GOLDEN DONUTS, INC. AND LEOPOLDO PRIETO, PETITIONERS, VS. NATIONAL LABOR RELATIONS COMMISSION, AGAPITO MACANDOG, LEONISA M. HONTIVEROS, ROSITA D. TAMARGO, LUCITA TEGIO AND ALMA ...

G.R. Nos. 113666-68. January 19, 2000

Ponente: PARDO, J.

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PARDO, J.:

The petition at bar is actually one for certiorari[1] impugning the resolution[2] of the National Labor Relations Commission (NLRC), which modified the Labor Arbiter's decision and ordered petitioner to reinstate complainants (respondents) to their former positions without loss of seniority rights and back wages limited to three (3) years from dismissal up to time of reinstatement and to pay respondents Rosita Tamargo, Lucita Tegio, Alma Magtarayo, and Leonisa Hontiveros each separation pay of P4,000.00; to pay complainant Agapito Macandog separation pay of P4,000.00, unpaid salary of P1,000.00; thirteenth month pay of P1,329.25 and attorney's fee of ten (10%) per cent of the total amount due; and the order[3] denying reconsideration of the aforementioned resolution.

Private respondents Macandog, Hontiveros, Tamargo, Tegio and Magtarayo, were employees of petitioner Golden Donuts, Inc., and were the complainants in three consolidated cases filed in September 1990 with the Labor Arbiter.

The facts are aptly summarized in the Labor Arbiter's decision dated January 29, 1993, as follows:

> "Complainants were members of the Kapisanan ng Manggagawa sa Dunkin Donut-CFW (KMDD-CFW, for short) whose collective bargaining agreement with the corporation expired on November 16, 1989. During the freedom period, or on October 17, 1989, respondents through its Human Resources and Industrial Relations Manager informed the President of the Union that the initial CBA negotiation was on October 26, 1989 and, at the same time, requested for the confirmation of the people who shall be the regular members of the union panel in order to avoid any misunderstanding. At which date however, despite the absence of Leopoldo Prieto, Jr., the management representative, and the President of the Union, both panels were able to agree on the rules regarding the negotiation, including the time, date and number of days the panels had to meet. On November 7, 1989 (sic) CBA negotiations, the management panel arrived late, or at 1:35 P.M. which was thirty five minutes late, thus prompting the union panel to walkout. Despite the management request to go back and proceed with the agenda, the union simply ignored the same. A day after, or on November 8, 1989, the management addressed a letter of apology to the union and requested that the CBA negotiation be resumed on November 9, 15 and 17, 1989 which was discredited in the following wise:
>
> 'November 9, 1989
>
> 'The Management CBA Negotiating Panel Golden Donuts, Inc.
>
> 'Attention: Ms. Gertrudes P. Bangalan HRIR Manager

‘We are in receipt of your letter expressing your sincere apology for the incident that happened last Nov. 7, 1989 at AIT.

‘Truly, it is our interest to come up with a peaceful negotiation, as we had displayed during our previous meetings. From punctuality even up to the manner of discussion we had shown our concern and sincere interest that we could finish our CBA as soon as possible smoothly and peacefully.

‘However, as we go on with the process, we observed that you are taking our CBA negotiation for granted, not considering it as one of your priorities.

‘However further, we would like to inform you that our final decision is to declare the negotiation DEADLOCK (sic).

‘Thus, we regret to inform you that we could not attent (sic) to your scheduled meeting this afternoon.

‘Sincerely yours,

‘Florante M. Vicedo
'KMDD President’

"Came November 15 and 17, but the union panel did not show up despite the management letters advising the former about the CBA meetings. Again, on November 20, 1989 management sent a letter informing the union regarding the resumption of the negotiation, but the same turned out fruitless. Finally, despite management’s open letter of admonition under date of November 23, 1989, the union struck on December 18, 1989.

