

AL ARELLANO, SOLOMON BRITANICO, VALERIANO MENDOZA, JOSE PERPETUA, REY PAMINIANO, FREDDIE JIMENA, JOEL UBANA, ALEX Present: MABANTA, ALEXANDER ANTONIO, JERRY NACAYTUNA, ELIZER DE...

G.R. No. 150861. January 22, 2008

Ponente: REYES, R.T., J.

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REYES, R.T., J.:

FOCUS of this case is the validity of a quitclaim based on a broad special power of attorney affecting the rights of twenty-two (22) employees.

This is a petition for review on certiorari assailing the Decision[1] of the Court of Appeals (CA) which annulled the Resolution[2] of the National Labor Relations Commission (NLRC) voiding the quitclaim and release executed by petitioners' attorney-in-fact in favor of their employer, private respondent Powertech Corporation (Powertech).

The Antecedents

The case stems from a complaint for illegal dismissal and other money claims filed by the Nagkakaisang Manggagawa Ng Powertech Corporation in behalf of its 52 individual members and non-union members against their employer, Powertech. The case was dismissed as to twenty-seven (27) employees by virtue of duly executed affidavits of repudiation and quitclaim. The case proceeded with respect to the remaining twenty-five (25) employees, petitioners in this case.

On June 25, 1999, Labor Arbiter Renell Joseph R. Dela Cruz rendered a Decision[3] declaring illegal the termination of twenty (20) of petitioners and granting their monetary claims in the total amount of P2,538,728.84.

Powertech appealed to the NLRC. During its pendency, Carlos Gestiada, for himself and on behalf of other petitioners, executed a quitclaim, release and waiver[4] in favor of Powertech in consideration of the amount of P150,000.00. Earlier, Gestiada was appointed by his co-petitioners as their attorney-in-fact. The appointment was evidenced by a special power of attorney dated October 8, 1999.[5] The compromise amount was paid to Gestiada by check.

Relying on the quitclaim and release, Powertech filed a motion for the withdrawal of the appeal and cash bond. The NLRC granted[6] the motion, dismissed the appeal and ordered the release of the cash bond.

The P150,000.00 check, however, bounced due to a stop payment order of Powertech.[7]

Aggrieved, petitioners moved to nullify the release and quitclaim for lack of consideration. In a Resolution dated February 29, 2000, the NLRC declared the quitclaim, release and waiver void for lack of consideration, reinstated the appeal and ordered Powertech to post a cash or surety bond for the monetary judgment less the amount it had previously posted.[8]

On March 15, 2000, Gestiada terminated the services of their counsel, Atty. Evangelista and, instead, retained Atty. Manuel Luis Felipe of the Public Attorney's Office.[9]

A day later, Powertech paid P150,000.00 to Gestiada purportedly as compromise amount for all of petitioners. That same day, Gestiada, through Atty. Felipe, and Powertech filed a joint motion to dismiss[10] with the NLRC based on the compromise agreement. Atty. Evangelista opposed[11] the motion, alleging that the compromise agreement is unconscionable, that he was illegally terminated as counsel for the other petitioners without their consent, and that the P150,000.00 was received by Gestiada as payment solely for his backwages and other monetary claims.

NLRC Resolution

On July 31, 2000, the NLRC issued a resolution[12] denying the joint motion to dismiss, disposing as follows:

WHEREFORE, in view of the foregoing the Joint Motion to Dismiss filed on March 17, 2000 is hereby DENIED for lack of merit.

Respondents' Omnibus Motion/Manifestation is hereby DENIED for lack of merit and respondents appeal filed on August 9, 1999 is hereby DISMISSED for failure to perfect the same.

SO ORDERED.[13]

In denying the joint motion to dismiss, the NLRC held that the P150,000.00 received by Gestiada did not cover the monetary claim of petitioners against Powertech. The NLRC stated:

Evidence show that there was no voluntary severance of attorney-client relationship between Gestiada representing the other complainants and Atty. Evangelista. Thus, in a letter to Atty. Evangelista Gestiada wrote:

"Tungkol naman po sa pagtanggali sa inyo bilang abogado iyan po ay isang suwestiyon ni Ginoong Ver Sarmiento at isang kondisyon para ibigay nila ang kabayaran ng aking backwages at karagdagang sahod. Pasensiya na po at kung ako ay maluwag babayaran ko kayo sa inyong serbisyo. Totoong walang pahintulot ang aking mga kasama sa pagtanggali ko sa inyo pero pangsariling desisyon ko po iyon para sa aking kapakanan."

