MARCELINO A. MAGDADARO, PETITIONER, VS. PHILIPPINE NATIONAL BANK, RESPONDENT.

G.R. No. 166198. July 17, 2009

Ponente: CARPIO, J.

Read online (full-text search, related cases, audio case brief): https://batas.org/library/g-r-no-166198/

CARPIO, J.:

The Case

Before the Court is a petition for review assailing the 26 October 2004 Decision[1] and 6 December 2004 Resolution[2] of the Court of Appeals in CA-G.R. SP No. 80176.

The Antecedent Facts

Marcelino A. Magdadaro (petitioner) was employed by Philippine National Bank (respondent) since 8 January 1968. On 21 September 1998, petitioner filed his application for early retirement under respondent's Special Separation Incentive Program (SSIP). Petitioner was then holding the position of Senior Assistant Manager of respondent's Branch Operations and Consumer Finance Division for the Visayas. Petitioner stated in his application that 31 December 1999 was his preferred effective date of retirement.

Respondent approved petitioner's application for early retirement but made it effective on 31 December 1998. Petitioner protested the acceleration of his retirement. He received, under protest, his retirement and separation benefits amounting to P908,950.44. On 18 October 1999, petitioner filed a complaint for illegal dismissal and payment of moral, exemplary and actual damages against respondent before the Regional Arbitration Branch No. VII of the National Labor Relations Commission (NLRC), Cebu City.

The Ruling of the Labor Arbiter and the NLRC

In a Decision dated 3 August 2000,[3] the Labor Arbiter ruled that respondent had the discretion and prerogative to set the effective date of retirement under the SSIP. The Labor Arbiter ruled that respondent's insistence on the date of effectivity of petitioner's retirement was not tantamount to illegal dismissal. The Labor Arbiter ruled that there was no dismissal to speak of because petitioner voluntarily availed of the SSIP. Still, the Labor Arbiter granted petitioner's preferred date of retirement and awarded him additional retirement benefits. The dispositive portion of the Labor Arbiter's Decision reads:

> WHEREFORE, in the light of the foregoing premises, judgment is hereby rendered ordering respondent PHILIPPINE NATIONAL BANK to pay complainant the amount of P287,606.50 as additional retirement benefits and salaries with fixed allowances and P100,000.00 in the concept of moral and exemplary damages or a total amount of THREE HUNDRED EIGHTY-SEVEN THOUSAND SIX HUNDRED SIX and 50/00 (P387,606.50).
>
> The other claims are dismissed for lack of merit.
>
> SO ORDERED.[4]

Both petitioner and respondent appealed from the Labor Arbiter's Decision.

In its 4 March 2003 Decision,[5] the NLRC affirmed the Labor Arbiter's Decision. However, the NLRC considered petitioner's retirement on 31 December 1998 as tantamount to illegal dismissal. The NLRC ruled that while it recognized respondent's prerogative to change petitioner's retirement date, management prerogative should be exercised with prudence and without malice.

Petitioner and respondent filed their respective motions for reconsideration. In its 24 July 2003 Resolution,[6] the NLRC denied both motions for reconsideration for lack of merit.

Respondent filed a petition for certiorari before the Court of Appeals.

The Ruling of the Court of Appeals

In its 26 October 2004 Decision, the Court of Appeals granted the petition. The Court of Appeals ruled that the NLRC acted with grave abuse of discretion in affirming the decision of the Labor Arbiter, while at the same time finding that petitioner's retirement was tantamount to illegal dismissal.

The Court of Appeals held that petitioner voluntarily applied for the SSIP. The Court of Appeals ruled that petitioner could not claim to have been illegally dismissed just because the date of effectivity of his retirement did not conform to his preferred retirement date. The dispositive portion of the Decision of the Court of Appeals reads:

> WHEREFORE, the foregoing premises considered, the petition is hereby GRANTED. The assailed Resolution and Decision of the NLRC, Fourth Division are (a) MODIFIED by deleting entirely the award to private respondent of P287,606.50 as additional retirement benefits and salaries with fixed allowances and P100,000.00 in the concept of moral and exemplary damages or a total amount of THREE HUNDRED EIGHTY-SEVEN THOUSAND SIX HUNDRED SIX & 50/100 (P387,606.50), but (b) AFFIRMED in all other respects.
>
> SO ORDERED.[7]

Petitioner filed a motion for reconsideration. In its 6 December 2004 Resolution, the Court of Appeals denied the motion.

Hence, the petition before this Court.

The Issue
The only issue in this case is whether petitioner was illegally dismissed from employment.

The Ruling of this Court

The petition has no merit.

Retirement is the result of a bilateral act of the parties, a voluntary agreement between the employer and the employee whereby the latter, after reaching a certain age, agrees to sever his or her employment with the former.[8] Retirement is provided for under Article 287 of the Labor Code, as amended by Republic Act No. 7641,[9] or is determined by an existing agreement between the employer and the employee.

