Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

ARIEL M. REYES,
Petitioner,

- *versus* -

RURAL BANK OF SAN RAFAEL (BULACAN) INC., FLORANTE VENERACION, CELERINA SABARIAGA, ALICA FLOR KABILING, FIDELA MANAGO, CEFERINO DE GUZMAN, and RIZALINO QUINTOS,
Respondents.

G.R. No. 230597

Present:

PERLAS-BERNABE, *SAJ.*,*
HERNANDO,
*Acting Chairperson,***
ZALAMEDA,
ROSARIO, and
MARQUEZ, *JJ.*

Promulgated:
MAR 23 2022

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DECISION

HERNANDO, *J.*:

This is a Petition for Review on *Certiorari*[1] assailing the July 22, 2016 Decision[2] and March 8, 2017 Resolution[3] both issued by the Court of Appeals (CA). The CA Decision affirmed the September 30, 2014 Decision[4] issued by the National Labor Relations Commission (NLRC), denying petitioner Ariel M.

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* On official leave.

** Per Office Order No. 2882 dated March 17, 2022.

1 *Rollo*, pp. 26-115.

2 CA *rollo*, pp. 121-133. Penned by Associate Justice Manuel M. Barrios and concurred in by Associate Justices Ramon M. Bato, Jr. and Maria Elisa Sempio Diy.

3 Id. at 168-170.

4 Id. at 26-36.

Reyes' (Reyes) appeal, and reversing the February 24, 2014 Labor Arbiter's Decision,[5] which found him illegally dismissed and entitled to money claims. Meanwhile, the CA Resolution denied Reyes' Motion for Reconsideration.

The Factual Antecedents:

Respondent Rural Bank of San Rafael (Bulacan) Inc. (RBSR) is a domestic banking corporation while respondents Florante Veneracion (Veneracion), Celerina Sabariaga (Sabariaga), Alicia Flor Kabiling (Kabiling), Fidela Manago (Manago), Ceferino De Guzman (De Guzman), and Rizalino Quintos (Quintos) (collectively, respondents), are members of RBSR's Board of Directors.

Sometime in 2012, several stockholders of RBSR complained about the discrepancies in the amounts of the purchase price of stock subscriptions appearing in the original receipts as against the duplicate copies issued by the bank. The anomaly involved several millions of pesos collected from stockholders of RBSR which, if not corrected, will certainly tarnish the image and integrity of the latter.

Acting on this anomaly, RBSR conducted an investigation and confirmed the irregularities. It was discovered that in the original receipts given to the stockholders, the stated price of shares ranged from ₱250.00 to ₱275.00, but in the duplicate copies retained by RBSR, only ₱100.00 was indicated. Moreover, the original receipts were signed by Flordeliza Cruz, then President of RBSR, while the duplicate copies were signed either by its then Treasury Head Emilline C. Bognot (Bognot), or Branch Manager Reynaldo Eusebio, Jr. (Eusebio).

Thus, in compliance with the Manual of Regulations for Banks mandating the prompt report of anomalies to the *Bangko Sentral ng Pilipinas* (BSP), RBSR's Board of Directors approved a Report on Crimes and Losses and directed Reyes – as Compliance Officer – to certify the same. However, Reyes refused to certify the report, reasoning that no independent investigation was conducted, and that he cannot completely validate the same for lack of material data and evidence, and that he was being pressured to certify the report.

Thereafter, Reyes claimed that instead of furnishing him the hard copies of the reports and its original attachments to enable him to verify and certify the same, RBSR issued him two show cause orders and put him on preventive

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[5] Id. at 220-229.

suspension for neglect of duty. Meanwhile, RBSR contended that several administrative hearings were scheduled to hear Reyes' side, but all were ignored.

On March 25, 2013, Reyes, together with Bognot and Eusebio (complainants) – who were principally accused of theft/misappropriation of funds in connection with the anomaly – filed a Complaint[6] against respondents for illegal suspension and money claims. An Amended Complaint[7] was subsequently filed to include illegal dismissal, in view of their eventual dismissal from work.

Ruling of the Labor Arbiter:

In a Decision[8] dated February 24, 2014, Labor Arbiter Reynaldo V. Abdon found RBSR guilty of illegally dismissing Reyes, Bognot, and Eusebio. The arbiter's ruling was mainly based on RBSR's failure to file its Position Paper and submit its evidence during the proceedings, which constrained the arbiter to rule on the matter based solely on the complainants' evidence.

Based on the complainants' evidence and submissions, the arbiter found that complainants' dismissal was without a valid cause, and that they were denied due process for having been summarily dismissed. Further, it is incumbent upon the employer to show proof that the employee was dismissed for a just or authorized cause, which the bank failed to establish since it did not file its Position Paper and submit its evidence.

