

CHANROBLES PUBLISHING COMPANY

**SUPREME COURT
THIRD DIVISION**

**UNIVERSITY OF THE EAST,
*Petitioner,***

-versus-

**G.R. Nos. 93310-12
November 21, 1991**

**THE SECRETARY OF LABOR AND
EMPLOYMENT, THE
UNDERSECRETARY OF LABOR AND
EMPLOYMENT DIONISIO C. DE LA
SERNA, REGIONAL DIRECTOR LUNA
C. PIEZAS, SPECIAL SHERIFF,
ALFONSO A. BALAIS, JR.,
*Public Respondents;***

**AMADO R. FOJAS AND UNIVERSITY
OF THE EAST FACULTY
ASSOCIATION,
*Private Respondents.***

X-----X

DECISION

GUTIERREZ, JR., J.:

The pivotal issue in this instant petition hinges on whether or not the Secretary of Labor has the authority to award attorney's fees in favor

of respondent Atty. Amado Fojas, former counsel of the University of the East Faculty Association (UEFA), to be assessed against petitioner University of the East (UE) despite the fact that the compromise agreement presented by the parties to end their pending labor cases and approved by the Department of Labor and Employment (DOLE) does not provide for attorney's fees.

On May 11, 1974 Presidential Decree No. 451 (authorizing the Secretary of Education and Culture to regulate the Imposition of Tuition and Other School Fees, Repealing Republic Act No. 6139, and For Other Purposes) was promulgated. Section 3 (a) of the Decree provides that sixty per centum (60%) of the proceeds from tuition fee increases (incremental proceeds) shall be allocated for increase in salaries and wages of faculty members and school personnel of colleges and universities.

On December 29, 1986, the UEFA through its counsel respondent Amado Fojas filed a complaint with the Ministry (now Department) of Labor and Employment for the payment of their share of the tuition fee increases collected by petitioner UE for the school years 1983, 1984, 1985 and 1986 pursuant to P.D. No. 451 with damages. The case was referred to respondent Director Luna C. Piezas of the National Capital Region, DOLE.

Instead of filing a position paper as required by the Regional Office after efforts at amicable settlement failed, UE filed a motion to dismiss on the ground that the Regional Director did not have jurisdiction over the case. UE claimed that since this is a money claim arising from employer-employee relationship, it falls within the exclusive jurisdiction of the Labor Arbiter, pursuant to paragraph 2, Article 217 of the Labor Code, as amended.

On April 28, 1987, Director Luna C. Piezas issued an order denying the motion to dismiss and ruled in favor of the UEFA. The dispositive portion of the Order reads:

“WHEREFORE, PREMISES CONSOLIDATED, Order of compliance is hereby issued directing the respondent U.E. to pay its covered teachers the amount of TWENTY FOUR MILLION FOUR HUNDRED NINE THOUSAND THREE

HUNDRED SIX PESOS and 65/100 (P24,409,306.65) representing complainant's share out of sixty (60%) percent incremental proceeds from tuition fee increase covering school years 1983-1984; 1984-1985 1985-1986; and first semester 1986-1987, without prejudice of deducting whatever advances granted to individual faculty members representing said increase, within fifteen (15) days from receipt of this Order. Respondent is further directed to hold in trust ten (10%) percent attorney's fees deductible from each faculty member. (Rollo, p. 126).

Both parties appealed the Order to the Secretary of Labor.

Petitioner UE reiterated its position that the Regional Director did not have jurisdiction over the case. UE alleged that the Director ordered awards for UEFA without considering UE's records and documents.

On the other hand, UEFA assailed the Order for its failure to grant the complainant's claim for legal interest, damages, and attorney's fees. UEFA contended that the undue delay in the payment of its share to the tuition fee increases entitled UEFA to damages from UE and that under the Labor Code the unlawful withholding of wages entitles UEFA to an award of 10% attorney's fees from UE.

On August 17, 1988, the then Secretary of DOLE, Franklin M. Drilon issued an Order modifying the questioned order, the dispositive portion of which reads:

“WHEREFORE, the Order dated 28 April 1987 of the Regional Director a quo is hereby AFFIRMED, with the following modifications:

1. The 60% incremental proceeds which the Regional Director considered as exclusively pertaining to UEFA members' salaries in school years 1983-1984, 1984-1986, 1985-1986 and the first semester of 1986-1987 should include all allowances and benefits granted the faculty members during these periods;

2. The recomputation of the award must conform with the mandate of Article 292 of the Labor Code regarding prescription of actions involving money claims;
3. The ten (10%) percent attorney's fee should be assessed against respondent UE; and
4. This case is remanded to the office of origin for the purpose of recomputing the award granted in favor of UEFA." (Rollo, p. 137; Emphasis supplied).

