

Title:

****SME Bank, Inc. v. Elicerio Gaspar et al.****

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Facts:

SME Bank, Inc., a banking institution in the Philippines, faced financial difficulties around June 2001. To address these issues, the bank officials proposed the sale of shares to Abelardo Samson. The negotiation terms included preconditions for the sale, particularly the resignation or retirement of certain employees.

****Series of Events Leading to Supreme Court:****

1. ****Negotiations and Preconditions:****

- Abelardo Samson, represented by Tomas S. Gomez IV, negotiated the purchase of 86.365% of SME Bank's shares.
- Conditions included the termination or retirement of employees agreed upon by both parties.

2. ****Employee Resignations:****

- Employees including Elicerio Gaspar, Ricardo Gaspar, Jr., Eufemia Rosete, Fidel Espiritu, Simeon Espiritu, Jr., and Liberato Mangoba were convinced by then-General Manager Simeon Espiritu to tender resignations with a promise of reemployment.

3. ****Execution of the Sale:****

- On 11 September 2001, shares were transferred, and the Samson Group took over management.

4. ****Subsequent Non-Rehire:****

- Despite promises, only Simeon Espiritu, Jr. was rehired; others were not.

5. ****Filing of Complaints:****

- Employees filed complaints for unfair labor practice, illegal dismissal, among others, before the NLRC.

6. ****Labor Arbiter Decision (27 October 2004):****

- Found the employees were involuntarily dismissed and ruled against Agustin and De Guzman, dismissing claims against the Samson Group.

7. **Appeals to NLRC:**

- Both sides appealed, resulting in a modification where NLRC found all parties (Agustin, De Guzman, and the Samson Group) jointly liable.

8. **CA Decisions:**

- Court of Appeals affirmed the NLRC's rulings in two separate decisions (CA-G.R. SP No. 97510 and CA-G.R. SP No. 97942).

9. **Consolidation and Supreme Court Petition:**

- Samson Group filed for certiorari to the Supreme Court under Rule 45, leading to the consolidated cases for review.

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Issues:

1. **Were the employees illegally dismissed?**
2. **Which parties are liable for the illegal dismissal?**
3. **Extent of reliefs and claims entitled to the employees?**

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Court's Decision:

On Illegality of Dismissal:

1. **Voluntariness of Resignations:**

- Nationally, resignations with terms of gratitude are not alone conclusive proof of voluntariness. The circumstances must be considered, showing employees resigned due to promised reemployment.

2. **Simeon Espiritu, Jr.:**

- Initially resigned, rehired but later demoted and faced reduced benefits, leading to another resignation which indicated constructive dismissal.

3. **Eufemia Rosete:**

- Initially resigned but then opted to retire. Like others, her decision was coerced due to preconditions of share sale.

4. **No Valid Closure of Business:**

- The bank never intended to close operations; neither proper notices were given nor substantial proof of financial losses presented.

****On Liability:****

1. ****SME Bank:****

- Remained employer throughout the share transfer, liable for the illegal termination of employees.

2. ****Agustin and De Guzman:****

- As directors acting in bad faith preconditioning sales on terminating employees, they are held jointly liable.

3. ****Samson Group (Abelardo & Olga Samson):****

- Not liable as they weren't control holders during the termination acts. Even after assuming control, there was no bad faith proven against them related to employees' terminations.

4. ****Aurelio Villaflor:****

- Not found to participate in dismissal, thus not held liable.

****Award of Damages:****

- ****Separation Pay:****

- Granted instead of reinstatement due to strained relations.

- ****Backwages:****

- Employees entitled to full backwages.

- ****Moral and Exemplary Damages:****

- Due to bad faith in coerced terminations, awarded together with attorney's fees.

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Doctrine:

****Right to Security of Tenure:****

- Employees cannot be terminated without just or authorized cause (Art. XIII, Sec. 3 of the Constitution, Labor Code Art. 279). A mere change in equity does not constitute grounds for employee dismissal.

****Corporate Transfers:****

- Stock sales do not terminate employer liability or employee tenure absent lawful grounds. Only asset sales might justify employee separation without obligation to absorb them by new owners.

****Reverse Doctrine from Manlimos Case (Stock Sales):****

- Wrongly applied asset sale principles, overruled here to clarify stock sale ramifications preserving employees' rights.

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Class Notes:

- ****Security of Tenure:**** Employee rights to continued employment absent lawfully justified cause.

- ****Stock vs. Asset Sale:****

- ****Stock Sale:**** Does not inherently alter employer's identity or employee status.

- ****Asset Sale:**** Might permit employee termination with defined employer's financial duties.

- ****Constructive Dismissal:****

- Conditions making employment unbearable leading to involuntary resignation equates to illegal termination.

****Related Statutes:****

- ****Constitution, Art. XIII, Sec. 3:**** Right to security of tenure.

- ****Labor Code, Art. 279:**** Protections against unjust termination.

- ****Labor Code, Art. 283:**** Closing or reduction protocols requiring notices; exemptions based on proven financial reverses.

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Historical Background:

Prior to this decision, the common practice in Philippines corporate transitions often entailed re-initiating employment contracts to conform to new management structures. This disturbed stability for employees. By addressing stock sale's impact, the Supreme Court

affirmed industry workers' security, emphasizing continuity in employment rights despite corporate control shifts. This decision resonates with the broader labor justice ethos of post-martial law Philippine legal reforms focusing on worker protections and corporate accountability.