

CHANROBLES PUBLISHING COMPANY

**SUPREME COURT  
FIRST DIVISION**

**UNICRAFT INDUSTRIES  
INTERNATIONAL CORPORATION,  
ROBERT DINO, CRISTINA DINO and  
MICHAEL LLOYD DINO,**  
*Petitioners,*

*-versus-*

**G.R. No. 134903  
March 26, 2001**

**THE HON. COURT OF APPEALS,  
VOLUNTARY ARBITRATOR  
FLORANTE V. CALIPAY, DANILO  
ABARAO, ROGIETO ABARAO,  
BENJAMIN AVENTURADO, BENIGNO  
BELARMINO, FELIX BRAZIL, RENATO  
BRIONES, RECCIL ELCANA, ROLAND  
GERON, RICKY GIMENA, ROMEO  
INOC, NILIA MANDAWA, ANTONIO  
MANGABON, AMELITO MONTELIN,  
MATIAS ONGOS, ARTURO ORTEGA,  
ADRIANO PALO, JR., BERNARDO  
RAMOS, WILMA RANILE, EDGAR  
RIVERA, RAFAEL RONDINA, ANILO  
ROSALES, DIVINA ROSALES, ALONA  
SORTOÑES, VINCH TRUZ, WILSON  
VILLARTA, EMETERIO YBAS, ROMEO  
ABARAO, WILFREDO ABARAO,**

**EUGENIO ABING, JAIME AGUSTIN,  
RUBEN RONDINA, LORENA  
SORTOÑES,**

***Respondents.***

X-----X

**DECISION**  
**RESOLUTION dated January 16, 2002**

**YNARES-SANTIAGO, J.:**

Assailed in this Petition for *Certiorari* with Prayer for the Issuance of a Writ of Preliminary Injunction and/or Temporary Restraining Order are the Resolutions of the Court of Appeals<sup>[1]</sup> in CA-G.R. SP No. 43763, dated June 18, 1998 and July 31, 1998.

The undisputed facts are as follows:

Petitioner Unicraft Industries International Corporation is a domestic corporation with principal office at Apao, Mandaue City. Private respondents were employees of petitioner corporation for at least over a year, performing work necessary and desirable to the business operation of petitioner corporation. When it expanded its business operations, petitioner corporation opened a branch in Lapulapu City and transferred private respondents from the Mandaue office to the Lapulapu City branch. It appears that petitioner corporation failed to comply with some legal requirements for its business operations in Lapulapu City. Thus, on July 3, 1995, the city government of Lapulapu ordered the closure of petitioner's business due to lack of business and building permit. Consequently, petitioner corporation effected the mass dismissal of private respondents eight (8) days after their transfer to the Lapulapu City branch. Hence, the thirty-two private respondents herein filed with the National Labor Relations Commission, Regional Arbitration Branch No. VII, Cebu City, their individual and separate complaints (consolidated as NLRC Case No. RAB-VII 07-0705-95) for illegal dismissal, underpayment/non-payment of wages, overtime pay, holiday pay, 13<sup>th</sup> month pay, and

service incentive leave. Named respondents were petitioner corporation, Robert Dino, Michael Lloyd Dino, and Cristina Dino, as “owners/president/managers” of the corporation.

Private respondents, complainants in the labor case, contended that petitioners dismissed them because of their union activities. Petitioners, on the other hand, countered that private respondents were not illegally dismissed and argued that the closure of the branch office was effected by virtue of a lawful order of the city government of Lapulapu. Moreover, petitioners alleged that they offered to pay separation pay to the private respondents who, in fact, have already executed quitclaims in favor of petitioner corporation. After a summary trial, the case was submitted for decision on February 14, 1996.

On December 19, 1996, pursuant to Policy Instruction No. 56 of the Secretary of Labor, dated April 6, 1996, and by virtue of the agreement of the parties, the case was submitted for voluntary arbitration to Florante V. Calipay, the voluntary arbitrator chosen by the petitioners and private respondents.<sup>[2]</sup>

On January 9, 1997, petitioners filed a motion for re-selection of voluntary arbitrator. In its order dated January 21, 1997, the voluntary arbitrator denied petitioners’ motion and defined the issues to be resolved in the arbitration proceedings, thus:

WHEREFORE, by virtue of the powers and duties vested upon me as the selected voluntary arbitrator, I hereby order both parties to submit their respective position papers and evidence, within fifteen (15) days from today, treating the following issues:

- a) whether or not the voluntary arbitrator had been validly selected by the parties and/or whether the same arbitrator had validly assumed jurisdiction over the case.
- b) whether or not the complaining workers were legally dismissed. If not, what are their rights and remedies under the law?

