

DEVELOPMENT BANK OF THE PHILIPPINES, PETITIONER, VS. THE NATIONAL LABOR RELATIONS COMMISSION, PINES HOTEL GENERAL WORKERS' UNION-ALU, VIRGINIA ABAD, DOLORES AQUINO, JOHNNY CASTA...

G.R. No. 106655. September 01, 1994

Ponente: VITUG, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-106655/>

VITUG, J.:

This petition for certiorari, invoking Rule 65 of the Rules of Court, challenges the decision, dated 16 April 1991, as well as the resolution, dated 31 July 1992, of respondent National Labor Relations Commission ("NLRC").

Resort Hotel Corporation ("RHC") was the former owner and operator of the Pines Hotel in Baguio City, where private respondents were employed. The property was hypothecated to petitioner Development Bank of the Philippines ("DBP"). When RHC failed to comply with its obligations, DBP foreclosed on the mortgage. Following the foreclosure, Hotel Development Corporation ("HDC"), a subsidiary of DBP, assumed the management and operations of the hotel. Private respondents were rehired by HDC.

On 23 October 1984, Pines Hotel, unfortunately, was razed by fire. On 05 November 1985, private respondents filed a complaint against RHC for money claims still outstanding in their favor at the time the foreclosure was effected. HDC and DBP were also impleaded upon the thesis that, should RHC be bereft of sufficient property to answer for those claims, the foreclosed property could be levied against in accordance with Article 110 of the Labor Code.

On 13 May 1988, the Labor Arbiter rendered judgment thusly:

"IN THE LIGHT OF THE FOREGOING OBSERVATIONS, judgment is hereby rendered with the following dispositions:

"1. That the foreclosure of the assets of the Resort Hotels Corporation by the Development Bank of the Philippines had the effect of placing the workers in a situation similar to that of establishments that are bankrupt, or those that are dissolved, hence workers claims should be paid in full before the Development Bank of the Philippines may establish any claim over the assets of the RHC;

"2. That the Development Bank of the Philippines is hereby ordered to deliver the complainants claims for separation pay, earned vacation and sick leave benefits, meal provisions service charge share pay claims and March 1984 service charge claims all of which having a total of TWO MILLION ONE HUNDRED EIGHTY ONE THOUSAND, SIX HUNDRED NINETY NINE PESOS AND FIFTY SIX CENTAVOS (P2,181,699.56), plus ten percent (10%) of which as attorney's fees and the legal interest to be computed from March 31, 1984 up to its actual payment;

"3. The prayer of the respondent RHC calling for the dismissal of this case for lack of merit is denied, with the qualification that the cross claim is granted, and the DBP should deliver to the complainants their claims; and

"4. That the Hotel Development Corporation does not have any liability to the complainants, in so far as the claims for separation pay, earned vacation and sick leave benefits, meal provisions service charge share pay claim and March 1984 service charge claims are concerned, hence it should dropped from this complaint.

"SO ORDERED." (Rollo, pp. 85-86).

On appeal to the NLRC, the latter, on 15 April 1991, rendered its decision which, among other things, said:

"RHC's contention that its liability to herein complainants was transferred to DBP as a consequence of the foreclosure of the Hotel, is untenable. As aptly expounded by DBP, the obligation to pay complainants money claims, the subject matter of this complaint, is personal to RHC.

"WHEREFORE, the instant appeals are DISMISSED for lack of merit and the appealed Decision is hereby AFFIRMED.

"SO ORDERED." (Rollo, p. 107).

No appeal was interposed by either party.

On 03 October 1991, private respondents filed a motion for the issuance of a writ of execution. On 15 October 1991, DBP submitted, in turn, with the Labor Arbiter a motion for clarification to resolve an averred inconsistency between the body (i.e., that RHC, not DBP, is liable to herein private respondents for their money claims [see aforementioned decision]) and the dispositive portion (which dismissed DBP's appeal [ibid.]) of the NLRC decision. On 31 July 1992, the NLRC issued a resolution denying the motion for clarification for lack of merit. The NLRC said:

"There is no inconsistency between the findings in the April 25, 1991 Decision of this Commission and the dispositive portion thereof as perceived by respondent DBP.

"It needs to be stressed that DBP was impleaded in this case for reason that it foreclosed the assets of RHC. And, the complainants, who were employees of RHC, would like to ensure the enforcement of their money claims against the foreclosed properties of their employer invoking Art. 110 of the Labor Code which provides that:

"'Art. 110 - Workers 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 their wages and other monetary claims, any provisions of law to the contrary notwithstanding. Such unpaid wages and monetary claims shall be paid in full before claims of the government and other creditors may be paid.'

