

CHANROBLES PUBLISHING COMPANY

**SUPREME COURT
THIRD DIVISION**

LESLIE W. ESPINO,
Petitioner,

-versus-

G.R. Nos. 109642-43
January 5, 1995

**HON. NATIONAL LABOR RELATIONS
COMMISSION and PHILIPPINE AIR
LINES,**

Respondents.

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DECISION

ROMERO, J.:

The controversy generated in the instant case once again calls for the resolution of the issue of whether or not the National Labor Relations Commission (NLRC) has jurisdiction over a complaint filed by a corporate Executive Vice President-Chief Operating Officer for illegal dismissal resulting from the termination of his services as such officer by virtue of four (4) separate resolutions of the Board of Directors of Philippine Air Lines (PAL).

The undisputed facts are as follows:

Petitioner Leslie W. Espino was the Executive Vice President-Chief Operating Officer of private respondent Philippine Airlines (PAL) when his services were terminated sometime in December 1990 by the Board of Directors of PAL as a result of the findings of the panels created by then President Corazon C. Aquino to investigate the administrative charges filed against him and other senior officers for their purported involvement in four, denominated “Goldair,” “Robelle,” “Kasbah/La Primavera,” and “Middle East” which allegedly prejudiced the interests of both PAL and the Philippine Government.

Petitioner started his employment with PAL on February 25, 1960 as a Traffic and Sales Trainee and, for 30 years, was successively promoted^[1] until he became, by virtue of an election in March 1988 conducted by the Board of Directors, Executive Vice President and Chief Operating Officer for a term of one (1) year and who holds said office until his successor is elected and qualified, pursuant to Section 7, Article III in relation to Section 1, Article IV of the Amended By-Laws of PAL. The last time he was elected as such was on October 20, 1989.

Sometime on July 2, 1990, petitioner and several other senior officers of PAL were administratively charged by Romeo S. David, Senior Vice President for Corporate Services and Logistics Group, for their purported involvement in four cases, labelled as “Goldair,” “Robelle,” “Kasbah/Primavera” and “Middle East.”

Except for the conflict of interest charges in the “Robelle” case, petitioner and several other senior officers of PAL were uniformly charged in the three (3) other aforementioned cases of gross incompetence, mismanagement, inefficiency, negligence, mismanagement, dereliction of duty, failure to observe and/or implement administrative and executive policies, and related acts or omissions resulting in the concealment or cover-up and prevention of the seasonable discovery of anomalous transactions which, as a consequence, caused prejudice to the best interest of PAL and the Government.

Pending investigation by the panels created by then President Corazon C. Aquino, petitioner and other senior officers of PAL were placed under suspension by the Board of Directors.

On October 19, 1990, during the organizational meeting of the PAL Board of Directors, the election or appointment of some senior officers of the company who, like petitioner, had been charged administratively with various offenses and accordingly suspended, were deferred by the Board of Directors. During the said organizational meeting, Feliciano Belmonte was elected Chairman of the Board while Dante Santos was elected as President and Chief Executive Officer.

On the basis of the findings submitted by the presidential investigating panels, the Board issued separate resolutions dated January 19, 1991 in the “Goldair,” “Robelle,” and “Kasbah/La Primavera,” cases and another dated August 9, 1991 in the “Middle East” case wherein petitioner was considered resigned from the service effective immediately for loss of confidence and for acts inimical to the interests of the company.

As a result of his termination, petitioner Espino filed a complaint for illegal dismissal against PAL with the National Labor Relations Commission, Arbitration Branch, NCR, praying, among others, for reinstatement with backwages, recovery of P50 Million as moral damages, P10 Million as exemplary damages and attorney’s fees. The case was docketed as NLRC Case No. 00-05-03210-91.

