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**SUPREME COURT
FIRST DIVISION**

**ANGELITO OLAYBAR, ANTONIO
VILLALUNA, JR., ERIC LUBRICO,
JESSIE DE LA VEGA, CARLOS
ROPEROS, LUIS PLOTENA, JESSIE
ABALONA, MIGUEL OCTAVIO, SAM
GUILLENA, and RAMON ESTEMBER,
JR.,**

Petitioners,

-versus-

**G.R. No. 108713
October 28, 1994**

**NATIONAL LABOR RELATIONS
COMMISSION, FOURTH DIVISION,
CEBU CITY, AND ORIENT MARINE
AND FISHING RESOURCES, INC.,
ROBERTO ORDONEZ,**

Respondents.

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DECISION

BELLOSILLO, J.:

The case of Veloso vs. Department of Labor and Employment^[1] postulates that the law looks with disfavor upon quitclaims and releases by employees who are inveigled or pressured into signing

them by unscrupulous employers seeking to evade their legal responsibilities.

On the other hand, there are legitimate waivers that represent a voluntary settlement of laborer's claims that should be respected by the courts as the law between the parties. And while in a dispute between management and labor the latter's rights are always extended protection by the State, the picture changes completely where labor no longer recognizes honor and a sense of commitment in solemn agreements. This is a case in point.

Petitioners were regular employees of private respondent Orient marine and Fishing Resources, Inc., when they were dismissed on the ground of retrenchment. Contesting the legality of their retrenchment, petitioners lodged separate complaints for illegal dismissal and unfair labor practice with prayer for reinstatement and back wages before the Regional Arbitration Branch No. 6 in Bacolod City.

In a Decision dated 4 March 1991, Labor Arbiter Buenaventura C. Cordova, Jr., dismissed the complaints but ordered respondent Orient Marine and Fishing Resources, Inc., to pay petitioners P4,005.00 each or the total amount of P40,050.00 as separation pay.

Unsatisfied, petitioners appealed to the National Labor Relations Commission. Pending appeal (specifically on 7 May 1991, 3 June 1991 and 9 July 1991),^[2] petitioners executed separate affidavits stating, among others, their intention to withdraw their appeal since they had already received the separation pay decreed in the 4 March 1991 decision of Labor Arbiter Cordova, Jr. Said affidavits were subscribed and sworn to before Labor Arbiter Cordova, Jr., after the latter had explained to petitioners the legal consequences of their action. These affidavits were not, however, submitted to the NLRC. In other words, for some inexplicable reason, neither petitioners nor private respondent brought to the attention of the Labor Tribunal the crucial fact that they had already amicably settled their dispute and that petitioners had been given their severance pay.

Unaware of the joint affidavits, the NLRC rendered a decision on 16 July 1991 in favor of petitioners.^[3] Private respondent Orient marine

and Fishing Resources, Inc., was ordered to reinstate petitioners and to pay their full back wages which should in no case exceed three (3) years. In due time, an “Entry of Judgment” was issued to the effect that the aforementioned decision “has on August 12, 1991 (become) final and executory.”^[4]

Petitioners moved for execution which private respondent opposed on the ground that the 16 July 1991 decision “has been rendered moot and academic in view of the fact that the (petitioners) have already claimed their separation pay in conformity with the decision (dated March 4, 1991) of Labor Arbiter Cordova.”^[5]

On 7 January 1992, Labor Arbiter Cesar D. Sidenio denied petitioners’ motion for execution and considered the cases closed and terminated by reason of the settlement.

Petitioners went up to the NLRC, this time questioning the 7 January 1992 order. In its resolution of 14 July 1992, the NLRC nullified the aforesaid order and directed Labor Arbiter Sidenio “to issue a writ of execution enforcing the Decision promulgated on July 16, 1992.”^[6] But on motion for reconsideration by private respondent, the NLRC, in its resolution of 28 September 1992, reversed itself and reinstated the 7 January 1992 order of Labor Arbiter Sidenio.^[7]

The NLRC held that the dismissed employees were deemed to have accepted the 4 March 1991 decision of the Labor Arbiter because they voluntarily received their award as directed therein. Consequently, its decision and resolution of 16 July 1991 and 14 July 1992 respectively became moot and academic since the 4 March 1991 decision had been fully satisfied.