Failure of any party to submit their position paper and/or evidence within the set period would be tantamount to waiver of such party to present the same. The case shall then be considered submitted for immediate resolution based on what would thus far be submitted.<sup>[3]</sup>

On March 15, 1997, for failure of petitioners and their counsel to appear and present evidence at the hearing on March 3, 1997, the voluntary arbitrator rendered a decision in favor of private respondents on the basis of the position papers submitted in the voluntary arbitration proceedings as well as the documents and pleadings submitted in NLRC Case No. RAB-VII 07-0705-95 before the NLRC RAB VII, Cebu City. The decretal portion of said decision reads:

WHEREFORE, premises considered, judgment is hereby rendered in favor of the complainants, to wit:

- a) The dismissal of the complainants are (sic) hereby declared illegal. The respondents are ordered to pay the complainants back wages from the date of termination until the date (sic) promulgation of this judgment (15 March 1997).
- b) The respondents are further ordered, in view of imputations of bad faith and the strained relations of the parties, to pay the complainants separation pay at one (1) month pay for every year of service from the first day of service until the date of promulgation of this judgment on 15 March 1997, less the amounts the complainants acknowledged to have received before officials at the Department of Labor and Employment Region VII, Cebu City. The total separation pay is SIX HUNDRED ELEVEN THOUSAND SEVEN HUNDRED SIXTY NINE PESOS AND FIFTY CENTAVOS (P611,769.50).
- c) The respondents are also declared guilty for violating labor standard law and are hereby ordered to pay the

complainants money claims for differentials in wage and other benefits in the amount of FOUR MILLION EIGHT HUNDRED FIFTY SEVEN THOUSAND EIGHT HUNDRED SIXTY NINE PESOS AND FORTY CENTAVOS (P4,857,869.40).

- d) The claims for moral damages are DISMISSED for lack of convincing evidence.
- e) The respondents are ordered to pay Attorney's Fees in the amount equivalent to ten (10) percent of the total award or the amount of FIVE HUNDRED FORTY SIX THOUSAND NINE HUNDRED SIXTY THREE PESOS AND EIGHTY NINE CENTAVOS (P546,963.89). Litigation costs of TEN THOUSAND PESOS (P10,000.00) is likewise awarded to the complainants.

### **In Summation**

Judgment is rendered in favor of the complainants awarding them SIX MILLION TWENTY SIX THOUSAND SIX HUNDRED TWO PESOS AND SEVENTY-NINE CENTAVOS (P6,026,602.79) divided as follows:

a) Total Separation Pay	P611,796.50
b) Total Money claims	<u>P4,857,869.40</u>
Sub-total	P5,469,638.90
	=====
c) Attorney's Fees (10% of sub-total)	P546,963.89
d) Litigation Costs	<u>    P10,000.00</u>
TOTAL	P6,026,602.79
	=====

The respondents are therefore mandated to comply with this judgment.

SO ORDERED.<sup>[4]</sup>

Petitioners filed a petition for certiorari with the Court of Appeals contending that they were denied opportunity to be heard in the proceedings before the voluntary arbitrator.

On April 22, 1997, the Court of Appeals approved a stipulation of the parties to remand the case to the voluntary arbitrator “so that the petitioners will be granted their day in court to prove their case.” The stipulation recites:

### **STIPULATION**

PARTIES, through their respective counsel, unto this Honorable Court, most respectfully stipulate:

1. Both parties desire to put an end to the litigation before this Honorable Court, and instead refer the above-entitled case back to Voluntary Arbitrator Florante V. Calipay for further hearing under the following terms and conditions:
  - a) The petitioners will put up a bond in the amount of P6.5 Million to be issued by the Visayan Surety & Insurance Company or any other accredited bonding company acceptable to private respondents to secure payment of the decision dated March 15, 1997 (Annex A of the Petition) rendered by Voluntary Arbitrator Calipay.
  - b) The case will be referred back to Voluntary Arbitrator Calipay so that the petitioners will be granted their day in court to prove their case, the hearing thereat to treat the following issues:
    1. Whether or not the complainants mentioned in Exhibit J of the Decision really filed their complaints before the NLRC;

