

CHANROBLES PUBLISHING COMPANY

**SUPREME COURT
THIRD DIVISION**

DOROTEA TANONGON,^[1]
Petitioner,

-versus-

G.R. No. 140889
May 9, 2002

**FELICIDAD SAMSON, CASINO OSIN,
ALBERTO BERBES and LUISITO
VENUS,**

Respondents.

X-----X

DECISION

PANGANIBAN, J.:

The Labor Code grants the National Labor Relations Commission (NLRC) sufficient authority and power to execute final judgments and awards. Thus, a third-party claim of ownership on a levied property should not necessarily prevent execution, particularly where — as in the present case — the surrounding circumstances point to a

fraudulent claim. In fact, the disputed contract of sale here is not merely rescissible; it is simulated or fictitious and, hence, void *ab initio*.

The Case

Before us is a Petition for Review on Certiorari challenging the August 31, 1999 Decision^[2] and the November 19, 1999 Resolution^[3] of the Court of Appeals^[4] (CA) in CA-G.R. No. 51128. The assailed Decision disposed as follows:

“WHEREFORE, the petition is GRANTED. The decision dated March 9, 1998 of the NLRC, including its resolution dated March 31, 1998 and May 18, 1998 are hereby REVERSED and SET ASIDE. No pronouncement as to costs.”^[5]

The challenged Resolution denied the Motion for Reconsideration.

The Facts

The facts of this case are summarized by the CA in this wise:

“Cayco Marine Service [“CAYCO” hereafter] is engaged in the business of hauling oil. It is owned and operated by Iluminada Cayco Olizon (Olizon). Both are [respondents in the NLRC case]. [Respondents] Felicidad Samson, Casiano A. Osin, Alberto Belbes and Luisito Venus were among the employees of [CAYCO and/or Olizon].

“On March 9, 1994, [respondents] filed a complaint against [CAYCO and Olizon] for illegal dismissal, [underpayment] of wages, non-payment of holiday pay, rest day pay and leave pay. The labor arbiter dismissed the complaint for lack of merit. On appeal, it was reversed by the NLRC. It ruled:

‘PREMISES CONSIDERED, the appeal is hereby GRANTED and the decision of the labor arbiter dated 17 April 1995 is hereby SET ASIDE.

‘Accordingly, [CAYCO and Olizon are] directed to pay the complainants the following:

- (a) Separation pay equivalent to one (1) month salary for every year of service computed from the dates of hiring of complainants Luisito Venus, Felicidad Samson, Alberto Belbes and Casiano Osin on the various dates of 01 June 1989, 10 March 1962, 01 January 1982, and 01 February 1980, respectively, up to the date of this Decision;
- (b) Backwages from the dates of dismissal of complainants Luisito Venus, Felicidad Samson, Alberto Belbes and Casiano Osin on 23 June 1991, 31 March 1992, 20 September 1991 and 20 September 1991, respectively, up to the date of this Decision, less earnings elsewhere;
- (c) Five (5) days service incentive leave pay limited to the three (3) years back from the filing of the complaint.

SO RESOLVED.’

“[CAYCO and Olizon] sought reconsideration of the NLRC’s decision but it proved futile. On appeal to the Supreme Court, via a petition for certiorari under Rule 65 of the Rules of Court, the Court resolved to deny the petition for non-compliance with par. 4, Supreme Court Circular 1-88, and also for the failure of [CAYCO and Olizon] to establish grave abuse of discretion on the part of the NLRC. Accordingly, the decision of the NLRC became final and executory on April 29, 1997.

“On June 25, 1997, the NLRC Research and Investigation Unit submitted to the labor arbiter the judgment award for each [respondent], computed as follows:

- 1. F. Samson - P401,931.41
- 2. L. Venus - P259,912.80

3. A. Belbes	-	P258,854.17
4. C. Osin	-	<u>P271,724.17</u>
		P1,192,422.55
		=====

“On June 24, a writ of execution was issued directing the NLRC sheriff to collect from [CAYCO and Olizon] the aforementioned amount.

“On August 8, 1997, after the notice of levy/sale on execution of personal property was issued, [CAYCO and/or Olizon’s] motor tanker was [seized], to be sold at public auction on August 19, 1997.

