



Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

**HOCHENG PHILIPPINES
CORPORATION,**

G.R. No. 211497

Petitioner,

Present:

VELASCO, JR., J.,
Chairperson,
PERALTA,
VILLARAMA, JR.,
REYES, and
JARDELEZA, JJ.

- versus -

ANTONIO M. FARRALES,

Promulgated:

Respondent.

March 18, 2015

[Signature]

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DECISION

REYES, J.:

Before this Court on Petition for Review on *Certiorari*¹ is the Decision² dated October 17, 2013 of the Court of Appeals (CA) in CA-G.R. SP No. 125103, which reversed the Decision³ dated February 29, 2012 and Resolution⁴ dated May 7, 2012 of the National Labor Relations Commission (NLRC) in NLRC LAC No. 08-002249-11, and reinstated with modifications the Decision⁵ dated April 29, 2011 of the Labor Arbiter (LA) in NLRC Case No. RAB-IV-03-00618-10-C, which found that respondent Antonio M. Farrales (Farrales) was illegally dismissed by Hocheng Philippines Corporation (HPC). The *fallo* of the appellate decision reads:

¹ *Rollo*, pp. 22-49.
² Penned by Associate Justice Florito S. Macalino, with Associate Justices Sesinando E. Villon and Pedro B. Corales concurring; id. at 54-64.
³ Penned by Presiding Commissioner Herminio V. Suelo, with Commissioners Angelo Ang Palana and Numeriano D. Villena concurring; id. at 150-168.
⁴ Id. at 170-172.
⁵ Issued by Labor Arbiter Edgar B. Bisana; id. at 117-124.

A

WHEREFORE, premises considered, the Decision of the Labor Arbiter dated April 29, 2011 in NLRC Case No. RAB-IV-03-00618-10-C is **reinstated with modifications**. Private respondent Hocheng Philippines Corporation is liable to pay [Farrales] the following:

- (1) Full backwages from date of dismissal on February 15, 2010 until date of decision equivalent to P276,466.67;
- (2) Separation pay of one (1) month salary per year of service for a period of twelve years equivalent to P228,800.00;
- (3) Appraisal year-end bonus in the sum of P11,000.00; and,
- (4) Attorney's fees equivalent to 10% of the total award.

SO ORDERED.⁶

The Facts

Farrales was first employed by HPC on May 12, 1998 as Production Operator, followed by promotions as (1) Leadman in 2004, (2) Acting Assistant Unit Chief in 2007, and (3) Assistant Unit Chief of Production in 2008, a supervisory position with a monthly salary of ₱17,600.00. He was a consistent recipient of citations for outstanding performance, as well as appraisal and year-end bonuses.⁷

On December 2, 2009, a report reached HPC management that a motorcycle helmet of an employee, Reyamar Solas (Reyamar), was stolen at the parking lot within its premises on November 27, 2009. On December 3, 2009, Security Officer Francisco Paragas III confirmed a video sequence recorded on closed-circuit television (CCTV) around 3:00 p.m. on November 27, 2009 showing Farrales taking the missing helmet from a parked motorcycle, to wit:

- a. At around 3:07:44, [Farrales] was seen walking towards the motorcycle parking lot;
- b. At around 3:08:47, [Farrales] walked back towards the pedestrian gate of the company, passing by the motorcycle parking lot;
- c. At around 3:08:51, [Farrales] walked back towards the motorcycle parking lot and returned to the pedestrian gate;
- d. At around 3:09:10, [Farrales] called on the person of Andy Lopega and instructed him to get the helmet he was pointing at; [and]
- e. At around 3:09:30, Andy gave the helmet to [Farrales].⁸

⁶ Id. at 63-64.

⁷ Id. at 55.

⁸ Id. at 55-56.

Later that day, HPC sent Farrales a notice to explain his involvement in the alleged theft. The investigation was supported by the employees' union, ULO-Hocheng.⁹ Below is Farrales' explanation, as summarized by the CA:

On November 27, 2009, [Farrales] borrowed a helmet from his co-worker Eric Libutan ("Eric") since they reside in the same *barangay*. They agreed that Eric could get it at the house of [Farrales] or the latter could return it the next time that they will see each other. Eric told him that his motorcycle was black in color. As there were many motorcycles with helmets, he asked another employee, Andy Lopega ("Andy") who was in the parking area where he could find Eric's helmet. Andy handed over to him the supposed helmet which he believed to be owned by Eric, then he went home.

