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**SUPREME COURT
THIRD DIVISION**

**RAYMUNDO HIPOLITO, JR., in his
capacity as President and Chief
Executive of SAN MIGUEL
CORPORATION EMPLOYEES UNION
(SMCEU) AND RODOLFO DESTURA,
Union Treasurer,**

Petitioners,

-versus-

**G.R. No. 81830
October 1, 1990**

**HON. PURA FERRER-CALLEJA,
Bureau of Labor Relations Director,
Department of Labor and Employment,
Manila, HON. EDGARDO DE LA CRUZ,
Med-Arbiter, National Capital Region,
Department of Labor and Employment,
Manila and DANIEL L. BORBON II,**

Respondents.

X-----X

DECISION

CORTES, J.:

Petitioners impugn the decision of the public respondent Bureau of Labor Relations (BLR) in BLR Case No. A-10-354-87 (NCR-OD-M-5-421-87) which affirms the order of the Med-Arbiter declaring as invalid the disqualification/expulsion of private respondent from the union and modifies the same order by requiring petitioners to return to the union the amount of One Hundred Thirty Thousand Pesos (P130,000.00) previously paid by them to Atty. Raymundo Hipolito III as attorney's fees.

Petitioners Hipolito and Destura were the then President and Treasurer, respectively, of San Miguel Corporation Employees Union (SMCEU-PTGWO), a legitimate labor organization composed of monthly salaried employees of San Miguel Corporation. Private respondent Borbon is employed as a Safety Engineer in the Magnolia Division of the same corporation.

Two complaints, docketed as Case Nos. NCR-IRD-C-5-302-87 and NCR-OD-M-5-421-87, were filed with the Med-Arbiter by private respondent against petitioners in their capacity as union officers of SMCEU-PTGWO. Private respondent alleged that the following illegal acts were committed by petitioner Hipolito, as hold-over president of the union:

1. arbitrary, summary and whimsical expulsion of complainant [private respondent] Borbon from union membership without due process and in utter disregard of the procedure provided in the union's constitution and by-laws;
2. illegal appointment of Rodolfo Destura as union treasurer;
3. violation of Article 242 (i), (j) and (k) of the Labor Code; (now Art. 241)
4. unilateral appointment by respondent Hipolito, Jr. of his son, Atty. Raymundo Hipolito III as union counsel without the benefit of an approved Resolution of the Board of Directors and illegal payment of P130,000 for legal fees; and

5. failure of respondent Hipolito, Jr. to reimburse legitimate expenses incurred by complainant prior to and including CBA negotiation period up to April 30, 1987 [Rollo, pp. 44-45].

On September 18, 1987, the Med-Arbiter Edgardo dela Cruz rendered a resolution, the dispositive portion of which reads:

Wherefore, premises considered, judgment is rendered as follows:

1. Declaring the disqualification and/or expulsion of complainant Daniel Borbon II invalid and ordering his reinstatement as union member from receipt of this resolution;
2. Declaring respondent Rodolfo Destura as the legally constituted Acting Treasurer;
3. Declaring Atty. Raymundo Hipolito III as not duly appointed by the union's Board of Directors but considers any amount paid as legal, and for services rendered, by an attorney to his client;
4. Denying the claim for reimbursement of complainant for alleged expenses incurred for the union for lack of sufficient evidence;
5. Dismissing the claim for the removal of respondents for lack of substantial and direct evidence.

The counterclaim for damages, moral and exemplary, fees in the amounts of P500,000.00; P200,000.00 or P50,000.00 respectively are denied for lack of jurisdiction.

SO ORDERED.

[Resolution of the Med-Arbiter; Rollo, p. 11].

Private respondent appealed item numbers 2, 3, 4 and 5 of the dispositive portion of the resolution to the BLR, while petitioners

appealed item number 1. On January 22, 1988, public respondent BLR Director Pura Ferrer-Calleja rendered a decision modifying the Med-Arbiter's order as follows:

WHEREFORE, premises considered, the ORDER of the Med-Arbiter dated 18 September 1987 is modified to the extent that respondents Raymundo Hipolito, Jr. and Rodolfo Destura are hereby ordered to return to the Union the amount of One Hundred Thirty Thousand Pesos (P130,000.00) that they illegally paid to ATTY. RAYMUNDO HIPOLITO III, as attorney's or professional services fees.

SO ORDERED.

[Decision of the Director of Bureau of Labor Relations, Annex "B" to the Petition; Rollo, p. 11]

Hence, this petition. Private respondent and the Solicitor General filed their respective Comments. Petitioners thereafter filed they Reply. The parties submitted their memoranda, after which the case was deemed submitted.

For resolution by the court is whether or not public respondent committed grave abuse of discretion in (1) holding that private respondent was illegally dismissed from the union and (2) in ordering petitioners to return to the union the amount of One Hundred Thirty Thousand Pesos (P130,000.00) which they had previously paid to Atty. Hipolito.

With respect to private respondent's removal from the union, petitioners claim that private respondent is not a rank and file employee because he holds the position of safety engineer and as such, exercises supervisory functions in the corporation. Therefore, in accordance with the union's rules which disallow the membership of persons exercising supervisory powers [Article IV, Sections 2 and 9, par. B of the SMCEU constitution and by-laws; Annex "I" to the Petition; Rollo, pp. 68, 73,] private respondent is disqualified to be a union member.

