Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

HCL TECHNOLOGIES PHILIPPINES, INC.,
Petitioner,

- versus -

FRANCISCO AGRAVIADOR GUARIN, JR.,
Respondent.

G.R. No. 246793

Present:

PERALTA, *C.J.*,
Chairperson,
CAGUIOA,
CARANDANG,
ZALAMEDA, and
GAERLAN, *JJ.*

Promulgated:
MAR 18 2021

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DECISION

CARANDANG, *J.*:

Before this Court is a Petition for Review on *Certiorari*[1] filed by petitioner HCL Technologies Philippines, Inc. (HCL) assailing the Decision[2] dated January 29, 2019 and Resolution[3] dated April 17, 2019 of the Court of Appeals (CA) in CA-G.R. SP No. 154699. The CA affirmed the Decision[4] dated October 30, 2017 and the Resolution[5] dated December 19, 2017 of the National Labor Relations Commission (NLRC) in NLRC LAC No. 09-003090-17 with the modification that the monetary awards shall earn interest at the rate of six percent (6%) *per annum* from the date of finality of the Decision until full satisfaction. The NLRC partially affirmed the Decision[6]

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1 *Rollo*, pp. 31-74.
2 Penned by Associate Justice Perpetua T. Atal-Paño, with the concurrence of Associate Justices Ricardo R. Rosario (now a Member of this Court) and Nina G. Antonio-Valenzuela; id. at 12-26.
3 Id. at 27-29.
4 Penned by Commissioner Cecilio Alejandro C. Villanueva, with the concurrence of Presiding Commissioner Alex A. Lopez and Commissioner Pablo C. Espiritu, Jr.; id. at 140-161
5 Id. at 163-165.
6 Penned by Labor Arbiter Jasper Z. Dela Cruz; id. at 167-187

dated June 30, 2017 of the Labor Arbiter (LA) in NLRC NCR Case Nos. 02-00014-17.

Antecedents

HCL, a business process outsourcing (BPO) company, hired respondent Francisco A. Guarin, Jr. (Guarin, Jr.) on November 11, 2013 as its senior technical support officer[7] and assigned him to the account of one of its clients, Salesforce.com Inc. (Salesforce).[8] Guarin, Jr. was tasked to provide technical support to its administrators and users.[9] On July 5, 2016, Salesforce informed HCL that it will no longer require its services effective October 15, 2016.[10] Thereafter, HCL informed Guarin, Jr. that he had three options: (1) file an application with Accenture; (2) find a suitable position in HCL, specifically with the account of its other client, Google; or (3) resign.[11] The two available positions in the Google account were support engineer for the app engine and support engineer for the computer engine.[12] Guarin, Jr. sent his resume for the Google account positions after the deadline for its submission has lapsed.[13]

Subsequently, Guarin, Jr. was directed not to return to work beginning October 1, 2016. In a letter dated October 15, 2016, HCL informed Guarin, Jr. that his position has become redundant and his last working day shall be on November 15, 2016.[14] Guarin, Jr. signed a release, waiver, and quitclaim acknowledging his receipt of ₱182,340.65 from HCL.[15] Nonetheless, he filed a complaint for illegal dismissal, monetary claims, damages, and attorney's fees against HCL and its officers Roopesh Mishra and Blanca Grace Vila.[16]

Ruling of the Labor Arbiter

On June 30, 2017, the LA rendered its Decision,[17] the dispositive portion of which reads:

> **WHEREFORE**, premises considered, judgment is hereby rendered:
>
> 1. declaring Complainant to have been **illegally dismissed;**
> 2. ordering Respondent HCL to **pay** full back wages to be computed from the time of dismissal until the finality of this Decision;
> 3. ordering Respondent HCL to **pay** Complainant moral and exemplary damages equivalent to P50,000.00 each or for an aggregate amount of P100,000.00 and attorney's fees equivalent to 10% of the total award.

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7 Id. at 13.
8 Id. at 144.
9 Id. at 230.
10 Id. at 144.
11 Id. at 13.
12 Id. at 227.
13 Id. at 13.
14 Id. at 13.
15 Id. at 14.
16 Id. at 167, 281.
17 Id. at 167-187.

Attached is the computation which shall form part of this Decision.

Other claims are denied for lack of merit.