PAL justified the legality of petitioner Espino’s dismissal from the service before the Labor Arbiter but questioned the jurisdiction of the NLRC contending that, because the investigating panels were created by President Corazon C. Aquino, it became, together with the PAL Board of Directors, a “parallel arbitration unit” which substituted the NLRC. As such, PAL argued that since the Board resolutions on the aforesaid cases; cannot be reviewed by the NLRC, the recourse of petitioner Espino should have been addressed, by way of an

appeal, to the Office of the President of the Republic of the Philippines.

On February 20, 1992, Labor Arbiter Cresencio J. Ramos rendered a Decision^[2] finding that petitioner Espino was dismissed just and valid cause and accordingly ordered his reinstatement to his former position as Executive Vice-President-Chief Operating Officer without loss of seniority rights plus full backwages and other benefits appurtenant thereto, without qualification or deduction from the time of his illegal dismissal up to the date of his actual reinstatement. The dispositive portion reads:

“WHEREFORE, premises considered, judgment is hereby rendered:

1) Ordering complainant’s immediate reinstatement to his former position as Executive Vice President-Chief Operating Officer without loss of seniority rights plus full backwages and other benefits appurtenant thereto, without qualification or deduction, from the time of his illegal dismissal up to the time of his actual reinstatement. His backwages as of February 29, 1992 as computed are in the total sum of P2,925,000.00 (P195,000.00 x 15 months, including the one month suspension).

2) Ordering respondent PAL to pay complainant Leslie Espino the following sums:

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|---|---------------|
| a) Backwages as of February 1992 | P2,925,000.00 |
| b) Cash equivalent of Annual trip passes on first class, (1 for international, 1 for regional, and 1 for domestic) for complainant, his spouse, qualified dependent and parents worth approximately US \$45,000.00 at current rate of exchange rate of exchange P26.50/dollar | 1,192,000.00 |
| c) Midyear and Christmas bonuses equivalent to two (2) months pay | 390,000.00 |

3.	Awarding moral damages to complainant in the sum of P20 million plus exemplary damages of P2.0 million, a total of	22,000,000.00
	TOTAL	P26,507,000.00
4.	Granting attorney's fees of 10% of the total monetary award	2,650,700.00
	GRAND TOTAL	----- P28,157,700.00"

From the said decision, PAL filed on March 5, 1992 an appeal with the NLRC and submitted on March 13, 1992 a supplemental memorandum on appeal. PAL argued that the Labor Arbiter's decision is null and void for lack of jurisdiction over the subject matter as it is the Securities and Exchange Commission, and not the NLRC, which has original and exclusive jurisdiction over cases involving dismissal or removal of corporate officers.

Earlier, or more specifically, on February 25, 1992, petitioner Espino filed a motion for issuance of writ of execution on the ground that the decision of the Labor Arbiter ordering reinstatement is immediately executory even pending appeal pursuant to Article 223 of the Labor Code, as amended.

On February 28, 1992, the Labor Arbiter issued a writ of execution.

PAL, for its part, filed a motion to quash the writ of execution reiterating its argument that the Securities and Exchange Commission (SEC) and not the NLRC has original and exclusive jurisdiction over the subject matter involving the dismissal or removal of corporate officers.

On March 31, 1992, after an exchange of pleadings, Labor Arbiter Ramos denied PAL's motion to quash the writ of execution. Thereafter, or on April 2, 1992, an alias writ of execution was issued.

PAL then filed on April 23, 1992 with the NLRC a petition for injunction, later amended to implead the Labor Arbiter, praying for

the issuance of a temporary restraining order to enjoin the enforcement of said alias writ of execution.

On April 27, 1992, the NLRC issued a temporary restraining order enjoining Espino, Sheriff Anam Timbayan, their agents and all persons acting under them, from implementing the alias writ of execution issued on April 2, 1992 upon PAL's posting of P400,000.00 cash or surety bond. On May 5, 1992, PAL posted the P400,000.00 surety bond.