The other complainants in this case have never indicated any objection to the continued appearance of Atty. Evangelista. Hence, it must be presumed that Atty. Evangelista's appearance is with the consent of all the complainants herein.

On the Joint Motion to Dismiss in their opposition, the other complainants represented by Atty. Evangelista argued that Gestiada received the PhP150,000.00 referred to in the Quitclaim and Release as payment and for his backwages. It is further argued that Gestiada had never intervened in the payment of awards due the other complainants in this case. Thus, as admitted by Gestiada in the same letter addressed to Atty. Evangelista:

"Nais ko pong ipaalam sa inyo na ang kinuha kong pera sa Powertech Corporation sa halagang PhP150,000.00 ay bilang kabayaran sa aking backwages na iginawad sa Desisyon ni Kagalang-galang Labor Arbiter Joseph Rennel dela Cruz. Kung kukuwentahin kulang pa po yon dahil may babayaran pa ang kumpanya na karagdagang sahod o reinstatement salaries mula po lumabas ang Desisyon na ako ay pabalikin sa aking trabaho, hindi po ako pinabalik ng kompanya. x x x

x x x Hindi ko naman po pinakialaman ang kabayaran para sa aking mga kasamahan."

Gestiada's admission that he received the amount of PhP150,000.00 only as payment for his backwages and that the same has no reference to the claim of the other complainants in this case is bolstered further by the fact that the Quitclaim and Release attached to the instant Joint Motion to Dismiss was signed only by Gestiada and

that the other complainants never took part in the execution thereof. A waiver of money claims must be regarded as a personal right; hence, the protective rule that for a compromise dealing with their judgment to be validly entered into there must be personal and specific individual consent given by the workers (*Galicía v. NLRC*, 276 SCRA 381; *Republic v. NLRC*, 744 SCRA 564; *General Rubber v. Onion*, 169 SCRA 808).

In any case granting in *gratia argumenti* that *Gestiada* had the authority to enter into a compromise agreement in behalf of the other complainants, the Quitclaim and Release cannot be recognized as a valid and binding undertaking as the consideration therefore (PhP150,000.00) as opposed to the total monetary award in the amount equivalent to PhP2,538,728.84 is clearly unconscionable and is thus void for being contrary to public policy.[14]

For failure of Powertech to post the required cash or surety bond, the NLRC ruled that the Labor Arbiter decision had attained finality, to wit:

Thus, settled records show that on June 8, 2000, (illegible), through counsel, received a copy of Our Resolution dated May 24, 2000 directing herein respondents to post a cash or surety bond within ten (10) days from receipt thereof.

An appeal is neither a natural right nor is it a part of the due process but is purely a statutory privilege and may be exercised only in the manner prescribed by and in accordance with the provisions of law (*Acda v. Minister of Labor*, 119 SCRA 306). Whoever would avail of it must strictly comply with (illegible) particularly as these are clearly spelled in the rules (illegible) *Industry v. NLRC*, G.R. No. 94754 [May 11, 1993]). Considering that the Joint Motion to Dismiss remains unacted upon at the time respondents received a copy of Our Resolution dated May 24, 2000 respondents in accordance with said Resolution and with Article 223 Labor Code and with Section 6, Rule VI, NLRC New Rules of Procedure should have posted a cash or surety bond. Hence, failing to do so the appealed Decision is deemed final and executory (*Acda v. Minister of Labor*, *supra*).[15]

Undaunted, Powertech elevated the matter to the CA via petition for certiorari under Rule 65 of the 1997 Rules of Civil Procedure.

CA Disposition

On June 20, 2001, the CA rendered a decision in favor of Powertech. The dispositive portion of the decision reads:

WHEREFORE, premises considered, the petition is GIVEN DUE COURSE and is hereby GRANTED. The Resolution of the National Labor Relations Commission dated July 31, 2000 declaring the Quitclaim and Release void ab initio and denying the Joint Motion to Dismiss and dismissing the appeal of the petitioners is ANNULLED and SET ASIDE. No pronouncement as to costs.

SO ORDERED.[16]

The CA upheld the validity of the compromise agreement between petitioners and Powertech in the following tenor:

The public respondent's act of dismissing the appeal and declaring the compromise agreement void is a grave abuse of discretion. Apparently, the National Labor Relations Commission has already lost jurisdiction over the case because the appeal was already considered withdrawn and the cash bond was released through its Resolution dated January 10, 1999. It is noted that said resolution withdrawing the appeal has become final and executory since the same has not been the subject of a motion for reconsideration. In the case at bench, the private respondents sought a reconsideration of the January 10, 1999 resolution because of the non-compliance of the terms and conditions of the agreement by the petitioners or their failure to pay the consideration. Thus,

for all intents and purposes, the appeal was considered withdrawn and there could therefore be no legal basis for public respondent to dismiss the same. Neither should the petitioners be required to post any cash or surety bond for the simple reason that there is no more appeal to speak of. Similarly stated, the case having been amicably settled for which a resolution was issued, ipso facto, the filing of a bond is no longer warranted.

