



Republic of the Philippines  
Supreme Court  
Manila

SECOND DIVISION

EMER MILAN, RANDY G.R. No. 202961  
MASANGKAY, WILFREDO  
JAVIER, RONALDO DAVID, Present:  
BONIFACIO MATUNDAN, NORA  
MENDOZA, et al.,

Petitioners,

CARPIO, J., Chairperson,  
VELASCO, JR.\*  
DEL CASTILLO,  
MENDOZA, and  
LEONEN, JJ.

-versus-

NATIONAL LABOR RELATIONS  
COMMISSION, SOLID MILLS,  
INC., and/or PHILIP ANG,  
Respondents.

Promulgated:  
FEB 04 2015

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DECISION

LEONEN, J.:

An employer is allowed to withhold terminal pay and benefits pending the employee's return of its properties.

Petitioners are respondent Solid Mills, Inc.'s (Solid Mills) employees.<sup>1</sup> They are represented by the National Federation of Labor Unions (NAFLU), their collective bargaining agent.<sup>2</sup>

\* Designated acting member per Special Order No. 1910 dated January 12, 2014.

<sup>1</sup> Rollo, p. 39.

<sup>2</sup> Id. at 39 and 80.

As Solid Mills' employees, petitioners and their families were allowed to occupy SMI Village, a property owned by Solid Mills.<sup>3</sup> According to Solid Mills, this was "[o]ut of liberality and for the convenience of its employees . . . [and] on the condition that the employees . . . would vacate the premises anytime the Company deems fit."<sup>4</sup>

In September 2003, petitioners were informed that effective October 10, 2003, Solid Mills would cease its operations due to serious business losses.<sup>5</sup> NAFLU recognized Solid Mills' closure due to serious business losses in the memorandum of agreement dated September 1, 2003.<sup>6</sup> The memorandum of agreement provided for Solid Mills' grant of separation pay less accountabilities, accrued sick leave benefits, vacation leave benefits, and 13<sup>th</sup> month pay to the employees.<sup>7</sup> Pertinent portions of the agreement provide:

**WHEREAS**, the **COMPANY** has incurred substantial financial losses and is currently experiencing further severe financial losses;

**WHEREAS**, in view of such irreversible financial losses, the **COMPANY** will cease its operations on October 10, 2003;

**WHEREAS**, all employees of the **COMPANY** on account of irreversible financial losses, will be dismissed from employment effective October 10, 2003;

In view thereof, the parties agree as follows:

1. That **UNION** acknowledges that the **COMPANY** is experiencing severe financial losses and as a consequence of which, management is constrained to cease the company's operations.
2. The **UNION** acknowledges that under Article 283 of the Labor Code, separation pay is granted to employees who are dismissed due to closures or cessation of operations NOT DUE to serious business losses.
3. The **UNION** acknowledges that in view of the serious business losses the Company has been experiencing as seen in their audited financial statements, employees ARE NOT granted separation benefits under the law.
4. The **COMPANY**, by way of goodwill and in the spirit of generosity *agrees to grant financial assistance less accountabilities* to members of the Union based on length of

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<sup>3</sup> Id. at 40 and 82.

<sup>4</sup> Id. at 95.

<sup>5</sup> Id. at 40, 80, and 218.

<sup>6</sup> Id. at 80.

<sup>7</sup> Id. at 40 and 80–81.

service to be computed as follows: (Italics in this paragraph supplied)

**Number of days - 12.625 for every year of service**

5. In view of the above, the members of the **UNION** will receive such financial assistance on an equal monthly installments basis based on the following schedule:

**First Check due on January 5, 2004 and every 5<sup>th</sup> of the month thereafter until December 5, 2004.**

6. The **COMPANY** commits to pay any accrued benefits the Union members are entitled to, specifically those arising from sick and vacation leave benefits and 13<sup>th</sup> month pay, less accountabilities based on the following schedule:

**One Time Cash Payment to be distributed anywhere from.**

...

....

