SUPREME COURT
THIRD DIVISION

UNICANE WORKERS UNION-CLUP AND ITS MEMBERS,
***Petitioners*,**

-versus-

G.R. No. 107545
September 9, 1996

NATIONAL LABOR RELATIONS COMMISSION, UNICANE FOOD PRODUCTS MANUFACTURING CORPORATION and its Owner-Manager, BENIDO ANG,
***Respondents*.**
x----------x

D E C I S I O N

PANGANIBAN, *J.*:

In an appeal of a monetary award granted by the labor arbiter, may the appellant postpone the filing of the appeal bond until after the NLRC has re-computed the said award? May such an award, assuming it has become final, be subsequently made the subject of a compromise agreement (quitclaim and release) to the prejudice of the workers-claimants?

The foregoing and related questions are taken up by this Court in resolving this petition for certiorari which assails the Decision[1] promulgated August 19, 1992 of the National Labor Relations Commission in NLRC CA No. L-00241-91, entitled "Unicane Workers Union-CLUP and its Members vs. Unicane Food Products Mfg. Corp. and its Owner/Manager, Benido Ang."

Antecedent Facts

On June 1, 1990, petitioner-union charged respondent company, with non-compliance of the Minimum Wage Law, non-payment of service incentive leaves, wages for services rendered during rest days and holidays, holiday pay and overtime pay.

On July 3, 1990, respondent company and its owner/manager, Benido Ang, filed a motion to dismiss on the ground that (i) there was no showing that the individual complainants authorized the suit as the complaint was filed only by the union through its counsel and verified by a field representative of the said union and (ii) that in any case, the claims had already been paid.

On July 20, 1990, petitioner-union opposed said motion invoking Article 242 of the Labor Code which vests in legitimate labor organizations the right to sue and be sued in its registered name and Section 14, Rule VII of the Revised Rules of respondent Commission which disallows motions to dismiss other than those grounded on the jurisdiction of the labor arbiter, res judicata or prescription.

Pending the resolution of said motion, thirty-six (36) workers of respondent company were dismissed by respondent Ang sometime during the second week of June 1990. (Together with the union, they are hereinafter collectively referred to as the petitioners.) A complaint therefor was filed using the same docket number.

In its answer, respondent company alleged that its business operated on a seasonal basis due to the nature of their products, i.e., noodles/bijon, which were purely dependent on sunlight. On April 10, 1990, it filed a Notice of Temporary Shutdown for lack of materials with the Department of Labor and Employment, Regional Office III, San Fernando, Pampanga. As a result thereof, some workers,

including complainants herein, were employed elsewhere. Respondent company added that the complaint for illegal dismissal was filed for purposes only of enabling petitioner-union to gain leverage for a direct certification it was allegedly maneuvering.

After submission of their position paper, and despite notification and warnings, private respondents did not appear anymore at the hearings.

For their part, petitioners claimed that they were individually and collectively being forced into signing a paper prepared by respondent company signifying that said respondent was complying with laws on labor standards; they charged that those who refused to sign were dismissed by respondent Ang.

On July 29, 1991, the labor arbiter[2] denied the motion to dismiss for lack of merit based on Article 242 of the Labor Code and the Revised Rules of the National Labor Relations Commission. He further ruled that the complaint for payment of salary differentials, rest day pay, holiday pay and premium pay were unsubstantiated; he however held that respondent company was liable to pay 13th month pay, five days' incentive leave pay and overtime pay which totalled P2,169,956.22. He also ruled that respondent company was guilty of illegally dismissing complainants for want of a just cause and due process.