On July 31, 1992, the NLRC promulgated a resolution^[3] dismissing the complaint for illegal dismissal for lack of jurisdiction and declaring the nullity of the alias writ of execution. Petitioner Espino, Labor Arbiter Cresencio Ramos and Sheriff Anam Timbayan were permanently enjoined from enforcing the said alias writ of execution.

Petitioner Espino filed a motion for reconsideration but the same was denied on January 8, 1993.^[4]

Dissatisfied, petitioner filed the instant petition for certiorari contending mainly that it is the NLRC which has jurisdiction under Article 217, par. (2) of the Labor Code, as amended, to hear the illegal dismissal case he filed against PAL as it involves the termination of a regular and permanent employee and the issues in the dispute involved, not only his removal from office, but also his claim for backwages and other benefits and damages; that PAL is estopped from questioning the jurisdiction of the NLRC.

We rule that the petition lacks merit.

The Court, citing Presidential Decree No. 902-A, laid down the rule in the case of *Philippine School of Business Administration vs. Leano*,^[5] and consequently reiterated in three (3) other cases^[6] that it is the Securities and Exchange Commission (SEC) and not the NLRC which has original and exclusive jurisdiction over cases involving the removal from employment of corporate officers.

Sec. 5. of Presidential Decree No. 902-A regarding the jurisdiction of the Securities and Exchange Commission provides, as follows:

“SECTION 5. In addition to the regulatory and adjudicative functions of the Securities and Exchange Commission over corporations, partnerships and other forms of associations registered with it as expressly granted under existing laws and decrees, it shall have original and exclusive jurisdiction to hear and decide cases involving:

- (a) Devices or schemes employed by or any acts of the board of directors, business associates, its officers or partners, amounting to fraud and misrepresentation which may be detrimental to the interest of the public and/or of the stockholders, partners, members of associations or organizations registered with the Commission.
- (b) Controversies arising out of intracorporate or partnership relations, between and among stockholders, members, or associates; between any or all of them and the corporation, partnership or association of which they are stockholders, members, or associates, respectively; and between such corporation, partnership or association and the state insofar as it concerns their individual franchise or right to exist as such entity.
- (c) Controversies in the election or appointments of directors, trustees, officers or managers of such corporations, partnerships or associations.
- (d) Petitions of corporations, partnerships or associations to be declared in the state of suspension of payments in cases where the corporation, partnership or association possesses sufficient property to cover all its debts but foresees the impossibility of meeting them when they respectively fall due or in cases where the corporation, partnership or association has no sufficient assets to cover its liabilities, but is under the management of a Rehabilitation Receiver or Management Committee created pursuant to this Decree.”

In intra-corporate concerning the election or appointment of officers of a corporation, Section 5, PD 902-A specifically provides:

“SEC. 5. In addition to the regulatory and adjudicative functions of the Securities and Exchange Commission over corporations, partnerships and other forms of associations registered with it as expressly granted under existing laws and decrees, it shall have original and exclusive jurisdiction to hear and decide cases involving:

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(c) Controversies in the election or appointments of directors, trustees, officers or managers of such corporations, partnerships or associations.

Indisputably, the position of Executive Vice President-Chief Operating Officer from which petitioner Espino claims to have been illegally dismissed, is an elective office under Section 7, Article III in relation to Section 1, Article IV of the Amended by-Laws of PAL. The said corporate office has a fixed term of one (1) year and the one elected shall hold office until a successor shall have been elected and qualified. He lost that position when his appointment or election as Executive Vice President-Chief Operating Officer, together with other senior officers who were similarly charged administratively, were deferred by the Board of Directors in its organizational meeting on October 19, 1990. He was later considered by the Board as resigned from the service, for reasons earlier stated, and the said position was later abolished.

