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Republic of the Philippines
Supreme Court
Manila

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THIRD DIVISION

**CHATEAU ROYALE SPORTS and
COUNTRY CLUB, INC.,**
Petitioner,

G.R. No. 197492

Present:

- versus -

VELASCO, JR., J., Chairperson,
BERSAMIN,
REYES,
JARDELEZA, and
CAGUIOA,* JJ.

**RACHELLE G. BALBA and
MARINEL N. CONSTANTE,**
Respondents.

Promulgated:

January 18, 2017

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DECISION

BERSAMIN, J.:

The petitioner appeals the decision promulgated on January 10, 2011,¹ whereby the Court of Appeals (CA) annulled and set aside the December 14, 2009 decision² and February 26, 2010 resolution³ of the National Labor Relations Commission (NLRC) dismissing the respondents' complaint for constructive dismissal.

Antecedents

On August 28, 2004, the petitioner, a domestic corporation operating a resort complex in Nasugbu, Batangas, hired the respondents as Account Executives on probationary status.⁴ On June 28, 2005, the respondents were promoted to Account Managers effective July 1, 2005, with the monthly

* Designated as Fifth Member of the Third Division per Special Order No. 2417 dated January 4, 2017.
¹ *Rollo*, pp. 31-40; penned by Associate Justice Remedios A. Salazar-Fernando, with Associate Justice Cecilia C. Librea-Leagogo and Associate Justice Michael P. Elbinias concurring.
² *Id.* at 152-160.
³ *Id.* at 195-196.
⁴ *Id.* at 44-47.

salary rate of ₱9,000.00 plus allowances totaling to ₱5,500.⁵ As part of their duties as Account Managers, they were instructed by the Director of Sales and Marketing to forward all proposals, event orders and contracts for an orderly and systematic bookings in the operation of the petitioner's business. However, they failed to comply with the directive. Accordingly, a notice to explain was served on them,⁶ to which they promptly responded.⁷

On October 4, 2005, the management served notices of administrative hearing⁸ on the respondents. Thereupon, they sent a letter of said date asking for a postponement of the hearing.⁹ Their request was, however, denied by the letter dated October 7, 2005, and at the same time informed them that the petitioner's Corporate Infractions Committee had found them to have committed acts of insubordination, and that they were being suspended for seven days from October 10 to 17, 2005, inclusive.¹⁰

The suspension order was lifted even before its implementation on October 10, 2005.¹¹

On October 10, 2005, the respondents filed a complaint for illegal suspension and non-payment of allowances and commissions.¹²

On December 1, 2005, the respondents amended their complaint to include constructive dismissal as one of their causes of action based on their information from the Chief Financial Officer of the petitioner on the latter's plan to transfer them to the Manila Office.¹³ The proposed transfer was prompted by the shortage of personnel at the Manila Office as a result of the resignation of three account managers and the director of sales and marketing. Despite attempts to convince them to accept the transfer to Manila, they declined because their families were living in Nasugbu, Batangas.

The respondents received the notice of transfer¹⁴ dated December 13, 2005 on December 28, 2005¹⁵ directing them to report to work at the Manila Office effective January 9, 2006. They responded by letter addressed to Mr. Rowell David, the Human Resource Consultant of the petitioner,¹⁶ explaining their reasons for declining the order of transfer. Consequently,

⁵ Id. at 48-49.

⁶ Id. at 52-53.

⁷ Id. at 57-58.

⁸ Id. at 59.

⁹ Id. at 60-61.

¹⁰ Id. at 62.

¹¹ Id. at 63.

¹² Id. at 33.

¹³ Id.

¹⁴ Id. at 64-65.

¹⁵ Supra note 12.

¹⁶ *Rollo*, pp. 66-67.

another request for incident report¹⁷ was served on them regarding their failure to comply with the directive to report at the Manila office. Following respondents' respective responses,¹⁸ the petitioner sent a notice imposing on them the sanction of written reprimand for their failure to abide by the order of transfer.¹⁹

Ruling of the Labor Arbiter

On February 14, 2008, Labor Arbiter Arthur L. Amansec rendered his decision declaring that the respondents had been constructively dismissed, and disposing thusly:²⁰

WHEREFORE, judgment is hereby made finding respondent Chateau Royale Sports and Country Club, Inc. to have constructively dismissed the complainants Rachelle G. Balba and Marinel N. Constante from employment. Concomitantly, the respondent company is hereby ordered to pay each complainant one (1) year backwages plus a separation pay, computed at a full month's pay for every year of service.

