MINDORO LUMBER AND HARDWARE, PETITIONER, VS. EDUARDO D. BACAY, ELMER LANOT, NICANOR MANLISES, JR., FREDERICK MAJABA, RODEL OBANDO, ROMAN ISINSAO, ELMAR MONTON, JUANITO OSINSAO, ...

G.R. NO. 158753. June 08, 2005

Ponente: CALLEJO, SR., J.

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CALLEJO, SR., J.:

This is a petition for review on certiorari under Rule 45 of the Rules of Civil Procedure assailing the November 22, 2002 Decision[1] of the Court of Appeals (CA) in CA-G.R. SP No. 66727, as well as its June 12, 2003 Resolution.

The facts are as follows:

The private respondents are employees of petitioner Mindoro Lumber and Hardware (Mindoro Lumber). On July 1, 1998, the private respondents, through then union president Eduardo Bacay, filed a Complaint against Mindoro Lumber before the Region IV Office of the Department of Labor and Employment (DOLE) for non-payment of overtime pay, legal holiday pay, 13th month pay, non-payment/underpayment of minimum wage and allowances. The case was docketed as LSED-RO400-9807-CI-001.[2] Pursuant to the said complaint, the DOLE conducted an inspection on July 10, 1998 under Inspection Authority No. RO400-9807-CI-005. It was thereafter determined that Mindoro Lumber committed several violations, to wit:

- Underpayment of wages;

- Non-payment of Regular Holiday pay;

- Non-payment of 5-days service incentive leave pay;

- Record Keeping - Payrolls/dtr were not available at the time of inspection and also production records;

- Non-submission of the [following]:

a. labor component
b. annual medical report
c. annual acc./illness exposure data report
d. safety committee organization

- Non-coverage of SSS to affected employees.[3]

Meanwhile, on August 9, 1998, the private respondents executed several Affidavits (Sinumpaang Salaysay),[4] declaring therein that since they each started working on July 1, 1995, they were made to work for seven days a week starting 7:00 a.m. until 5:00 p.m., with lunch break from 11:30 a.m. to 1:00 p.m. They further declared that their wages were below the rates prescribed by the applicable wage orders, and that they were not paid overtime

pay, holiday pay or premium pay. The private respondents stated that the total amount each of them were entitled to, aside from what they were actually receiving by way of salary and other emoluments, ranged from P6,744.20 to P242,626.90. They further averred that their wages were made compliant with the prevailing regional minimum wages starting July 16, 1998, and for the first time, payroll and daily time records were being kept.

The counsel for the private respondents then filed a Manifestation before the Regional Office of the DOLE, praying that an order be issued directing Mindoro Lumber to pay the amounts due to them as reflected in their respective Sinumpaang Salaysay totaling P3,577,276.10.[5]

On September 2, 1998, the private respondents executed a Sama-samang Salaysay sa Pag-uurong ng Sakdal (Joint Affidavit of Withdrawal of Complaint),[6] declaring therein that by virtue of the amount each of them received (which amount was either P3,000.00 or P6,000.00 per employee), they were withdrawing their claim against Mindoro Lumber in Case No. LSED-RO400-9807-CI-001. Pursuant thereto, their counsel filed a motion to dismiss.[7]

It appears, however, that based on an affidavit executed by Eduardo Bacay, he had resigned from Mindoro Lumber as of June 6, 1998.[8] Relative thereto, he had also filed a complaint for Unfair Labor Practice and Illegal Dismissal, docketed as NLRC Case No. RAB-IV-7-10167-98-ORM. However, on September 2, 1998, Bacay executed an Affidavit[9] declaring that he was no longer interested in pursuing the said case and that he had voluntarily resigned from Mindoro Lumber. By virtue of Bacay's affidavit, Labor Arbiter Nieves V. De Castro issued an Order dismissing NLRC Case No. RAB-IV-7-10167-98-ORM.[10]

Meanwhile, Elmer Lanot was elected as the new union president.

