

R. F. SUGAY & CO., INC., PETITIONER, VS. PABLO C. REYES, CESAR CURATA, PACIFIC PRODUCTS INC., AND WORKMEN’S COMPENSATION COMMISSION, RESPONDENTS.

G.R. No. L-20451. December 28, 1964

Ponente: PAREDES, J.

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PAREDES, J.:

This is a Workmen's Compensation Case, the compensability of the injuries suffered by the claimants, Pablo C. Reyes and Cesar Curata, being admitted by all the parties. The only issue requiring determination is, who among the three (3) persons (Romulo Sugay, R. F. Sugay & Co., Inc., and Pacific Products, Inc.) is the statutory employer of said claimants and who should be liable for their disability compensation.

In the evening of January 13, 1961, respondents Pablo Reyes and Cesar Curata suffered burns of various degrees, while painting the building of the Pacific Products, Inc., caused by a fire of accidental origin, resulting in their temporary total and permanent partial disability from work. For said injuries they filed claims for disability and medical expenses against the R. F. Sugay & Co., Inc., Romulo F. Sugay and the Pacific Products, Inc. The R. F. Sugay & Co., Inc., answered the claim, alleging that the corporation was not the employer of the claimants, but it was the Pacific Products, Inc., which had an administration and supervision job contract with Romulo F. Sugay, who, aside from being the President of the corporation, bearing his name, had also a business of his own, distinct and separate from said corporation; and that the Regional Office of the Department of Labor had no jurisdiction over the subject matter. Romulo F. Sugay did not file an Answer, but voluntarily appeared during the hearing and disclaimed liability. The Answer of Pacific Products, Inc., contained the customary admissions and denials, and averred that its business was mainly in the manufacture and sale of lacquer and other painting materials. As defenses, it stated that the claimants were the employees of respondents R. F. Sugay Construction Co., Inc., and/or Romulo F. Sugay; that as a result of the fire, it incurred a loss of P2,000,000.00, occasioned by the employment of incompetent men in the painting of its factory by the Sugays.

The Hearing Officer dismissed the case with respect to R. F. Sugay & Co., Inc., and Romulo F. Sugay "for want of employer-employee relationship with the claimants, either directly or through an independent contractor", declaring:

"WHEREFORE, the Pacific Products Inc., is hereby adjudged to pay through this office, the following benefits to the claimants as follows:

- To PABLO C. REYES the sum of P490.05 as temporal total disability benefits plus P44.53 for permanent partial disability of index finger plus P40.20 for the middle finger plus P49.48 for the ring finger; plus hospital and medical expenses of P659.70 or a total of ONE THOUSAND TWO HUNDRED EIGHTY-THREE AND 96/100 PESOS (P1,283.96), as total benefits under the Act.
- To CESAR CURATA, the sum of P415.80 as temporary total disability compensation plus P477.75 and P273.00 (or impairment of his right and left feet plus P4,459.96 as medical and hospital expenses or a total of FIVE

THOUSAND SIX HUNDRED TWENTY-FIVE and 80/100 PESOS (P5,625.80) as total benefits under the Act.

- To pay to this office the sum of EIGHTEEN PESOS (P18.00) as fees for the two claims pursuant to Section 55 of the Act.

The respondents, ROMULO F. SUGAY and R. F. Sugay & Co., Inc., should be as they are hereby exempted from any liability for lack of employer-employee relationship with the claimants."

Pacific Products, Inc., appealed the above decision to the Commission. On August 24, 1962, Commissioner Jose Sanchez rendered judgment affirming the compensability of the injuries and the amounts due them, but modified the decision of the Hearing Officer, by finding that R. F. Sugay & Co., Inc., was the statutory employer of the claimants and should be liable to them. Pacific Products, Inc., was absolved from all responsibility. In the decision, the Associate Commissioner made the following findings and conclusions, to wit:

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"A careful study of the evidence leads us to the conclusion that although the accident happened within the premises of the respondent Pacific Products, Inc., the responsibility for the payment of the compensation due in this case should be lodged somewhere else. In the first place, even the evidence presented by the claimants and the other two respondents clearly established the fact that the accident occurred while the claimants were painting the Office of Pacific Products, Inc., an undertaking which had nothing to do with the business of the latter. It was fairly shown that Pacific Product, Inc., was engaged in the manufacture, and sale of paints, varnish and other allied products and, therefore, the work which was then being undertaken in its office at the time of the accident has nothing to do with the nature of its business. The records disclose that the injured painters were hired, through an intermediary, by R.F. Sugay & Co., which was purposely established "to engage itself In the constructions, repairs, remodeling of all kinds of houses, residence, edifices and all such other buildings and all kinds of construction works allied thereto." (Exh. "11", Articles of Incorporation of R.F. Sugay & Co., Inc., page 241, Records of the case.)