The dispositive portion of the arbiter's Decision[3] reads:

> "WHEREFORE, in view of all the foregoing considerations, judgment is hereby rendered, as follows:
>
> 1. Ordering the respondents to reinstate immediately all the thirty-six (36) complainants to their former positions under the same terms and conditions prevailing prior to their dismissal, or at the option of the respondents, to reinstate them in the payroll, without loss of seniority rights and other privileges and benefits, plus full backwages from the time of their illegal dismissal on the second week of June 1990 up to their actual reinstatement, partially computed in the amount of P27,768.00 for each

complainant or a total of P999,648.00 for all the 36 complainants (computation of one year backwages only);

2. Ordering respondents to pay the following monetary claims:

   a. Overtime pay — P1,998,817.26

   b. 5-days incentive leave pay - 30,940.00

   c. 13th month pay - 140,194.88

3. Claims for salary differentials, holiday pay and rest day pay are dismissed for lack of sufficient evidence; and

4. Claim for payment of damages is denied for lack of merit."

Respondents appealed from said decision alleging serious errors in the findings of fact of the labor arbiter and lack of basis of law and in fact for the computation of the monetary award. The appeal was filed on time, but without a cash or surety bond. Instead, respondents filed a motion for reconsideration with prayer that respondent company be allowed to file the bond after the monetary award was recomputed. Petitioners filed opposition to the appeal with motion to dismiss, alleging that (i) respondents were afforded full opportunity to be heard and to present evidence, but that they did not avail of the same; and (ii) the appeal was not perfected due to the failure to file the required supersedeas bond.

During the pendency of the appeal, the petitioners through their authorized representative filed with respondent Commission a Quitclaim and Release, together with a Special Power of Attorney[4] dated July 15, 1991 which was signed by the 36 complainants-petitioners and provided, inter alia:

> "That we, the undersigned and complainants of NLRC Case No. RAB-III-06-1589-90, all of legal ages, residents of San

Fernando, Pampanga, has made, constituted and appointed Mr. Francisco E. Viola to be our true and lawful attorney-in-fact to prosecute and negotiate our case now pending in the Regional Arbitration Branch No. III of the NLRC, San Fernando, Pampanga, bearing Case No. RAB-III-06-1589-90 entitled UNICANE WORKERS UNION-CLUP AND ITS MEMBERS vs. UNICANE FOOD PRODUCTS MFG. CORP. AND ITS OWNER/MANAGER BENIDO ANG, respondents, as well as other case/s that may arise in the course of our representation, to do and perform the following acts and deeds, namely:

> To represent us in the prosecution of the aforementioned case/s including other case/s that may arise in the course of their representation, to make demands, to compromise, to collect and receive any and all sums of money, whether in cash or check, which are now or hereafter may become due us (or) which may be deemed proper and necessary with full power and authority to execute and deliver any and all kinds of documents in connection thereof."

The quitclaim and release,[5] which was executed by Francisco Viola as attorney-in-fact of petitioners on an unspecified date in October 1991, provided:

> "1. That after a careful reassessment of the circumstances, we do hereby irrevocably RELEASE, WAIVE AND DISCHARGE the Unicane Food Products Mfg. Co. and its officer BENIDO ANG from all actions, claims, demands and right of action of whatever nature that now exists or may hereafter develop arising out of and as a consequence of or by virtue of our employer-employee relationship;
>
> 2. That we are authorizing our representative FRANCISCO VIOLA, as evidenced by a Special Power of Attorney duly executed by us to empower said Mr. Viola to sign on our behalf, to transact and negotiate as stated in the Special Power of Attorney, which is attached hereto and marked as Exhibit-'1'."[6a]

Attached to said document was a photocopy of four China Banking Corporation checks, each for P25,000.00, totalling P100,000.00 in favor of Viola, as settlement of complainants' claims against respondent company.[6]

Petitioners condemned the quitclaim and release as contrary to law, morals, public policy and public order. Respondents on the other hand insisted that Viola was authorized to act on behalf of the complainants and of the Federation (CLUP), and that the compromise agreement was legal and valid.

Respondent Commission ruled in favor of respondents. Despite the lack of the appeal bond, it held that technicality should not be allowed to stand in the way of equitably and completely resolving the rights and obligations of the parties. It noted that the arbiter's monetary award was based on the naked allegations of and computation filed by the complainants and reasoned that, with the quitclaim and release, consideration of the entire records was called for to determine the equity of the settlement entered into by Viola. Finally, respondent Commission upheld the quitclaim and release as valid and binding, the same not being contrary to law, morals, public policy and public order.

