ATTY. ANDREA UY AND FELIX YUSAY, PETITIONERS, VS. ARLENE VILLANUEVA AND NATIONAL LABOR RELATIONS COMMISSION, RESPONDENTS.

G.R. NO. 157851. June 29, 2007

Ponente: NACHURA, J.

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NACHURA, J.:

This appeal on certiorari under Rule 45 of the Rules of Court seeks the nullification of the February 28, 2002 Resolution and the February 27, 2003 Resolution denying the motion for reconsideration thereof of the Former Tenth Division of the Court of Appeals (CA) in CA-G.R. SP No. 68680.

The antecedents of the case are as follows:

Countrywide Rural Bank of La Carlota, Inc. (Countrywide Bank) is a private banking corporation engaged in rural banking and other allied services through its branches nationwide.

Sometime in 1998, Countrywide Bank experienced liquidity problems and its treasury department was unable to comply with its branches' demands for fresh funds. Its various branches eventually experienced bank runs.[1]

Several of the bank's depositors were alarmed at the prospect of losing their deposits and investments. A group of depositors, holding about 70% of the bank's deposit accounts, met and agreed to organize themselves into a "Committee of Depositors." Petitioner Felix Yusay was elected by the Committee as Chairman of the Interim Board of Directors, while petitioner Atty. Andrea Uy was designated Secretary. According to petitioners, the Committee was formed for the purpose of protecting their collective interests and to increase their chances of recovering their deposits.[2]

With the consent and approval of the incumbent Board of Directors, the Committee of Depositors assumed temporary administrative control of the remaining operations of the bank.[3] The incumbent Board of Directors informed the Committee that some employees had tendered courtesy resignations, while some had expressed their willingness to resign upon official request. The Committee then accepted some of the courtesy resignations.[4]

The Bangko Sentral ng Pilipinas (BSP) subsequently placed the bank under receivership and appointed a liquidator. Meanwhile, the Philippine Deposit Insurance System (PDIC) commenced the processing of claims for return of deposits.[5]

Realizing that their bid to rehabilitate the bank had failed, the Committee of Depositors disbanded.[6]

Eventually, three cases for illegal dismissal were filed against Countrywide Bank before the National Labor Relations Commission (NLRC). These were filed by Amalia Bueno (NLRC Case No. RAB-XI-01-50037-99), Amelia Valdez and Lyn Villa (NLRC Case No. RAB-XI-01-20039-99), and herein private respondent Arlene Villanueva (NLRC Case No. RAB-XI-01-50043-99).[7]

Private respondent Villanueva avers that she was a regular employee of Countrywide Bank's Marbel, South

Cotabato branch. On December 7, 1998, she received a memorandum from the Interim Board of Directors accepting her courtesy resignation. She, however, denies that she submitted a written courtesy resignation.[8]

On November 16, 1999, Labor Arbiter Arturo P. Gamolo of NLRC Sub-Regional Arbitration Branch No. XI, General Santos City rendered a Decision in RAB-XI-01-50043-99, the dispositive portion of which reads:

> WHEREFORE, premises considered, respondent Country Wide Rural Bank of La Carlota, Inc. and Individual Respondents Atty. Andrea Uy and Felix Yusay are solidarily liable to pay complainant Arlene Villanueva the sum PESOS: ONE HUNDRED THIRTEEN THOUSAND SIX HUNDRED FORTY (P113,640.00) ONLY representing her monetary awards and attorney's fees.[9]

On January 21, 2000, Villanueva filed a Motion for Execution of Judgment[10] to which Countrywide Bank, through the PDIC, filed an Opposition. [11]

Thereafter, Labor Arbiter Gamolo rendered a Resolution and Order for all three cases against Countrywide Bank, the dispositive portion of which reads:

> Wherefore, finding the PDIC's opposition to complainants' motion for execution meritorious, complainants are hereby directed to file their respective money claims as adjudged in the decisions rendered in the above-entitled cases before the liquidation court for the latter's approval of inclusion in the Bank's Distribution Plan.
>
> SO ORDERED.[12]