The dispositive portion of the Decision reads:

> WHEREFORE, premises considered, judgment is hereby declared that complainants were illegally terminated by respondents. Consequently, respondent Rural Bank of San Rafael Bulacan and individual respondents Florante Veneracion, Celerina Sabariaga, Alicia Flor C. Kabiling, Fidela Manago, Fabian Cordero, Ceferino De Guzman and Rizalino Quintos III are jointly and severally DIRECTED to PAY complainants to *(sic)* their backwages and separation pay, accrued leave benefits and proportionate 13th month pay as follows:

Name	Backwages	Separation Pay	13th Month Pay
Ariel M. Reyes	P399,960.00	P180,000.00	P8,400.00
Emilline C. Bognot	333,300.00	150,000.00	7,000.00

[6] Id. at 37.

[7] *Rollo*, p. 93

[8] CA *rollo*, pp. 220-229.

Reynaldo M. Eusebio Jr.	447,055.29	442,629.00	9,389.10

Additionally, respondents are ordered to pay complainants' attorney's fee in the sum of ₱197,773.33.

Other claims are denied for lack of basis.

SO ORDERED.[9]

Thus, respondents elevated the case to the NLRC.

Ruling of the National Labor Relations Commission:

In its Decision[10] promulgated on September 30, 2014, the NLRC reversed the arbiter's ruling. Notably, the NLRC applied a liberal interpretation and relaxed procedural rules, and held that substantial justice must prevail over technicalities. Thus, the NLRC allowed respondents to submit countervailing evidence even on appeal.

On the substantial issue, the NLRC found that complainants were not illegally dismissed. Respondents were able to discharge the burden of proving that they had a just cause to terminate complainants' employment.

The dispositive portion of the NLRC Decision reads:

> **WHEREFORE**, the appeal is GRANTED. The decision of the labor arbiter is hereby reversed and set-aside. The complaint is dismissed for lack of merit.
>
> SO ORDERED.[11]

Aggrieved, Reyes and Bognot filed a Petition for *Certiorari*[12] before the CA. They imputed grave abuse of discretion amounting to lack or excess of jurisdiction on the part of the NLRC in relaxing procedural rules and allowing respondents to submit their evidence for the first time, even if the case was already on appeal.

Meanwhile, Eusebio no longer pursued his case.

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[9] Id. at 228-229.
[10] Id. at 26-36.
[11] Id. at 35-36.
[12] Id. at 3-15.

Ruling of the Court of Appeals:

In its Decision[13] dated July 22, 2016, the CA affirmed the NLRC Decision and found no grave abuse of discretion on the part of the latter in relaxing its procedural rules. The CA held that the respondents' failure to file their Position Paper and submit their evidence was justified and satisfactorily explained, "since they were not given summons, nor notified of the scheduled preliminary conference and further hearings after the amended complaint was filed."[14] After having settled the procedural issue, the CA proceeded to rule that "petitioners were validly dismissed for a just and valid cause x x x."[15]

The dispositive portion of the CA Decision reads:

> **WHEREFORE**, the foregoing considered, the Petition for *Certiorari* is **DENIED**. The assailed Decision and Resolution of public respondent NLRC are **AFFIRMED** *in toto*.
>
> SO ORDERED.[16]

Reyes and Bognot filed a Motion for Reconsideration, but it was denied in a Resolution[17] dated March 8, 2017.

Unyielding, Reyes elevated the case before this Court via a Petition for Review on *Certiorari*. On the other hand, Bognot yielded and no longer joined Reyes' petition.

Issues

1. Whether the CA erred in affirming the NLRC Decision which reversed the ruling of the Labor Arbiter; and

2. Whether Reyes was illegally dismissed.

Our Ruling

The appeal is meritorious.

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13 Id. at 121-133.
14 Id. at 127.
15 Id. at 128.
16 Id. at 133.
17 Id. at 168-170.

The CA erred in affirming the NLRC Decision.

a. Respondents were not denied due process. A liberal interpretation of the procedural rules was not warranted.

On this point, Reyes mainly argues that –

> The Court of Appeals abused its discretion amounting to lack or excess of jurisdiction in affirming the Decision of the NLRC which in effect declared that the NLRC did not abuse its discretion in applying the principle of liberal application of the procedural rules notwithstanding that it was not made an issue in the proceedings before the Labor Arbiter, and ruling that respondent's Appeal is meritorious even though the appeal does not fall to *(sic)* any of the grounds for filing of appeal before the Commission.[18]

Meanwhile, respondents assert that the NLRC and CA were correct in allowing them to present evidence, albeit belatedly; otherwise, their right to due process would have been denied. Further, they claim that "there was no summons sent to any of the private respondents after the filing of the amended complaint."[19]

Respondents are wrong.

Due process has been described as a "malleable concept anchored on fairness and equity."[20] Indeed, at its core is simply the reasonable opportunity for every party to be heard. The late constitutionalist Father Joaquin G. Bernas, S.J., further expounds on this concept:

> Whether in judicial or administrative proceedings, therefore, the heart of procedural due process is the need for notice and an opportunity to be heard. **Moreover, what is required is not actual hearing but a real opportunity to be heard. Thus, one who refuses to appear at a hearing is not thereby denied due process if a decision is reached without waiting for him**. Likewise, the requirement of due process can be satisfied by subsequent due hearing.[21] (Emphasis supplied).

