PHILIPPINE VETERANS BANK, PETITIONER, VS. HONORABLE NATIONAL LABOR RELATIONS COMMISSION, HON. POTENCIANO CAÑIZARES, JR., AND DR. TEODORICO V. MOLINA, RESPONDENTS.

G.R. No. 130439. October 26, 1999

Ponente: DAVIDE, JR., C.J.

Read online (full-text search, related cases, audio case brief): https://batas.org/library/g-r-no-130439/

DAVIDE, JR., C.J.:

In this petition for certiorari under Rule 65 of the Rules of Court, petitioner seeks to set aside the resolution[1] of the National Labor Relations Commission (NLRC) in NLRC Case No. 05-02940-91 and its order[2] denying the motion for reconsideration thereof.

In 1983, petitioner Philippine Veterans Bank was placed under receivership by the Central Bank (now Bangko Sentral)[3] by virtue of Resolution No. 334 issued by the Monetary Board. Petitioner was subsequently placed under liquidation on 15 June 1985. Consequently, its employees, including private respondent Dr. Jose Teodorico V. Molina (MOLINA), were terminated from work and given their respective separation pay and other benefits. To assist in the liquidation, some of petitioner's former employees were rehired, among them MOLINA, whose re-employment commenced on 15 June 1985.

On 11 May 1991, MOLINA filed a complaint[4] against Renan V. Santos,[5] Pacifico U. Cervantes and Alfredo L. Dizon, members of the liquidation team.[6] Docketed as NLRC-NCR Case No. 05-02940-91, the complaint demanded the implementation of Wage Orders Nos. NCR-01 and NCR-02 (hereafter W.O. 1 and W.O. 2) as well as moral damages and attorney's fees in the amount of P300,000.

In his position paper, MOLINA alleged that he started working for petitioner as a legal assistant on 17 March 1974. When petitioner was placed under liquidation in 1985, he was retained as Manager II in the Legal Department, where he continued to receive a monthly salary of P3,754.60.

Meanwhile, W.O. 1 took effect on 10 November 1990, prescribing a P17-increase in the daily wage of employees whose monthly salary did not exceed P3,802.08. On the other hand, W.O. 2, which became effective on 8 January 1991, mandated a P12-increase in the daily wage of employees whose monthly salary did not exceed P4,319.16. MOLINA claimed that his salary should have been adjusted in compliance with said wage orders.

In their position paper, the liquidation team countered that MOLINA was not entitled to any salary increase because he was already receiving a monthly salary of P6,654.60 broken down as follows: P3,754.60 as basic compensation, P2,000 as representation and transportation allowance (RATA), and a special allowance of P900.

In his decision,[7] Labor Arbiter Potenciano S. Cañizares, Jr. rejected the 26.16 factor used by the liquidators in computing the daily wage of MOLINA, adopting instead the factor of "365 days." Consequently, they were ordered to pay MOLINA P4,136.64 and P2,190 representing the wage differentials due him under W.O. 1 and W.O. 2. They were also required to pay him P100,000 in moral damages and attorney's fees.

On appeal, the NLRC sustained the labor arbiter's ruling after concluding that MOLINA was a regular employee

of petitioner with a basic monthly salary of P3,754.60 at the time of his dismissal on 31 January 1992. He was, therefore, entitled to the wage increases mandated by the aforesaid wage orders.

In its assailed resolution of 7 April 1997, the NLRC decreed thus:

> WHEREFORE, the respondents [members of herein petitioner's liquidation team] are hereby directed to pay the complainant [MOLINA] the total sum [sic] of P112,501.20 broken down as follows:
>
> WO# NCR-01 & 01-A P17.00/day Nov. 1990 ~ Jan. 7, 1991
>
> WO# NCR-02 & 02-A P12.00/day Jan. 8, 1991 ~ Jan.31,1992
>
> (Date of termination)

Wage Differential:

> WO# NCR-01 (Nov. 1990 – Jan. 31, 1992 ~ 15 mos.)
>
> P17.00 x 365 ¸ 12 = P517.08 x 15 mos. ~ P7,756.20
>
> WO# NCR-02 (Jan. 8, 1991 – Jan. 31, 1992 ~ 13 mos.)
>
> P12.00 x 365 ¸ 12 = P365.00 x 13 mos. ~ P4,745.00
>
> Total Wage Differential P 12,501.20

Moral Damages & Attorney's Fees P100,000.00

TOTAL AWARD P112,501.20

SO ORDERED.[8]

As MOLINA moved for the execution of the NLRC resolution, petitioner, in turn, moved for its reconsideration. In its order of 27 June 1997, the NLRC denied petitioner's motion, prompting the latter to file the instant petition with a prayer for the issuance of a temporary restraining order and writ of preliminary injunction.