On November 28, 2009, at around 6 o'clock in the morning, he saw Eric at their *barangay* and told him to get the helmet. But Eric was in a rush to go to work, he did not bother to get it.

In the morning of December 3, 2009, upon seeing Eric in the workplace, [Farrales] asked him why he did not get the helmet from his house. Eric told him that, "*Hindi po sa akin yung nakuha nyong helmet.*" [Farrales] was shocked and he immediately phoned the HPC's guard to report the situation that he mistook the helmet which he thought belonged to Eric. After several employees were asked as to the ownership of the helmet, he finally found the owner thereof, which is Jun Reyes's ("Jun") nephew, Reyemar, who was with him on November 27, 2009. [Farrales] promptly apologized to Jun and undertook to return the helmet the following day and explained that it was an honest mistake. These all happened in the morning of December 3, 2009; [Farrales] did not know yet that HPC will send a letter demanding him to explain.¹⁰

A hearing was held on December 10, 2009 at 1:00 p.m. Present were Farrales, Eric Libutan (Eric), Andy Lopega (Andy), Jun Reyes, Antonio Alinda, a witness, and Rolando Garciso, representing ULO-Hocheng. From Andy it was learned that at the time of the alleged incident, he was already seated on his motorcycle and about to leave the company compound when Farrales approached and asked him to hand to him a yellow helmet hanging from a motorcycle parked next to him. When Andy hesitated, Farrales explained that he owned it, and so Andy complied. But Eric had specifically told Farrales that his helmet was colored red and black and his motorcycle was a black Honda XRM-125 with plate number 8746-DI, parked near the perimeter fence away from the walkway to the pedestrian gate. The CCTV showed Farrales instructing Andy to fetch a yellow helmet from a blue Rossi 110 motorcycle with plate number 3653-DN parked in the middle of the parking lot, opposite the location given by Eric. Farrales in his defense claimed he could no longer remember the details of what transpired that

⁹ Id. at 56.

¹⁰ Id. at 56-57.

time, nor could he explain why he missed Eric's specific directions.¹¹

On February 15, 2010, the HPC issued a Notice of Termination¹² to Farrales dismissing him for violation of Article 69, Class A, Item No. 29 of the HPC Code of Discipline, which provides that "stealing from the company, its employees and officials, or from its contractors, visitors or clients," is akin to *serious misconduct and fraud or willful breach by the employee of the trust reposed in him by his employer or duly authorized representative*, which are just causes for termination of employment under Article 282 of the Labor Code.

On March 25, 2010, Farrales filed a complaint for illegal dismissal, non-payment of appraisal and mid-year bonuses, service incentive leave pay and 13th month pay. He also prayed for reinstatement, or in lieu thereof, separation pay with full backwages, plus moral and exemplary damages and attorney's fees. During the mandatory conference, HPC paid Farrales ₱10,914.51, representing his 13th month pay for the period of January to February 2010 and vacation leave/sick leave conversion. Farrales agreed to waive his claim for incentive bonus.¹³

On April 29, 2011, the LA ruled in favor of Farrales,¹⁴ the *fallo* of which is as follows:

WHEREFORE, PREMISES CONSIDERED, all the respondents Hocheng Phils. Corporation, Inc. Sam Chen[g] and Judy Geregale are found guilty of illegal dismissal and ordered jointly and severally to pay complainant the following:

1. Full backwages from date of dismissal on February 15, 2010 until date of decision equivalent to P276,466.67.
2. Separation pay of one (1) month salary per year of service for a period of twelve years equivalent to P228,800.00.
3. Appraisal year-end bonus in the sum of P11,000.00.
4. Moral damages in the sum of P200,000.00.
5. Exemplary damages in the sum of P100,000.00.
6. 10% of all sums owing as attorney's fees or the amount of P81,626.67.

SO ORDERED.¹⁵

¹¹ Id. at 57-58.

¹² Id. at 88-89.

¹³ Id. at 58-59.