“However, on August 15, 1997, a certain Dorotea Tanongon (Tanongon), [petitioner] herein, filed a third party claim before the labor arbiter, alleging that she was the owner of the subject motor tanker, having acquired the same from Olizon on July 29, 1997, for and in consideration of P1,100,000.00.

“On October 15, 1997, the labor arbiter issued an order dismissing the third party claim for lack of merit. Tanongon, in collaboration with Olizon, appealed to the NLRC. In a decision dated March 9, 1998, the NLRC reversed that of the labor arbiter. The NLRC ruled:

‘WHEREFORE, the order appealed from is hereby REVERSED. Let the execution of the third party claimant’s subject property be lifted and its sale restrained.

SO ORDERED.’”^[6]

Ruling of the Labor Arbiter

In his October 15, 1997 Order,^[7] the labor arbiter dismissed petitioner’s third-party claim, because the Deed of Absolute Sale between Olizon and Tanongon had been executed only on July 29, 1997, after the NLRC Decision became final and executory on April 29, 1997. The labor arbiter agreed with private respondents that the

sale had been entered into to defraud them as judgment creditors of the Cayco Marine Service (CAYCO). Hence, he directed the sheriff to proceed with the execution and the sale of the subject property.

Ruling of the NLRC

Upon appeal by petitioner, the NLRC reversed the labor arbiter on two grounds. First, the power of the NLRC sheriff to execute judgments extended only to properties unquestionably belonging to the judgment debtor. Here, the Certificate of Ownership over the subject vessel was in petitioner's name. Hence, the vessel was not unquestionably the property of CAYCO. Second, under Article 1387 of the Civil Code, alienations of property in the fraud of creditors would give rise only to rescissible contracts. Thus, judicial rescission was required before the third-party claim could be disregarded. Thus, in its March 9, 1998 Decision,^[8] the NLRC lifted the Writ of Execution previously imposed on the subject vessel and restrained its sale.

Ruling of the Court of Appeals

The CA ruled that a judicial rescission was not necessary to determine the legitimacy of the sale between Olizon and Tanongon. It opined that the Deed of Sale was evidently conceived and executed for the purpose of placing the subject motor tanker beyond the reach of the Writ of Execution. Based on the circumstances surrounding the sale and considering Olizon's financial difficulties, the purported transfer of ownership was dubious. It was akin to a simulated or fictitious transfer, in which no independent judicial action was necessary to invalidate the sale.^[9]

The claim of petitioner that she was a buyer in good faith was debunked by the CA on the ground that purchasers could not close their eyes to facts that should put reasonable persons on guard. The records show that the sale was hastily concluded; the tanker and the necessary documents were immediately delivered to the new owner. These facts confirmed respondents' suspicion that Olizon had intended to overcome the enforcement of the Writ of Execution. They also revealed that she slowed down, if not stopped, the operation of her business. This fact should have moved Tanongon to ascertain,

before acquiring the property, if the seller had no unsettled obligations.

The power of the NLRC to enforce its final judgment, order or award under Article 224 (a & b) of the Labor Code, as amended, is not a “knight without might.” Paragraph b of the same provision authorizes the NLRC to take such measures under extant laws as may be necessary to ensure compliance with its decision.

Hence, this Petition.^[10]

The Issues

In her Memorandum,^[11] petitioner raises the following issues:

- “(1) Whether or not Petitioner Dorotea M. Tanongon is a buyer in good faith and for value[;]
- “(2) Whether or not the Court of Appeals acted with grave abuse of discretion amounting to lack or in excess of jurisdiction in deciding against the herein petitioner as per its decision dated August 31, 1999[; and]
- “(3) Whether or not [p]etitioner is entitled to equal protection under the Constitution and the law.^[12]

This Court’s Ruling

The Petition has no merit.

First Issue: Good Faith of Petitioner

There is sufficient basis to affirm the CA finding that petitioner was a buyer in bad faith. The judgment favoring respondents against CAYCO and Olizon (for back wages, separation pay and service incentive leave pay) was rendered on July 18, 1996, and affirmed by the Second Division of this Court via its January 15, 1997 Resolution. The Writ of Execution was issued by the labor arbiter on July 24, 1997. The sale of the levied tanker, however, was made only on July 29, 1997.