The dispositive portion of its assailed Decision[7] reads:

> "WHEREFORE, premises considered, the settlement entered into by Francisco Viola with respondent as evidenced by the quitclaim and release is hereby approved and the Special Power of Attorney is likewise approved and declared valid. Consequently, the appeal is hereby dismissed, the case having been settled amicably.
>
> "The opposition to the quitclaim and release is hereby dismissed for lack of merit."

Hence, this petition. The Solicitor General filed a Manifestation In Lieu of Comment siding with petitioners. After due course was granted by this Court, the parties submitted their respective memoranda.

Issues

Petitioners charged the NLRC with grave abuse of discretion:

"I

IN VACATING THE DECISION OF THE LABOR ARBITER A QUO WHICH HAS LONG BECOME FINAL AND EXECUTORY FOR FAILURE OF THE PRIVATE RESPONDENTS TO POST THE REQUIRED CASH OR SURETY BOND.

II

IN APPROVING THE RELEASE AND QUITCLAIM EXECUTED BY FRANCISCO VIOLA ATTORNEY-IN-FACT OF THE INDIVIDUAL PETITIONERS IN CONSIDERATION OF THE SUM OF ONE HUNDRED THOUSAND (P100,000.00) PESOS WHICH AMOUNT IS VERY MUCH UNCONSCIONABLE CONSIDERING THE AMOUNT AWARDED BY THE LABOR ARBITER TO PETITIONERS IS TWO MILLION ONE HUNDRED SIXTY-NINE THOUSAND NINE HUNDRED FIFTY-SIX PESOS AND TWENTY-TWO CENTAVOS (P2,169,969.22).

III

IN APPROVING THE SPECIAL POWER OF ATTORNEY EXECUTED BY THE INDIVIDUAL PETITIONERS TO FRANCISCO VIOLA AND THAT THE RELEASE AND QUITCLAIM EXECUTED BY FRANCISCO VIOLA BINDS THE PETITIONERS."

Paraphrasing the foregoing, we re-state the issues in this case thus: (1) can an appeal of a monetary award be perfected without an appeal bond? and (2) is the quitclaim and release (i.e., the compromise agreement) valid and binding?

The Court's Decision

First Issue: Perfection of Appeal

The provisions of the Labor Code are clear that a cash or surety bond is a requirement sine qua non for the perfection of the appeal of an arbiter's monetary award. Article 223 of the Labor Code, as amended by RA 6715 provides:

> "ART 223. Appeal. — Decisions, awards or orders of the Labor Arbiter are final and executory unless appealed to the Commission by any or both parties within ten (10) calendar days from receipt of such decisions, awards, or orders.
>
> In case of a judgment involving a monetary award, an appeal by the employer may be perfected only upon the posting of a cash or surety bond issued by a reputable bonding company duly accredited by the Commission in the amount equivalent to the monetary award in the judgment appealed from.
>
> x x x."

Its indispensability has already been settled in Viron Garments Mfg. Co., Inc. vs. NLRC"[8] where this Court clarified that:

> "The intention of the lawmakers to make the bond an indispensable requisite for the perfection of an appeal by the employer, is clearly limned in the provision that an appeal by the employer may be perfected 'only upon the posting of a cash or surety bond'. The word only' makes it perfectly clear, that the lawmakers intended the posting of a cash or surety bond by the employer to be the exclusive means by which an employer's appeal may be perfected.
>
> The word 'may' refers to the perfection of an appeal as optional on the part of the defeated party, but not to the posting of an appeal bond, if he desires to appeal." (Emphasis in the original text)

This requirement is intended to discourage employers from using the appeal to delay, or even evade, their obligation to satisfy their employee's just and lawful claims.[9]

Such a requirement is jurisdictional and cannot be trifled with, contrary to the position adopted by respondent Commission. The fact that the monetary award itself could possibly be without basis in fact and in law, or the fact that respondent NLRC found it surprising that Labor Arbiter Ramos granted overtime, 13th month, and service incentive leave pay and yet denied the claims for salary differential, rest day pay and holiday pay plus premium pay for lack of basis does not detract from the importance of such mandatory requirement nor from the necessity of compliance therewith.