Petitioners then filed a Notice of Appeal with Memorandum of Appeal with the NLRC, 5[th] Division, Cagayan de Oro City.[13] On November 27, 2000, the NLRC dismissed the appeal for being filed out of time.[14] Petitioners filed a motion for reconsideration.[15] The NLRC then recalled its November 27, 2000 Resolution and set the case for clarificatory hearing.[16]

Petitioners, however, received the Resolution five days after the scheduled clarificatory hearing. They instead filed their memorandum in lieu of the clarificatory hearing.

On October 10, 2001, the NLRC rendered another Resolution reinstating its November 27, 2000 Resolution.[17]

Petitioners filed a petition for certiorari before the CA to nullify the NLRC's November 27, 2000 and October 10, 2001 Resolutions.

On February 28, 2002, the Tenth Division of the CA dismissed the petition for certiorari on technical grounds. In particular, the CA cited the following grounds for dismissal:

> - Failure to attach necessary pleadings and comments which are material portion of the records in able [sic] for this to [sic] judiciously evaluate the merit of the case such as:
>
> a.) memorandum of appeal filed by the petitioner on May 18, 2000;
>
> b.) Motion for Reconsideration of the petitioners dated December 21, 2000;
>
> in violation of Section 3, Rule 46 of the 1997 Rules of Civil Procedure as amended;
>
> - Failure to attach certified photocopy copies [sic] of the assailed resolutions and decisions of the original documents in violation of the same rules; and
>
> - Failure to send copy of the resolution to the public respondent.[18]

Petitioners filed a Motion for Reconsideration[19] arguing that the failure to attach the abovementioned documents was merely a procedural lapse on their part. They, likewise, attached the documents to the motion.

Their motion for reconsideration having been denied,[20] petitioners filed the present appeal on certiorari.

They argue that the CA's dismissal of their petition for certiorari on technical grounds deprived them of substantial justice. They assail the CA's Resolution dismissing their petition on technical grounds. They cite previous decisions of this Court where it held that technicalities can be relaxed in order to uphold the substantive rights of the parties.[21]

They likewise allege that the Labor Arbiter ruled in favor of respondent Villanueva based only on the pleadings filed by the latter. They allege that they were not properly served summons and notices which led to their failure to file their position paper. They also argue that they cannot be held solidarily liable to private respondent because they were mere depositors of the bank and not stockholders. Even assuming that they were stockholders, they still cannot be held individually liable for the bank's obligations.

On the other hand, private respondent argues that the appeal on certiorari merely reiterated arguments and issues on questions of facts that have already been passed upon by competent authority.[22] Having none of the circumstances that will warrant exemption from the requirement that a petition for review on certiorari under Rule 45 shall only raise questions of law, the petition must be dismissed. Likewise, private respondent argues that the petition has no other purpose than to delay the final execution of the decision.

While this case was pending, petitioners filed a Manifestation[23] on February 20, 2007, informing this Court that the case entitled Atty. Andrea Uy and Felix Yusay v. Amalia Bueno,[24] docketed as G.R. No. 159119 and involving the same factual antecedents as the present case, was decided by this Court's Second Division on March 14, 2006 in this wise:

> IN VIEW WHEREOF, the petition is GRANTED. The Court of Appeals Decision dated January 24, 2003 and Resolution dated May 26, 2003 in CA-G.R. SP No. 70672, which found petitioner Atty. Andrea Uy[25] solidarily liable with Countrywide Rural Bank of [La] Carlota, Inc. in Marbel, Koronadal City, South Cotabato, are REVERSED. No costs.
>
> SO ORDERED.[26]

In the Bueno case, the Court found that, per the records of the case, petitioner Uy was a "mere depositor,"[27] one of several depositors who formed themselves into a group or association indicating their intention to help rehabilitate Countrywide Rural Bank.[28] It also found no evidence that the Committee of Depositors that elected petitioner Uy as Interim President and Corporate Secretary was recognized by the Bangko Sentral ng Pilipinas, hence, had no legal authority to act for the bank.[29] As such, the Court said:

