



Republic of the Philippines  
**Supreme Court**  
Manila

SECOND DIVISION

UNIVERSAL  
CORPORATION and  
Y. GOKONGWEI,

ROBINA  
and LANCE

Petitioners,

G.R. No. 189686

Present:

CARPIO, J.,  
Chairperson,  
DEL CASTILLO,  
PEREZ,  
MENDOZA,\* and  
PERLAS-BERNABE, JJ.

-versus-

WILFREDO Z. CASTILLO,  
Respondent.

Promulgated:

JUL 10 2013

X ----- X

DECISION

PEREZ, J.:

Whether a validly dismissed employee is entitled to separation pay is the meat of this controversy.

The instant petition for review assails the Decision<sup>1</sup> and Resolution<sup>2</sup> of the Court of Appeals dated 20 July 2009 and 17 September 2009, respectively, in CA-G.R. SP. No. 105604.

The facts, as culled from the records, follow.

\* Per Special Order No. 1484 dated 9 July 2013.  
Penning by Associate Justice Remedios A. Salarzar-Fernando with Associate Justices Magdangal M. De Leon and Ramon R. Garcia, concurring. *Rollo*, pp. 285-296.  
Id. at 307.

Respondent Wilfredo Z. Castillo (Castillo) was hired by petitioner Universal Robina Corporation (URC) as a truck salesman on 23 March 1983 with a monthly salary of ₱4,000.00. He rose from the ranks and became a Regional Sales Manager, until his dismissal on 12 January 2006.

As Regional Sales Manager, respondent was responsible for planning, monitoring, leading and controlling all activities affecting smooth sales operation. He is particularly in charge of the operational and administrative functions encompassing the formulation of sales forecast, selling expense, budget preparation and control, sales analysis, formulation and review of policies and procedures affecting the sales force and service provided to customers, including representation in keeping and maintaining key accounts of the company. He is likewise tasked to transact, sign and represent the company in all its dealings with key accounts or customers subject however to his selling expense budget duly approved by URC Management. Consequently, he is obliged to give an account of all his dealings or transactions with all his customers to URC.<sup>3</sup> His area of responsibility covered some parts of Laguna, including Liana's Supermart (Liana) in San Pablo City, Laguna.

On 19 August 2005, URC's Credit and Collection Department (CCD) Analyst in Silangan, Laguna Branch noted an outright deduction in the amount of ₱72,000.00 tagged as Gift Certificate (GC) per Original Receipt No. 625462 dated 18 August 2005. The CCD Analyst found the issuance of GCs as unusual. This finding prompted URC's Corporate Internal Audit (CIA) to conduct a routine audit of the unresolved accounts of Liana's account receivables.

Based on its investigation, CIA came up with the following findings:

1. Per Ms. Prezy Manansala, Liana's San Pablo Branch Manager, URC agreed to sponsor their "Back to School Promo".
2. She showed us their copy of the Account Development Agreement x x x signed by URC Salesman and Ms. Manansala as proof that there was indeed an agreed promotional activity.
3. Liana's issued GCs worth P72,000.00 to RSM Castillo. Issuance of Liana's GCs was covered by Charge Sales Invoice Nos. 2189 and 2190 dated June 25, 2005. As claimed by Ms. Manansala, this issuance of GC is part of the promo activity.

x x x x

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<sup>3</sup>

Id. at 72.

- [4.] Ms. Manansala informed us that the “Back to School Raffle Promo” was cancelled. x x x.
- [5.] We showed her photocopies of Charged Invoices [N]os. 2189 and 2190 x x x. Ms. Manansala confirmed that RSM Castillo is the one who signed on the received x x x portion of the documents we showed.
- [6.] Copies of the Charged Invoice [N]os. 2189 and 2190 were marked/stamped paid as these charges were already deducted from their payment to URC.

x x x x

- [7.] Based on the report of Mr. Patrick Ong, Trade Marketing personnel, dated August 29, 2005, he mentioned the following exceptions with regard to the subject promo activity:
  - a. The “cut case” display was only implemented in June 2005.
  - b. No shelf space added.
  - c. According to Liana’s San Pablo Branch Manager, URC through RSM Wilfredo Castillo received Gift Certificates worth P72,000.00 from Liana’s.

x x x x

- [8.] On September 29, 2005, Liana’s HO officer confirmed that P72,000.00 worth of Gift Certificates were issued per Charged Invoice Nos. 2189 and 2190 dated June 25, 2005.
- [9.] As of audit date, the P72,000.00 worth of promo deductions represented by the Gift Certificates allegedly received by RSM Castillo still floats or remains unresolved in the URC Account Receivable records. x x x.<sup>4</sup>

The CIA suspected that respondent might have committed an act of fraud against the company and Liana’s for his personal gain.