Applying this principle, a review of the records will reveal that during the proceedings before the arbiter, respondents have been accorded ample opportunity to present their side. The arbiter made the following observations:

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[18] *Rollo*, p. 29.

[19] Id. at 122.

[20] *Saunar v. Ermita*, 822 Phil. 536, 555 (2017).

[21] JOAQUIN G. BERNAS, S.J., THE 1987 CONSTITUTION OF THE REPUBLIC OF THE PHILIPPINES: A COMMENTARY, at 116. (2009 Edition).

> On June 4, 2013, after complainants filed their amended complaint, they filed their Position Paper. The respondents failed to appear but their counsel and representative appeared much earlier than the scheduled date of hearing and secured a photocopy of amended complaint. Thus, this Office directed the parties to appear [in] another conference on June 19, 2013 at 10:30 am to give respondents the opportunity to submit their position paper. Complainants manifested that if respondents would still fail to file their position paper on the next setting, this case should be deemed submitted their *(sic)* decision *ex-parte*.
>
> On June 19, 2013, only complainants appeared and moved to submit this case for decision in view of the failure of the respondents to appear and submit their position paper despite ample time to (*sic*) given to them.[22]

Based on this undisputed finding, it appears that respondents have unjustifiably missed at least two settings: that on June 4, 2013, and that on June 19, 2013. To stress, respondents missed the hearing on June 19, 2013 despite having been directed prior by the arbiter to attend. Moreover, it must be noted that respondents, at this point in time, have already obtained a copy of the amended complaint which would have enabled them to intelligently respond.

Respondents further explained in their Memorandum[23] filed before the CA:

> 16. x x x Here, there was no summons sent to any of the private respondents after the filing of the amended complaint. There was also no mandatory conciliation and mediation conference in two settings. As the Decision of the Honorable Labor Arbiter states, "On June 4, 2013, after the complainants filed their amended complaint, they filed their Position Paper." There was no mention of any issuance of summons to the private respondents and setting of mandatory conciliation and mediation conference. Further, no copy of the Position Paper was ever sent or received by the respondents.[24]

Ruling for the Respondents, the CA held:

> In this case, it is conceded that private respondents lost the case before the Labor Arbiter as they were not able to submit a position paper and adduce evidence in their behalf, nor to attend the scheduled preliminary conference. As found by public respondent NLRC, their failure to do so was satisfactorily explained, since they were not given summons, nor notified of the scheduled preliminary conference and further hearings after the amended complaint was filed. For this reason, public respondent NLRC ruled that such procedural oversights were not deliberate, dilatory or obstructive omissions on the part of private respondents. In short, their failure to present evidence and to attend the hearings can be justified due to lack of notice. x x x[25]

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[22] CA *rollo*, pp. 220-221.
[23] Id. at 90-115.
[24] Id. at 95.
[25] Id. at 127-128.

We do not agree.

While it may be true that the arbiter failed to issue summons, such circumstance cannot operate as a denial of respondents' right to due process because the fact remains that **respondents have already obtained a copy of the amended complaint, and have been duly notified of the June 19, 2013 hearing**. Section 3 of the 2011 NLRC Rules of Procedure (2011 NLRC Rules) provide:

> **SECTION 3.** *Issuance of Summons.* – Within two (2) days from receipt of a complaint or amended complaint, the Labor Arbiter shall issue the required summons, attaching thereto a copy of the complaint or amended complaint and its annexes, if any. The summons shall specify the date, time and place of the mandatory conciliation and mediation conference in two (2) settings.

Clear from the foregoing that the issuance of summons is done in order to apprise the respondent of the case filed and as a means to furnish them a copy of the complaint so they can intelligently respond. Given the circumstances in the present case, the issuance of the summons would have been a mere superfluity since again, respondents have already obtained a copy of the amended complaint and notified of the upcoming hearing date.

To add, respondents' absence during the June 4, 2013 hearing is likewise unexplained, as confirmed by the NLRC in its Decision, to wit:

> It appears that **the same day that the parties met in an attempt to settle, which failed, the complainants filed an amended complaint** in Regional Arbitration Branch III. No summons was issued after the amendment of the complaint. Thereafter, the complainants filed their position paper which was received by RAB III **on June 4, 2013, during a hearing at which respondents were not present**. The labor arbiter sent a notice of hearing dated June 6, 2013, informing respondents to appear for a conference on June 19, 2013 at 10:30 a.m. However, the registry return card on record, issued by the bureau of posts shows, that the respondents did not receive this notice of hearing until June 20, 2013. x x x[26] (Citations omitted.) (Emphases supplied.)

Thus, a closer examination at the findings of facts of both the Labor Arbiter and NLRC will reveal that there is no incongruence; in fact, they are in accord with and complement each other on the following points: first, that respondents were able to earlier secure a copy of the amended complaint; second, that respondents were absent during the June 4, 2013 and June 19, 2013 hearings; and third, that respondents' absences are unexplained.

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[26] Id. at 31-32.

