

**FEDERICO G. SANTIAGO, PLAINTIFF AND APPELLANT, VS.
BINALBAGAN ESTATE, INC., DEFENDANT AND APPELLEE.***G.R. No. L-2268. October 20, 1950*

Ponente: PARAS, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/7bb5755c6e9a/>**PARAS, J.:**

The plaintiff entered the service of the defendant on October 20, 1940, first as stenographer and subsequently in various capacities until he resigned effective February 16, 1947, due to ill health. The highest monthly salary received by the plaintiff during the period of his employment was P250. Plaintiff's connection with the defendant was continuous, except when it was interrupted by the outbreak of the last war and the entry of the Japanese Army in Manila on January 2, 1942, when the defendant's Manila office was closed until the early part of February, 1942, and by the battle for the liberation of Manila when said office was closed from February 3, 1945, up to the early part of August, 1945.

While the plaintiff was thus employed, Resolution No. 31 of the board of directors of the defendant, approved on June 9, 1936, was in force. It provided that all permanent employees of the defendant separated from the service on or after July 1, 1938, for any reason other than inefficiency or misconduct, were entitled to retirement gratuity at the rate of one month's salary for each year of service, and the proportionate amount of any fraction thereof, said gratuity to be based on the highest basic rate of salary received.

The plaintiff duly applied for retirement under Resolution No. 31. In its Resolution No. 8, approved on February 5, 1947, the board of directors of the defendant approved the payment to the plaintiff of retirement gratuity from October 20, 1940, to December 31, 1941, based on the monthly salary of P150, the total amount received by the plaintiff, under protest, being P179.20. The plaintiff, in his communication of April 10, 1947, demanded from the defendant the payment of P1,401.23, representing unpaid balance of this gratuity for service rendered from October 20, 1940, to February 15, 1947, based on the highest basic rate of salary of P250 per month. On April 16, 1947, the board of directors of the defendant adopted Resolution No. 21, approving plaintiff's claim for retirement gratuity for his service from August 22, 1945, to February 15, 1947, and, in accordance with said resolution, the plaintiff received, under protest, the sum of P356.36, based on P200 per month as the highest basic rate of salary. This second payment included a difference due under the first payment which was computed only on P150 per month. On June 17, 1947, the plaintiff addressed a letter to the defendant, reiterating his right to retirement gratuity for the entire period of his service, including the period covered by the Japanese occupation. This demand was rejected by the defendant in its letter of June 21, 1947, on the ground that the defendant lost heavily during the war and had resolved to pay retirement gratuity to its employees only up to December 31, 1941.

The present action was instituted by the plaintiff in the Court of First Instance of Manila to recover from the defendant the sum of P1,044.18, representing unpaid retirement gratuity due and moving by the defendant to the plaintiff for services rendered from October 20, 1940, to February 15, 1947. The parties entered into a partial stipulation reciting substantially the facts above related. After they had waived their right to present additional evidence and submitted the case for decision on the pleadings, the trial court absolved the defendant from the

complaint with respect to the gratuities already paid, and dismissed the case, without prejudice, with respect to gratuities corresponding to the period covered by the Japanese occupation, from which judgment the plaintiff interposed the instant appeal.

The defendant-appellee invokes the debt moratorium as regards the gratuity, if any, due for services rendered during the Japanese occupation, and the trial court appears to have sustained the defendant's position. This is error, because the defendant had already chosen to pay the gratuity due from October 20, 1940, to December 31, 1941, which is also covered by the debt moratorium. Moreover, plaintiff's guilty became a monetary obligation of the defendant only when its board of directors approved the retirement on February 5, 1947, or after Manila had been freed from enemy occupation and control, and is therefore not covered by the debt moratorium.

It is contended that the plaintiff cannot assail the finding of fact of the trial court that the plaintiff received gratuities corresponding to 1940 and 1941 and to the period from August 22, 1945, to February 15, 1947, because he has appealed to the Supreme Court purely on questions of law. This is erroneous. The payments already made to the plaintiff and the period intended to be covered by said payments, are admitted by the plaintiff. He, however, has the right to contend, as a question of law, that the trial court erred in basing the computation of said payments on P200 per month, and not on P250 per month.

It is immaterial, contrary to intimations of the defendant, whether plaintiff's employment was continuous, because Resolution No. 31, upon which defendant's claim is founded, does not require continuous service in order that an employee may be entitled to retirement gratuity.

Defendant also argues that gratuity is no a right and may be withdrawn at any time by the defendant. Assuming that the defendant may at pleasure abolish its retirement system, the facts in this case do not reveal that the defendant has ever resolved to withdraw the benefits bestowed by Resolution No. 31. Indeed, defendant's contention is inconsistent with the circumstance that it paid to the plaintiff gratuity for the period subsequent to the Japanese occupation, namely, from the August 22, 1945, to February 15, 1947. This payment is also inconsistent with the contention that the defendant had resolved to pay retirement gratuities only up to December 31, 1941.

As Resolution No. 31 plainly provides that the gratuity must be computed on the highest basic rate of salary, the gratuity to which the plaintiff is entitled for the entire period of his employment must be based on P250 per month. It is, however, argued that said monthly salary of P250 should not be taken as a basis, because it was paid in Japanese military notes which were of a much lower value than the Philippine currency. Resolution No. 31 makes no specification of the currency with which the retirement gratuity is to be paid. The distinction is therefore not important. Moreover, the monthly salary of P250 was given to the plaintiff beginning August 1, 1943, not because of the low purchasing power of the then Philippine peso but because the plaintiff was appointed secretary-treasurer of the defendant, a position undoubtedly much higher than the other positions held by the plaintiff.

In view of the fact that Resolution No. 31 provides that the gratuity should be one month's salary for each year of service, and the proportionate amount of any fraction thereof, the plaintiff is entitled to collect gratuity only for the service actually rendered by him, that is, excluding the period during which, according to the stipulation, the defendant was closed.

It being necessary to determine the exact period during which the plaintiff had rendered actual service to the defendant, and the corresponding amount still due him as gratuity for said period, which are matters of fact, the case has to be, as it is hereby, remanded to the lower court for further proceedings in conformity with this decision. So ordered, without costs.

Moran, C.J., Feria Pablo, Bengzon, Tuason, and Reyes, JJ., concur.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.