Anent the public respondent's act of declaring the compromise agreement void, the same is likewise a grave abuse of discretion amounting to lack or excess of jurisdiction. Fundamental is the rule that a compromise agreement entered into in good faith by workers and their employer to resolve a pending controversy is valid and binding on the agreeing parties. The National Labor Relations Commission shall not assume jurisdiction over issues involved in the compromise agreement except 1) in case of non-compliance thereof, or 2) if there is prima facie evidence that the settlement was obtained through fraud, misrepresentation or coercion. In the first instance, the Civil Code of the Philippines affords the prevailing party legal remedies in case of non-compliance of the terms and conditions of the compromise agreement. Article 2041 thereof provides that should a party fail or refuse to comply with the terms of a compromise or amicable settlement, the other party could either a) enforce the compromise by a writ of execution, or b) regard it as rescinded and so insist upon his original demand.

The public respondent, in taking cognizance therefore of the motion for reconsideration by the complainants seeking to declare the compromise agreement void on the ground of non-payment, and consequently, declaring the same as being contrary to law pursuant to its Resolution dated February 29, 2000, acted in excess of jurisdiction since the procedure for acquiring jurisdiction over the case was not properly observed. Indeed, the proper remedy of the aggrieved party is not to file a motion for reconsideration on the ground of non-payment but to have the compromise agreement enforced by means of a writ of execution. Any violation of the terms thereof would entitle the aggrieved party to an execution of the judgment. In the case of *Paredes v. Court of Appeals*, the Supreme Court held that if the terms of the settlement are violated, execution is the proper remedy.

By and large, when the NLRC made a pronouncement that the compromise agreement is valid and that the appeal has been withdrawn, the same became the law between the parties. Enshrined is the doctrine that compromise agreements voluntarily agreed upon shall be final and binding upon the parties. Hence, judgment in consonance with a compromise agreement is consequently rendered in accordance therewith and the parties are enjoined to comply with, abide by, its terms and conditions. Settlements of this kind are not only recognized to be proper agreements but so encouraged as well. x x x

x x x x

Suffice it to say that the Supreme Court has consistently held that a compromise agreement, once approved by final orders of the court has the force of res judicata between the parties and should not be disturbed except for vices of consent or forgery. Since a compromise has upon the parties and their successors-in-interest the effect of res judicata, it can only be rescinded on the ground of vitiated consent and this is true even if the compromise turns out to be unsatisfactory to either of the parties. In the instant case, there is no evidence to show that the agreement was entered into by means of fraud, accident, mistake, or excusable negligence or that the agreement was forged. The compromise agreement was voluntarily entered into, since the complainants signified their individual consent to the same by authorizing Carlos Gestiada through a special power of attorney to act for and in their behalf. Moreover, their very own lawyer Atty. Jose Evangelista acted as their witness in that agreement and affixed his signature thereon. On top of this, the said document was subscribed and sworn before Labor Arbiter Dela Cruz.

Accordingly, the findings of the NLRC, that the execution of the second compromise agreement is null and void since the consideration of P150,000 was merely a payment for Carlos Gestiada's backwages without reference to the claims of the other complainants, becomes moot and academic. Parenthetically, its findings declaring valid the authority of Atty. Evangelista in filing the Opposition to the Joint Motion to Dismiss

questioning the reasonableness of the consideration of the settlement agreement is also futile. In short, the issue as the validity of the compromise agreement and the authority of Atty. Evangelista has been rendered moot and academic by the fact of payment of the consideration of the settlement.[17]

Petitioners moved to reconsider the CA decision but their motion was denied.[18] Hence, the present recourse.

Issues

Petitioners impute to the CA “grave abuse of discretion,”[19] contending that –

I

PUBLIC RESPONDENT COURT OF APPEALS COMMITTED GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OR EXCESS OF JURISDICTION IN RULING THAT THE NATIONAL LABOR RELATIONS COMMISSION HAD ALREADY LOST JURISDICTION WHEN IT DISMISSED THE APPEAL OF PRIVATE RESPONDENTS.

II

PUBLIC RESPONDENT COURT OF APPEALS COMMITTED GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OR IN EXCESS OF JURISDICTION IN RULING THAT THE NATIONAL LABOR RELATIONS COMMISSION COMMITTED GRAVE ABUSE OF DISCRETION IN DECLARING VOID THE COMPROMISE AGREEMENT.