The argument is devoid of merit. Public respondent's declaration that private respondent is a rank and file employee is supported by the evidence. First, there is a certification signed by the Assistant Vice-President and Personnel and Administrative Manager of San Miguel Corporation, Magnolia Division [Annex "3" to the Comment; Rollo, p. 118] stating that private respondent occupies a position that is non-supervisory. Second, private respondent's status as a rank and file employee had been recognized in two previous related petitions [G.R. Nos. 82183 and 80141] decided by this Court. Thus, the decision in G.R. No. 80141 incorporated the resolution in G.R. No. 82183 dated May 4, 1988 [Annex "5" to the Comment of Private Respondent; Rollo, p. 121] which in part, states: "that petitioner's petition to disqualify Daniel Borbon from running for office in the union had already been resolved in BLR Case No. 1354-87 (NCR OD-M-5-421-87) where Borbon was declared a rank and file employee, hence, qualified to join, form or assist in the formation of a labor organization." [SMCEU-PTGWO vs. Ferrer-Calleja, G.R. No. 80141, July 5, 1989.]

Public respondent, therefore, did not commit grave abuse of discretion when it affirmed the declaration of the Med-Arbiter that private respondent was a rank and file employee and accordingly, his disqualification and/or expulsion from the union was invalid.

We now resolve the issue of whether or not public respondent committed grave abuse of discretion when it ordered petitioners to return to the union the amount of P130,000.00 that they previously paid to Atty. Hipolito.

In the complaint filed before the Med-Arbiter, the illegal acts allegedly committed by petitioner Hipolito included the unilateral appointment of Atty. Hipolito as union counsel, and the payment to the latter of P130,000.00 as legal fees. According to private respondent, there was no resolution from the union's board of directors either appointing Atty. Hipolito as counsel or authorizing the payment of attorney's fees. Under the SMCEU constitution, it is the board of directors which has the power to engage the services of a legal counsel and to fix his compensation [Section 2, Article VI; Rollo, pp. 75-76].

The Med-Arbiter found that the union's board did not engage the services of Atty. Hipolito as union counsel, but ruled that the attorney's fees collected, if any, should be considered as payment for services rendered as a professional.

On appeal, public respondent BLR upheld the Med-Arbiter's finding that the appointment was made without board authority but declared that since the appointment was ultra vires, it is illegal, and therefore Atty. Hipolito is not entitled to any legal fee. As a consequence, petitioners were ordered to return to the union the amount of P130,000.00 paid to Atty. Hipolito.

There is a need to clarify that Atty. Hipolito is not asked to return to the union the money paid him. He is not even a party to this case. It is the petitioners who have been ordered to pay back the union the amount of P130,000.00. Ultimately, the order to return the money rests on the premise that the payment by petitioners is a case of illegal disbursement of union funds.

There is no question that there was no board resolution appointing Atty. Hipolito as union counsel. Petitioners, however, maintain that the absence of a board resolution should not negate the fact that Atty. Hipolito had rendered service to the union for which he deserved remuneration.

We sustain petitioners' argument. The record establishes clearly that Atty. Hipolito had acted as union counsel in the negotiation and consummation of the 1986 Collective Bargaining Agreement (CBA) entered into between the San Miguel Corporation management and SMCEU-PTGWO [Rollo, pp. 149-150]. The same parties signed a Memorandum of Agreement which outlined the terms as to wage increase, scope of bargaining unit, and effectivity of the CBA [Rollo, p. 91]. These documents, signed by the members of the board (including private respondent), evidence two occasions where the members of the board clearly recognized the representation of the union by Atty. Hipolito.

Thus, while it is true that Atty. Hipolito was not appointed by the board, the facts of the case show that not only did the board itself acknowledge and make use of the services of Atty. Hipolito, but that

such services redounded to the benefit of the union [Rollo, pp. 141-148]. Taken together, these circumstances, i.e., that notwithstanding the absence of an express authority from the board, Atty. Hipolito represented the union with the knowledge and acquiescence of the board, and the acceptance of benefits arising from the service rendered, entitle Atty. Hipolito to the reasonable value of his professional services on a quantum meruit basis.

In determining the amount of attorney's fees on quantum, the Court invariably takes into account the amount and character of the services rendered, the labor, time and trouble involved, the nature and importance of the activity in which the services were rendered, the responsibility imposed, and the results secured [Delgado vs. De la Rama, 43 Phil. 419 (1922); Occena vs. Marquez, G.R. No. L-27396, September 30, 1974, 60 SCRA 38].

In this case, We consider the following facts which remain undisputed on the record: Atty. Hipolito served as union counsel in the 1986-1989 CBA. In the process of negotiations, Atty. Hipolito had to travel to different negotiation places and offices [Rollo, p. 131]. For nearly ten months prior to the conclusion of the CBA, pickets were staged and a strike vote had to be taken [Rollo, p. 22, 131]. Upon its conclusion, the CBA extended to each covered employee benefits ranging from a P2,500.00 salary increase across the board to a P2,000.00 mid-year gratuity pay [Rollo, pp. 141-148]. In view of the foregoing, the Court declares the amount of P130,000.00 previously paid to Atty. Hipolito to be reasonable compensation for services rendered.

Thus, petitioners' payment of P130,000.00 as legal fees in favor of Atty. Hipolito is deemed a reasonable expenditure of union funds. Accordingly, petitioners need not return the said amount to the union.

WHEREFORE, the decision of the Director of Bureau of Labor Relations in BLR Case No. A-10-354-87 (NCR-OD-M-5-421-87) is **AFFIRMED** insofar as it declares invalid the disqualification/expulsion of private respondent from the union. The portion of the decision which orders petitioners to return to the union the amount of One Hundred Thirty Thousand Pesos (P130,000.00)

that they paid to Atty. Raymundo Hipolito III as attorney's or professional services fees is hereby **SET ASIDE**.

SO ORDERED.

**Fernan, C.J., Gutierrez, Jr., Feliciano and Bidin, JJ.,
concur.**

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