CARMEN B. DY-DUMALASA, PETITIONER, VS. DOMINGO SABADO S. FERNANDEZ, VIRGILIO P. MONSALUD, EMELYN R. MONARES, MARIA NILA M. DURO, ROSE GUIAO, JUANITO B. RACCA, JR., RENATO M. CAR...

G.R. NO. 178760. July 23, 2009

Ponente: CARPIO MORALES, J.

Read online (full-text search, related cases, audio case brief): https://batas.org/library/g-r-no-178760/

CARPIO MORALES, J.:

Via petition for review on certiorari, Carmen B. Dy-Dumalasa (petitioner) seeks the reversal of the Court of Appeals Decision[1] dated April 28, 2006 and Resolution[2] dated June 29, 2007 annulling and setting aside the Resolutions dated January 27, 2005[3] and March 16, 2005[4] of the National Labor Relations Commission (NLRC).

Domingo Sabado S. Fernandez, et al. (respondents) are former employees of Helios Manufacturing Corporation (HELIOS), a closed domestic corporation engaged in soap manufacturing located in Muntinlupa, of which petitioner is a stockholder, a member of the Board of Directors, and Acting Corporate Secretary.

On October 23, 2001, respondents filed a Complaint[5] against HELIOS, docketed as NLRC-NCR South Sector Case No. 30-10-04950-01, for illegal dismissal or illegal closure of business, non-payment of salaries and other money claims against HELIOS. The complaint was later consolidated with another case filed by similarly situated employees of HELIOS, docketed as NLRC-NCR South Sector Case No. 30-11-05301-01.[6] Both complaints also impleaded HELIOS' members of the Board of Directors (The Board) including herein petitioner. Atty. Arturo Balbastro, one of the members of the Board, was subsequently dropped from the complaint, upon manifestation of respondents.[7]

Despite service of summons,[8] of the remaining four members of the Board, only Leonardo Dy-Dumalasa, HELIOS' President and General Manager-husband of petitioner, appeared with counsel.[9]

As amicable settlement proved not to be viable and with the repeated non-appearance of the members of the Board in the scheduled hearings, the Labor Arbiter required the parties to submit their respective position papers.[10] Only respondents complied with this directive.[11] Despite the grant of a 10-day extension, HELIOS et al. failed to submit theirs, hence, the cases were deemed submitted for decision.[12]

In the meantime, or on June 6, 2002, HELIOS et al. moved to have their position paper admitted. There being no proof of service of the motion upon respondents, hearings/conferences between the parties were again scheduled, but HELIOS et al. failed[13] to attend the same despite due notice. Hence, by Order[14] dated July 22, 2002, Labor Arbiter Nieves V. de Castro denied HELIOS et al.'s motion to admit their position paper and again deemed the cases submitted for decision. Just the same, the Labor Arbiter, who took into account HELIOS et al.'s position paper despite the earlier denial of their motion to admit it, found HELIOS, its members of the Board, and its stockholders, by Decision[15] dated August 30, 2002, liable for illegal dismissal and unfair labor practice, as the

closure of the business was attended with fraud and bad faith, having been largely motivated by their desire to interfere with respondents' exercise of the right to self-organization and to evade payment of their claims.

The Labor Arbiter found that the closure of the Muntinlupa office/plant was a sham, as HELIOS simply relocated its operations to a new plant in Carmona, Cavite under the new name of "Pat & Suzara," in response to the newly-established local union. The dispositive portion of the Labor Arbiter's Decision reads:

> WHEREFORE, respondent HELIOS Manufacturing Corp. or "Pat & Suzara" and its Board of Directors and stockholders are hereby directed to pay complainants their full backwages from the time they were illegally dismissed on 30 May 2001 up to 30 August 2002; and separation pay of one month's salary for every year of service; to pay complainants' service incentive leave for three (3) years from 1998-2001; to pay proportionate 13[th] month pay for 2001; to pay moral and exemplary damages of P300,000.00 each as prayed for; and to pay 10% of the total award as attorney's fees, or to pay the 29 complainants the total amount of P15,195,479.30, plus 10% attorney's fees in the amount of P1,519,549.93. The detailed computation of complainant's award forms part of this Decision.
>
> SO ORDERED. (Emphasis supplied)