Furthermore, we take note of the fact that from the date the respondents obtained a copy of the amended complaint in early June 2013, up to the promulgation of the arbiter's Decision on February 24, 2014, there was no initiative made by them to demand their day in court, so to speak. The records are simply bereft of even the slightest hint of participation from the respondents during the proceedings before the Labor Arbiter. If respondents truly hold sacred their right to due process as they so fervently contend before the NLRC and the CA, they would have wasted no time nor missed no opportunity to assert such right as early as during the initial stages of the proceedings. They could have at least pleaded for the arbiter to reopen the proceedings and admit their Position Paper, if there ever was one. At the very least, respondents were well-aware that a complaint was filed against them and this should have prompted them to be more proactive in the proceedings. Unfortunately, they failed to come through even in these simplest of tasks. In the Court's view, this cavalier attitude exhibited by respondents reeks of negligence and disrespect to duly instituted authorities and rules of procedures, either of which this Court can never tolerate.

While the Court commends the NLRC and the CA in upholding substantial justice, such principle must always be balanced with respect and honest efforts to comply with procedural rules. It cannot always be about substantial justice, especially to the point of disrespect and utter disregard to procedural rules. In *Tible & Tible Company, Inc. v. Royal Savings and Loan Association*,[27] an eloquent explanation regarding this balance was made:

> Much reliance is placed on the rule that "*Courts are not slaves or robots of technical rules, shorn of judicial discretion. In rendering justice, courts have always been, as they ought to be, conscientiously guided by the norm that on balance, technicalities take a backseat against substantive rights, and not the other way around.*" This rule must always be used in the right context, lest injustice, rather than justice would be its end result.
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> It must never be forgotten that, generally, the application of the rules must be upheld, and the suspension or even mere relaxation of its application, is the exception. This court previously explained:
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>> The Court is not impervious to the frustration that litigants and lawyers alike would at times encounter in procedural bureaucracy but imperative justice requires ***correct observance of indispensable technicalities precisely designed to ensure its proper dispensation***. It has long been recognized that strict compliance with the Rules of Court is indispensable for the prevention of needless delays and for the orderly and expeditious dispatch of judicial business.

[27] 574 Phil. 20 (2008), citing *Republic v. Hernandez*, 323 Phil. 606, 630-631 (1996).

> ***Procedural rules are not to be disdained as mere technicalities that may be ignored at will to suit the convenience of a party.*** Adjective law is important in ensuring the effective enforcement of substantive rights through the orderly and speedy administration of justice. These rules are not intended to hamper litigants or complicate litigation but, indeed to provide for a system under which a suitor may be heard in the correct form and manner and at the prescribed time in a peaceful confrontation before a judge whose authority they acknowledge.
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> ***It cannot be overemphasized that procedural rules have their own wholesome rationale in the orderly administration of justice. Justice has to be administered according to the Rules in order to obviate arbitrariness, caprice, or whimsicality.*** x x x[28]

In *Loon v. Power Master, Inc.*,[29] the Court laid down the following pronouncement:

> In labor cases, strict adherence to the technical rules of procedure is not required. Time and again, we have allowed evidence to be submitted for the first time on appeal with the NLRC in the interest of substantial justice. Thus, we have consistently supported the rule that labor officials should use all reasonable means to ascertain the facts in each case speedily and objectively, without regard to technicalities of law or procedure, in the interest of due process.
>
> However, this liberal policy should still be subject to rules of reason and fairplay. **The liberality of procedural rules is qualified by two requirements: (1) a party should adequately explain any delay in the submission of evidence; and (2) a party should sufficiently prove the allegations sought to be proven**. The reason for these requirements is that the liberal application of the rules before quasi-judicial agencies cannot be used to perpetuate injustice and hamper the just resolution of the case. Neither is the rule on liberal construction a license to disregard the rules of procedure.[30]

In the present case, we have already extensively discussed how respondents failed to adequately explain and justify their non-participation in the proceedings before the arbiter. Thus, the application of a more liberal policy is unwarranted, contrary to the rulings of the NLRC and the CA. Besides, the policy of relaxed procedural rules in labor proceedings is mainly for the benefit of the employee, and not the employer, as will be discussed below.

b. Relaxed and liberal interpretation of labor procedures – mainly for the benefit of employee, and not the employer.

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[28] Id. at 37-38.
[29] 723 Phil. 515 (2013).
[30] Id. at 528.