SO ORDERED.[18] (Emphasis in the original)

Under Article 298 of Presidential Decree No. 442, also known as the Labor Code of the Philippines, redundancy is an authorized cause for termination provided the following requisites are met: (1) the employer must serve a written notice to the affected employees and the Department of Labor and Employment (DOLE) at least one month before the intended day of retrenchment; (2) the employer must pay the employees a separation pay equivalent to at least one [1] month pay or at least one month pay for every year of service, whichever is higher; (3) the employer must abolish the redundant positions in good faith; and (4) the employer must set fair and reasonable criteria in ascertaining which positions are redundant and may be abolished.[19] The LA held that HCL was only able to satisfy the first two requisites. Based on HCL's website, it is the "world's fastest growing IT services brand operating in at least 32 countries with various alliances." HCL did not satisfactorily explain why the departure of one client already resulted in the redundancy of some of its employees when it has other clients. HCL also failed to show that it conducted an evaluation or study on the viability of its redundancy program.[20] Further, the LA could not understand why Guarin, Jr., who was a regular employee, was even required to submit his resume for the Google account positions when it was HCL's duty to find a new position for him. Also, the fact that there were available positions in the Google account means that there were positions that Guarin, Jr. could have been transferred to.[21] With respect to the release, quitclaim, and waiver, the LA ruled that it cannot be enforced because Guarin, Jr.'s dismissal was illegal and his consent was vitiated by fraud or mistake. He was misled that that the redundancy program was legal.[22]

Considering that Guarin, Jr. already received his separation package, the LA held that it would be inequitable to order his reinstatement.[23] With respect to the other claims of Guarin, Jr. such as underpayment of 13th month pay and non-payment of salary, the LA denied it because he neither discussed it nor proved his entitlement to it.[24] Guarin, Jr.'s prayer to hold the individual officers of HCL solidarily liable was likewise denied.[25] However, the LA his prayer for moral and exemplary damages meritorious because of the illegality of his termination.[26] The LA also granted Guarin, Jr.'s prayer for attorney's

18 Id. at 186-187.
19 Id. at 174.
20 Id. at 176-177.
21 Id. at 179.
22 Id. at 180.
23 Id. at 182.
24 Id. at 183.
25 Id. at 185.
26 Id. at 184.

fees because he was compelled to litigate and incur expenses to protect his rights and interest.[27]

Both parties appealed to the NLRC. Guarin, Jr. averred that the LA committed an oversight in the computation of the backwages awarded to him. HCL argued that the LA erred in ruling that Guarin, Jr. was illegally dismissed and that he is entitled to his monetary claims.[28]

Ruling of the National Labor Relations Commission

The NLRC partially granted the appeals of both parties in its Decision,[29] dated October 30, 2017 to wit:

> **WHEREFORE,** premises considered, the Appeals of the complainant and respondents are hereby **PARTIALLY GRANTED** and the assailed Decision by the Labor Arbiter Jasper Z. Dela Cruz dated 28 April 2017 is hereby **MODIFIED** with regard to the amount of the judgment award.
>
> The monetary award is hereby computed as follows:

A.) Backwages	
1.) Basic Salary	
11/15/16 – 10/25/17	
35,644.25 x 11.33	403,849.35
2.) 13th Month Pay	
403,849.35 / 12	33,654.11
3.) SILP	
35,644.25 / 26 x 5 / 12 x 11.33	6,471.94
TOTAL AWARD:	**Php443,975.40**

> **SO ORDERED.**[30] (Emphasis in the original.)

At the onset, the NLRC clarified that both parties filed their appeal on time, or within 10 days from their receipt of the Decision of the LA. Both parties also paid the required fees for their appeal.[31] The NLRC agreed with the LA that while HCL complied with the procedural due process requirements, it failed to satisfy the last two requisites for terminating an employee on the ground of redundancy. There is no document proving the redundancy or the abolition of Guarin, Jr.'s position as senior technical support officer.[32] It was likewise not shown what criteria HCL used in deciding to phase out such position. The fact that there were available positions in HCL's Google account shows that Guarin, Jr.'s position was not truly phased out. Moreover, the employment contract itself states that Guarin,

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27 Id. at 185.
28 Id. at 148.
29 Id. at 140-161.
30 Id. at 160.
31 Id. at 148.
32 Id. at 155.

