

**JAIME PABALAN AND EDUARDO LAGDAMEO, PETITIONERS, VS.  
NATIONAL LABOR RELATIONS COMMISSION, LABOR ARBITER  
AMBROSIO B. SISON, ELIZABETH RODEROS, ET AL., AND THE  
SHERIFF OF THE NATI...**

*G.R. NO. 89879. April 20, 1990*

Ponente: GANCAYCO, J.

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**GANCAYCO, J.:**

Once again the parameters of the liability of the officers of a corporation as to unpaid wages and other claims of the employees of a corporation which has a separate and distinct personality are brought to fore in this case.

On October 20, 1987, eighty-four (84) workers of the Philippine Inter-Fashion, Inc. (PIF) filed a complaint against the latter for illegal transfer simultaneous with illegal dismissal without justifiable cause and in violation of the provision of the Labor Code on security of tenure as well as the provisions of Batas Pambansa Blg. 130. Complainants demanded reinstatement with full back wages, living allowance, 13th month pay and other benefits under existing laws and/or separation pay.

On October 21, 1987, PIF, through its General Manager, was notified about the complaint and summons for the hearing set for November 6, 1987. The hearing was re-set for November 27, 1987 for failure of respondents to appear. On November 30, 1987 respondents (petitioners herein) moved for the cancellation of the hearing scheduled on November 6, 1987 so that they could engage a counsel to properly represent them preferably on November 17, 1987.

On December 10, 1987 both parties were directed to submit their respective position papers within ten (10) days. By mutual agreement the hearing was re-set on December 21, 1987 but on said date respondents and/or counsel failed to appear. The hearing was re-set on January 14, 1988 on which date respondents were given a deadline to submit their position paper.

On January 4, 1988 complainants filed their position paper. On January 14, 1988 counsel for respondents moved that he be given until January 22, 1988 to file their position paper. The labor arbiter granted the motion. The PIF filed its position paper on January 22, 1988. The hearing for February 17, 1988 was re-set to March 9, 1988 and on March 29, 1988 on which dates respondents failed to appear.

On May 5, 1988, with leave of the labor arbiter, complainants filed their supplemental position paper impleading the petitioners as officers of the PIF in the complaint for their illegal transfer to a new firm.

On July 13, 1988 a decision was rendered by the labor arbiter the dispositive part of which reads as follows:

“IN VIEW OF THE FOREGOING CONSIDERATION, respondent Philippine Inter-Fashion and its officers Mr. Jaime Pabalan and Mr. Eduardo Lagdameo are hereby ordered to:

- reinstate the sixty two (62) complainants to their former or equivalent position without loss of seniority rights

and privileges;

- to pay, jointly and severally, their backwages and other benefits from the time they were dismissed up to the time they are actually reinstated, the computation to be based from the latest minimum wage law at the time of their dismissal. (See attached Annex "A" of complainants' position paper.)

SO ORDERED."[1]

Not satisfied therewith petitioners filed a motion for reconsideration in the First Division of the public respondent, National Labor Relations Commission (NLRC), which nevertheless, affirmed the appealed decision and dismissed the appeal for lack of merit in a resolution dated June 30, 1989. Petitioners were ordered to pay the appeal fee in accordance with law.

Hence the herein petition for certiorari with prayer for the issuance of a temporary restraining order wherein the petitioners raised the following issues:

**"-A-**

THE ARBITER AND THE NLRC DID NOT ACQUIRE JURISDICTION OVER THE PERSONS OF THE PETITIONERS AND, THEREFORE, THE DECISION AND THE RESOLUTION, UNDER DISPUTE, ARE NULL AND VOID.

**-B-**

THE DECISION AND THE NLRC RESOLUTION SUFFER FROM A LEGAL AND CONSTITUTIONAL INFIRMITY BECAUSE THE SANCTION A DEPRIVATION OF PETITIONERS' PROPERTIES WITHOUT DUE PROCESS OF LAW.

**V**

THE ARBITER AND THE NLRC COMMITTED A GRAVE ABUSE OF DISCRETION IN ADJUDGING PETITIONERS HEREIN AS JOINTLY AND SEVERALLY LIABLE WITH PHILIPPINE INTER-FASHION, INC. TO PAY THE JUDGMENT DEBT."

