

**STANLEY GARMENTS SPECIALIST AND/OR ANICIA CO,
PETITIONERS, VS. GEORGE GOMEZ, GINA AMBONG, CECILIA
MARIANO, ELSIE DE VERA, ROSLYN PANQUIOD, MERCEDES
MAMARIL, MARICHU REGONDOLA, D...**

G.R. NO. 154818. August 11, 2005

Ponente: SANDOVAL-GUTIERREZ, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-154818/>

SANDOVAL-GUTIERREZ, J.:

Before us is a petition for review on certiorari under Rule 45 of the 1997 Rules of Civil Procedure, as amended, assailing the Decision[1] dated May 30, 2002 and the Resolution[2] dated August 14, 2002 rendered by the Court of Appeals in CA-G.R. SP No. 67538, entitled "Stanley Garments/Mr. Fernando Co and Anicia Co vs. National Labor Relations Commission and George Gomez, Gina Ambong, Cecilia Mariano, Elsie De Vera, Roslyn Panquiod, Mercedes Mamaril, Marichu Regondola, Dennis Balot, Irene Ambong and Evelyn Balot."

The instant controversy stemmed from a complaint for illegal dismissal from the service and non-payment of benefits filed with the Office of the Labor Arbiter by the above-named respondents against Stanley Garments Specialist and spouses Fernando and Anicia Co, petitioners, docketed as NLRC NCR Case No. 00-01-00720-98.

Respondents, in their complaint, alleged that petitioner Stanley Garments Specialist is a garment manufacturing company, with office at Caimito Road, Caloocan City. They were employed as sewer, assistant cutter, assistant supervisor and driver by petitioner company, each receiving a daily salary of P70.00 to P241.00.[3] On December 17, 1997, petitioner company ceased its business operation resulting in the termination of respondents' services. Later, however, petitioners set up Webengton Garments Manufacturing at Malabon City. Thus, respondents' separation from the service is illegal as petitioner company did not actually suffer serious business losses.

Petitioners denied respondents' allegations in their complaint. They claimed that as a result of the economic slowdown then experienced in this country, they were forced to close their business establishment resulting in the termination from the service of respondents on December 20, 1997, with notice to the Department of Labor and Employment (DOLE), as per their letter dated December 12, 1997. Later, petitioners paid respondents George Gomez, Evelyn Balot and Gina Ambong their separation benefits. Thereafter, they executed and signed Releases and Quitclaims. On January 14, 1998, petitioners filed with the DOLE an "Establishment Termination Report" of respondents' separation from the service.

On December 2, 1998, the Labor Arbiter rendered a Decision holding that the termination from the service of respondents is lawful and ordering the dismissal of the complaint.

Upon appeal, the National Labor Relations Commission (NLRC) promulgated a Decision dated June 11, 2001 reversing the Labor Arbiter's Decision. In concluding that respondents were illegally dismissed from employment, the NLRC held:

"We reverse.

Respondents allege that the cause of the dismissal of complainants was the cessation of respondents' business. Respondents said in their Reply to Position Paper that "Complainants were all validly terminated by the respondents due to the closure of the Stanley Garments Specialist by virtue of grave financial losses as so provided under Art. 205 of the Labor Code x x x." The Decision says that respondent company had adequately complied with the procedural aspect of termination as so mandated by law. We disagree.

x x x

The law is clear that before any employee is terminated due to closure of business, a one (1) month prior written notice to the employee and the Department of Labor and Employment (former Ministry of Labor and Employment) is required. This mandatory requirement had not been done by respondents in this case. What respondents did was to write the Department of Labor and Employment (DOLE) on December 12, 1997 stating the reason of the closure and the effectivity dates of complainants' termination. And then on January 4, 1998, respondents filed with DOLE the monthly report on employees termination. There was no proof that complainants were served with individual written notices of their termination one month before the intended closure of the business.

Assuming that respondents had complied with the formal requirement of notice and report with the DOLE, the formal compliance is not enough to dismiss the employees. The grave financial losses as alleged by respondents which caused the closure of business must be sufficiently proven by the employer as also mandated under paragraph (b) of Art. 277 of the Labor Code which states, in part, that "the burden of proving that the termination was for a valid or authorized cause shall rest on the employer."

