

JOSE M. MAGLUTAC, PETITIONER, VS. NATIONAL LABOR RELATIONS COMMISSION, COMMART (PHIL.), INC. AND JESUS T. MAGLUTAC, RESPONDENTS.

G.R. No. 78345. September 21, 1990

Ponente: MEDIALDEA, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-78345/>

MEDIALDEA, J.:

These petitions for certiorari seek the review of the decision of respondent National Labor Relations Commission promulgated on April 30, 1987 in NLRC Case No. NCR-11-3887-84. Both parties filed their petitions with this Court which were consolidated on motion of Jesus T. Maglutac and Commart (Phils.), Inc. and by resolution of this Court dated August 12, 1987 (p. 74, Rollo of G.R. No. 78345).

Jose M. Maglutac, petitioner in G.R. No. 78345 hereinafter referred to as complainant) was employed by Commart (Phils.), Inc. (hereinafter referred to as Commart) sometime in February, 1980 and rose to become the Manager of its Energy Equipment Sales. On October 3, 1984, he received a notice of termination signed by Joaquin S. Cenzone, Vice-President - General Manager and Corporate Secretary of CMS International, a corporation controlled by Commart. The notice of termination reads:

"You are hereby notified and advised that the Board of Directors of this Corporation, acting on the unanimous resolution, have decided that your continued employment in this company, will not be in the best interest of the corporation.

"You are therefore discharged of all your duties and responsibilities as Manager, Energy Equipment Sales effective immediately.

"The termination of your services is without prejudice to any future action, private or legal, that the Company may take to demand restitution, enforce collection or require repayment of whatever financial obligations you now have incurred, to the company. (p. 50, Rollo)

Thereafter, Jose Maglutac filed a complaint for illegal dismissal against Commart and Jesus T. Maglutac, President and Chairman of the Board of Directors of Commart. The complainant alleged that his dismissal was part of a vendetta drive against his parents who dared to expose the massive and fraudulent diversion of company funds to the company president's private accounts, stressing that complainant's efficiency and effectiveness were never put to question when very suddenly he received his notice of termination (p. 51, Rollo).

Commart and Jesus T. Maglutac, on the other hand, justified the dismissal for lack of trust and confidence brought about by complainant and his family's establishment of a company, MM International, in direct competition with Commart.

After the parties submitted their respective position papers, the Labor Arbiter assigned to the case, Jose Collado, Jr., rendered a decision on January 11, 1986 finding that complainant was illegally dismissed. The dispositive portion of the decision reads:

"WHEREFORE, respondents are hereby ordered to reinstate complainant to his former position with full backwages without loss of seniority rights and other personnel (sic) privileges, to pay complainant jointly and severally P200,000.00 in moral damages, P20,000.00 in exemplary damages and to pay ten percent (10%) attorney's fees.

"SO ORDERED." (p. 57, Rollo)

Commart and Jesus T. Maglutac filed a motion for reconsideration of the decision of the Labor Arbiter which was treated as an appeal to the National Labor Relations Commission (NLRC). On April 30, 1987, a decision was rendered by the NLRC modifying the decision of the Labor Arbiter. The NLRC affirmed the finding of the Labor Arbiter that complainant was illegally dismissed by Commart but it deleted the award for moral and exemplary damages in favor of complainant and absolved Jesus T. Maglutac from any personal liability to the complainant. The pertinent portion of the decision reads:

"x x x.

"We agree however, to the contention of individual respondent that he should not have been held liable in solidum with the corporation. He is merely a nominal party to the case and made so only in his capacity as President and Chairman of the Board of Directors of the respondent corporation. The respondent corporation has a separate and distinct personality from that of its stockholders and its officers, and respondent Jesus T. Maglutac simply cannot be held personally liable for his corporate acts.

"Finally, we delete the award of moral and exemplary damages to complainant for lack of factual and legal basis.

"WHEREFORE, as above modified, the appealed decision is hereby Affirmed and the appeal dismissed for lack of merit.