> Lacking this evidence, the act of petitioner Uy in dismissing the respondent cannot be deemed an act as an officer of the bank. Consequently, it cannot be held that there existed an employer-employee relationship between petitioner Uy and respondent Bueno when the former allegedly dismissed the latter. This requirement of employer-employee relationship is jurisdictional for the provisions of the Labor Code, specifically Book VI thereof, on Post-Employment, to apply. Since the employer-employee relationship between petitioner Uy and respondent Bueno was not established, the labor arbiter never acquired jurisdiction over petitioner Uy. Consequently, whether petitioner Uy was properly served summons is immaterial. Likewise, that she terminated the services of respondent Bueno in bad faith and with malice is of no moment. Her liability, if any, should be determined in another forum.[30]

The Court noted the manifestation in a Resolution[31] dated April 23, 2007.

We find the present petition meritorious.

At the outset, we note that Countrywide Bank did not appeal the NLRC's rulings. As to the bank, therefore, the

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NLRC Decision has become final and executory.

Rule 45 of the Rules of Civil Procedure provides that only questions of law shall be raised in an appeal by certiorari before this Court. This rule, however, admits of certain exceptions, namely, (1) when the findings are grounded entirely on speculations, surmises, or conjectures; (2) when the inference made is manifestly mistaken, absurd, or impossible; (3) when there is a grave abuse of discretion; (4) when the judgment is based on misappreciation of facts; (5) when the findings of fact are conflicting; (6) when in making its findings, the same are contrary to the admissions of both appellant and appellee; (7) when the findings are contrary to those of the trial court; (8) when the findings are conclusions without citation of specific evidence on which they are based; (9) when the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondent; and (10) when the findings of fact are premised on the supposed absence of evidence and contradicted by the evidence on record.[32]

In this case, the CA committed grave abuse of discretion in dismissing the petition without first examining its merits. The policy of our judicial system is to encourage full adjudication of the merits of an appeal. In the exercise of its equity jurisdiction, this Court may reverse the dismissal of appeals that are grounded merely on technicalities.[33]

In the past, the Court has held that technicalities should not be permitted to stand in the way of equitably and completely resolving the rights and obligations of the parties. Where the ends of substantial justice would be better served, the application of technical rules of procedure may be relaxed.[34] Rules of procedure should indeed be viewed as mere tools designed to facilitate the attainment of justice.[35]

Section 1, Rule 65 of the Rules of Court provides:

> SECTION 1. Petition for certiorari. – When any tribunal, board or officer exercising judicial or quasi-judicial functions has acted without or in excess of its or his jurisdiction, or with grave abuse of discretion amounting to lack or excess of jurisdiction, and there is no appeal, or any plain, speedy, and adequate remedy in the ordinary course of law, a person aggrieved thereby may file a verified petition in the proper court, alleging the facts with certainty and praying that judgment be rendered annulling or modifying the proceedings of such tribunal, board or officer, and granting such incidental reliefs as law and justice may require.
>
> The petition shall be accompanied by a certified true copy of the judgment, order or resolution subject thereof, copies of all pleadings and documents relevant and pertinent thereto, and a sworn certification of non-forum shopping as provided in the third paragraph of Section 3, Rule 46. (emphasis supplied)

Records show that in the petition for certiorari, filed before the CA, the petitioners attached photocopies of the assailed October 10, 2001 NLRC Resolution,[36] the NLRC Resolution dated November 27, 2000,[37] the Labor Arbiter's Decision dated November 16, 1999,[38] and the Labor Arbiter's Resolution and Order dated April 17, 2000.[39] Subsequently, when the CA dismissed the petition on technical grounds, petitioners filed a motion for reconsideration explaining the reason for the omission and attaching, in addition to the abovementioned documents, the other documents referred to in the CA Resolution.

