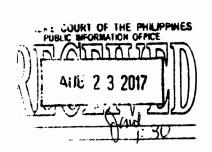


Republic of the Philippines Supreme Court

Manila



FIRST DIVISION

UNITED POLYRESINS, INC., ERNESTO UY SOON, JR., and/or JULITO UY SOON,

G.R. No. 209555

Petitioners,

- versus -

Present:

SERENO, *C.J., Chairperson,* LEONARDO-DE CASTRO, DEL CASTILLO, PERLAS-BERNABE, *and*

CAGUIOA, JJ.

MARCELINO PINUELA,

Respondent.

Promulgated:

JUL 3 1 2017

DECISION

DEL CASTILLO, J.:

This Petition for Review on Certiorari¹ assails the December 11, 2012 Decision² and October 10, 2013 Resolution³ of the Court of Appeals (CA) in CA-G.R. SP No. 115402 which set aside the June 11, 2011 Decision⁴ of the National Labor Relations Commission (NLRC) in NLRC-LAC Case No. 06-001577-09.

Factual Antecedents

Petitioner United Polyresins, Inc. (UPI) is a registered domestic corporation doing business in San Pedro, Laguna, while petitioners Ernesto Uy Soon, Jr. and Julito Uy Soon are its corporate officers.

Respondent Marcelino Pinuela was employed by UPI in 1987. He became a member of the labor union, Polyresins Rank and File Association (PORFA), and was elected President thereof in May, 2005 and slated to serve until the end of 2007.

¹ Rollo, pp. 30-64.

Id. at 66-79; penned by Associate Justice Francisco P. Acosta and concurred in by Associate Justices Fernanda Lampas Peralta and Angelita A. Gacutan.

³ Id. at 88-89.

⁴ Id. at 125-135; penned by Commissioner Numeriano D. Villena and concurred in by Presiding Commissioner Herminio V. Suelo and Commissioner Angelo Ang Palaña.

The collective bargaining agreement (CBA) then existing between UPI and PORFA provided that:

Section 3. The Company shall grant to the Union the amount of Three Hundred Thousand Pesos (\$\mathbb{P}\$300,000.00) free of interest as the union's capital for establishing a cooperative to meet the needs of its members. Said loan shall fall due and become payable at the same date that this Bargaining Agreement expires, to wit – December 31, 2007. In the event of non-payment, all officers and members will be personally accountable. In case of additional funds, they can make a written request [addressed] to the President of the company.

The CBA likewise contained a union security clause which provided that employees who cease to be PORFA members in good standing by reason of resignation or expulsion shall not be retained in the employ of UPI.

Upon his assumption as union President, respondent wrote the former union President, Geoffrey Cielo (Cielo), to turn over the records, papers, documents and financial statements of the union. Cielo surrendered the union's bank account documents, among others, which indicated that the union had an available ₱78,723.60 cash balance. Cielo likewise submitted a Financial Report indicating that the union had ₱208,623.60 in cash and ₱159,500.00 in receivables.

Finding that the bank documents and Cielo's report did not match, and Cielo unable to explain the discrepancies, the union's Executive Committee, which was headed by respondent, resolved to hire a certified public accountant to conduct an audit of the union's finances. In a December 1, 2005 report, the accountant concluded that the union's finances, income, and disbursements for the years 2003 and 2004 were not properly documented, recorded, and reported. He recommended that the union officers "take a seminar on basic bookkeeping and accounting;" that the union adopt and/or install the necessary accounting and internal control systems; that the union prepare the proper financial statements; and that the officers take corrective measures in financial management as an integral part of sound management.

Meanwhile, during respondent's term as PORFA President, it appeared that UPI automatically deducted from the respective salaries of PORFA members amounts representing union membership dues and loan payments. These amounts, which totalled ₱2,402,533.43, were then

⁵ NLRC Records, p. 12.

⁶ Id. at 61.