In this action, petitioner questions the propriety of its substitution as a party-respondent below on the pretext that it was thereby deprived of its right to due process. Second, MOLINA was alluding to acts committed by the representatives of the then Central Bank. Petitioner emphasizes that he was rehired only to assist in the liquidation process.[9] In fact, all its employees were dismissed and given their corresponding separation pay and benefits. At that moment, the employer-employee relationship between petitioner and MOLINA ceased to exist. Third, petitioner maintains that MOLINA is estopped from claiming that it continued to be his employer during the rehabilitation period since the admissions in his pleadings, one of which is that the liquidators were his employers, are binding and conclusive.

Nonetheless, petitioner reiterates the arguments raised by the original respondents, particularly that the factor of 26.16 should have been applied in determining MOLINA's daily wage. Doing so would show that MOLINA's daily pay exceeded the minimum wage and, therefore, was beyond the scope of the wage orders.

Petitioner also avers that the award of P100,000 in moral damages and attorney's fees was inappropriate since the complaint did not specify the same, and it was clearly excessive, considering that the case was decided based on the pleadings and without the benefit of trial. In fact, MOLINA failed to prove his claim for both moral damages and attorney's fees. Even if due, the amount far surpassed any actual damage that MOLINA may have suffered. In any event, moral damages may only be recovered in labor cases when the dismissal is attended by bad faith or

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

fraud, or when it constitutes an act oppressive to labor or committed in a manner contrary to good morals, good customs or public policy. MOLINA's dismissal was made in the ordinary course of business.

On the other hand, MOLINA primarily asserts that upon petitioner's rehabilitation it assumed all the rights and obligations of the liquidator, including the NLRC's monetary award arising from the labor complaint he filed against the liquidation team.

The Office of the Solicitor General supports the NLRC's finding that MOLINA was entitled to the wage increases because it was never disputed that his salary of P3,754.60 was clearly covered by the wage orders. The liquidators, however, used the 26.16 instead of the 365 factor in computing his daily wage. The OSG cites the ruling of the National Wages Council in its letter[10] to the Philippine Veterans Bank Retained Employees, where the Council opined that the retained employees were entitled to the wage increase computed on the basis of 365 days. It also agrees with the NLRC's conclusion that MOLINA is entitled to moral damages and attorney's fees, although they must be separately specified. Finally, the OSG opines that upon the rehabilitation of petitioner, it assumed all the assets, liabilities, rights and obligations of the liquidation team. This would include the salaries of the employees hired for liquidation purposes, such as MOLINA.

In its reply, petitioner insists that when it was placed under liquidation, it lost its juridical personality, such that it could no longer enter into contracts or transact business. All its assets and liabilities were turned over to the Central Bank. MOLINA's complaint pertained to acts committed during liquidation and so was correctly filed against the liquidation team. Its substitution as party-respondent was clearly erroneous.

Hence, the issues to be resolved are: (1) Are W.O. 1 and W.O. 2 applicable to MOLINA? (2) Is MOLINA entitled to moral damages and attorney's fees? (3) If so, who is liable to pay MOLINA's claims?

We see no reason to disturb the factual finding of the labor arbiter, and affirmed by the NLRC, that MOLINA's salary was within the coverage of the cited wage orders. Well-settled is the rule that the findings of fact of quasi-judicial bodies are generally accorded respect and finality where they are supported by substantial evidence.[11] Indeed, MOLINA's monthly salary of P3,754.60 was never at issue. What was in dispute was the computation of his daily wage.

W.O. 1 expressly states that employees having a monthly salary of not more than P3,802.08 are entitled to receive the mandated wage increase. Undeniably, MOLINA was receiving a monthly salary of P3,754.60. This fact alone leaves no doubt that he should benefit from said wage order.

On the other hand, W.O. 2 raised the ceiling for entitlement to the wage increase. If MOLINA was covered by the earlier wage order, with more reason should the later wage order apply to him.