Respondents should have submitted proofs about their financial losses. Mere allegation is not evidence much less the truth thereof. Otherwise, we shall be putting the fate of the worker, who shall suffer loss of his means of livelihood, at the mercy of some scheming employers. The notice to the employees and to DOLE is only a part of the procedural requirement that must be complied with. The other equally indispensable part is the substantive requirement of having to prove the financial losses sustained by respondents. Here, respondents failed in both.

x x x

WHEREFORE, premises considered, judgment is hereby rendered declaring the dismissal of complainants as illegal. Respondents Stanley Garments Specialist and/or Anicia Co and Fernando Co are hereby ordered to reinstate complainants to their former position without loss of seniority rights and other benefits with payment of backwages from the date of their dismissal up to actual reinstatement. If reinstatement is not possible, respondents shall pay complainants separation pay equivalent to one (1) month salary for every year of service plus backwages from the date of dismissal up to the date of this decision.

In addition to the above, complainants shall be paid their salary differential resulting from underpayment of their wages plus payment of their service incentive leave pay.

The separation pay already received by George B. Gomez, Evelyn Balot and Gina Ambong shall be deducted from their respective awards under this decision.

xxx

SO ORDERED."

Petitioners filed a motion for reconsideration but it was denied by the NLRC in a Resolution dated September 24, 2001.

Petitioners then filed a petition for certiorari with the Court of Appeals alleging that the NLRC committed grave abuse of discretion in finding that the termination of respondents' employment is justified.

On May 30, 2002, the Court of Appeals rendered the assailed Decision affirming the NLRC's Decision, thus:

"The onus even befalls heavier upon the employer when there is an allegation that a similar business was put up immediately after the cessation of its former business and the closure was merely resorted to as a scheme to get rid of its regular employees, as in the case at bar. We have scoured the records including the pleadings a quo and found no proof that Stanley Garments Specialist was suffering from financial losses at the time it was closed. On the contrary, petitioners did not even refute the allegation of private respondents that they put up a similar business using the same machineries immediately after closing Stanley Garments Specialist, thereby giving credence to such an allegation. Not even in this petition did they raise any proof or argument to refute such a damning assertion. Their silence should therefore work against their favor.

x x x

WHEREFORE, premises considered, the instant petition for certiorari is DISMISSED.

SO ORDERED."

In a Resolution dated August 14, 2002, the Court of Appeals denied petitioners' motion for reconsideration.

In the instant petition, petitioners contend that the Court of Appeals erred (1) in holding that respondents were illegally dismissed and that petitioners failed to prove by substantial evidence that they suffered serious business losses; and (2) in finding that respondents are entitled to an award of backwages.

At the outset, it bears stressing that the Supreme Court is not a trier of facts.[4] One of the exceptions is when there is a conflict between the findings of fact of the Labor Arbiter, on one hand, and the NLRC, on the other, which is the situation here. Thus, we are constrained to review the facts of the present case on the basis of the records.

Retrenchment, under Article 283 of the Labor Code, as amended, is recognized as an authorized cause for the dismissal of an employee from the service. This article provides:

"Art. 283. Closure of Establishment and Reduction of Personnel. - The employer may also terminate the employment of any employee due to the installation of labor-saving devices, redundancy, retrenchment to prevent losses or the closing or cessation of operations of the establishment or undertaking unless the closing is for the purpose of circumventing the provisions of this Title, by serving a written notice on the worker and the Department of Labor and Employment, at least one (1) month before the intended date thereof. x x x. In case of retrenchment to prevent losses and in cases of closure or cessation of operations of the establishment or undertaking not due to serious business losses or financial reverses, the separation pay shall be equivalent to one (1) month pay or at least one-half (1/2) month pay for every year of service, whichever is higher. A fraction of at least six (6) months shall be considered as one (1) whole year."

In *Trendline Employees Association-Southern Philippines Federation of Labor vs. NLRC*,^[5] we enumerated the requisites of retrenchment, thus:

"To be valid, three requisites must concur, as provided in Article 283 of the Labor Code, as amended, namely: (1) The retrenchment is necessary to prevent losses and the same is proven; (2) Written notice to the employees and to the DOLE at least one month prior to the intended date thereof; and (3) Payment of separation pay equivalent to one month pay or at least ½ month pay for every year of service, whichever is higher."

Here, the NLRC and the Court of Appeals, in concluding that respondents' retrenchment is unlawful, found that petitioners failed (1) to present evidence showing that petitioner company suffered from serious financial losses; and (2) to comply with the one-month notice requirement to the affected employees and the DOLE. We agree.

First, the condition of business losses is normally shown by audited financial documents, like yearly balance

sheets and profit and loss statements as well as annual income tax returns.[6] These were not presented by petitioners. They also failed to refute respondents' allegation that they established another garment manufacturing company, Webengton Garments Manufacturing, immediately after Stanley Garments Specialist ceased its business operations.