The respondent company is also ordered to pay each complainant ₱50,000.00 moral damages and ₱10,000.00 exemplary damages.

Ten (10%) attorney's fees are also awarded.

Other claims are dismissed for lack of merit.

SO ORDERED.²¹

Labor Arbiter Amansec opined that the respondents' transfer to Manila would not only be physically and financially inconvenient, but would also deprive them of the psychological comfort that their families provided; that being the top sales performers in Nasugbu, they should not be punished with the transfer; and that their earnings would considerably diminish inasmuch as sales in Manila were not as lively as those in Nasugbu.²²

Ruling of the NLRC

On appeal,²³ the NLRC reversed the ruling of the Labor Arbiter, and dismissed the complaint for lack of merit, to wit:

¹⁷ Id. at 68.

¹⁸ Id. at 69-70.

¹⁹ Id. at 71-72.

²⁰ Id. at 130-134.

²¹ Id. at 133-134.

²² Id. at 132.

²³ Id. at 135-148.

WHEREFORE, the appeal of respondents Chateau Royale Sports and Country Club, Inc. is Granted. Accordingly, the assailed February 14, 2008 decision is Set-Aside dismissing the complaint for lack of merit.

SO ORDERED.²⁴

The NLRC found that the respondents had been informed through their respective letters of appointment of the possibility of transfer in the exigency of the service; that the transfer was justified due to the shortage of personnel at the Manila office; that the transfer of the respondents, being bereft of improper motive, was a valid exercise of management prerogative; and that they could not as employees validly decline a lawful transfer order on the ground of parental obligations, additional expenses, and the anxiety of being away from his family.

The respondents filed their motion for reconsideration,²⁵ but the NLRC denied their motion on February 26, 2010.²⁶

Decision of the CA

On January 10, 2011, the CA promulgated its decision granting the respondents' petition for *certiorari*, and setting aside the decision of the NLRC, viz.:

WHEREFORE, premises considered, the assailed Decision dated December 14, 2009 and Resolution dated February 26, 2010 of the NLRC, Second Division in NLRC LAC No. 07-002551-08 (NLRC-RAB-IV Case No. 10-21558-05B) (NLRC-RAB-IV Case No. 02-22153-06B) are hereby **REVERSED** and **SET ASIDE**. Private respondent Chateau Royale is hereby ordered to **REINSTATE** petitioners Balba and Constante to their former positions without loss of seniority rights and other privileges, and to pay said petitioners full **BACKWAGES** inclusive of allowances and other benefits from the time their employment was severed up to the time of actual reinstatement.

SO ORDERED.²⁷

The CA ruled that the transfer of the respondents from the office in Nasugbu, Batangas to the Manila office was not a legitimate exercise of management prerogative and constituted constructive dismissal; that the transfer to the Manila office was not crucial as to cause serious disruption in the operation of the business if the respondents were not transferred thereat; that the directive failed to indicate that the transfer was merely temporary; that the directive did not mention the shortage of personnel that would

²⁴ Id. at 160.

²⁵ Id. at 161-189.

²⁶ Id. at 195-196.

²⁷ Supra note 1, at 40.

necessitate such transfer; and that the transfer would be inconvenient and prejudicial to the respondents.²⁸

On June 22, 2011,²⁹ the CA denied the petitioner's motion for reconsideration.

Issues

Hence, this appeal by the petitioner via petition for review on *certiorari*,³⁰ citing the following grounds:

A

THE HONORABLE COURT OF APPEALS GRIEVOUSLY ERRED IN CONCLUDING THAT THE SHORTAGE OF PERSONNEL IN THE MANILA OFFICE IS A MERE SUBTERFUGE RATHER THAN AN EXIGENCY IN THE BUSINESS THEREBY TREATING THE TRANSFER OF RESPONDENTS AS UNREASONABLE

B

THE HONORABLE COURT OF APPEALS GRIEVOUSLY ERRED IN CONCLUDING THAT THE INTENDED TRANSFER OF THE RESPONDENTS FROM NASUGBU, BATANGAS TO MANILA OFFICE CONSTITUTES CONSTRUCTIVE DISMISSAL.³¹