On June 27, 1999, the private respondents executed a Sama-Samang Salaysay (Joint Affidavit), declaring therein that before Bacay resigned from Mindoro Lumber, he persuaded them to execute the Sama-samang Salaysay sa Pag-uurong ng Sakdal, in exchange for receiving the amount of P6,000.00 each. Such amount, however, was grossly disproportionate to their entitlement under the law; hence, they were withdrawing the said Sama-samang Salaysay sa Pag-uurong ng Sakdal, and were authorizing Lanot to pursue their claim against Mindoro Lumber.[11] Pursuant thereto, Lanot filed a motion before the Regional Office of the DOLE, praying that the employees be paid the amounts due to each of them, and that the Sama-samang Salaysay sa Pag-uurong ng Sakdal be declared null and void.[12]

On November 4, 1999, Regional Director Alex E. Maraan issued an Order[13] dismissing Case No. LSED-RO400-9807-CI-001, and declared that the Sama-samang Salaysay executed by the employees of Mindoro Lumber was valid.

The private respondents then filed an appeal before the Office of the Secretary of Labor, questioning the propriety of the November 4, 1999 Order of the Regional Director.

On March 27, 2001, Labor Secretary Patricia A. Sto. Tomas issued an Order[14] granting the appeal, and ordered the entire records of the case remanded to the Regional Office for further proceedings, without prejudice to the deduction of whatever amount received by the complainant workers. The Secretary of Labor declared as follows:

> The only issue to be resolved in the case at bar is whether or not the Sama-samang Salaysay sa Pag-uurong ng Sakdal is valid and binding.
>
> Doctrinally, a compromise agreement is binding upon the parties if it is not contrary to law, morals, good customs, public order and public policy. If the agreement was voluntarily entered into and represents a reasonable settlement, it is binding upon parties and may not later be disowned simply because there was a change of mind.

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> However, in the case at bar, the "Sama-samang Salaysay sa Pag-uurong ng Sakdal" attests that the complainant-workers who signed the said documents (sic) each received the amount of P3,000.00 to P6,000.00. This is far from the computation of the supposed claims stated in their Sinumpaang Salaysay ranging from P53,672.60 to as much as P104,359.60 each complainant. The fact that the amount given in exchange for the waiver is very much less than the amount claimed renders the waiver null and void. By reason of public policy, quitclaims are ineffective to bar recovery for the full measure of the workers' right (Republic Planters Bank vs. NLRC, et. al., G.R. No. 117460, January 6, 1997).
>
> Further, the Supreme Court in the case of Rolando Malinao and Eduardo Malinao vs. NLRC, et al., G.R. No. 119492, November 24, 1999, citing Peftok Integrated Services, Inc. vs. NLRC, 293 SCRA 507, held:
> "It is decisively clear that they (guards) affixed their signatures to subject waivers and/or quitclaims for fear that they would not be paid their salaries on pay day or worse, still, their services would be terminated if they did not sign those papers. In short, there was no voluntariness in the execution of the quitclaims or waivers in question. It should be borne in mind that in this jurisdiction, quitclaims, waivers or releases are looked upon with disfavor. "Necessitous men are not free men. They are commonly frowned upon as contrary to public policy and ineffective to bar claims for the full measure of the workers' legal rights." (Emphasis supplied).[15]

Mindoro Lumber moved to have the Order of the Secretary of Labor reconsidered, but the same was denied on July 24, 2001.[16]

Mindoro Lumber forthwith elevated the matter to the CA by way of a petition for certiorari under Rule 65 of the Rules of Court, arguing that the Sama-samang Salaysay sa Pag-uurong ng Sakdal was valid and binding, and was in the nature of a compromise agreement executed pursuant to the provisions of Article 227 of the Labor Code. Mindoro Lumber stressed that the same was voluntarily executed by its employees.