"Before complainants' money claims could enjoy preference under the aforesaid provision of the Labor Code, the same should be first established. That is, it must be shown with sufficient evidence that they are legally entitled thereto or, that their employer is legally bound to pay their money claims. Precisely, this is the thrust of our findings when we declared RHC liable to complainants' money claims. Unfortunately, DBP interpreted this finding separately. It failed to take into consideration the other portion of the decision of which it forms a part.

"WHEREFORE, the instant motion is hereby DENIED for lack of merit.

"SO ORDERED." (Rollo, pp. 130-131).

Hence, the instant petition for certiorari, which asserts that:

"1. The National Labor Relations Commission committed grave abuse of discretion amounting to lack or in excess of jurisdiction when it promulgated its resolution of July 31, 1992 erroneously sustaining the dispositive portion of its Decision of April 15, 1991, instead of following its (Decision) body which correctly absolves DBP from liability in favor of the private respondents.

"2. The National Labor Relations Commission committed grave abuse of discretion amounting to lack or in excess of jurisdiction when it affirmed the erroneous conclusion of Labor Arbiter Irenarco R. Rimando that private respondents (complainants workers) claims against RHC enjoys first preference over the mortgage credit of DBP;

"3. The National Labor Relations Commission and the Labor Arbiter committed grave abuse of discretion amounting to lack or in excess of jurisdiction when it declared that bankruptcy proceedings should not be a condition before workers claims are paid of their claims in view of the amendment of Art. 110 by Republic Act No. 6715;

"4. The National Labor Relations Commission committed grave abuse of discretion amounting to lack or in excess jurisdiction when it affirmed the conclusion of Labor Arbiter Irenarco R. Rimando that because of DBP's foreclosure of RHC assets, complainants workers lien should now be enforced against DBP." (Rollo, pp. 22-23).

Evidently, the NLRC erred in its application of the provisions of Article 110 of the Labor Code. In *Republic vs. Peralta* (150 SCRA 37, 38-40), this Court ruled:

"Article 110 of the Labor Code, in determining the reach of its terms, cannot be viewed in isolation. Rather, Article 110 must be read in relation to the provisions of the Civil Code concerning the classification, concurrence and preference of credits, which provisions find particular application in insolvency proceedings where the claims of all creditors, preferred or non-preferred, may be adjudicated in a binding manner.

"x x x x x x x x.

"Article 110 of the Labor Code does not purport to create a lien in favor of workers or employees for unpaid wages either upon all of the properties or upon any particular property owned by their employer. Claims for unpaid wages do not therefore fall at all within the category of specially preferred claims established under Articles 2241 and 2242 of the Civil Code, except to the extent that such claims for unpaid wages are already covered by Article 2241, number 6: 'claims for laborers' wages, on the goods manufactured or the work done;' or by Article 2242, number 3: 'claims of laborers and other workers engaged in the construction, reconstruction or repair of buildings, canals and other works, upon said buildings, canals or other works.' To the extent that claims for unpaid wages fall outside the scope of Article 2241, number 6 and 2242, number 3, they would come within the ambit of the category of ordinary preferred credits under Article 2244."

On 21 March 1989, Article 110 of the Labor Code was amended by Republic Act No. 6715 to read:

"Article 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 their wages and other monetary claims, any provisions of law to the contrary notwithstanding. Such unpaid wages and monetary claims shall be paid in full before claims of the Government and other creditors may be paid."

In *Development Bank of the Philippines vs. National Labor Relations Commission* (183 SCRA 328, 336-339), this Court expounded on the effects of the amendment, in this wise:

"The amendment expands worker preference to cover not only unpaid wages but also other monetary claims to which even claims of the Government must be deemed subordinate.

"x x x x x x x x.

"Notably, the terms 'declaration' of bankruptcy or 'judicial' liquidation have been eliminated. Does this mean then that liquidation proceedings have been done away with?

"We opine in the negative, upon the following considerations:

"1. Because of its impact on the entire system of credit, Article 110 of the Labor Code cannot be viewed in isolation but must be read in relation to the Civil Code scheme on classification and preference of credits.

"x x x x x x x x.

"2. In the same way that the Civil Code provisions on classification of credits and the Insolvency Law have been brought into harmony, so also must the kindred provisions of the Labor Law be made to harmonize with those laws.

"3. In the event of insolvency, a principal objective should be to effect an equitable distribution of the insolvent's property among his creditors. To accomplish this there must first be some proceeding where notice to all of the insolvents' creditors may be given and where the claims of preferred creditors may be bindingly adjudicated (*De Barretto vs. Villanueva*, No. L-14938, December 29, 1962, 6 SCRA 928). The rationale therefore has been expressed in the recent case of *DBP vs. Secretary of Labor* (G.R No. 79351, 28 November 1989), which we quote:

"x x x x x x x x.