Liana’s Vice President for Marketing Mr. Peter Sy confirmed the receipt of the GCs by respondent.<sup>5</sup>

On 14 November 2005, respondent was asked to explain in writing why the company should not institute the appropriate disciplinary action against him for possible violation of Offenses Subject to Disciplinary Action 2.04, to wit:

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<sup>4</sup> Records, pp. 27-28.

<sup>5</sup> Id. at 110.

Directly or indirectly obtaining or accepting money or anything of value by entering into unauthorized arrangement/s with supplier/s, client or other outsider/s.<sup>6</sup>

On 17 November 2005, respondent submitted his explanation. He recounted that Liana's launched a "Back to School Raffle Promo" sponsored by URC and covered by Account Development Agreement (ADA) No. WZC-05-046. The promotion cost URC sponsorship expenses amounting to ₱92,431.00. The trade-offs included in said promo are:

1. Raffle Draw
2. Additional shelf Space for New products
3. Cut case display
4. Increment of 15% (Value)<sup>7</sup>

The raffle draw portion of the promotion, however, was cancelled by Liana's due to cost implications and difficulty in obtaining permits. In lieu of the raffle draw, additional cut case display for 3 categories (snacks, beverages and foods), together with 15% sales increment, was offered by Liana's. By virtue of said revisions, Liana's charged and deducted ₱72,000.00 from URC's collectibles which correspond to the monthly rentals of the cut case display.<sup>8</sup> Respondent denied accepting any gift certificate.

Another memo was sent to respondent on 8 December 2005 directing him to explain why no administrative sanctions should be meted against him for the following acts which are deemed inimical to the interest of the company:

1. You entered into an agreement with Liana's Supermarket for the use of cut-case displays for the period from June 1, 2005 to August 31, 2005, inclusive, coinciding with the inclusive period of the implementation of the Account Development Agreement (ADA No. WZC-05-046), and admitted that you did not have any authority to enter into such contract.
2. You signed two (2) blank Charge Invoices of Liana's Supermarket to warrant the payment of the rentals for three (3) cut-case displays during the said period with the use thereof as basis for deducting the amount of PHP 72,000.00 from the account of the Company, without the authority to do so.

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<sup>6</sup> Id. at 34.

<sup>7</sup> Id. at 35.

<sup>8</sup> Id.

3. Your act of signing the blank Charge Invoices included the payment of rental for the cut-case display that should have been part of the concessions without rental fees as per the supposed revised ADA prepared by Salesman Jose Moises C. Villareal, thereby resulting in undue payment to Liana's Supermarket amounting to PHP 24,000.00.<sup>9</sup>

Respondent repeatedly denied that he signed two (2) blank Charge invoices intended for GCs. He also admitted that only two (2) cut-cases should have been charged and he assumed liability for the undue payment of one (1) cut-case display.

Clarification inquiries were likewise held on 8 December 2005.

On 9 January 2006, respondent was served a written notice of termination in the following tenor:

W[ith] deep regret, we hereby inform you that, after DUE PROCESS, you were found guilty of acts inimical to the interest of the Company and for breach of trust & confidence.

In the series of administrative investigations, the following has been clearly established;

1. You signed two (2) blank Charge Invoices of Liana's Supermarket. You failed to satisfactorily explain your failure to exercise the slightest degree of prudence required of your position as SENIOR MANAGER, when you signed the "blank" Charge Invoices despite full knowledge that the same will be used to cause the deduction of the subject amount from the account of URC.
2. You authorized the changes in ADA despite of the fact that you have no authority to enter into any short term or long term contract for the rental of cut-case displays and shelf spaces.

In view of the above, your services shall be terminated for cause effective immediately. In addition, you are required to restitute the amount of P72,000.00 that Liana's Supermarket charged against the account of URC for the gift certificate you unduly received.<sup>10</sup>

On 30 May 2006, respondent filed a complaint for illegal dismissal against petitioners URC and its President and Chief Operating Officer (COO) Lance Gokongwei. He alleged that the grounds for which he was

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<sup>9</sup> Id. at 40.  
<sup>10</sup> *Rollo*, p. 167.

dismissed were totally different from the charges leveled against him during the investigation.<sup>11</sup>

On the other hand, URC countered that respondent was dismissed for a just and valid cause.

On 12 June 2007, the labor arbiter rendered a decision declaring respondent to have been illegally dismissed and ordered the payment of backwages and separation pay. The dispositive portion of the Decision reads:

WHEREFORE, judgment is hereby rendered declaring complainant's dismissal as ILLEGAL. Respondents are hereby ordered jointly and severally liable:

- 1) To pay complainant the amount of ₱1,343,000.00, representing his backwages computed only up to the promulgation of this decision;
- 2) To pay complainant the amount of ₱1,728,000.00, representing his separation pay;
- 3) To pay complainant an amount equivalent to ten (10%) percent of the total judgment award, as and for attorney's fees.