"On the ground that the strike was illegal because (a) it was started without the union having first exercised the ritht (sic) to collective bargaining in violation of Article 264 (a) of the Labor Code; (b) the strikers barricaded the company premises, barring ingress to and egress from the premises, which resulted to the trapping of officers and employees; (c) the strikers, on December 19, 1989, overturned the company’s Isuzu Kc-20 Van with Plate No. 506 and, thereafter, smashed its windshield, headlights and sidemirrors; (d) the strikers brandished broken bottles of Coca-Cola and effectively prevented Ernesto de Castillo, the traffic dispatcher, and his driver, Narciso Urjal, from making any move to pacify the mob; and (e) the strike was affected without any strike vote for the purpose and without the approval of the majority of the membership, and for not having reported the same to the Ministry (now Department) of Labor and Employment; a Complaint with Prayer for Preliminary Injunction was filed by Golden Donuts, Inc. on January 9, 1990, seeking the following relief (sic): a) to declare the strike illegal and to dismiss all officers of the union and members who participated in the commission of illegal acts; b) to pay petitioner actual damages as may be proven, the sum of Five Hundred Thousand (P500,000.00) Pesos and Three Hundred Thousand (P300,000.00) Pesos, respectively, as moral and exemplary damages, plus attorney’s fees. After KMU’s Atty. Pontenciano Flores was retained as counsel by the union and strikers, and sensing the gravity of the penalties attendant to the strike resorted to, including the financial award that may be due the Golden Donuts, Inc. and civil liabilities that may be awarded thereafter, said counsel pleaded for a comprome (sic). Hence, on July 16, 1990, a compromise agreement was entered into by the KMDD-CFW and Golden Donuts, Inc. whereby:

‘4.4. The parties agree to withdraw/dismiss with prejudice any and all cases, whether criminal, civil or labor filed against each other and agree to execute affidavit of desistance and/or Motion to Dismiss to ensure the dismissal of these cases.

‘5. Upon execution of this Agreement, the parties undertake not to file any other charges/complaints against each other as this act constitutes a general waiver or release/quitclaim by them (sic).’

apart from the separation pay said strikers, 262 in all, should receive from the corporation, the variable amounts of which are stated in the list of workers attached to the agreement. Out of the said 262 striking force, only the five (5) aforenamed complainants disagree (sic) and did not receive the amount due, arguing that the

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> compromise agreement was entered into by their counsel and the President of the Union without their individual consent and/or authority and that the same was not approved nor ratified by the majority of the union membership. Hence, these complaints which were filed on the dates mentioned earlier."[4]

On January 29, 1993, the Labor Arbiter rendered a decision upholding the dismissal of private respondents and ruling that they were bound by the compromise agreement entered into by the union with petitioners. The dispositive portion of the decision states:

> "WHEREFORE, in conformity with the opinion above expressed, judgment is hereby rendered ordering the Golden Donuts, Inc.:
>
> "1. To pay complainants Rosita D. Tamargo, Lucita N. Tegio, Alma Magtarayo and Lenisa Hontiveros each the sum of Four Thousand Five Hundred (P4,500.00) Pesos as separation pay;
>
> "2. To pay complainant Agapito Macandog the following amounts:
>
> - Four Thousand Five Hundred (P4,500.00) Pesos as separation pay;
>
> - One Thousand (P1,000.00) Pesos as unpaid salary;
>
> - One Thousand Three Hundred Twenty-Nine and Twenty Five (P1,329.25) Centavos as balance of his thirteenth month pay.
>
> "3. To pay complainants' counsel ten percent (10%) of the total amount due them as attorney's fees.
>
> SO ORDERED."[5]

In due time, private respondents interposed an appeal to the NLRC, claiming that the union had no authority to waive or compromise their individual rights and that they were not bound by the compromise agreement entered into by the union with petitioners.

On October 29, 1993, the NLRC issued a resolution which disposed of the case as follows:

> "WHEREFORE, the decision of the Labor Arbiter is hereby accordingly modified and a new one entered ordering respondent to reinstate complainants to their former positions without loss of seniority rights and back-wages limited to three years from the time of their dismissal up to the time of reinstatement.
>
> "Furthermore, respondent is hereby ordered as follows:
>
> "1. To pay complainants Rosita D. Tamargo, Lucita N. Tegio, Alma Magtarayo and Leonisa Hontiveros each the sum of Four Thousand Five Hundred (P4,500.00) Pesos as separation pay;
>
> "2. To pay complainant Agapito Macandog the following amounts:
> "a. Four Thousand Five Hundred (P4,500.00) Pesos as separation pay;
>
> "b. On Thousand (P1,000.00) Pesos as unpaid salary;
>
> "c. One Thousand Three Hundred Twenty-Nine and Twenty-Five (P1,329.25) Centavos as balance of his thirteenth month pay.
>
> "3. To pay complainant's counsel ten percent (10%) of the total amount due them as attorney's fees."[6]

On January 31, 1994, the NLRC denied petitioners' motion for reconsideration of the resolution, for lack of an assignment of "palpable" or "patent" errors.[7]

Hence, this petition.[8]

The questions presented in the petition are: (1) whether or not a union may compromise or waive the rights to security of tenure and money claims of its minority members, without the latter's consent, and (2) whether or not the compromise agreement entered into by the union with petitioner company, which has not been consented to nor ratified by respondents minority members has the effect of res judicata upon them.

