

RURAL BANK OF COTABATO, INC., PETITIONER, VS. NATIONAL LABOR RELATIONS COMMISSION, FELISA G. EUGENIO, EDNA C. TAN AND BESSIE A. BAJAR, RESPONDENTS.

G.R. No. 80975. June 22, 1989

Ponente: GANCAYCO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-80975/>

GANCAYCO, J.:

The principal issue in this Petition is whether or not the retrenchment of the private respondents amounts to an illegal dismissal. The Petition is erroneously captioned as a Petition for Review on Certiorari. This error notwithstanding, and in the interest of justice, the Court resolved to treat the Petition as a special civil action for certiorari on account of the jurisdictional issues raised herein.

The petitioner Rural Bank of Cotabato, Inc. is a banking corporation organized under the laws of the Philippines. Its principal business office is in Cotabato City. The private respondents Felisa G. Eugenio, Edna C. Tan and Bessie A. Bajar were employees of the said bank.

On October 1, 1984, the petitioner informed the private respondents that they were going to be retrenched effective November 1, 1984 on account of serious financial problems confronting the bank. The private respondents were eventually terminated.

The petitioner offered each of the private respondents one-half month salary for every year of service as separation pay apart from other benefits due them. The private respondents refused the offer. They were of the view that there was no valid retrenchment inasmuch as the business of the petitioner had been profitable for the past several years. Accordingly, they demanded one month salary for every year of service as separation pay, as well as other benefits due them. The petitioner, however, refused to accede to their demands.

On November 7, 1984, the private respondents filed a Complaint for illegal dismissal against the petitioner with the Regional Arbitration Branch of the National Labor Relations Commission.

The parties submitted their respective position papers. In the course of the proceedings, the hearing officer assigned to the case submitted his report to the Executive Labor Arbiter. The hearing officer was of the view that the petitioner was guilty of illegal dismissal. Accordingly, he recommended that the petitioner be made to pay the private respondents one month salary for every year of service as their separation pay, as well as their benefits due them, including costs of litigation, interest, attorney's fees and moral and exemplary damages. The Executive Labor Arbiter adopted the recommendation of the hearing officer in his Decision dated October 18, 1985.[1]

On December 9, 1985, the petitioner brought an appeal to the National Labor Relations Commission.[2] On October 30, 1986, while the case was pending on appeal, private respondent Edna C. Tan entered into a compromise agreement with the petitioner.[3] For this reason, the said parties sought the dismissal of the Complaint filed by the said private respondent against the petitioner. They filed a joint Motion to Dismiss for this purpose.[4]

In a Resolution dated August 31, 1987, the Second Division of the National Labor Relations Commission upheld in toto the Decision of the Executive Labor Arbiter and dismissed the appeal of the petitioner.[5]

On December 18, 1987, the petitioner elevated the case to this Court by way of the instant Petition.[6]

The petitioner argues that the retrenchment it had undertaken was valid on account of the serious financial problems of the firm. The petitioner points out that although its audited financial statements show that the firm generated profits from 1981 up to the time the private respondents were retrenched on November 1, 1984, it still suffered losses for the said years considering that the bank has a number of accounts to settle with the Central Bank. The petitioner also alleges that it will suffer greater losses as a result of the withdrawal of various tax exemptions enjoyed by rural banks upon the effectivity of Presidential Decree No. 155 on October 15, 1984. For these reasons, the petitioner maintains that the award of separation pay in favor of private respondents Eugenio and Bajar should have been on the basis of a valid retrenchment, i.e., one-half month for every year of service, and that the award of interest, attorney's fees, costs of litigation as well as moral and exemplary damages has no legal basis.

The petitioner also argues that the award in favor of private respondent Tan should not have been sustained inasmuch as she had already executed a compromise agreement with the company.

In fine, the Petition is anchored on the argument that the respondent Commission committed a grave abuse of discretion amounting to loss of jurisdiction when it dismissed the petitioner's appeal.