8. The foregoing agreement is entered into with full knowledge by the parties of their rights under the law and they hereby bind themselves not to conduct any concerted action of whatsoever kind, otherwise the grant of financial assistance as discussed above will be withheld.<sup>8</sup> (Emphasis in the original)

Solid Mills filed its Department of Labor and Employment termination report on September 2, 2003.<sup>9</sup>

Later, Solid Mills, through Alfredo Jingco, sent to petitioners individual notices to vacate SMI Village.<sup>10</sup>

Petitioners were no longer allowed to report for work by October 10, 2003.<sup>11</sup> They were required to sign a memorandum of agreement with release and quitclaim before their vacation and sick leave benefits, 13<sup>th</sup> month pay, and separation pay would be released.<sup>12</sup> Employees who signed the memorandum of agreement were considered to have agreed to vacate SMI Village, and to the demolition of the constructed houses inside as condition for the release of their termination benefits and separation pay.<sup>13</sup> Petitioners refused to sign the documents and demanded to be paid their benefits and separation pay.<sup>14</sup>

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<sup>8</sup> Id. at 262–263.

<sup>9</sup> Id. at 40, 80, and 216.

<sup>10</sup> Id. at 81.

<sup>11</sup> Id.

<sup>12</sup> Id. at 40.

<sup>13</sup> Id. at 41, 81, and 323–324.

<sup>14</sup> Id. at 40–41 and 81.

Hence, petitioners filed complaints before the Labor Arbiter for alleged non-payment of separation pay, accrued sick and vacation leaves, and 13<sup>th</sup> month pay.<sup>15</sup> They argued that their accrued benefits and separation pay should not be withheld because their payment is based on company policy and practice.<sup>16</sup> Moreover, the 13<sup>th</sup> month pay is based on law, specifically, Presidential Decree No. 851.<sup>17</sup> Their possession of Solid Mills property is not an accountability that is subject to clearance procedures.<sup>18</sup> They had already turned over to Solid Mills their uniforms and equipment when Solid Mills ceased operations.<sup>19</sup>

On the other hand, Solid Mills argued that petitioners' complaint was premature because they had not vacated its property.<sup>20</sup>

The Labor Arbiter ruled in favor of petitioners.<sup>21</sup> According to the Labor Arbiter, Solid Mills illegally withheld petitioners' benefits and separation pay.<sup>22</sup> Petitioners' right to the payment of their benefits and separation pay was vested by law and contract.<sup>23</sup> The memorandum of agreement dated September 1, 2003 stated no condition to the effect that petitioners must vacate Solid Mills' property before their benefits could be given to them.<sup>24</sup> Petitioners' possession should not be construed as petitioners' "accountabilities" that must be cleared first before the release of benefits.<sup>25</sup> Their possession "is not by virtue of any employer-employee relationship."<sup>26</sup> It is a civil issue, which is outside the jurisdiction of the Labor Arbiter.<sup>27</sup>

The dispositive portion of the Labor Arbiter's decision reads:

**WHEREFORE**, premises considered, judgment is entered **ORDERING** respondents **SOLID MILLS, INC.** and/or **PHILIP ANG (President)**, in solido to pay the remaining 21 complainants:

1) 19 of which, namely EMER MILAN, RAMON MASANGKAY, ALFREDO JAVIER, RONALDO DAVID, BONIFACIO MATUNDAN, NORA MENDOZA, MYRNA IGCAS, RAUL DE LAS ALAS, RENATO ESTOLANO, REX S. DIMAFELIX, MAURA MILAN, JESSICA BAYBAYON, ALFREDO MENDOZA, ROBERTO IGCAS, ISMAEL MATA,

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<sup>15</sup> Id. at 76.

<sup>16</sup> Id. at 44 and 84.

<sup>17</sup> Id. at 44.

<sup>18</sup> Id. at 45.

<sup>19</sup> Id.

<sup>20</sup> Id. at 141.

<sup>21</sup> Id. at 87-88. This decision dated October 17, 2005 was penned by Labor Arbiter Renaldo O. Hernandez.

<sup>22</sup> Id. at 87.

<sup>23</sup> Id. at 45 and 85.

<sup>24</sup> Id.

<sup>25</sup> Id. at 47 and 86.

<sup>26</sup> Id. at 48 and 87.

<sup>27</sup> Id.

CARLITO DAMIAN, TEODORA MAHILOM, MARILOU LINGA, RENATO LINGA their separation pay of 12.625 days' pay per year of service, pro-rated 13<sup>th</sup> month pay for 2003 and accrued vacation and sick leaves, plus 12% interest p.a. from date of filing of the lead case/judicial demand on 12/08/03 until actual payment and/or finality;

2) the remaining 2 of which, complainants CLEOPATRA ZACARIAS, as she already received on 12/19/03 her accrued 13<sup>th</sup> month pay for 2003, accrued VL/SL total amount of P15,435.16, likewise, complainant Jerry L. Sesma as he already received his accrued 13<sup>th</sup> month pay for 2003, SL/VL in the total amount of P10,974.97, shall be paid only their separation pay of 12.625 days' pay per year of service but also with 12% interest p.a. from date of filing of the lead case/judicial demand on 12/08/03 until actual payment and/or finality, which computation as of date, amount to as shown in the attached computation sheet.

