

KANLAON CONSTRUCTION ENTERPRISES CO., INC., PETITIONER, VS. NATIONAL LABOR RELATIONS COMMISSION, 5TH DIVISION, AND BENJAMIN RELUYA, JR., EDGARDO GENAYAS, ERNESTO CANETE, PROTACI...

G.R. No. 126625. September 23, 1997

Ponente: PUNO, J.

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PUNO, J.:

In this petition for certiorari, petitioner Kanlaon Construction Enterprises Co., Inc. seeks to annul the decision of respondent National Labor Relations Commission, Fifth Division and remand the cases to the Arbitration Branch for a retrial on the merits.

Petitioner is a domestic corporation engaged in the construction business nationwide with principal office at No. 11 Yakan St., La Vista Subdivision, Quezon City. In 1988, petitioner was contracted by the National Steel Corporation to construct residential houses for its plant employees in Steeltown, Sta. Elena, Iligan City. Private respondents were hired by petitioner as laborers in the project and worked under the supervision of Engineers Paulino Estacio and Mario Dulatre. In 1989, the project neared its completion and petitioner started terminating the services of private respondents and its other employees.

In 1990, private respondents filed separate complaints against petitioner before Sub-Regional Arbitration Branch XII, Iligan City. Numbering forty-one (41) in all, they claimed that petitioner paid them wages below the minimum and sought payment of their salary differentials and thirteenth-month pay. Engineers Estacio and Dulatre were named co-respondents.

Some of the cases were assigned to Labor Arbiter Guardson A. Siao while the others were assigned to Labor Arbiter Nicodemus G. Palangan. Summonses and notices of preliminary conference were issued and served on the two engineers and petitioner through Engineer Estacio. The preliminary conferences before the labor arbiters were attended by Engineers Estacio and Dulatre and private respondents. At the conference of June 11, 1990 before Arbiter Siao, Engineer Estacio admitted petitioner's liability to private respondents and agreed to pay their wage differentials and thirteenth-month pay on June 19, 1990. As a result of this agreement, Engineer Estacio allegedly waived petitioner's right to file its position paper. [1] Private respondents declared that they, too, were dispensing with their position papers and were adopting their complaints as their position paper. [2]

On June 19, 1990, Engineer Estacio appeared but requested for another week to settle the claims. Labor Arbiter Siao denied this request. On June 21, 1990, Arbiter Siao issued an order granting the complaint and directing petitioner to pay private respondents' claims. Arbiter Siao held:

"x x x.

"Considering the length of time that has elapsed since these cases were filed, and what the complainants might think as to how this branch operates and/or conducts its proceedings as they are now restless, this Arbiter has

no other alternative or recourse but to order the respondent to pay the claims of the complainants, subject of course to the computation of the Fiscal Examiner II of this Branch pursuant to the oral manifestation of respondent. The Supreme Court ruled: 'Contracts though orally made are binding on the parties.' (Lao Sok v. Sabaysabay, 138 SCRA 134).

"Similarly, this Branch would present in passing that 'a court cannot decide a case without facts either admitted or agreed upon by the parties or proved by evidence.' (Yu Chin Piao v. Lim Tuaco, 33 Phil. 92; Benedicto v. Yulo, 26 Phil. 160),

"WHEREFORE, premises considered, the respondent is hereby ordered to pay the individual claims of the above-named complainants representing their wage differentials within ten (10) days from receipt of this Order.

"The Fiscal Examiner II of this Branch is likewise hereby ordered to compute the individual claims of the herein complainants.

"SO ORDERED." [3]

On June 29, 1990, Arbiter Palangan issued a similar order, thus:

"When the above-entitled cases were called for hearing on June 19, 1990 at 10:00 a.m. respondent thru their representative manifested that they were willing to pay the claims of the complainants and promised to pay the same on June 28, 1990 at 10:30 a.m.

"However, when these cases were called purposely to materialize the promise of the respondent, the latter failed to appear without any valid reason.

"Considering therefore that the respondent has already admitted the claims of the complainants, we believe that the issues raised herein have become moot and academic.

"WHEREFORE, premises considered, the above-entitled cases are hereby ordered Closed and Terminated, however, the respondent is hereby ordered to pay the complainants their differential pay and 13th-month pay within a period of ten (10) days from receipt hereof based on the employment record on file with the respondent.

"SO ORDERED." [4]

Petitioner appealed to respondent National Labor Relations Commission. It alleged that it was denied due process and that Engineers Estacio and Dulatre had no authority to represent and bind petitioner. Petitioner's appeal was filed by one Atty. Arthur Abundiente.

