah Islamic Investment Bank of the Philippines (AIIBP), retaining Sawadjaan.

AIIBP's Board of Directors initiated an investigation in June 1993 due to the discovered losses. Sawadjaan was charged with dishonesty and placed on preventive suspension. After refusing to participate due to perceived impartiality, he was declared in default. Upon evaluating the evidence, AIIBP's Investigating Committee found him liable for conduct prejudicial to the best interest of the service but not for dishonesty, recommending suspension. The Board, however, dismissed him from service. The Board later changed the penalty on reconsideration to six months and a day suspension. Sawadjaan appealed to the Merit System Protection Board (MSPB) but the Civil Service Commission (CSC) rejected the appeal. His subsequent motions for reconsideration were denied.

Sawadjaan then filed a petition for certiorari to the Supreme Court, claiming error in the AIIBP's initiation of the administrative investigation and CSC's assumption of jurisdiction, arguing procedural and substantive grounds, including AIIBP's failure to adopt by-laws by the required deadline.

Issues:

1. Did AIIBP act with grave abuse of discretion amounting to lack of jurisdiction by failing to promulgate its by-laws?
2. Did the CSC have jurisdiction over the appeal, given it was initially directed to the MSPB?
3. Was the finding of dishonesty and conduct prejudicial to the best interest of the service justified?
4. Were the refusals to consider new evidence and the penalties imposed proper and within legal bounds?

Court's Decision:

1. AIIBP's Failure to Promulgate By-laws: The Supreme Court held that even if AIIBP failed to promulgate its by-laws within the 60-day period stipulated, this did not automatically nullify its corporate existence or its powers to discipline employees. The absence of by-laws did not impair AIIBP's function as a corporation or its administrative authority.

2. CSC's Jurisdiction: The Court found that despite procedural contentions, CSC's jurisdiction over the appeal was established through both substantive law and petitioner's acceptance of CSC's jurisdiction by participating in the proceeding and filing a motion for reconsideration.

3. Justification for Penalties: The Court found no grave abuse of discretion in the findings of the Investigating Committee, AIIBP's Board, and the CSC. Sawadjaan's negligence in verifying the authenticity of the property documents was significant, leading to substantial financial losses. His actions were deemed careless and unprofessional, validating the imposed penalties.

4. New Evidence and Procedural Issues: The Supreme Court dismissed Sawadjaan's arguments on procedural and substantive grounds, confirming that he failed to present new, substantial evidence meriting reconsideration or a new trial.

Doctrine:

The AIIBP's retained broad managerial powers, including employee discipline, as conferred by its charter (RA 6848, Section 26). Procedural challenges to an entity's internal administrative framework cannot invalidate disciplinary actions unless gross arbitrary conduct or lack of due process is proven.

Class Notes:

1. Jurisdiction - Appeals in administrative discipline involving civil personnel go directly to the CSC (Item No. 1, CSC Resolution No. 93-2387).

2. Corporate Procedure - AIIBP is empowered to manage operational and personnel discipline despite procedural lapses in by-law implementation, retaining authority under RA 6848.

3. Employee Accountability - Verification of document authenticity and due diligence in professional roles are pivotal to preventing institutional losses and liability for subsequent negligence.

Historical Background:

This case highlights corporate transition and the rigorous standards expected from bank

employees entrusted with verification duties. Contextually, it illustrates the judiciary's role in upholding administrative disciplinary actions where procedural defects (like delay in promulgating by-laws) don't substantially compromise disciplinary objectives or an employee's procedural fairness.