3) Nine (9) individual complaints viz., of Maria Agojo, Joey Suarez, Ronaldo Vergara, Ronnie Vergara, Antonio R. Dulo, Sr., Bryan D. Durano, Silverio P. Durano, Sr., Elizabeth Duarte and Purificacion Malabanan are **DISMISSED WITH PREJUDICE** due to amicable settlement, whereas, that of [RONIE ARANAS], [EMILITO NAVARRO], [NONILON PASCO], [GENOVEVA PASCO], [OLIMPIO A. PASCO] are **DISMISSED WITHOUT PREJUDICE**, for lack of interest and/or failure to prosecute.

The Computation and Examination unit is directed to cause the computation of the award in Pars. 2 and 3 above.<sup>28</sup> (Emphasis in the original)

Solid Mills appealed to the National Labor Relations Commission.<sup>29</sup> It prayed for, among others, the dismissal of the complaints against it and the reversal of the Labor Arbiter's decision.<sup>30</sup>

The National Labor Relations Commission affirmed paragraph 3 of the Labor Arbiter's dispositive portion, but reversed paragraphs 1 and 2. Thus:

WHEREFORE, the Decision of Labor Arbiter Renaldo O. Hernandez dated 10/17/05 is AFFIRMED in so far as par. 3 thereof is concerned but modified in that paragraphs 1 and 2 thereof are REVERSED and SET ASIDE. Accordingly, the following complainants, namely: Emir Milan, Ramon Masangkay, Alfredo Javier, Ronaldo David, Bonifacio Matundan, Nora Mendoza, Myrna Igcas, Raul De Las Alas, Renato Estolano, Rex S. Dimaf[e]lix, Maura Milan, Jessica Baybayon, Alfredo Mendoza, Roberto Igcas, Cleopatra Zacarias and Jerry L. Sesma's monetary claims in the form of separation pay, accrued 13<sup>th</sup> month pay for 2003, accrued vacation and sick leave pays are held in abeyance pending compliance of their accountabilities to respondent company by turning

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<sup>28</sup> Id. at 48–49 and 87–88.

<sup>29</sup> Id. at 92–116.

<sup>30</sup> Id. at 115.

over the subject lots they respectively occupy at SMI Village Sucat Muntinlupa City, Metro Manila to herein respondent company.<sup>31</sup>

The National Labor Relations Commission noted that complainants Marilou Linga, Renato Linga, Ismael Mata, and Carlito Damian were already paid their respective separation pays and benefits.<sup>32</sup> Meanwhile, Teodora Mahilom already retired long before Solid Mills' closure.<sup>33</sup> She was already given her retirement benefits.<sup>34</sup>

The National Labor Relations Commission ruled that because of petitioners' failure to vacate Solid Mills' property, Solid Mills was justified in withholding their benefits and separation pay.<sup>35</sup> Solid Mills granted the petitioners the privilege to occupy its property on account of petitioners' employment.<sup>36</sup> It had the prerogative to terminate such privilege.<sup>37</sup> The termination of Solid Mills and petitioners' employer-employee relationship made it incumbent upon petitioners to turn over the property to Solid Mills.<sup>38</sup>

Petitioners filed a motion for partial reconsideration on October 18, 2010,<sup>39</sup> but this was denied in the November 30, 2010 resolution.<sup>40</sup>

Petitioners, thus, filed a petition for certiorari<sup>41</sup> before the Court of Appeals to assail the National Labor Relations Commission decision of August 31, 2010 and resolution of November 30, 2010.<sup>42</sup>

On January 31, 2012, the Court of Appeals issued a decision dismissing petitioners' petition,<sup>43</sup> thus:

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<sup>31</sup> Id. at 144.

<sup>32</sup> Id. at 142.

<sup>33</sup> Id.

<sup>34</sup> Id.

<sup>35</sup> Id. at 144.

<sup>36</sup> Id. at 143.

<sup>37</sup> Id.

<sup>38</sup> Id.

<sup>39</sup> Id. at 146–153.

<sup>40</sup> Id. at 50.

