

## **ARNULFO O. ENDICO, PETITIONER, VS. QUANTUM FOODS DISTRIBUTION CENTER, RESPONDENT.**

*G.R. No. 161615. January 30, 2009*

Ponente: CARPIO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-161615/>

---

### **CARPIO, J.:**

#### The Case

This is a petition for review[1] of the 23 December 2003 Decision[2] of the Court of Appeals in CA-G.R. SP No. 69929. The Court of Appeals reversed the 31 August 2001 Decision[3] and the 28 November 2001 Resolution[4] of the National Labor Relations Commission (NLRC). The NLRC affirmed with modification the 17 January 2000 Decision[5] of the Labor Arbiter which held that Quantum Foods Distribution Center (Quantum Foods) constructively dismissed Arnulfo O. Endico (Endico). The NLRC awarded Endico separation pay, backwages, moral and exemplary damages, and other amounts totaling P559,021.65.[6] The NLRC also affirmed the transfer of possession and ownership of the service vehicle but ordered Endico to pay Quantum Foods 10% of its purchase price.

#### The Facts

On 2 January 1995, Quantum Foods hired Endico as Field Supervisor of Davao City. Quantum Foods provided Endico with a service vehicle on the understanding that after five years of continuous service to the company and upon payment of 10% of the vehicle's book value, Quantum Foods would turn over possession and ownership of the vehicle to Endico.

In June 1995, Endico was transferred to Cebu. On 2 January 1996, Endico was promoted as Area Manager of Cebu. In 1997, in recognition of Endico's achievements and contributions to Quantum Foods, he was awarded "Master Awards for Sales Excellence" as the most outstanding Area Manager and was also rewarded with an all-expense paid trip to Thailand. In the same year, Endico was also given a plaque of recognition for the elite 100% Achiever's Award. In 1998, Endico was again rewarded with an all-expense paid trip to Hong Kong for his very good performance that year.

In 1999, due to the economic slowdown and to save on operational costs, Quantum Foods streamlined its operations through the reduction of the company's contractual merchandisers. Endico's merchandisers were reduced from twelve to five.

In a fax message[7] dated 11 June 1999, Edred Almero, National Sales Manager of Quantum Foods, instructed Pol H. Acuros (Acuros), Regional Sales Manager and Endico's immediate supervisor, to immediately relieve Endico from his position. Acuros was also instructed to handle the vacated position and to be responsible in the turn over of all company properties issued to Endico including the service vehicle. Acuros was likewise ordered to advise Endico to report to the head office on 14 June 1999. Endico complied with the order and proceeded to the head office in Parañaque.

In the show cause memorandum[8] dated 14 June 1999, Quantum Foods asked Endico to explain in writing, within 24 hours, why no administrative action should be taken against him because of "serious misconduct due to mismanagement of sales area resulting to lost sales and goodwill with number one major account." The memorandum stated that, from 1 May to 11 June 1999 at Shoemart Supermarket, Cebu (SM account), Endico violated Rules 16[9] and 17[10] of Quantum Foods' general policies and procedure.

On the same day, Endico filed an application for leave of absence[11] effective 17 June to 2 July 1999.

In his answer[12] dated 16 June 1999, Endico denied that there was serious misconduct and mismanagement in his area as far as the deployment of merchandisers was concerned. Endico said that he properly coordinated all his actions with Acuros. Endico presented a letter[13] dated 3 May 1999, where he informed Acuros and the head office that the SM account wanted a merchandiser assigned to it for a whole day coverage and rejected the merchandiser assigned to it with a half-day schedule. In another letter[14] dated 7 May 1999, Endico gave the head office an update on the status of the SM account. Endico added that Quantum Foods did not accord him due process because he was immediately relieved without being given the opportunity to explain his side. On the same day, Endico also withdrew his application for leave of absence.[15]

On 17 June 1999, Quantum Foods recalled Endico's application for leave of absence and required him to report to the head office.[16] Quantum Foods also issued a Personnel Action Request[17] dated 11 June 1999, which provided for Endico's transfer as Area Sales Manager of Cebu to Area Sales Manager of the head office effective 14 June 1999. However, Endico failed to report for work. In telegrams dated 30 June[18] and 6 July 1999,[19] Quantum Foods reiterated its directive for Endico to report to the head office.