It is not an excuse that the over P2 million award is too much for a small business enterprise like the respondent company to shoulder. The law does not require its outright payment, but only the posting of a bond to ensure that the award will be eventually paid should the appeal fail. What the respondents have to pay is a moderate and reasonable sum for premiums for such bond.

Nor would said requirement have prevented respondent company from having its appeal decided on the merits. Thus, respondent, Commission's reliance on the ruling in Castro vs. Court of Appeals,[10] and Rapid Manpower Consultants, Inc. vs. NLRC,[11] by respondent Commission is misplaced.

Even on this issue alone, it is clear that respondent Commission acted with grave abuse of discretion by allowing and deciding the appeal of respondents without an appeal bond having been filed. In fact, its action did not merely constitute grave abuse of discretion amounting to lack of jurisdiction. Plainly, it was without jurisdiction at all.

Second Issue: Validity of the Quitclaim and Release

Setting aside for a while the effects of the non-perfection of respondent company's appeal, the Court (unlike respondent Commission) is convinced that the quitclaim and release is contrary to law, morals, public policy and public order, and that it is therefore NOT valid and binding.

In the decision in question, respondent Commission premised that:

> Respondent (company) in turn, filed by Reply to the Opposition to Quitclaim and release and alleged therein that the field representative of CLUP by the name of Francisco Viola was also the representative of the complainants in the above-entitled case; that the counsel of CLUP, herein oppositor to the quitclaim even confirmed that said Francisco Viola was authorized to act in behalf of the Federation (CLUP) and of the complainants; that having been vested with authority, Viola can make compromise in the name of the Federation which complainants confirmed with their execution of the special power of attorney in favor of Viola, that when Viola negotiated for the settlement of the case of P100,000.00 on the strength of the said special power of attorney and subsequently filed before this office the Quitclaim and Release, his acts are not contrary to law, morals, public policy and public order; that the opposition to the quitclaim and release was not verified by any of the complainants; and that the opposition to the quitclaim and release is purely on the basis of the personal interest of the oppositor since the same is an internal matter between the oppositor and Viola."

On this basis, it then decided that:

> "On the award of the other monetary claims, taking into account the settlement entered by the complainants' representative, We find the same substantially satisfied. We therefore, approve and declare the quitclaim and release valid and binding, the same not being contrary to law, morals, public policy and public order."

Respondent Commission seems to have ignored the fact that complainants has been awarded by the labor arbiter more than P2 million. It should have been aware that had petitioners pursued their case, they would have been assured of getting said amount, since, absent a perfected appeal, complainants were already entitled to said amount by virtue of a final judgment. Compared to the over P2 million award granted by the arbiter, the compromise settlement of only P100,000.00 is unconscionable, to say the least.

In Principe vs. Philippine-Singapore Transport Services, Inc.,[12] this Court held:

> "Even assuming for the sake of argument that the quitclaim had foreclosed petitioner's right over the death benefits of her husband, the fact that the consideration given in exchange thereof was very much less than the amount petitioner is claiming renders the quitclaim null and void for being contrary to public policy. The State must be firm in affording protection to labor. The quitclaim wherein the consideration is scandalously low and inequitable cannot be an obstacle to petitioner's pursuing her legitimate claim. Equity dictates that the compromise agreement should be voided in this instance."

Not all quitclaims are per se invalid as against public policy. But, where there is clear proof that the waiver was wrangled from an unsuspecting or gullible person, or the terms of settlement are unconscionable on its face, then the law will step in to annul the questionable transaction.[13] Indeed, the State must protect labor against the irresponsible actions of even its own officials.