Other claims are dismissed for lack of merit.<sup>12</sup>

The Labor Arbiter ruled that respondent was asked to explain on charges which are different from the charges for which he was dismissed. The Labor Arbiter also held that URC failed to substantiate the charges against respondent.

On appeal, the National Labor Relations Commission (NLRC) found the appeal meritorious and reversed the decision of the labor arbiter. According to the NLRC, URC had more than sufficient proof that respondent violated its trust. Respondent sought reconsideration of the reversal, but his motion for reconsideration was denied.

This prompted respondent to file a petition for *certiorari* before the Court of Appeals, which upheld his dismissal but awarded him separation pay "as a form of equitable relief." In the final paragraphs, as well as in the dispositive, the Court of Appeals stated:

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<sup>11</sup> Records, pp. 2-3.

<sup>12</sup> *Rollo*, p. 96.

In fine, this Court finds just cause for petitioner Castillo's dismissal.

Petitioner nonetheless pleads for compassion, citing the fact that he honorably served the company for about twenty-three (23) years and this is his only and first offense.

Mindful of the Court's duty to accord compassion to the working man in light of the social justice mandate in our Constitution, this Court deems proper an award of separation pay to petitioner Castillo as a form of equitable relief.

WHEREFORE, premises considered, the instant petition for certiorari is PARTLY GRANTED. Private respondent URC is hereby ordered to pay SEPARATION PAY to petitioner Castillo for his twenty-three (23) years of service in the company, equivalent to one-half (1/2) month salary for every year of service inclusive of allowances.<sup>13</sup>

URC moved for partial reconsideration but the Court of Appeals denied the motion.

Before this Court, URC raises the lone argument that respondent is not entitled to separation pay in accordance with prevailing law and jurisprudence.<sup>14</sup> Citing case law, URC contends that if an employee's act or violation of the company's code constitutes serious misconduct or is reflective of lack of moral character, then the employer is not required to give the dismissed employee financial assistance or separation. URC maintains that respondent's acts of signing blank Charge Invoices without any authority and receiving ₱72,000.00 worth of GCs for his personal benefit clearly constitute serious misconduct which preclude an award for separation pay.

In his Comment, respondent stresses that based on the tenor of the termination letter, he was never dismissed on the ground of gross misconduct. Respondent concedes that at most, he may have committed simple negligence. He reiterates that he did not commit any act constituting serious misconduct nor does it reflect any deterioration in his moral character.

We resolve to grant the petition.

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<sup>13</sup> Id. at 295.

<sup>14</sup> Id. at 34.

Why and when separation pay may be awarded or denied, has been the subject of many cases. We pick out the rulings pertinent to the case at hand.

The leading case of *Philippine Long Distance Telephone Co. v. NLRC*<sup>15</sup> enunciated the ruling that separation pay “as a measure of social justice” is allowed in those instances where the employee is validly dismissed for causes other than serious misconduct or those reflecting on his moral character.<sup>16</sup> The case of *Toyota Motor Phils. Corp. Workers Association (TMPCWA) v. NLRC*<sup>17</sup> expanded the doctrine laid down in *PLDT* by adding dismissals other than those under Art. 282 of the Labor Code, like willful disobedience, gross and habitual neglect of duty, fraud or willful breach of trust, and commission of a crime against the employer or his family which would preclude award of separation pay.

As the rule now stands, the award of separation pay is authorized in the situations dealt with in Article 283 and 284 of the Labor Code, but not in terminations of employment based on instances enumerated in Article 282.<sup>18</sup> Article 282 states that:

**ART. 282. Termination by employer.** – An employer may terminate an employment for any of the following causes:

- (a) Serious misconduct or willful disobedience by the employee of the lawful orders of his employer or representative in connection with his work;
- (b) Gross and habitual neglect by the employee of his duties;
- (c) Fraud or willful breach by the employee of the trust reposed in him by his employer or duly authorized representative;
- (d) Commission of a crime or offense by the employee against the person of his employer or any immediate member of his family or his duly authorized representatives; and
- (e) Other causes analogous to the foregoing.

*Central Philippines Bandag Retreaders, Inc.* cautioned labor tribunals in indiscriminately awarding separation pay as a measure of social justice, in this wise:

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<sup>15</sup> G.R. No. L-80609, 23 August 1988, 164 SCRA 671.

<sup>16</sup> Id. at 682.

<sup>17</sup> G.R. Nos. 158786 & 158789, 158798-99, 19 October 2007, 537 SCRA 171, 223.

