

A.C. RANSOM LABOR UNION-CCLU, PETITIONER, VS. NATIONAL LABOR RELATIONS AND COMMISSION, FIRST DIVISION A.C. RANSOM (PHILS.) CORPORATION RUBEN HERNANDEZ, MAXIMO C. HERNANDEZ, JR.,...

G.R. No. 69494. May 29, 1987

Ponente: MELENCIO-HERRERA, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-69494/>

MELENCIO-HERRERA, J.:

In a joint Decision in two earlier cases rendered by the then Court of Industrial Relations (CIR) on August 19, 1972, it declared in the dispositive portion thereof:

"IN VIEW OF ALL THE FOREGOING, x x x the A.C. Ransom Philippine Corporation is guilty of unfair labor practice of interference and discrimination herein above held and specified; ordering corporation, its officers and agents to cease and desist from committing the same; finding the strike legal and justified; and to reinstate immediately x x x, to their respective positions with backwages from July 25, 1969 until actually reinstated, without loss of seniority rights and other privileges appurtenant to their employment." (Underscoring ours).[1]

This Court affirmed that Decision when it denied the Petition for Review filed by RANSOM on February 26, 1973 in G.R. Nos. L-36226-68.

The backwages due the 22 employees having been computed at P199,276.00 by the (CIR) Examiner, successive Motions for Execution were filed by the UNION on January 27, 1973 and March 1, 1973, all of which RANSOM opposed stressing its "precarious financial position if immediate execution of the backwages would be ordered." Upon the UNION's Motion of April 22, 1973 asking the CIR that RANSOM be ordered to deposit with the Court the backwages due them, RANSOM manifested that it did not have the necessary funds to deposit and asked that the employees' earnings elsewhere during this suspension be deducted. After several hearings, a recomputation was made and the award of P199,276.00 was reduced to P164,984.00.[2]

The records show that, upon application filed by RANSOM on April 2, 1973, it was granted clearance by the Secretary of Labor on June 7, 1973 to cease operation and terminate employment effective May 1, 1973, without prejudice to the right of subject employees to seek redress of grievances under existing laws and decrees.[3] The reasons given by RANSOM for the clearance application were financial difficulties on account of obligations incurred prior to 1966.

On January 21, 1974, the UNION filed another Motion for Execution alleging that although RANSOM had assumed a posture of suffering from business reverses, its officers and principal stockholders had organized a new corporation, the Rosario Industrial Corporation (hereinafter called ROSARIO), using the same equipment, personnel, business stocks and the same place of business. For its part, RANSOM declared that ROSARIO is a distinct and separate corporation, which was organized long before these instant cases were decided adversely against RANSOM.

It appears that sometime in 1969, ROSARIO, a closed corporation, was, in fact, established. It was engaged in the same line of business as RANSOM with the same Hernandez family as the owners, the same officers, the same President, the same counsel and the same address at 555 Quirino Avenue, Paranaque, Rizal. The compound, building, plant, equipment, machinery, laboratory and bodega were the same as those occupied and used by RANSOM. The UNION claims that ROSARIO thrives to this day.

Writs of execution were issued successively against RANSOM on June 23, 1976, and February 17, 1977, to no avail.

On December 18, 1978, the UNION again filed an ex-parte Motion for Writ of Execution and Garnishment praying that the Writ issue against the Officers/Agents of RANSOM personally and or their estates, as the case may be, considering their success in hiding or shielding the assets of said company. RANSOM countered that the CIR Decision, dated August 19, 1972, could no longer be enforced by mere Motion because more than five (5) years had already lapsed.

Acting on the Motion, Labor Arbiter Tito F. Genilo issued, on March 11, 1980, an Order, the pertinent part of which reads:

"Under the circumstances and pursuant to the decision aforementioned, especially that portion holding the respondent corporation's officers and agents liable, the following officers of the respondent corporation - as appears in the record - are hereby deemed included parties respondents in their official capacity:

- a) Ruben Hernandez (President, per his testimony on August 21, 1974);
- b) Maximo C. Hernandez, Jr. (Director);
- c) Porfirio N. Valencia (Director);
- d) Laura H. Cornejo (Director);
- e) Francisco Hernandez (Chairman of the Board);
- f) Celestino C. Hernandez (Director), and
- g) Ma. Rosario Hernandez (Director).

Consequently, let a writ of execution be issued for P164,984.00 against respondent corporation and its officers/agents enumerated above.