"SO ORDERED." (pp. 44-45, Rollo)

Both parties filed their respective motions for reconsideration of the decision of the NLRC. Commart and Jesus T. Maglutac questioned the NLRC's finding that the complainant was dismissed without just cause. For his part, complainant questioned the decision insofar as it deleted the award of moral and exemplary damages and the non-holding of a joint and several liability of Jesus T. Maglutac and Commart. Complainant's motion was denied on June 5, 1987 (p. 46, Rollo in G.R. No. 78345). Commart and Jesus T. Maglutac's motion for reconsideration was also denied on May 29, 1987 (p. 25, Rollo in G.R. No. 78637). Hence, the instant petitions both alleging grave abuse of discretion on the part of respondent NLRC.

In G.R. No. 78345, complainant Jose M. Maglutac raised the following grounds:

"(1) RESPONDENT NATIONAL LABOR RELATIONS COMMISSION GRAVELY ABUSED ITS DISCRETION AMOUNTING TO LACK OR EXCESS OF JURISDICTION AND EVEN CONTRAVENED EXISTING LAWS AND JURISPRUDENCE IN HOLDING THAT THERE IS NO FACTUAL OR LEGAL BASIS FOR THE AWARD OF MORAL AND EXEMPLARY DAMAGES.

"(2) RESPONDENT NATIONAL LABOR RELATIONS COMMISSION COMMITTED GRAVE ABUSE OF DISCRETION AND CONTRAVENED EXISTING LAWS AND JURISPRUDENCE IN HOLDING THAT RESPONDENT JESUS T. MAGLUTAC SHOULD NOT HAVE BEEN HELD LIABLE IN SOLIDUM WITH THE RESPONDENT CORPORATION FOR HE IS MERELY A NOMINAL PARTY TO THE CASE AND MADE SO ONLY IN HIS CAPACITY AS PRESIDENT AND CHAIRMAN OF THE BOARD OF DIRECTORS OF RESPONDENT CORPORATION, AND SIMPLY CANNOT BE HELD LIABLE FOR HIS CORPORATE ACT." (p. 30, Rollo)

In G.R. No. 78637, Commart and Jesus Maglutac raised the following grounds:

"(I) RESPONDENT NLRC COMMITTED GRAVE ABUSE OF DISCRETION IN ORDERING THE REINSTATEMENT OF PRIVATE RESPONDENT PLUS PAYMENT OF BACKWAGES DESPITE CLEAR PROOF THAT SAID RESPONDENT COMMITTED AN ACT INIMICAL TO PETITIONER'S INTEREST.

"(II) RESPONDENT NLRC COMMITTED GRAVE ABUSE OF DISCRETION IN SUSTAINING THE ARBITER'S DECISION WHICH WAS ISSUED IN VIOLATION OF DUE PROCESS OF LAW." (p. 8, Rollo)

On August 29, 1988, Commart filed a manifestation stating that it had become insolvent and that it had suspended operations since January, 1986 (p. 172-A, Rollo).

In G.R. No. 78345, complainant argued that because of the Labor Arbiter and the NLRC's findings that is dismissal was not merely without just cause but was also an act of vendetta, malice attended the act. Consequently, he is entitled to moral and exemplary damages under the Civil Code.

We agree. In the case of *Primero v. Intermediate Appellate Court*, G.R. No. 72644, December 14, 1987, 156 SCRA 435, We held that in cases of illegal dismissal, in addition to the reliefs granted under the Labor Code, other forms of damages under the Civil Code may be granted. Thus,