Preliminarily, the Court wishes to address respondents' argument that there were several procedural lapses committed by the arbiter in conducting the proceedings. Respondents repeatedly assert:

> Section 3 of the 2011 NLRC Rules of Procedure states that "Within two (2) days from the receipt of a complaint or *amended complaint, the Labor Arbiter shall issue the required summons, attaching thereto a copy of the complaint or amended complaint and its annexes, if any. The summons shall specify the date, time and place of the mandatory conciliation and mediation conference in two (2) settings* x x x." Here, there was no summons sent to any of the private respondents after the filing of the amended complaint. There was also no mandatory conciliation and mediation conference in two settings. As the Decision of the Honorable Labor Arbiter states, "On June 4, 2013, after complainants filed their amended complaint, they filed their Position Paper." There was no mention of any issuance of summons to the private respondents and setting of mandatory conciliation and mediation conference. Further, no copy of the Position Paper was ever sent or received by the private respondents.[31] (Underscoring in the original)

In citing the 2011 NLRC Rules, respondents intimate that such should have been strictly followed; that the arbiter must be faulted for not doing so. However, respondents quickly backtracked and asserted before the NLRC that the rules – the very same one they demand to be strictly enforced – must be relaxed, obviously when it suited their favor. In the Court's view, this flip-flopping stand by the respondents betrays fairness in their position.

In any case, respondents in the present case are not entitled to be accorded a liberal interpretation of the rules; the same being primarily granted for the employee's favor, and not the employer.

The principles embodied by all prevailing labor rules, legislations, and regulations are derived from the Constitution, which intensely protects the working individual and deeply promotes social justice. Article II, Section 18 of the 1987 Constitution provides:

> SECTION 18. The State affirms labor as a primary social economic force. It shall protect the rights of workers and promote their welfare.

Meanwhile, Article XIII, Section 3 state:

> SECTION 3. The State shall afford full protection to labor, local and overseas, organized and unorganized, and promote full employment and equality of employment opportunities for all.

[31] *Rollo*, p. 122.

Lastly, Article 4 of PD 442[32] or the Labor Code, provides:

> Article 4. *Construction in favor of labor.* – All doubts in the implementation and interpretation of the provisions of this Code, including its implementing rules and regulations, shall be resolved in favor of labor.

The measures embedded in our legal system which accord specific protection to labor stems from the reality that normally, the laborer stands on unequal footing as opposed to an employer. Indeed, the labor force is a special class that is constitutionally protected because of the inequality between capital and labor.[33] In fact, labor proceedings are so informally and, as much as possible, amicably conducted and without a real need for counsel, perhaps in recognition of the sad fact that a common employee does not or have extremely limited means to secure legal services nor the mettle to endure the extremely antagonizing and adversarial atmosphere of a formal legal battle. Thus, in the common scenario of an unaided worker, who does not possess the necessary knowledge to protect his rights, pitted against his employer in a labor proceeding, We cannot expect the former to be perfectly compliant at all times with every single twist and turn of legal technicality. The same, however, cannot be said for the latter, who more often than not, has the capacity to hire the services of a counsel. As an additional aid therefore, a liberal interpretation of the technical rules of procedure may be allowed if only to further bridge the gap between an employee and an employer.

Relevant to this is Section 2 of the 2011 NLRC Rules which stipulates:

> SECTION 2. *CONSTRUCTION.* – **These Rules shall be liberally construed to carry out the objectives of the Constitution, the Labor Code of the Philippines and other relevant legislations**, and to assist the parties in obtaining just, expeditious and inexpensive resolution and settlement of labor disputes. (Emphasis supplied.)

As can be gleaned above, the 2011 NLRC Rules shall be liberally construed in order to attain two purposes: to carry out the objectives of the Constitution and relevant labor laws, and to assist the parties in obtaining a just, expeditious and inexpensive resolution and settlement of labor disputes. Focusing on the first purpose, We recall that one of the objectives of the

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[32] Entitled "A DECREE INSTITUTING A LABOR CODE THEREBY REVISING AND CONSOLIDATING LABOR AND SOCIAL LAWS TO AFFORD PROTECTION TO LABOR, PROMOTE EMPLOYMENT AND HUMAN RESOURCES DEVELOPMENT AND INSURE INDUSTRIAL PEACE BASED ON SOCIAL JUSTICE [LABOR CODE OF THE PHILIPPINES]" Approved: May 1, 1974.

[33] *Fuji Television Network, Inc. v. Espiritu*, 749 Phil. 388, 428 (2014).

Constitution is to accord special protection to labor. With this, it would therefore be fitting to say that the rules shall be liberally interpreted in order to accord special protection to labor. Truly, those who have less in life, should have more in law.

In *Vicente v. Employees' Compensation Commission*,[34] the Court held:

> The court takes this occasion to stress once more its abiding concern for the welfare of government workers, especially the humble rank and file, whose patience, industry, and dedication to duty have often gone unheralded, but who, in spite of very little recognition, plod on dutifully to perform their appointed tasks. It is for this reason that the sympathy of the law on social security is toward its beneficiaries, and the law, by its own terms, requires a construction of utmost liberality in their favor. It is likewise for this reason that the Court disposes of this case and ends a workingman's struggle for his just dues.[35] (Citation omitted)

Further, as explained by Prof. Azucena:

> In carrying out and interpreting the Labor Code's provisions and its implementing regulations, the working man's welfare should be the primordial and paramount consideration. This kind of interpretation gives meaning and substance to the liberal and compassionate spirit of the law as provided for in Article 4 of the New Labor Code. The policy is to extend the decree's applicability to a greater number of employees to enable them to avail of the benefits under the law, in consonance with the State's avowed policy to give maximum aid and protection to labor.[36]