Id.

regularly turned over by UPI to PORFA in the form of fifty eight (58) crossed checks, made payable to PORFA.8 These amounts were then deposited and credited to PORFA's account.9

On December 8, 2007, or several days before the ₱300,000.00 loan by UPI to PORFA became due, petitioners, respondent, and the other union officers met to discuss the proposed new CBA. Thereat, petitioners told respondent that until the \$\mathbb{P}300,000.00 is returned, the former shall not discuss the proposed CBA. Respondent explained that the union did not have the finances and had only \$\mathbb{P}78,723.60\$, which was the original amount turned over by Cielo to respondent when the latter assumed office as union President. Petitioners then told respondent and the other union officers that if the amount is not returned, the same will be deducted from the salaries of the union members.¹⁰

On January 7, 2008, respondent filed a complaint before the National Conciliation and Mediation Board (NCMB), claiming that petitioners refused to bargain collectively. During the scheduled conferences before the NCMB, petitioners raised the issue of non-payment of the \$\mathbb{P}300,000.00 owing to UPI and insisted on its payment; they also threatened to deduct the amount of \$\mathbb{P}\$1,500.00 from the respective salaries of the union members.\(^{11}

Because of the recurring threat of failed CBA negotiations and salary deductions as means of recovering the \$\mathbb{P}300,000.00\$ loaned to the union, union members began to demand the holding of a special election of union officers. They likewise accused respondent and the other union officers of mismanagement, unduly hanging on to their positions, and lack of accountability. 12

Thus, in March 2008, special elections were held, and a new union President and set of officers were elected. 13

On March 29, 2008, the union's new set of officers conducted an investigation into the fact that the union had little or no funds remaining in its bank account. Respondent attended the investigation, and admitted that the union had no more funds as they were "utilized in the prosecution of Mode cases during his incumbency."¹⁴ He likewise failed to make a formal

Rollo, pp. 38-39, 237-252.

Id. at 193-195, 366-395.

Id. at 162-163.

¹¹ Id. at 163-164.

Id. at 165, 185-187.

Id. at 213. "Wala na raw pera natira sa banko dahil daw sa mga kasong ipinaglaban nila [nang] sila pa ang namumuno."

turnover of documents to the new President. Respondent was required to surrender union documents in his possession on the next scheduled meeting.¹⁵

On April 8, 2008, another inquiry was held where respondent was present. The investigation centered on respondent's continued failure to account for the union's bank accounts, documents, and deposits made during his incumbency, and his failure to formally turn over union's papers to the new officers. After the meeting, respondent and the new officers proceeded to the bank, where they discovered that the PORFA account had already been closed.¹⁶

On April 10, 2008, the new set of union officers issued a Resolution¹⁷ expelling respondent from PORFA for being guilty of the following violations:

- 1. No annual financial statement.
- 2. No listings or ledger of union member's [sic] emergency loans.
- 3. Unposted cheques on the Union's passbook collected from union members [sic] monthly dues.
- 4. Our union checking account at Security Bank were [sic] Zero balance/closed account.
- 5. No receipts/cash disbursement presented for the union operational [sic] expenses.
- 6. Unable to return the ₱300,000.00 lent by the management free of interest. (Art. XXVII, Section 3 of our CBA).
- 7. Unable to explain and present documents to support where the agency fees and union dues collected from legitimate union members were used.¹⁸

The officers held that these violations constituted an infringement of the union's Constitution, particularly Article XV, Section 1, paragraphs (e) and (f) thereof, which specifically prohibit the misappropriation of union funds and property and give ground for the impeachment and recall of union officers.¹⁹

¹⁵ Id. at 213-214.

¹⁶ Id. at 215-217.

¹⁷ Id. at 219-220.

¹⁸ Id. at 221.

¹⁹ Id. at 405.

In an April 11, 2008 letter²⁰ to petitioners, PORFA communicated respondent's expulsion from the union.

On April 14, 2008, petitioners issued a letter of termination²¹ to respondent, to take effect immediately.

Ruling of the Labor Arbiter

Respondent filed a complaint against petitioners before the Labor Arbiter for illegal dismissal, with monetary claims and damages, which was docketed as NLRC Case No. RAB-IV-08-27303-08-L. He claimed that his dismissal was effected in bad faith and without due process and was thus illegal. Petitioners countered that respondent's dismissal is valid under the union security clause of the CBA; that his failure to return the \$\mathbb{P}300,000.00 loan to the union due to mismanagement/misappropriation constitutes just cause for his expulsion from the union, as well as dismissal from employment; that he was accorded substantive and procedural due process; that the herein individual petitioners may not be held liable for respondent's claims; and that accordingly, the case should be dismissed.