Hence, the CA correctly ruled that the act of Olizon was a “cavalier attempt to evade payment of the judgment debt.” She obviously got word of the issuance of the Writ and disposed of the tanker to prevent its sale on execution. Despite knowledge of these antecedents, petitioner bought the tanker barely ten days before it was levied upon on August 8, 1997.

It is not only the proximity in time that supports this finding. Under Article 1387 of the Civil Code, alienations by onerous title are presumed to be fraudulent when done by persons against whom some judgment has been rendered or some writ of attachment issued in any instance.^[13] We stress that in the present case, the Writ of Attachment has been issued, the levy already made and, as will later be discussed, the property still in the name of Olizon and CAYCO.

It is also more than coincidental that the purchase price for the tanker was P1,100,000.00, while Olizon’s judgment debt to respondents amounted to P1,192,422.55.

A purchaser in good faith or an innocent purchaser for value is one who buys property and pays a full and fair price for it at the time of the purchase or before any notice of some other person’s claim on or interest in it.^[14] We emphasize that one cannot close one’s eyes to facts that should put a reasonable person on guard and still claim to have acted in good faith. Petitioner should have inquired whether Olizon had other unsettled obligations and encumbrances that could burden the subject property. Any person engaged in business would be wary of buying from a company that is closing shop, because it may be dissipating its assets to defraud its creditors.

Equally important, factual findings of the CA are given much weight when supported by substantial evidence.^[15] Petitioner has not given us any sufficient or cogent reason to reverse the appellate court.

Second Issue: Necessity of Judicial Rescission

The NLRC ruled that the subject tanker could not be levied upon and sold on execution for two reasons: (1) the sheriff was acting outside his authority when he levied on properties that were not

unquestionably owned by the judgment debtor; and (2) the sale of the tanker appeared to have been made to defraud creditors and, therefore, judicial rescission was required.

The CA held, in overruling the NLRC, that the Commission possessed, under Article 224 (a and b),^[16] powers necessary to implement and enforce the latter's final judgments, decisions, orders and awards. The appellate court ruled further that the disputed contract was not merely rescissible; it was simulated or fictitious and, thus, void *ab initio*.

We agree with the Court of Appeals. A third-party claim on a levied property does not automatically prevent execution. Under Rule 39 of the Revised Rules of Court, execution is a remedy afforded by law for the enforcement of a judgment, its object being to obtain satisfaction of the decision on which the writ is issued.^[17] In executing a money judgment against the property of the obligor, the sheriff shall levy on all properties belonging to the judgment debtor as is amply sufficient to satisfy the decision and the costs; and shall sell the same, paying to the judgment creditor as much of the proceeds as will satisfy the amount of the debt and costs.^[18] Sheriffs who levy upon properties other than those of the judgment debtors are acting beyond the limits of their authority.^[19]

When a third-party claim is filed, the sheriff is not bound to proceed with the levy of the property unless the judgment creditor or the latter's agent posts an indemnity bond against the claim.^[20] Where the bond is filed, the remedy of the third-party claimant is to file an independent reivindicatory action against the judgment creditor or the purchaser of the property at public auction.^[21] The NLRC should not have automatically lifted the levy and restrained execution, just because a third-party claim had been filed.

Further, judicial rescission is not necessary in the case at bar. The NLRC lifted the levy on the subject property, ruling that its sheriff could execute its judgments only on properties "unquestionably belonging to the judgment debtor." It observed that the Certificate of Ownership over the disputed vessel was in the name of the third-party claimant, herein petitioner.

Petitioner's claim of ownership over the disputed tanker is not supported by the evidence on record. The Maritime Industry Authority (Marina) administrator wrote the parties in two separate letters, which said that the registration of the disputed vessel under petitioner's name had not been effected, and that the Certificates of Ownership and Vessel Registry covering the motor tanker M/T Petron 7-C had not been released. The reasons were Marina's receipt of the Entry of Judgment issued by the Supreme Court on April 29, 1997, and the Notice of Levy/Sale on Execution of Personal Property covering the subject vessel.^[22] Under Article 573 of the Code of Commerce, the acquisition of a vessel must appear on a written instrument, which shall not produce any effect with respect to third persons if not inscribed in the Registry of Vessels. Insofar as third persons like herein respondents were concerned, the ownership of the disputed vessel remained with Olizon and CAYCO; thus, the CA correctly held that the NLRC could proceed with the levy and the sale on execution.

