

SERAFIN CATAGUE, TOMAS PIDO, ERNESTO TESORO, VICENTE LIBO-ON, LUDOVICO PAMINTAJON, MANUEL GALLANO, BENITO LUMAUAG, LORENZO BUGA-AY, PEDRO NUNCIO, JOSE AMEDO, ENRIQUE TIZO, VICEN...*G.R. No. L-37414. October 26, 1973*

Ponente: TEEHANKEE, J.

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In this appeal from the lower court's order upholding the amicable settlement between the parties for the payment of termination pay to petitioners-workers of respondent corporation, the Court finds that respondent court acted arbitrarily and with grave abuse of discretion in summarily denying petitioners' timely motion for reconsideration of its decision approving the amicable settlement notwithstanding the fundamental factual question raised by petitioners that the settlement paid them was much less than the termination pay ordained by the Termination Pay Act and was therefore null and void by express mandate of the Act. Respondent court's order of denial of reconsideration is set aside and the case is remanded with instructions for it to hold hearings and receive the parties' evidence and thereafter to resolve accordingly the question of validity or nullity of the amicable settlement.

The above-named twenty-nine (29) petitioners at bar were among forty (40) original plaintiffs-members of the Fraternal Labor Organization-ALU (FLO-ALU) and old workers of respondent Binalbagan-Isabela Sugar Co. Inc. (BISCOM) against whom they filed a complaint dated February 29, 1972[1] before the court of first instance of Negros Occidental presided by respondent judge for the payment of termination pay in accordance with the Termination Pay Law, Republic Act No. 1052, as amended by Republic Act No. 1787, (upon their having been dismissed, laid-off or retired by respondent BISCOM in May, 1971 without any termination or separation pay) and of retirement and separation pay benefits as provided in the collective bargaining agreement executed on June 3, 1971, between their union and said respondent right after their termination (and which collective bargaining agreement could allegedly have been executed as early as May 1, 1971 when they were still in respondent's employ but for a pending certification election contest which their union eventually won as per certification of the court of industrial relations on May 13, 1971). They were then represented by Atty. Zoilo V. de la Cruz, Jr. who at the same time appears to be the president of their union.

Under date of January 25, 1973, an amicable settlement was submitted to respondent court by the parties, assisted by their respective counsel, reciting the conflicting contentions of the parties and providing for the payment by respondent BISCOM to the forty plaintiffs, upon "strong representations" of the union president-counsel, of a total gross amount of P28,054.26 from which were deducted their respective accounts[2] owing to said respondent in the total sum of P2,504.26 leaving a net total amount of P25,550.00 payable to them in amounts ranging from a low of P300.00 to a high of P1,000.00, which amounts were paid to them under the following terms:

“B. That the above-named individual plaintiffs shall pay for the corresponding attorney's fees of their counsel

out of the Net Amounts above-stated, equivalent to ten percent (10%) of the said Net Amounts of each and every one of them, and that said 10% Attorney's fees to be taken from the above-stated Net Amounts shall directly be paid to their counsel, Atty. Zoilo de la Cruz, Jr. Further, that the claims for costs of suit and other damages of the plaintiffs as alleged in the prayer of the Complaint must be borne exclusively by the individual plaintiffs, including the payments for services of plaintiff Serafin Catague, and the same which the individual plaintiffs themselves have certified to be equivalent to ten percent (10%) of the above-stated amounts (Net) shall be taken out of the above-stated Net Amounts and paid directly to Mr. Serafin Catague;

"C. That the above payments to the individual plaintiffs shall be considered, for all legal purposes, as final and complete settlement of all and whatever claims the plaintiffs may have against Defendant Company under the above-entitled case, and therefore each and every individual plaintiff hereby declares, in consideration of this Amicable Settlement, that each and every one of them has no remaining claim whatsoever against Defendant Company as a consequence of their previous employment with Defendant Company, and further, that this Amicable Settlement shall not in any manner be construed as an admission on the part of Defendant Company of any lawful liability to the plaintiffs and shall likewise not be used as a precedent to any identical or similar incident;

"D. Finally, considering that the action of the plaintiffs in this case has been instituted as a class suit, as specifically alleged in paragraph 3 of the complaint, that the acceptance of this Amicable Settlement by any one of the individual plaintiffs shall be considered for all purposes as an acceptance of all the individual plaintiffs of the same; x x "

Respondent court in its decision dated January 26, 1973, after reproducing therein the whole text of the amicable settlement rendered judgment as follows:

"WHEREFORE, finding the Amicable settlement to be in accordance with law and equity, the same is approved and judgment is hereby rendered pursuant to, and in accordance with, the terms and conditions therein stipulated. No special pronouncement as to costs."

The twenty-nine (29) petitioners at bar, while receiving the amounts provided for them in the amicable settlement, filed timely through their new counsel, Atty. Felipe Javier, Jr., five separate motions for reconsideration wherein they assailed respondent court's decision on the ground that it was contrary to the Termination Pay Act and the amounts paid each of them were very much less than those provided for by said Act (in most cases comprising only one-fifth to one-seventh of the amounts claimed to be due and payable under the Act) which rendered the amicable settlement null and void under section 2 of the Act. As against the total amount of P20,108.28 received actually by them, the 29 petitioners at bar presented a total claim of P126,773.63 as the termination pay justly due them based on their length of service with respondent BISCOP as provided by the Act.[3]

Respondent judge in his order dated July 17, 1973 took note of petitioners' former counsel's manifestations that he had duly informed petitioners of the contents and implications of the amicable settlement which they voluntarily executed and that "since the instant case is a class suit, the acceptance by a majority of the plaintiffs and their having received their respective shares, makes the amicable settlement binding on all other plaintiffs" denied reconsideration on grounds that the amicable settlement "has the effect and authority of res judicata" and that the suit was "a simple money claim" fully subject to compromise which could not be set aside in the absence of fraud even on the ground of mistake on the part of petitioners-workers.