The matter of petitioner's not being elected to the office of Executive Vice-President-Chief Operating Officer thus falls squarely within the purview of Section 5 par. (c) of P.D. 902-A. In the case of PSBA vs. Leano, supra, which involved an Executive Vice President who was not re-elected to the said position during the election of officers on September 5, 1981 by the PSBA's newly elected Board of Directors, the Court emphatically stated:

“This is not a case of dismissal. The situation is that of a corporate office having been declared vacant, and that of TAN’s not having been elected thereafter. The matter of whom to elect is a prerogative that belongs to the Board, and involves the exercise of deliberate choice and the faculty of discriminative selection. Generally speaking, the relationship of a person to a corporation, whether as officer or as agent or employee, is not determined by the nature of the services performed, but by the incidents of the relationship as they actually exists.”

A corporate officer’s dismissal is always a corporate act and/or an intra-corporate controversy and that nature is not altered by the reason or wisdom which the Board of Directors may have in taking such action.^[7]

Furthermore, it must be noted that the reason behind the non-election of petitioner to the position of Executive Vice President-Chief Operating Officer arose from, or is closely connected with, his involvement in the alleged irregularities in the aforementioned cases which, upon investigation and recommendation, were resolved by the PAL Board of Directors against him and other senior officers. Evidently, this intra-corporate ruling places the instant case under the specialized competence and expertise of the SEC.

The jurisdiction of the SEC has likewise been clarified by this Court in the case of *Union Glass and Container Corporation, et al. vs. SEC, et al.*,^[8] thus:

“This grant of jurisdiction must be viewed in the light of the nature and function of the SEC under the law. Section 3 of PD No. 902-A confers upon the latter ‘absolute jurisdiction, supervision, and control over all corporations, partnerships or associations, who are grantees of primary franchise and/or license or permit issued by the government to operate in the Philippines.’ The principal function of the SEC is the supervision and control over corporations, partnerships and associations with the end in view that investment in these entities may be encouraged and protected, and their activities pursued for the promotion of economic development.

It is in aid of this office that the adjudicative power of the SEC must be exercised. Thus the law explicitly specified and delimited its jurisdiction to matters intrinsically connected with the regulations of corporations, partnerships and associations and those dealing with the internal affairs of such corporations, partnerships or associations.

Otherwise stated, in order that the SEC can take cognizance of a case, the controversy must pertain to any of the following relationships: (a) between the corporation, partnership or association and the public; (b) between the corporation, partnership or association and its stockholders, partners, members, or officers; (c) between the corporation, partnership or association and the state in so far as its franchise, permit or license to operate is concerned, and (d) among the stockholders, partners or associates themselves.”

The fact that petitioner sought payment of his backwages, other benefits, as well as moral and exemplary damages and attorney’s fees in his complaint for illegal dismissal will not operate to prevent the SEC from exercising its jurisdiction under PD 902-A. While the affirmative reliefs and monetary claims sought by petitioner in his complaint may, at first glance, mislead one into placing the case under the jurisdiction of the Labor Arbiter, a closer examination reveals that they are actually part of the perquisites of his elective position; hence, intimately linked with his relations with the corporation. In *Dy vs. NLRC, et al.*,^[9] the Court, confronted with the same issue ruled, thus:

“The question of remuneration, involving as it does, a person who is not a mere employee but a stockholder and officer, an integral part, it might be said, of the corporation, is not a simple labor problem but a matter that comes within the area of corporate affairs and management, and is in fact a corporate controversy in contemplation of the Corporation Code.”

The Court has likewise ruled in the case of *Andaya vs. Abadia*^[10] that in intra-corporate matters, such as those affecting the corporation, its directors, trustees, officers and shareholders, the issue of consequential damages may just as well be resolved and adjudicated by the SEC. Undoubtedly, it is still within the competence and

expertise of the SEC to resolve all matters arising from or closely connected with all intra-corporate disputes.

