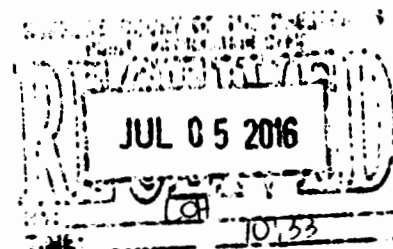




Republic of the Philippines
Supreme Court
Manila



FIRST DIVISION

PHILIPPINE SAVINGS BANK,
Petitioner,

G. R. No. 197393

Present:

- versus -

SERENO, *CJ*, Chairperson,
LEONARDO-DE CASTRO,
BERSAMIN,
PERLAS-BERNABE, and
CAGUIOA, *JJ*.

Promulgated:

MANUEL P. BARRERA,
Respondent.

JUN 15 2016

X ----- X

DECISION

SERENO, *CJ*:

This is a Petition¹ for Review under Rule 45 of the Rules of Court. The Petition assails the Court of Appeals (CA) Decision² dated 17 February 2011 and Resolution³ dated 15 June 2011 in C.A.-G.R. SP No. 02612, nullifying the National Labor Relations Commission (NLRC) Decision⁴ dated 29 September 2006 and Resolution⁵ dated 20 December 2006 in NLRC Case No. V-000445-2006. The CA reinstated the labor arbiter's Decision⁶ dated 16 December 2005 in RAB Case No. VI-04-10274-05.

Petitioner argues that the CA committed reversible error in overturning and setting aside the NLRC Decision and Resolution on the sole ground that the *supersedeas* bond posted was invalid.⁷ The CA concluded that the bond was irregular and had no force and effect, because the surety

¹ *Rollo*, pp. 13-74.

² Penned by Associate Justice Pampio A. Abarintos and concurred in by Associate Justices Ramon A. Cruz and Myra V. Garcia-Fernandez; id. at 79-90.

³ Id. at 93-94.

⁴ Penned by Presiding Commissioner Gerardo C. Nograles and concurred in by Commissioners Oscar S. Uy and Aurelio D. Menzon; id. at 232-243.

⁵ Id. at 279-281.

⁶ Rendered by Labor Arbiter Phibun D. Pura; id. at 166-176.

⁷ Id. at 31.

company's authority to transact business as a bonding company refers only to civil cases and does not include labor cases.

We do not agree with this conclusion.

THE FACTS

Petitioner is a banking institution organized and existing under the laws of the Philippines.⁸ Respondent worked for petitioner for seven years in various capacities.⁹ In 2004, he was assigned to the Bacolod branch as a marketing officer and was put in command of the loans department.¹⁰

During a quality assurance review, it was discovered that respondent had allowed a contractual employee to use the former's user ID for account booking and approval in the bank's Integrated Loans System.¹¹ The unauthorized disclosure of system ID and password was a violation of bank policy.¹²

Respondent admitted that he had disclosed his user ID and password, but only to a Ms. Mary Ann Cacal – a regular employee who had to go on maternity leave.¹³ He explained that he did so for the continuity of transactions in instances when he had to go out of the bank to coordinate with dealers or interview clients.¹⁴ He insisted that he was merely following a precedent set by the branch head, Mr. Loubert Sajo.¹⁵

While the investigation of this matter was pending, the bank discovered another infraction committed by respondent – the unauthorized issuance of bank certifications.¹⁶ The internal audit group found that he, along with other officers, was involved in lending the account of Spouses Armando and Grace Ong (Sps. Ong) to different individuals in order to generate bank certifications in favor of the latter.¹⁷ Bank policy explicitly stated that “no account shall be allowed to be opened for certification purposes only.”¹⁸

As a result of the investigation, it was discovered that a Request for Change was accomplished on 2 June 2004 to change the account name of Sps. Ong to that of Spouses Orville and Lolita Bautista (Sps. Bautista). The account number remained the same. Respondent was shown to be a

⁸ Id. at 15.

⁹ Id. at 80.

¹⁰ Id.

¹¹ Id.

¹² Id. at 30.

¹³ Id. at 554.

¹⁴ Id.

¹⁵ Id. at 492.

¹⁶ Id. at 23.

¹⁷ Id.