"4. A distinction should be made between a preference of credit and a lien. A preference applies only to claims which do not attach to specific properties. A lien creates a charge on a particular property. The right of first preference as regards unpaid wages recognized by Article 110 does not constitute a lien on the property of the insolvent debtor in favor of workers. It is but a preference of credit in their favor, a preference in application. It is a method adopted to determine and specify the order in which credits should be paid in the final distribution of the proceeds of the insolvent's assets. It is a right to a first preference in the discharge of the funds of the judgment debtor.

"x x x x x x x x.

"6. Even if Article 110 and its Implementing Rule, as amended, should be interpreted to mean 'absolute preference,' the same should be given only prospective effect in line with the cardinal rule that laws shall have no retroactive effect, unless the contrary is provided (Article 4, Civil Code). Thereby, any infringement on the constitutional guarantee on non-impairment of the obligation of contracts (Section 10, Article III, 1987 Constitution) is also avoided. In point of fact, DBP's mortgage credit antedated by several years the amendatory law, RA No. 6715. To give Article 110 retroactive effect would be to wipe out the mortgage in DBP's favor and expose it to a risk which it sought to protect itself against by requiring a collateral in the form of real property.

"In fine, the right to preference given to workers under Article 110 of the Labor Code cannot exist in any effective way prior to the time of its presentation in distribution proceedings. It will find application when, in proceedings such as insolvency, such unpaid wages shall be paid in full before the 'claims of the Government and other creditors' may be paid. But, for an orderly settlement of a debtor's assets, all creditors must be convened, their claims ascertained and inventoried, and thereafter the preferences determined in the course of judicial proceedings which have for their object the subjection of the property of the debtor to the payment of his debts or other lawful obligations. Thereby, an orderly determination of preference of creditors' claims is assured (*Philippine Savings Bank vs. Lantin*, No. L-33929, September 2, 1983, 124 SCRA 476); the adjudication made will be binding on all parties-in-interest, since those proceedings are proceedings in rem; and the legal scheme of classification, concurrence and preference of credits in the Civil Code, the Insolvency Law, and the Labor Code is preserved in harmony."

The above pronouncement was reiterated in *Bolinao, Jr. vs. Padolina* (186 SCRA 368), *Development Bank of the Philippines vs. National Labor Relations Commission* (186 SCRA 841), *Development Bank of the Philippines vs. National Labor Relations Commission* (218 SCRA 183) and, more recently, in *Development Bank of the Philippines vs. National Labor Relations Commission* (G.R. No. 86227, 19 January 1994) and *Hautea vs. National*

Labor Relations Commission (G.R. No. 96149, 16 February 1994).

The instant petition, nonetheless, cannot be granted for a different and overriding reason.

The 15th April 1991 decision of the NLRC has not been appealed; having become final, it cannot now be challenged. Petitioner's belated motion for clarification on 15 October 1991 itself does not appear to have been improperly denied. Like the NLRC, we fail to see any inconsistency in its questioned decision. In effect, the NLRC has ruled that while the liability to private respondents for their money claims pertains to RHC and not to DBP, petitioner's appeal should, nevertheless, be dismissed since, in its view (albeit incorrectly), Article 110 of the Labor Code has created a worker's preference superior to even that of DBP's mortgage lien. NLRC's error could have been rectified had there been a timely appeal. Article 223 of the Labor Code is explicit: "x x x The decision of the Commission shall be final and executory after ten [10] calendar days from receipt thereof by the parties."

The questioned decision was promulgated on 15 April 1991. Petitioner filed a motion for clarification (ostensibly but essentially a motion for reconsideration) only on 15 October 1991. In *Manning International Corporation vs. National Labor Relations Commission* (195 SCRA 155), reiterated in *Nuñal vs. Court of Appeals* (221 SCRA 26, 32), this Court ruled:

"x x x (W)hen a final judgment becomes executory, it thereby becomes immutable and unalterable. The judgment may no longer be modified in any respect, even if the modification is meant to correct what is perceived to be an erroneous conclusion of fact or law, and regardless of whether the modification is attempted to be made by the Court rendering it or by the highest Court of the land."

The rule of immutability of final judgments is adhered to by necessity notwithstanding occasional errors that may result thereby (*Francisco vs. Bautista*, 192 SCRA 388). Litigations must somehow come to an end for, otherwise, it would "be even more intolerable than the wrong and injustice it is designed to correct" (*Reinsurance Company vs. Court of Appeals*, 198 SCRA 19, 33).

WHEREFORE, the petition for certiorari is DISMISSED. Costs against petitioner.

SO ORDERED.

Feliciano, (Chairman), Romero, and Melo, JJ., concur.

Bidin, J., on leave.

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.