¹⁴ Id. at 117-124.

¹⁵ Id. at 123-124.

On appeal by HPC,¹⁶ the NLRC reversed the LA,¹⁷ and denied Farrales' motion for reconsideration, finding substantial evidence of just cause to terminate Farrales.¹⁸

On petition for *certiorari* to the CA,¹⁹ Farrales sought to refute the NLRC's factual finding that he committed theft, as well as to question NLRC's jurisdiction over HPC's appeal for non-payment of appeal fees. But the CA found that HPC was able to perfect its appeal by posting a bond equivalent to the monetary award of ₱897,893.37 and paying the appeal fees by postal money order in the amount of ₱520.00.²⁰

Concerning the substantive issues, the appellate court agreed with the LA that Farrales' act of taking Rey-mar's helmet did not amount to theft, holding that HPC failed to prove that Farrales' conduct was induced by a perverse and wrongful intent to gain, in light of the admission of Eric that he did let Farrales borrow one of his two helmets, only that Farrales mistook Rey-mar's helmet as the one belonging to him.

Petition for Review to the Supreme Court

In this petition, HPC raises the following grounds for this Court's review:

- A. THE HONORABLE [CA] PLAINLY ERRED AND ACTED CONTRARY TO EXISTING LAW AND JURISPRUDENCE IN REVERSING THE DECISION OF THE [NLRC] AND DECLARING ILLEGAL THE DISMISSAL FOR [HPC's] ALLEGED FAILURE TO PROVE THE EXISTENCE OF JUST CAUSE.
 1. THERE IS SUBSTANTIAL EVIDENCE TO SHOW THAT [FARRALES] COMMITTED THEFT IN [HPC's] PREMISES.
 2. THEFT IS A JUST CAUSE FOR TERMINATION.
 3. BY COMMITTING THEFT, [FARRALES], BEING A SUPERVISORIAL EMPLOYEE, FORFEITED THE TRUST REPOSED IN HIM BY [HPC], THUS RENDERING HIM DISMISSIBLE FOR LOSS OF CONFIDENCE.

¹⁶ Id. at 125-127.

¹⁷ Id. at 150-168.

¹⁸ Id. at 170-172.

¹⁹ Id. at 173-194.

²⁰ Id. at 60.

B. IN DECLARING ILLEGAL THE DISMISSAL OF [FARRALES], THE HONORABLE [CA] VIOLATED DOCTRINES LAID DOWN BY THE SUPREME COURT.

1. COURTS CANNOT SUBSTITUTE THEIR JUDGMENT FOR THAT OF THE MANAGEMENT.
2. COURTS MUST ACCORD DUE RESPECT TO THE FINDINGS OF ADMINISTRATIVE AGENCIES.²¹

Chiefly, HPC insists that since the complaint below involves an administrative case, only substantial evidence, not proof of guilt beyond reasonable doubt, is required to prove the guilt of Farrales;²² that what the CA has done is substitute its judgment for that of the NLRC, which is vested with statutory duty to make factual determinations based on the evidence on record.²³

Ruling of the Court

The Court resolves to deny the petition.

To validly dismiss an employee, the law requires the employer to prove the existence of any of the valid or authorized causes,²⁴ which, as enumerated in Article 282 of the Labor Code, are: (a) serious misconduct or willful disobedience by the employee of the lawful orders of his employer or the latter's 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 his 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 representative; and (e) other causes analogous to the foregoing.²⁵ As a supervisory employee, Farrales is admittedly subject to stricter rules of trust and confidence, and thus pursuant to its management prerogative HPC enjoys a wider latitude of discretion to assess his continuing trustworthiness, than if he were an ordinary rank-and-file employee.²⁶ HPC therefore insists that only substantial proof of Farrales' guilt for theft is needed to establish the just causes to dismiss him, as the NLRC lengthily asserted in its decision.

²¹ Id. at 32-33.

²² Id. at 33-34.

²³ Id. at 42-45.

²⁴ *Lynvil Fishing Enterprises, Inc. v. Ariola*, G.R. No. 181974, February 1, 2012, 664 SCRA 679, 692.

²⁵ *Concepcion v. Minex Import Corporation/Minerama Corporation*, G.R. No. 153569, January 24, 2012, 663 SCRA 497, 504-505.