Hence, this petition for review. Since the only issue is the nullity of the amicable settlement approved in respondent court's decision for having allegedly granted petitioners much less than what they were entitled to as termination pay under the Termination Pay Act and therefore null and void, the Court as per its resolution of October 19, 1973 resolved after receipt of respondent's extensive comment to consider the petition as a special civil action and respondent's comment as its answer to the petition, and thereupon declared the case submitted for

decision for a prompt and expeditious determination thereof.

Petitioners raised a fundamental factual question in their motions for reconsideration that they had been paid much less than mandated as a matter of public policy by the Termination Pay Act and respondent court manifestly acted arbitrarily and with grave abuse of discretion in summarily denying reconsideration and holding that "the allegations of facts in both the complaint and answer do not form part of the evidence, and thus the inevitable conclusion is that the only findings of fact which should be considered as the established evidence are those stipulated in the 'AMICABLE SETTLEMENT' dated January 25, 1973, duly signed by all the parties, assisted by their respective counsel." instead of receiving the evidence of the parties to enable it to determine the truth of petitioners' allegations and resolve the same accordingly -- by denying reconsideration if petitioners failed to substantiate their allegations as to the long years of service allegedly rendered by them or setting aside its original decision and granting petitioners the larger amounts justly claimed by them as their evidence warranted, and deducting therefrom the amounts already received by them under the amicable settlement.

As stressed in *Insular Lumber Co. vs. Court of Appeals*[4] "(T)he method of computation of termination pay as set forth in the law is clear and plain. Republic Act 1787 provides, in Section 1 thereof heretofore quoted, that an employee whose services are to be terminated without just cause must be served with notice 'at least one month in advance or one-half month for every year of service of the employee, whichever is longer, a fraction of at least six months being considered as one whole year'; otherwise such employee 'shall be entitled to compensation from the date of termination of his employment in an amount equivalent to his salaries or wages corresponding to the required period of notice.' That this manner of computation is just cannot be seriously disputed. The longer the service, the greater the benefit given the employee; correspondingly, the bigger the termination pay. "

The Court added that "(B)y constitutional precept, the State shall afford protection to labor and shall regulate the relations between labor and capital in industry and agriculture. Republic Act 1787 then should be interpreted with the aim in view of advancing the beneficent purpose thereof to give justifiable protection to the laborers so dismissed and their families" and emphasized that Section 2 of the statute gives the explicit warning that "(A)ny contract or agreement contrary to the provisions of Section 1 of this Act shall be null and void: Provided, however, That nothing herein contained shall prevent an employer and his employees or their representatives to enter into a collective bargaining agreement with terms more liberal than those provided for in this Act in favor of the employee."

In *Cariño vs. ACCFA*,[5] the Court held that acceptance of separation pay benefits by the worker under the stress of necessity would not place him in estoppel since "'(E)mloyer and employee, obviously, do not stand on the same footing. The employer drove the employee to the wall. The latter must have to get hold of some money. Because, out of job he had to face the harsh necessities of life. He thus found himself in no position to resist money proffered. His, then, is a case of adherence, not of choice. One thing sure, however, is that petitioners did not relent on their claim. They pressed it. They are deemed not to have waived any of their rights.'"

All the foregoing considerations serve but to stress the right of petitioners to a day in court - to an opportunity to present their evidence in support of their motions for reconsideration that the amicable settlement executed by them through their former counsel was null and void for having deprived them of the termination pay they were entitled to under the Act in accordance with their length of service - since section 2 of the Act expressly ordains as a matter of public policy and in pursuance of the constitutional mandate to afford protection to labor that "any contract or agreement contrary to the provisions of section 1 of this Act shall be null and void" and consequently, any judgment approving such a null and void settlement would carry the same fatal flaw of nullity.

Whether petitioners would be entitled to such a declaration of nullity depends entirely upon the evidence they

may present and the counter-evidence that may be in turn submitted by respondent BISCOP. But respondent court erred grievously in assuming the validity of the amicable settlement and refusing to inquire beyond the text thereof - when precisely such validity had been timely and squarely put in issue by petitioners at bar when they assailed the settlement as having unjustly deprived them of the full benefits to which they are entitled under the Termination Pay Act and therefore were entitled to be heard and to present their evidence thereon.

ACCORDINGLY, the order of respondent court dated July 17, 1973 denying reconsideration of its decision approving the amicable settlement is hereby set aside and the case is remanded to respondent judge with instructions to hold hearings and receive the parties' evidence for and against petitioners' motions for reconsideration and thereafter to resolve the said motions in consonance with the applicable principles hereinabove set forth in Court's opinion. No costs, none having been prayed for.

Makalintal, C.J., Zaldivar, Ruiz Castro, Fernando, Barredo, Makasiar, Antonio, and Esguerra, JJ., concur.

[1] Annex 1, respondent's comment.

[2] Denominated therein as accounts for "education loan, staff account, rice account and lot account, and their accounts with the Biscom Employees Cooperative Association and the Credit Cooperative Union, etc. "

[3] Annexes B, B-1 to B-4, petition; E. & O.E.

[4] 29 SCRA 371, 383 (August 29, 1969).

[5] 18 SCRA 183 (September 29, 1966).

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