Also on 17 June 1999, Endico, believing that Quantum Foods intended to ease him out of the company, filed a complaint[20] for constructive illegal dismissal. Endico also prayed for the payment of separation pay, backwages, other monetary benefits, damages, attorney's fees and recovery of the service vehicle.

#### Ruling of the Labor Arbiter

On 17 January 2000, the Labor Arbiter rendered a decision in Endico's favor. The dispositive portion of the 17 January 2000 Decision provides:

WHEREFORE, premises considered, judgment is hereby rendered declaring as illegal the constructive dismissal of complainant and ordering the respondent Quantum Foods, Inc. to pay him as follows:

1) Separation Pay

Php 121,800.00

2) Backwages

176,136.00

3) Proportionate 13<sup>th</sup> month pay

13,038.00

4) Unused sick leave

42,120.00

5) Unused vacation leave

42,120.00

6) Performance bonus

10,150.00

7) Productivity bonus

22,837.50

8) Moral and exemplary damages

50,000.00

9) Attorney's fees (10%)

50,820.15

-----

Total

Php 559,021.65[21]

The respondent Quantum Foods, Inc. or its authorized representative is hereby ordered to transfer to complainant the possession and ownership of one (1) motor vehicle, a Mitsubishi L-200 with plate no. TTC 934 in a running and serviceable condition together with its accessories.

The other claims and the case against respondents Cesar Lota, Edred Almero and Rogelio de la Cruz are dismissed for lack of merit.

SO ORDERED.[22]

The Labor Arbiter ruled that Quantum Foods constructively dismissed Endico because its actions made Endico's continued employment impossible, unreasonable and unlikely. The Labor Arbiter said that Endico was the subject of a "highhanded transfer of assignment" because Endico was given neither a copy of the order for his relief nor the reason for his immediate relief. The Labor Arbiter added that Endico was relieved not because the head office needed his services but as a form of disciplinary action for some baseless charges. According to the Labor Arbiter, the loss of the SM account was due to the decision of Quantum Foods to reduce the number of merchandisers and its inaction when Endico raised this concern.

Quantum Foods appealed to the NLRC.

Ruling of the National Labor Relations Commission

In its 31 August 2001 Decision, the NLRC affirmed the Labor Arbiter's decision with modification that Endico pay 10% of the purchase price of the service vehicle. The dispositive portion of the 31 August 2001 Decision provides:

WHEREFORE, in view of the foregoing, the decision of the Labor Arbiter dated January 17, 2000 is hereby AFFIRMED with a modification on the order to transfer the possession and ownership of the service vehicle, Mitsubishi L-200 with plate no. TCC 934 to complainant, as such complainant is likewise directed to pay respondent ten percent (10%) of the purchase price thereof.

SO ORDERED.[23]

The NLRC agreed with the Labor Arbiter that Quantum Foods constructively dismissed Endico. The NLRC said that Endico was not just recalled but was immediately transferred to the head office, which was tantamount to dismissal. The NLRC ruled that Quantum Foods failed to observe the twin requirements of notice and hearing.

The NLRC declared that Endico was immediately relieved from his functions and was given the opportunity to explain his side only three days after the order for his relief was issued. The NLRC also ruled that the Labor Arbiter did not err in awarding separation pay to Endico since reinstatement was no longer possible due to strained relations. With respect to the award of unused vacation and sick leave credits, performance bonus, and productivity bonus, the NLRC said that these should be granted because they had become company policy or practice which could not just be withdrawn.

Quantum Foods filed a motion for reconsideration. In its 28 November 2001 Resolution,[24] the NLRC denied the motion.

Quantum Foods filed a petition for certiorari before the Court of Appeals.

#### Ruling of the Court of Appeals

In its 23 December 2003 Decision, the Court of Appeals ruled in favor of Quantum Foods. The dispositive portion of the 23 December 2003 Decision provides:

WHEREFORE, the petition is GRANTED. The Decision of the NLRC dated August 31, 2002 as well as its Resolution dated November 28, 2001 are hereby REVERSED AND SET ASIDE. The complaint for illegal dismissal filed by private respondent is DISMISSED.

SO ORDERED.[25]

The Court of Appeals declared that the NLRC gravely abused its discretion when it ruled that Endico was constructively dismissed. The Court of Appeals found nothing in the 11 June 1999 fax message and the show-cause memorandum that supported the NLRC's conclusion that Endico was outrightly dismissed. The Court of Appeals noted that Quantum Foods even approved Endico's application for leave of absence and, after Endico recalled his leave application, ordered Endico to report to the head office for his new job assignment.