SO ORDERED." (Emphasis supplied)[4]

It appears that among the persons named in the aforequoted Order, Ma. Rosario Hernandez died in 1971; Francisco Hernandez died in 1977; and Celestino C. Hernandez passed away in 1979. And Maximo Hernandez who was named in the CIR Decision, died in 1966.[5]

The NLRC, on appeal, modified the Decision by relieving the officers and agents of liability as follows:

"As to the liability of the respondent's officers and agents, we agree with the contention of the respondent-appellant that there is nothing in the order dated March 11, 1980 that would justify the holding of the individual officers and agents of respondent in their personal capacity. As a general rule, officers of the corporation are not liable personally for the official acts unless they have exceeded the scope of their authority. In the absence of evidence showing that the officers mentioned in the Order of the Labor Arbiter dated March 11, 1980 have exceeded their authority, the writ of execution can not be enforced against them, especially so since they were not given a chance to be heard.

WHEREFORE, the Order appealed from is hereby affirmed, except as modified above.

SO ORDERED."[6]

Reconsideration sought by the UNION from the NLRC was denied, hence this special civil action of Certiorari.

On June 10, 1986, this Court promulgated its Decision, the dispositive portion of which decrees:

"WHEREFORE, the questioned Decision of the National Labor Relations Commission is SET ASIDE, and the Order of the Labor Arbiter Tito F. Genilo of March 11, 1980 is reinstated with the modification that personal liability for the backwages due the 22 strikers shall be limited to Ruben Hernandez, who was President of RANSOM in 1974, jointly and severally with other Presidents of the same corporation who had been elected as such after 1972 or up to the time the corporate life was terminated."

Both parties have moved for reconsideration. Private respondents point out that they were never impleaded as parties in the Trial Court, and that their personal liabilities were never at issue; that judgment holding Ruben Hernandez personally liable is tantamount to deprivation of property without due process of law; and that he was not an officer of the corporation at the time the unfair labor practices were committed.

The UNION on the other hand, in its own Motion for Reconsideration, prays that the veil of corporate fiction be pierced and that the Decision be modified, in that all the individual private respondents and not only the President, should be held jointly and severally liable with RANSOM. On November 4, 1986, it further filed an Urgent Motion for Preliminary Mandatory Injunction "directing private respondents to deposit the amount of P199,276.00 or to put up a supersedeas bond of the same sum".

Incontrovertible is the fact that RANSOM was found guilty by the CIR, in its Decision of August 19, 1972, of unfair labor practice; that its officers and agents were ordered to cease and desist from further committing acts constitutive of the same, and to reinstate immediately the 22 union members to their respective positions with backwages from July 25, 1969 until actually reinstated.

The CIR Decision became final, conclusive, and executory after this Court denied the RANSOM petition for review in 1973. In other words, this Court upheld that portion of the judgment ordering the officers and agents of RANSOM to reinstate the laborers concerned, with backwages. The inclusion of the officers and agents was but proper since a corporation, as an artificial being, can act only through them. It was also pursuant to the CIR Act (CA No. 103)[7], the Industrial Peace Act (RA 875)[8] the Minimum Wage Law (RA 602).[9]

Consequently, when, in resolving the UNION's Motion for Writ of Execution and Garnishment in the Order of March 11, 1980, Labor Arbiter Genilo named the seven (7) private respondents herein as the RANSOM officers and agents, who should be held liable (supra), he merely implemented the already final and executory CIR decision of August 19, 1972. The NLRC, on appeal to it by RANSOM, could not have modified the CIR Decision, as affirmed by this Court, by relieving RANSOM's officers and agents of liability. It also for that reason that in our Decision of June 10, 1986 we set aside said NLRC Decision and reinstated the Order of Labor Arbiter Genilo, with modification, in that we limited liability for backwages due the 22 UNION members to the President of RANSOM in 1974 jointly and severally with other Presidents of the same corporation who had been elected as such after 1972 or up to the time the corporation life was terminated, since the President should also be deemed included in the term "employer".

The foregoing, however, limits the scope of liability and deviates from the CIR Decision, affirmed by this Court in 1973, holding the officers and agents of RANSOM liable. In other words, the officers and agents listed in the Genilo Order except for those who have since passed away, should, as affirmed by this Court, be held jointly and severally liable for the payment of backwages to the 22 strikers.