¹⁸ Id. at 522.

signatory to the Certification that there existed a deposit with the bank of a sum of money as of 1 June 2004 in the name of Sps. Bautista. After two days, another Request for Change was processed to revert the account name to that of Sps. Ong. On 7 June 2004, respondent again signed and approved a bank certification in favor of a certain Karen Galoyo using the same account number.¹⁹ Documents showed deficiencies in the signature cards and other requirements for the processing of a request for change of account name.²⁰

On 15 February 2005, an administrative hearing was conducted.²¹ On 15 March 2005, petitioner served on respondent a Notice of Termination for grave violation of bank policies, code of conduct, and trust and confidence.²²

On 4 April 2005, respondent filed a Complaint for illegal dismissal.

THE RULING OF THE LABOR ARBITER

The labor arbiter ruled in favor of respondent and ordered his immediate reinstatement, as well as the payment of ₱476,137.39 representing back wages, 13th month pay, moral and exemplary damages, attorney's fees, quarterly bonus, and refund for travel expenses and other benefits. The labor arbiter found that the alleged infractions were never fully substantiated by clear and convincing evidence:

It appeared that complainant's failure to report the alleged bank's irregularities/anomalies was never established since there was no clear irregularities/anomalies to reckon with, nor was he apprised that failure to do so, if there is any, would constitute valid ground for dismissal.

As to complainant's unauthorized disclosure of system ID and password to an agency staff who was just assigned as replacement of an employee who was on leave is, to the mind of this Labor Tribunal, is not enough ground to constitute serious/grave misconduct to warrant outright dismissal of the complainant xxx In the instant case, this Office finds that complainant was honest enough to admit that although he shared his system ID and password to Ms. Chua, it was done in good faith and with good intention to insure that booking transactions can be made even if he was out in the field as Marketing Officer.²³

Petitioner appealed to the NLRC.

THE RULING OF THE NLRC

Respondent filed a Motion to Dismiss²⁴ on the ground of lack of authority to file appeal memorandum and non-perfection thereof. He pointed

¹⁹ Id. at 26.

²⁰ Id. at 27.

²¹ See Minutes, id. at 510.

²² See Termination of Employment for Cause, id. at 511-512.

²³ Id. at 171-172.

²⁴ Id. at 225-231.

out that the *supersedeas* bond was irregular, because the Certification of Accreditation and Authority issued by the Office of the Court Administrator (OCA) stated that the Philippine Charter Insurance Corporation (PCIC) was only authorized to issue bonds for civil cases:

PHILIPPINE CHARTER INSURANCE CORPORATION

is hereby granted the authority to transact, through its authorized agents specified herein, surety in relation to CIVIL CASES ONLY filed/pending before the Municipal Trial Courts in Cities of Bacolod City, Cebu City and Iloilo City. Valid until January 31, 2006, unless otherwise suspended or revoked.

Nevertheless, the NLRC gave due course to the appeal and reversed the Decision of the labor arbiter. It found that the complainant had been dismissed for cause and afforded due process.²⁵ It went over the evidence presented and found that petitioner was able to substantiate the validity of complainant's termination.²⁶ The NLRC found that respondent had violated the bank's Code of Conduct when he disclosed his user ID and password despite the strict prohibition on its disclosure.²⁷ With regard to the bank certifications, it did not give credence to his defense that it was a ministerial duty on the part of the respondent to affix his signature.²⁸ According to the NLRC, the reasons given by respondent revealed his laxity in protecting the interest of the bank.²⁹ The management prerogative of the bank to institute measures that would curb irregularities was upheld.

The NLRC Decision, however, did not address the argument raised in the Motion to Dismiss regarding the irregularity of the appeal bond. Respondent therefore filed a Petition for Certiorari with the CA.

THE RULING OF THE CA

The CA held that the NLRC had committed grave abuse of discretion amounting to lack or excess of jurisdiction when the latter gave due course to the bank's appeal even if it was apparent that the appeal had not been perfected owing to a defective and irregular appeal bond.³⁰

The CA observed that the certification and accreditation issued by the OCA did not state that the PCIC was allowed to issue bonds relative to labor cases filed before the NLRC.³¹ The appellate court further held that the appeal should not have been given due course because of its non-perfection within the reglementary period.³²

²⁵ Id. at 241.

²⁶ Id.

²⁷ Id. at 242

²⁸ Id.

²⁹ Id.

³⁰ Id. at 85.

³¹ Id. at 88.

³² Id.

The CA did not see the need to resolve the other issue – whether the NLRC gravely abused its discretion in reversing the Decision of the labor arbiter – because “to do so is tantamount to allowing a lost remedy to prosper.”³³

Petitioner’s Motion for Reconsideration was denied.

