



Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

PHILIPPINE AUTO
COMPONENTS, INC.,

Petitioner,

G.R. No. 218980

- versus -

RONNIE B. JUMADLA, ROY A.
ARIZ AND ROY T. CONEJOS,

Respondents.

X ----- X

RONNIE B. JUMADLA, ROY
A. ARIZ AND ROY T.
CONEJOS,

Petitioners,

G.R. No. 219124

Present:

CARPIO, J., *Chairperson*,
BRION,
DEL CASTILLO,
MENDOZA, and
LEONEN, JJ.

- versus -

PHILIPPINE AUTO
COMPONENTS, INC.,

Respondent.

Promulgated:

28 NOV 2016

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DECISION

MENDOZA, J.:

Assailed in these consolidated petitions for review on *certiorari* filed under Rule 45 of the Rules of Court are the February 12, 2015 Decision¹ and June 18, 2015 Resolution² of the Court of Appeals (CA) in CA-G.R. SP No.

¹ Penned by Associate Justice Celia C. Librea-Leagogo with Associate Justice Nina G. Antonio-Valenzuela and Associate Justice Melchor Q.C. Sadang concurring; *rollo* (G.R. No. 218980), pp. 56-79.

² Id. at 81-82.

137752, which dismissed the petition for *certiorari* assailing the April 15, 2014 Decision³ and August 18, 2014 Resolution⁴ of the National Labor Relations Commission (NLRC) in NLRC LAC No. 05-001625-13/NLRC RAB IV Case No. 12-01812-12, a case for illegal dismissal.

The Facts

On October 12, 2012, Aleli Veronica Garcia (*Garcia*), the Human Resources and Administrative Department Manager of Philippine Auto Components, Inc. (*PACI*), received information from an anonymous source that some of its employees were planning to use the truck assigned to Ronilo D. Loyola (*Loyola*), the driver for domestic deliveries of its Finished Goods Stock In and Delivery Group, in order to steal automotive parts the next day, October 13, 2012.

Garcia then requested Lorenzo Arcilla (*Arcilla*), PACI's Administrative Supervisor, to coordinate with the Philippine National Police -Criminal Investigation and Detection Group (*PNP-CIDG*) for an entrapment operation.

On October 13, 2012, members of the PNP-CIDG caught Loyola in the act of unloading four (4) boxes of Radiator Fan Assembly units in front of the residence of Melvin D. Salimpade (*Salimpade*) located at Newton Heights Subdivision, Barangay Canlalay, Biñan, Laguna. The boxes each contained six (6) sets of Radiator Fan Assembly. Loyola and Salimpade, upon demand from the PNP-CIDG, failed to produce documents authorizing the release of the automotive parts from PACI's warehouse and its delivery to Salimpade. Thus, Loyola and Salimpade were brought to the nearest police station.

In his Sworn Statement,⁵ Loyola claimed that he was instructed by Ronnie B. Jumadla (*Jumadla*) and Roy A. Ariz (*Ariz*) to deliver the boxes to Salimpade. He also divulged three (3) prior instances when Jumadla and Ariz ordered him to drop off stolen parts at various locations. Loyola likewise declared that on October 11, 2012, he was approached by Roy T. Conejos (*Conejos*),⁶ who convinced him to participate in the stealing of PACI's products for sale to third persons.

³ Penned by Presiding Commissioner Joseph Gerard E. Mabilog with Commissioner Isabel G. Panganiban-Ortiguerra concurring and Commissioner Nieves E. Vivar-De Castro dissenting; id. at 173-183.

⁴ Id. at 185-190.

⁵ Id. at 285.

⁶ "Conejos" in some parts of the records.

In his Sworn Statement,⁷ Salimpade explained that the boxes were only left with him for safekeeping, as instructed by Jumadla and Ariz.

On October 15, 2012, Ariz tendered his resignation because he needed to care for his sick father. He alleged that he left his resignation letter, dated October 10, 2012, with his wife and instructed her to give it to Jumadla. In turn, Jumadla submitted said resignation letter to PACI on October 15, 2012.

On October 15, 2012, PACI sent Show Cause Notices⁸ to Jumadla, Ariz and Conejos (*respondents*) directing them to explain in writing within five (5) days from receipt thereof, why no disciplinary action, including possible dismissal from employment, should be imposed against them for violation of the Company Rules and Regulations. On the same date, they were also placed under a thirty-day preventive suspension pending the result of the administrative case.