<sup>18</sup> *Central Philippines Bandag Retreaders, Inc. v. Diasnes*, G.R. No. 163607, 14 July 2008, 558 SCRA 194, 204-205 citing *San Miguel Corporation v. Lao*, 433 Phil. 890, 899-890 (2002).



x x x [L]abor adjudicatory officials and the CA must demur the award of separation pay based on social justice when an employee's dismissal is based on serious misconduct or willful disobedience; gross and habitual neglect of duty; fraud or willful breach of trust; or commission of a crime against the person of the employer or his immediate family—grounds under Art. 282 of the Labor Code that sanction dismissals of employees. They must be most judicious and circumspect in awarding separation pay or financial assistance as the constitutional policy to provide full protection to labor is not meant to be an instrument to oppress the employers. The commitment of the Court to the cause of labor should not embarrass us from sustaining the employers when they are right, as here. In fine, we should be more cautious in awarding financial assistance to the undeserving and those who are unworthy of the liberality of the law.<sup>19</sup>

Indeed, respondent has committed acts constituting willful breach of trust and confidence reposed on him by URC based on the following facts established by the Court of Appeals, thus:

x x x The principal charge against petitioner Castillo was hinged upon “unauthorized arrangements” which he allegedly entered into. Petitioner Castillo's unauthorized dealing with respect to the changes in the Account Development Agreement is exactly the offending cause of the host of infractions he committed, i.e., his neglect in signing the blank charge invoices and his improper receipt of gift certificates for his personal gain. These acts taken together constitute a breach of the trust and confidence reposed on petitioner Castillo by private respondent URC. x x x.

Indeed, petitioner Castillo's acts of receiving the gift certificates and signing the blank invoices are closely intertwined and inextricably connected with each other. In other words, petitioner Castillo's acquisition of the gift certificates could not have been facilitated without him signing the blank invoices. Such signing was a ruse to cover up his receipt of the gift certificates. Oddly enough, petitioner Castillo readily admitted to signing receipt on Charge Invoices Nos. 2189 and 2190 covering the gift certificates in the amounts of ₱60,000.00 and ₱12,000.00, respectively, but made the qualification that the same were in blank when he signed on them. Such claim was obviously to create the impression that he was really not aware of any gift certificates and that whatever misstep he committed was merely brought about by his good faith.

Nonetheless, the evidence on record negates petitioner Castillo's claim of good faith and furnishes sufficient basis for the breach of trust and loss of confidence reposed on him by private respondent URC. Petitioner Castillo's receipt of the gift certificates is categorically confirmed by Peter Sy, the Vice President of Marketing of Liana's Supermarket. This piece of evidence, coming from a disinterested party, speaks eloquently of petitioner Castillo's perfidy. Such an affirmative

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<sup>19</sup>

Id. at 207.

statement coupled with petitioner Castillo's signatures on the charge invoices convincingly established the fact that he indeed received the ₱72,000.00 worth of gift certificates.

Assuming that he did not receive the gift certificates, petitioner Castillo's ready admission that he signed the charge invoices even if these were blank clearly shows his negligence and utter lack of care in the interests of private respondent URC. As a Regional Sales Manager, petitioner Castillo occupied a position of responsibility and as such, he should have known that he placed the interests of the company at a disadvantage by signing the blank charge invoices. Because of such act, private respondent URC was prejudiced by no less than ₱72,000.00. This alone is sufficient cause for breach of trust and loss of confidence.<sup>20</sup>

In this case before us, respondent did not appeal the decision of the Court of Appeals. He is deemed to have accepted the findings and conclusion of the appellate court pertaining to the validity of his dismissal.

In *Bank of the Philippine Islands v. NLRC and Arambulo*,<sup>21</sup> we ruled that an employee who has been dismissed for a just cause under Article 282 of the Labor Code is not entitled to separation pay. The complainant therein was likewise dismissed on the ground of loss of trust and confidence. Applying that rule to the instant case, we here hold that respondent is not entitled to separation pay.

**WHEREFORE**, the petition is **GRANTED**. The 20 July 2009 Decision and 17 September 2009 Resolution of the Court of Appeals in CA-G.R. SP. No. 105604 are **REVERSED and SET ASIDE**. The Resolution dated 31 March 2008 of the National Labor Relations Commission **REINSTATED**.

**SO ORDERED.**

  
**JOSE PORTUGAL PEREZ**  
Associate Justice

<sup>20</sup> *Rollo*, pp. 292-294.

<sup>21</sup> G.R. No. 179801, 18 June 2010, 621 SCRA 283, 293.

WE CONCUR:



**ANTONIO T. CARPIO**

Associate Justice  
Chairperson



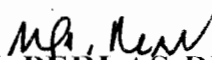
**MARIANO C. DEL CASTILLO**

Associate Justice



**JOSE CATRAL MENDOZA**

Associate Justice



**ESTELA M. PERLAS-BERNABE**

Associate Justice

### ATTESTATION

I attest 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.



**ANTONIO T. CARPIO**

Associate Justice  
Chairperson

**CERTIFICATION**

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, 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**  
Chief Justice