III

PUBLIC RESPONDENT COURT OF APPEALS COMMITTED GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OR EXCESS OF JURISDICTION IN ASSUMING JURISDICTION OVER THE PRESENT PETITION CONSIDERING THAT PRIVATE RESPONDENTS FAILED TO PERFECT THEIR APPEAL WITH THE NATIONAL LABOR RELATIONS COMMISSION. (Underscoring supplied)

Our Ruling

The meat of the petition is found in the second contention. We shall deal with it ahead of the two others which can be merged into one.

The P150,000 was paid to Gestiada solely as payment for his backwages, not those of petitioners; there is evident collusion between Powertech and Gestiada, hence, the compromise agreement is void.

Petitioners assert that the P150,000.00 paid to Gestiada was payment solely for himself. As proof, they rely on the letter written in Filipino by Gestiada to Atty. Evangelista dated March 23, 2000.[20] Right at the opening sentence, Gestiada stated that “ang kinuha kong pera sa Powertech Corporation na halagang P150,000.00 ay bilang kabayaran sa aking backwages na iginawad sa desisyon ni Kagalang-galang Labor Arbiter Joseph Rennel Dela Cruz.” (the money I got from Powertech in the sum of P150,000.00 was for payment of my backwages awarded under the decision of the Labor Arbiter.) In the penultimate sentence, Gestiada further clarified that “hindi ko naman po pinakialaman ang kabayaran para sa aking mga kasamahan.” (I did not deal with the payment for my companions.) The letter reads:

Ginoong Atty. Jose Evangelista
Suite 1009, 1010 Bldg., A. Mabini Street
Ermita, Manila, Metro Manila

Sir:

Nais ko pong ipaalam sa inyo na ang kinuha kong pera sa Powertech Corporation na halagang P150,000.00 ay bilang kabayaran sa aking backwages na iginawad sa desisyon ni Kagalang-galang Labor Arbiter Joseph Rennel Dela Cruz. Kung kukuwentahin kulang pa po yon dahil may babayaran pa ang kompanya na karagdagang sahod o reinstatement salaries dahil mula po lumabas ang Desisyon na ako ay pabalikin sa aking trabaho, hindi po ako pinabalik ng kompanya. Kahit kulang, napilitan po akong tanggapin ang alok ng kompanya dahil sa tindi ng pangangailangan ng aking pamilya lalo na mula ng ako ay natanggal hanggang ngayon walang tumanggap na ibang kompanya para ako ay makapagtrabaho.

Tungkol po naman sa pagtanggap sa inyo bilang abogado, iyan po ay isang suwestiyon ni Ginoong Ver Sarmiento at isang kondisyon para ibigay nila ang kabayaran ng aking backwages at karagdagang sahod. Pasensiya na po at kung ako ay maluwag babayaran ko kayo sa inyong serbisyo. Totoong walang pahintulot ang aking mga kasama sa pagtanggap ko sa inyo, pero pangsariling desisyon ko po iyon para sa aking kapakanan. Hindi ko naman po pinakialaman ang kabayaran para sa aking mga kasamahan.

Kung di po kayo napadalahan ng summons o notice ng NLRC sa komperensiya noong Marso 14, 2000 at Marso 15, 2000, hindi ko po alam iyon. Pasensiya na po at maraming salamat sa inyong pangunawa.

Gumagalang,

(Sgd.) Carlos Gestiada

(Underscoring supplied)

Powertech, on the other hand, argues that the P150,000.00 was given to Gestiada as compromise amount for all the petitioners. It relies on the release and quitclaim signed by Gestiada indicating that he signed “for himself and attorney-in-fact of all complainants.” It is pointed out that Gestiada was given a special power of attorney to negotiate with Powertech on behalf of petitioners. The pertinent portions of the said special power of attorney[21] authorize Gestiada to perform the following acts for petitioners:

- TO REPRESENT us in the case entitled “Nagkakaisa Manggagawa ng Powertech Corporation, et al. v. Power Corporation, et al.,” NLRC NCR No. 02-01876-98 NCR-04-03148-98;
- TO ENTER into amicable settlement and compromise agreement under terms and conditions he may deem just and reasonable;
- TO RECEIVE, COLLECT, ENCASH, DEPOSIT and WITHDRAW, in trust, cash, checks, bills, negotiable instruments and properties representing awards based on judgments and/or compromise agreement or voluntary tender of payment by reason of the aforementioned case;
- TO SIGN AND EXECUTE compromise agreement, receipts, vouchers, waiver, quitclaims, and other papers and documents pertaining to the foregoing authority.[22]