Both parties filed motions for reconsideration but these were denied by the Secretary of Labor through Undersecretary Dionisio C. dela Serna in an order dated November 11, 1988. No further appeals/petitions were filed by the parties as regards the order.

The case was then remanded to the Regional Director's Office. As ordered, Director Piezas recomputed the money awards.

On April 6, 1989, the Regional Director issued the Order regarding the recomputed money awards which were appealed to the Secretary.

In the meantime, on September 15, 1988 UEFA filed another case through its counsel Amado B. Fojas for long overdue shares of the faculty members from tuition fee increases for school years 1986-1987 and 1987-1988 against UE.

On January 18, 1989, Director Piezas issued an order, the dispositive portion of which reads:

"WHEREFORE, premises considered, in view of all the foregoing, it is hereby ordered that the respondent UE pay unto the teachers complainants their share from the 60% percent incremental proceeds as of school year 1987-1988 in the total amount of THIRTEEN MILLION NINE HUNDRED SEVENTY ONE THOUSAND THREE HUNDRED FORTY-FOUR (P13,971,344.00) PESOS. Respondent is likewise ordered to incorporate in the basic salaries of the teachers complainants the amount of SEVEN PESOS AND 10/100 (P7.10) rate per hour, effective school years 1986-1987 to 1988-1989 and to pay

the services of complainants' counsel in the amount equivalent to 10% of the award granted." (Rollo, p. 144)

UE appealed the order to the Secretary of Labor.

On February 9, 1989, UEFA through Atty. Amado R. Fojas filed another complaint for the alleged long overdue shares of the faculty members from tuition fee increases for school year 1988-1989 to the present.

On April 13, 1989, Atty. Amado R. Fojas was replaced by Atty. Rogelio de Guzman as UEFA's counsel.

Thereafter, UE and UEFA, through its new counsel Rogelio de Guzman began negotiations for a compromise agreement as regards the share of the faculty members in the increased tuition fees. Finally, on December 12, 1989, the parties entered into a Compromise Agreement on the matter which was amended the following day, December 13, 1989. Among the provisions of the Amended Compromise Agreement are the following:

X X X

"A. The UEFA (complainant) will agree to the following:

A.1. Release of the P6.2 million in escrow plus the accrued interest under G.R. No. 57387 to the University of the East.

A. 2. Withdraw all the three pending cases before the DOLE as above specified, in consideration of this present compromise agreement.

B. The University of the East (respondent) on the other hand, agrees to the following.

B.1 Pay to the UEFA P3.5 million without being an admission of or consideration of any liability in said cases, upon release of escrow money referred to under A.1;

B.2 Not to collect the cash advances given to the faculty members up to May 31, 1989 amounting to more or less P6.5 million as mentioned in No. 1 paragraph.” (Rollo, pp. 44-45).

x x x

The Compromise Agreement and the Amended Compromise Agreement were filed with the DOLE in the three labor cases.

Atty. Fojas also filed with the DOLE an urgent motion and manifestation dated December 21, 1989 praying for the payment to him of attorney’s fees in connection with the three (3) cases.

On February 26, 1990, respondent Undersecretary de la Serna by authority of the Secretary issued an order approving the Compromise Agreement but awarding attorney’s fees in favor of Atty. Fojas and dismissing the cases, to wit:

“WHEREFORE, in view of the foregoing, the above-entitled cases are hereby ordered DISMISSED.

The attorney’s fees relative to the above-entitled case is hereby awarded to Atty. Amado R. Fojas, the amount thereof shall be equivalent to 10% of the amount of the compromise agreement and to be paid by respondent University of the East.” (Rollo, p. 51).

A motion for reconsideration filed by UE was denied in an order dated April 19, 1990.

On April 30, 1990, Director Piezas issued a writ of execution and ordered the Sheriff, DOLE, National Capital Region “. . . to proceed to the premises of the respondent University of the East, Claro M. Recto, Manila or at any other place it could be located and require respondent to pay Atty. Amado R. Fojas the amount of ONE MILLION TWO HUNDRED THOUSAND PESOS (P1,200,000.00) representing his attorney’s fees.” (p. 57, Rollo).