Worth mentioning is the opinion[12] rendered by the National Wages Council on the query of the Philippines Veterans Bank Retained Employees, on whether they were entitled to a wage increase under Republic Act No. 6640,[13] viz.:

> The documents attached to your query show that the Bank has been consistently using the factor of 365 days in computing your equivalent monthly salary prior to its being placed under receivership by the Central Bank. This is evident in the wage and allowance increases granted under previous Presidential Decrees and Wage Orders, which were given by the Bank on monthly basis, i.e., where the rest days are unworked [sic] but paid. This is also indicated in the appointment and service records of bank personnel who started out as daily paid employees and were eventually promoted as permanent employees with fixed monthly salaries. However, when R.A. 6640 went into force, the Bank unilaterally reduced the factor to 262 instead of maintaining factor 365 as was the practice/policy long before the effectivity of the Act. And when R.A 6727 took effect, the Bank reverted to the old practice/policy of using factor 365 days in computing your equivalent monthly rate salary.

> xxx
>
> May we add that the old practice of the bank in using factor 365 days in a year in determining your equivalent monthly salary cannot unilaterally be changed by your employer without the consent of the employees, such practice being now a part of the terms and conditions of your employment. An employment agreement, whether written or unwritten, is a bilateral contract and as such either party thereto cannot change or amend the terms thereof without the consent of the other party thereto.
>
> From the foregoing, it is clear that you are entitled to the wage increase under R.A. 6440 computed on the basis of 365 paid days and to the corresponding salary differentials as a result of the application of this factor. [Emphasis supplied]

Evidently, the use of the 365 factor is binding and conclusive, forming as it did part of the employment contract. Petitioner can no longer invoke the 26.16 factor after it voluntarily adopted the 365 factor as a policy even prior to its receivership. To abandon such policy and revert to its old practice of using the 26.16 factor would be a diminution of a labor benefit, which is prohibited by the Labor Code.[14] It cannot be doubted that the 365 factor favors petitioner's employees, including MOLINA, because it results in a higher determination of their monthly salary.

As to the second issue, we agree with the NLRC that MOLINA is entitled to moral damages and attorney's fees. He may have omitted such claims in his complaint, but he certainly included them in his position paper. We hold that such allegation is sufficient to enable the complainant to seek an award thereof. The complaint being pro forma, MOLINA's omission to specify a claim for damages does not bar recovery thereof especially when, as in this case, such a claim was prayed for in his position paper.[15]

The NLRC, however, did not distinguish between attorney's fees and moral damages in affirming the award of P100,000 to MOLINA. We hold that awards for moral damages and attorney's fees cannot be consolidated for they are different in nature and each must be separately determined.[16] Since the Labor Code limits attorney's fees to ten percent of the wages awarded,[17] and the total wage differential due MOLINA was computed at P12,501.20, only P1,250.12 should have been awarded as attorney's fees.

Moving on to the issue of moral damages, the records show that MOLINA based his claim on the alleged failure of the liquidation team to implement the benefits of the wage orders, without submitting any proof in support thereof. It is basic, however, that for moral damages to be awarded, the claimant must satisfactorily prove its factual basis and causal connection with the respondent's acts.[18] In this, MOLINA failed, for which reason the award of moral damages must be deleted.

Finally, we rule that the payment of MOLINA's claims devolves upon petitioner, not the liquidation team. When a bank is declared insolvent and placed under receivership, the Monetary Board of the Central Bank determines whether to proceed with the liquidation or reorganization of the financially distressed bank.[19] A receiver takes control and possession of the assets of the bank for the benefit of its creditors[20] and concurrently represents the bank.[21] On the other hand, a liquidator assumes the role of the receiver upon the determination by the Monetary Board that the bank can no longer resume business. His task is to dispose of all the assets of the bank and effect partial payments of its obligations in accordance with their legal priority.[22] In both receivership and liquidation proceedings, the bank retains its juridical personality notwithstanding the closure of its business; in fact, the bank may even be sued.[23] Its corporate existence is assumed by the receiver or liquidator. The latter, however, acts not only for the benefit of the bank, but for the bank's creditors as well.[24]

In the instant case, petitioner was initially closed and put under receivership and liquidation. Subsequently, its rehabilitation was effected by virtue of Republic Act No. 7169[25] and Monetary Board Resolution No. 348 dated

10 April 1992. Rehabilitation contemplates a continuance of corporate life and activities in an effort to restore and reinstate the corporation to its former position of successful operation and solvency.[26] Upon its rehabilitation, petitioner assumed the rights and obligations of the receiver and liquidator. This includes MOLINA's claim for unpaid wages. It must be borne in mind that all the acts of the receiver and liquidator pertain to petitioner, both having assumed petitioner's corporate existence. Petitioner cannot disclaim liability by arguing that the non-payment of MOLINA's just wages was committed by the liquidators during the liquidation period.