The quitclaim, release and waiver[23] signed by Gestiada reads:

COMES NOW the undersigned complainant(s)/petitioner(s) in the above-entitled case(s) before this office respectfully manifest:

That for and in consideration of the sum of ONE HUNDRED FIFTY THOUSAND PESOS (P150,000.00) to (sic) paid by Powertech Corporation in settlement of my/our claims as complainants in the case receipt of which is hereby acknowledged to my/our complete and full satisfaction. I/we hereby release and discharge the said Powertech Corporation and its officer(s) from any/all by way of unpaid wages, separation pay, overtime pay, differential pay or 13th months pay, bonuses, allowances, fringe benefits, SL/VL/SIL, medical benefits, and claims for illegal dismissal reinstatement, backwages, attorney’s fees, or otherwise as may be due me/us in connection with my past employment with said establishment and its office.

IN VIEW WHEREOF, I/We have hereunto set my/our hand(s) this 16[th] day of March, 2000 in the City of Quezon City, Philippines.

(Sgd.)

CARLOS G. GESTIADA

Complainant

For himself and Attorney-

In-Fact of all Complainants[24]

If reliance is placed solely on the quitclaim release and waiver executed by Gestiada and the special power of attorney, it would be an inevitable conclusion that the P150,000.00 compromise covered the claims of petitioners, not merely that of Gestiada. That is apparent from the waiver and the special power of attorney. There is much to be said, however, of the circumstances in the execution and the payment of the amount which lead Us to conclude that the P150,000.00 was given to Gestiada solely as payment for his backwages and other monetary claims.

First, the P150,000 compromise is rather measly when taken in light of the more than P2.5 million judgment on appeal to the NLRC. Petitioners already won on the arbiter level P2.5 million pesos. It is highly improbable that they would suddenly agree to accept P150,000 as compromise for the P2.5 million. That translates to a paltry sum of P6,000.00 each for petitioners. From this amount will still be deducted attorneys fees and other litigation expenses. In effect, petitioners agreed to waive more than 94% of what they expect to receive from Powertech. We note that the compromise is a mere 6% of the contingent sum that may be received by petitioners. This minuscule amount is certainly questionable because, to Our mind, it does not represent a true and fair amount which a reasonable agent may bargain for his principal.

We contrast the monetary judgment to the P150,000.00 received by Gestiada, which appears to be his share in the P2.5 million based on the calculation of the NLRC.[25] We find no plausible reason to disbelieve his claim that the sum represents payment solely of his backwages.

In *Galicia v. National Labor Relations Commission (Second Division)*,[26] this Court invalidated a compromise agreement which entitled a worker to receive P12,000 in lieu of a monetary judgment of P108,000 for being palpably inequitable, to wit:

The more relevant inquiry is whether the consideration for the quitclaims signed by the workers was reasonable and acceptable. Where it is shown that the person making the waiver did so voluntarily and with full understanding of what he was doing and the consideration of the quitclaim is credible, the transaction must be recognized as a valid and binding undertaking. Here, the amount accepted by petitioners was very much less than the amount awarded by the Labor Arbiter. The consideration for the quitclaim, a measly P12,000.00 per worker and the total sum of P300,000.00 are inordinately low and exceedingly unreasonable relative to the P107,380.00 per worker and total P3,223,261.00 awarded by the Arbiter. Palpably inequitable, the quitclaim cannot be considered an obstacle to the pursuit of their legitimate claims. Petitioners never accepted as full compensation the meager amount they received when they signed the quitclaim and release. In the *Sinumpaang Salaysay* they executed the next day, they expressly declared their awareness that the amount they received was unjust and insufficient to answer for their just claims and the award given by the Labor Arbiter, but due to destitution caused by their protracted unemployment, they decided to accept the P12,000.00 in the meantime. The Court also recognizes “dire necessity” of laborers as ample justification to accept even insufficient sums of money from their employers.

x x x x

Worth noting is the Solicitor General’s opinion in favor of granting the petition. The OSG concluded that “(w)hile petitioners may not have been ‘tricked’ into accepting the P12,000.00, to repeat, the undisputed and

concurrent circumstances of dire necessity and unconscionability obtaining in the case at bar constitute more than sufficient ground to invalidate the compromise agreement.” (Underscoring supplied)

Second, even granting for the mere sake of argument that the P150,000 was a fair and reasonable compromise for all, petitioners failed to receive a single centavo from the compromise. This conclusively indicates that Gestiada received the P150,000 in payment of his backwages and no other.

