

**PHILIPPINE NATIONAL BANK, PETITIONER, VS. TERESITA CRUZ,
JOSE AGRIPINO, BERNARDO BAUZON, LUCRECIA BILBAO, MA. LUISA
CABRERA, FRANCIS BAACLO, GUADALUPE CAMACHO, LUZ DE
LEON, MIKE...**

G.R. No. 80593. December 18, 1989

Ponente: GANCAYCO, J.

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GANCAYCO, J.:

The focus of the instant petition for certiorari is the application of Article 110 of the Labor Code. The said article provides that workers shall enjoy first preference with regard to wages due them in cases of bankruptcy or liquidation of an employer's business.

The antecedent facts of the case are as follows:

Sometime in 1980 Aggregate Mining Exponents (AMEX) laid-off about seventy percent (70%) of its employees because it was experiencing business reverses. The retained employees constituting thirty percent (30%) of the work force however, were not paid their wages. This non-payment of salaries went on until July 1982 when AMEX completely ceased operations and instead entered into an operating agreement with T.M. San Andres Development Corporation whereby the latter would be leasing the equipment and machineries of AMEX.

The unpaid employees sought redress from the Labor Arbiter[1] who, on August 27, 1986 rendered a decision finding their claim valid and meritorious. The dispositive part of the said decision, reads:

WHEREFORE, finding the claims of complainants for payment of unpaid wages and separation pay to be valid and meritorious, respondents Aggregate Mining Exponent and its president Luis Tirso Revilla should, as they are hereby ordered to pay the same to said complainants in the following amounts:

Employees

Yrs. of Service

Rate

Separation Pay

Backwages

1. Jose Agripino

8

P1,300.00

P 5,200.00

P 6,174.96

2. Bernardo Bauzon

9

1,900.00

8,550.00

11,712.85

3. Lucrecia Bilbao

7

2,300.00

8,050.00

19,247.00

4. Teresita S. Cruz

12

2,700.00

16,200.00

23,485.70

5. Ma. Luisa Cabrera

3

1,800.00

2,700.00

5,004.35

6. Francis Baaclo

7

3,500.00

12,250.00

32,986.90

7. Guadalupe Camacho

6

1,300.00

3,900.00

3,227.15

8. Luz de Leon

5

1,300.00

3,250.00

3,110.85

9. Mike Villaverde

6

1,500.00

4,500.00

4,793.80

10. Nepomuceno Medina

5

1,200.00

3,000.00

4,287.10

11. Edgardo Mendoza

4

920.00

1,840.00

832.10

12. Jennifer Velez

2

740.00

740.00

4,287.66

13. Amelia Medina

2

740.00

740.00

6,822.81

14. Eduardo Espejo

4

970.00

1,940.00

234.10

15. Ricardo Batto

7

3,000.00

10,500.00

9,874.70

TOTAL. . . .

P83,360.00

P136,092.03

in the total amount of P219,452.03. To properly effectuate the payment of the same, the necessary arrangement should be made between respondents Amex and T.M. San Andres Development Corp. and Philippine National Bank (PNB) on their respective role and participation herein. For should the principal respondent be unable to satisfy these Awards, the same can be satisfied from the proceeds or fruits of its machineries and equipment operated by respondent T. M. San Andres Dev. Corp. either by operating agreement with respondent Amex_or thru lease of the same from PNB.

To obviate any further differences between complainants and their counsel to the latter's attorney's fees which seems to be the cause of their earlier misunderstanding, as can be gleaned from the Charging Lien filed by said counsel, respondents are, moreover, ordered to segregate and pay the same directly to said counsel, the amount of which is to be computed pursuant to their agreement on July 14, 1983 (Annex A of Position to Enter Attorney's Charging Lien in the Record of the Case)."[2]

AMEX and its President, Tirso Revilla did not appeal from this decision. But PNB, in its capacity as mortgagee-creditor of AMEX interposed an appeal with the respondent Commission, not being satisfied with the outcome of the case. The appeal was primarily based on the allegation that the workers' lien covers unpaid wages only and not the termination or severance pay which the workers likewise claimed they were entitled to.

In a resolution[3] dated October 27, 1987, the National Labor Relations Commission affirmed the decision appealed from. Hence the instant petition filed by the petitioner bank based on the following grounds:

"I. ARTICLE 110 OF THE LABOR CODE MUST BE READ IN RELATION TO ARTICLES 2241, 2242, 2243, 2244 AND 2245 OF THE CIVIL CODE CONCERNING THE CLASSIFICATION, CONCURRENCE AND PREFERENCE OF CREDITS.

II. ARTICLE 110 OF THE LABOR CODE DOES NOT PURPORT TO CREATE A LIEN IN FAVOR OF WORKERS OR EMPLOYEES FOR UNPAID WAGES EITHER UPON ALL OF THE PROPERTIES OR UPON ANY PARTICULAR PROPERTY OWNED BY THEIR EMPLOYER."[4]

The petition is devoid of merit.