On April 20, 2009, the Labor Arbiter issued a Decision²² dismissing respondent's complaint on the finding that respondent was not illegally terminated, thus:

While complainant, as then Union President, denies any misappropriation of union funds, it is undisputed that he failed to account for the missing union funds and to return the \$\mathbb{P}\$300,000.00 which the respondent company had lent for the union's assistance upon the expiration of the CBA dated December 31, 2007.

More importantly, in the investigation conducted by the newly elected officers of the union, it was uncovered that union funds were in fact personally used by the former officers of PORFA which includes complainant.

Thus, the union passed a resolution expelling complainant from the PORFA union and the corresponding letter was sent to the respondent company informing the latter of complainant's expulsion coupled with a recommendation that complainant be terminated from employment pursuant to the union security clause of the CBA.

Given the foregoing, we rule that complainant was validly dismissed since the respondent company merely did its obligation under

²⁰ Id. at 221-222.

²¹ Id. at 223.

Id. at 253-260; penned by Labor Arbiter Enrico Angelo C. Portillo.

the CBA by terminating the services of complainant who ceased to be a member in good standing of the PORFA union by reason of expulsion.

WHEREFORE, premises considered, judgment is hereby rendered DISMISSING the instant complaint for lack of merit.

SO ORDERED.²³

Ruling of the National Labor Relations Commission

Respondent appealed before the NLRC, which initially overturned the Labor Arbiter in a December 8, 2009 Decision, ²⁴ which decreed as follows:

WHEREFORE, the assailed Decision is hereby SET ASIDE and a NEW one is entered declaring the complainant-appellant's dismissal to be illegal. Respondents Union [sic] and respondent company are hereby declared jointly and severally liable to pay complainant his full backwages from the date he was dismissed until date instant [sic] and to pay his separation pay equivalent to one month salary per year of service computed as follows:

BACKWAGES 04/14/08 – 10/14/09 ₱396 x 26 days x 18 mos. ₱10,296.00 x 18 days = ₱185,328.00 SEPARATION PAY ₱396.00 x 26 x 22yrs.

 $P10,296 \times 22 \text{yrs.}$ = P226,512.00

13th Month Pay = 15,444.00 = = 15,444.00

Grand Total <u>P427,284.00</u>

SO ORDERED.²⁵

However, on motion for reconsideration, the NLRC issued its June 11, 2011 Decision, which held as follows:

What cannot escape from [sic] our attention and consideration are the following: (1) there was an obligation x x x to return the amount of ₱300,000.00 to the respondent upon termination of the CBA on December 31, 2007, (2) complainant, as the President of the Union at the time the loan was due and demandable, failed to account for said funds, and under the same provision, was to be held personally accountable, (3) Pinuela

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²³ Id. at 260.

²⁴ Id. at 136-147.

²⁵ Id. at 146-147.

actually participated x x x in the whole process of determining accountability over the union funds, (4) denied knowledge over and receipt of the missing funds, despite his being among those charged with its custody and safe-keep, as the Union President.

It is also to be noted that the complainant as union president, could not explain nor comment on the fact that their union's bank account is already a closed account. Even if We assume and in fact complainant admitted that he had custody of P78,723.60 as union funds as of June 3, 2005, still he could not account the whereabouts of the said money. As a signatory to the said account, complainant cannot be considered as entirely faultless since he was grossly negligent in the custody of the funds. There is substantial basis in complainant's dismissal thus, the award of backwages and 13th month pay should be deleted. However, even if We find complainant's dismissal to be valid, there is equally no evidence showing that he pocketed the missing funds of the union. In this regard since he had rendered a considerable number of years in the service (21 years) complainant may be awarded separation pay at the rate of ½ month salary for every year of service (396 x 13 x 21 years) from the inception of his employment till his dismissal in the interest of justice and compassion since his infraction did not involve serious misconduct.

Further, We also hold that while complainant's dismissal was valid pursuant to the enforcement of the Union Security Clause, respondents however did not comply with the requisite procedural due process. As held in the case of Agabon vs. NLRC, x x x the Supreme Court held that where the dismissal is for a cause recognized by the prevailing jurisprudence, the absence of the statutory due process should not nullify the dismissal or render it illegal x x x. Accordingly, for violating complainant's statutory rights, respondents should indemnify him the amount of \$\mathbb{P}30,000.00\$ as nominal damages in addition to his separation pay.