²⁶ *Aurelio v. NLRC*, G.R. No. 99034, April 12, 1993, 221 SCRA 432, 442.

Article 4 of the Labor Code mandates that all doubts in the implementation and interpretation of the provisions thereof shall be resolved in favor of labor. Consistent with the State's avowed policy to afford protection to labor, as Article 3 of the Labor Code and Section 3, Article XIII of the 1987 Constitution have enunciated, particularly in relation to the worker's security of tenure, the Court held that "[t]o be lawful, the cause for termination must be a serious and grave malfeasance to justify the deprivation of a means of livelihood. This is merely in keeping with the spirit of our Constitution and laws which lean over backwards in favor of the working class, and mandate that every doubt must be resolved in their favor."²⁷ Moreover, the penalty imposed on the erring employee ought to be proportionate to the offense, *taking into account its nature and surrounding circumstances*.

The Court has always taken care, therefore, that the employer does not invoke any baseless justification, much less management prerogative, as a subterfuge by which to rid himself of an undesirable worker,²⁸ and thus in exceptional cases the Court has never hesitated to delve into the NLRC's factual conclusions where evidence was found insufficient to support them, or too much was deduced from the bare facts submitted by the parties, or the LA and the NLRC came up with conflicting positions, as is true in this case.²⁹

As aptly pointed out by the LA, while HPC has the *onus probandi* that the taking of Reyamar's helmet by Farrales was with intent to gain, it failed to discharge this burden, as shown by the following circumstances: Farrales sought and obtained the permission of Eric, his co-employee as well as *barangay* co-resident, to borrow his helmet; at the parking lot, Farrales asked another employee, Andy, to fetch a yellow helmet from one of the parked motorcycles, mistakenly thinking it belonged to Eric (whom he knew owned two helmets); the following day, November 28, Farrales asked Eric why he had not dropped by his house to get his helmet, and Eric replied that Farrales got the wrong helmet because he still had his other helmet with him; Farrales immediately sought the help of the company guards to locate the owner of the yellow helmet, who turned out to be Reyamar; Farrales apologized to Reyamar for his mistake, and his apology was promptly accepted.³⁰ All these circumstances belie HPC's claim that Farrales took Reyamar's helmet with intent to gain, the LA said.

²⁷ *Gutierrez v. Singer Sewing Machine Company*, 458 Phil. 401, 413 (2003), citing *The Hongkong & Shanghai Banking Corp. v. NLRC*, 328 Phil. 1156, 1166 (1996).

²⁸ *Jarcia Machine Shop and Auto Supply, Inc. v. NLRC*, 334 Phil. 84, 93 (1997).

²⁹ *Nisda v. Sea Serve Maritime Agency, et al.*, 611 Phil. 291, 311 (2009).

³⁰ Per Antonio's explanation, *rollo*, p. 312.

In ruling that Farrales' dismissal by HPC was attended with utmost malice and bad faith as to justify an award of moral and exemplary damages and attorney's fees, the LA stated that "[i]t is succinctly clear that [the] respondents [therein] tried to blow out of proportions the indiscretion of [Farrales] for reasons known only to them," and moreover, "[f]inding that the dismissal on the ground of theft is unavailing, [the] respondents [therein] immediately offered [Farrales] his former position when he filed [his] complaint. What does this act of [the] respondents [therein] speak [of]?"³¹

On the other hand, the NLRC found that Farrales lied, *first*, when he told Andy, then already astride his motorbike at the parking area and about to leave the company premises, that the yellow helmet belonged to him,³² and *second*, when he claimed that Eric was his neighbor, although they were not. It ruled as doubtful Farrales' hazy recollection about what happened that afternoon at the parking lot, since he could not even give a description of the motorcycle from which he took the yellow helmet. These circumstances, the NLRC determined, comprise substantial proof belying Farrales' claim of good faith. As a supervisory employee, he held a position of high responsibility in the company making him accountable to stricter rules of trust and confidence than an ordinary employee, and under Article 282 of the Labor Code, he is guilty of a serious misconduct and a willful breach of trust. The NLRC went on to cite a settled policy that in trying to protect the rights of labor, the law does not authorize the oppression or self-destruction of the employer. Management also has its own rights, which as such, are entitled to respect and enforcement in the interest of simple fair play.³³