2. Whether or not complainants were dismissed; if so, whether or not their dismissals were valid;
3. Whether or not complainants are entitled to separation pay, money claims, attorney's fees and litigation costs specified in the decision, Annex A of the petition; and
4. Whether or not Robert Dino, Cristina Dino and Michael Dino can be held liable for the claims of complainants.

WHEREFORE, premises considered, it is most respectfully prayed of this Honorable Court to approve the foregoing Stipulation and to render a resolution in accordance therewith.<sup>[5]</sup>

Instead of conducting further proceedings, however, the voluntary arbitrator filed a comment praying, inter alia, that he be declared to have lost jurisdiction over the case upon rendition of the judgment.<sup>[6]</sup>

On June 18, 1998, upon motion of private respondents, the Court of Appeals re-examined the stipulation of the parties and thereafter rendered the assailed resolution allowing, among others, the partial execution of the decision of the voluntary arbitrator with respect to the award of separation pay and attorney's fees. The dispositive portion thereof states:

WHEREFORE, pending Decision on all other issues and solely to alleviate the needs of complainants who complain that they are starving:

1. The IMMEDIATE EXECUTION, pending this petition, of the award of P611,769.50 as "total separation pay" plus ten (10%) percent of said amount as attorney's fees is hereby ALLOWED and AUTHORIZED.
2. The voluntary arbitrator Mr. Florante Villanueva Calipay, is ordered to elevate to this Court within ten

(10) days from receipt of this resolution, all payrolls, pleadings, evidence and position papers submitted in support of the “Money Claims”, together with the computation made by him. Exhibits K to K-5;

3. In order to help this Court determine the necessity of remanding the award for “money claims” for further hearing or whether the award could be affirmed on the basis of the payrolls, pleadings, evidence and position papers submitted in support of the award, parties are required to file their respective comment on the award within fifteen (15) days from receipt of this resolution; and
4. Within the same period of fifteen (15) days, parties are required to submit their comment on the issue of whether petitioners Michael Dino, Robert Dino and Cristina Dino could be held liable for the claims of complainants and whether complainants are entitled to litigation expenses apart from the ten (10%) percent attorney’s fees.

SO ORDERED.<sup>[7]</sup>

A motion for reconsideration of the foregoing resolution was denied by the Court of Appeals on July 31, 1998. Hence, the instant petition anchored on the following grounds:

I.

THE HONORABLE COURT OF APPEALS VIOLATED PETITIONERS’ CONSTITUTIONAL RIGHT TO DUE PROCESS WHEN IT AFFIRMED THE VOLUNTARY ARBITRATOR’S AWARD FOR SEPARATION PAY NOTWITHSTANDING THAT THE FORMER, AS CAN READILY BE GLEANED FROM THE QUESTIONED RESOLUTIONS, DID NOT HAVE IN ITS POSSESSION THE RECORDS OF THE CASE SUBMITTED TO IT FOR REVIEW.



## II.

THE HONORABLE COURT OF APPEALS COMMITTED GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OR EXCESS OF JURISDICTION WHEN IT AFFIRMED THE AWARD OF THE VOLUNTARY ARBITRATOR NOTWITHSTANDING THAT IT HAD ALREADY BEEN CONCEDED THAT PETITIONERS WERE DENIED DUE PROCESS DURING THE ARBITRATION STAGE.

## III.

THE COURT OF APPEALS COMMITTED GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OR EXCESS OF JURISDICTION IN ISSUING THE QUESTIONED RESOLUTIONS NOTWITHSTANDING THAT THERE IS A VALID AND SUBSISTING APPROVED STIPULATION WHICH HAS THE FORCE AND EFFECT OF A JUDGMENT BY COMPROMISE.