Second, records also show that petitioners failed to comply with the one-month notice requirement. They did not serve respondents and the DOLE with written notices of termination within one month prior thereto. Following the provision of Article 283 (earlier quoted), these notices should have been served upon them one month before, or on November 20, 1997. It was only on December 12, 1997 that petitioners sent the DOLE with a notice of retrenchment effective December 20, 1997.

Clearly, the separation of respondents from employment is illegal.

On this point, Article 279 of the Labor Code, as amended provides:

"ART. 279. Security of Tenure. - In cases of regular employment, the employer shall not terminate the services of an employee except for a just cause or when authorized by this Title. And employee who is unjustly dismissed from work shall be entitled to reinstatement without loss of seniority rights and other privileges and to his full backwages, inclusive of allowances, and to his other benefits or their monetary equivalent computed from the time his compensation was withheld from him up to the time of his actual reinstatement."

Verily, respondents who were illegally dismissed from work are entitled to reinstatement without loss of seniority rights, full backwages, inclusive of allowances, and other benefits or their monetary equivalent, computed from the time their compensation was withheld from them up to the time of their actual reinstatement.[7]

However, the circumstances obtaining in this case do not warrant the reinstatement of respondents. A more equitable disposition would be an award of separation pay equivalent to one-half (1/2) month's pay for every year of service (with a fraction of at least six (6) months considered one (1) whole year).

WHEREFORE, the instant petition is DENIED. The assailed Decision dated May 30, 2002 and the Resolution dated August 14, 2002 of the Court of Appeals in CA-G.R. SP No. 67538 are hereby AFFIRMED with MODIFICATION in the sense that, in lieu of reinstatement, respondents are awarded separation pay equivalent to one-half (1/2) month's pay for every year of service, plus their full backwages, and other privileges and benefits, or their monetary equivalent, during the period of their dismissal up to their supposed actual reinstatement.

Costs against petitioners.

SO ORDERED.

Panganiban, (Chairman), Carpio Morales, and Garcia, JJ., concur.
Corona, J., on leave.

[1] Penned by Associate Justice Rodrigo V. Cosico, with Associate Justice Buenaventura J. Guerrero (retired) and Associate Justice Perlita J. Tria-Tirona (retired), concurring. Annex "A", Petition for Review, Rollo at 34-42.

[2] Annex "B", id. at 43.

[3]

Names of Respondents-

Employees

Years of Service Nature of Work Daily Salary

(1) George B. Gomez 6 years & 8 months Assistant Cutter P 185.00

(2) Gina Ambong 3 years & 8 months Sewer 74.00

(3) Cecilia Mariano 3 years & 8 months Sewer 70.00

(4) Elsie De Vera 5 years & 2 months Sewer 70.00

(5) Evelyn Balot 8 years & 7 months Assistant Supervisor 241.00

(6) Irene Ambong 1 year & 6 months Sewer 100.00

(7) Dennis Balot 2 years & 5 months Driver 185.00

(7) Dennis Balot 2 years & 5 months Driver 185.00

(8) Marichu Regondola 3 years & 11 months Sewer 70.00

(8) Marichu Regondola 3 years & 11 months Sewer 70.00

(9) Mercedes Mamaril 5 years & 11 months Sewer 75.00

(10) Roslyn Piolquid 5 years & 8 months Sewer 75.00

[4] Far East Bank and Trust Co. vs. Court of Appeals, 326 Phil. 15 (1996).

[5] G.R. No. 112923, May 5, 1997, 272 SCRA 172, 179-180, cited in Cajucom VII vs. TPI Philippines Cement Corporation et al., G.R. No. 149090, February 11, 2005 at 9-10.

[6] Asian Alcohol Corporation vs. NLRC, G.R. No. 131108, March 25, 1999, 305 SCRA 416, 430, citing Catatista vs. NLRC, 247 SCRA 46, 52 (1995) and Precision Electronics Corporation vs. NLRC, 178 SCRA 667, 669 (1989).

[7] Pursuant to Article 279, Labor Code, as amended by Section 34, R.A. 6715; Bolinao Security and Investigation Service, Inc. vs. Toston, G.R. No. 139135, January 29, 2004 at 11, citing Cebu Marine Beach Resort vs. NLRC, G.R. No. 143252, October 20, 2003 and Damasco vs. NLRC, 346 SCRA 714 (2000).

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.