Jr. may be transferred to any of HCL's group company clients without the need for him to submit an application for his transfer.[33] As for the quitclaim, the NLRC ruled that HCL failed to prove that it was voluntarily executed by Guarin, Jr. Guarin, Jr. is therefore not precluded from filing a complaint against HCL.[34]

The NLRC concurred with the LA that Guarin, Jr. can no longer be reinstated because he received his separation pay. But he is entitled to receive backwages from the time of his dismissal until the finality of the Decision.[35] The NLRC deleted the award of moral and exemplary damages, as well as attorney's fees, because there was no finding of bad faith on the part of HCL.[36] HCL filed a motion for reconsideration which the NLRC denied. Thereafter, HCL filed a petition for *certiorari* with the CA.[37]

Ruling of the Court of Appeals

The CA affirmed the ruling of the NLRC in its January 29, 2019 Decision[38] but modified its ruling as follows:

> **WHEREFORE,** the petition is **DENIED.** The October 30, 2017 Decision of the National Labor Relations Commission, 3rd Division, in NLRC LAC No. 09-003090-17, is **AFFIRMED** with **MODIFICATION** that the monetary awards shall earn an interest at the rate of six percent (6%) per *annum* from the date of finality of this Decision until full satisfaction.
>
> **SO ORDERED.**[39] (Emphasis in the original.)

The CA concurred with the NLRC and the LA that HCL only proved its compliance with the first two requisites for termination due to redundancy but not the last two requisites, namely, good faith in abolishing the redundant positions and a fair and reasonable criteria in ascertaining what positions are to be declared redundant.[40] The employment contract shows that Guarin, Jr. was HCL's employee regardless of whether Salesforce remained the latter's client. HCL could have transferred him to the Google account but did not do so. In addition, HCL failed to substantiate its redundancy program or show that it used fair and reasonable criteria in determining which positions should be abolished.[41]

According to the CA, the quitclaim executed by Guarin, Jr. is invalid because HCL employed fraud or deceit in obtaining it. HCL's redundancy program was not done in good faith. HCL was determined to sever Guarin,

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33 Id. at 156-157.
34 Id. at 159.
35 Id.
36 Id. at 160.
37 Id. at 163-164.
38 Supra note 2.
39 *Rollo*, p. 26.
40 Id. at 20.
41 Id. at 21-22.

Jr.'s employment and the latter had no choice but to sign the quitclaim. Guarin, Jr.'s educational attainment is immaterial because he was constrained to sign after being faced with the prospect of unemployment and financial offers.[42]

The CA held that Guarin, Jr. is entitled to the monetary awards granted by the NLRC because he was illegally dismissed.[43] Following the ruling in the case of *Nacar v. Gallery Frames*,[44] legal interest must likewise be imposed on all the monetary awards.[45]

HCL filed a motion for reconsideration but the CA denied it. As such, HCL filed a petition for review on *certiorari* before this Court to assail the ruling of the CA. According to HCL, it is undisputed that it gave timely notice to Guarin, Jr. and the DOLE. It also paid the separation pay mandated by law.[46] With respect to the requirements of good faith and fair and reasonable criteria, HCL argued that *first*, the phasing out of a service previously undertaken is a valid cause to declare a position redundant.[47] In this case, HCL hires employees based on the specific needs of each of its clients. When Salesforce decided to end its contract, Guarin, Jr.'s services became unnecessary. HCL could not simply transfer him to another client who has a different set of requirements and a fixed number of personnel.[48] HCL insists that the characterization of an employee's services as no longer necessary is an exercise of business judgment that cannot be reviewed except when the law is violated or the action is malicious and arbitrary. There is no proof that HCL acted in bad faith in abolishing the redundant positions. HCL submitted sufficient proof of the redundancy of Guarin, Jr.'s position.[49]

Second, the positions in the Google account were the only available positions for Guarin, Jr. HCL cannot be faulted for giving those positions to other employees in the Salesforce account who were not only better qualified but timely submitted their applications as well. HCL pointed out that as a BPO company, the employee headcount for each of its clients is fixed by contract. It cannot simply add employees to another account without the consent of its client. In addition, the employee must meet the specific requirements for that account.[50] *Third*, HCL averred that it only implemented its redundancy program after the vacant positions in its Google account were filled up.[51] Since the remaining employees assigned to Salesforce were the only ones affected, there was no need for HCL to do a comparison. All their positions were abolished.[52] *Fourth*, Guarin, Jr. executed a valid release, waiver, and quitclaim which is binding upon him. He cannot feign ignorance because he is a college

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42 Id. at 23-24.
43 Id. at 24.
44 716 Phil. 267 (2013).
45 *Rollo*, p. 25.
46 Id. at 51.
47 Id. at 47.
48 Id. at 52-53.
49 Id. at 58-60.
50 Id. at 61-62.
51 Id. at 58.
52 Id. at 63-64.

