

**\*\*Title:\*\***

Peñalosa, et al. v. Hon. Villanueva and DBP, G.R. No. L-78261-62, 258 SCRA 575 (1989)

**\*\*Facts:\*\***

This case involves a complex interplay of labor claims, judicial processes, and property rights, originating from disputes between employees/former employees of Riverside Mills Corporation (RMC) and the company's creditors, particularly the Development Bank of the Philippines (DBP).

1. **\*\*Labor Arbitration and Awards:\*\***

- On November 29, 1984, Labor Arbiter Manuel Caday awarded separation pay, wage increases, and 13th-month pay to workers under PAFLU-RMC Chapter v. RMC.
- On March 18, 1985, Labor Arbiter Teodorico Dogelio similarly awarded separation pay and other benefits to employees, including Michael Peñalosa, in NLRC Case No. NCR-7-2577-84 against RMC.
- Dogelio's decision became final and executory on March 29, 1985, leading to the issuance of a writ of execution.

2. **\*\*Levy by Deputy Sheriff:\*\***

- NLRC Deputy Sheriff Juanito Atienza levied upon RMC's properties, as the company failed to pay the awarded amount. This led to a notice of levy being annotated on RMC's property titles on April 25, 1985.

3. **\*\*Judicial Foreclosure and Subsequent Possession:\*\***

- DBP had foreclosed on RMC properties at a public auction in 1983 and obtained a writ of possession on June 7, 1985. This effectively prevented the auction sale scheduled by the NLRC levy.

4. **\*\*NLRC and RTC Proceedings:\*\***

- On June 19, 1985, the labor claimants filed for preference over the levied properties in the NLRC, which Labor Arbiter Dogelio recognized on October 31, 1985.
- DBP appealed Dogelio's recognition, leading to the case being remanded for further proceedings under Labor Arbiter Ariel Santos.
- On March 31, 1987, Santos ruled in favor of the employees, giving them preference over DBP's claims. DBP contested this ruling in a separate petition for certiorari filed on May 8, 1987.

5. **\*\*Trial Court Proceedings:\*\***

- On June 26, 1985, DBP filed Civil Case No. 10945 in RTC Makati to enjoin the execution of the labor arbiter's writ and for a declaration of rightful ownership over RMC's properties.
- A Temporary Restraining Order (TRO) was issued by RTC on the same date, followed by the petitioners' motion to dismiss, which the trial court denied on June 30, 1986.
- Meanwhile, petitioners filed Civil Case No. 53333 in RTC Pasig to nullify DBP's lease agreement, which was still pending.

**\*\*Issues:\*\***

1. Whether the National Labor Relations Commission (NLRC) had jurisdiction and proper basis to prefer employees' claims over those of DBP, or whether DBP's claims should prevail due to previous foreclosure.
2. The jurisdictional question of the RTC to entertain DBP's complaint and issue writs of preliminary injunction.

**\*\*Court's Decision:\*\***

1. **\*\*On the Preferential Rights of the Employees:\*\***

- The Supreme Court found that due to the absence of a declaration of bankruptcy or judicial liquidation of RMC, Labor Arbiter Santos committed grave abuse of discretion in ruling that employees had a preferential right over DBP's claims.
- The decision of Labor Arbiter Santos was annulled and set aside. Employees were advised to institute appropriate insolvency proceedings where their claims could be asserted against RMC's assets.

2. **\*\*On the Jurisdiction of the RTC to Issue Injunctions:\*\***

- The Court upheld the RTC's jurisdiction to entertain DBP's complaint and issue writs of injunction to prevent enforcement of the levy on foreclosed properties now owned by DBP.
- The Court cited Rule 39, Section 17 of the Rules of Court, allowing third parties claiming ownership of levied properties to seek judicial relief.

**\*\*Doctrine:\*\***

1. **\*\*Primacy of Judicial Foreclosure over Labor Claims:\*\***

- A judicial foreclosure and subsequent writ of possession confer superior rights over a property even against later claims arising from labor disputes, provided there is no bankruptcy or judicial liquidation order granting preference to labor claims.

2. **\*\*Separate Jurisdiction to Resolve Ownership Dispute:\*\***

- Courts have the authority to resolve disputes over property ownership even when such

property is subject to execution in labor disputes, provided the claimant demonstrates at least a prima facie showing of ownership.

**\*\*Class Notes:\*\***

1. **\*\*Rules on Property Levies:\*\***

- Under Rule 39, Section 17 of the Rules of Court, a third party may vindicate property rights through judicial action where property claimed by them is levied upon in execution proceedings.

2. **\*\*Labor Code Provisions:\*\***

- Article 254 of the Labor Code typically prohibits injunctions in labor disputes but does not apply to actions involving property of third parties unconnected to the labor dispute.

**\*\*Historical Background:\*\***

This case reflects the economic turmoil and aggressive labor movements prevalent in the Philippines during the 1980s, where many companies faced bankruptcy, leading to complex disputes over labor benefits and creditor rights. The judicial system faced the challenging task of balancing workers' welfare against creditor claims amidst chronic corporate insolvencies.