In compliance thereto, respondents submitted their written explanation⁹ denying their involvement in the pilferage of PACI's products.

On November 7 and 8, 2012, PACI conducted administrative hearings. During these hearings, Jumadla confirmed that he personally knew Salimpade.

Subsequently, respondents were found liable for serious misconduct, willful disobedience, willful breach of trust, and commission of a crime under Article 282 of the Labor Code. Thus, on November 27, 2012, PACI dismissed respondents from employment.

On December 4, 2012, respondents filed a complaint for illegal dismissal, illegal suspension and unfair labor practice against PACI.

On December 11, 2012, PACI instituted a complaint¹⁰ for Qualified Theft against Jumadla, Ariz, Loyola, and Salimpade before the Office of the City Prosecutor of Biñan City, Laguna.

⁷ Id. at 286.

⁸ Id. at 287, 289, 295.

⁹ Id. at 296, 297, 298-299.

¹⁰ Id. at 310-326.

The LA Ruling

In its April 23, 2013 Decision,¹¹ the Labor Arbiter (*LA*) found that respondents were illegally dismissed because the allegation that they took part in the pilferage of PACI's products was not supported by evidence. Thus, it ordered respondents' reinstatement. The dispositive portion reads:

WHEREFORE, premises considered, judgment is hereby rendered declaring complainants as having been illegally dismissed. Accordingly, respondent Philippine Auto Components, Inc. is hereby ordered to reinstate complainants to their former or substantially equivalent positions without loss of seniority rights and to pay them their full backwages as follows:

1. Jumadla – ₱75,758.08
2. Conejos – ₱53,176.50
3. Ariz – ₱75,758.08

All other claims are hereby dismissed for lack of merit.

SO ORDERED.¹²

Unconvinced, PACI elevated an appeal before the NLRC.

The NLRC Ruling

In its April 15, 2014 decision, the NLRC affirmed the LA decision. It held that Ariz's assistance in the loading of the products and Jumadla's act of managing the delivery were not sufficient to engender any suspicion that both of them were performing acts in furtherance of their common design to steal PACI's products. The NLRC observed that in those instances, Jumadla and Ariz were with other employees, who were not implicated in the theft of PACI's products.

With regard to Conejos, the NLRC was of the view that the evidence against him was wanting for the reason that Loyola did not provide any details as to Conejos' act of coercing him to steal from PACI.

Hence, the NLRC concluded that PACI failed to establish respondents' participation in the pilferage of its products and that, consequently, its act of dismissing them from employment was not justified. The *fallo* reads:

¹¹ Penned by Labor Arbiter Enrico Angelo C. Portillo; id. at 533-544.

¹² Id. at 544.

WHEREFORE, premises considered, the Decision dated April 23, 2013 is hereby AFFIRMED.

SO ORDERED.¹³

Undeterred, PACI filed a motion for reconsideration thereto. In its August 18, 2014 resolution, the NLRC denied the same.

Aggrieved, PACI filed a petition for *certiorari* with the CA.

The CA Ruling

In its assailed February 12, 2015 decision, the CA sustained the NLRC decision. It declared that the transactions which Loyola purportedly had with respondents were not substantiated by evidence; and that the sworn statements of Loyola and Salimpade were self-serving, uncorroborated and insufficient to show respondents' complicity in the theft of PACI's products.

The CA reasoned that there was no evidence to prove that: the boxes containing stolen products were actually loaded, by or through the instructions of respondents into the truck assigned to Loyola; Jumadla's confirmation that he knew Salimpade was inadequate to establish the former's participation in the pilferage; it was not shown that respondents were the only ones who had access to the stolen products; the delivery receipts¹⁴ only established that Salimpade's residence was not included for that day's scheduled deliveries; the photocopy of the police blotter¹⁵ and the certification¹⁶ issued by Police Investigator Joselito Lanot, Jr. (*Lanot*) merely evinced that the boxes were confiscated from Loyola and Salimpade; and the filing of a criminal complaint did not automatically make the dismissal valid.