As a consequence of a negative ruling on the foregoing issues, there arises the issue of whether private respondents are entitled to monetary benefits subject of their individual complaints.

The petition is anchored on the argument that a preponderant majority of the union members, that is, 257 out of 262 members, having agreed to a compromise settlement whereby they shall be paid separation pay in exchange for the dismissal of the criminal and unfair labor practice cases filed by petitioners against them, the union is authorized to waive and compromise even the claims of those who did not consent to the terms of such compromise agreement. In other words, petitioners claim that the compromise agreement is binding on union members including those who did not consent thereto, such as private respondents.

We find the petition without merit.

First, even if a clear majority of the union members agreed to a settlement with the employer, the union has no authority to compromise the individual claims of members who did not consent to such settlement. Rule 138 Section 23 of the 1964 Revised Rules of Court requires a special authority before an attorney may compromise his client's litigation. "The authority to compromise cannot lightly be presumed and should be duly established by evidence."[9]

In the case at bar, minority union members did not authorize the union to compromise their individual claims. Absent a showing of the union's special authority to compromise the individual claims of private respondents for reinstatement and back wages, there is no valid waiver of the aforesaid rights. As private respondents did not authorize the union to represent them in the compromise settlement, they are not bound by the terms thereof.[10]

Second, whether minority union members who did not consent to a compromise agreement are bound by the majority decision approving a compromise settlement has been resolved in the negative.[11]

In La Campana, we explicitly declared:

> "Money claims due to laborers cannot be the object of settlement or compromise effected by a union or counsel without the specific individual consent of each laborer concerned. The beneficiaries are the individual complainants themselves. The union to which they belong can only assist them but cannot decide for them."[12]

The case of La Campana was re-affirmed in the General Rubber case as follows:

> "In the instant case, there is no dispute that private respondent has not ratified the Return-to-Work Agreement. It follows, and we so hold, that private respondents cannot be held bound by the Return-to-Work Agreement. The waiver of money claims, which in this case were accrued money claims, by workers and employees must be regarded as a personal right, that is, a right that must be personally exercised. For a waiver thereof to be legally effective, the individual consent or ratification of the workers or employees involved must be shown. Neither the officers nor the majority or the union had any authority to waive the accrued rights pertaining to the dissenting minority members, even under a collective bargaining agreement which provided for a 'union shop'. The same considerations of public policy which impelled the Court to reach the conclusion it did in La Campana, are equally compelling in the present case. The members of the union need the protective shield of this doctrine not only vis-à-vis their employer but also, at times, vis-à-vis the management of their own union, and at other times even against their own imprudence or impecuniousness."[13]

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We have consistently ruled that "a compromise is governed by the basic principle that the obligations arising therefrom have the force of law between the parties."[14]

Consequently, private respondents may pursue their individual claims against petitioners before the Labor Arbiter.

The judgment of the Labor Arbiter based on the compromise agreement in question does not have the effect of res judicata upon private respondents who did not agree thereto.

"A compromise, once approved by final orders of the court has the force of res judicata between the parties and should not be disturbed except for vices of consent or forgery."[15] A compromise is basically a contract perfected by mere consent. "Consent is manifested by the meeting of the offer and the acceptance upon the thing and the cause which are to constitute the contract."[16] A compromise agreement is not valid when a party in the case has not signed the same or when someone signs for and in behalf of such party without authority to do so.[17]

In SMI Fish Industries, Inc. vs. NLRC,[18] this Court declared that where the compromise agreement was signed by only three of the five respondents, the non-signatories cannot be bound by that amicable settlement. This is so as a compromise agreement is a contract and cannot affect third persons who are not parties to it.[19]

Private respondents were not parties to the compromise agreement. Hence, the judgment approving such agreement cannot have the effect of res judicata upon them since the requirement of identity of parties[20] is not satisfied. A judgment upon a compromise agreement has all the force and effect of any other judgment, hence conclusive only upon parties thereto and their privies.[21]

Viewed in light of the foregoing legal principles, the conclusion is inescapable that private respondents are not bound by the compromise agreement entered into by the union without their consent. They have not waived their right to security of tenure nor can they be barred from entitlement of their individual claims.