HELIOS et al. filed a Memorandum of Appeal[16] on October 28, 2002, but the same was not accompanied by a cash or surety bond, hence, by Resolution[17] dated March 21, 2003, the NLRC dismissed the appeal. HELIOS et al.'s motion for reconsideration having been denied[18] on May 30, 2003 for having been filed out of time, the Labor Arbiter's Decision attained finality on July 17, 2003.[19]

After respondents filed a motion for the issuance of a writ of execution,[20] the Labor Arbiter set a pre-execution conference on September 18, 2003. Again, only respondents appeared during the scheduled conference, drawing the Labor Arbiter to issue on October 9, 2003 a Writ of Execution[21] the pertinent portion of which reads:

> NOW THEREFORE, you are hereby commanded to proceed to respondents Helios Manufacturing Corporation or "Pat & Suzara" and its Board of Directors and stockholders with address at Tahanan Compound, Poblacion Uno, Gen. Mariano Alvarez, Cavite or at Warehouse 4, Partition 3, Sunblest Compund, Km. 23, West Service Road, Muntinlupa City, or wherever they may be presently located or holding their business, to collect the amount of SIXTEEN MILLION SEVEN HUNDRED FIFTEEN THOUSAND AND TWENTY EIGHT PESOS (P16,715,028.00) representing complainant's [sic] full backwages, separation pay, service incentive leave pay, proportionate 13[th] month pay for 2001, moral and exemplary damages and attorney's fees, all pursuant to the decision in this case.
>
> x x x x
>
> In case you fail to collect the amounts above indicated, you are hereby ordered to cause the satisfaction of the judgment out of respondents' goods or chattels, or in the absence thereof, from respondents' properties not exempt from execution.
>
> x x x x

Pursuant to the above Writ, Sheriff Antonio Datu issued a Notice of Levy on Real Property[22] under which a house and lot in Ayala-Alabang in the name of petitioner and her husband Leonardo Dy-Dumalasa[23] were levied upon.

Petitioner moved to quash[24] the Writ, putting up the defense of corporate fiction as well as lack of jurisdiction over her person, but the same was denied by Order[25] dated January 26, 2004. Petitioner appealed to the NLRC, hence, the execution of the Writ was held in abeyance.

By Resolution of January 27, 2005, the NLRC modified the Labor Arbiter's Order, holding that petitioner is not

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

jointly and severally liable with HELIOS for respondents' claims, there being no showing that she acted in bad faith nor that HELIOS cannot pay its obligations. Petitioner moved for reconsideration, but this was denied by Resolution dated March 16, 2005, hence, she appealed to the Court of Appeals.

By the assailed Decision, the appellate court reversed and set aside the NLRC Resolution, holding that what the NLRC, in effect, modified was not the Order denying the Motion to Quash the Writ of Execution, but the Labor Arbiter's Decision itself -- an impermissible act, the Decision having become final and executory, hence, it could no longer be reversed or modified. It further held that the NLRC gravely abused its discretion when it took cognizance of the appeal from the Order denying petitioner's Motion to Quash the Writ of Execution, as no appeal lies therefrom, especially since petitioner attempted to exculpate herself from the judgment obligation by invoking corporate fiction, a defense which could have been raised during the hearings before the Labor Arbiter.

Respecting NLRC's pronouncement that petitioner was not jointly and severally liable, the appellate court held that the same is a superfluity, for there was no statement, either in the main case or in the Writ, that the liability is solidary, hence, petitioner is merely jointly liable for the judgment award.

Petitioner moved for reconsideration of the appellate court's Decision, claiming that the labor tribunal never acquired jurisdiction over her person due to lack of summons, and reiterating her defense that HELIOS has a separate personality. Petitioner's motion was denied by the appellate court by Resolution of June 29, 2007, it holding that petitioner's act of filing the Motion to Quash the Writ of Execution as well as her submission of a Memorandum of Appeal was tantamount to submission to the Arbiter's jurisdiction. Hence, the present petition.

Petitioner maintains that as she was never summoned by the Labor Arbiter, jurisdiction over her person was not acquired; and that although the Board and stockholders of HELIOS were impleaded in the original complaint, it was by virtue of their official, not personal capacities.