The CA, however, took into consideration the pendency of the criminal action for qualified theft against respondents and the issuance of the warrants of arrest against them. Thus, it ordered the payment of separation pay instead of reinstatement because of the strained relations between PACI and respondents. The dispositive portion reads:

¹³ Id. at 181.

¹⁴ Id. at 262-269.

¹⁵ Id. at 270.

¹⁶ Id. at 271.

WHEREFORE, premises considered, the Petition is DENIED. The Decision dated 15 April 2014 and Resolution dated 18 August 2014 of the National Labor Relations Commission (Sixth Division) in NLRC LAC No. 05-001625-13; NLRC RAB IV No. 12-01812-12 are AFFIRMED with MODIFICATION in that in lieu of reinstatement, petitioner Philippine Auto Components, Inc. is ORDERED to pay separation pay equivalent to one (1) month salary for every year of service to private respondents Ronnie B. Jumadla, Roy A. Ariz, and Roy T. Conejos. No pronouncement as to costs.

SO ORDERED.¹⁷

PACI moved for reconsideration, but the same was denied by the CA in its assailed June 18, 2015 resolution.

Hence, this petition.

ISSUE

WHETHER RESPONDENTS WERE TERMINATED FROM EMPLOYMENT FOR A JUST AND VALID CAUSE.

PACI argues that respondents conspired in stealing its properties; that Loyola and Salimpade positively identified them to be involved in the *modus operandi* of stealing and transporting out of its warehouse various automotive parts for sale to third persons; that the testimonies of Loyola and Salimpade corroborated each other and were not self-serving because their admission that they had participated in the pilferage of PACI's properties gained them no benefit; that in the absence of any proof that Loyola and Salimpade acted in bad faith or had any ill motive, their good faith in having executed their Sworn Affidavits must be presumed; that respondents only offered bare denials which could not prevail against the positive and uncontroverted statements of Loyola and Salimpade; that the delivery receipts confirmed that Loyola was not authorized to bring the boxes of radiator fans to Salimpade's residence; and that the police blotter record and the certification, dated October 15, 2012, as well as the photographs of the stolen radiator fan units showed that the boxes containing stolen properties were in the possession of Loyola and Salimpade.

¹⁷ Id. at 76.

PACI also asserts that circumstantial evidence was sufficient to sustain respondents' dismissal; that the Resolution¹⁸ of the Office of the City Prosecutor of Biñan, Laguna, showed that there was substantial evidence to uphold their dismissal from employment; that respondents committed qualified theft and acts tantamount to serious misconduct, willful disobedience of company rules and willful breach of trust, all of which were just causes for dismissal; that it dutifully complied with the requirements of procedural due process; and that respondents were not entitled to separation pay and backwages.

In their Comment,¹⁹ dated September 24, 2015, respondents averred that the petition did not raise questions of law; that the findings of the NLRC and the CA were supported by substantial evidence and must be respected; and that the CA should have ordered their reinstatement instead of payment of separation pay.

In its Reply,²⁰ dated March 23, 2016, PACI contended that circumstantial evidence showed that respondents were involved in the theft of its properties; that they had access to the stolen products and could have caused them to be taken out of its warehouse; that Jumadla personally knew Salimpade; that Ariz assisted his group during the advance loading on October 12, 2012; that respondents merely denied the charges against them; that Ariz suddenly tendered his resignation on October 15, 2012; and that Loyola was able to cite other instances when Jumadla and Ariz instructed him to take possession of boxes suspected to contain stolen products so that they could be picked up or dropped off at various locations.

The Court's Ruling

The petition of PACI is meritorious.

Respondents were dismissed on the grounds of (i) serious misconduct, particularly theft of PACI's products, (ii) willful disobedience of company rules, and (iii) willful breach of the trust. PACI claimed that based on the sworn statements of Loyola and Salimpade, the delivery receipts, the police blotter, the police certification, the photographs of the stolen radiator fan assembly units, the resolution of the City Prosecutor finding a *prima facie* case of qualified theft, and the Information for qualified theft, there was reasonable ground to believe that respondents were responsible for the pilferage of automotive parts, which justified their dismissal from employment.

¹⁸ Id. at 584-587.

¹⁹ Id. at 601-616.

²⁰ Id. at 710-735.