Meanwhile, on December 21, 2001, Regional Director Ricardo S. Martinez, Sr. issued a Writ of Execution[17] seeking to enforce the March 27, 2001 and July 24, 2001 Orders of the Secretary of Labor. In the said writ, the Regional Director commanded the Deputy Sheriff to proceed to Mindoro Lumber and require the latter to pay an aggregate amount of P3,191,663.20 to the complaining employees. Mindoro Lumber forthwith filed a motion for the issuance of a temporary restraining order and writ of preliminary injunction. On January 21, 2002, the CA issued a temporary restraining order.[18]

On November 22, 2002, the CA rendered its decision dismissing the petition. A motion for reconsideration proved futile.

Hence, this petition.

Mindoro Lumber, now as the petitioner, raises the following lone error:

> THE HONORABLE COURT OF APPEALS COMMITTED GRAVE AND SERIOUS REVERSIBLE ERROR IN FINDING THAT THE HONORABLE SECRETARY OF LABOR AND EMPLOYMENT DID NOT COMMIT GRAVE ABUSE OF DISCRETION IN ISSUING HER ASSAILED TWIN ORDERS OF MARCH 27, 2001 AND JULY 24, 2001.[19]

The threshold issues raised in this petition are (a) whether or not the Sama-samang Salaysay sa Pag-uurong ng Sakdal constitutes a valid compromise agreement as defined under Article 227 of the Labor Code of the Philippines, as amended; and (b) whether or not the acknowledgment of the respondents that they each received the amount of either P3,000.00 or P6,000.00 embodied in the said Salaysay constitutes a valid quitclaim.

Anent the first issue, the petitioner posits that the Sama-samang Salaysay sa Pag-uurong ng Sakdal meets the requirements of Article 227 of the Labor Code on compromise agreements. The petitioner emphasized that the Sama-samang Salaysay was voluntarily executed by the private respondents and involves a mutual act of the

parties: on the part of the petitioner, by granting the amounts paid, and on the part of the private respondents, in agreeing to withdraw their claim with the view of achieving industrial peace in the workplace.

The petitioner points out that while the Sama-samang Salaysay sa Pag-uurong ng Sakdal was executed without the assistance of the Bureau of Labor Relations (BLR) or the DOLE Regional Office, the November 4, 1999 Order of the Regional Director in Case No. LSED-RO400-9807-CI-001 nonetheless shows that when Eduardo Bacay appeared before the said office, he was assisted by counsel.

The petitioner's pose is bereft of merit.

Article 227 of the Labor Code, as amended, provides:

> Art. 227. Compromise Agreements. — 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.

The assistance of the BLR or the regional office of the DOLE in the execution of a compromise settlement is a basic requirement;[20] without it, there can be no valid compromise settlement. In this case, the petitioner admits that the purported compromise settlement was executed by the private respondents without such required assistance. The closest form of assistance adverted to by the petitioner in this case was that of Bacay's counsel when the latter appeared before the Office of the Regional Director to file the following: the Sama-samang Salaysay sa Pag-uurong ng Sakdal executed by the private respondents; a Sinumpaang Salaysay executed by Bacay withdrawing the complaint; and the Motion to Dismiss. Such assistance, however, is not the "assistance" required by Article 227. As such, the Sama-samang Salaysay sa Pag-uurong ng Sakdal executed by the respondents cannot qualify as a valid compromise settlement.

Anent the second issue, the petitioner points out that the settlement embodied in the said Sama-samang Salaysay sa Pag-uurong ng Sakdal should be respected as the law between it and its employees. The petitioner even stressed that while quitclaims are commonly frowned upon, not all waivers and quitclaims are invalid as against public policy.