Petitioner's reliance on the principle of estoppel to justify the exercise of jurisdiction by the NLRC over the instant complaint is misplaced. It is not accurate for petitioner to conclude that PAL did not raise the issue of jurisdiction at the initial stages of the case, for, while it may be predicated on a different ground, i.e., that appeal from the resolution of the Board of Directors of PAL as regards termination of his services, is to the Office of the President, PAL did in fact question the jurisdiction of the Labor Arbiter. An error of this nature, under the circumstances, could not justify petitioner's insistence that PAL did not raise the issue of jurisdiction at the outset, but only before the NLRC.

It is well-settled that jurisdiction over the subject matter is conferred by law and the question of lack of jurisdiction may be raised at anytime even on appeal.^[11] The principle of estoppel cannot be invoked to prevent this Court from taking up the question of jurisdiction, which has been apparent on the face of the pleadings since the start of the litigation before the Labor Arbiter. In the case of *Dy vs. NLRC*, supra, the Court, citing the case of *Calimlim vs. Ramirez*^[12] reiterated that the decision of a tribunal not vested with appropriate jurisdiction is null and void. Again, the Court in *Southeast Asian Fisheries Development Center-Aquaculture Department vs. NLRC*^[13] restated the rule that the invocation of estoppel with respect to the issue of jurisdiction is unavailing because estoppel does not apply to confer jurisdiction upon a tribunal that has none over the cause of action. The instant case does not provide an exception to the said rule.

In fine, the issue of the SEC's jurisdiction is settled and the Court finds it unnecessary to dwell further on other questions raised by petitioner. Thus, finding no grave abuse of discretion on the part of NLRC in dismissing the complaint for illegal dismissal, the instant petition must be dismissed.

WHEREFORE, the instant petition for certiorari is **DISMISSED** for lack of merit. The resolution of the National Labor Relations Commission dated July 31, 1992 dismissing the complaint for illegal

dismissal for lack of jurisdiction is **AFFIRMED**, without prejudice to petitioner's seeking relief, if so minded, in the proper forum.

SO ORDERED.

**Bidin, Melo and Vitug, JJ., concur.
Feliciano, J., is on leave.**

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- [1] Petitioner held the following positions: International Sales Representative (Manila, 1962 – September 1965) and District Sales Representative (Melbourne, Australia, September 1965 to September 1968); District Sales Manager (Victoria, South and West Australia, September 1968 to October 1970 to February 1976); Assistant Vice-President, International Passenger Sales (March 1976 to July 1980); Vice-President, International Marketing (July 1980 to December 1984); Vice-President, Sales and Services, International (January 1985 to May 1986); Executive Vice-President, Marketing Group (May 1986 to July 1987); Senior Vice-President, Marketing Group (July 1987 to March 1988); Executive Vice-President-Chief Operating Officer (March 1988 to December 20, 1990), Rollo, p. 19.
- [2] Annex "E," Rollo, pp. 152-174.
- [3] Annex "A," Rollo, pp. 41-57.
- [4] Annex "B," Rollo, pp. 58-62.
- [5] G.R. No. L-58468, February 24, 1984, 127 SCRA 778.
- [6] Dy vs. NLRC, G.R. No. L-68544, October 27, 1986, 145 SCRA 211; Cagayan de Oro Coliseum, Inc. vs. Office of the MOLE, G.R. No. 71589, December 17, 1990, 192 SCRA 315; Fortune Cement Corporation vs. NLRC, G.R. No. 79762, January 24, 1991, 193 SCRA 258.
- [7] Fortune Cement Corporation vs. NLRC, supra.
- [8] 126 SCRA 31.
- [9] G.R. No. L-68544, October 27, 1986, 145 SCRA 211.
- [10] 228 SCRA 705.
- [11] Corona vs. Court of Appeals, 214 SCRA 378; Javier vs. Court of Appeals, 214 SCRA 572; People vs. Pareja, 189 SCRA 143; People vs. Eduarte, 182 SCRA 750; Zamora vs. Court of Appeals, 183 SCRA 279.
- [12] 13 SCRA 399.
- [13] 206 SCRA 283.