The Court of Appeals said that it is settled that the employer has the prerogative to transfer and reassign employees for valid reasons and according to the requirements of its business, provided that there is no demotion in rank or diminution of his salary, benefits and other privileges. The Court of Appeals declared that Quantum Foods acted in good faith and was in the legitimate pursuit of its best interests when it transferred Endico from Cebu to the head office. The Court of Appeals maintained that Endico's claim that the transfer would result in a diminution of his pay or benefits was unsubstantiated. The Court of Appeals added that Quantum Foods had yet to decide on the administrative case when Endico immediately filed the complaint for constructive dismissal. The Court of Appeals concluded that Endico filed the complaint in anticipation of what he perceived to be the final outcome of the administrative investigation.

Hence, this petition.

#### The Issues

Endico raises the following issues:

- Whether he was constructively dismissed;
- Whether he is entitled to separation pay, backwages, other monetary benefits, damages and attorney's fees; and
- Whether he is entitled to acquire the service vehicle.

#### The Ruling of the Court

The petition has no merit.

As a general rule, a petition for review on certiorari under Rule 45 of the Rules of Court is limited to questions of law. However, this rule admits of exceptions, such as in this case where the findings of the Labor Arbiter and the NLRC vary from the findings of the Court of Appeals.[26]

Endico maintains that he was constructively dismissed because he did not commit any offense that would justify his relief. Endico adds that his transfer was intended to unreasonably inconvenience him and his family because of its substantial effect on their finances and quality of family life, which would ultimately force him to quit.

On the other hand, Quantum Foods insists that Endico was not transferred but was only temporarily recalled to the head office pending investigation. Quantum Foods argues that if it did transfer Endico, it was merely exercising a management prerogative.

Jurisprudence recognizes the exercise of management prerogatives. Labor laws also discourage interference with an employer's judgment in the conduct of its business.[27] For this reason, the Court often declines to interfere in legitimate business decisions of employers.[28] The law must protect not only the welfare of employees, but also the right of employers.[29]

In the pursuit of its legitimate business interests, especially during adverse business conditions, management has the prerogative to transfer or assign employees from one office or area of operation to another - provided there is no demotion in rank or diminution of salary, benefits and other privileges and the action is not motivated by discrimination, bad faith, or effected as a form of punishment or demotion without sufficient cause.[30] This privilege is inherent in the right of employers to control and manage their enterprises effectively.[31] The right of employees to security of tenure does not give them vested rights to their positions to the extent of depriving management of its prerogative to change their assignments or to transfer them.[32]

Managerial prerogatives, however, are subject to limitations provided by law, collective bargaining agreements, and general principles of fair play and justice.[33] The test for determining the validity of the transfer of employees was explained in *Blue Dairy Corporation v. NLRC*[34] as follows:

Like other rights, there are limits thereto. The managerial prerogative to transfer personnel must be exercised without grave abuse of discretion, bearing in mind the basic elements of justice and fair play. Having the right should not be confused with the manner in which that right is exercised. Thus, it cannot be used as a subterfuge by the employer to rid himself of an undesirable worker. In particular, the employer must be able to show that the transfer is not unreasonable, inconvenient or prejudicial to the employee; nor does it involve a demotion in rank or a diminution of his salaries, privileges and other benefits. Should the employer fail to overcome this burden of proof, the employee's transfer shall be tantamount to constructive dismissal, which has been defined as a quitting because continued employment is rendered impossible, unreasonable or unlikely; as an offer involving a demotion in rank and diminution in pay. Likewise, constructive dismissal exists when an act of clear discrimination, insensibility or disdain by an employer has become so unbearable to the employee leaving him with no option but to forego with his continued employment.[35]

In this case, we find no reason to disturb the conclusion of the Court of Appeals that there was no constructive dismissal. Reassignments made by management pending investigation of violations of company policies and procedures allegedly committed by an employee fall within the ambit of management prerogative.[36] The decision of Quantum Foods to transfer Endico pending investigation was a valid exercise of management prerogative to discipline its employees. The transfer, while incidental to the charges against Endico, was not meant as a penalty, but rather as a preventive measure to avoid further loss of sales and the destruction of Quantum Foods' image and goodwill. It was not designed to be the culmination of the then on-going

administrative investigation against Endico.

