

CHANROBLES PUBLISHING COMPANY

**SUPREME COURT  
SECOND DIVISION**

**ZENAIDA GALINDEZ, CAROLINA  
JUNIO AND GERONIMO SERNADILLA,  
*Petitioners,***

***-versus-***

**G.R. No. 84975  
July 5, 1989**

**RURAL BANK OF LLANERA, INC.,  
NATIONAL LABOR RELATIONS  
COMMISSION,  
*Respondents.***

X-----X

**RURAL BANK OF LLANERA (N. E.),  
INC.,  
*Petitioner,***

***-versus-***

**G.R. No. 85211  
July 5, 1989**

**DEPARTMENT OF LABOR AND  
EMPLOYMENT AND ZENAIDA  
GALINDEZ,  
*Respondents.***

X-----X

**DECISION**

**MELENCIO-HERRERA, J.:**

Arising from the same facts and involving the same issues and questions of law, these separate Petitions were ordered consolidated in this Court's Resolution of 9 November 1988.

The undisputed facts follows:

Zenaida Galindez, petitioner in G.R. No. 84975, was, since March 1979, the Cashier of the Rural Bank of Llanera, Inc. (Nueva Ecija), which is the petitioner in G.R. No. 85211 (the Bank, for short).

Sometime in January of 1981, the said Bank was placed under receivership by the Central Bank, with a Receiver designated to take over the management of the Bank as well as its reorganization.

On 3 April 1981, the Receiver applied for clearance with the Regional Office No. III, Nueva Ecija Labor Office, at Cabanatuan City (docketed as RO3 NELO Case No. 700), to terminate the services of Zenaida Galindez (Galindez, for brevity) and two of her co-employees, namely, Carolina Junio and Geronimo Sernadilla, based on retrenchment. Prior to that, however, or on 1 April 1981, notice of termination was sent to them informing them of the termination of their services effective 16 April 1981.

All three, namely, Galindez, Junio and Sernadilla opposed the application for clearance on 20 April 1981. On 4 May 1981 the Nueva Ecija Labor Office recommended the approval of the application and the dismissal of the employees' opposition. The case was thereupon referred to the Arbitration Branch, Region 3, San Fernando, Pampanga.

Pending resolution of the Bank's application for clearance, the Central Bank filed a "Petition for Assistance in the Liquidation of the Bank" with the Regional Trial Court of Cabanatuan City, Branch 23, on 23 August 1982. This was granted by the Trial Court on 13 July 1983.

In the interim, or on 4 May 1983, the Labor Arbiter rendered a Decision denying the Bank's application for clearance to terminate Galindez and, instead, ordered her reinstatement. The dispositive portion of that Decision reads:

“WHEREFORE, the application for clearance is hereby denied and the applicant Rural Bank of Llanera is ordered to reinstate oppositor Zenaida Galindez to her former position as Cashier without loss of seniority rights and privileges, with full backwages from April 16, 1981 up to her actual date of reinstatement, including all the mandatory benefits provided by law.

“Applicant is further ordered to pay separation pay benefits to oppositors Carolina Junio and Geronimo Sernadilla equivalent to one (1) month salary for every year of service.

“SO ORDERED.” (p. 22, Rollo, G.R. No. 84975).

No appeal having been filed within the reglementary period, the Labor Arbiter issued a Writ of Execution.

On 22 August 1983, the Bank filed a “Petition to Alter or Modify Judgment” which, however, was denied by the Labor Arbiter on 16 September 1983 on the principal ground that the Decision of 4 May 1983 had become final and executory.

On 7 October 1983, the Bank interposed an appeal to the NLRC by way of a “Notice of Appeal with Injunction to Stay Execution” of the Labor Arbiter Decision of 4 May 1983.

On 24 August 1984, the NLRC, in an en banc Resolution, dismissed the appeal holding that the Decision of 4 May 1983 had already become final and executory.

On 28 November 1984, the Labor Arbiter issued an Alias Writ of Execution commanding the Sheriff to reinstate petitioner and to collect the sum of P63,707.20 the newly computed liability of the Bank. However, the said Writ could not be enforced because the

Regional Trial Court, at Cabanatuan City, Branch 23, issued a Restraining Order suspending its enforcement on the ground that the monetary claims against the Bank should be coursed through the said Court as the Liquidation Court.

On 28 January 1985, the Bank filed with the Labor Arbiter a “Petition for Relief from Judgment” principally on the ground that execution could no longer issue because the Bank was already in the process of liquidation. Said Petition was denied by the Labor Arbiter for lack of merit on 30 January 1985. The Bank appealed the Order to the NLRC on 16 February 1985.