It is an oft-repeated rule that in labor cases, as in other administrative and quasi-judicial proceedings, the quantum of proof necessary is substantial evidence.²¹ Substantial evidence is that amount of relevant evidence as a reasonable mind might accept as adequate to support a conclusion, even if other minds, equally reasonable, might conceivably opine otherwise.²²

After a judicious perusal of the records, the Court finds that there was sufficient cause to justify respondents' dismissal from employment. The findings of the Court shall be discussed *in seriatim*.

Loss of trust and confidence as just cause for respondents' dismissal

The Labor Code provides that an employer may terminate an employment based on fraud or willful breach of the trust reposed on the employee.²³

Breach of trust and confidence, as a just cause for termination of employment, is premised on the fact that the employee concerned holds a position of trust and confidence, where greater trust is placed by management and from whom greater fidelity to duty is correspondingly expected. The betrayal of this trust is the essence of the offense for which an employee is penalized.²⁴ The Court discussion in *Mabeza v. NLRC*²⁵ is instructive:

Loss of confidence as a just cause for dismissal was never intended to provide employers with a blank check for terminating their employees. Such a vague, all-encompassing pretext as loss of confidence, if unqualifiedly given the seal of approval by this Court, could readily reduce to barren form the words of the constitutional guarantee of security of tenure. Having this in mind, loss of confidence should ideally apply only to cases involving employees occupying positions of trust and confidence or to those situations where the employee is routinely charged with the care and custody of the employer's money or property.²⁶

In *Wesleyan University Philippines v. Reyes*,²⁷ the Court discussed the requisites for a valid dismissal on the ground of loss of trust and confidence:

²¹ *Tenazas v. R. Villegas Taxi Transport*, G.R. No. 192998, April 2, 2014, 720 SCRA 467, 480.

²² *Miro v. Mendoza*, 721 Phil. 772, 788 (2013).

²³ Art. 297 (c), Labor Code.

²⁴ *Jumuad v. Hi-Flyer Food, Inc.*, 672 Phil. 730, 743 (2011).

²⁵ 338 Phil. 386 (1997).

²⁶ *Id.* at 395.

²⁷ G.R. No. 208321, July 30, 2014. 731 SCRA 516.

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The first requisite is that the employee concerned must be one holding a position of trust and confidence, thus, one who is either: (1) a managerial employee; or (2) a fiduciary rank-and-file employee, who, in the normal exercise of his or her functions, regularly handles significant amounts of money or property of the employer.

Managerial employees are defined as those vested with the powers or prerogatives to lay down management policies and to hire, transfer, suspend, lay-off, recall, discharge, assign or discipline employees or effectively recommend such managerial actions. They refer to those whose primary duty consists of the management of the establishment in which they are employed or of a department or a subdivision thereof, and to other officers or members of the managerial staff. Officers and members of the managerial staff perform work directly related to management policies of their employer and customarily and regularly exercise discretion and independent judgment.

The second class or fiduciary rank-and-file employees consist of cashiers, auditors, property custodians, etc., or those who, in the normal exercise of their functions, regularly handle significant amounts of money or property. These employees, though rank-and-file, are routinely charged with the care and custody of the employer's money or property, and are thus classified as occupying positions of trust and confidence.

The second requisite of terminating an employee for loss of trust and confidence is that there must be an act that would justify the loss of trust and confidence. To be a valid cause for dismissal, the loss of confidence must be based on a willful breach of trust and founded on clearly established facts.²⁸

With regard to the first requisite, respondents belong to the first class as they were officers of the managerial staff in charge of particular departments. It is undisputed that at the time of their dismissal, Jumadla and Ariz were Inventory Control Leaders of PACI's Parts and Materials Handling and Control Group and Finished Goods and Stock In Delivery Group, respectively. They were responsible for ensuring the veracity of the daily and monthly reports as well as variance checking of all product models one (1) month before stock taking. Conejos, on the other hand, was the Senior Inventory Control Associate for Air Conditioner and Radiators. His primary duty was to verify that the shipping documents contained no discrepancies.

²⁸ Id. at 531-532

Their positions were necessarily imbued with trust and confidence as they were charged with the delicate task of ensuring the safety, proper handling and distribution of PACI's products. Hence, a high degree of honesty and responsibility was required and expected of them.