"The legislative intent appears clear to allow recovery in proceedings before Labor Arbiters of moral and other forms of damages, in all cases or matters arising from employer-employee relations. This would no doubt include, particularly, instances where an employee has been unlawfully dismissed. In such a case, the Labor Arbiter has jurisdiction to award to the dismissed employee not only the reliefs specifically provided by labor laws, but also moral and other forms of damages governed by the Civil Code. Moral damages would be recoverable, for example, where the dismissal of the employee was not only effected without authorized cause and/or due process - for which relief is granted by the Labor Code - but was attended by bad faith or fraud, or constituted an act oppressive to labor, or was done in a manner contrary to morals, good customs or public policy - for which the obtainable relief determined by the Civil Code (not the Labor Code). Stated otherwise, if the evidence adduced by the employee before the Labor Arbiter should establish that the employer did indeed terminate the employee's services without just cause or without according him due process, the Labor arbiter's judgment shall be for the employer to reinstate the employee and pay him his backwages or, exceptionally, for the employee simply to receive separation pay. These are reliefs explicitly prescribed by the Labor Code. But any award of moral damages by the Labor Arbiter obviously cannot be based on the Labor Code but should be grounded on the Civil Code".

"Moral damages may be awarded to compensate one for diverse injuries such as mental anguish, besmirched reputation, wounded feelings and social humiliation. It is however not enough that such injuries have arisen; it is essential that they have sprung from a wrongful act or omission of the defendant which was the proximate cause thereof." (*Guita v. Court of Appeals*, 139 SCRA 576)

From the findings of the Labor Arbiter as affirmed by the NLRC, there is sufficient basis for an award of moral and exemplary damages in the instant case. The alleged loss of trust and confidence on complainant because of his family's establishment of MM International, a company allegedly in direct competition with Commart, was belied by the findings of the Labor Arbiter:

"The formation of another corporation by complainant's parents including the complainant himself cannot be used to justify the termination of complainant. The formation came about before complainant's parents brought a minority stockholders' derivative suit and in fact, this was with the sanction of respondent company's president. The following handwritten communications by respondent Jesus Maglutac show that he even

encouraged the organization of MM International Inc. which Articles of Incorporation show complainant among the incorporating directors." (p. 32, Rollo)

Moreover, the complainant was dismissed without due process. His dismissal was made effective immediately and he was not given an opportunity to present his side. As found by the Labor Arbiter:

"After studying in depth the facts and the evidence it is difficult to divert from the fact that the dismissal of complainant was triggered by his parent's filing a derivative suit against respondents with the Securities and Exchange Commission where it is alleged that the company's president and his wife siphoned company funds to their private bank accounts. Complainant's cause of termination cannot easily and simply be detached from the filing of the minority stockholders' derivative suit as this dismissal came abruptly shortly after the derivative suit was filed. Complainant's brother who was likewise employed by respondents was likewise dismissed and this came on the heels of the suit filed with the Securities and Exchange Commission.

"The sequence of events should not be overlooked. It provides the link for the dismissal of complainant and his brother. Worse, the requirement of due process was blatantly violated. His notice of termination dated October 3, 1984 ipso facto states that his dismissal is effective immediately. It should have dawned upon the senses of respondents that BP 130 strictly enjoins an employer to terminate an employee provided the latter is given the opportunity to answer charges imputed against him as basis for disciplinary action. The case at bar prominently reveals respondent's oversight of the requirements of the law. On this score alone, the illegality of complainant's dismissal is bared eloquently more than ever.

"It appears very clearly that the feud between complainant's parents and respondent's president, the brother of complainant's father, seethed to an intolerable point not sparing innocent people among whom is the complainant. Like a wild fire spreading its path, complainant's close kins were sacked from their employ with respondent corporation in what is termed by complainant as a 'vendetta drive.' But blood spawned as a result of the derivative suit filed by complainant's parents, although the suit is, legally speaking, intended to 'protect and safeguard the company's interest from further depredation.'" (pp. 31-32, Rollo)