The Court's ruling in the case of Garcia v. Philippine Airlines[40] is most instructive, to wit:

> It is evident, therefore, that aside from the assailed decision, order or resolution, not every pleading or document mentioned in the petition is required to be submitted – only those that are pertinent and relevant to the judgment, order or resolution subject of the petition. The initial determination of what pleadings, documents or orders are relevant and pertinent to the petition rests on the petitioner. If, upon its initial review of the petition, the CA is of the view that additional pleadings, documents or order should have been submitted and appended to the petition, the following are its options: (a) dismiss the petition under the last paragraph of

> Rule 46 of the Rules of Court; (b) order the petitioner to submit the required additional pleadings, documents, or order within a specific period of time; or (c) order the petitioner to file an amended petition appending thereto the required pleadings, documents or order within a fixed period.
>
> If the CA opts to dismiss the petition outright and the petitioner files a motion for the reconsideration of such dismissal, appending thereto the requisite pleadings, documents or order/resolution with an explanation for the failure to append the required documents to the original petition, this would constitute substantial compliance with the Rules of Court. In such case, then, the petition should be reinstated. As this Court emphasized in Cusi-Hernandez v. Diaz:
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> x x x x
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> We must stress that "cases should be determined on the merits after full opportunity to all parties for ventilation of their causes and defenses, rather than on technicality or some procedural imperfections. In that way, the ends of justice would be served better." Moreover, the Court has held:
>
> "Dismissal of appeals purely on technical grounds is frowned upon and the rules of procedure ought not to be applied in a very rigid, technical sense, for they are adopted to help secure, not override, substantial justice, and thereby defeat their very aims."
>
> Rules of procedure are mere tools designed to expedite the decision or resolution of cases and other matters pending in court. A strict and rigid application of rules that would result in technicalities that tend to frustrate rather than promote substantial justice must be avoided. (citations omitted)

In putting a premium on technical rules over the just resolution of the case, therefore, the CA overlooked the right of petitioners to the full adjudication of their petition on its merits. Indeed, while labor laws mandate the speedy administration of justice with least attention to technicalities, this must be done without sacrificing the fundamental requisites of due process.[41]

We now proceed to rule on the merits of the case.

In order to sustain a finding of illegal dismissal, we must first determine the relationship between the petitioners and private respondent. Illegal dismissal presupposes that there was an employer-employee relationship between the dismissed employee and the persons complained of.

To determine whether there was an employer-employee relationship between petitioners and private respondent, the Court has consistently used the "four-fold" test. The test calls for the determination of (1) whether the alleged employer has the power of selection and engagement of an employee; (2) whether he has control of the employee with respect to the means and methods by which work is to be accomplished; (3) whether he has the power to dismiss; and (4) whether the employee was paid wages. Of the four, the control test is the most important element.[42]

In the instant case, all these elements are attributable to the bank itself and not to petitioners. There is no question that private respondent was an employee of the bank. As mentioned above, the NLRC Decision has become final and executory as to the bank. Its liability for private respondent's dismissal is no longer in dispute.

The same cannot be said of petitioners. Petitioners assumed only limited administrative control of the bank as part of the "Committee of Depositors." However, there is no showing that they took over the management and control of the bank.

Given that there is in fact no employer-employee relationship between petitioners and private respondents, the Labor Arbiter, and consequently, the NLRC, is without jurisdiction to adjudicate the dispute between them. The cases a Labor Arbiter can hear and decide are "employment-related."[43]

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Even assuming that an employer-employee relationship does exist between petitioners and private respondent, the former still cannot be held liable with Countrywide Bank for the illegal dismissal of private respondent. Corporate officers are not personally liable for the money claims of discharged corporate employees, unless they acted with evident malice and bad faith in terminating their employment.[44]

First, we agree with petitioners that they are not corporate officers of the bank.