On 8 July 1986, since almost two (2) years had elapsed without any implementation of the Decision of the Labor Arbiter and the NLRC (en banc), Galindez filed a “Petition for Mandamus with Damages” before the Regional Trial Court of Cabanatuan City, Branch 29 (Spec. Procs. No. 1936), seeking reinstatement to her former position as Cashier and payment of her backwages and mandatory benefits. The Bank filed its Opposition thereto on 6 August 1986.

On 2 December 1986, said Trial Court issued an Order disposing as follows:

“WHEREFORE, upon the filing of a bond in the sum of P106,817.00 which shall answer for all damages that may be sustained by the respondent Rural Bank of Llanera, Inc., in case this petition is finally decided in its favor, let a peremptory writ of mandamus issue to implement this order.

“SO ORDERED.” (p. 38, Rollo of G.R. No. 84975).

On 29 January 1988, the Court of Appeals, Fifth Division, to which said Order was elevated, rendered a Decision in CA-G.R. Nos. 12136 and 11047-SP, the pertinent portion of which reads:

“What the Court a quo acted upon is within the exclusive and original jurisdiction of the Labor Commission and not with the Regional Trial Court. In fact, a Decision having been rendered already by the NLRC, appeal therefrom, if still available, should be by petition for certiorari with the Supreme Court to review

the Decision of the NLRC. Neither the Regional Trial Court, nor even this Court can review the decisions issued under the Labor Code (No. 16-E of the Interim Rules of Court; Callanta vs. Carnation Philippines, Inc., 145 SCRA 268).” (p. 10, Rollo of G.R. No. 84975)

On 10 May 1988, acting on the appeal of the Bank from the Order of the Labor Arbiter, dated 30 January 1985, the NLRC, through its Second Division, issued the questioned Resolution modifying the Labor Arbiter’s Decision of 4 May 1983. The pertinent portion of the assailed Resolution reads:

“Since reinstatement is no longer possible due to the liquidation of the bank, oppositor-appellee should be awarded separation pay equivalent to one-half month salary for every year of service.

“WHEREFORE, the May 4, 1983 decision of the Labor arbiter is Modified, the applicant Rural Bank is ordered to pay oppositor-appellee separation pay equivalent to one-half month salary for every year of service, a fraction of at least six months being considered as one whole year, in lieu of reinstatement. The award for backwages is hereby limited to three (3) years without any qualification or deduction. No other pronouncements.

“SO ORDERED.” (p. 34, Rollo of G.R. No. 84975)

Motions for Reconsideration filed by both parties having been denied, Galindez and the Bank filed these separate Petitions for Certiorari with this Court, alleging grave abuse of discretion on the part of the NLRC. We resolved to give due course.

The issues raised by the parties may be summed up thus:

1. Whether or not the NLRC acted with grave abuse of discretion in modifying a final and executory judgment of the Labor Arbiter;
2. Whether or not backwages can be awarded without the grant of reinstatement; and

3. Whether or not the award of backwages and separation pay can be enforced directly with the bank or should be coursed through the Court taking cognizance of the liquidation proceedings against the Bank.

Galindez claims grave abuse of discretion on the part of the NLRC in that the NLRC cannot modify the Decision of the Labor Arbiter and affirmed by the NLRC en banc, which had attained finality, and that the only ministerial duty of the Labor Arbiter is to execute it.

The general rule is, indeed, that once a judgment becomes final and executory, said judgment can no longer be disturbed, altered, or modified. That principle, however, admits of exceptions as in cases where, because of supervening events, it becomes imperative, in the higher interest of justice, to direct its modification in order to harmonize the disposition with the prevailing circumstances (*Seavan Carrier, Inc., vs. GTI Sportswear Corp.*, No. L-65953, July 16, 1985, 137 SCRA 580) or whenever it is necessary to accomplish the aims of justice (*Pascual vs. Tan*, 85 Phil. 164 [1949]; *Central Textile Mills, Inc., vs. United [CMC] Textile Workers Union-TGWF*, No. L-51077, December 27, 1979, 94 SCRA 883).

In the case at bar, the modification of the judgment, rendered by the Labor Arbiter on 4 May 1983, is warranted by the fact that the Bank had been placed under liquidation thereby permanently foreclosing any possibility for the Bank to resume its business. Reinstatement of Galindez, as Cashier, therefore, was rendered inappropriate considering the Bank's eventual closure.

As correctly pointed out by the Solicitor General, another reason which militates strongly against Galindez's reinstatement is the fact that the position of cashier has been abolished as a result of liquidation. In point is the ruling in *Pizza Inn vs. NLRC*, G.R. No. 74531, June 28, 1988, reading:

“Reinstatement presupposes that the previous position from which one had been removed still exists or there is an unfilled position more or less of similar nature as the one previously occupied by the employee. Admittedly, no such position is

available. Reinstatement therefore becomes a legal impossibility. The law cannot exact compliance with what is impossible.”