Third, We give credence to the admission of Gestiada that he received the P150,000.00 as payment for his own backwages. In his letter to Atty. Evangelista, Gestiada said that he was pressured by Powertech to sign the waiver and quitclaim for petitioners in order to receive his share in the P2.5 million judgment. Having no stable job after his dismissal, Gestiada had no other choice but to breach his fiduciary obligation to petitioners. He succumbed to the pressure of Powertech in signing the waiver, release and quitclaim in exchange for the P150,000.00. In short, he colluded with Powertech to the detriment of petitioners.

Powertech knew that Gestiada had plenary authority to act for petitioners in the labor case. It had prior dealings with him. It also knew that Gestiada was authorized to negotiate for any amount “he may deem just and reasonable” and to sign waivers and quitclaims on behalf of petitioners. Powertech obviously used that knowledge, capitalized on the vulnerable position of Gestiada in entering into the agreement and took advantage of the situation to the disadvantage of petitioners.

Fourth, the events that led to the execution of the compromise agreement show that Powertech was negotiating in bad faith. More importantly, they show that Powertech colluded with Gestiada to defraud petitioners of their share of the P2.5 million Labor Arbiter judgment.

Evidently, Powertech never intended to pay the P150,000 compromise agreement. It was minded to do so only after the NLRC declared the compromise void and reinstated the P2.5 million judgment of the Labor Arbiter. It cannot escape Our notice that Powertech even ordered a stop payment for the P150,000.00 check issued to Gestiada without any sufficient reason. Worse, it was recalcitrant in making good the check despite due demand.

To Our mind, what prompted Powertech to agree to pay the P150,000.00 was the NLRC order voiding the compromise agreement and reinstating the Labor Arbiter P2.5 million judgment. By then, Powertech was faced with the possibility of paying P2.5 million to petitioners. It was also required by law to post a surety bond for the same amount in order to perfect its appeal with the NLRC.

Armed with the NLRC order, petitioners were bent on pursuing their appeal. Powertech panicked. It negotiated with Gestiada offering him P150,000.00 in exchange for a waiver and quitclaim for himself and for petitioners. Powertech knew that Gestiada was authorized by petitioners to negotiate for “any sum he may deem just and reasonable” and to sign quitclaims and waivers for them. Jobless and having no regular income, Gestiada succumbed to the pressure. He connived with Powertech and agreed to receive the P150,000.00 for himself in exchange for signing a quitclaim and waiver in the name of petitioners.

To give effect to the collusion, Gestiada had to get rid of Atty. Evangelista, who had previously succeeded in nullifying the compromise agreement. He fired Atty. Evangelista without cause basing his dismissal on his plenary authority as agent of petitioners. He then procured the services of another lawyer, Atty. Felipe. We find it striking that Gestiada was not authorized under the special power of attorney to terminate or retain another counsel for petitioners in the labor dispute. The special power of attorney merely authorized Gestiada to negotiate with Powertech, nothing more.

In his letter, Gestiada admitted that the dismissal of Atty. Evangelista was upon the prodding of Virtue Sarmiento, personnel manager of Powertech. Powertech imposed the dismissal of Atty. Evangelista as a condition before

Gestiada may receive the amount. A day after firing Atty. Evangelista, Gestiada received the P150,000.00. That same day, Gestiada, represented by Atty. Felipe, and Powertech filed a joint motion to dismiss with the NLRC.

All these circumstances indicate that the P150,000.00 was received by Gestiada solely as payment for his backwages and not a whit of a settlement for the monetary claim of petitioners.

In line with Our conclusion that Powertech colluded with Gestiada, the CA gravely erred in upholding the compromise agreement. The appellate court decision was premised on the compromise agreement being entered into by Powertech and Gestiada in good faith. It is now clear that there is ample evidence indicating that Powertech was negotiating in bad faith and, worse, it colluded with Gestiada in shortchanging, nay, fraudulently depriving petitioners of their just share in the award.

Collusion is a species of fraud.[27] Article 227 of the Labor Code empowers the NLRC to void a compromise agreement for fraud, thus:

Any compromise settlement, including those involving labor standard laws, voluntarily agreed upon by the parties with the assistance of the Bureau or the regional office of the Department of Labor, shall be final and binding upon the parties. The National Labor Relations Commission or any court shall not assume jurisdiction over issues involved therein except in case of non-compliance thereof or if there is prima facie evidence that the settlement was obtained through fraud, misrepresentation, or coercion.[28] (Underscoring supplied)

In fine, We find that the CA erred in upholding the compromise agreement between Powertech and Gestiada. The NLRC justifiably declared the compromise agreement as void.