WHEREFORE, premises considered, respondents-appellees' Motion for Reconsideration is GRANTED, a new Decision is rendered finding complainant's dismissal as valid. Respondents-appellees are however ordered to pay complainant the amounts of \$\mathbb{P}\$108,108.00 and \$\mathbb{P}\$30,000.00 as separation pay and nominal damages.

All other claims whether monetary or otherwise are hereby DISMISSED.

SO ORDERED.²⁶

Ruling of the Court of Appeals

In a Petition for Certiorari²⁷ before the CA and docketed as CA-G.R. SP No. 115402, respondent sought to reverse the above NLRC Decision and reinstate its December 8, 2009 Decision, arguing that the Commission

²⁶ Id. at 132-134.

²⁷ Id. at 90-124.

gravely erred in concluding that he was personally accountable for the missing funds, the closing of PORFA's bank account, and that he was grossly negligent in the custody of the union funds. In their Comment,²⁸ petitioners countered that respondent's dismissal was attended by due process; that he is guilty of the infractions for which he was dismissed; and that his guilt had been proved by substantial evidence.

On December 11, 2012, the CA issued the assailed Decision containing the following pronouncement:

Petitioner insists that he is innocent of the charges against him made by the PORFA (the union), particularly the embezzlement of the union funds. He vehemently denied misappropriation of the same and that the PORFA Union officers conspired with the Respondents in removing him as a member in good standing of the said union and his subsequent dismissal as employee pursuant to the CBA's union security clause.

Respondents on the other hand, denied the Petitioner's allegation of conspiracy and that in fact, there was a series of conferences conducted jointly by the management and the union on the matter of lost union funds and that the Petitioner was made aware of the charges against him before he was terminated. They claim that the management participated in the investigations and that it was shown that even if the Petitioner as president of the union did not misappropriate the funds nevertheless he committed omission/gross negligence for which reason he was expelled therefrom. The Respondents also claim that Petitioner was accorded procedural due process during the investigations.

It is basic in labor jurisprudence that the burden of proof rests upon management to show that the dismissal of its worker was based on a just cause. When an employer exercises its power to terminate an employee by enforcing the union security clause, it needs to determine and prove the following: (1) the union security clause is applicable; (2) the union is requesting for the enforcement of the union security provision in the CBA; and (3) there is sufficient evidence to support the decision of the union to expel the employee from the union.

The dispute before Us does not raise any issue with respect to the first two requisites; the issue being whether there was sufficient evidence to support Petitioner's expulsion from PORFA. In arriving at any conclusion thereto, the Petitioner must first be accorded due process of law. x x x

X X X X

On both questions of whether there exist[s] sufficient evidence to support Petitioner's expulsion from the union (substantive due process), and whether Petitioner was properly informed of the accusation against him and his dismissal from employment (procedural due process), We

²⁸ Id. at 291-298.

answer in the negative.

An examination of the submitted evidence before the Labor Arbiter show [sic] that the same are not enough to prove the alleged charges of misappropriation against the Petitioner and neither was he properly informed thereof.

 $x \times x \times x$

On the other hand, the Petitioner have [sic] shown adequate explanation about the funds of the union that came to his possession. The Memorandum of Ramon M. Martinez, a Certified Public Accountant, show [sic] that he made an audit of the funds of the union during the previous administration and that the actual funds the union had was merely \$\mathbb{P}\$34,344.25 when Petitioner took over. This amount was not even shown to have been misappropriated by the Petitioner.

Compounding this want of substantive evidence is the lack of procedural due process that Petitioner was entitled to. As [has] been previously discussed, the Petitioner was not given the proper first notice. Thereafter, despite such lack of first notice, on the mere letter of the union that he was expelled therefrom because of alleged causes, the Petitioner was dismissed from employment by the Respondents in the termination letter dated 14 April 2008 on the sole basis of union security clause. Such action cannot be countenanced. In the same *Inguillo* case, the Supreme Court also ruled:

'Thus, as held in that case, 'the right of an employee to be informed of the charges against him and to reasonable opportunity to present his side in a controversy with either the company or his own Union is not wiped away by a Union Security Clause or a Union Shop Clause in a collective bargaining agreement. An employee is entitled to be protected not only from a company which disregards his rights but also from his own Union, the leadership of which could yield to the temptation of swift and arbitrary expulsion from membership and mere dismissal from his job.'