On the same day, UE received a notice of garnishment issued by Special Sheriff, Alfonso A. Balais, Jr. dated April 30, 1990 and addressed to the Security Bank, C. M. Recto, Manila.

On May 3, 1990, Sheriff Balais, Jr. was able to partially execute the Writ in the amount of P726,901.16, which was paid to Atty. Fojas.

On May 4, 1990, UE filed a motion to quash writ of execution with a prayer for the issuance of a temporary restraining order. On the same date, Undersecretary de la Serna issued the temporary restraining order.

However, on May 17, 1990 Undersecretary de la Serna by authority of the Secretary issued an order denying UE's motion to quash writ of execution and lifted the temporary restraining order. Acting Regional Director Maximo B. Lim issued a writ of execution to enforce the balance of P473,098.39 representing the attorney's fees of Atty. Fojas. Pursuant thereto, a Notice of Embargo/Sale of Personal Property on Execution dated May 17, 1990 was issued by Sheriff Alfonso Balais, Jr.

Hence, this petition.

On May 30, 1990, we issued a temporary restraining order enjoining the enforcement of the orders dated February 26, 1990 and April 19, 1990 as well as the Writs of Execution dated April 30, 1990 and May 17, 1990.

On November 19, 1990, we gave due course to the petition.

The petitioner contends:

I

THE SECRETARY AND UNDERSECRETARY OF LABOR AND EMPLOYMENT COMMITTED GRAVE ABUSE OF DISCRETION TANTAMOUNT TO LACK OF JURISDICTION IN ORDERING THE UNIVERSITY OF THE EAST TO PAY ATTORNEY'S FEES INSPITE OF THE FACT THAT THE PARTIES HAVE ALREADY ENTERED INTO A COMPROMISE

AGREEMENT WHICH DID NOT SANCTION OR STIPULATE SUCH FEES.

II

THE ISSUANCE OF THE WRIT OF EXECUTION IS IMPROPER AND UNLAWFUL BECAUSE IT IS BASED ON AN IMPROPER AND UNLAWFUL ORDER LIKEWISE, THE WRIT IS ITSELF NULL AND VOID BECAUSE THE SAME IS FATAALLY DEFECTIVE.

III

ASSUMING IN ARGUENDO, THAT ATTY. FOJAS IS ENTITLED TO ATTORNEY'S FEES, THE AWARD EQUIVALENT TO TEN PERCENT (10%) OF THE AMOUNT OF THE COMPROMISE AGREEMENT IS EXCESSIVE, AND IN ANY EVENT, THE CLIENT UEFA SHOULD BE HELD LIABLE THEREFOR." (Rollo, pp. 11-2)

The well-established doctrine is that compromise agreements executed by workers or employees and their employers to settle their differences if done in good faith are valid and binding among the parties.(Dionela vs. Court of Industrial Relations, 8 SCRA 832 [1963], Pampanga Sugar Development Co. Inc. vs. Court of Industrial Relations, 114 SCRA 725 [1982]; Chua vs. National Labor Relations Commission, et al., 190 SCRA 558 [1990]). In the instant; case there is no dispute about the validity of the compromise agreement. The question is whether or not the Secretary of Labor has the authority to award attorney's fees in favor of respondent Atty. Fojas, the former counsel of UEFA, charged against UE despite the fact that the compromise agreement of the parties is silent on the matter of attorney's fees.

The petitioner states that all matters relative to the dispute of the parties which were not specifically covered by the compromise agreement including the matter of attorneys fees were deemed waived and/or became moot and academic. In effect, the petitioner contends that the August 17, 1988 order which awarded attorney's fees in favor of Atty. Fojas and assessed against the petitioner is deemed waived

and unenforceable. This contention is on the premise that “neither the Court nor quasijudicial bodies can impose upon the parties a judgment different from their compromise agreement (which as a valid contract is the law between the parties themselves) or against the very terms and conditions of their agreement.” (Philippine Bank of Communications vs. Echiverri, 99 SCRA 508 [1980]). Thus, the petitioner asserts that the Secretary of Labor committed grave abuse of discretion when he awarded attorney’s fees in favor of Fojas based on Article 111 (a) of the Labor Code which provides that “In cases of unlawful withholding of wages the culpable party may be assessed attorney’s fees equivalent to ten percent of the amount of wages recovered.” Besides, according to the petitioner, the parties in their compromise agreement agreed that the petitioner was not guilty of unlawfully withholding the respondent’s employees’ wages. Their only dispute was on the computation of wages due the employees.