Where the employee's dismissal was effected without procedural fairness, an award of exemplary damages in her favor can only be justified if her dismissal was affected in a wanton, oppressive or malevolent manner (National Service Corp., et al. v. NLRC, G.R. No. 69870, Nov. 29, 1988). The Labor Arbiter justified the award of moral damages from its finding of the oppressive and malevolent manner the complainant and his relatives were treated after Jesus T. Maglutac found out that a derivative suit was filed by complainant's family with the Securities and Exchange Commission accusing him and his wife of diverting corporation assets to their personal accounts. The Labor Arbiter justified the award of damages, thus:

"Complainant undoubtedly was exposed to undue humiliation as a result of his dismissal. From the taunts and sleepless nights he suffered, the pain cannot be more than imagined. The oppressive and malevolent treatment which respondents subjected him to, including the ill-concealed attempt to deprive him of his rights to the car that he had acquired through the company's car plan, not to mention the vindictive manner in which his mother was removed as a director and his brother dismissed from CMS International, furnishes adequate basis for the claim for moral and exemplary damages." (pp. 35-36, Rollo)

We agree however, with the contention of the Solicitor General that the award by the Labor Arbiter of P200,000.00 moral damages and P20,000.00 exemplary damages is excessive. In the exercise of our discretion, We reduce the award of damages to P40,000.00 as moral damages and P10,000.00 as exemplary damages (See General Bank. v. C.A., G.R. No. L-42724, April 9, 1985).

The second ground raised by complainant, that is, that individual respondent Jesus T. Maglutac should be held jointly and severally liable with Commart, is also meritorious. In the case of Chua V. NLRC, G.R. 81450, Feb. 15, 1990, citing the case of A.C. Ransom Labor Union - CCLU v. NLRC, 142 SCRA 269, We affirmed the finding of

the Labor Arbiter and the NLRC that the vice-president of a corporation who was the most ranking officer of the corporation can be held jointly and severally liable with the corporation for the payment of the unpaid wages of its president. It was held:

"We resolve the issue in the light of the precedent set in the case of A.C. Ransom Labor Union -CCLU v. National Labor Relations Commission (142 SCRA 269 [1986]). In this case, the Court set aside the decision of the NLRC upholding the personal non-liability of the individual officers and agents of the corporation unless they have acted beyond the scope of their authority. In thus reversing the NLRC decision, the Court ruled that the president or presidents of the corporation may be held liable for the corporations's obligations to its workers.

"The Court explained:

'(c) Employer includes any person acting in the interest of an employer directly or indirectly. The term shall not include any labor organization or any of its officers or agents except when acting as employer.

'x x x Since RANSOM is an artificial person, it must have an officer who can be presumed to be the employer, being the 'person acting in the interest of employer,' RANSOM. The Corporation, only in the technical sense is the employer.'

'The responsible officer of an employer corporation can be held personally, not to say even criminally, liable for non-payment of backwages. x x x ' (At pp. 273-274; Underlining supplied)

'x x x

"This court continued:

'x x x

'(d) The record does not clearly identify 'the officer or officers of RANSOM directly responsible for failure to pay backwages of the 22 strikers. In the absence of definite proof in that regard, we believe it should be presumed that the responsible officer is the President of the corporation who can be deemed the chief operation officer thereof. Thus, in RA 602, criminal responsibility is with the 'manager or in his default, the person acting as such.' In RANSOM, the President appears to be the Manager." (At p. 274)

"In the instant case, it was correct for the private respondent to have impleaded the petitioner in the complaint considering that the latter was the highest and most ranking official of the corporation after the private respondent had resigned. Certainly, there should be an officer directly responsible for the failure to pay the wages of the corporation's president. In this case, such officer happened to be the vice-president."

And, in the later case of Gudez, et al., v. NLRC, et al., G.R. 83023, March 23, 1990, We held the president and treasurer, Herminia Crisologo, jointly and severally liable with the corporation. In the said case, the employer corporation, Retired Army Protective Security Agency, Inc. (RAPSA), was ordered to cease operations and the corporation, on the same day when the Labor Arbiter promulgated its decision, filed a petition for voluntary insolvency, We held:

"x x x. The foregoing circumstances make it more necessary to hold respondent Crisologo liable for the claims due to petitioners; otherwise, any decision that would be rendered in favor of the latter would be useless and ineffective for there would no one against whom it can be enforced."