This is not to say however that the rules may never be relaxed in favor of the employer, and that every labor dispute will be automatically decided in favor of labor, thus:

> Protection to labor and resolution of doubts in favor of labor cannot be pursued to the point of deliberately committing a miscarriage of justice. The right to obtain justice is enjoyed by all members of society, rich or poor, worker or manager, alien or citizen. Justice belongs to everyone. It is not to be blinded or immobilized by the fact of one's being economically underprivileged. x x x[37]

In certain cases, of course, a liberal approach to the rules may be had even if it favors the employer. Such allowance, however, must be measured against standards stricter than that imposed against the worker, and only in compelling

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34 271 Phil. 196 (1991).
35 Id. at 204.
36 CESARIO A. AZUCENA, JR., THE LABOR CODE WITH COMMENTS AND CASES, at 26. (2010 Ed.).
37 Id. at. 27.

and justified cases where the employer will definitely suffer injustice should such liberal interpretation be disallowed. Unfortunately for respondents, this is not the situation in the present case.

Reyes was illegally dismissed by RBSR.

Going now to the substantial issue, contrary to the findings of both the NLRC and the CA, we find that Reyes was illegally dismissed.

In dismissing Reyes, the records bare that RBSR sent him the following: first, a document with the subject "Show Cause Order and Preventive Suspension"[38] dated March 22, 2013 part of which reads:

> Last 12 February 2013, during the Regular Board Meeting, the Corporate Secretary sent to you SES Form 6G, Report on Crimes and Losses for the discrepancy of the purchase price of the stocks brought by some stockholders. You refused to receive said document up until the last day for reporting which is 22 February 2013 for the reason that the same was sent via electronic mail.
>
> x x x x
>
> Your refusal to do your duty shows that you have failed to observe your principal function to oversee and coordinate the implementation of the Compliance System. Your delays in transaction and inaction despite repeated reminders to do your job have caused significant prejudice and damage to the Bank.
>
> x x x x
>
> Please explain in writing within five (5) days from receipt of this Memorandum why you should not be held administratively accountable and liable for your failure or refusal to fulfill your duties as a Compliance Officer. Considering the gravity of the charge and in order to safeguard the integrity of the bank records and operations, you are hereby preventively suspended for a period of thirty (30) days without pay effective immediately. You are however allowed access to bank records to help explain your side.[39]

Based on this document, it would appear that Reyes was being charged with either willful disobedience or insubordination, or gross and habitual neglect of duty, both of which are just causes for termination of employment under the Labor Code.

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[38] CA *rollo*, pp. 104-105.

[39] Id.

Second, a document with the subject "Administrative Case"[40] dated April 4, 2013 which notified Reyes of a hearing scheduled on April 10, 2013.

Third, a document with the subject "Show Cause Order"[41] dated April 19, 2013 which partly states:

> Please explain within five (5) days from receipt of this order why you should not be held administratively accountable and liable for your participation in the theft/misappropriation of the funds invested by and due to Mrs. Fidela M. Mañago with the Rural Bank of San Rafael and for covering up such anomaly/offense.[42]

Interestingly, based on this show cause order, it would appear that the charges against Reyes changed from either disobedience or neglect, to commission of a crime or offense.

Lastly, Reyes was issued a "Notice of Termination"[43] dated April 26, 2013 which provides:

> Please be informed that after due consideration of the documents, records, testimonies, and admissions regarding your administrative case, the gravity and number of offenses that you committed, the magnitude of the loss and damage to the Bank and its clients, and the nature and sensitivity of your position, management has decided that there is sufficient and just cause for your termination.
>
> You were duly informed of the charges against you and given sufficient time within which to explain your side with access to records and documents of the Bank, yet you failed or refused to submit any explanation. Neither did you appear during the scheduled hearing. These omissions were also considered in deciding the administrative case/s against you.[44]

Book Five, Rule XXIII, Section 2 of the Omnibus Rules Implementing the Labor Code provides:

> SECTION 2. *Standards of due process; requirements of notice.* – In all cases of termination of employment, the following standards of due process shall be substantially observed:
>
> I. For termination of employment based on just causes as defined in Article 282 of the Code:

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40 Id. at 106.
41 Id. at 110.
42 Id.
43 Id. at 112.
44 Id.

(a) A written notice served on the employee specifying the ground or grounds for termination, and giving to said employee reasonable opportunity within which to explain his side;

(b) A hearing or conference during which the employee concerned, with the assistance of counsel if the employee so desires, is given opportunity to respond to the charge, present his evidence or rebut the evidence presented against him; and

(c) A written notice of termination served on the employee indicating that upon due consideration of all the circumstances, grounds have been substantially established to justify his termination.

x x x x

In *King of Kings Transport, Inc. v. Mamac,*[45] this concept of procedural due process in labor proceedings is further expounded:

To clarify, the following should be considered in terminating the services of employees:

(1) The first written notice to be served on the employees should contain the specific causes or grounds for termination against them, and a directive that the employees are given the opportunity to submit their written explanation within a reasonable period. "Reasonable opportunity" under the Omnibus Rules means every kind of assistance that management must accord to the employees to enable them to prepare adequately for their defense. This should be construed as a period of at least five (5) calendar days from receipt of the notice to give the employees an opportunity to study the accusation against them, consult a union official or lawyer, gather data and evidence, and decide on the defenses they will raise against the complaint. Moreover, in order to enable the employees to intelligently prepare their explanation and defenses, the notice should contain a detailed narration of facts and circumstances that will serve as basis for the charge against the employees. A general description of the charge will not suffice. Lastly, the notice should specifically mention which company rules, if any, are violated and/or which among the grounds under Art. 282 is being charged against the employees.