In this case, respondent offered the SSIP to overhaul the bank structure and to allow it to effectively compete with local peer and foreign banks. SSIP was not compulsory on employees. Employees who wished to avail of the SSIP were required to accomplish a form for availment of separation benefits under the SSIP and to submit the accomplished form to the Personnel Administration and Industrial Relations Division (PAIRD) for approval.

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

Petitioner voluntarily availed of the SSIP. He accomplished the application form and submitted it to the PAIRD. He only questioned the approval of his retirement on a date earlier than his preferred retirement date.

The Labor Arbiter ruled that petitioner was not illegally dismissed from the service. Even the NLRC ruled that petitioner could no longer withdraw his application for early retirement under the SSIP. However, the NLRC ruled that respondent could not accelerate the petitioner's retirement date. The NLRC ruled that it could not imagine how petitioner's continued employment until 31 December 1999 would impair the delivery of bank services and attribute bad faith on respondent when it accelerated petitioner's retirement.

We do not agree. Whether petitioner's early retirement within the SSIP period will improve or impair the delivery of bank services is a business decision properly within the exercise of management prerogative. More importantly, the SSIP provides:

> 7. Management shall have the discretion and prerogative in approving the applications filed under the Plan, as well as in setting the effectivity dates for separation within the implementation period of the Plan.[10] (Emphasis supplied)

It is clear that it is within respondent's prerogative to set the date of effectivity of retirement and it may not be necessarily what is stated in the application. We see no grave abuse of discretion on the part of respondent in the exercise of this management prerogative. The exercise of management prerogative is valid provided it is not performed in a malicious, harsh, oppressive, vindictive or wanton manner or out of malice or spite.[11] In this case, the NLRC's finding that petitioner received a rating of 70.5% in his working and business relations is not enough reason to ascribe bad faith on the part of respondent in accelerating the date of effectivity of petitioner's retirement.

WHEREFORE, we DENY the petition. We AFFIRM the 26 October 2004 Decision and 6 December 2004 Resolution of the Court of Appeals in CA-G.R. SP No. 80176.

SO ORDERED.

Puno, C.J., (Chairperson), Corona, Leonardo-De Castro, and Bersamin, JJ., concur.

---

[1] Rollo, pp. 103-109. Penned by Associate Justice Isaias P. Dicdican with Associate Justices Elvi John S. Asuncion and Ramon M. Bato, Jr., concurring.

[2] Id. at 125-126. Penned by Associate Justice Isaias P. Dicdican with Associate Justices Mercedes Gozo-Dadole and Ramon M. Bato, Jr., concurring.

[3] Id. at 191-205. Penned by Labor Arbiter Violeta Ortiz-Bantug.

[4] Id. at 204-205.

[5] Id. at 241-250. Penned by Commissioner Edgardo M. Enerlan with Commissioner Oscar S. Uy, concurring.

[6] Id. at 265-266. Penned by Commissioner Edgardo M. Enerlan with Commissioners Gerardo C. Nograles and Oscar S. Uy, concurring.

[7] Id. at 108.

[8] Universal Robina Sugar Milling Corporation (URSUMCO) v. Caballeda, G.R. No. 156644, 28 July 2008, 560 SCRA 115.

Study hands-free: podcast-style lessons with read-along highlighting - batas.org

[9] An Act Amending Article 287 of Presidential Decree No. 442, as amended, Otherwise Known As The Labor Code of the Philippines, By Providing For Retirement Pay to Qualified Private Sector Employees In The Absence of Any Retirement Plan In The Establishment. As amended, Article 287 reads:

> Art. 287. Retirement. - Any employee may be retired upon reaching the retirement age established in the collective bargaining agreement or other applicable employment contract.
>
> In case of retirement, the employee shall be entitled to receive such retirement benefits as he may have earned under existing laws and any collective bargaining agreement and other agreements: Provided, however, That an employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided herein.
>
> In the absence of a retirement plan or agreement providing for retirement benefits of employees in the establishment, an employee upon reaching the age of sixty (60) years or more, but not beyond sixty-five (65) years which is hereby declared the compulsory retirement age, who has served at least five (5) years in the said establishment, may retire and shall be entitled to retirement pay equivalent to at least one-half (1/2) month salary for every year of service, a fraction of at least six (6) months being considered as one whole year.
>
> Unless the parties provide for broader inclusions, the term one-half (1/2) month salary shall mean fifteen (15) days plus one-twelfth (1/12) of the 13th month pay and the cash equivalent of not more than five (5) days of service incentive leaves.
>
> Retail, service and agricultural establishments or operations employing not more than (10) employees or workers are exempted from the coverage of this provision.
>
> Violation of this provision is hereby declared unlawful and subject to the penal provisions provided under Article 288 of this Code.

[10] CA rollo, p. 73.

[11] See Nagkahiusang Namumuo sa Dasuceco-National Federation of Labor (NAMADA-NFL) v. Davao Sugar Central Co., Inc., G.R. No. 145848, 9 August 2006, 498 SCRA 271.

Turn this case into an audio lecture - facts, issues, ruling and doctrine - at batas.org

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.