More specifically, petitioners contend that the Court of Appeals committed grave abuse of discretion in affirming the award of separation pay in favor of private respondent workers, considering that the respondent court was not in possession of the records and evidence that would support its ruling.<sup>[8]</sup>

It is at once clear from the records that petitioners were not able to present evidence before the Voluntary Arbitrator. This is plainly evident from the Stipulation entered into by the parties and submitted to the Court of Appeals, which pertinently states:

- b) The case will be referred back to Voluntary Arbitrator Calipay so that petitioners will be granted their day in court to prove their case, the hearing thereat to treat the following issues:
  - 1. Whether or not the complainants mentioned in Exhibit J of the Decision really filed their complaints before the NLRC;

2. Whether or not complainants were dismissed; if so, whether or not their dismissals were valid;
3. Whether or not complainants are entitled to separation pay, money claims, attorney's fees and litigation costs specified in the decision, Annex A of the petition; and
4. Whether or not Robert Dino, Cristina Dino and Michael Dino can be held liable for the claims of complainants.

The foregoing is an acknowledgment by both parties that the proceedings before the Voluntary Arbitrator have not been completed. Despite this, the Court of Appeals rendered the assailed resolution ordering the immediate execution of the award of separation pay and attorney's fees. Prior to that, Voluntary Arbitrator Calipay filed a comment contending that he had lost jurisdiction over the case after he rendered judgment. While under the law decisions of voluntary arbitrators are accorded finality, the same may still be subject to review, such as here where there was a violation of petitioners' right to due process and to be heard.

In spite of statutory provisions making "final" the decisions of certain administrative agencies, we have taken cognizance of petitions questioning these decisions where want of jurisdiction, grave abuse of discretion, violation of due process, denial of substantive justice, or erroneous interpretation of the law were brought to our attention.<sup>[9]</sup>

Petitioners decry the Voluntary Arbitrator's rendition of judgment against petitioners, after the latter failed to appear at the hearing scheduled on March 3, 1997 at 3:00 o'clock in the afternoon. Subsequently, however, in a motion for the calling of another hearing, which was denied, petitioners manifested to the Voluntary Arbitrator that the reason why they failed to appear on March 3, 1997 was because they received notice of the said hearing only at 4:00 o'clock in the afternoon of that day. Indeed, this omission to afford petitioners a chance to present evidence on their behalf is a clear violation of a party's constitutional right and has the effect of rendering its judgment null and void. It is a cardinal rule in law that a

decision or judgment is fatally defective if rendered in violation of a party-litigant's right to due process.<sup>[10]</sup>

The right of due process is fundamental in our legal system and we adhere to this principle not for reasons of convenience or merely to comply with technical formalities but because of a strong conviction that every man must have his day in court.

In its most basic sense, the right to due process is simply that every man is accorded a reasonable opportunity to be heard. Its very concept contemplates freedom from arbitrariness, as what is required is fairness or justice. It abhors all attempts to make an accusation synonymous with liability.<sup>[11]</sup>

The right to be heard is among the so-called "cardinal primary rights" which should be observed and respected in administrative adjudications in order to comply with the imperatives of due process.<sup>[12]</sup> These cardinal primary rights are:

- (1) The right to a hearing, which includes the right to present one's case and submit evidence in support thereof.
- (2) The tribunal must consider the evidence presented.
- (3) The decision must have something to support itself.
- (4) The evidence must be substantial.
- (5) The decision must be rendered on the evidence presented at the hearing, or at least contained in the record and disclosed to the parties affected.
- (6) The tribunal or body or any of its judges must act on its or his own independent consideration of the law and facts of the controversy and not simply accept the view of a subordinate in arriving at a decision.
- (7) The board or body should, in all controversial questions, render its decision in such a manner that the parties to the

proceeding can know the various issues involved, and the reason for the decision rendered.<sup>[13]</sup>

Even the Procedural Guidelines in the Conduct of Voluntary Arbitration Proceedings, in Rule VI, Section 6 thereof, explicitly mandates voluntary arbitrators to observe the requirements of procedural due process:

SECTION 6. Arbitration Hearing. — In the conduct of hearing, the arbitrator shall provide the parties adequate opportunities to be heard. He shall control the proceedings and see to it that proper decorum is observed. He must render a ruling of the issue/s raised in the course of the proceedings. He must treat all significant aspects of the proceedings as confidential in nature unless confidentiality is waived by the parties. (Emphasis provided)