It has been held that an "office" is created by the charter of the corporation and the officer is elected by the directors or stockholders. On the other hand, an "employee" usually occupies no office and generally is employed not by action of the directors or stockholders but by the managing officer of the corporation who also determines the compensation to be paid to such employee.[45]

Given this distinction, petitioners are neither officers nor employees of the bank. They are mere depositors who sought to manage the bank in order to save it.

Next, settled is the rule in this jurisdiction that a corporation is vested by law with a legal personality separate and distinct from those acting for and in its behalf and, in general, from the people comprising it.[46]

The general rule is that obligations incurred by the corporation, acting through its directors, officers, and employees, are its sole liabilities. However, solidary liability may be incurred, but only under the following exceptional circumstances:

> - When directors and trustees or, in appropriate cases, the officers of a corporation: (a) vote for or assent to patently unlawful acts of the corporation; (b) act in bad faith or with gross negligence in directing the corporate affairs; (c) are guilty of conflict of interest to the prejudice of the corporation, its stockholders or members, and other persons;
>
> - When a director or officer has consented to the issuance of watered stocks or who, having knowledge thereof, did not forthwith file with the corporate secretary his written objection thereto;
>
> - When a director, trustee or officer has contractually agreed or stipulated to hold himself personally and solidarily liable with the corporation; or
>
> - When a director, trustee or officer is made, by specific provision of law, personally liable for his corporate action.[47]

Not one of these circumstances is present in this case.

Furthermore, the doctrine of piercing the veil of corporate fiction finds no application in the case. Piercing the veil of corporate fiction may only be done when "the notion of legal entity is used to defeat public convenience, justify wrong, protect fraud, or defend crime."[48]

The general rule is that a corporation will be looked upon as a separate legal entity, unless and until sufficient reason to the contrary appears. For the separate juridical personality of a corporation to be disregarded, the wrongdoing must be clearly and convincingly established. It cannot be presumed.[49] Mere ownership by a single stockholder or by another corporation of all or nearly all of the capital stock of a corporation is not in itself sufficient ground for disregarding the separate corporate personality.[50]

In the case at bar, petitioners are not even stockholders of the bank but mere depositors. That they assumed temporary control of the bank's administration did not change the character of their relationship with the bank. In fact, their bid to convert their interest in the bank to that of stockholders failed as the BSP denied their plan to rehabilitate the bank.

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Finally, we have noted petitioners' Manifestation[51] dated January 31, 2007 and this Court's decision in Atty. Andrea Uy and Felix Yusay v. Amalia Bueno.[52]

In previous cases, the Court has held, "When a court has laid down a principle of law as applicable to a certain set of facts, it will adhere to that principle and apply it to all future cases in which the facts are substantially the same. Stare decisis et non quieta movere. Stand by the decision and disturb not what is settled. It simply means that a conclusion reached in one case should be applied to those that follow if the facts are substantially the same, even though the parties may be different. It comes from the basic principle of justice that like cases ought to be decided alike. Thus, where the same question relating to the same event is brought by parties similarly situated as in a previous case already litigated and decided by a competent court, the rule of stare decisis is a bar to any attempt to relitigate the same issue."[53]

Petitioners' liability, if there be any, must be determined in the proper action and at the proper forum.

WHEREFORE, premises considered, the petition is GRANTED. The February 28, 2002 Resolution in CA-G.R. SP No. 68680 of the Court of Appeals is REVERSED and SET ASIDE. The Decision of the Labor Arbiter in RAB-XI-01-50037-99, finding petitioners solidarily liable with Countrywide Rural Bank of La Carlota is, likewise, REVERSED and SET ASIDE. No pronouncement as to costs.

SO ORDERED.

Ynares-Santiago, (Chairperson) Austria-Martinez, and Chico-Nazario, JJ., concur.

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[1] Rollo, p. 8.

[2] Id. at 8-9.

[3] Id. at 11.

[4] Id. at 11-12.

[5] Id. at 12-13.

[6] Id. at 12.

