

DEVELOPMENT BANK OF THE PHILIPPINES, PETITIONER, VS. THE MINISTER OF LABOR AND SAMAHANG PAGKAKAISANG MANGGAGAWA SA RMC-GATCORD, RESPONDENTS.

G.R. No. 75801. March 20, 1991

Ponente: PARAS, J.

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PARAS, J.:

On 3 February 1981, Samahang Pagkakaisang Manggagawa sa RMC-Gatcord (Samahan for brevity), in representation of its 1,000 workers/members, filed a complaint against Riverside Mills Corporation (RMC for brevity) for non-payment of Presidential Decree 1713's P1.00 daily wage increase and P60.00 monthly Emergency Cost of Living Allowance (ECOLA) with the Ministry (now Department) of Labor and Employment.

After trial, the Ministry's NCR Director Severo M. Pucan issued an order on July 9, 1981 mandating RMC "to pay the complainants-Samahan additional mandatory ECOLA of P60.00/month and the P1.00 increase in the minimum wage, retroactive as of August 1981." Deputy Minister Vicente Leogardo, Jr. affirmed the said decision on January 6, 1982, upon appeal by the company, Riverside Mills Corporation.

It also appears that petitioner DBP had instituted extra-judicial foreclosure proceedings as early as 1983 on the properties and other assets of RMC as a result of the latter's failure to meet its obligations on the loan it had previously secured from DBP. Thereafter, the total balance of the judgment award in the labor case previously mentioned, was recomputed at three million three hundred one thousand nine hundred ninety seven pesos and seventy five centavos (P3,301,997.75) in an order issued by Director Severo M. Pucan dated April 11, 1985.

On 21 January 1986, DBP received a Notice of Conference from Severo Pucan of the Ministry of Labor and Employment (MOLE) ordering DBP to appear before Atty. Roberto A. Jerez on January 23, 1986 at 2:00 p.m. to testify in Case No. NCR-FSD-2-205-81. It was only in that conference that DBP learned that the respondent-Samahan was able to secure a decision in its favor in the labor case above-mentioned, which they wanted to enforce against DBP. On 21 April 1986, a Notice of Garnishment was served upon DBP for the amount of P3,301,997.75.

The pivotal issue in this case is whether or not a writ of garnishment may be issued against the proceeds of RMC's properties foreclosed by DBP and sold to Rosario Textile Mills, by the application of the worker's right of preference under Article 110 of the Labor Code.

Republic Act No. 6715 amending Article 110 of the Labor Code reads:

"Section 1. Article 110 of P.D. 442, as amended, otherwise known as the Labor Code of the Philippines, is hereby further amended to read as follows:

"Article 110. Worker's preference in case of bankruptcy. In the event of bankruptcy or liquidation of the employer's business, his workers shall enjoy first preference as regards their unpaid wages and other monetary claims shall be paid in full before the claims of the Government and other creditors may be paid."

(Amendments underlined>

Accordingly, Section 10, Rule III, Book III of the Omnibus Rules Implementing the Labor Code has also been amended by Section I of the Rules and Regulations Implementing R.A. 6715, as approved by the then Secretary of Labor on May 24, 1989, which now provides:

"Section 10. Payment of wages and other monetary claims in case of bankruptcy. In case of bankruptcy or liquidation of the employer's business, the unpaid wages and other monetary claims of the employees shall be given first preference and shall be paid in full before the claims of the Government and other creditors may be paid."

Notably, the terms "declaration" of bankruptcy or "judicial" liquidation have been eliminated. However, despite said amendments, the same interpretation of Article 110 as applied in the case of Development Bank of the Philippines v. Hon. Labor Arbiter Ariel C. Santos, et al. (171 SCRA 138) was adopted by this Court in recent cases (G.R. No. 86932, DBP v. NLRC et al., June 27, 1990; G.R. Nos. 82763-64, DBP v. NLRC et al., March 19, 1990).

Because of its impact on the entire system of credit, Article 110 of the Labor Code cannot be viewed in isolation of, and must always be reckoned with the provisions of the Civil Code on concurrence and preference of credits (DBP v. NLRC, et al., supra), thus, it may not be invoked by employees of RMC, like private respondent-Samahan herein, in the absence of a formal declaration of bankruptcy or judicial liquidation order.

Hence, the disputed garnishment of the money paid by Rosario Textile Mills to DBP corresponding to the partial installment of the sales price of RMC's foreclosed properties is not justified.

Clearly, the authority of the sheriff is limited to money or properties belonging to Riverside Mills Corporation, the judgment debtor in the labor case concerned. Hence, when the sheriff garnished the monies paid by Rosario Textile Mills to DBP, the sheriff, in effect had garnished funds not belonging to Riverside Mills Corporation but to DBP. This is violative of the basic rule that the power of the court or tribunal in the execution of its judgment extends only over properties unquestionably belonging to the judgment debtor (Special Services Corporation v. Centro La Paz, 121 SCRA 748 [1985]; DBP v. Hon. Sec. of Labor et al., G.R. No. 79251, November 28, 1989, citing the case of National Mines and Allied Worker's Union v. Hon. Vera et al., 133 SCRA 259 [1984]). Undoubtedly, when the sheriff garnished the funds belonging to the Development Bank of the Philippines, he exceeded the authority vested in him in the writ of execution, and when the Deputy Minister of Labor sustained the same in his order, he acted with grave abuse of discretion correctible by certiorari.

PREMISES CONSIDERED, the instant petition for certiorari is hereby GRANTED. The assailed Order of the Ministry of Labor is hereby REVERSED and SET ASIDE and the restraining order issued is hereby MADE permanent.

SO ORDERED.

Melencio-Herrera, (Chairman), and Regalado, JJ., concur.

Padilla, J., I dissent for the same reasons stated in my dissent in DBP vs. NLRC, G.R. Nos. 82763-64, 19 March 1990.

Sarmiento, J., see dissent.

DISSENTING OPINION

SARMIENTO, J.:

Consistent with my stand in *DBP v. NLRC, Arbiter Isabel P. Ortiguera, and Labor Alliance For National Development*,^[1] *Bolinao v. Padolina*,^[2] and more recently, in *DBP v. NLRC, and Dorothy S. Ancheta, et al.*,^[3] to the effect that workers now enjoy "absolute preference" in the payment of labor claims, above and beyond taxes due to the government, and credits belonging to private persons, and further, that there is no need of prior declaration of bankruptcy or judicial order of liquidation in order that this preference may be availed of by labor, I dissent again. The express decree of the Constitution^[4] and explicit language of Republic Act No. 6715^[5] have not yet, I am sorry to say, been appreciated by the majority.

[1] G.R. Nos. 82763-64, March 19, 1990, 183 SCRA 328, 345-346, Melencio-Herrera, J.

[2] G.R. No. 81415, June 6, 1990, Paras, J.

[3] G.R. No. 86932, June 27, 1990, Regalado, J.

[4] CONST., art. XIII, sec. 3.

[5] Art. 110.

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