In a decision dated April 27, 1992, respondent Commission affirmed the orders of the Arbiters.

Petitioner interposed this petition alleging that the decision of respondent Commission was rendered without jurisdiction and in grave abuse of discretion. Petitioner claims that:

"I

"THE QUESTIONED DECISION RENDERED BY THE HONORABLE COMMISSION IS A NULLITY, IT HAVING BEEN ISSUED WITHOUT JURISDICTION;

II

"PUBLIC RESPONDENT NATIONAL LABOR RELATIONS COMMISSION GRAVELY ABUSED ITS DISCRETION IN ARBITRARILY, CAPRICIOUSLY AND WHIMSICALLY MAKING THE FOLLOWING CONCLUSIONS BASED NOT ON FACTS AND EVIDENCE BUT ON SPECULATION, SURMISE AND CONJECTURE:

A. Petitioner was deprived of the constitutional right to due process of law when it was adjudged by the NLRC liable without trial on the merits and without its knowledge;

B. The NLRC erroneously, patently and unreasonably interpreted the principle that the NLRC and its Arbitration Branch are not strictly bound by the rules of evidence;

C. There is no legal nor actual basis in the NLRC's ruling that petitioner is already in estoppel to disclaim the authority of its alleged representatives.

D. The NLRC committed manifest error in relying merely on private respondents unsubstantiated complaints to hold petitioner liable for damages." [5]

In brief, petitioner alleges that the decisions of the labor arbiters and respondent Commission are void for the following reasons: (1) there was no valid service of summons; (2) Engineers Estacio and Dulatre and Atty. Abundiente had no authority to appear and represent petitioner at the hearings before the arbiters and on appeal to respondent Commission; (3) the decisions of the arbiters and respondent Commission are based on unsubstantiated and self-serving evidence and were rendered in violation of petitioner's right to due process.

Service of summons in cases filed before the labor arbiters is governed by Sections 4 and 5 of Rule IV of the New Rules of Procedure of the NLRC. They provide:

"Section 4. Service of Notices and Resolutions.-- (a) Notices or summons and copies of orders, resolutions or decisions shall be served on the parties to the case personally by the bailiff or duly authorized public officer within three (3) days from receipt thereof or by registered mail; Provided that where a party is represented by counsel or authorized representative, service shall be made on such counsel or authorized representative; provided further that in cases of decision and final awards, copies thereof shall be served on both the parties and their counsel; provided finally, that in case where the parties are so numerous, service shall be made on counsel and upon such number of complainants as may be practicable, which shall be considered substantial compliance with Article 224 (a) of the Labor Code, as amended.

"x x x.

"Section 5. Proof and completeness of service.-- The return is prima facie proof of the facts indicated therein. Service by registered mail is complete upon receipt by the addressee or his agent. x x x."

Under the NLRC Rules of Procedure, summons on the respondent shall be served personally or by registered mail on the party himself. If the party is represented by counsel or any other authorized representative or agent, summons shall be served on such person.

It has been established that petitioner is a private domestic corporation with principal address in Quezon City. The complaints against petitioner were filed in Iligan City and summonses therefore served on Engineer Estacio in Iligan City. The question now is whether Engineer Estacio was an agent and authorized representative of petitioner.

To determine the scope or meaning of the term "authorized representative" or "agent" of parties on whom summons may be served, the provisions of the Revised Rules of Court may be resorted to. [6]

Under the Revised Rules of Court, [7] service upon a private domestic corporation or partnership must be made upon its officers, such as the president, manager, secretary, cashier, agent, or any of its directors. These persons are deemed so integrated with the corporation that they know their responsibilities and immediately discern what to do with any legal papers served on them. [8]

In the case at bar, Engineer Estacio, assisted by Engineer Dulatre, managed and supervised the construction project. [9] According to the Solicitor General and private respondents, Engineer Estacio attended to the project in Iligan City and supervised the work of the employees thereat. As manager, he had sufficient responsibility and discretion to realize the importance of the legal papers served on him and to relay the same to the president or other responsible officer of petitioner. Summons for petitioner was therefore validly served on him.

Engineer Estacio's appearance before the labor arbiters and his promise to settle the claims of private respondents is another matter.

The general rule is that only lawyers are allowed to appear before the labor arbiter and respondent Commission in cases before them. The Labor Code and the New Rules of Procedure of the NLRC, nonetheless, lists three (3) exceptions to the rule, viz:

"

Section 6. Appearances.-- x x x.