[7] Id. at 13.

[8] Memorandum for Private Respondent, rollo, p. 124.

[9] Annex "C," id. at 42-48.

[10] Rollo, p. 15.

[11] Annex "I," id. at 91-100.

[12] Annex "D," id. at 49-51.

[13] CA rollo, pp. 71-103.

[14] Annex "F," rollo, pp. 83-85.

[15] CA rollo, pp. 104-110.

[16] Annex "G," rollo, pp. 86-87.

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[17] Annex "H," id. at 88-90.

[18] Annex "A," id. at 39-40.

[19] CA rollo, pp. 59-136.

[20] Annex "B," rollo, p. 41.

[21] Id. at 31-34.

[22] Id. at 103-105.

[23] Id. at 196-213.

[24] Id. at 201-213.

[25] The Court noted that the CA had no finding on the liability of petitioner Yusay.

[26] Rollo, pp. 211-212.

[27] Id. at 210.

[28] Id.

[29] Id. at 211.

[30] Id.

[31] Id. at 215.

[32] Heirs of Venancio Bajenting v. Bañez, G.R. No. 166190, September 20, 2006.

[33] EDI Staff Builders International, Inc. v. Magsino, 411 Phil. 730, 738 (2001).

[34] Tres Reyes v. Maxim's Tea House, 446 Phil. 388, 396 (2003); Samahan ng Manggagawa sa Moldex Products, Inc. v. National Labor Relations Commission, 381 Phil. 254, 264 (2000).

[35] San Miguel Corp. v. Aballa, G.R. No. 149011, June 28, 2005, 461 SCRA 392, 397, citing Serrano v. Galant Maritime Services, Inc., 408 SCRA 523, 528 (2003).

[36] CA rollo, pp. 40-42.

[37] Id. at 43-45.

[38] Id. at 46-52.

[39] Id. at 53-55.

[40] G.R. No. 160798, June 8, 2005, 459 SCRA 768, 780-781.

[41] See Mayon Hotel and Restaurant v. Adanat, G.R. No. 157634, May 16, 2005, 458 SCRA 609, 628; Samahan ng Manggagawa sa Moldex Products, Inc. v. National Labor Relations Commission, supra note 34, at 261; Taberrah v. National Labor Relations Commission, 342 Phil. 394, 402 (1997); Samar II Electric Cooperative, Inc. v. National Labor Relations Commission, G.R. No. 116692, March 21, 1997, 337 Phil. 24, 27-28 (1997); Domasig v. National Labor Relations Commission, 330 Phil. 518, 526 (1996).

[42] Lopez v. Metropolitan Waterworks and Sewerage System, G.R. No. 154472, June 30, 2005, 462 SCRA 428, 442; Consulta v. Court of Appeals, G.R. No. 145443, March 18, 2005, 453 SCRA 732, 740; Tan v. Lagrama, 436

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Phil. 190, 201 (2002).

[43] Azucena, Everyone's Labor Code, p. 166.

[44] Midas Touch Food Corporation v. National Labor Relations Commission, 328 Phil. 1033, 1045 (1996).

[45] Tabang v. National Labor Relations Commission, G.R. No. 121143, January 21, 1997, 266 SCRA 462, 467 (citations omitted).

[46] Uichico v. National Labor Relations Commission, 339 Phil. 242 (1997).

[47] Id. at 252.

[48] Secosa v. Heirs of Erwin Suarez Francisco, G.R. No. 160039, June 29, 2004, 433 SCRA 273.

[49] Id.

[50] Suldao v. Cimech System Construction and Labucay, G.R. No. 171392, October 30, 2006.

[51] Rollo, pp. 196-213.

[52] G.R. No. 159119, March 14, 2006, 484 SCRA 628.

[53] Pepsico v. Lacanilao, G.R. No. 146007; Pepsi Cola Products v. Court of Appeals and Lacanilao, G.R. No. 146295, June 15, 2006, 490 SCRA 615.

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