SUPREME COURT
SECOND DIVISION

RICKY GALICIA, ANTHONY GALICIA, YOVITO GAN, PRIMO VELEZ, ERBIE GAN, ARTURO ROSAL, ALIPIO GADON, MAXIMINO PANDO, GINA GAN, RODOLFO GALICIA, JESSIE GALICIA, JOEL GREGORIO, CHARLIE GAN, MABINI GUYO, JELRY MERANO, ARNULFO MESANA, ROSENDO GUARDIAN, SOCRATES GALOS, MICHAEL GREGORIO, ROBERTO PALACIO, ROMEO GALICIA, JOEVIN MELANO, PASCUALITO ABAT, PEPITO DAVID and JOVENCIO GREGORIO,
***Petitioners*,**

-versus-

G.R. No. 119649
July 28, 1997

NATIONAL LABOR RELATIONS COMMISSION (SECOND DIVISION), GLOBE PAPER MILLS/KENG HUA PAPER PRODUCTS, INC. and ARMOR INDUSTRIAL CORPORATION,
***Respondents*.**
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D E C I S I O N

ROMERO, *J.*:

In the instant Petition for Certiorari assailing the Decision and Resolution of the National Labor Relations Commission in NLRC NCR Case No. 00-01-0017092, dated November 29, 1994 and March 3, 1995, respectively, the sole issue pertains to the validity of a compromise agreement and quitclaims executed by the parties during the pendency of private respondents' appeal to the respondent Commission.

On January 8, 1992, ninety-five workers, including the twenty-five petitioners herein, were assisted by a labor federation, the National Organization of Workingmen (NOWM) in their suit against respondent companies for illegal dismissal, regularization, underpayment of wages, holiday pay, premium pay etc. After several complainants withdrew from the case, the parties filed their respective position papers. They alleged that Armor Industrial Corporation, Gibson Contractor Services, Juner Contractor Services, Libra Manpower Agency and Anjo Contractor, all "labor-only" contractors, recruited them and supplied them to Globe Paper Mills and Keng Hua Paper Products where they performed activities directly necessary to the companies' principal business.

On January 15, 1994, Labor Arbiter Ernesto S. Dinopol rendered his decision declaring the thirty remaining complainants as regular employees of Keng Hua Paper Products, Globe Paper Mills and Armor Industrial Corporation and ordering their reinstatement. Respondent companies were ordered to pay backwages from February 15, 1991 up to the date of actual reinstatement, in the total amount of P3,223,261.00, with P107,380.00 for each complainant as of January 15, 1994.

Respondent Companies appealed the case of the NLRC.

On March 1, 1994, the disputed Compromise Agreement was executed by James Yu, the Manager and Vice President of Globe Paper Mills

and Teofilo Rafols, the National President of the National Organization of Workingmen (NOWM) representing the complainants, when most of the latter were still in Romblon, their home province. The agreement settled the case for and in consideration of the total sum of P300,000.00.

Complainants arrived from Romblon on March 7, 1994. The next day, each of the complainants signed a Quitclaim and Release which confirmed the compromise agreement as well as receipt of their individual share amounting to P12,000.00 each.[1] The standard Quitclaim and Release reads, in part:

> "Na, pagsaalang-alang sa halagang LABING DALAWANG LIBONG (P12,000.00) PESOS bilang kabayaran sa akin ng Globe Paper Mills Corp./Armor Industrial Corporation et. al., sa pamamagitan ni Bro. Teofilo A. Rafols, presidente ng N.O.W.M. na siyang aking/aming pinagkatiwalaan ang pakikipag-usap kay G. JAMES YU, President/General Manager ng nasabing mga Kompanya tungkol sa pakikipag-ayos o "amicable settlement," na ang huling ALOK ng Kompanya ay aking sinang-ayunan, dala na rin ng aking kahirapan at kawalan ng pinagkakitaan sa matagal na panahon;" (Emphasis supplied.)[2]

On March 9, 1994, petitioners executed a Sama-samang Sinumpaang Salaysay where they stated:

> "4. Na, batid namin na ang naturang halaga na aming tinanggap (P12,000.00 each) ay hindi makatarungan at sapat na kabayaran sa aming mga hinahabol na biyaya sa naturang mga Kompanya at alinsunod sa desisyon ng Labor Arbiter, ngunit, dala ng aming kahirapan sa buhay, bunga ng aming matagal nang pagkakatanggal sa aming trabaho mula pa noong taon 1991 at 1992 ay napag-pasiyahan namin na pansamantalang kunin/tanggapin ang inalok na halaga ng Kompanya, ngunit aming ipagpapatunay ang nasabing usapin/asunto sa kadahilanan masyado kaming api at hindi makatarungan ang pagkakatanggap sa aming trabaho na nagdulot ng labis na kahirapan sa aming mga mahal sa buhay, sa katunayan, ang aming kinabubuhay ay sa tulong ng aming mga malalapit na kamag-anak at mga kaibigan, at upang