The rule is that the terms and conditions set forth in the compromise agreement and approved by the court are controlling. (World Machine Enterprises vs. Intermediate Appellate Court, G.R. No. 72019, December 20, 1990, 192 SCRA. 459 [1990]).

However, the rule is not without exceptions.

In the first place, the awards in favor of UEFA had already become final when the compromise agreement was executed.

NCR-LSED-9-256-88 was resolved as early as January 18, 1989. Since no timely appeal was filed by UE, the order directing UE to pay P13,971,344.00 to its teachers with 10% attorney’s fees became final and executory.

NCR-LSED-12-462-87 was resolved on April 28, 1987. As earlier stated, the order deciding this case directed UE to pay its teachers P24,409,306.65 with 10% attorney’s fees deductible and to be held in trust from each faculty member. This order was affirmed on August 17, 1988 by the DOLE Secretary. The decision was remanded to the office of origin to recompute the awards in view of modifications made regarding allowances and benefits given to teachers during the period covered by the order and the need to follow Article 292 of the

Labor Code on prescription of money claims. A motion for reconsideration was denied on November 11, 1988.

On April 6, 1989 the order recomputing the awards came out. It was at this juncture when on April 13, 1989 or seven days later that respondent Fojas was relieved as UEFA counsel and replaced by Atty. Rogelio de Guzman.

In spite of the fact that the orders dated April 28, 1987, August 17, 1988, November 11, 1988, and January 18, 1989 had all become final and executory, the new counsel of UEFA entered into a new round of negotiations with UE leading to a compromise agreement where any mention of attorney's fees was omitted.

The compromise agreement was referred to DOLE and approved by that office. Significantly, the order now questioned by UE awarded 10% of the amount agreed upon in the compromise agreement to Atty. Fojas for his attorney's fees.

The argument that "neither the Court nor quasi-judicial bodies can impose upon the parties a judgment different from their compromise agreement (which as a valid contract is the law between the parties themselves) or against the very terms and conditions of their agreement" (Philippine Bank of Communications vs. Echiverri, supra) may have some merit if respondent Fojas had remained as counsel of UEFA. But he was no longer the lawyer of the teachers' union. In spite of Fojas having already won the cases and the awards in his favor having become final, the new lawyer and the officers of UEFA entered into an agreement stripping Fojas of what had been awarded to him. Basic considerations of fairness and justice dictate that blind conformity to the rule regarding compromise agreements should not apply here.

In the second place, Mr. Fojas was not a party to the compromise agreement and could not be bound by terms which removed the awards earlier given to him. The only matters which could be compromised were between UE and UEFA and the latter's new counsel. A compromise agreement is a contract and, therefore, cannot affect third persons who are not parties to it. (J.M. Tuason and Co. vs.

Tongol, 16 SCRA 331 [1966]; Guerrero vs. Court of Appeals, 29 SCRA 791 [1969]).

The April 19, 1990 order of Undersecretary de la Serna disposing of UE's motion for reconsideration in NCR-LSED-12456-86, NCR-LSED-12-462-87 and NCR-LSED-9-256-88 states:

“It must be made clear that the compromise agreement entered by and between respondent and complainants should not work to deprive Atty. Fojas of his just entitlement to attorneys fees. As cited in the assailed order, the Supreme Court, in the case of National Power Corporation vs. NPC Employees and Workers Association, 89 SCRA 1), ruled that the withdrawal of a labor case by agreement of the parties should not result in the deprivation of a former union counsel of reasonable fees for his services.

While indeed there is no attorney-client relationship between respondent and Atty. Fojas, and the compromise agreement provides that it was entered into nolo contendere or without any admission of any liability, still this Office could not close its eyes to the fact that Atty. Fojas has actually been awarded attorney's fees in our Order of August 17, 1989.” (Rollo, pp. 53-64).

We agree with respondent Fojas that his right to attorney's fees had already vested when the orders awarding those fees became final and executory. Any compromise agreement removing that right must include his participation if it is to be valid against him.

And in the third place, the award of attorney's fees has already been partially implemented. On May 3, 1990 respondent Fojas received P726,901.16 pursuant to the writ of execution. As pointed out by the Solicitor General, only P473,098.84 remains to be paid.