graduate who has more or less 10 years of work experience. Given that Guarin, Jr. was validly dismissed, he is not entitled to any monetary award.[53]

Guarin, Jr. filed a comment[54] wherein he stated that HCL simply rehashed its previous arguments and did not raise any error of judgment on the part of the CA. The LA, the NLRC, and the CA did not commit grave abuse of discretion in ruling that the requisites for a valid redundancy program are not present in this case. HCL hired Guarin, Jr. as its regular employee whose employment should not have been dependent on the retention and pullout of its clients. Moreover, there were vacant positions equivalent to the one occupied by Guarin, Jr. which he could have been transferred to. HCL did not present a new staffing pattern, feasibility study/proposal, job description, and approval of the restriction by the management in support of its redundancy program. It did not even use criteria in determining which positions have become redundant.[55] Further, Guarin, Jr. claimed that the Decision of the NLRC has attained finality.[56]

Issue

The issue in this case is whether the CA erred in affirming the NLRC and the LA that Guarin, Jr. was illegally dismissed.

Ruling of the Court

We grant the petition. Though the courts *a quo* uniformly ruled in favor of Guarin, Jr., their findings are erroneous based on the available facts.[57] Hence, We must review the same.

Article 298 of the Labor Code allows the employer to terminate the employee on the ground of redundancy which exists when the service of an employee is in excess of what is reasonably demanded by the actual requirements of the business.[58] The following are the requirements for a valid redundancy program: (1) written notice served on both the employees and the DOLE at least one month prior to the intended date of retrenchment; (2) payment of separation pay equivalent to at least one month pay or at least one month pay for every year of service, whichever is higher; (3) good faith in abolishing the redundant positions; and (4) fair and reasonable criteria in ascertaining what positions are to be declared redundant and accordingly abolished.[59]

All the foregoing requisites are present in this case. *First*, HCL sent an Establishment Termination Report[60] to the DOLE on October 11, 2016. It

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53 Id. at 65-70.
54 Id. at 626-630.
55 Id. at 627.
56 Id. at 628.
57 See *General Milling Corp. v. Viajar*, 702 Phil. 532 (2013).
58 *Que v. Asia Brewery, Inc.*, G.R. No. 202388, April 10, 2019.
59 *Asian Alcohol Corp. v. National Labor Relations Commission,*364 Phil. 912, 930 (1999).
60 *Rollo*, p. 234.

notified Guarin, Jr. of his termination effective November 15, 2016 through a Letter[61] dated October 15, 2016. Hence, HCL complied with the notice requirement.

Second, Guarin, Jr. acknowledged that he received ₱182,340.65 from HCL. Even the courts *a quo* acknowledged that Guarin, Jr. received his separation pay.

Third, HCL exercised good faith and employed fair and reasonable criteria in abolishing Guarin, Jr.'s position. Good faith requires substantial proof that the services of the employees are in excess of what is required of the company.[62] Guarin, Jr. was assigned to the account of Salesforce. His employment contract notably requires him to sign a client-specific non-disclosure agreement and obtain a certificate issued by Salesforce.[63] Clearly then, Guarin, Jr. was hired by HCL specifically for its Salesforce account. However, Salesforce's account was terminated effective October 15, 2016. This rendered Guarin, Jr.'s position in HCL redundant. The very reason for his position has ceased to exist.

To HCL's credit, it informed Guarin, Jr. that he could apply for the positions of Support Engineer in the App Engine and the Computer Engine under the account of Google. Guarin, Jr. failed to timely submit his application for these positions. As such, he cannot fault HCL for his failure to secure either of these positions. After the available positions in the Google account were given to two employees who were best-suited for it, HCL implemented its redundancy program. As such, apart from these two employees, all 51 employees assigned to Salesforce were laid off based on HCL's Establishment Termination Report,[64] including Guarin, Jr.. HCL did not discriminate among its employees handling Salesforce's account.

