

PHILIPPINE COMMERCIAL AND INDUSTRIAL BANK AND THE MANILA BANKING CORPORATION, PETITIONERS, VS. NATIONAL MINES & ALLIED WORKERS UNION (NAMAWU-MIF), NATIONAL LABOR RELATIONS COMMI...

G.R. No. L-50402. August 19, 1982

Ponente: BARREDO J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/ea04cb0c26e1/>

BARREDO J.:

Petition for certiorari filed on April 23, 1979 to annul and set aside the order of April 18, 1979 of the National Labor Relations Commission issued in N.L.R.C. Case No. RB-IV--3322-75, thru Labor Arbiter Manuel H. Lorenzo, praying at the same time that this Court order the said respondent Commission to stop delivery of the check of P4 ,298,307.77 of private respondent Atlas Consolidated Mining and Development and/or for Us to stop payment to the respondent Union on the ground that the issuance of said order of April 18, 1979 was a grave abuse of discretion and/or in excess of the Commission's jurisdiction.

On May 4, 1979, We issued the following resolution:

"On December 22, 1975 the National Mines & Allied Workers' Union obtained in NLRC Case No. RB-VI-3322-75 a judgment ordering the Philippine Iron Mines, Inc. to pay the union P4,298,307.77 as severance pay, etc. The judgment became final and executory on January 6, 1976.

"On April 18, 1979 the NLRC, through a Labor Arbiter, granted the union's ex parte motion of April 16, 1979 for the garnishment of the amount of P4 ,298,307.77 due from Atlas Consolidated Mining and Development Corporation to the Philippine Commercial and Industrial Bank and the Manila Banking Corporation, as part of the price for which the mining machinery and equipment of the Philippine Iron Mines (acquired under foreclosure sale by the two banks) was sold by the two banks to Atlas. (The total price was thirty million pesos.)

"On that same date, April 18, Atlas complied with the writ of garnishment and delivered to the sheriff a check for P4 ,298,307.77.

"The order of garnishment and Atlas' compliance with it are assailed in this certiorari proceeding on the ground of lack of jurisdiction since the two banks were not parties in the labor case and the funds garnished were not due to the judgment debtor, Philippine Iron Mines.

"After deliberating on these facts, the Court Resolved (1) to REQUIRE the respondents within ten (10) days from notice to ANSWER the petition (not to file a motion to dismiss) and (2) to ISSUE a WRIT OF PRELIMINARY INJUNCTION after the petitioners had filed a satisfactory bond in the sum of one hundred thousand pesos (P100,000). It should be specified in the writ that Atlas is directed to stop payment on the said check, that respondent Union is enjoined from cashing the check and, if the check has not yet been delivered to the union, then respondent sheriff is directed to return the check to Atlas. If the check has been delivered to the Union, the latter is enjoined from distributing the proceeds thereof to its members and to return the check to

Atlas." (Vol. I, Record.)

with the corresponding writ of preliminary injunction after the required bond was filed on May 9, 1979, after petitioners filed their supplemental petition of April 24, 1979 and Urgent Motion of April 30, 1979.

It appears, however, as stated in the answer of respondent Union dated October 10, 1979, that "the check turned over by the Sheriff of the NLRC to herein respondent on April 20, 1979 was encashed on April 23, 1979 and the proceeds thereof were duly distributed to its members/claimants on the same day (April 23, 1979) and everyday thereafter, until the distribution was finished on May 5, 1979. In fact, on May 10, 1979, respondent union filed with the Labor Arbiter a "Report of Compliance and Motion for Admission and Approval of Schedule of Distribution" dated May 10, 1979, a copy of which is herewith attached and made part hereof as Annex "18". A corresponding order approving the aforesaid distribution was issued by Labor Arbiter Manuel B. Lorenzo on May 12, 1979, a copy of which is herewith attached and made part hereof as Annex "19". Under the present circumstances, respondent union can only invoke the following legal principle:

"The established principle is that when the events sought to be prevented by injunction or prohibition have already happened, nothing more could be enjoined or prohibited because nothing more could be done in reference thereto." (*Aragones vs. Subido* , L-24303, Sept. 23, 1968, 25 SCRA 95)" (Pp. 442-443 Vol. II, Record.)

Thus, in the light of the prayer of the petition herein which reads:

"WHEREFORE, petitioners respectfully pray that:

"1. This Petition is given due course;

"2. Pending determination of the merits of this Petition, a Writ of Preliminary Mandatory Injunction upon such bond as this Honorable Court may fix, be issued ordering the Atlas Consolidated Mining and Development Corporation to stop payment of the check delivered to the NLRC Sheriff, the National Labor Relations Commission (Regional Branch No. IV), particularly the Sheriff thereof, from delivering said check to the Union, and the National Mines & Allied Workers' Union (NMAWU-MIF) from distributing the proceeds of the said check to its members; and to return the proceeds of the check for P4,341,290.84 to the petitioners;

"3. After appropriate proceedings, judgment be rendered making the Writ of Preliminary Mandatory Injunction permanent and setting aside the NLRC Order dated 18 April 1979.