> lubusang mabigyan ng katarungan ang aming kalagayan." (Emphasis added.)[3]

Private respondents submitted the Compromise Agreement and Joint Motion to Dismiss before the respondent Commission which was then considering the case on appeal from the decision of the Labor Arbiter. Herein petitioners later filed an Opposition to the Motion to Dismiss where they demanded the difference of what they actually received and the judgment award in their favor.

On November 29, 1994, respondent Commission rendered its Decision approving the Compromise Agreement, setting aside the January 15, 1994 decision of the Labor Arbiter and dismissing the instant case.[4] The NLRC held that the complainants were fully aware of the award in their favor dated January 15, 1994 when they voluntarily entered into the compromise agreement on March 1, 1994. They thus disregarded the judgment award and opted for the last and sincere offer of respondent Globe Paper Mills instead of waiting out the appeal filed by respondents. Respondent NLRC added that it cannot subscribe to complainants' contention that they signed the compromise agreement under the compulsion of "dire necessity" and held that position as a mere afterthought.

Their motion for reconsideration having been denied on March 3, 1995, the instant petition for certiorari was filed contesting the decision of the NLRC.

A compromise agreement is executed by parties who adjust their difficulties by mutual consent in order to prevent or to put an end to a lawsuit. Additionally, each of the parties is motivated by "the hope of gaining, balanced by the danger of losing."[5] Under the Labor Code, any compromise settlement voluntarily agreed upon by the parties with the assistance of the Bureau of Labor Relations or the regional office of the Department of Labor and Employment shall be final and binding upon the parties.[6] Even if contracted without the assistance of labor officials, compromise agreements between workers and their employers have been upheld and considered as valid, accepted and even desirable means of settling disputes.[7]

This Court takes cognizance of the low regard for quitclaims executed by laborers, which are often frowned upon as being contrary to public policy.[8] In some cases, we have ruled that quitclaims are ineffective in barring recovery for the full measure of the worker's rights and that acceptance of benefits therefrom does not amount to estoppel.[9] In Lopez Sugar Corporation vs. Federation of Free Workers, the Court explained:

> "Acceptance of those benefits would not amount to estoppel. The reason is plain. Employer and employee, obviously do not stand on the same footing. The employer drove the employee to the wall. The latter must have to get hold of money. Because, out of job, he had to face the harsh necessities of life. He thus found himself in no position to resist money proffered. His, then, is a case of adherence, not of choice. One thing, sure however, is that petitioners did not relent their claim. They pressed it. They are deemed not to have waived any of their rights."[10]

In the case of Periquet vs. NLRC, we set the guidelines and current doctrinal policy regarding quitclaims and waivers, thus:

> "Not all waivers and quitclaims are invalid as against public policy. If the agreement was voluntarily entered into and represents a reasonable settlement, it is binding on the parties and may not later be disowned simply because of a change of mind. It is only where there is clear proof that the waiver was wangled from an unsuspecting or gullible person, or the terms of settlement are unconscionable on its face, that the law will step in to annul the questioned transaction. But where it is shown that the person making the waiver did so voluntarily, with full understanding of what he was doing, and the consideration for the quitclaim is credible and reasonable, the transaction must be recognized as a valid and binding undertaking."[11]

Hence, quitclaims were the workers voluntarily accept a reasonable amount or consideration as settlement, are deemed valid and cannot be set aside merely because the parties have subsequently change their minds.

For the compromise to be voluntarily entered into, there must be personal and specific individual consent.[12] In the case at bar, petitioners attempt to disavow their consent given to Mr. Teofilo Rafols, president of the National Organization of Workingmen, by disclaiming any authority accorded by them to Mr. Rafols to fix and decide the total amount.[13] We find no basis for this allegation apart from their joint affidavit and unsubstantiated claims to that effect.

Although their authorization in favor of Mr. Rafols does not appear to have been recorded in a written instrument for no such document was submitted to the Court, at the conference between the parties, they confirmed the veracity of the compromise agreement and the quitclaim. Even granting that there may have been some question regarding the authority granted to the NOWM President, the same was waived once petitioners signed the quitclaim evidencing receipt of their individual shares.

Respondent Commission has ruled that petitioners authorized NOWM to negotiate with management. It cannot be said to have committed grave abuse of discretion in utilizing facts presented during the conference, for proceedings held thereat do not constitute privileged communication.