<sup>41</sup> RULES OF COURT, Rule 65, sec. 1. *Petition for certiorari*. – When any tribunal, board or officer exercising judicial or quasi-judicial functions has acted without or in excess of its or his jurisdiction, or with grave abuse of discretion amounting to lack or excess of jurisdiction, and there is no appeal, nor any plain, speedy, and adequate remedy in the ordinary course of law, a person aggrieved thereby may file a verified petition in the proper court, alleging the facts with certainty and praying that judgment be rendered annulling or modifying the proceedings of such tribunal, board or officer, and granting such incidental reliefs as law and justice may require.

The petition shall be accompanied by a certified true copy of the judgment, order or resolution subject thereof, copies of all pleadings and documents relevant and pertinent thereto, and a sworn certification of non-forum shopping as provided in the third paragraph of section 3, Rule 46.

<sup>42</sup> *Rollo*, p. 39.

<sup>43</sup> Id. at 38–56. This decision was penned by Associate Justice Angelita A. Gacutan and concurred in by Associate Justices Magdangal M. De Leon and Francisco P. Acosta of the Thirteenth Division of the Court of Appeals, Manila.

**WHEREFORE**, the petition is hereby ordered **DISMISSED**.<sup>44</sup>

The Court of Appeals ruled that Solid Mills' act of allowing its employees to make temporary dwellings in its property was a liberality on its part. It may be revoked any time at its discretion.<sup>45</sup> As a consequence of Solid Mills' closure and the resulting termination of petitioners, the employer-employee relationship between them ceased to exist. There was no more reason for them to stay in Solid Mills' property.<sup>46</sup> Moreover, the memorandum of agreement between Solid Mills and the union representing petitioners provided that Solid Mills' payment of employees' benefits should be "less accountabilities."<sup>47</sup>

On petitioners' claim that there was no evidence that Teodora Mahilom already received her retirement pay, the Court of Appeals ruled that her complaint filed before the Labor Arbiter did not include a claim for retirement pay. The issue was also raised for the first time on appeal, which is not allowed.<sup>48</sup> In any case, she already retired before Solid Mills ceased its operations.<sup>49</sup>

The Court of Appeals agreed with the National Labor Relations Commission's deletion of interest since it found that Solid Mills' act of withholding payment of benefits and separation pay was proper. Petitioners' terminal benefits and pay were withheld because of petitioners' failure to vacate Solid Mills' property.<sup>50</sup>

Finally, the Court of Appeals noted that Carlito Damian already received his separation pay and benefits.<sup>51</sup> Hence, he should no longer be awarded these claims.<sup>52</sup>

In the resolution promulgated on July 16, 2012, the Court of Appeals denied petitioners' motion for reconsideration.<sup>53</sup>

Petitioners raise in this petition the following errors:

## I

WHETHER OR NOT THE HONORABLE COURT OF APPEALS  
COMMITTED REVERSIBLE ERROR WHEN IT RULED THAT  
PAYMENT OF THE MONETARY CLAIMS OF PETITIONERS

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<sup>44</sup> Id. at 56.

<sup>45</sup> Id. at 52.

<sup>46</sup> Id.

<sup>47</sup> Id. at 53.

<sup>48</sup> Id. at 53–54.

<sup>49</sup> Id.

<sup>50</sup> Id. at 54.

<sup>51</sup> Id. at 54–55.

<sup>52</sup> Id.

<sup>53</sup> Id. at 66–67.

SHOULD BE HELD IN ABEYANCE PENDING COMPLIANCE OF THEIR ACCOUNTABILITIES TO RESPONDENT SOLID MILLS BY TURNING OVER THE SUBJECT LOTS THEY RESPECTIVELY OCCUPY AT SMI VILLAGE, SUCAT, MUNTINLUPA CITY.

## II

WHETHER OR NOT THE HONORABLE COURT OF APPEALS COMMITTED REVERSIBLE ERROR WHEN IT UPHELD THE RULING OF THE NLRC DELETING THE INTEREST OF 12% PER ANNUM IMPOSED BY THE HONORABLE LABOR ARBITER HERNANDEZ ON THE AMOUNT DUE FROM THE DATE OF FILING OF THE LEAD CASE/JUDICIAL DEMAND ON DECEMBER 8, 2003 UNTIL ACTUAL PAYMENT AND/OR FINALITY.