"Petitioners likewise pray for such other relief as may be deemed just and equitable under the pre-mises." (Page 18, Vol. I, Record.)

it would seem that this case is now moot and academic, the prohibitory injunction prayed for being already impossible of enforcement, the acts sought to be enjoined having been already consummated.

But it is obvious from the allegations of the petition that the main and real remedy aimed at by petitioners is for them to be considered as in no way liable for the money paid to the laborers of respondent Philippine Iron Mines by virtue of the writ of execution and garnishment in question and that the obedience or compliance thereto by respondent Atlas was uncalled for, hence Atlas should be held still liable to them for the amount afore-mentioned it had delivered to the Sheriff in order to complete the P30 M purchase price of the PIM properties sold by them to Atlas.

To complete the material facts summarized in our above-quoted resolution of May 4, 1979, We have only to add the following:

1. That the judgment obtained by the respondent Union from the NLRC on December 22, 1975 was the result

of an unfair labor practice case filed by said Union against PIM because of its failure to comply with the condition imposed upon it by the Minister of Labor when it was granted clearance to shut down its operation and lay off all its personnel due to its bankruptcy to the effect that said clearance was "subject to such rights and benefits accruing to the workers and employees of your company under (the) existing collective bargaining agreement and relevant provisions of the Labor Code."

2. That PIM was a mortgage debtor separately of the Development Bank of the Philippines and of herein petitioners, but later the DBP conveyed its mortgage rights to PCIB.

3. On account of the failure of PIM to pay its obligations just referred to, PCIB and Manila Bank foreclosed all mortgages in their favor on December 20, 1975 and as they were the only bidders at the auction sale, they eventually secured final conveyances in their favor of said properties.

4. To be sure, respondent Union had already been able to levy on certain properties of PIM which allegedly were not covered by the mortgages to petitioners, and so there are now in the lower courts suits wherein petitioners and the Union are contesting as to who of them have the superior right over said properties. Additionally, there is a proceeding for contempt pending in the NLRC because petitioners' men would not allow the Sheriff to enforce execution of some of said properties.

We do not see any need to clutter this opinion with the details of those suits and contempt proceedings, considering the view we are taking of the primordial issue as to whether or not petitioners, as auction purchasers of the properties of PIM mortgaged to them and as sellers thereof to Atlas are subject to the claims of the Union finally adjudged by the NLRC.

There are, to our mind, at least two indubitable grounds why petitioners are liable to the Union for the judgment against PIM.

a. The deed of Sale (Annex M, Petition) by which petitioners conveyed their rights to Atlas, contains the following unequivocal and unambiguous warranties:

"1. Warranties of Sellers. - Sellers (the petitioners in the case at bar) warrant that (1) they have full and sufficient title over the PROPERTIES and that (2) the PROPERTIES are free from all liens and encumbrances, (3) the BUYER (Atlas) being hereby saved free and harmless from all claims in incidental actions of National Mines & Allied Workers' Union (NAMAWU) including its action for annulment of the Sheriff's sale with respect to the contents of a certain bodega (Civil Case No. 2727 of Branch II of the Camarines Norte CFI); (4) the SELLERS have full rights and capacity to convey title to and effect peaceful delivery of these properties their authority to do so having been obtained from the government of the Republic of the Philippines, copy of which is enclosed and made an integral part hereof; and taxes and charges thereon have been fully paid and should any be accrued on the date of these presents, the same shall be for SELLERS account." (Underscoring, words and numbers in parenthesis supplied.) (Page 789, Vol. II, Record.)

As Atlas very aptly puts it in its reply-memorandum dated June 13, 1980:

"To the extent of being repetitious but if only to bring home the point, under the above-quoted Deed of Sale unconditionally and unqualifiedly protective of Atlas, the petitioners, as the sellers, legally and validly warranted unto Atlas, as the buyer, (1) full and (2) unencumbered title to the subject properties, (3) that they have full rights and capacity to convey title to and effect peaceful delivery of these properties to Atlas, and, very importantly, (4) that they shall hold Atlas 'free and harmless from all claims and incidental actions of National Mines & Allied Workers Unions (NAMAWU)' inclusive of NAMAWU's action for annulment (Civil Case No. 2727, Branch II, CFI- Camarines Norte).

"The above warranties of the petitioners in favor of Atlas need no further interpretation. With due respect, this Honorable Court must instead apply and enforce these warranties against the petitioners, pristinely and

unequivocally clear as these warranties are.