Neither was there any demotion in rank or any diminution of Endico's salary, privileges and other benefits. Endico was being transferred to the head office as area sales manager, the same position Endico held in Cebu.[37] There was also no proof that the transfer involved a diminution of Endico's salary, privileges and other benefits.

On the alleged inconvenience on Endico and his family because of the transfer from Cebu to the head office in Parañaque, we rule that the transfer is valid, there being no showing that there was bad faith on the part of Quantum Foods.[38] Moreover, we find that Quantum Foods, considering the declining sales and the loss of a major account in Cebu, was acting in the legitimate pursuit of what it considered its best interest in deciding to transfer Endico to the head office.

Since we have ruled that Quantum Foods did not constructively dismiss Endico, there is no need to discuss the other issues raised by Endico.

WHEREFORE, we DENY the petition. We AFFIRM the 23 December 2003 Decision of the Court of Appeals in CA-G.R. SP No. 69929.

**SO ORDERED.**

Austria-Martinez[\*\*], Corona, Carpio Morales,[\*\*\*] and Leonardo-De Castro, JJ., concur.

---

[\*\*] Designated member per Special Order No. 553.

[\*\*\*] Designated member per Special Order No. 553.

[1] Under Rule 45 of the Rules of Court.

[2] Rollo, pp. 30-39. Penned by Associate Justice Perlita J. Tria Tirona, with Associate Justices Portia Aliño-Hormachuelos and Rosalinda Asuncion-Vicente concurring.

[3] Id. at 83-90. Penned by Commissioner Edgardo M. Enerlan with Presiding Commissioner Irene E. Ceniza concurring.

[4] Id. at 78-81. Penned by Commissioner Edgardo M. Enerlan with Presiding Commissioner Irene E. Ceniza and Commissioner Oscar S. Uy concurring.

[5] Id. at 205-214. Penned by Labor Arbiter Violeta Ortiz-Bantug.

[6] The total should be P529,021.65.

[7] Rollo, p. 102.

[8] Id. at 103.

[9] Rule 16 provides: The following are Serious Offenses and are punishable by OUTRIGHT DISMISSAL. x x x  
x

R.16 Any act that tends to destroy or actually destroys the image or goodwill of the company.

[10] Rule 17 provides: The following are Serious Offenses and are punishable by OUTRIGHT DISMISSAL. x x  
x x

R.17 Any other form of serious misconduct.

- [11] Rollo, p. 104.
- [12] Id. at 105-106.
- [13] Id. at 112.
- [14] Id. at 113.
- [15] Id. at 107.
- [16] Id. at 108.
- [17] Id. at 263.
- [18] Id. at 109.
- [19] Id. at 110.
- [20] Records, pp. 1-2.
- [21] The total amount should be P529,021.65.
- [22] Rollo, pp. 213-214.
- [23] Id. at 89.
- [24] Id. at 78-80.
- [25] Id. at 39.
- [26] Eastern Telecommunications, Phils., Inc. v. Diamse, G.R. No. 169299, 16 June 2006, 491 SCRA 239.
- [27] Castillo v. NLRC, 367 Phil. 605 (1999); Bonita v. NLRC, 325 Phil. 443 (1996).
- [28] Tinio v. Court of Appeals, G.R. No. 171764, 8 June 2007, 524 SCRA 533.
- [29] Mendoza v. Rural Bank of Lucban, G.R. No. 155421, 7 July 2004, 433 SCRA 756.
- [30] Id.; Lanzaderas v. Amethyst Security and General Services, Inc., 452 Phil. 621 (2003); Jarcia Machine Shop and Auto Supply v. NLRC, 334 Phil. 84 (1997).
- [31] Id.
- [32] Mendoza v. Rural Bank of Lucban, supra note 29.
- [33] Id.
- [34] 373 Phil. 179 (1999).
- [35] Id. at 186.
- [36] See Duldulao v. Court of Appeals, G.R. No. 164893, 1 March 2007, 517 SCRA 191; Consolidated Food Corporation v. NLRC, 373 Phil. 751 (1999); Samillano v. NLRC, 333 Phil. 658 (1996).
- [37] Rollo, p. 263.
- [38] Philippine Telegraph and Telephone Corporation v. Laplana, G.R. No. 76645, 23 July 1991, 199 SCRA 485.

**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.