WHEREFORE, this case is DISMISSED. The assailed Resolution of 7 April 1997 and Order of 27 June 1997 of the National Labor Relations in NLRC Case No. 05-02940-91 are AFFIRMED with the MODIFICATION that the award of moral damages is deleted and the award of attorney's fees is reduced to ONE THOUSAND TWO HUNDRED FIFTY & 12/100 PESOS (P1,250.12).

No pronouncement as to costs.

SO ORDERED.

Kapunan, Pardo, and Ynares-Santiago, JJ., concur.

Puno, J., on official leave.

---

[1] Original Record (OR), 301-307; Rollo, 92-102. Per Veloso, V., Comm., Carale, B. and Quimpo, A., Comms., concurring.

[2] OR, 336-337; Rollo, 112-113.

[3] Republic Act No. 7653 (The New Central Bank Act), which became effective on 24 August 1993, established the Bangko Sentral ng Pilipinas in lieu of the Central Bank.

[4] Rollo, 37.

[5] Later substituted by Ricardo P. Lirio per NLRC resolution dated 25 May 1993; OR, 219-221; Rollo, 67-69.

[6] Petitioner was subsequently substituted as party respondent upon motion of the liquidators after the Central Bank authorized its rehabilitation.

[7] OR, 38-45; Rollo, 47-54.

[8] Rollo, 101-102.

[9] The bank's closure was upheld by this Court in Philippine Veterans Bank Employees Union-NUBE v. Philippine Veterans Bank, 189 SCRA 14[1994].

[10] OR, 26-27.

[11] Metro Transit Organization, Inc. v. NLRC, 263 SCRA 313, 319[1996]; Sebuguero v. NLRC, 248 SCRA 532, 544[1995]; Philippine National Construction Corporation v. NLRC, 245 SCRA 668, 675[1995].

[12] Supra note 10.

[13] The New Minimum Wage Law, which took effect on 14 December 1987.

[14] Art. 100 of the Labor Code provides: Prohibition against elimination or diminution of benefits. Nothing in this Book shall be construed to eliminate or in any way diminish supplements, or other employee benefits being

enjoyed at the time of promulgation of this Code.

[15] See Special Police and Watchmen Association (PLUM) Federation v. NLRC, 278 SRA 828, 835[1997].

[16] People v. Aringue, 283 SCRA 291, 305[1997]; Solid Homes, Inc. v. Court of Appeals, 275 SCRA 267, 289[1997]; Del Mundo v. Court of Appeals, 240 SCRA 348, 356[1995].

[17] Article 111 thereof provides: Attorney's fees. (a) In cases of unlawful withholding of wages the culpable party may be assessed attorney's fees equivalent to ten percent of the amount of wages recovered. x x x; Sebuguero v. NLRC, supra note 11, 548.

[18] See People v. Adora, 275 SCRA 441, 470[1997]; Philippine Airlines, Inc. v. NLRC, 259 SCRA 459, 473[1996]; People v. Sequiño, 254 SCRA 79, 102-103[1996].

[19] Rural Bank of Buhi, Inc. v. Court of Appeals, 162 SCRA 288, 302[1988].

[20] Villanueva v. Court of Appeals, 244 SCRA 395, 404[1995]; 10 Am Jur 2d Banks d 764[1963].

[21] Section 29, Central Bank Act.

[22] Ibid.; Central Bank of the Philippines v. Court of Appeals, 220 SCRA 536, 547[1993]; Banco Filipino Savings & Mortgage Bank v. Monetary Board, Central Bank of the Philippines, 204 SCRA 768, 789-790[1991]; See Rural Bank of Lucena, Inc. v. Arca, 15 SCRA 66, 71[1965].

[23] See Central Bank of the Philippines v. Court of Appeals, 208 SCRA 652, 679[1992]; Central Bank of the Philippines v. Morfe, 63 SCRA 114[1975], citing Rohr v. Stanton Trust & Savings Bank, 76 Mont. 248, 245 Pac. 947.

[24] Villanueva v. Court of Appeals, supra note 20; Central Bank of the Philippines v. Court of Appeals, 220 SCRA 536, 547[1993]; Banco Filipino Savings & Mortgage Bank v. Monetary Board, Central Bank of the Philippines, supra note 22, 788.

[25] An Act to Rehabilitate the Philippine Veterans Bank Created under Republic Act No. 3518, Providing the Mechanisms Therefor, and for Other Purposes.

[26] Ruby Industrial Corporation v. Court of Appeals, 284 SCRA 445, 460[1998], citing New York Title and Mortgage Co. v. Friedman, 276 N.Y.S. 72, 153, Misc. 697.

Study hands-free: podcast-style lessons with read-along highlighting - batas.org

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.