"Clearly, the facts of the instant petition viewed vis-a-vis the above-quoted legal and contractual warranties, guarantees and duties of the petitioners in favor of Atlas show that the former have no cause of action against the latter." (Page 790, Vol. II, Record.)

b. We cannot but agree with the Solicitor General that:

"Fourthly, since the decision of December 22, 1975 in the aforementioned NLRC case was brought about by the cessation or shutdown of business by PIM, its workers enjoy first preference as regards wages due for services rendered prior to the bankruptcy or liquidation, as against other creditors, like herein petitioners, notwithstanding any provision of law to the contrary. Thus, Article 110 of the New Labor Code, as amended, as well as Section 10, Rule VIII, Book II, of the Rules and Regulations Implementing the New Labor Code provide:

"Art. 110. Worker Preference in case of bankruptcy. - In the event of bankruptcy or liquidation of an employer's business, his workers shall enjoy first preference as regards wages due them for services rendered during the period prior to the bankruptcy or liquidation, any provision of law to the contrary notwithstanding. Unpaid wages shall be paid in full before other creditors may establish any claim to share in the assets of the employer.' (New Labor Code)

"Section 10. Payment of wages in case of bankruptcy . - Unpaid wages earned by the employees before the declaration of bankruptcy or judicial liquidation of the employer's business shall be given first preference and shall be paid in full before other creditors may establish any claim to a share in the assets of the employees.' (Rules and Regulations Implementing the Labor Code, Book III, Rule VIII)

"It must be noted that the word 'wage' paid to any employee is defined as 'the remuneration or earnings, however designated, capable of being expressed in terms of money, whether fixed or ascertained on a time, task, piece, or commission basis, or other method of calculating the same, which is payable by an employer to an employee under a written contract of employment for work done or to be done, or for services rendered or to be rendered, and includes the fair and reasonable value, as determined by the Secretary of Labor, of board, lodging or other facilities customarily furnished by the employer to the employees.' (Art. 97, par. f, Title II, Chapter I, New Labor Code). Stated differently, 'wages' refer to all remunerations, earnings and other benefits in terms of money accruing to the employees or workers for services rendered.

"Thus, all benefits of the employees under a Collective Bargaining Agreement, like severance pay, educational allowance, accrued vacation leave earned but not enjoyed, as well as workmen's compensation awards and unpaid salaries for services rendered, fall under the term 'wages' which enjoy first preference over all other claims against the employer. As such, therefore, even if the employer's properties are encumbered by means of a mortgage contract, still the workers' wages which enjoy first preference in case of bankruptcy or liquidation are duly protected by an automatic first lien over and above all other earlier encumbrances on the said properties. Otherwise, workers' wages may be imperilled by foreclosure of mortgages, and as a consequence, the aforesaid provision of the New Labor Code would be rendered meaningless." (Pp. 760-762, Vol. II, Record.)

The reason behind the provisions of the Labor Code giving preference to claims of labor in the liquidation of a business or industrial concern is patent and manifest. It is but humane and partakes of the divine that labor, as human beings, must be treated over and above chattels, machineries and other kinds of properties and the interests of the employer who can afford and survive the hardships of life better than their workers. Universal sense of human justice, not to speak of our specific social justice and protection to labor constitutional injunctions dictate the preferential lien that the above provisions accord to labor.

Petitioners are trying to make much of the circumstance that the foreclosure sale in their favor antedated by two

days the judgment of the NLRC. In this connection, We hold that the right of the Union members over the properties or assets of PIM became vested from the date the Minister of Labor approved PIM's application for clearance on May 7, 1975. In the most legal sense and, again, consonant with the principles of social justice and protection to labor under the Constitution of the Philippines above referred to the NLRC decision was only confirmatory of such right, not unlike the juridical effect of the issuance of a Torrens title over a piece of land already covered by a legitimate Spanish title. And so, when petitioners acquired the properties of PIM in the foreclosure sales, those properties were already encumbered in favor of the Union members/claimants by force of law. Worse, petitioners were well aware they were foreclosing on properties of a mortgage debtor who had already secured from the Ministry of Labor a corresponding clearance for shutdown due to liquidation, and, needless to say, petitioners are presumed to know the law on the matter already referred to above.

Indeed, from whatever point of view We try to look at the situation of petitioners, it always comes out that they cannot cheat the Union claimants/members of what is due them by law for work actually done by them and other benefits. They bought the properties in question with open eyes. They sold the same knowing they were saddled with the rights of the laborers of PIM under the clearance of the Ministry of Labor. The deed of sale included, as it should, a warranty that the properties are free from all liens and encumbrances. ATLAS had the right to receive the properties free from any lien and encumbrance, and when the garnishment was served on it, it was perfectly in the right in slashing the P4 ,298,307.77 from the P30 M it had to pay petitioners in order to satisfy the long existing and vested right of the laborers of financially moribund PIM, without any liability to petitioners for reimbursement thereof.

With this declaration of the respective rights of the parties, it follows that all proceedings or suits pending in the lower courts are subordinated to such declaration, if they may not be deemed already moot and academic.

PREMISES CONSIDERED, judgment is hereby rendered dismissing the petition and settling the respective rights of the parties hereto as above declared, with costs against petitioners.

Aquino, Guerrero, De Castro, and Escolin, JJ., concur.

Concepcion, Jr., and Abad Santos, JJ., no part.

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.