Moreover, Guarin, Jr. executed a release, waiver, and quitclaim[65] in favor of HCL. Under the release, waiver, and quitclaim, Guarin, Jr. acknowledged that the sum of ₱182,340.65 he received from HCL is the full payment and final settlement of the overtime pay, salaries, commutable leaves, gratuities of any kind of compensation or emoluments, or any claims of whatever kind due to him arising from his employment. The said document also provides that "I will institute no action, whether civil, criminal, or administrative against HCL TCHNOLOGIES PHILIPPINES INC., its directors, officers, employees, agents, and clients."[66] Quitclaims are valid when they satisfy the following requisites: (1) that there was no fraud or deceit on the part of any of the parties; (2) that the consideration for the quitclaim is credible and reasonable; and (3) that the contract is not contrary to law, public order, public policy, morals or good customs, or prejudicial to a third person

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61 Id. at 236.
62 *Coca-Cola Femsa Philippines v. Macapagal*, G.R. No. 232669, July 29, 2019.
63 *Rollo*, p. 221.
64 Id. at 64.
65 Id. at 237.
66 Id.

with a right recognized by law.[67] If, however, there is clear proof that the waiver was wangled from an unsuspecting or gullible person; or the terms of settlement are unconscionable on their face, the quitclaim is invalid.[68] Guarin, Jr. had a salary of ₱31,000.00) per month.[69] He worked for HCL for three years, and is thus entitled to a separation pay of ₱93,000.00. HCL paid him ₱100,000.00 as separation pay, in addition to other amounts.[70] Clearly then, the consideration given by HCL under the quitclaim was more than what is required by law.

Guarin, Jr. assailed the quitclaim on the ground that "he is a single Father of a 5 year old boy and on account of economic necessity that forced him to accept any amount without verifying the rudiments following thereto."[71] While we commiserate with Guarin, Jr.'s concerns about providing for his family, this cannot be considered fraud or deceit on the part of HCL that would invalidate the quitclaim. In *Coats Manila Bay, Inc. v. Ortega*,[72] We held that ""Dire necessity" may be an acceptable ground to annul quitclaims if the consideration is unconscionably low and the employee was tricked into accepting it, but is not an acceptable ground for annulling the release when it is not shown that the employee has been forced to execute it."[73] There is no proof that Guarin, Jr. was forced to sign the quitclaim. And as stated, HCL offered a reasonable amount to him. Hence, We cannot invalidate the quitclaim Guarin, Jr. signed solely because of his financial concerns.

Considering that HCL complied with all the requisites for terminating Guarin, Jr.'s employment on the ground of redundancy, his dismissal was valid. In addition, Guarin, Jr. executed a valid release, waiver and quitclaim. Consequently, Guarin, Jr. is not entitled to backwages, much more moral damages and attorney's fees. The CA therefore erred in affirming the ruling of the NRLC. Guarin, Jr.'s complaint is unmeritorious. As such, the CA's Decision and Resolution must be reversed and set aside.

WHEREFORE, the petition is **GRANTED**. The Decision dated January 29, 2019 and the Resolution dated April 17, 2019 of the Court of Appeals in CA-G.R. SP No. 154699 are **REVERSED** and **SET ASIDE**. The complaint of respondent Francisco A. Guarin, Jr. is **DISMISSED**.

SO ORDERED.

ROSMARI D. CARANDANG
Associate Justice

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67 *Philippine National Bank v. Dalmacio*, 813 Phil. 127, 137 (2017).

68 *Coats Manila Bay, Inc. v. Ortega*, 598 Phil. 768 (2009).

69 *Rollo*, p. 218.

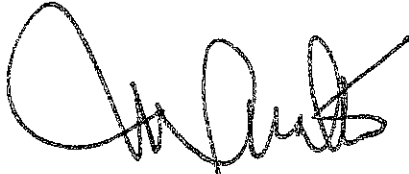
70 Id. at 243.

71 Id. at 315.

72 Supra note 68.

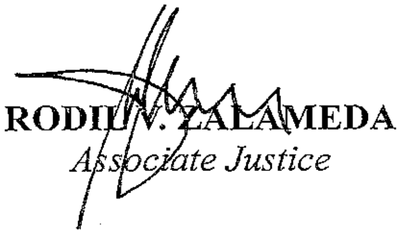
73 Id. at 780.

WE CONCUR:



DIOSDADO M. PERALTA
Chief Justice

ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

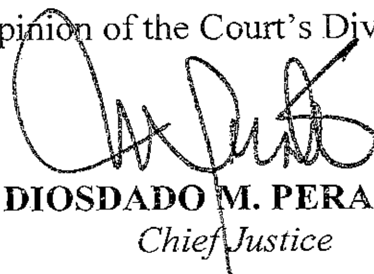


RODIL V. ZALAMEDA
Associate Justice

SAMUEL H. GAERLAN
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, 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.



DIOSDADO M. PERALTA
Chief Justice