Third Issue: Equal Protection of the Law

Petitioner protests that the CA gave undue importance to respondent laborers by invoking the protection of labor mandated by Article II, Section 18 of the 1987 Constitution, and Articles 4 and 221 of the Labor Code. Claiming violation of her right to equal protection of the law, she argues that she deserves social justice, as held by this Court in *Guido vs. Rural Progress Administration*^[23] and *Cabatan vs. Court of Appeals*^[24] which ruled that capital, too, was entitled to protection.

The contention of petitioner is untenable. She cannot be given the mantle granted to capital or management, because she does not appear to be connected in any way to the ownership or the management of CAYCO or Olizon. She is impleaded here merely as the alleged buyer of the M/T Petron 7-C. If this contention is an admission that she is a dummy for CAYCO or Olizon, then the charge of a fictitious sale to defraud judgment creditors becomes even more evident and credible.

WHEREFORE, the Petition is **DENIED** and the assailed Decision **AFFIRMED**. Costs against petitioner.

SO ORDERED.

Melo, Vitug, Sandoval-Gutierrez and Carpio, *JJ.*, concur.

- [1] Cayco Marine Services and Iluminada Cayco Olizon were omitted from the title as petitioners, because only Dorotea Tanongon had filed the Petition for Review on Certiorari.
- [2] Rollo, pp. 19-27.
- [3] *Ibid.*, p. 40.
- [4] Sixteenth Division. Penned by Justice Eriberto U. Rosario Jr. with the concurrence of Justices Godardo A. Jacinto (Division chairman) and Roberto A. Barrios (member).
- [5] Assailed Decision, p. 9; rollo, p. 27.
- [6] CA Decision, pp. 1-4; rollo, pp. 19-22.
- [7] Penned by Labor Arbiter Ramon Valentin C. Reyes; rollo, pp. 79-81.
- [8] Penned by Commissioner Ireneo B. Bernardo with the concurrence of Presiding Commissioner Lourdes C. Javier; rollo, pp. 44-50.
- [9] *De Belen vs. Collector of Customs*, 46 Phil. 241, September 26, 1924.
- [10] This case was deemed submitted for decision on March 11, 2001, when this Court received petitioner's Memorandum signed by Atty. Sisenando R. Villaluz Jr. Respondents' Memorandum, signed by Atty. Ninfa Nicolasora Ward, was received on January 17, 2001.
- [11] Rollo, p. 213.
- [12] Petitioner's Memorandum; rollo, p. 213.
- [13] Deed of Absolute Sale (Annex "A"); rollo, pp. 91-92.
- [14] *David vs. Malay*, 318 SCRA 711, 722, November 19, 1999; *Republic vs. CA*, 301 SCRA 366, 381, January 21, 1999; *Co vs. Court of Appeals*, 196 SCRA 705, May 6, 1991.
- [15] *Cebu Shipyard & Engineering Works, Inc. vs. William Lines, Inc.*, 306 SCRA 762, May 5, 1999; *Pimentel vs. Court of Appeals*, 307 SCRA 38, May 12, 1999; *American Express International, Inc. vs. Court of Appeals*, 308 SCRA 65, June 8, 1999; *De los Reyes vs. Court of Appeals*, 313 SCRA 632, September 3, 1999.
- [16] *The Labor Code of the Philippines*.
- [17] *Cagayan de Oro Coliseum, Inc. vs. Court of Appeals*, 320 SCRA 731, December 15, 1999.
- [18] *Ibid.*; §9 (b), Rule 39 of the Rules of Court.
- [19] *De Guzman vs. Ong*, 304 SCRA 206, March 4, 1999.
- [20] *Ibid.*; §16, Rule 39 of the Rules of Court.
- [21] *Ibid.*
- [22] The April 8, 1998 letter addressed to Atty. Ninfa Ward, counsel for respondents (Exhibit "H"), rollo, p. 62; and the June 23, 1997 letter addressed to Atty. Sisenando R. Villaluz Jr, counsel for petitioner (Annex

“B”). Both letters were signed by RADM Pio H. Garrido Jr., Marina administrator.

[23] 84 Phil. 847, October 31, 1949.

[24] 95 SCRA 323, January 22, 1980.

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