## III

WHETHER OR NOT THE HONORABLE COURT OF APPEALS COMMITTED REVERSIBLE ERROR WHEN IT UPHELD THE RULING OF THE NLRC DENYING THE CLAIM OF TEODORA MAHILOM FOR PAYMENT OF RETIREMENT BENEFITS DESPITE LACK OF ANY EVIDENCE THAT SHE RECEIVED THE SAME.

## IV

WHETHER OR NOT PETITIONER CARLITO DAMIAN IS ENTITLED TO HIS MONETARY BENEFITS FROM RESPONDENT SOLID MILLS.<sup>54</sup>

Petitioners argue that respondent Solid Mills and NAFLU's memorandum of agreement has no provision stating that benefits shall be paid only upon return of the possession of respondent Solid Mills' property.<sup>55</sup> It only provides that the benefits shall be "less accountabilities," which should not be interpreted to include such possession.<sup>56</sup> The fact that majority of NAFLU's members were not occupants of respondent Solid Mills' property is evidence that possession of the property was not contemplated in the agreement.<sup>57</sup> "Accountabilities" should be interpreted to refer only to accountabilities that were incurred by petitioners while they were performing their duties as employees at the worksite.<sup>58</sup> Moreover, applicable laws, company practice, or policies do not provide that 13<sup>th</sup> month pay, and sick and vacation leave pay benefits, may be withheld pending satisfaction of liabilities by the employee.<sup>59</sup>

Petitioners also point out that the National Labor Relations Commission and the Court of Appeals have no jurisdiction to declare that petitioners' act of withholding possession of respondent Solid Mills'

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<sup>54</sup> Id. at 24.

<sup>55</sup> Id. at 26.

<sup>56</sup> Id.

<sup>57</sup> Id.

<sup>58</sup> Id. at 27.

<sup>59</sup> Id.



property is illegal.<sup>60</sup> The regular courts have jurisdiction over this issue.<sup>61</sup> It is independent from the issue of payment of petitioners' monetary benefits.<sup>62</sup>

For these reasons, and because, according to petitioners, the amount of monetary award is no longer in question, petitioners are entitled to 12% interest per annum.<sup>63</sup>

Petitioners also argue that Teodora Mahilom and Carlito Damian are entitled to their claims. They insist that Teodora Mahilom did not receive her retirement benefits and that Carlito Damian did not receive his separation benefits.<sup>64</sup>

Respondents Solid Mills and Philip Ang, in their joint comment, argue that petitioners' failure to turn over respondent Solid Mills' property "constituted an unsatisfied accountability" for which reason "petitioners' benefits could rightfully be withheld."<sup>65</sup> The term "accountability" should be given its natural and ordinary meaning.<sup>66</sup> Thus, it should be interpreted as "a state of being liable or responsible," or "obligation."<sup>67</sup> Petitioners' differentiation between accountabilities incurred while performing jobs at the worksite and accountabilities incurred outside the worksite is baseless because the agreement with NAFLU merely stated "accountabilities," without qualification.<sup>68</sup>

On the removal of the award of 12% interest per annum, respondents argue that such removal was proper since respondent Solid Mills was justified in withholding the monetary claims.<sup>69</sup>

Respondents argue that Teodora Mahilom had no more cause of action for retirement benefits claim.<sup>70</sup> She had already retired more than a decade before Solid Mills' closure. She also already received her retirement benefits in 1991.<sup>71</sup> Teodora Mahilom's claim was also not included in the complaint filed before the Labor Arbiter. It was improper to raise this claim for the first time on appeal. In any case, Teodora Mahilom's claim was asserted long after the three-year prescriptive period provided in Article 291 of the Labor Code.<sup>72</sup>

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<sup>60</sup> Id. at 27–28.

<sup>61</sup> Id. at 28.

<sup>62</sup> Id.

<sup>63</sup> Id. at 30.

<sup>64</sup> Id. at 30–33.

<sup>65</sup> Id. at 457.

<sup>66</sup> Id.

<sup>67</sup> Id. at 458.

<sup>68</sup> Id. at 459.

<sup>69</sup> Id. at 462.

<sup>70</sup> Id. at 463.

<sup>71</sup> Id. at 462–463.

<sup>72</sup> Id. at 463.

Lastly, according to respondents, it would be unjust if Carlito Damian would be allowed to receive monetary benefits again, which he, admittedly, already received from Solid Mills.<sup>73</sup>

I

**The National Labor Relations Commission may preliminarily determine issues related to rights arising from an employer-employee relationship**

The National Labor Relations Commission has jurisdiction to determine, preliminarily, the parties' rights over a property, when it is necessary to determine an issue related to rights or claims arising from an employer-employee relationship.