As to the second requisite, the police report showed that Loyola was caught in possession of PACI's products, which he transported to an unauthorized location. On the principle of *respondeat superior* or command responsibility alone, respondents are liable for negligence in the performance of their duties.²⁹ The loss of a considerable amount of automotive products under their custody remained unrefuted. Their failure to account for this loss of company property betrays the trust reposed and expected of them. Further, respondents offered no explanation why PACI's products were in the custody of unauthorized persons. PACI's loss of trust and confidence was directly rooted in the manner of how they, as persons in charge of the inventory, had negligently handled the products.³⁰ They may not have been directly involved in the pilferage of PACI's products, but their negligence facilitated the unauthorized transporting of products out of PACI's warehouse and their sale to third persons. Thus, respondents had violated PACI's trust and for which their dismissal is justified on the ground of breach of confidence.

No substantial evidence to prove serious misconduct

The affidavits executed by Loyola and Salimpade averred that respondents were the masterminds behind the pilferage. It must be borne in mind that implicating a person in the wrongdoing of another is not done with relative ease.

Nevertheless, PACI failed to provide evidence as to the missing link—that respondents sanctioned the delivery of the products at Salimpade's residence. *First*, respondents were not the only ones who had access to PACI's products. *Second*, that Jumadla personally knew Salimpade did not prove pilferage. Friendship or association is not proof of culpability. *Third*, Ariz's resignation on October 15, 2012 may have just been an unfortunate coincidence.

Finally, it has been consistently held that the mere filing of a formal charge does not automatically make the dismissal valid. Evidence submitted to support the charge should be evaluated to see if the degree of proof is met to justify the respondents' termination.³¹

²⁹ *Jumud v. Hi-Flyer Food, Inc.*, 672 Phil. 730, 745 (2011).

³⁰ *Concepcion v. Minex Import Corporation*, 679 Phil. 491, 503 (2012).

³¹ *Grand Asian Shipping Lines, Inc. v. Galvez*, 725 Phil. 452, 499 (2014).

Nevertheless, despite the absence of serious misconduct, respondents, as previously discussed, were validly dismissed due to breach of trust and confidence.

PACI complied with the requirements of procedural due process

To meet the requirements of due process in the dismissal of an employee, an employer must furnish the worker with two (2) written notices: (1) a written notice specifying the grounds for termination and giving to said employee a reasonable opportunity to explain his side; and (2) another written notice indicating that, upon due consideration of all circumstances, grounds have been established to justify the employer's decision to dismiss the employee.³²

In this case, respondents were issued individual show cause notices requiring them to explain in writing, within five (5) days from their receipt thereof, why no disciplinary action, including possible dismissal from employment, should be meted against them for the alleged pilferage of PACI's products. Moreover, PACI conducted administrative hearings on November 7 and 8, 2012. Thereafter, it found respondents liable for the charges hurled against them and issued individual notices of the decision to inform them of their dismissal from employment. Thus, PACI fully complied with the twin-notice rule.

Time and again, the Court has put emphasis on the right of an employer to exercise its management prerogative in dealing with its company's affairs, including the right to dismiss erring employees. It is a general principle of labor law to discourage interference with an employer's judgment in the conduct of his business. Even as the law is solicitous of the welfare of the employees, it also recognizes employer's exercise of management prerogatives. As long as the company's exercise of judgment is in good faith to advance its interest and not for the purpose of defeating or circumventing the rights of employees under the laws or valid agreements, such exercise will be upheld.³³

WHEREFORE, the petition in G.R. No. 218980 is **GRANTED**. The February 12, 2015 Decision and June 18, 2015 Resolution of the Court of Appeals in CA-G.R. SP No. 137752 are **REVERSED** and **SET ASIDE**.

SO ORDERED.


JOSE CATRAL MENDOZA
Associate Justice

³² *Perez v. Philippine Telegraph and Telephone Company*, 602 Phil. 522,535 (2009).

³³ *Moya v. First Solid Rubber Industries, Inc.*, 718 Phil. 77, 86-87 (2013).

WE CONCUR:



ANTONIO T. CARPIO
Associate Justice
Chairperson



ARTURO D. BRION
Associate Justice



MARIANO C. DEL CASTILLO
Associate Justice



MARVIC M.V.F. LEONEN
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



ANTONIO T. CARPIO
Associate Justice
Chairperson, Second Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

**MARIA LOURDES P. A. SERENO**

Chief Justice