Reconsideration having been denied on 19 November 1992,^[8] petitioners sought the instant recourse contending that the NLRC committed grave abuse of discretion in declaring that its decision and resolution of 16 July 1991 and 14 July 1992 respectively have become moot. Petitioners contend that the 16 July 1991 decision was already final and executory and could no longer be set aside. They also denounced their “joint affidavits” pending appeal as violative of the constitutional provisions guaranteeing protection to labor.

No grave abuse of discretion can be imputed to the NLRC. Necessarily, the petition must fail for lack of merit.

Even as far back as 1923, the Court has acknowledged the binding effect of agreements and compromises between the parties. Thus we declared in *McCarthy vs. Barber Steamship Lines* —^[9]

Hence it is a general rule in this country that compromises are to be favored, without regard to the nature of the controversy and if a settlement be made free from fraud or mistake, whereby there is a surrender or satisfaction, in whole or in part, of a claim upon one side in exchange for or in consideration of a surrender or satisfaction of a claim in whole or in part, or of something of value, upon the other, however baseless may be the claim upon either side or harsh the terms as to either of the parties, the other cannot successfully impeach the agreement in a court of justice.

To be sure, the Labor Code recognizes the conclusiveness of compromise settlements as a means to end labor dispute. Art. 227 provides that “(a)ny compromise settlement, including those involving labor standard laws, voluntarily agreed upon by the parties with the assistance of the Bureau or the regional office of the Department of Labor, shall be final and binding upon the parties. The National Labor Relations Commission or any court shall not assume jurisdiction over issues involved therein except in case of non-compliance thereof or if there is prima facie evidence that the settlement was obtained through fraud, misrepresentation or coercion.”

In a suppletory manner, Art. 2037 of the Civil Code states that “(a) compromise has upon the parties the effect and authority of res judicata.” and this is true even if the compromise is not judicially approved.^[10]

Consequently, when the NLRC rendered its decision on 16 July 1991 ordering reinstatement and back wages for petitioners, it unknowingly adjudicated a case which, for all intents and purposes, had already been closed and terminated by the parties themselves when they agreed on a settlement. This is the clear import of the rule

that compromises and settlements have the effect and conclusiveness of res judicata upon the parties.

Thus, we are appalled at the volte-face and flagrant opportunism of petitioners. As adverted to earlier, the separate affidavits representing the intention of petitioners to withdraw their appeal from the NLRC since they have been recompensed were voluntarily and knowingly made in the presence of Labor Arbiter Cordova, Jr., who rendered the award in their favor. The so-called “economic difficulties and financial arises” allegedly confronting petitioners prior to their separate affidavits is not an acceptable ground to annul the agreements since it has not been convincingly established that petitioners were forced to execute them. In fact the alleged violation of their constitutional rights should not even be dignified at all with a corresponding rebuttal since the present petition is nothing but an obvious ploy on the part of petitioners to backtrack on their undertaking, especially after the labor tribunal has unwittingly ruled, although it ultimately reversed itself, that they were entitled to reinstatement and a higher monetary award.

The case of *Periquet vs. National Labor Relations Commission*^[11] capsulizes the current doctrinal policy of the Court and it would be well for the parties contemplating settlements to bear this in mind —

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 guillible person, or the terms of settlement are unconscionable on its face, that the law will step in to annul the questionable 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.

WHEREFORE, the petition is **DISMISSED**. The challenged resolution and order of the National Labor Relations Commission

dated 28 September 1992 and 19 November 1992 respectively are **AFFIRMED**. Costs against petitioners.

SO ORDERED.

Padilla, Chairman, Davide, Jr., Bellosillo, Quiason and Kapunan, JJ., concur.

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- [1] G.R. No. 87297, 5 August 1991, 200 SCRA 201, 202.
[2] See Annexes “A” to “P” of Comment on the Petition, Rollo, pp. 112-127.
[3] Rollo, pp. 48-49.
[4] Id., p. 50.
[5] Comment, Rollo, p. 87.
[6] Rollo, p. 55.
[7] Id., p. 33.
[8] Id., p. 36.
[9] 45 Phil. 488, 498 (1923).
[10] Cochingyan, Jr. vs. Cloribel, Nos. L-27070-71, 22 April 1977, 76 SCRA 361, 3880-389, citing Vda. de Guilas vs. David, 23 SCRA 762, 767, and Meneses vs. De la Rosa, 77 Phil. 34; see also Go vs. Intermediate Appellate Court, G.R. No. 73707, 12 March 1990, 183 SCRA 82.
[11] G.R. No. 91298, 22 June 1990, 186 SCRA 724, 730-731.