At this juncture, it may not be amiss to restate our previous reminder to labor tribunals in the weighing of the rights and interest of employers and employees, viz:

While the intendment of our laws is to favor the employee, it in no way implies that the employer is not entitled to due process. For a tribunal such as the NLRC to wantonly disregard the employer's constitutional right to be heard is a matter that cause great concern to the Court. Such an action can only result in public mistrust of our entire legal system, and we strongly remind the NLRC of their duty to uphold an inspire confidence in the same.<sup>[14]</sup>

It bears stressing that the award of separation pay carries with it the inevitable conclusion that complainants were illegally dismissed. That finding of the Voluntary Arbitrator, however, was premature and null and void for the reasons above-stated. Therefore, there is a need to remand the case to the Voluntary Arbitrator, as originally stipulated by the parties, to allow petitioners to present evidence in their behalf.

The Court of Appeals, thus, committed grave abuse of discretion amounting to lack of jurisdiction when it ordered the immediate execution of the Voluntary Arbitrator's award of separation pay and

attorney's fees, notwithstanding that the same was null and void for violation of petitioner's right to due process of law.

Grave abuse of discretion implies such capricious and whimsical exercise of judgment as is equivalent to lack of jurisdiction, or in other words where the power is exercised in an arbitrary or despotic manner by reason of passion or personal hostility, and it must be so patent and gross as to amount to an evasion of positive duty or to a virtual refusal to perform the duty enjoined or to act at all in contemplation of law.<sup>[15]</sup>

**WHEREFORE**, the Petition is **GRANTED**. The assailed Resolutions of the Court of Appeals dated June 18, 1998 and July 31, 1998 are **ANNULLED** and **SET ASIDE**. The decision of Voluntary Arbitrator Florante V. Calipay dated March 15, 1987 is likewise **ANNULLED** and **SET ASIDE**. The case is **REMANDED** to Voluntary Arbitrator Calipay, who is **DIRECTED** to receive evidence for the petitioners and conduct further proceedings therein.

**SO ORDERED.**

**Davide, Jr., C.J., Puno, Kapunan and Pardo, JJ., concur.**

- 
- [1] Former Special Fifth Division, composed of Associate Justices Eduardo G. Montenegro, Quirino D. Abad Santos, Jr. and Artemio G. Tuquero.
- [2] Annexes "A" to "D", Records, pp. 40-43.
- [3] Annex "F", Records, p. 45.
- [4] Records, pp. 38-39.
- [5] Records, pp. 125-126.
- [6] Records, pp. 131-141.
- [7] Rollo, pp. 32-33.
- [8] Rollo, pp. 10-11.
- [9] Continental Marble Corp. vs. National Labor Relations Commission, 161 SCRA 151 155-56 (1988); Mantrade/FMMC Division Employees and Workers Union vs. Bacungan, 144 SCRA 510, 513 (1986); citing Oceanic Bic Division (FFW) vs. Romero, 130 SCRA 392, 399 (1984).
- [10] Philippine National Construction Corporation vs. National Labor Relations Commission, 292 SCRA 266, 271 (1998).
- [11] Ibid., citations omitted.
- [12] Matabuena vs. Court of Appeals, 173 SCRA 170, 175 (1989).

- [13] Philippine National Bank vs. Apalisok, 199 SCRA 92, 94 (1991); citing Ang Tibay vs. CIR, 69 Phil. 635 (1940) and Justice Isagani A. Cruz, Constitutional Law, 1987 ed., pp. 111-112.
- [14] Philippine National Construction Corporation vs. National Labor Relations Commission, *supra*, at 272.
- [15] Bustamante vs. Commission on Audit, 216 SCRA 134, 136 (1992); citing Dimayacyac vs. Court of Appeals, 93 SCRA 265 (1979); Alhambra Cigar & Cigarette Mfg. Co., Inc. vs. National Administrator of Regional Office No. 2, Department of Labor, 14 SCRA 1019 (1965); Hamoy vs. Hon. Sec. of Agriculture & Natural Resources, et al., 106 Phil. 1046 (1960).

---

Philippine Copyright © 2005  
ChanRobles Publishing Company  
[www.chanrobles.com](http://www.chanrobles.com)