It is true that in the Order of the Regional Trial Court of Cabanatuan City, Branch 29, dated 2 December 1986, it disbelieved that the position of Cashier had been abolished stating that one “Mrs. Aurora Lazaro signed the receipts as Bookkeeper-Cashier of the respondent bank and collected certain amounts from the bank borrowers” (p. 4 Order, Sp. Procs. No. 1936). As is obvious, however, the two positions were already merged thereby showing that the Bank was, in fact, retrenching its employees in the process of liquidation. That merger cannot be construed to mean that the position of Cashier was being retained.

Reinstatement having been rendered non-available, the modification of the Labor Arbiter’s Decision by the NLRC (Second Division) by the deletion of the same, was thus in order. A circumstance had transpired which rendered execution of the said Decision legally impossible. The separation pay, which was awarded in lieu of reinstatement, was likewise proper, Section 4(b), Rule 1, Book VI of the Omnibus Rules Implementing the Labor Code being explicit in that:

“(b) In case the establishment where the employee is to be reinstated has closed or ceased operations or where his former position no longer exists at the time of reinstatement for reasons not attributable to the fault of the employer, the employee shall be entitled to separation pay equivalent to at least one month salary or to one month salary for every year of service, whichever is higher, a fraction of at least six months being considered as one whole year.”

As to the second issue, it is the Bank’s position that entitlement to backwages necessitates the grant of reinstatement. That is not so. They are two different forms of relief In Santos vs. NLRC (No. L-76721, September 21, 1987, 154 SCRA 166), it was squarely held:

“The two forms of relief are distinct and separate, one from the other. Though the grant of reinstatement commonly carries

with it an award of backwages, the inappropriateness or non-availability of one does not carry with it the inappropriateness or non-availability of the other.”

Besides, the modification by the NLRC (Second Division) of the Labor Arbiter’s Decision of 4 May 1983 was limited to the matter of reinstatement. The original award of backwages had to remain as there was no extraordinary circumstance which rendered the execution of backwages impossible or impractical. The NLRC, however, correctly reduced it to three (3) years following doctrinal jurisprudence.

We come now to the third and final issue. The Bank contends that the award of separation pay (for Galindez, Junio and Sernadilla), and backwages (for Galindez) should be enforced through formal claims with the Liquidation Court. We agree, considering that the Regional Trial Court, Cabanatuan City, Branch 23, is now such a Court by virtue of its Order, dated 13 July 1983, in connection with a “Petition for Assistance in Liquidation” filed by the Central Bank before it. This is but in keeping with the cardinal rule against multiplicity of suits and in order that the assets of the Bank may not be unduly depleted to the prejudice of other creditors.

“The fact that the insolvent bank is forbidden to do business, that its assets are turned over to the Superintendent of Banks, as a receiver, for conversion into cash, and that its liquidation is undertaken with judicial intervention means that, as far as lawful and practicable, all claims against the insolvent bank should be filed in the liquidation proceedings. The judicial liquidation is intended to prevent multiplicity of action against the insolvent bank” (Hernandez vs. Rural Bank of Lucena, Inc., January 10, 1978, No. L-29791, 81 SCRA 75).

So also was the rule laid down in the case of Lipana vs. Development Bank of Rizal (G.R. No. L-73884, September 24, 1987, 154 SCRA 257) that:

“In the instant case, the stay of execution of judgment is warranted by the fact that the respondent bank was placed under receivership. To execute the judgment would unduly

deplete the assets of respondent bank to the obvious prejudice of other depositors/creditors, since, as aptly stated in *Central Bank of the Philippines vs. Hon. Morfe* (63 SCRA 114), after the Monetary Board has declared that a bank is insolvent and has ordered it to cease operations, the Board becomes the trustee of its assets for the equal benefit of all the creditors, including the depositors. The assets of the insolvent banking institution are held in trust for the equal benefit of all creditors, and after its insolvency, one cannot obtain an advantage or preference over another by an attachment, execution, or otherwise.”

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“The time of the filing of the complaint is immaterial. It is the execution that will obviously prejudice the other depositors and creditors. Moreover, as stated in the said *Morfe* case, the effect of the judgment is only to fix the amount of debt, and not to give priority to other depositors and creditors.”

**WHEREFORE**, the Resolution of the National Labor Relations Commission (NLRC), through its Second Division, dated 10 May 1988, which modified the Labor Arbiter’s Decision of 4 May 1983, is hereby **AFFIRMED**. The monetary awards adjudged therein, however, must be enforced through formal claims filed with the Regional Trial Court, Cabanatuan City, Branch 23, which is taking cognizance of the liquidation proceedings of the Rural Bank of Llanera, Inc. No costs.

**SO ORDERED.**

**Paras, Padilla, Sarmiento and Regalado, JJ., concur.**