The same circumstances obtain in the instant case in the light of the manifestation of Commart that it had become insolvent and that it had suspended operations.

Moreover, not only was Jesus T. Maglutac the most ranking officer of Commart at the time of the termination of

the complainant, it was likewise found that he had a direct hand in the latter's dismissal. The Labor Arbiter therefore, correctly ruled that Jesus T. Maglutac was jointly and severally liable with Commart.

In G.R. No. 78637, Jesus T. Maglutac would want Us to reverse the findings of the Labor Arbiter and the NLRC that complainant Jose M. Maglutac was dismissed without just cause. The matter, being factual, is beyond the authority of this court to review. Factual findings of administrative agencies are generally final and binding upon this Court when supported by substantial evidence as in the instant case.

Likewise, respondents' claim that they were denied due process because the Labor Arbiter rendered judgment on the basis of complainant's reply-position paper without furnishing them a copy thereof, is not meritorious. Where the records show that in response to the complaint before the Labor Arbiter rendered his decision, Commart and Jesus T. Maglutac submitted a position paper, complete with annexes where they set out and argued the factual as well as the legal basis of their positions, their due process argument must fail. (see *Llora Motors, Inc. v. Franklin Drilon*, G.R. 82895, 7 Nov. 1989) The procedure by which issues are resolved based on position papers, affidavits and other documentary evidence is recognized as not violative of due process (*AMS Farming Corp. v. Pura Ferrer-Calleja*, G.R. No. 80557, Feb. 1988). The failure of complainant to serve a copy of his Reply?Position Paper is therefore, not fatal, it having been established that Commart and Jesus T. Maglutac were afforded a reasonable opportunity to present their sides. Moreover, the existence of the letters written by individual respondent Jesus T. Maglutac encouraging the formation of MM International was never denied by him before the NLRC nor before this Court.

"While an employer has its own interests to protect, and pursuant thereto, it may terminate a managerial employee for a just cause, such prerogative to dismiss or lay-off an employee must be exercised without abuse of discretion. Its implementation should be tempered with compassion and understanding. The employer should bear in mind that in the execution of said prerogative, what is at stake is not only the employees position but his livelihood. The fact that one is a managerial employee does not by itself exclude him from the protection of the constitutional guarantee of security of tenure (*Santo v. NLRC*, G.R. 76991, Oct. 28, 1988).

One final point. It cannot now be expected that the harmonious and pleasant working relationship between the parties in this case prior to the bringing of the derivative suit with the Securities and Exchange Commission and the filing of complaint for illegal dismissal with the Labor Arbiter, can be revived. The relationship had been so strained that to order the reinstatement of the complainant would not be wise. Where the relationship of employer to employee is so strained and ruptured as to preclude a harmonious working relationship should reinstatement of the employee be decreed, the latter should be afforded the right to separation pay where the employer does not have to endure the continued services of the employee in whom it has lost confidence (*Esmalin v. NLRC*, G.R. 67880, 15 September 1989, *Bautista v. Enciong*, G.R. No. L-52824, 16 March 1988, *Asiaworld Publishing House Inc., v. Hon. Ople, et al.*, G.R. No. 56398, July 23, 1987).

ACCORDINGLY, a decision is hereby rendered as follows:

1. In G.R. No. 78345, the petition is GRANTED. The decision of the Labor Arbiter is REINSTATED but the award of damages is reduced to P40,000.00 as moral damages and P10,000.00 as exemplary damages. In lieu of reinstatement, private respondents are ordered to pay complainant separation pay of one month salary for every year of service in addition to his backwages equivalent to three years.
2. In G.R. No. 78637, the petition is DISMISSED.

SO ORDERED.

Narvasa, (Chairman), Cruz, Gancayco, and Griño-Aquino, JJ., concur.

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.