And she reiterates that HELIOS has a personality separate and distinct from her, and there is nothing in the questioned Writ which directed the Sheriff to attach and levy the properties of the members of the Board or stockholders which are personal to them; and that for her and the other directors and stockholders to be held personally liable for the judgment award, they must have been found guilty of malice and bad faith -- a finding absent in the Labor Arbiter's Decision.

Finally, petitioner contends that assuming arguendo that she is personally liable together with HELIOS, still, settlement of the entire judgment obligation cannot be claimed from her alone, under the doctrine of limited liability. She thus prays that the appellate court's Decision be reversed and set aside and the NLRC Resolutions reinstated.

The petition is bereft of merit.

Contrary to petitioner's contention, the Labor Arbiter acquired jurisdiction over her person regardless of the fact that there was allegedly no valid service of summons. It bears noting that, in quasi-judicial proceedings, procedural rules governing service of summons are not strictly construed. Substantial compliance therewith is sufficient.[26] In the cases at bar, petitioner, her husband and three other relatives, were all individually impleaded in the complaint. The Labor Arbiter furnished her with notices of the scheduled hearings and other processes. It is undisputed that HELIOS, of which she and her therein co-respondents in the subject cases were the stockholders and managers, was in fact heard, proof of which is the attendance of her husband, President-General Manager of HELIOS, together with counsel in one such scheduled hearing and the Labor Arbiter's consideration of their position paper in arriving at the Decision, albeit the same position paper was belatedly filed.

Clearly, petitioner was adequately represented in the proceedings conducted by the Labor Arbiter by the lawyer

retained by HELIOS.

Taking into account the peculiar circumstances of the cases, HELIOS' knowledge of the pendency thereof and its efforts to resist them are deemed to be knowledge and action of petitioner. That petitioner and her fellow members of the Board refused to heed the summons and avail of the opportunity to defend themselves as they instead opted to hide behind the corporate veil does not shield them from the application of labor laws.

Petitioner can not now thus question the implementation of the Writ of Execution on her on the pretext that jurisdiction was not validly acquired over her person or that HELIOS has a separate and distinct personality as a corporate entity. To apply the normal precepts on corporate fiction and the technical rules on service of summons would be to overturn the bias of the Constitution and the laws in favor of labor.[27]

On to the liability of petitioner.

Interestingly, the assailed Court of Appeals Decision did not categorically rule on the issue of bad faith and piercing the corporate veil, it focusing instead on the issues of jurisdiction and the propriety of the NLRC Resolutions. However, the Labor Arbiter found HELIOS et al. guilty of bad faith when they closed the company's Muntinlupa plant 15 days before the scheduled cessation of operations, only to reestablish a plant in Carmona, Cavite sometime later as "Pat & Suzara," in response to the newly-created workers' union.

As to HELIOS being a separate juridical entity, the Labor Arbiter held that it and "Pat & Suzara" are one and the same, using the same machineries and personnel in the new plant.

The Labor Arbiter thus concluded that "indeed, fraud and bad faith on the part of the management are well-established" and, as such, HELIOS et al. are liable for the judgment award.

While the appellate court reinstated the Labor Arbiter's decision, it held that since its fallo did not indicate with certainty the solidary nature of the obligation, the obligation is merely joint. The Court finds this ruling well-taken. As held in Industrial Management Int'l. Development Corp v. NLRC:[28]

> It is an elementary principle of procedure that the resolution of the court in a given issue as embodied in the dispositive part of a decision or order is the controlling factor as to settlement of rights of the parties.

A perusal of the Labor Arbiter's Decision readily shows that, notwithstanding the finding of bad faith on the part of the management, the dispositive portion did not expressly mention the solidary liability of the officers and Board members, including petitioner. Further:

> A solidary or joint and several obligation is one in which each debtor is liable for the entire obligation, and each creditor is entitled to demand the whole obligation. In a joint obligation each obligor answers only for a part of the whole liability and to each obligee belongs only a part of the correlative rights.
>
> Well-entrenched is the rule that solidary obligation cannot lightly be inferred. There is a solidary liability only when the obligation expressly so states, when the law so provides or when the nature of the obligation so requires.[29] (Emphasis and underscoring supplied)

And as held in Carag v. NLRC:[30]

> To hold a director personally liable for debts of the corporation, and thus pierce the veil of corporate fiction, the bad faith or wrongdoing of the director must be established clearly and convincingly. Bad faith is never presumed. Bad faith does not connote bad judgment or negligence. Bad faith imports a dishonest purpose. Bad faith means breach of a known duty through some ill motive or interest. Bad faith partakes of the nature of fraud. (Emphasis and underscoring supplied)

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

Ineluctably, absent a clear and convincing showing of the bad faith in effecting the closure of HELIOS that can be individually attributed to petitioner as an officer thereof, and without the pronouncement in the Decision that she is being held solidarily liable, petitioner is only jointly liable.