At the outset, petitioner PNB did not question the validity of the workers' claim for unpaid wages with respect to the mortgaged properties of AMEX, provided that the same be limited to the unpaid wages, and to the exclusion of termination pay. In the instant petition however, PNB starts off with the question of whether or not the workers' lien takes precedence over any other claim considering that this Court has ruled otherwise *Republic vs. Peralta*. [5]

This Court cannot allow the petitioner to alter its stance at this stage inasmuch as it is deemed to have acquiesced in the decision of the labor arbiter concerning payment of unpaid wages. The records reveal that the petitioner failed to question the same on appeal. Hence, it is now barred from claiming that the workers' lien applies only to the products of their labor and not to other properties of the employer which are encumbered by mortgage contracts otherwise.

Notwithstanding the foregoing, an attempt on the part of the petitioner to seek relief from that portion of the decision would still be in vain.

Article 110 of the Labor Code provides that:

"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 their unpaid wages and other monetary claims, any provision of law to the contrary notwithstanding. Such unpaid wages and monetary claims, shall be paid in full before claims of the Government and other creditors may be paid."[6]

This Court must uphold the preference accorded to the private respondents in view of the provisions of Article 110 of the Labor Code which are clear and which admit of no other interpretation. The phrase "any provision of law to the contrary notwithstanding" indicates that such preference shall prevail despite the order set forth in Articles 2241 to 2245 of the Civil Code. 6-a No exceptions were provided under the said article, henceforth, none shall be considered. Furthermore, the Labor Code was signed into Law decades after the Civil Code took effect.

In *Herman vs. Radio Corporation of the Philippines*, [7] this Court declared that whenever two statutes of different dates and of contrary tenor are of equal theoretical application to a particular case, the statute of later date must prevail being a later expression of legislative will. Applying the aforecited case in the instant petition, the Civil Code provisions cited by the petitioner must yield to Article 110 of the Labor Code.

Moreover, Our pronouncement in *A.C. Ransom Labor Union - CCLU vs. NLRC*, [8] reinforces the above-mentioned interpretation where this Court, speaking through Associate Justice Melencio-Herrera, explicitly stated that "(t)he worker preference applies even if the employer's properties are encumbered by means of a mortgage contract xxx. So that, when (the) machinery and equipment of RANSOM were sold to Revelations Manufacturing Corporation for P2 M in 1975, the right of the 22 laborers to be paid from the proceeds should have been recognized xxx." [9]

Reliance by the petitioners on *Republic vs. Peralta* is without basis. The said case involved a question of workers'

preference as against the tax claims of the State. In the said case the Court held that the State must prevail in that instance since "it has been frequently said that taxes are the very lifeblood of government. The effective Collection of taxes is a task of highest importance for the sovereign. It is critical indeed for its own survival." [10]

Nevertheless, under Article 110 of the Labor Code as amended, the unpaid wages and other monetary claims of workers should be paid in full before the claims of the Government and other creditors. Thus not even tax claims could have preference over the workers claim.

Consistent with the ruling of this Court in *Volkschel Labor Union vs. Bureau of Labor Relations*, [11] this Court adopts the doctrine that "(i)n the implementation and interpretation of the provisions of the Labor Code and its implementing regulations, the workingman's welfare should be the primordial and paramount consideration." [12] Bearing, this in mind, this Court must reiterate the dictum laid down in *A.C. Ransom* that the conflict between Article 110 of the Labor Code and Articles 2241 to 2245 of the Civil Code must be resolved in favor of the former. A contrary ruling would defeat the purpose for which Article 110 was intended; that is, for the protection of the working class, pursuant to the never-ending quest for social justice.

Petitioner next advances the theory that "even if the worker's lien applies in the instant case, the same should cover only unpaid wages excluding termination or severance pay." [13] To support this contention, petitioner cites Section 7, Rule I, Book VI of the Rules and Regulations implementing the Labor Code which provides that:

"The just causes for terminating the services of an employee shall be those provided under Article 283 of the Code. The separation from work of an employee for a just cause does not entitle him to termination pay provided in the Code, xxx." (Underscoring by petitioner.)

Based on that premise, petitioner contends that the claim for termination pay should not be enforced against AMEX properties mortgaged to petitioner PNB because Article 110 of the Labor Code refers only to "wages due them for services rendered during the period prior to bankruptcy or liquidation." [14] Citing serious financial losses as the basis for the termination of the private respondents, petitioner alleges that the employees are not entitled to the termination pay which they claim.

This contention is, again, bereft of merit.

The respondent Commission noted that "AMEX failed to adduce convincing evidence to prove that the financial reverses were indeed serious." [15] After a careful study of the records of the case, this Court finds no reason to alter the findings of the respondent Commission.