(2) After serving the first notice, the employers should schedule and conduct a hearing or conference wherein the employees will be given the opportunity to: (1) explain and clarify their defenses to the charge against them; (2) present evidence in support of their defenses; and (3) rebut the evidence presented against them by the management. During the hearing or conference, the employees are given the chance to defend themselves personally, with the assistance of a representative or counsel of their choice. Moreover, this conference or hearing could be used by the parties as an opportunity to come to an amicable settlement.

(3) After determining that termination of employment is justified, the employers shall serve the employees a written notice of termination indicating

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[45] 553 Phil. 108 (2007).

> that: (1) all circumstances involving the charge against the employees have been considered: and (2) grounds have been established to justify the severance of their employment.[46] (Citations omitted.)

In the present case, while it is true that Reyes was given sufficient opportunity to explain his side during the investigation, the Court cannot help but notice the muddled and vague charges against him. Specifically, it cannot be determined with reasonable certainty on what grounds the charges pressed against Reyes were based on, and which ones were proven. While it would appear that Reyes was initially charged with insubordination or neglect of duty, the show cause order surprisingly accused him of participation in the alleged theft/misappropriation, and neither is there any showing that the same has been established nor is it specifically mentioned as the reason for his dismissal. Instead, the termination letter sent to Reyes, which is a mirror copy of the ones sent to Bognot and Eusebio, merely employed general and loose statements. Neither is there any mention of which specific rule or policy Reyes allegedly violated. Surely, this is not the kind of notice contemplated by the Labor Code and its implementing rules. In view of all the foregoing, the Court finds that respondents failed to comply with the due process requirements in dismissing Reyes.

Moving forward, We likewise find that there was no valid cause to dismiss Reyes.

The CA held:

> With respect to petitioner Reyes – the Compliance Officer, it was his bounden duty to promptly certify the Report on Crimes and Losses detailing the irregularities; hence, for unjustifiably refusing to act on the report, as he should, he was validly terminated. x x x
>
> x x x It is obvious that petitioner Reyes was foot-lagging on account of his complicity in the anomaly. As heretofore stated, an in-depth and independent investigation may still be made after the filing of the initial report. As We see it, there is no valid justification for petitioner Reyes' refusal to certify the report which, incidentally, is for the paramount interest of the bank. Thus, his act constitutes willful disobedience of a lawful order of his employer. x x x[47]

In affirming the NLRC Decision which held Reyes' dismissal as valid, the CA considered Reyes' acts as willful disobedience, a just cause for the termination of an employee based on Article 297 (formerly Article 282) of the Labor Code.

We do not agree.

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[46] Id. at 115-116.

[47] CA *rollo*, pp. 131-132.

In *Dongon v. Rapid Movers and Forwarders Co., Inc.*[48] this Court held:

> For willful disobedience to be a ground, it is required that: *(a)* the conduct of the employee must be willful or intentional and *(b)* the order the employee violated must have been reasonable, lawful, made known to the employee, and must pertain to the duties that he had been engaged to discharge. Willfulness must be attended by a wrongful and perverse mental attitude rendering the employee's act inconsistent with proper subordination. In any case, the conduct of the employee that is a valid ground for dismissal under the *Labor Code* constitutes harmful behavior against the business interest or person of his employer. It is implied that in every act of willful disobedience, the erring employee obtains undue advantage detrimental to the business interest of the employer.[49]

In the present case, there is no question that Reyes' refusal to certify the Report on Crimes and Losses was intentional. This is clearly disobedience. However, we find that the same is not attended by a wrongful and perverse mental attitude which warrants the ultimate penalty of dismissal.

A review of the findings below will reveal that Reyes refused to certify said report based on his honest assessment that the report cannot be completely validated for lack of material data and evidence. Indeed, as found by the CA:

> As a consequence, in compliance with the Manual of Regulations for Banks (MORB) mandating the prompt report of the anomaly to the Bangko Sentral ng Pilipinas (BSP), the Board of Directors of respondent RBSR approved a Report on Crimes and Losses describing the manner of the irregularities committed, and directed petitioner Reyes – as Compliance Officer – to certify the same as part of the requirement. **However, Reyes refused to make the attestation on the reasoning that no independent investigation was conducted and that he cannot completely validate the report for lack of material data and evidence.**[50] (Citations omitted.) (Emphasis supplied).