The petitioner argues that the resignations of the Account Managers and the Director of Sales and Marketing caused serious disruptions in the operations of the Manila office, thereby making the immediate transfer of the respondents crucial and indispensable; that through their respective letters of appointment, the possibility of their transfer to the Manila office had been made known to them even prior to their regularization; that if its intention had been to expel them from the company, it would not have rehired them as regular employees after the expiration of their probationary contract and even promoted them as Account Managers; that there was no diminution of income and benefits as a result of the transfer; and that their immediate rejection of the transfer directive prevented the parties from negotiating for additional allowances beyond their regular salaries.

The respondents counter that there was no valid cause for their transfer; that they were forced to transfer to the Manila office without consideration of the proximity of the place and without improvements in the employment package; that the alleged shortage of personnel in the Manila office due to the resignation of the account managers was merely used to conceal the petitioner's illegal acts; and that notwithstanding their negative

²⁸ *Rollo*, pp. 38-39.

²⁹ *Id.* at 42-43.

³⁰ *Id.* at 3-24.

³¹ *Id.* at 15.

response upon being informed of their impending transfer to Manila by Chief Finance Officer Marquez, the petitioner still issued the transfer order directing them to report to the Manila office effective January 9, 2006.

The sole issue for resolution is whether or not the respondents were constructively dismissed.

Ruling of the Court

We find merit in the appeal.

In the resolution of whether the transfer of the respondents from one area of operation to another was valid, finding a balance between the scope and limitation of the exercise of management prerogative and the employees' right to security of tenure is necessary.³² We have to weigh and consider, on the one hand, that management has a wide discretion to regulate all aspects of employment, including the transfer and re-assignment of employees according to the exigencies of the business;³³ and, on the other, that the transfer constitutes constructive dismissal when it is unreasonable, inconvenient or prejudicial to the employee, or involves a demotion in rank or diminution of salaries, benefits and other privileges, or when the acts of discrimination, insensibility or disdain on the part of the employer become unbearable for the employee, forcing him to forego her employment.³⁴

In this case of constructive dismissal, the burden of proof lies in the petitioner as the employer to prove that the transfer of the employee from one area of operation to another was for a valid and legitimate ground, like genuine business necessity.³⁵ We are satisfied that the petitioner duly discharged its burden, and thus established that, contrary to the claim of the respondents that they had been constructively dismissed, their transfer had been an exercise of the petitioner's legitimate management prerogative.

To start with, the resignations of the account managers and the director of sales and marketing in the Manila office brought about the immediate need for their replacements with personnel having commensurate experiences and skills. With the positions held by the resigned sales personnel being undoubtedly crucial to the operations and business of the petitioner, the resignations gave rise to an urgent and genuine business necessity that fully warranted the transfer from the Nasugbu, Batangas office to the main office in Manila of the respondents, undoubtedly the best suited to perform the tasks assigned to the resigned employees because of their

³² *Benguet Electric Cooperative v. Fianza*, G.R. No. 158606, March 9, 2004, 425 SCRA 41, 50.

³³ *Id.*

³⁴ *Timio v. Court of Appeals*, G.R. No. 171764, June 8, 2007, 524 SCRA 533, 541.

³⁵ *Id.*

being themselves account managers who had recently attended seminars and trainings as such. The transfer could not be validly assailed as a form of constructive dismissal, for, as held in *Benguet Electric Cooperative v. Fianza*,³⁶ management had the prerogative to determine the place where the employee is best qualified to serve the interests of the business given the qualifications, training and performance of the affected employee.

Secondly, although the respondents' transfer to Manila might be potentially inconvenient for them because it would entail additional expenses on their part aside from their being forced to be away from their families, it was neither unreasonable nor oppressive. The petitioner rightly points out that the transfer would be without demotion in rank, or without diminution of benefits and salaries. Instead, the transfer would open the way for their eventual career growth, with the corresponding increases in pay. It is noted that their prompt and repeated opposition to the transfer effectively stalled the possibility of any agreement between the parties regarding benefits or salary adjustments.

Thirdly, the respondents did not show by substantial evidence that the petitioner was acting in bad faith or had ill-motive in ordering their transfer. In contrast, the urgency and genuine business necessity justifying the transfer negated bad faith on the part of the petitioner.