But the Court agrees with the CA that Farrales committed no serious or willful misconduct or disobedience to warrant his dismissal. It is not disputed that Farrales lost no time in returning the helmet to Rey-mar the moment he was apprised of his mistake by Eric, which proves, according to the CA, that he was not possessed of a depravity of conduct as would justify HPC's claimed loss of trust in him. Farrales immediately admitted his error to the company guard and sought help to find the owner of the yellow helmet, and this, the appellate court said, only shows that Farrales did indeed mistakenly think that the helmet he took belonged to Eric.

It is not, then, difficult to surmise that when Farrales told Andy that the yellow helmet was his, his intent was not to put up a pretence of ownership over it and thus betray his intent to gain, as the NLRC held, but rather simply to assuage Andy's reluctance to heed his passing request to reach for the helmet for him; Andy, it will be recalled, was at that moment already seated in his motorbike and about to drive out when Farrales made

³¹ Id. at 123.

³² Id. at 327.

³³ Id. at 167.

his request. As to Farrales' claim that he and Eric were neighbors, suffice it to say that as the CA noted, they resided in the same *barangay*, and thus, loosely, were neighbors.

The CA also pointed out that although the alleged theft occurred within its premises, HPC was not prejudiced in any way by Farrales' conduct since the helmet did not belong to it but to Reymar. In light of Article 69, Class A, Item No. 29 of the HPC Code of Discipline, this observation may be irrelevant, although it may be that the LA regarded it as proving HPC's bad faith.

Theft committed by an employee against a person other than his employer, if proven by substantial evidence, is a cause analogous to serious misconduct.³⁴ Misconduct is improper or wrong conduct, it is the transgression of some established and definite rule of action, a forbidden act, a dereliction of duty, willful in character, and implies wrongful intent and not mere error in judgment. The misconduct to be serious must be of such grave and aggravated character and not merely trivial or unimportant. Such misconduct, however serious, must, nevertheless, be in connection with the employee's work to constitute just cause for his separation.³⁵

But where there is no showing of a clear, valid and legal cause for termination of employment, the law considers the case a matter of illegal dismissal.³⁶ If doubts exist between the evidence presented by the employer and that of the employee, the scales of justice must be tilted in favor of the latter. The employer must affirmatively show rationally adequate evidence that the dismissal was for a justifiable cause.³⁷

Nonetheless, the Court agrees with the CA's dismissal of the award of moral and exemplary damages for lack of merit. There is no satisfactory proof that the concerned officers of HPC acted in bad faith or with malice in terminating Farrales. Notwithstanding the LA's assertion to this effect, Farrales' bare allegations of bad faith deserve no credence, and neither is the mere fact that he was illegally dismissed sufficient to prove bad faith on the part of HPC's officers.³⁸ But concerning the award of attorney's fees, Farrales was dismissed for a flimsy charge, and he was compelled to litigate to secure what is due him which HPC unjustifiably withheld.

WHEREFORE, premises considered, the petition for review is **DENIED**.

³⁴ *Cosmos Bottling Corp. v. Fermin*, G.R. No. 193676, June 20, 2012, 674 SCRA 310, 317.


³⁵ *Cosep v. NLRC*, 353 Phil. 148, 158-159 (1998).

³⁶ *Sevillana v. I.T. (International) Corp./Samir Maddah & Travellers Insurance & Surety Corp.*, 408 Phil. 570, 584 (2001).


³⁷ *Asuncion v. NLRC*, 414 Phil. 329, 341-342 (2001); *Nicario v. NLRC*, 356 Phil. 936, 943 (1998).


³⁸ *See Aliling v. Feliciano*, G.R. No. 185829, April 25, 2012, 671 SCRA 186, 217.

SO ORDERED.


BIENVENIDO L. REYES
Associate Justice

WE CONCUR:


PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson



DIOSDADO M. PERALTA
Associate Justice


MARTIN S. VILLARAMA, JR.
Associate Justice


FRANCIS H. JARDELEZA
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.


PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson

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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.



ANTONIO T. CARPIO
Acting Chief Justice

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