In this case, complainant-petitioners claimed in their, "Patuloy Na Pahintulot Na Ikatawan"[14] that:

> "sa pamamagitan din ni FRANCISCO VIOLA na siyang pinagkatiwalaan namin sa aming kaso/usapin na sa kasalukuyan ay napag(-)alaman namin sa aming Abogado/kinatawan na ang naturang kaso/usapin ay na-dismiss sa pamamagitan ng kaunting halaga na tinanggap ni FRANCISCO VIOLA na siya naming pinagtiwalaan, subalit sa aming pagtitiwala ay kanya palang idinismiss sa pamamagitan ng aming ipinagkaloob na 'SPECIAL POWER OF ATTORNEY' na aming ipinagkatiwala sa naturang tao at hindi lubos na ipinaliwanag sa amin na ang aming kaso/usapin ay kanyang i-didismiss, pangalawa, hindi pala niya ipinaalam sa pinakamataas na opisyal ng pederasyong CLUP at sa abogado ng aming kaso/usaping, ang kanyang pagsasagawa basta nalaman na lamang namin na siya at apat na bisis na tumanggap ng "Check of payment" na nasa pangalan niya (Francisco Viola)."

We noted also that the special power of attorney was executed about two weeks before the promulgation of the decision of the labor arbiter. During such interval, a compromise could have been reached to settle the case. But no such agreement was arrived at prior to the decision granting the monetary awards in excess of P2 million. For the attorney-in-fact of the prevailing parties to then sign away and give up their hard-won victory worth more than P2 million, for a measly P100,000.00, without the knowledge of petitioners, is proof beyond doubt that the special power of attorney in question had been obtained, and the compromise agreement entered into, in fraud of petitioners.

Mr. Viola acted beyond the scope of his authority, in fraud of and to the prejudice of his principals. Hence, his acts cannot be held to bind them, especially considering that the latter clearly repudiated his action.[15]

We therefore cannot but frown on respondent Commission's precipitate action in unceremoniously closing its eyes to this obvious fact and in approving the quitclaim and release as legal, valid and binding.

Lastly, it has not escaped our attention that petitioners' counsel, Atty. Romeo M. Rome, submitted a pleading entitled "Memorandum"[16] in compliance with the Court's resolution of February 21, 1994. Cursory perusal of said memorandum will reveal that it is nothing but a verbatim copy of the "Manifestation In Lieu of Comment"[17] of the Solicitor General. The counsel of petitioners, out of sheer laziness if not outright irresponsibility, did not even bother to change the first paragraph, and so the pleading still says that it is the "Manifestation in Lieu of Comment" of the Solicitor General. He even had the temerity to sign his name on it.

Such action of the counsel for petitioner is totally inexcusable and deserving of the strongest censure from this Court. He should be reminded that he is not only trifling with this Court but also prejudicing the case of the complainant-petitioners, who were depending on the faithful and competent performance of his duty as their counsel.

WHEREFORE, having found that respondent Commission exceeded its jurisdiction and/or committed grave abuse of discretion in reversing the decision of the labor arbiter, the Court hereby **SETS ASIDE** the assailed Decision and **REINSTATES** the decision of the labor arbiter.

SO ORDERED.

Narvasa, *C.J.*, Davide, Jr., Melo and Francisco, *JJ.*, concur.

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[1] Penned by Comm. Rogelio I. Rayala and concurred in by Comms. Lourdes C. Javier and Ireneo B. Bernardo of the Third Division of the NLRC.
[2] Pedro C. Ramos.
[3] Rollo, pp. 35-44.
[4] Rollo, pp. 64-65.
[5] Rollo, p. 66.
[6a] This is a strange provision because it assumes that the quitclaim would be signed by complainants. However, it is signed only by Viola himself "on behalf of the complainants." In short, Viola effectively authorized himself.
[6] Rollo, p. 120.
[7] Rollo, p. 77.
[8] 207 SCRA 339, 342, March 18, 1992.
[9] Ibid.
[10] 123 SCRA 782, July 29, 1983.
[11] 190 SCRA 747, October 18, 1990.
[12] 176 SCRA 514, 521, August 16, 1989.
[13] Periquet vs. NLRC, 186 SCRA 724, 730-731, June 22, 1990.
[14] Rollo, p. 29.
[15] See Art. 1910, Civil Code .
[16] Rollo, pp. 216-226.
[17] Rollo, pp. 187-201.