Lastly, the respondents, by having voluntarily affixed their signatures on their respective letters of appointment, acceded to the terms and conditions of employment incorporated therein. One of the terms and conditions thus incorporated was the prerogative of management to transfer and re-assign its employees from one job to another "as it may deem necessary or advisable," to wit:

The company reserves the right to transfer you to any assignment from one job to another, or from one department/section to another, as it may deem necessary or advisable.

Having expressly consented to the foregoing, the respondents had no basis for objecting to their transfer. According to *Abbot Laboratories (Phils.), Inc. v. National Labor Relations Commission*,³⁷ the employee who has consented to the company's policy of hiring sales staff willing to be assigned anywhere in the Philippines as demanded by the employer's business has no reason to disobey the transfer order of management. Verily, the right of the employee to security of tenure does not give her a vested

³⁶ Supra note 32, at 55.

³⁷ No. L-76959, October 12, 1987, 154 SCRA 713, 719.

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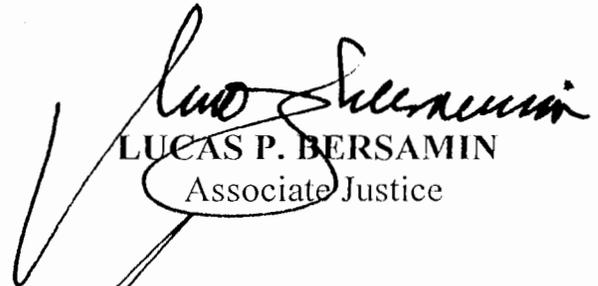
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right to her position as to deprive management of its authority to transfer or re-assign her where she will be most useful.³⁸

In view of the foregoing, the NLRC properly appreciated the evidence and merits of the case in reversing the decision of the Labor Arbiter. As such, the CA gravely erred in declaring that the NLRC had gravely abused its discretion amounting to lack or excess of jurisdiction.

WHEREFORE, the Court **REVERSES AND SETS ASIDE** the decision of the Court of Appeals promulgated on January 10, 2011; **REINSTATES** the decision issued on December 14, 2009 by the National Labor Relations Commission; and **ORDERS** the respondents to pay the costs of suit.

SO ORDERED.

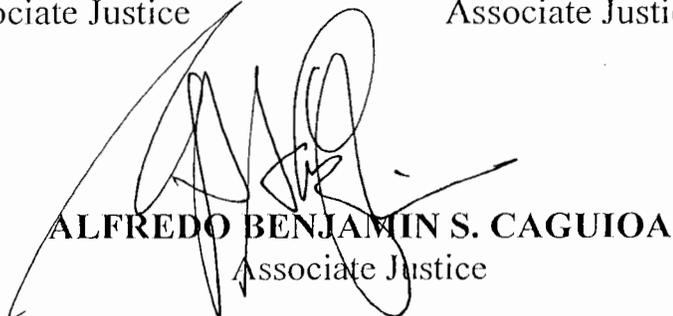

LUCAS P. BERSAMIN
Associate Justice

WE CONCUR:


PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson


BIENVENIDO L. REYES
Associate Justice

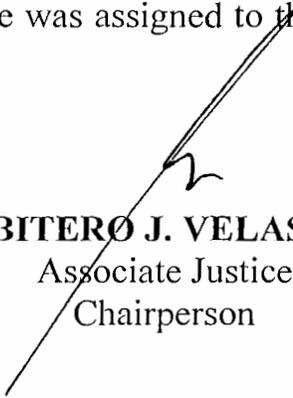

FRANCIS H. JARDELEZA
Associate Justice


ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

³⁸ *Tinio v. Court of Appeals*, supra note 34 at 540; *Mendoza v. Rural Bank of Lucban*, G.R. No. 155421, July 7, 2004, 433 SCRA 756, 766.

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.



PRESBITERO J. VELASCO, JR.

Associate Justice

Chairperson

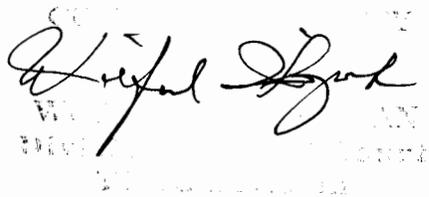
CERTIFICATION

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



FEB 03 2017