In his Comment dated June 24, 1988,[7] the Solicitor General contends that at the time of the retrenchment of the private respondents, the petitioner had substantial credits in the form of accrued receivables from funds it had loaned to the public in an amount that was more than enough to pay for all of its outstanding obligations to the Central Bank. He points out that if this observation were not true, the petitioner should have been out of business a long time ago.

He likewise argues that at the time of the said retrenchment, there was then no way of assessing the perceived adverse effects of Presidential Decree No. 155 on the petitioner simply because there were no rules and regulations to implement the said Decree. The potential losses claimed by the petitioner relating to the Decree are dismissed by the Solicitor General as mere speculations.

Thus, he maintains that the private respondents were illegally dismissed pursuant to an invalid retrenchment undertaken by the petitioner and they are entitled to one month salary for every year of service as separation pay, and such other amounts of money that are due them.

As to the award of interest, attorney's fees, costs of litigation as well as moral and exemplary damages, the Solicitor General stresses that such award was based on the petitioner's willful refusal to pay the amounts of money due the private respondents as alleged by the latter in their Complaint. He adds that the petitioner never refuted these allegations when it could have done so in its Position Paper submitted to the hearing officer of the respondent Commission, and that, accordingly, the petitioner cannot be heard to disavow the same at this stage of the proceedings.

The Solicitor General agrees, however, that the award in favor of private respondent Tan should not have been sustained by the respondent Commission inasmuch as she had already entered into a compromise agreement with the petitioner. The Solicitor General submits that her inclusion in the Resolution of the respondent Commission was an oversight.

In sum, the Solicitor General seeks the dismissal of the instant Petition for lack of merit.

After a careful examination of the entire record of the case, the Court finds the instant Petition devoid of merit.

The Court is not convinced that the retrenchment undertaken by the petitioner was brought about by serious financial problems confronting the company. The petitioner admits that it realized profits from 1981 and thereafter, even up to the time the private respondents were terminated in November, 1984.[8] This notwithstanding, the petitioner alleges that it has numerous accounts to settle with the Central Bank in an amount exceeding the said profits. Be that as it may, the petitioner makes no mention of its credits and other receivables from funds it had loaned out to the public. These credits and receivables must be in an amount greater than the alleged payables, otherwise, as observed by the Solicitor General, the petitioner should have been out of business a long time ago.

The petitioner has not clearly demonstrated how Presidential Decree No. 1955 can bring about adverse effects on its business to such an extent that it has no choice but to retrench several employees. These potential losses claimed by the petitioner are simply speculative in character. They cannot justify the retrenchment undertaken by the petitioner.

Clearly then, there is no basis for the alleged retrenchment of the private respondents. To all intents and purposes, they were illegally dismissed by the petitioner.

Taking this observation into account, the award of interest, attorney's fees, costs of litigation as well as moral and exemplary damages in favor of the private respondents is in order.

As regards private respondent Tan, the award in her favor should not have been sustained by the respondent Commission. She had already entered into a compromise agreement with the petitioner and as such, all her claims against the petitioner must be considered settled. The respondent Commission must have committed a mistake in this regard. Accordingly, the Resolution of the respondent Commission should be deemed modified to include a statement that all her claims against the petitioner are considered settled on account of the compromise agreement she had entered into with the petitioner.

By and large, however, the Court is of the well-considered opinion that the respondent National Labor Relations Commission did not commit a grave abuse of discretion amounting to loss of jurisdiction in dismissing the appeal of the petitioner.

WHEREFORE, in view of the foregoing, except for the above stated modification of the resolution of respondent Commission that all the claims of private respondent Edna C. Tan had been settled, the instant Petition is hereby DISMISSED for lack of merit as to the other private respondents, without pronouncement as to costs.

SO ORDERED.

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

[1] Pages 36 to 42, Rollo.

[2] Pages 43 to 51, Rollo.

[3] Pages 58 and 59, Rollo.

[4] Page 60, Rollo.

[5] Pages 52 to 56, Rollo.

[6] Pages 3 to 14, Rollo.

[7] Pages 115 to 120, Rollo.

[8] Pages 4 and 5, Petition; pages 6 and 7, Rollo.

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.