This finding does not ignore the legal fiction that a corporation has a personality separate and distinct from its stockholders and members, for, as this Court had held "where the incorporators and directors belong to a single family, the corporation and its members can be considered as one in order to avoid its being used as an instrument to commit injustice",^[10] or to further an end subversive of justice.^[11] In the case of *Claparols vs. CIR*^[12] involving almost similar facts as in this case, it was also held that the shield of corporate fiction should be pierced when it is deliberately and maliciously designed to evade financial obligations to employees. To the same effect was this Court's rulings in still other cases:

"When the notion of legal entity is used as a means to perpetrate fraud or an illegal act or as a vehicle for the evasion of an existing obligation, the circumvention of statutes, and or confuse legitimate issues the veil which protects the corporation will be lifted (*Villa Rey Transit, Inc. vs. Ferrer*, 25 SCRA 846 [1968]; *Republic vs. Razon*, 20 SCRA 234 [1967]; *A.D. Santos, Inc. vs. Vasquez*, 22 SCRA 1156 [1968]; *Telephone Eng'g. & Service Company, Inc. vs. WCC*, 104 SCRA 354 [1981])."

The alleged bankruptcy of RANSOM furnishes no justification for non-payment of backwages to the employees concerned taking into consideration Article 110 of the Labor Code, which provides:

"ART. 110. Worker preference in case of bankruptcy. - In the event of bankruptcy or liquidation of an employer's business, his workers shall enjoy first preference as regards wages due them for services rendered during the period prior to the bankruptcy or liquidation, any provision of law to the contrary notwithstanding. Unpaid wages shall be paid in full before other creditors may establish any claim to a share in the assets of the employer."

The term "wages" refers to all remunerations, earnings and other benefits in terms of money accruing to the employees or workers for services rendered. They are to be paid in full before other creditors may establish any claim to a share in the assets of the employer.

"Section 10. Payment of wages in case of bankruptcy. - Unpaid wages earned by the employees before the declaration of bankruptcy or judicial liquidation of the employer's business shall be given first preference and shall be paid in full before other creditors may establish any claim to a share in the assets of the employer.^[13]

The foregoing provisions are but in consonance with the principles of social justice and protection to labor guaranteed by past and present Constitutions and are not really being given any retroactive effect when applied herein.

The Decision of the CIR was rendered on August 19, 1972. Clearance to RANSOM to cease operations and terminate employment granted by the Secretary of Labor was made effective on May 1, 1973. The right of the employees concerned to backwages awarded them, therefore, had already vested at the time and even before clearance was granted. Note should also be taken of the fact that the clearance was without prejudice to the right of subject employees to seek redress of grievances under existing laws and decrees.

The Worker preference applies even if the employer's properties are encumbered by means of a mortgage contract as in this case. So that, when machinery and equipment of RANSOM were sold to Revelations Manufacturing Corporation for P2M in 1975, the right of the 22 laborers to be paid from the proceeds should have been recognized, even though it is claimed that those proceeds were turned over to the Commercial Bank and Trust Company (Comtrust) in payment of RANSOM obligations, since the workers' preference is over and above the claim of other creditors.

The contention, therefore, of the heirs of the late Maximo C. Hernandez, Sr. that since they paid from their own personal funds the balance of the amount owing by RANSOM to Comtrust they are the "preferential creditors" of RANSOM, is clearly without merit. Workers are to be paid in full before other creditors may establish any claim

to a share in the assets of the employer.

“x x x even if the employer's properties are encumbered by means of a mortgage contract, still the workers' wages which enjoy first preference in case of bankruptcy or liquidation are duly protected by an automatic first lien over and above all other earlier encumbrances on the said properties. Otherwise, workers' wages may be imperilled by foreclosure of mortgages, and as a consequence, the aforecited provision of the New Labor Code would be rendered meaningless.”[14]

Aggravating RANSOM's clear evasion of payment of its financial obligations is the organization of a "run-away corporation", ROSARIO, in 1969 at the time the unfair labor practice case was pending before the CIR by the same persons who were the officers and stockholders of RANSOM, engaged in the same line of business as RANSOM, producing the same line of products, occupying the same compound, using the same machineries, buildings, laboratory, bodega and sales and accounts departments used by RANSOM, and which is still in existence. Both corporations were closed corporations owned and managed by members of the same family. Its organization proved to be a convenience instrument to avoid payment of backwages and the reinstatement of the 22 workers. This is another instance where the fiction of separate and distinct corporate entities should be disregarded.

“It is very obvious that the second corporation seeks the protective shield of a corporate fiction whose veil in the present case could, and should, be pierced as it was deliberately and maliciously designed to evade its financial obligation to its employees.