On September 25, 1989 this Court dismissed the petition for insufficiency in form and substance having failed to comply with the Rules of Court and Administrative Circular No. 1-88 requiring the verification of the petition. A motion for reconsideration filed by the petitioners of the said resolution was denied on October 16, 1989 for failure to raise any substantial arguments to warrant a modification thereof. However, acting on an urgent motion to include the motion for reconsideration of the resolution of September 25, 1989 in the court's calendar which the Court granted, on November 30, 1989 the Court resolved to set aside said resolutions of September 25, 1989 and October 16, 1989, and to require respondents to comment thereon within ten (10) days from notice thereof. A temporary restraining order was issued enjoining respondents from enforcing or implementing the questioned decision of the labor arbiter affirmed by the NLRC upon a bond to be filed by petitioners in the amount of P100,000.00. However, on February 7, 1990 for failure of petitioner to file the required bond despite extensions of time granted them, the Court resolved to lift the temporary restraining order issued on November 13, 1989.

Now to the merit of the petition.

Petitioners do not question the merits of the decision insofar as PIF is concerned in this proceeding. The first two issues they raised are to the effect that the public respondents never acquired jurisdiction over them as they have not been served with summons and thus they were deprived due process.

The Court finds these grounds to be devoid of merit. As the record shows while originally it was PIF which was

impleaded as respondent before the labor arbiter, petitioners also appeared in their behalf through counsel. Thereafter when the supplemental position paper was filed by complainants, petitioners were impleaded as respondents to which they filed an opposition inasmuch as they filed their own supplemental position papers. They were therefore properly served with summons and they were not deprived of due process.

Petitioners contend however that under the circumstances of the case as officers of the corporation PIF they could not be jointly and severally held liable with the corporation for its liability in this case.

The settled rule is that the corporation is vested by law with a personality separate and distinct from the persons composing it, including its officers as well as from that of any other legal entity to which it may be related. Thus, a company manager acting in good faith within the scope of his authority in terminating the services of certain employees cannot be held personally liable for damages.[2] Mere ownership by a single stockholder or by another corporation of all or nearly all capital stocks of the corporation is not by itself sufficient ground for disregarding the separate corporate personality.[3]

As a general rule, officers of a corporation are not personally liable for their official acts unless it is shown that they have exceeded their authority.[4] However, the legal fiction that a corporation has a personality separate and distinct from stockholders and members may be disregarded as follows:

“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,” or to further an end subversive of justice. In the case of *Claparols vs. CIR* 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 xxx (are) 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 (to) confuse legitimate issues the veil which protects the corporation will be lifted.’ ”[5]

In this particular case complainants did not allege or show that petitioners, as officers of the corporation deliberately and maliciously designed to evade the financial obligation of the corporation to its employees, or used the transfer of the employees as a means to perpetrate an illegal act or as a vehicle for the evasion of existing obligations, the circumvention of statutes, or to confuse the legitimate issues.

Indeed, in the questioned resolution of the NLRC dated June 30, 1989 there is no finding as to why petitioners were being held jointly and severally liable for the liability and obligation of the corporation except as to invocation of the ruling of this Court in *A.C. Ransom Labor Union-CCLU vs. NLRC*[6] in that the liability in the cases of illegal termination of employees extends not only to the corporation as a corporate entity but also to its responsible officers acting in the interest of the corporation or employer.

It must be noted, however, that in *A.C. Ransom Labor Union-CCLU vs. NLRC* the corporation was a family corporation and that during the strike the members of the family organized another corporation which was the *Rosario Industrial Corporation* to which all the assets of the *A.C. Ransom Corporation* were transferred to continue its business which acts of such officers and agents of *A.C. Ransom Corporation* were intended to avoid payment of its obligations to its employees. In such case this Court considered the president of the corporation to be personally liable together with the corporation for the satisfaction of the claim of the employees.[7]

Not one of the above circumstances has been shown to be present. Hence petitioners can not be held jointly and

severally liable with the PIF corporation under the questioned decision and resolution of the public respondent.

WHEREFORE, the petition is GRANTED and the questioned resolution of the public respondent dated June 30, 1989 is hereby modified by relieving petitioners of any liability as officers of the PIF and holding that the liability shall be solely that of Philippine Inter-Fashion, Inc. No costs.

**SO ORDERED.**

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

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[1] Page 46, Rollo.

[2] Sunio vs. National Labor Relations Commission, 127 SCRA 390 (1984).

[3] Palay, Inc. vs. Clave, 124 SCRA 638 (1983).

[4] Mindanao Motor Line, Inc. vs. CIR, 6 SCRA 710 (1962); see also Banque Generale Belge, SA de Amberes, Belgian Deutsch Asiatische Bk., et al. vs. Walter Bull & Co., Inc., et al., 47 O.G. 138.

[5] A.C. Ransom Labor Union-CCLU vs. NLRC, 150 SCRA 498, 505-506 (1987), citations omitted.

**[6] 142 SCRA 269 (1986).**

[7] See also A.C. Ransom Labor Union-CCLU vs. NLRC, *supra*, at note 5.

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