Article 217 provides that the Labor Arbiter, in his or her original jurisdiction, and the National Labor Relations Commission, in its appellate jurisdiction, may determine issues involving claims arising from employer-employee relations. Thus:

ART. 217. *JURISDICTION OF LABOR ARBITERS AND THE COMMISSION.* – (1) Except as otherwise provided under this Code, the Labor Arbiters shall have original and exclusive jurisdiction to hear and decide within thirty (30) calendar days after the submission of the case by the parties for decision without extension, even in the absence of stenographic notes, the following cases involving workers, whether agricultural or non-agricultural:

1. Unfair labor practice cases;
2. Termination disputes;
3. If accompanied with a claim for reinstatement, those cases that workers may file involving wages, rates of pay, hours of work and other terms and conditions of employment;
4. Claims for actual, moral, exemplary and other forms of damages arising from the employer-employee relations;
5. Cases arising from any violation of Article 264 of this Code, including questions involving the legality of strikes and lockouts; and
6. *Except claims for Employees Compensation, Social Security, Medicare and maternity benefits, all other claims, arising from employer-employee relations including those of persons in domestic or household service, involving an amount exceeding five thousand*

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<sup>73</sup> Id. at 464–465.

*pesos (P5,000.00), regardless of whether accompanied with a claim for reinstatement.*

(2) The Commission shall have exclusive appellate jurisdiction over all cases decided by Labor Arbiters. (Emphasis supplied)

Petitioners' claim that they have the right to the immediate release of their benefits as employees separated from respondent Solid Mills is a question arising from the employer-employee relationship between the parties.

Claims arising from an employer-employee relationship are not limited to claims by an employee. Employers may also have claims against the employee, which arise from the same relationship.

In *Bañez v. Valdevilla*,<sup>74</sup> this court ruled that Article 217 of the Labor Code also applies to employers' claim for damages, which arises from or is connected with the labor issue. Thus:

Whereas this Court in a number of occasions had applied the jurisdictional provisions of Article 217 to claims for damages filed by employees, we hold that by the designating clause "arising from the employer-employee relations" Article 217 should apply with equal force to the claim of an *employer* for actual damages against its dismissed employee, where the basis for the claim arises from or is necessarily connected with the fact of termination, and should be entered as a counterclaim in the illegal dismissal case.<sup>75</sup>

*Bañez* was cited in *Domondon v. National Labor Relations Commission*.<sup>76</sup> One of the issues in *Domondon* is whether the Labor Arbiter has jurisdiction to decide an issue on the transfer of ownership of a vehicle assigned to the employee. It was argued that only regular courts have jurisdiction to decide the issue.<sup>77</sup>

This court ruled that since the transfer of ownership of the vehicle to the employee was connected to his separation from the employer and arose from the employer-employee relationship of the parties, the employer's claim fell within the Labor Arbiter's jurisdiction.<sup>78</sup>

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<sup>74</sup> *Bañez v. Hon. Valdevilla*, 387 Phil. 601, 608 (2000) [Per J. Gonzaga-Reyes, Third Division].

<sup>75</sup> *Id.*

<sup>76</sup> *Domondon v. National Labor Relations Commission*, 508 Phil. 541 (2005) [Per J. Puno, Second Division].

<sup>77</sup> *Id.* at 550.

<sup>78</sup> *Id.* at 553.

*As a general rule, therefore, a claim only needs to be sufficiently connected to the labor issue raised and must arise from an employer-employee relationship for the labor tribunals to have jurisdiction.*

In this case, respondent Solid Mills claims that its properties are in petitioners' possession by virtue of their status as its employees. Respondent Solid Mills allowed petitioners to use its property as an act of liberality. Put in other words, it would not have allowed petitioners to use its property had they not been its employees. The return of its properties in petitioners' possession by virtue of their status as employees is an issue that must be resolved to determine whether benefits can be released immediately. The issue raised by the employer is, therefore, connected to petitioners' claim for benefits and is sufficiently intertwined with the parties' employer-employee relationship. Thus, it is properly within the labor tribunals' jurisdiction.

## II

### **Institution of clearance procedures has legal bases**

Requiring clearance before the release of last payments to the employee is a standard procedure among employers, whether public or private. Clearance procedures are instituted to ensure that the properties, real or personal, belonging to the employer but are in the possession of the separated employee, are returned to the employer before the employee's departure.