The Court in fact finds that the present action is actually a last-ditch attempt on the part of petitioner to wriggle its way out of her share in the judgment obligation and to discuss the defenses which she failed to interpose when given the opportunity. Even as petitioner avers that she is not questioning the final and executory Decision of the Labor Arbiter and admits liability, albeit only joint,[31] still, she proceeds to interpose the defenses that jurisdiction was not acquired over her person and that HELIOS has a separate juridical personality.

As for petitioner's questioning the levy upon her house and lot, she conveniently omits to mention that the same are actually conjugal property belonging to her and her husband. Whether petitioner is jointly or solidarily liable for the judgment obligation, the levied property is not fully absolved from any lien except if it be shown that it is exempt from execution.

WHEREFORE, the petition is DENIED. The Decision dated April 28, 2006 and the Resolution dated June 29, 2007 of the Court of Appeals are AFFIRMED.

The liability of the respondents in NLRC-NCR South Sector Case No. 30-10-04950-01 and NLRC-NCR South Sector Case No. 30-11-05301-01 pursuant to the Decision of Labor Arbiter Nieves V. de Castro dated August 30, 2002 should be, as it is hereby, considered joint, without prejudice to the enforcement of the award against petitioner's co-judgment obligors in said cases.

SO ORDERED.

Quisumbing, (Chairperson), Chico-Nazario, Leonardo-De Castro, and Brion, JJ., concur.

---

[1] CA rollo, pp. 105-113. Penned by Associate Justice Magdangal M. de Leon and concurred in by Associate Justices Conrado M. Vasquez, Jr. and Mariano C. del Castillo.

[2] Id. at 156-159. Ibid.

[3] Records, pp. 158-161. Penned by Commissioner Tito F. Genilo and concurred in by Presiding Commissioner Lourdes C. Javier.

[4] Id. at 177-179. Ibid.

[5] Id. at 2.

[6] Id. at 22.

[7] Vide Minutes of December 10, 2001 hearing, id. at 19.

[8] Id. at 10.

[9] Vide, Minutes of January 31, 2002 Hearing, id. at 27.

[10] Vide Notice of Hearing, id. at 33.

[11] Id. at 34-43.

[12] Vide Minutes, May 23, 2002 Hearing, records, p. 64; and Order dated May 23, 2002, id. at 65.

[13] Vide Minutes of June 6, June 27, July 17, and July 22, 2002 Hearings, records, pp. 83, 85, 86 and 87.

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

[14] Id. at 89.

[15] Id. at 110-116. Penned by Labor Arbiter Nieves V. De Castro.

[16] Id. at 120-128.

[17] Id. at 158-161. Penned by Commissioner Tito F. Genilo and concurred in by Presiding Commissioner Lourdes C. Javier

[18] Vide Resolution, records, pp. 177-179. Ibid.

[19] Vide Entry of Judgment, records, p. 189.

[20] Records, pp. 186-188.

[21] Id. at 211-213.

[22] Id. at 346.

[23] Vide TCT No. 143442, id. at 347-351.

[24] Records, pp. 214-221.

[25] Id. at 235-238.

[26] Eden v. Ministry of Labor and Employment, G.R. No. 72145, February 28, 1990, 182 SCRA 840, 847, citing Ang Tibay v. Court of Industrial Relations, 69 Phil. 635, February 27, 1940.

[27] Pison-Arceo Agricultural and Development Corporation v. NLRC, G.R. No. 117890. September 18, 1997.

[28] G.R. No. 101723, May 11, 2000.

[29] Industrial Management, supra.

[30] G.R. No. 147590, April 2, 2007.

[31] Vide Paragraphs 1 and 28 of Petition, rollo, pp. 22 and 30.

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.