In sum, the NLRC gravely abused its discretion in reconsidering its earlier Decision which is more in accord with the evidence on record.

WHEREFORE, the petition is hereby GRANTED. The assailed Decision dated 11 June 2010²⁹ is hereby SET ASIDE. The Decision dated 8 December 2009 is REINSTATED with the MODIFICATION that the backwages shall be recomputed from the date of Petitioner's dismissal to the finality of this Decision.

SO ORDERED.³⁰ (Citations omitted)

²⁹ Should be "2011".

³⁰ *Rollo*, pp. 71-72, 74, 77-78.

Petitioners filed a Motion for Reconsideration,³¹ which was denied by the CA in its October 10, 2013 Resolution. Hence, the instant Petition.

Issues

In a June 22, 2015 Resolution,³² the Court resolved to give due course to the Petition, which contains the following assignment of errors:

I.

THE APPELLATE COURT ERRED IN RULING THAT THE CHARGES OF MISAPPROPRIATION AGAINST THE RESPONDENT WERE INSUFFICIENT (SUBSTANTIVE DUE PROCESS)

II.

THE APPELLATE COURT ERRED IN RULING THAT THE RESPONDENT WAS NOT PROPERLY INFORMED OF THE CHARGES AGAINST HIM (PROCEDURAL DUE PROCESS).

III.

THE APPELLATE COURT ERRED IN RULING THAT THE RESPONDENT IS ENTITLED TO SEPARATION PAY, BACKWAGES FROM DISMISSAL TO THE FINALITY OF ITS DECISION, AND 13TH MONTH PAY.³³

Petitioners' Arguments

Praying that the assailed CA dispositions be set aside and that respondent's case be dismissed instead, petitioners maintain in their Petition and Reply³⁴ that substantive and procedural due process were observed in respondent's case; that respondent was apprised of the charges against him and given the opportunity to refute them; that the evidence points to the conclusion that he misappropriated the union's funds and was unable to explain the dissipation thereof; that for what he has done, respondent violated Article XV, Section 1, paragraphs (e) and (f) of the union's Constitution; that respondent's dismissal on the basis of the union security clause in the CBA was thus valid, based on substantial proof, and in accord with the pronouncement in *Cariño v. National Labor Relations Commission*,³⁵ where the dismissal of an employee was upheld on the basis of the union security and expulsion clauses contained in the CBA; and that since his dismissal is valid, then he is not entitled to his monetary claims.

³¹ Id. at 80-86.

³² Id. at 557-558.

³³ Id. at 35.

³⁴ Id. at 536-547.

³⁵ 263 Phil. 877 (1990).

Respondent's Arguments

In his Comment,³⁶ respondent maintains that the CA did not err in finding that the evidence against him was insufficient; that the CA was correct in ruling that his right to procedural due process was violated when he was not properly informed of the charges against him; and that for these reasons, he was illegally dismissed and thus entitled to his monetary claims.

Our Ruling

The Court denies the Petition.

Respondent's expulsion from PORFA is grounded on Article XV, Section 1, paragraphs (e) and (f) of the union's Constitution, which provides:

ARTICLE – XV IMPEACHMENT AND RECALL

Section 1. Any of the following shall be ground for the impeachment or recall of the union officers.

- a. Committing or causing the commission directly or indirectly of acts against the interest and welfare of the union;
- b. Malicious attack against the union, its officers or against a fellow union officer or member;
- c. Failure to comply with the obligation to turn over and return to union treasurer within three (3) days unexpanded [sic] sum of money received from the money funds to answer for an authorized union purpose;
- d. Gross misconduct unbecoming of a union officer;
- e. Misappropriation of union funds and property. This is without prejudice to the filing of an appropriate criminal or civil action against the responsible officer/(s) by any interested party;
- f. Willful violation of any provision of the constitution or rules, regulations, measures, resolution(s) and decision of the union.³⁷ (Emphasis supplied)

However, these provisions refer to impeachment and recall of union officers, and not expulsion from union membership. This is made clear by

³⁶ *Rollo*, pp. 474-528.