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The evidence adduced by the parties indicates rather clearly that except for the fact that the Pacific Products, Inc., supplied the paint, it did not exercise any of the above-enumerated powers. The claimants were hired by one Rodolfo Babatid pursuant to the instruction received by the latter from Romulo Sugay. They were paid by Eduardo Sugay, brother of Romulo and Secretary of R. F. Sugay & Co., and were under the control of these persona during the time they were painting the office of Pacific Products, Inc. Following the rulings enunciated in the above-cited decisions of the Supreme Court[1] we are constrained to disagree with the Hearing Officer's decision in so far as it held that respondent Pacific Products, Inc. should be solely responsible for the payment of the compensation be awarded in favor of the claimants. Neither can we see the reason of the Hearing Officer in ordering said respondent to pay the compensation in this case after ruling categorically that "the herein claimants were casual employees of Pacific Products, Inc." A 'casual employee,' by the way, is one "whose employment is purely casual and is not for the purposes of the occupation or business of the employer." (Section 39 (b) Workmen's Compensation Act, as amended.)

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x x x. In a situation like this, much weight should be given to the testimony of a person who does not stand to lose or gain from the outcome of the case. Rodolfo Babatid, who was presented by both the respondent Romuto Sugay and the claimants, swore on the witness stand that he has been for a long time, an employee of the firm R. F. Sugay & Co. and that he hired the other painters pursuant to the directive of Romulo Sugay an president of said firm. This witness, and the two claimants were in union in declaring that they were paid by the firm, thru its secretary Eduardo Sugay, who directly supervised thorn in their work. That the claimants were of the belief that then were hired by R. F. Sugay & Co., thru Mr. Babatid, is also shown by their

declarations under oath that they were paid thru the company payroll, which they signed. x x x. These two persons, as already adverted to above, expressed their honest belief that they were connected with R. F. Sugay & Co., having been hired by one who was known to be a trusted employee of said business establishment. Under this set of facts, it may be said that R. F. Sugay & Co., is now estopped from denying any relationship with the claimants because, thru its responsible officials, it made others believe that the painters hired by Mr. Babatid were being employed by it. Without insinuating that the dual role played by Romulo F. Sugay was intended to be used as a subterfuge to cloak the responsibilities of the corporation under his presidency, we must state that such dual roles cannot be allowed to confuse the facts relating to employer-employee relationships."

The Commission en banc, on September 19, 1962, denied the motion for reconsideration stating that there was "nothing to warrant a modification, much less a reversal, of the decision sought to be reviewed." In the appeal of R. F. Sugay & Co., to this Court, it is insisted that Pacific Products, Inc. was the employer of the claimants.

At the outset, We would wish to point out that this case is an appeals from the decision of the Workmen's Compensation Commission. Needless to state, in this class of proceedings, only questions of law should be raised, the findings of facts made by the Commission, being conclusive and binding upon this Court. (Bernardo vs. Pascual, L-13260, October 31, 1960.) Indeed, We are authorized to inquire into the facts, but only when the conclusions thereupon are not supported by the evidence. In the case at bar, however, We find that the findings of facts made by the Commissioner and concurred in by the Commission en banc are fully supported by the evidence on record, which clearly points out that R. F. Sugay & Co., is the statutory employer of the claimants. The decisive elements showing that it is the employer, are present, such as selection and engagement; payment of wages; power of dismissal, and control (Viaña vs. Alejo-Alagadan, et al., May 31, 1956). These powers were lodged in R. F. Sugay & Co. On this very score alone, the petition for review should be dismissed.

There was a faint attempt by the petitioning corporation, to evade liability, by advancing the theory that Romulo F. Sugay, its President, was the one who entered into a contract of administration and supervision for the painting of the factory of the Pacific Products, Inc., and making it appear that said Romulo F. Sugay acted as an agent of the Pacific Products, Inc., and as such, the latter should be made answerable to the compensation due to the claimants. We, however, agree with the Commission that "the dual roles of Romulo F. Sugay should not be allowed to confuse the facts relating to employer-employee relationship." It is a legal truism that when the veil of corporate fiction is made as a shield to perpetrate a fraud and/or confuse legitimate issues (here, the relation of employer-employee), the same should be pierced. Verily, the R. F. Sugay & Co., Inc., is a business conduit of R. F. Sugay.

IN VIEW HEREOF, the writ is denied, and the judgment appealed from, is hereby affirmed, in all respects. Costs taxed against petitioner R. F. Sugay & Co., Inc., in both instances.

Bengzon, C. J., Bautista Angelo, Concepcion, Reyes, J. B. L., Dizon, Barrera, Regala, Makalintal, Bengzon, J. P. and Zaldivar, JJ., concur.

[1] Philippine Manufacturing Co. vs. E. Santos Vda. de Geronimo, et al., L-6968, November 21, 1954; Viaña vs. Alejo-Alagadan, et al., L-8967, May 31, 1956.

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