"A non-lawyer may appear before the Commission or any Labor Arbiter only if:

"(a) he represents himself as party to the case;

"(b) he represents the organization or its members, provided that he shall be made to present written proof that he is properly authorized; or

"(c) he is a duly-accredited member of any legal aid office duly recognized by the Department of Justice or the Integrated Bar of the Philippines in cases referred thereto by the latter. x x x." [10]

A non-lawyer may appear before the labor arbiters and the NLRC only if: (a) he represents himself as a party to the case; (b) he represents an organization or its members, with written authorization from them; or (c) he is a duly accredited member of any legal aid office duly recognized by the Department of Justice or the Integrated Bar of the Philippines in cases referred to by the latter. [11]

Engineers Estacio and Dulatre were not lawyers. Neither were they duly-accredited members of a legal aid office. Their appearance before the labor arbiters in their capacity as parties to the cases was authorized under the first exception to the rule. However, their appearance on behalf of petitioner required written proof of authorization. It was incumbent upon the arbiters to ascertain this authority especially since both engineers were named co-respondents in the cases before the arbiters. Absent this authority, whatever statements and declarations Engineer Estacio made before the arbiters could not bind petitioner.

The appearance of Atty. Arthur Abundiente in the cases appealed to respondent Commission did not cure Engineer Estacio's representation. Atty. Abundiente, in the first place, had no authority to appear before the respondent Commission. The appellants' brief he filed was verified by him, not by petitioner. [12] Moreover, respondent Commission did not delve into the merits of Atty. Abundiente's appeal and determine whether Engineer Estacio was duly authorized to make such promise. It dismissed the appeal on the ground that notices were served on petitioner and that the latter was estopped from denying its promise to pay.

Nevertheless, even assuming that Engineer Estacio and Atty. Abundiente were authorized to appear as

representatives of petitioner, they could bind the latter only in procedural matters before the arbiters and respondent Commission. Petitioner's liability arose from Engineer Estacio's alleged promise to pay. A promise to pay amounts to an offer to compromise and requires a special power of attorney or the express consent of petitioner. The authority to compromise cannot be lightly presumed and should be duly established by evidence. [13] This is explicit from Section 7 of Rule III of the NLRC Rules of Procedure, viz:

"Section 7. Authority to bind party.-- Attorneys and other representatives of parties shall have authority to bind their clients in all matters of procedure; but they cannot, without a special power of attorney or express consent, enter into a compromise agreement with the opposing party in full or partial discharge of a client's claim."

The promise to pay allegedly made by Engineer Estacio was made at the preliminary conference and constituted an offer to settle the case amicably. The promise to pay could not be presumed to be a single unilateral act, contrary to the claim of the Solicitor General. [14] A defendant's promise to pay and settle the plaintiff's claims ordinarily requires a reciprocal obligation from the plaintiff to withdraw the complaint and discharge the defendant from liability. [15] In effect, the offer to pay was an offer to compromise the cases.

In civil cases, an offer to compromise is not an admission of any liability, and is not admissible in evidence against the offeror. [16] If this rule were otherwise, no attempt to settle litigation could safely be made. [17] Settlement of disputes by way of compromise is an accepted and desirable practice in courts of law and administrative tribunals. [18] In fact, the Labor Code mandates the labor arbiter to exert all efforts to enable the parties to arrive at an amicable settlement of the dispute within his jurisdiction on or before the first hearing. [19]

Clearly, respondent Commission gravely abused its discretion in affirming the decisions of the labor arbiters which were not only based on unauthorized representations, but were also made in violation of petitioner's right to due process.

Section 3 of Rule V of the NLRC Rules of Procedure provides:

"Section 3. Submission of Position Papers/Memorandum.-- Should the parties fail to agree upon an amicable settlement, in whole or in part, during the conferences, the Labor Arbiter shall issue an order stating therein the matters taken up and agreed upon during the conferences and directing the parties to simultaneously file their respective verified position papers.

"x x x."

After petitioner's alleged representative failed to pay the workers' claims as promised, Labor Arbiters Siao and Palangan did not order the parties to file their respective position papers. The arbiters forthwith rendered a decision on the merits without at least requiring private respondents to substantiate their complaints. The parties may have earlier waived their right to file position papers but petitioner's waiver was made by Engineer Estacio on the premise that petitioner shall have paid and settled the claims of private respondents at the scheduled conference. Since petitioner reneged on its "promise," there was a failure to settle the case amicably. This should have prompted the arbiters to order the parties to file their position papers.

Article 221 of the Labor Code mandates that in cases before labor arbiters and respondent Commission, they "shall use every and all reasonable means to ascertain the facts in each case speedily and objectively and without regard to technicalities of law or procedure, all in the interest of due process." The rule that respondent Commission and the Labor Arbiters are not bound by technical rules of evidence and procedure should not be interpreted so as to dispense with the fundamental and essential right of due process. [20] And this right is satisfied, at the very least, ' when the parties are given the opportunity to submit position papers. [21] Labor Arbiters Siao and Palangan erred in dispensing with this requirement.