Since the Labor Arbiter found no evidence showing that private respondents committed any illegal act during the strike, petitioners' failure to reinstate them after the settlement of the strike amounts to illegal dismissal, entitling them to the twin reliefs of reinstatement and back wages.[22]

"The burden is on the employer to prove that the termination was after due process, and for a valid or authorized cause.[23] For the two requisites in our jurisdiction to constitute a valid dismissal are: (a) the existence of a cause expressly stated in Article 282 of the Labor Code; and (b) the observance of due process, including the opportunity given the employee to be heard and defend himself."[24]

However, the separation pay must be deleted, as private respondents are entitled to reinstatement and back wages and there is no showing of strained relations as would prevent their reinstatement.[25]

WHEREFORE, the Court DISMISSES the petition and AFFIRMS the NLRC resolution dated October 29, 1993 and the order dated January 31, 1994, in NLRC NCR Case Nos. 00-08-04180-90, 00-09-04807-90, and 00-09-04840-90, with modification deleting the award of separation pay to private respondents.

No costs.

SO ORDERED.

Davide, Jr., C.J.,(Chairman), Puno, Kapunan, and Ynares-Santiago, JJ., concur.

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[1] Under Rule 65, 1964 Revised Rules of Court, but erroneously denominated "for Review on Certiorari".

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[2] Dated October 29, 1993, in NLRC NCR Case Nos. 00-08-04180-90, 00-09-04807-90, and 00-09-04840-90, Petition, Annex "A", Rollo, pp. 39-49.

[3] Dated January 31, 1994, Rollo, pp. 66-68.

[4] Petition, Annex "B", Rollo, pp. 52-57.

[5] Petition, Annex "B", Rollo, pp. 50-64.

[6] Petition, Annex "A", Rollo, pp. 39-49.

[7] Petition, Annex "C", Rollo, pp. 66-68.

[8] Petition, filed on March 8, 1994, Rollo, pp. 7-37.

[9] Kaisahan ng mga Manggagawa sa La Campana v. Sarmiento, 133 SCRA 220, 235 (1984)

[10] Quiban vs. Butalid, 189 SCRA 107 (1990)

[11] General Rubber and Footwear Corp. vs. Drilon, 169 SCRA 808 (1989)

[12] Kaisahan ng mga Manggagawa sa La Campana v. Sarmiento, supra, on p. 236; Danao Development Corp. vs. NLRC, 81 SCRA 487 (1978); Marquez vs. Secretary of Labor, 171 SCRA 337 (1989)

[13] General Rubber and Footwear Corp. vs. Drilon, supra, on p. 815.

[14] Republic vs. Sandiganbayan, 226 SCRA 314, 321 (1993)

[15] Binamira vs. Ogan-Occena, 148 SCRA 677, 683 (1987)

[16] Article 1319, Civil Code.

[17] Quiban vs. Butalid, supra, on p. 119.

[18] 213 SCRA 444, 448 (1992)

[19] J. M. Tuazon Co. vs. Tongol, 16 SCRA 331 (1964); University of the East vs. Secretary of Labor and Employment, 204 SCRA 254, 262 (1991)

[20] University of the Philippines vs. Court of Appeals, 218 SCRA 728, 737-738 (1993)

[21] United Housing Corp. vs. Dayrit, 181 SCRA 285, 293 (1990)

[22] Article 279, Labor Code.

[23] Asia World Recruitment, Inc. vs. National Labor Relations Commission (2nd Division), G.R. No. 113363, August 24, 1999, with copious citation of authorities.

[24] Ibid., citing Santos, Jr. vs. NLRC, 287 SCRA 117, 125 (1998)

[25] Salafranca vs. Philamlife (Pamplona) Village Homeowners Association, Inc., 300 SCRA 469 (1998); Capili vs. NLRC, 270 SCRA 488, 495 (1997); Fernandez vs. NLRC, 281 SCRA 423, 438 (1997)

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