As a general rule, employers are prohibited from withholding wages from employees. The Labor Code provides:

**Art. 116. Withholding of wages and kickbacks prohibited.** It shall be unlawful for any person, directly or indirectly, to withhold any amount from the wages of a worker or induce him to give up any part of his wages by force, stealth, intimidation, threat or by any other means whatsoever without the worker's consent.

The Labor Code also prohibits the elimination or diminution of benefits. Thus:

**Art. 100. Prohibition against elimination or diminution of benefits.** Nothing in this Book shall be construed to eliminate or in any way diminish supplements, or other employee benefits being enjoyed at the time of promulgation of this Code.

However, our law supports the employers' institution of clearance procedures before the release of wages. As an exception to the general rule that wages may not be withheld and benefits may not be diminished, the Labor Code provides:

**Art. 113. Wage deduction.** No employer, in his own behalf or in behalf of any person, shall make any deduction from the wages of his employees, except:

1. In cases where the worker is insured with his consent by the employer, and the deduction is to recompense the employer for the amount paid by him as premium on the insurance;
2. For union dues, in cases where the right of the worker or his union to check-off has been recognized by the employer or authorized in writing by the individual worker concerned; and
3. *In cases where the employer is authorized by law or regulations issued by the Secretary of Labor and Employment.*  
(Emphasis supplied)

The Civil Code provides that the employer is authorized to withhold wages for debts due:

Article 1706. Withholding of the wages, except for a debt due, shall not be made by the employer.

“Debt” in this case refers to any obligation due from the employee to the employer. It includes any accountability that the employee may have to the employer. There is no reason to limit its scope to uniforms and equipment, as petitioners would argue.

More importantly, respondent Solid Mills and NAFLU, the union representing petitioners, agreed that the release of petitioners' benefits shall be “less accountabilities.”

“Accountability,” in its ordinary sense, means obligation or debt. The ordinary meaning of the term “accountability” does not limit the definition of accountability to those incurred in the worksite. As long as the debt or obligation was incurred by virtue of the employer-employee relationship, generally, it shall be included in the employee's accountabilities that are subject to clearance procedures.

It may be true that not all employees enjoyed the privilege of staying in respondent Solid Mills' property. However, this alone does not imply that this privilege when enjoyed was not a result of the employer-employee relationship. Those who did avail of the privilege were employees of

respondent Solid Mills. Petitioners' possession should, therefore, be included in the term "accountability."

Accountabilities of employees are personal. They need not be uniform among all employees in order to be included in accountabilities incurred by virtue of an employer-employee relationship.

Petitioners do not categorically deny respondent Solid Mills' ownership of the property, and they do not claim superior right to it. What can be gathered from the findings of the Labor Arbiter, National Labor Relations Commission, and the Court of Appeals is that respondent Solid Mills allowed the use of its property for the benefit of petitioners as its employees. Petitioners were merely allowed to possess and use it out of respondent Solid Mills' liberality. The employer may, therefore, demand the property at will.<sup>79</sup>

The return of the property's possession became an obligation or liability on the part of the employees when the employer-employee relationship ceased. Thus, respondent Solid Mills has the right to withhold petitioners' wages and benefits because of this existing debt or liability. In *Solas v. Power and Telephone Supply Phils., Inc., et al.*, this court recognized this right of the employer when it ruled that the employee in that case was not constructively dismissed.<sup>80</sup> Thus:

There was valid reason for respondents' withholding of petitioner's salary for the month of February 2000. Petitioner does not deny that he is indebted to his employer in the amount of around ₱95,000.00. Respondents explained that petitioner's salary for the period of February 1-15, 2000 was applied as partial payment for his debt and for withholding taxes on his income; while for the period of February 15-28, 2000, petitioner was already on absence without leave, hence, was not entitled to any pay.<sup>81</sup>

The law does not sanction a situation where employees who do not even assert any claim over the employer's property are allowed to take all the benefits out of their employment while they simultaneously withhold possession of their employer's property for no rightful reason.

Withholding of payment by the employer does not mean that the employer may renege on its obligation to pay employees their wages,

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<sup>79</sup> CIVIL CODE, art. 1947. The bailor may demand the thing at will, and the contractual relations is called a precarium, in the following cases:

(1) If neither the duration of the contract nor the use to which the thing loaned should be devoted, has been stipulated; or  
(2) If the use of the thing is merely tolerated by the owner.