"x x x x When a notion of legal entity is used to defeat public convenience, justify wrong, protect fraud, or defend crime, the law will regard the corporation as an association or persons, or, in the case of two corporations, will merge them into one.”[15]

"The corporation will be treated merely as an aggregation of individuals or, where there are two corporations, they will be merged as one, the one being merely regarded as part of the instrumentality of the other.”[16]

The UNION's plea, therefore, for the reinstatement of the 22 strikers in ROSARIO should be favorably heard. However, ROSARIO shall have the option to award them separation pay equivalent to one-half month for every year of service actually rendered by the 22 strikers.

The plea of the UNION for the restoration of the original computation of P199,276.00 or to grant the 22 Union members three (3) years backwages is rejected. It is the amount of P164,984.00 as backwages, which as the subject of the Writ of Execution issued by the Labor Arbiter pursuant to the CIR Decision of 1972.

With the conclusions arrived at, the UNION's Urgent Motion for a Writ of Preliminary Mandatory Injunction directing private respondent's to deposit the amount due as backwages in the meantime, need no longer be acted on.

A final and executory Decision in favor of the UNION obtained in 1972 and affirmed by this Court in 1973 has remained unsatisfied to this date despite no less than ten (10) Motions for Execution over a period of fourteen (14) years, not to mention the fact that this is the second time that this case is before this Court. The detriment and prejudice caused the employees concerned is subversive of the ends of justice. This protracted litigation must end and labor should now enjoy the just deserts of its legal victory.

ACCORDINGLY, private respondents' Motion for Reconsideration is hereby denied with FINALITY; the Motion for Reconsideration filed by petitioner is granted in part; and the dispositive portion of the Decision, dated June 10, 1986, is hereby amended to read as follows:

"WHEREFORE, the questioned Decision of the National Labor Relations Commission is SET ASIDE, and the

Order of Labor Arbiter Tito F. Genilo of March 11, 1980 is reinstated with the modification that Rosario Industrial Corporation and its officers and agents are hereby held jointly and severally liable with the surviving private respondents for the payment of the backwages due the 22 union members.

Rosario Industrial Corporation is hereby ordered to reinstate the 22 union members or, if this is not possible, to award them separation pay equivalent at least to one (1) month pay or to one (1) month salary for every year of service actually rendered by them with A.C. Ransom (Phils). Corporation, whichever is higher.

This decision is immediately executory.

SO ORDERED.

Yap, (Chairman), Cruz, Paras, and Gancayco, JJ., concur.

Feliciano, J., on leave.

Narvasa and Sarmiento, JJ., no part.

[1] p. 122, Rollo.

[2] p. 6, *ibid*.

[3] p. 17, *ibid*.

[4] pp. 20- 21, *ibid*.

[5] p. 123, *ibid*.

[6] Annex "B", pp. 17-18, Rollo.

[7] SEC. 6. x x x

In case the employer or landlord committing any such violation or contempt is an association or corporation, the manager or the person who has charge of the management of the business of the association or corporation and the officers or directors thereof who have ordered or authorized the violation or contempt shall be liable. x x x "

[8] SEC. 2 (c) The term "employer" includes any person acting in the interest of an employer, directly or indirectly but shall not include any labor organization (otherwise than when acting as an employer) or anyone acting in the capacity of officer or agent of such labor organization.

[9] SEC. 2(b) "Employer" includes any person acting directly or indirectly in the interest of an employer in relation to an employee and shall include the Government, and the government corporation.

[10] Philippine Fishing Boat Officers & Engineers Union vs. Court of Industrial Relations [L-30592, February 25, 1982, 112 SCRA 159].

[11] Emilio Cano Enterprises, Inc. vs. CIR, L-20502, February 26, 1965, 13 SCRA 290).

[12] No. L-30822, July 31, 1975, 65 SCRA 613.

[13] Rules and Regulations Implementing the Labor Code, Book III, Rule VIII.

[14] Philippine Commercial & Industrial Bank vs. National Mines & Allied Workers Union (NAMA-WU-MIF), No. L-50402, August 19, 1982, 115 SCRA 873, 880).

[15] Claparols vs. CIR, No. L-30822, July 31, 1975, 65 SCRA 613.

[16] Koppel Phil., Inc. vs. Yapco, No. 47673, October 10, 1946, 77 Phil. 496 (1946); Cease vs. CA, L-33172, October 18, 1979, 93 SCRA 483.

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.