

### Title:

China Banking Corporation vs. Mariano M. Borromeo (G.R. No. 157146)

### Facts:

**\*\*Initial Employment:\*\***

- Mariano M. Borromeo joined China Banking Corporation (the Bank) on June 1, 1989, as Manager Level I, assigned to the Regional Office in Cebu City.
- Lateral transfer to Cagayan de Oro City as Branch Manager.

**\*\*Promotions and Performance:\*\***

- Known for performance ratings from 1989-1996, rising through the ranks to Assistant Vice-President in October 1996.
- Promotions accompanied by salary and benefit increases.

**\*\*Unauthorized Transactions:\*\***

- Approved DAUD/BP accommodations amounting to P2,441,375 for Joel Maniwan without authority.
- DAUD/BP accommodations are credit accommodations allowing withdrawals from uncleared check deposits.
- Standard operating procedures require approval from the Executive Committee or Board of Directors.

**\*\*Consequences of Unauthorized Transactions:\*\***

- Ten checks from PCIB and UCPB returned unpaid.
- October 8, 1996: Borromeo requested P2.4 million loan for Maniwan to liquidate DAUD/BP availments.
- Bank senior management became aware of unauthorized DAUD/BP accommodations.
- November 19, 1996: Samuel L. Chiong sought clarification from Borromeo.

**\*\*Borromeo's Admission:\*\***

- December 5, 1996: Acknowledged unauthorized accommodations were errors in judgment.

**\*\*Resignation and Subsequent Actions:\*\***

- April 8 and April 30, 1997: Borromeo resigned effective May 31, 1997.
- May 23, 1997: Bank directed Borromeo to retribute P1,507,736.79 (90% of the loss) but earmarked P836,637.08 from separation benefits due to his resignation.
- Bank withheld P836,637.08 pending recovery of the sum demanded from Maniwan in a civil case.

**\*\*Labor Tribunal and Court Actions:\*\***

- Filed a complaint with NLRC for payment of withheld separation pay and other benefits.
- Labor Arbiter dismissed the complaint, justified Bank's withholding action based on Borromeo's admitted infractions.
- NLRC affirmed the Labor Arbiter's decision.
- Borromeo petitioned for review (certiorari) with the Court of Appeals (CA). CA found procedural due process was not observed, ordered remand to Labor Arbiter for further hearings.
- Bank filed a motion for reconsideration, which CA denied.
- Bank sought review to the Supreme Court (SC).

**### Issues:**

1. Whether the Court of Appeals erred in remanding the case to the Labor Arbiter.
2. Whether Mariano M. Borromeo was denied due process by China Banking Corporation regarding the imposition of restitution.
3. Whether the Labor Arbiter acted within his authority when he decided the case based on position papers without further hearing.

**### Court's Decision:**

**\*\*Remand to Labor Arbiter:\*\***

- SC: The CA erred; the Labor Arbiter has the discretion to decide on position papers. Formal hearing/trial is discretionary, not mandatory.

**\*\*Due Process in Administrative Proceedings:\*\***

- SC: No formal investigation was necessary. Borromeo had admitted to unauthorized accommodations explicitly in his December 5, 1996, letter.
- Borromeo's admission served as adequate notice and opportunity to explain, fulfilling due process requirements.

**\*\*Authority of Labor Arbiter:\*\***

- SC: Affirmed the Labor Arbiter's discretion to resolve the case on the basis of position papers, emphasizing the summary nature of NLRC proceedings.

**### Doctrine:**

- **\*\*Administrative Proceedings:\*\*** Due process is met through notice and opportunity to be heard. Formal hearings are not mandatory if admissions and written exchanges suffice.
- **\*\*Company Policies and Discipline:\*\*** Employers have the prerogative to impose

disciplinary actions, including restitution, independently or alongside other penalties, per company policy unless grossly oppressive or contrary to law.

**### Class Notes:**

- **\*\*Essential Concepts:\*\***
- **\*\*Due Process in Labor Law:\*\*** Sufficient if notice and opportunity to be heard are provided, admission of fault may negate necessity for formal hearing.
- **\*\*Restitution/Disciplinary Action:\*\*** Employers may independently apply restitution for losses even in the absence of principal penalties if supported by company policies.
- **\*\*Discretion of Labor Arbiters:\*\*** NLRC/Labor Arbiters can decide cases summarily unless substantive evidence demands further hearings.

**\*\*Statutory Provisions:\*\***

- Art. 277(b) [Renumbered 292]: Labor Code - Procedure before NLRC.

**### Historical Background:**

- The case involves scrutiny of internal company policies against the backdrop of unauthorized financial transactions.
- Emphasizes judicial deference to administrative bodies in labor disputes, reaffirms employer's disciplinary prerogative respecting procedural norms.