<sup>80</sup> *Solas v. Power and Telephone Supply, Phils., Inc., et al.*, 585 Phil. 513, 522-523 (2008) [Per J. Austria-Martinez, Third Division].

<sup>81</sup> *Id.* at 523.

termination payments, and due benefits. The employees' benefits are also not being reduced. It is only subjected to the condition that the employees return properties properly belonging to the employer. This is only consistent with the equitable principle that "no one shall be unjustly enriched or benefited at the expense of another."<sup>82</sup>

For these reasons, we cannot hold that petitioners are entitled to interest of their withheld separation benefits. These benefits were properly withheld by respondent Solid Mills because of their refusal to return its property.

### III

#### **Mahilom and Damian are not entitled to the benefits claimed**

Teodora Mahilom is not entitled to separation benefits.

Both the National Labor Relations Commission and the Court of Appeals found that Teodora Mahilom already retired long before respondent Solid Mills' closure. They found that she already received her retirement benefits. We have no reason to disturb this finding. This court is not a trier of facts. Findings of the National Labor Relations Commission, especially when affirmed by the Court of Appeals, are binding upon this court.<sup>83</sup>

Moreover, Teodora Mahilom's claim for retirement benefits was not included in her complaint filed before the Labor Arbiter. Hence, it may not be raised in the appeal.

Similarly, the National Labor Relations Commission and the Court of Appeals found that Carlito Damian already received his terminal benefits. Hence, he may no longer claim terminal benefits.

The fact that respondent Solid Mills has not yet demolished Carlito Damian's house in SMI Village is not evidence that he did not receive his benefits. Both the National Labor Relations Commission and the Court of Appeals found that he executed an affidavit stating that he already received the benefits.

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<sup>82</sup> CIVIL CODE, art. 2142. Certain lawful, voluntary and unilateral acts give rise to the juridical relation of quasi-contract to the end that no one shall be unjustly enriched or benefited at the expense of another.

<sup>83</sup> See *Andaya v. National Labor Relations Commission and International Ham & Sausage Manufacturing Co., Inc.*, 502 Phil. 151, 157 (2005) [Per J. Panganiban, Third Division].

Absent any showing that the National Labor Relations Commission and the Court of Appeals misconstrued these facts, we will not reverse these findings.

Our laws provide for a clear preference for labor. This is in recognition of the asymmetrical power of those with capital when they are left to negotiate with their workers without the standards and protection of law. In cases such as these, the collective bargaining unit of workers are able to get more benefits and in exchange, the owners are able to continue with the program of cutting their losses or wind down their operations due to serious business losses. The company in this case did all that was required by law.


The preferential treatment given by our law to labor, however, is not a license for abuse.<sup>84</sup> It is not a signal to commit acts of unfairness that will unreasonably infringe on the property rights of the company. Both labor and employer have social utility, and the law is not so biased that it does not find a middle ground to give each their due.

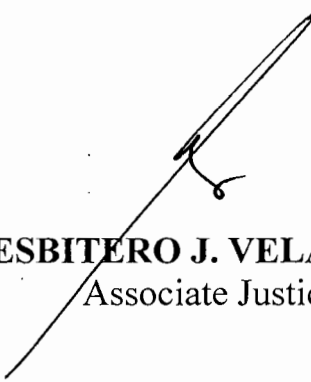
Clearly, in this case, it is for the workers to return their housing in exchange for the release of their benefits. This is what they agreed upon. It is what is fair in the premises.

**WHEREFORE**, the petition is **DENIED**. The Court of Appeals' decision is **AFFIRMED**.

  
**MARVIC M.V.F. LEONEN**  
Associate Justice

WE CONCUR:

  
**ANTONIO T. CARPIO**  
Associate Justice  
Chairperson

  
**PRESBITERO J. VELASCO, JR.**  
Associate Justice

  
**MARIANO C. DEL CASTILLO**  
Associate Justice

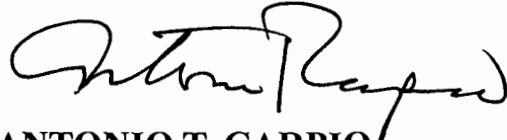
<sup>84</sup> LABOR CODE, art. 1701. Neither capital nor labor shall act oppressively against the other, or impair the interest or convenience of the public.



  
**JOSE CATRAL MENDOZA**  
Associate Justice

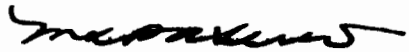
**ATTESTATION**

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, Second Division

**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