³⁷ Id. at 405.

Section 2(e) of the same Article XV, which provides that "(t)he union officers impeached shall 'IPSO FACTO' to [sic] be considered resigned or ousted from office and shall no longer be elected nor appointed to any position in the union." In short, any officer found guilty of violating these provisions shall simply be removed, impeached or recalled, from office, but not expelled or stripped of union membership.

It was therefore error on the part of PORFA and petitioners to terminate respondent's employment based on Article XV, Section 1, paragraphs (e) and (f) of the union's Constitution. Such a ground does not constitute just cause for termination.

A review of the PORFA Constitution itself reveals that the only provision authorizing removal from the union is found in Article X, Section 6, that is, on the ground of failure to pay union dues, special assessments, fines, and other mandatory charges.³⁸ On the other hand, grounds for disqualification from membership may be found in Article IV, which states that –

Section 3. The following are not eligible neither [sic] for membership nor to election or appointment to any position in the union:

- a. Subversive or persons who profess subversive ideas.
- b. Persons who have been convicted of crime involving moral turpitude.
- c. Persons who are not employees of the company.³⁹

These provisions do not apply in respondent's case. Although he was eventually charged with estafa, 40 a crime involving moral turpitude, 41 still, he has not been convicted of the crime. For this reason, he may not be disqualified as union member.

Thus, for what he is charged with, respondent may not be penalized with expulsion from the union, since this is not authorized and provided for under PORFA's Constitution.

Contrary to petitioners' claim, Cariño v. National Labor Relations Commission is not applicable here. In that case, the employee was terminated on the basis of existing suspension and expulsion provisions

³⁸ Id. at 403.

³⁹ Id. at 397.

⁴⁰ Id. at 50.

⁴¹ In Re: Atty. Isidro P. Vinzon, 126 Phil. 96 (1967).

contained in the CBA and rules on discipline found in the union's Constitution. There are no such provisions in PORFA's Constitution; neither has it been shown that there are similar stipulations in the parties' CBA.

The matter of respondent's alleged failure to return petitioners' \$\mathbb{P}300,000.00\$ which was lent to PORFA is immaterial as well. It may not be used as a ground to terminate respondent's employment; under the Labor Code, such a contribution by petitioners to PORFA is illegal and constitutes unfair labor practice.

ART. 248. **Unfair labor practices of employers.** - It shall be unlawful for an employer to commit any of the following unfair labor practice:

X X X X

(d) To initiate, dominate, assist or otherwise interfere with the formation or administration of any labor organization, including the giving of financial or other support to it or its organizers or supporters;⁴² (Emphasis supplied)

This could be an opportune time for the union to consider amending its Constitution in order to provide for specific rules on the discipline of its members, not just its officers. After all, it is given the right under the Labor Code, "to prescribe its own rules with respect to the acquisition or retention of membership." But it may not insist on expelling respondent from PORFA and assist in his dismissal from UPI without just cause, since it is an unfair labor practice for a labor organization to "cause or attempt to cause an employer to discriminate against an employee, including discrimination against an employee with respect to whom membership in such organization has been denied or to terminate an employee on any ground other than the usual terms and conditions under which membership or continuation of membership is made available to other members."

On account of the foregoing disquisition, the other issues raised by the parties need not be discussed.

WHEREFORE, for the foregoing reasons, the Petition is hereby **DENIED**. The December 11, 2012 Decision and October 10, 2013 Resolution of the Court of Appeals in CA-G.R. SP No. 115402 are **AFFIRMED**.

Renumbered pursuant to Republic Act No. 10151.

LABOR CODE, Article 249(a). Renumbered pursuant to Republic Act No. 10151.

LABOR CODE, Article 249(b). Renumbered pursuant to Republic Act No. 10151.

SO ORDERED.

MARIANO C. DEL CASTILLO

Associate Justice

WE CONCUR:

MARIA LOURDES P. A. SERENO

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Chief Justice Chairperson

ESTELA M. Associate Justice

Associate Justice

LFREDO BENJAMIN S. CAGUIOA

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CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

MARIA LOURDES P. A. SERENO

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Chief Justice