Posting of surety bond is mandatory and jurisdictional. Failure to post surety bond rendered the Labor Arbiter decision final and executory.

Addressing petitioners' third contention on the failure of Powertech to post a surety bond, We agree with the NLRC resolution dismissing its appeal. Said the NLRC on this point:

An appeal is neither a natural right nor is it part of due process but purely a statutory privilege and may be exercised only in the manner and in accordance with the provisions of law (Acda v. Minister of Labor, 119 SCRA 306). x x x Considering that the Joint motion to Dismiss remains unacted upon at the time respondents received a copy of Our Resolution dated May 24, 2000, respondents, in accordance with said Resolution and with Article 223 Labor Code and with Section 6, Rule VI, NLRC New Rules of Procedure should have posted a cash and surety bond. Hence failing to do so the appealed Decision is deemed final and executory (Acda v. Minister of Labor, supra).

The posting of a surety bond is mandatory and jurisdictional. This is well settled. In *Viron Garments Manufacturing Co., Inc. v. National Labor Relations Commission*,[29] this Court held:

The intention of the lawmakers to make the bond an indispensable requisite for the perfection of an appeal by the employer, is clearly limned (sic) in the provision that an appeal by the employer may be perfected "only upon the posting of a cash or surety bond." The word "only"; makes it perfectly clear, that the lawmakers intended the posting of a cash or surety bond by the employer to be the exclusive means by which an employer's appeal may be perfected.

The word "may" refers to the perfection of an appeal as optional on the part of the defeated party, but not to the posting of an appeal bond, if he desires to appeal.

The meaning and the intention of the legislature in enacting a statute must be determined from the language employed, and where there is no ambiguity in the words, there is no room for construction (*Provincial Board of Cebu v. Presiding Judge of Cebu, Court of First Instance, Branch IV*, 171 SCRA 1).

The requirement that the employer post a cash or surety bond to perfect its/his appeal is apparently intended to assure the workers that if they prevail in the case, they will receive the money judgment in their favor upon the dismissal of the employer's appeal. It was intended to discourage employers from using an appeal to delay, or even evade, their obligation to satisfy their employees' just and lawful claims.

The "undertakings" which the petitioners signed, binding themselves to answer and pay the judgment or award would not assure satisfaction of the monetary awards if they (the judgment debtors) became insolvent during the pendency of the appeal. (Underscoring supplied)

This rule was affirmed in *Quiambao v. National Labor Relations Commission*,^[30] thus:

x x x Petitioner is right that the filing of a supersedeas bond is indispensable to the perfection of an appeal in cases which, like the present one, involve monetary awards and that because Central Cement failed to comply with this requirement, the decision of the Labor Arbiter, finding Central Cement guilty of the illegal dismissal of petitioner, became final and executory. Art. 223 expressly provides that "In case of a judgment involving a monetary award, an appeal by the employer may be perfected only upon the posting of a cash or surety bond issued by a reputable bonding company duly accredited by the commission in the amount equivalent to the monetary award in the judgment appealed from."

In the recent case of *Mary Abigail's Food Service, Inc. v. Court of Appeals*,^[31] this Court again reiterated:

A mere notice of appeal without complying with the other requisites aforesaid shall not stop the running of the period for perfecting an appeal.

Clear it is from the above that an appeal to the NLRC from any decision, award or order of the Labor Arbiter must have to be made within ten (10) calendar days from receipt of such decision, award or order with proof of payment of the required appeal bond accompanied by a memorandum of appeal. And where, as here, the decision of the Labor Arbiter involves a monetary award, the appeal is deemed perfected only upon the posting of a cash or surety bond also within ten (10) calendar days from receipt of such decision in an amount equivalent to the monetary award.

The posting of a cash or surety bond is a requirement *sine qua non* for the perfection of an appeal from the labor arbiter's monetary award. Notably, the perfection of an appeal within the period and in the manner prescribed by law is jurisdictional and non-compliance with the requirements therefore is fatal and has the effect of rendering the judgment sought to be appealed final and executory. Such requirement cannot be trifled with.

Considering that Powertech failed to post the required bond, its appeal was not deemed perfected and the Labor Arbiter decision is now final and executory. In the similar case of *Aquino v. National Labor Relations Commission*,^[32] this Court held:

We agree with the Solicitor General that the provisions of Article 223 of the Labor Code, as amended by R.A. No. 6715, requiring the posting of cash or surety bond in appeals from decisions of Labor Arbiter granting monetary awards, are self-executing and do not need any administrative rules to implement them. The appeal made by private respondent, not having been perfected on time for failure to file the appeal bond, the decision of the Labor Arbiter became final and executory.