The Undersecretary of Labor and Employment, by authority of the Secretary, awarded attorney's fees to respondent Fojas on the basis of Article III (a) of the Labor Code, as amended which provides:

“In cases of unlawful withholding of wages, the culpable party may be assessed attorney fees equivalent to ten percent of the amount of wages recovered.”

The petitioner questions the ruling of DOLE on the ground that the compromise agreement exonerates the petitioner of any culpability in the non-releases of the employees' share. As earlier pointed out, the agreement states that UE pays P3.5 million and agrees not to collect advances amounting to P6.5 million without these payments being an admission of or consideration of any liability in said cases.

As between UE and UEFA, the disclaimer of liability or culpability is binding. However, the December 13, 1989 compromise agreement could not undo the evidence of culpability insofar as the claims of Atty. Fojas, a non-party to the agreement, are concerned.

The records show that the UEFA through counsel Fojas filed complaints against UE for non-payment of the teachers' share of tuition fee increases collected by UE in 1983, 1984, 1985, 1986 and 1987. The efforts of the petitioner to denigrate the services of respondent Fojas are answered by the latter as follows:

“Finally, it is very material to the present case to make known to this Honorable Court that private respondent Fojas obtained through this sole efforts and labor, judgments for the UE faculty members in the amounts of more than P24 Million in NCR-LSED-12-462-87 and more than P13 Million in NCR-LSED-2-036-89. The new lawyer for respondent UEFA made his appearance only long after said judgments had been rendered and had become final and executory.

‘The lawyer who bore the brunt of prosecuting client's claim and not to the lawyer who made his appearance only after the favorable decision to said employees made known (sic) is held to be the one entitled to attorney's fees.’ (Cruz vs. Court of Industrial Relations, 8 SCRA 826; Albano vs. Coloma, 21 SCRA 411; Tolentino vs. Escalona, 26 SCRA 613; Aro vs. Nanawa, 27 SCRA 1090; National Waterworks and Sewerage Authority Consolidated Unions

vs. National Waterworks and Sewerage Authority, 33 SCRA 180).

‘A compromise agreement entered into by a party litigant without the knowledge of plaintiffs lawyer when such compromise would deprive the said lawyer of the fees justly due him, is not proper.’ (Aro vs. Nanawa, supra.)” (Rollo, pp. 297-298).

The public respondent agreed with the contentions of Atty. Fojas when it ruled:

“Moreover, even without the express grant of an award for attorney’s fees and even absent a clear delineation as to who is liable therefor (by reason of the intervention of the compromise agreement), this Office cannot be blind to the fact that Atty. Fojas successfully handled the afore-titled cases until their resolution — albeit not final on two of the three cases at bar — and that there was an initial finding of the culpability on the part of the respondent (petitioner) by the Regional Director a quo. In this regard, justice demands that Atty. Fojas should not be denied of his attorney’s fees as compensation for his labors and that the same be assessed against respondent University of the East pursuant to Article III (a) of the Labor Code, which provides that:

‘In cases of unlawful withholding of wages the culpable party may be assessed attorney’s fees equivalent to ten percent of the amount of wages recovered.’

Neither can respondent (petitioner) say that the Secretary is without the authority to grant and assess attorney’s fees.

The above quoted Article III (a) of the Labor Code is under Book Three (entitled Conditions of Employment) of the Labor Code and is, thus, within the coverage of labor standards which the Secretary of Labor and Employment is empowered by law to administer and enforce. It would be a device for the disorderly dispensation of justice if a party who seeks the enforcement of a labor standard law should be made to resort to the regular

courts just to claim for payment of attorney's fees, while pleading before the Secretary for other remedies arising from the same cause of action." (Rollo, pp. 54-55).

Law and equity dictate that Atty. Fojas should be compensated for his efforts in prosecuting the cases against the petitioner. The withdrawal of the cases by the parties does not deprive counsel of his attorney's fees for his professional services. (National Power Corporation vs. National Power Corporation Employees and Workers Association, 89 SCRA 1 [1979]) More so if the withdrawal of the cases is effected after a party has already won and all that remains is execution.

WHEREFORE, the petition is hereby **DISMISSED**. The questioned February 26, 1990 and April 19, 1990 orders of the respondent Undersecretary of Labor and Employment are **AFFIRMED**.

SO ORDERED.

Fernan, C.J., Bidin, Davide, Jr. and Romero, JJ., concur.