The petitioner is correct in saying that there are legitimate waivers that represent a voluntary and reasonable settlement of a worker's claim which should be respected by the courts as the law between the parties.[21] Indeed, not all quitclaims are per se invalid or against public policy, except (1) where there is clear proof that the waiver was wangled from an unsuspecting or gullible person, or (2) where the terms of settlement are unconscionable on their faces; in these cases, the law will step in to annul the questionable transactions.[22] Such quitclaims are regarded as ineffective to bar the workers from claiming the full measure of their legal rights.[23]

In this case, however, it cannot be argued that there is no gross disparity between the amount actually received by each private respondent as compared to the amount owing him or her, as shown in the following list:

Amount received[24] Amount due[25]

Elmer Lanot P6,000.00 P75,345.60

Nicanor Manlises, Jr. P6,000.00 P97,118.60

Frederick Majaba P6,000.00 P97,118.60

Rodel Obando P6,000.00 P104,359.60

Roman Isinsao P6,000.00 P97,118.60

Elmar Monton P6,000.00 P88,387.60

Juanito Osinsao P6,000.00 P97,118.60

Carmelo Oloya P6,000.00 P82,535.60

Roberto Sumo P6,000.00 P75,345.60

Rolando Casiano P6,000.00 P75,345.60

Nicasio Luz P6,000.00 P53,672.60

Leodegario Sagang P6,000.00 P88,387.60

udy Enteria P6,000.00 P6,744.20

Elmar Lim P6,000.00 P73,690.60

Rafael Obando P3,000.00 P14,380.60

Crispin Manao, Jr. P3,000.00 P20,380.60

Crispin Manao, Jr. P3,000.00 P20,380.60

Lino Laqui P3,000.00 P14,380.60

Esmar Loto, Sr. P3,000.00 P20,380.60

Lyrine Magsico P6,000.00 P242,626.90

Marites Obando P6,000.00 P222,400.00

Emmalen Villanueva P6,000.00 P242,626.90

Marilou Lim P6,000.00 P222,721.90

Marissa Motol P6,000.00 P242,626.90

Allen Mogol P6,000.00 P242,626.90

Carmencita Napolitano P6,000.00 P242,626.90

Rolando Gamilla P3,000.00 P21,164.60

Elmer Lacson P3,000.00 P29,164.60

Reynaldo Majaba P6,000.00 P97,118.60

Faustino Seño P3,000.00 (no information)

The foregoing clearly illustrates that the private respondents' individual claims, ranging from P6,744.20 to P242,626.90, are grossly disproportionate to what each of them actually received under the Sama-samang Salaysay sa Pag-uurong ng Sakdal. The amount of the settlement is indubitably unconscionable; hence, ineffective to bar the workers from claiming the full measure of their legal rights.

IN LIGHT OF ALL THE FOREGOING, the petition is DISMISSED for lack of merit. Case No.

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LSED-RO400-9807-CI-001 is hereby REMANDED to the Region IV Office of the Department of Labor and Employment for appropriate proceedings.

SO ORDERED.

Austria-Martinez, (Acting chairman), Tinga, and Chico-Nazario, JJ., concur.
Puno, (Chairman), J., om official leave.

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[1] Penned by Associate Justice Delilah Vidallon-Magtolis with Associate Justices Andres B. Reyes, Jr. and Regalado E. Maambong, concurring.

[2] Records, p. 133.

[3] Records, p. 139.

[4] Id. at 162-178.

[5] Id. at 179-180.

[6] Records, pp. 204-206.

[7] Id. at 203.

[8] Id. at 129.

[9] Id. at 212.

[10] Id. at 210.

[11] Records, pp. 239-240.

[12] Id. at 241-244.

[13] Id. at 271-276.

[14] Id. at 331-334.

[15] Records, pp. 331-332.

[16] Id. at 370-371.

[17] CA Rollo, pp. 100-102.

[18] Id. at 103.

[19] Rollo, p. 17.

[20] Labor v. NLRC, G.R. No. 110388, 14 September 1995, 248 SCRA 183.

[21] Magsalin v. National Organization of Working Men, G.R. No. 148492, 9 May 2003, 403 SCRA 199.

[22] Bogo-Medellin Sugarcane Planters Association, Inc. v. NLRC, G.R. No. 97846, 25 September 1998, 296 SCRA 108.

[23] Ibid.

[24] Records, pp. 204-206.

[25] Id. at 142-159.

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