Indeed, the labor arbiters and the NLRC must not, at the expense of due process, be the first to arbitrarily disregard specific provisions of the Rules which are precisely intended to assist the parties in obtaining the just, expeditious and inexpensive settlement of labor disputes. [22]

IN VIEW WHEREOF, the petition for certiorari is granted. The decision of the National Labor Relations Commission, Fifth Division, is annulled and set aside and the case is remanded to the Regional Arbitration Branch, Iligan City for further proceedings.

SO ORDERED.

Regalado, (Chairman), and Torres, Jr., JJ., concur.

Mendoza, J., on official leave.

[1] See Order dated June 21, 1990 of Arbiter Siao, Rollo, p. 53.

[2] Id.

[3] Id., pp. 53-54.

[4] Order dated June 29, 1990 of Arbiter Palangan, Rollo, pp. 50-51.

[5] Petition, pp. 14, 17, 19, 21, 27, 32, Rollo, pp. 19, 22, 24, 26, 27, 32.

[6] Philippine National Construction Corporation v. Ferrer-Calleja, 167 SCRA 294, 302 [1988].

[7] Section 13, Rule 14 of the Revised Rules of Court provides:

"Section 13. Service upon private domestic corporation or partnership.-- If the defendant is a corporation organized under the laws of the Philippines or a partnership duly registered, service may be made on the president, manager, secretary, cashier, agent, or any of its directors."

Section 11, Rule 14 of the 1997 Rules of Civil Procedure reads:

"Section 11. Service upon domestic private juridical entity.-- When the defendant is a corporation, partnership or association organized under the laws of the Philippines with a juridical personality, service may be made on the president, managing partner, general manager, corporate secretary, treasurer, or in-house counsel."

[8] G & G Trading Corp. v. Court of Appeals, 158 SCRA 466, 468[1988]; Villa Rey Transit, Inc. v. Far East Motor Corp., 81 SCRA 298, 303[1978].

[9] Comment of the Solicitor General, pp. 9-10; Rollo, pp. 182-183.

[10] Section 6, Rule III, The New Rules of Procedure of the NLRC; see also Article 222, Labor Code.

[11] Section 6, Rule III, NLRC Rules of Procedure.

[12] Private respondents do not deny petitioner's allegation that Atty. Abundiente of the Macalalag and Associates Law Office in Iligan City was retained counsel of the National Steel Corporation, and that as a matter of duty, he may have taken it upon himself to appeal the cases against petitioners and the two engineers.

[13] Jag & Haggar Jeans & Sportswear Corp. v. National Labor Relations Commission, 241 SCRA 635, 641[1995]; General Rubber & Footwear Corp. v. Drilon, 169 SCRA 808, 814[1989].

[14] A compromise is a contract whereby the parties, in making reciprocal concessions, avoid a litigation or put an end to one already commenced. (Article 2028, Civil Code).

[15] Where a conveyance by the heirs is made in exchange for the settlement of any claim which the grantee may have against the heirs, the agreement may be considered as a contract of compromise (*Aquino v. Esguerra*, 87 Phil. 397, 399[1950]).

[16] Section 27, Rule 130 of the Revised Rules on Evidence.

[17] *Martin*, Revised Rules on Evidence, p. 219 [1989]; *Francisco*, Handbook on Evidence, p. 130 [1984].

[18] *Jag & Haggard Jeans & Sportswear Corp. v. National Labor Relations Commission*, supra, at 640; *Santiago v. de Guzman*, 177 SCRA 344, 349[1989].

[19] Article 221, paragraph 2, Labor Code.

[20] *Ang Tibay v. Court of Industrial Relations*, 69 Phil. 635[1940]; *Gelmart Industries (Phils.), Inc. v. Leogardo, Jr.*, 155 SCRA 403, 410[1987].

[21] *Pepsi Cola Distributors of the Philippines, Inc. v. National Labor Relations Commission*, 247 SCRA 386, 394[1995]; *PNOC-Energy Development Corporation v. National Labor Relations Commission*, 201 SCRA 487, 494[1991]; *Odin Security Agency v. De La Serna*, 182 SCRA 472, 479[1990]; *Manila Doctors' Hospital v. National Labor Relations Commission*, 135 SCRA 262, 266-267[1985].

[22] *Manebo v. National Labor Relations Commission*, 229 SCRA 240, 248[1994].

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