The more relevant inquiry is whether the consideration for the quitclaims signed by the workers was reasonable and acceptable. Where it is shown that the person making the waiver did so voluntarily and with full understanding of what he was doing and the consideration of the quitclaim is credible, the transaction must be recognized as a valid and binding undertaking.[14]

We find quite relevant the ruling of the Court in Cruz vs. NLRC[15] because the amount accepted by petitioners herein was very much less than the amount awarded by the Labor Arbiter in his January 15, 1994 decision. The consideration for the quitclaim, a measly P12,000.00 per worker and the total sum of P300,000, are inordinately low and exceedingly unreasonable relative to the P107,380.00 per worker and total P3,223,261.00 awarded by the Arbiter. Palpably inequitable, the quitclaim cannot be considered an obstacle to the pursuit of their legitimate claims.[16]

Petitioners never accepted as full compensation the mere amount they received when they signed the quitclaim and release. In the Sinumpaang Salaysay they executed the next day, they expressly declared their awareness that the amount they received was unjust and insufficient to answer for their just claims and the award given by the Labor Arbiter, but due to destitution caused by their protracted unemployment, they decided to accept the P12,000.00 in the meantime.[17] The Court also recognizes "dire necessity" of laborers as ample justification to accept even insufficient sums of money from their employers. We are not unaware that in some cases, such as Olaybar vs. NLRC, this ground was deemed unacceptable in refuting the agreement in question. The main difference, however, lies in the existence of a voluntary acceptance of the agreement and the reasonable consideration for it, making the agreement intrinsically valid and binding, thus rendering the "dire necessity" excuse immaterial and irrelevant.

Worth noting is the Solicitor General's opinion in favor of granting the petition. The OSG concluded that "(w)hile petitioners may not have been 'tricked' into accepting the P12,000.00, to repeat, the undisputed and concurrent circumstances of dire necessity and unconscionability obtaining in the case at bar constitute more than sufficient ground to invalidate the compromise agreement."[18]

WHEREFORE, the instant petition is hereby **GRANTED**. The assailed resolution and decision of respondent Commission are hereby **SET ASIDE**. The case is **REMANDED** to the Commission for expeditious resolution on the merits.

SO ORDERED.

Regalado, Puno and Mendoza, *JJ.*, concur.
Torres, Jr., *J.*, is on leave.

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[1] The remaining five complainants below had already voluntarily resigned.
[2] Rollo, pp. 57-58.
[3] Rollo, p. 66.

[4] "National Organization of Workingmen (NOWM) and its members, Ricky Galicia, et al. vs. Globe Paper Mills, Keng Hua Paper Products, Inc. Armor Industrial Corporation, Gibson Contractor Agency, Libra Manpower Agency, Anjo Contractor Services and Juner Contractor Services," Per Commissioner Raul T. Aquino, with the concurrence of Commissioners Victoriano R. Calaycay and Rogelio I. Rayala, Rollo, pp. 24-35.
[5] David vs. CA, 214 SCRA 644 (1992) and Rovero vs. Amparo, 91 Phil. 228 (1952) in Reformist Union of R.B. Liner, Inc. vs. NLRC, G.R. No. 120482, January 27, 1997.
[6] Article 227.
[7] Morales vs. NLRC, 241 SCRA 103 (February 6, 1995), Victorias Milling Co. Inc. vs. NLRC, 233 SCRA 403 (1994).
[8] Republic Planters Bank vs. NLRC, G.R. No. 117460, January 6, 1997 citing Philippine National Construction Corporation vs. NLRC, 215 SCRA 204 (October 27, 1992).
[9] Ibid., citing Medina vs. Consolidated Broadcasting System, 222 SCRA 707 (May 28, 1993) and Blue Bar Coconut Phils., Inc. vs. 208 SCRA 371 (May 5, 1992).
[10] 189 SCRA 192 (August 30, 1990) citing Cariño vs. ACCFA, 18 SCRA 183 (September 29, 1966).
[11] 186 SCRA 724 (June 22, 1990).
[12] General Rubber vs. Drilon, 169 SCRA 808; Republic vs. NLRC, 244 SCRA 564 (May 31, 1995).
[13] Petition p. 11; Rollo, p. 16 and their Joint Affidavit dated January 13, 1995, Rollo, p. 78.
[14] Olaybar vs. NLRC, 237 SCRA 819 (October 28, 1994).
[15] 203 SCRA 286 (October 28, 1991).
[16] Ibid.
[17] See their Sinumpaang Salaysay, Rollo, p. 66, quoted on page 3.
[18] Comment of the OSG, p. 9, Rollo, p. 115.