In *Garcia vs. National Labor Relations Commission*, [16] it was held that "it is essentially required that the alleged losses in business operations must be proved." [17] This policy was adopted to obviate the possibility of an employer fabricating business reverses in order to ease out employees for no apparent reason. Hence, no departure shall be made by this Court from the ruling in *Philippine Commercial and Industrial Bank vs. National Mines and Allied Workers Union (NAMA-WU-MIF)* [18] where it was categorically stated that the term "wages" includes not only remunerations or earnings payable by an employer for services rendered or to be rendered, but also covers all benefits of the employees under a Collective Bargaining Agreement like severance pay, educational allowance, accrued vacation leave earned but not enjoyed, as well as workmen's compensation awards and unpaid salaries for services rendered. All of these benefits fall under the term "wages" which enjoy first preference over all other claims against the employer. [19]

Furthermore, in *Peralta*, this Court held that for purposes of the application of Article 110, "termination pay is reasonably regarded as forming part of the remuneration or other money benefits accruing to employees or workers by reason of their having previously rendered services xxx." [20] Hence, separation pay must be

considered as part of remuneration for services rendered or to be rendered.

Indeed Article 110 of the Labor Code, as amended, *aforecited*, now provides that the workers' preference covers not only unpaid wages but also all other monetary claims.

The respondent Commission was, therefore, not in error when it awarded the termination pay claimed by the private respondents. As far as the latter are concerned, the termination pay which they so rightfully claim is an additional remuneration for having rendered services to their employer for a certain period of time. Noteworthy also is the relationship between termination pay and services rendered by an employee, that in computing the amount to be given to an employee as termination pay, the length of service of such employee is taken into consideration such that the former must be considered as part and parcel of wages. Under these circumstances then, this Court holds that the termination or severance pay awarded by the respondent Commission to the private respondents is proper and should be sustained.

Lastly, it must be noted that the amount claimed by petitioner PNB for the satisfaction of the obligations of AMEX is relatively insubstantial and is not significant enough as to drain its coffers. By contrast, that same amount could mean subsistence or starvation for the workingman. Quoting further from Philippine Commercial and Industrial Bank, this Court supports the equitable principle that "it is but humane and partakes of the divine that labor, as human beings, must be treated over and above chattels, machineries and other kinds of properties and the interests of the employer who can afford and survive the hardships of life better than their workers. Universal sense of human justice, not to speak of our specific social justice and protection to labor constitutional injunctions dictate the preferential lien that the above provision accord to labor."^[21] In line with this policy, measures must be undertaken to ensure that such constitutional mandate on protection to labor is not rendered meaningless by an erroneous interpretation of the applicable laws.

WHEREFORE, premises considered, the petition is hereby **DISMISSED** for lack of merit. No costs.

SO ORDERED.

Narvasa, (Chairman), Griño-Aquino, and Medialdea, JJ., concur.
Cruz, J., concur and file a separate opinion.

[1] Labor Arbiter Raymundo R. Valenzuela.

[2] Pages 34 to 35, Rollo.

[3] Penned by Commissioner Oscar N. Abella, concurred in by Commissioners Daniel M. Lucas, Jr. and Domingo Zapanta.

[4] Page 6, Petition; Page 28, Rollo.

[5] 150 SCRA 37 (1987).

[6] Republic Act 6715; See Official Gazette, Manila 6, 1989, page 15.

6-a Articles 2241 to 2245, Civil Code of the Philippines.

[7] 50 Phil. 490 (1927).

[8] 150 SCRA 498 (1987).

[9] Ibid, page 507.

[10] Op cit., page 51.

[11] 137 SCRA 42 (1985).

[12] Ibid, page 48.

[13] Page 26, Rollo.

[14] Page 27, Rollo.

[15] Pages 4 to 5, Resolution; page 36 to 37, Rollo.

[16] 153 SCRA 639 (1987), citing National Federation of Labor Union vs. Ople, 143 SCRA 124 (1986).

[17] Ibid, page 651.

[18] 115 SCRA 873 (1982).

[19] Ibid, page 880.

[20] Supra, note 5, page 44.

[21] Op. cit., Note 18, pages 880 to 881.

PNB vs Cruz : 80593 : December 18, 1989 : J. Cruz : First Division : Concurring Opinion Normal Clean 6 pt 6 pt 0 3 MicrosoftInternetExplorer4 st1:*{behavior:url(#ieooui) } /* Style Definitions */ table.MsoNormalTable {mso-style-name:"Table Normal"; mso-tstyle-rowband-size:0; mso-tstyle-colband-size:0; mso-style-noshow:yes; mso-style-parent:""; mso-padding-alt:0in 5.4pt 0in 5.4pt; mso-para-margin:0in; mso-para-margin-bottom:.0001pt; mso-pagination:widow-orphan; font-size:10.0pt; font-family:"Times New Roman";}

CONCURRING OPINION**CRUZ, J.:**

I can perhaps be allowed a little immodesty in taking this occasion to point out that in Republic of the Philippines v. Peralta, cited in the ponencia, I was the only one who held the view that the claims of the laborers should take precedence over those of even the Government under Article 110 of the Labor Code.

Interpreting the said provision, I submitted that it should be read according to its literal import and obvious philosophy, to favor and protect the laborer pursuant to the social justice policy. None of my thirteen colleagues then agreed with me.

With the amendment of the article, evidently to correct the meaning given to it in Peralta, all doubt has been removed as to its original intention (which I feel was quite clear even before). There is no question now that under Article 110 of the Labor Code as reworded the claims of the laborer prevail over those of all others, including the Government itself, in the interest of social justice. It is for me a cause for deep elation.

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