Given the foregoing ruling, We find it unnecessary to tackle petitioners' contention that the NLRC had lost jurisdiction over the case when it dismissed Powertech's appeal. It has become inconsequential, the crucial issue having been resolved in their favor.

Final Note

As a final note, We rebuke Powertech's unscrupulous and despicable act of using an apparently valid

compromise agreement to evade payment of its legal obligation to petitioners. We will not allow employers to make a mockery of our legal system by using legal means to perpetrate fraud. This should serve as a warning to parties in labor cases to endeavor to achieve a just and equitable resolution of their disputes and to enter into compromise agreements in good faith.

Further, there would have been no opportunity for collusion between Powertech and Gestiada without the blanket authority given by petitioners to Gestiada in the special power of attorney. This should serve as a caveat to principals, particularly to laborers in labor disputes, to be wary of giving too broad an authority to their agents. The powers of the agent may be circumscribed either (a) by putting a clause in the special power of attorney providing a minimum amount upon which the agent may compromise on behalf of the principal or (b) by providing that some acts of the agent are conditional and subject to the approval of the principal.

These conditions may impose additional burden on the negotiating parties. But it will better protect them since the agent will only be authorized to settle for an amount predictably acceptable to the principal, and the third party will have full knowledge of the terms and conditions the principal would not disown or disclaim.

Hindi sana nagkaroon ng pagkakataong magsabwatan ang Powertech at si Gestiada kung walang malawak na pahintulot na ibinigay ang petitioners sa kanya. Ito ay dapat magsilbing babala para mag-ingat ang mga prinsipal, lalo na ang mga manggagawa sa usaping pang-obrero. Ang ibinibigay na kapangyarihan o special power of attorney sa kinatawan ay maaaring lagyan ng hangganan na magtatakda (a) ng pinakamababang halaga na maaaring pagkasunduan, o (b) ang ilang gagawin ng ahente ay may mga kondisyon na dapat pagtibayin ng prinsipal.

Ang mga kondisyong ito ay maaaring magbigay ng karagdagang abala sa magkabilang panig. Subalit higit silang protektado sapagkat ang ahente ay pahihintulutan lamang na pumayag sa halagang katanggap-tanggap sa prinsipal, at ang ikatlong panig naman ay magkakaroon ng buong pagkaunawa sa mga kondisyon na hindi tatanggihan o itatatwa ng prinsipal.

WHEREFORE, the petition is GRANTED. The Decision of the Court of Appeals is REVERSED and SET ASIDE. The Resolution of the NLRC dated July 31, 2000 is REINSTATED.

SO ORDERED.

Ynares-Santiago, (Chairperson), Austria-Martinez, Corona, and Nachura, JJ., concur.

* Vice Associate Justice Minita V. Chico-Nazario. Justice Nazario is on official leave per Special Order No. 484 dated January 11, 2008.

[1] Rollo, pp. 21-31. Penned by Associate Justice Josefina Guevara-Salonga with Associate Justices Teodoro P. Regino and Mercedes-Gozo-Dadole, concurring.

[2] Id. at 152-158. Penned by Commissioner Ireneo B. Bernardo, with Presiding Commissioner Lourdes C. Javier and Commissioner Tito E. Genilo, concurring.

[3] Id. at 119-140.

[4] Id. at 141-142.

[5] Id. at 143.

[6] Id. at 145-147.

- [7] Id. at 32.
- [8] Id. at 148-151.
- [9] Id. at 38.
- [10] Id. at 39-40.
- [11] Id. at 45-48.
- [12] Id. at 152-158.
- [13] Id. at 157.
- [14] Id. at 155-156.
- [15] Id. at 156-157.
- [16] Id. at 31.
- [17] Id. at 27-30.
- [18] Id. at 20.
- [19] Should be reversible errors under Rule 45; id. at 10.
- [20] Id. at 50.
- [21] Id. at 143.
- [22] Id.
- [23] Id. at 41.
- [24] Id.
- [25] Id. at 139.
- [26] G.R. No. 119649, July 28, 1997, 276 SCRA 381.
- [27] *Desierto v. Ocampo*, G.R. No. 155419, March 4, 2005, 452 SCRA 789, 810.
- [28] Labor Code, Art. 227.
- [29] G.R. No. 97357, March 18, 1992, 207 SCRA 339, 342.
- [30] G.R. No. 91935, March 4, 1996, 254 SCRA 211, 215-216.
- [31] G.R. No. 140294, May 9, 2005, 458 SCRA 265, 273-275.
- [32] G.R. No. 98108, September 3, 1993, 226 SCRA 76, 83.

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