This assertion finds support in Memorandum No. 2013-020[51] dated February 14, 2013, and Memorandum No. 2013-022[52] dated February 22, 2013, both sent by Reyes to no less than the officers and directors of RBSR. In these Memoranda, Reyes noted several deficiencies in the report and even made recommendations in order to make the same compliant with BSP regulations. In the Court's view, this betrays respondents' claim that Reyes was involved in the theft/misappropriation allegedly committed by Bognot and Eusebio.

Respondents counter Reyes' defense by saying:

> Petitioner Reyes alleged that there was no personal investigation and judgment independent from the Audit Committee or from the Management, and

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48 716 Phil. 533 (2013).
49 Id. at 543-544.
50 CA *rollo*, p. 123.
51 Id. at 51.
52 Id. at. 52.

> that the data and evidence were lacking to satisfy a conclusion for the reporting of the discrepancy, so he refused to file the Crimes and Losses Report. However, in Circular No. 587, Series of 2007, x x x Subsection X162.4 (d.2) states that "where a thorough investigation and evaluation is necessary to complete the report, an initial report submitted within the deadline may be accepted: Provided that a complete report is submitted not later than twenty (20) calendar days from termination of investigation." Thus, his refusal is a gross negligence of his duties and obligations. Otherwise, he could have submitted an initial report and made his *personal investigation and judgment independent from the Audit Committee or from the Management* and submitted the same within the period mentioned.[53]

The Court recognizes that there is reason for respondents' disappointment, even infuriation, over Reyes and his actions. Surely, no employer would find pleasure in a disobedient employee. Be that as it may, imposing the ultimate penalty of dismissal for such action – which, as already mentioned, obtains justification – and for such single instance, is simply too harsh and downright unlawful. Besides, what is the penalty for the late submission of the report? A miniscule monetary fine of ₱150.00 to ₱450.00 per day of delay.[54] Of course, this is not to encourage non-compliance with bank regulations, but is only mentioned to further highlight the point that the penalty of dismissal imposed upon Reyes was terribly disproportionate to his alleged infraction.

As a final note, it may be well to reiterate Justice Bellosillo's insightful observation in *Alhambra Industries, Inc. v. National Labor Relations Commission:*[55]

> TODAY employment is no longer just an ordinary human activity. For most families the main source of their livelihood, employment has now leveled off with property rights which no one may be deprived of without due process of law.
>
> Termination of employment is not anymore a mere cessation or severance of contractual relationship but an economic phenomenon affecting members of the family. This explains why under the broad principles of social justice the dismissal of employees is adequately protected by the laws of the state. x x x[56]

WHEREFORE, the Petition is hereby **GRANTED**. The July 22, 2016 Decision of the Court of Appeals and March 8, 2017 Resolution in CA-G.R. SP No. 139099, are **REVERSED** and **SET ASIDE**. The February 24, 2014 Decision of the Labor Arbiter in NLRC Case No. RAB-III-03-19924-13, is **REINSTATED** with a **MODIFICATION** in that petitioner Ariel M. Reyes' backwages shall be computed from the time of dismissal up to the finality of this Decision. All other matters not otherwise modified stand.

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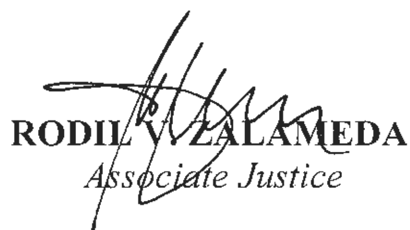
53 *Rollo*, p. 123.
54 Section 171, Manual of Regulations for Banks (2018).
55 308 Phil. 249 (1994).
56 Id. at 250.

SO ORDERED.

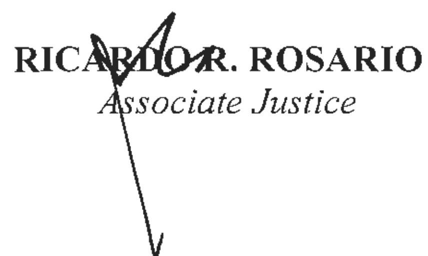
RAMON PAUL L. HERNANDO
Associate Justice

WE CONCUR:

On official leave.
ESTELA M. PERLAS-BERNABE
Senior Associate Justice



RODIL V. ZALAMEDA
Associate Justice

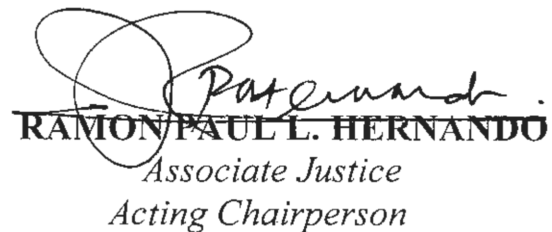


RICARDO R. ROSARIO
Associate Justice

JOSE MIDAS P. MARQUEZ
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.



RAMON PAUL L. HERNANDO
Associate Justice
Acting Chairperson

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Acting 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.

ALEXANDER G. GESMUNDO
Chief Justice