

Title: National Power Corporation and National Power Board v. Emma Y. Baysic and Narcisa G. Santiago

Facts:

On July 12, 2007, Emma Y. Baysic and Narcisa G. Santiago, representing themselves and 488 retirees of the National Power Corporation (NPC), filed a Petition for Mandamus with a Prayer for Accounting and an Evidentiary Hearing before the Regional Trial Court (RTC) of Quezon City, Branch 83. The petition was concerned with unpaid gratuity pay and financial assistance that the retirees claimed had accrued before the enactment of Republic Act No. 9136 (EPIRA).

The petitioners, NPC and the National Power Board, filed an Answer on October 17, 2008, asserting among other defenses that entitlements were due only to those employed with government service as of EPIRA's implementation. The respondents filed a motion on November 12, 2008, to strike out the Answer, alleging improper verification under Section 4, Rule 7 of the Rules of Court. On January 30, 2009, the RTC expunged the Answer from the records, citing it as a mere scrap of paper. On November 5, 2009, the RTC declared the petitioners in default, following which the petitioners filed a motion to lift the default order and admit their Answer, which was denied on May 18, 2010.

Aggrieved, the petitioners filed a Petition for Certiorari and Prohibition before the Court of Appeals (CA). During its pendency, the RTC rendered a default judgment against the petitioners, prompting them to amend their petition to include this RTC decision. Conversely, the respondents filed an Ex Abundanti Cautela Motion to Strike Out Petition, arguing that the petitioners should have appealed instead of sought certiorari since appeal was available.

On March 4, 2014, the CA granted the motion to strike out the amended petition, ruling it improper since the appeal was available and suitable. The petitioners' motion for reconsideration was denied on August 11, 2014.

Issues:

1. Did the Court of Appeals err in dismissing the petitioners' Amended Petition for Certiorari, holding it as an improper remedy?
2. Was there grave abuse of discretion by the trial court in declaring the petitioners in default and rendering a default judgment?

Court's Decision:

The Supreme Court granted the petition for review, reversing and setting aside the CA's resolutions. The CA was directed to resolve the Amended Petition for Certiorari and Prohibition on the merits.

1. Proper Remedy: The Supreme Court clarified that a Petition for Certiorari under Rule 65 is appropriate when accusing a trial court of grave abuse of discretion for wrongly declaring a party in default. While appeal is generally the remedy against default judgments, such an appeal is not considered plain, speedy, and adequate if grave discretion abuse is alleged. Therefore, the petitioners properly availed themselves of certiorari.

2. Grave Abuse of Discretion: The Supreme Court acknowledged that the petitioners alleged grave abuse of discretion when the trial court struck out their Answer and declared them in default. Therefore, it deemed engaging with the substantive merits of their defense, which involved public disbursement issues, essential, thus ensuring the interests of substantial justice.

#### Doctrine:

- A party declared in default can seek certiorari if the declaration of default involves grave abuse of discretion by the trial court, per *David v. Judge Gutierrez-Fruelda*.
- A valid verification should affirm personal knowledge of the correctness of pleadings as per Section 4, Rule 7 of the Rules of Court.

#### Class Notes:

- Default Judgment Remedies: Include a motion to set aside default, motion for a new trial, petition for relief, and appeal.
- Certiorari under Rule 65: A remedy for grave abuse of discretion beyond appeal procedures.
- Verification: Must reflect the affiant's truthfulness based on personal knowledge and belief.

#### Historical Background:

The case underscores the legal intricacies involving corporate obligations and retiree entitlements, contextualized by the regulatory changes introduced by the EPIRA in the Philippine electric power industry. The legal struggles in this case highlight the transitional disputes, particularly involving state-run corporations affected by new legislative frameworks. The decision reflects evolving interpretations of procedural remedies in cases of default and the judicial emphasis on fairness and comprehensive litigation.