Petitioner attributes grave and reversible error to the CA in granting respondent’s Petition for Certiorari based solely on an erroneous technical ground without adjudicating the case on the merits. Petitioner prays that this Court reinstate the Decision of the NLRC.

In his Comment,³⁴ respondent asserts that the CA properly found that the appeal before the NLRC had not been perfected; hence, the Decision of the labor arbiter has become final and executory.

OUR RULING

The Petition is meritorious.

The Court was confronted with a similar question in *U-Bix Corp. v. Hollero*.³⁵ In that case, both the NLRC and the CA held that the *supersedeas* bond posted by petitioners had no force and effect, because a perusal of the bond revealed that the Certification of Accreditation and Authority issued by the OCA covers an authority to transact surety business in relation to “civil/special proceedings cases only” and does not include labor cases filed before the NLRC. The Court therein ruled that the bonds may also be used for labor cases.

In the present case, the CA overlooked the fact that it is within the province of the NLRC to accredit surety companies for cases it hears. The Supreme Court only accredits surety companies for judicial courts:

II. ACCREDITATION OF SURETY COMPANIES: In order to preclude spurious and delinquent surety companies from transacting business with the courts, no surety company or its authorized agents shall be allowed to transact business involving surety bonds with the Supreme Court, Court of Appeals, the Court of Tax Appeals, the Sandiganbayan, Regional Trial Courts, Shari'a District Courts, Metropolitan Trial Courts, Municipal Trial Courts in Cities, Municipal Trial Courts, Municipal Circuit Trial Courts, Shari'a Circuit Courts and other courts which may thereafter be created, unless accredited and authorized by the Office of the Court Administrator.³⁶

³³ Id. at 90.

³⁴ Id. at 550-576.

³⁵ G.R. No. 199660 (Resolution), 13 July 2015.

³⁶ A.M. No. 04-7-02-SC, Guidelines on Surety Bonds.

This fact explains why labor cases were not enumerated in the Certification of Accreditation and Authority issued to the PCIC. This is not to say that the certification issued by the OCA is worthless before the NLRC. On the contrary, the 2005 Revised Rules of Procedure of the NLRC expressly provided that bonds issued by a reputable bonding company duly accredited by the Supreme Court are acceptable.³⁷

In addition, the Court has relaxed the requirement of posting a *supersedeas* bond for the perfection of an appeal when there has been substantial compliance with the rule.³⁸ For example, in *Del Rosario v. Philippine Journalists, Inc.*,³⁹ the Court allowed the appeal to proceed despite the subsequent revocation of the authority of a bonding company, because “technical rules of procedure should not hamper the quest for justice and truth.”

We find that the purpose of the appeal bond – to ensure, during the period of appeal, against any occurrence that would defeat or diminish recovery by the aggrieved employees under the judgment if subsequently affirmed⁴⁰ – has been met. Records show that as of 22 January 2011, the *supersedeas* bond in the amount of ₱476,137.39 was still in existence.⁴¹

We now resolve the prayer to reinstate the NLRC Decision.

Generally, only errors of law are reviewed by this Court in petitions for review. However, there are well-recognized exceptions⁴² to this rule, as in this case, when the factual findings of the NLRC contradict those of the labor arbiter.

³⁷Rule VI, Section 6. BOND.- In case the decision of the Labor Arbiter or the Regional Director involves a monetary award, an appeal by the employer may be perfected only upon the posting of a bond, which shall either be in the form of cash deposit or surety bond equivalent in amount to the monetary award, exclusive of damages and attorney’s fees.

In case of surety bond, the same shall be issued by a reputable bonding company duly accredited by the Commission or the Supreme Court, and shall be accompanied by original or certified true copies of the following:

xxxx

³⁸In *Phil. Touristers, Inc. v. MAS Transit Workers Union-ANGLO-KMU* (G.R. No. 201237, 3 September 2014, 734 SCRA 298), the Court considered the defects (*i.e.*, that it was initially issued in favor of MTI and not PTI, and that the bonding company had no authority to transact business in all courts of the Philippines at that time) to have been cured by the posting of a bond compliant with the order of the NLRC.

In *Manila Mandarin Employees Union v. NLRC* (332 Phil. 354 [1996]) – another labor case – the Court accepted a bond issued by a company that had an authorized maximum net retention level lower than the sum involved. The Court ruled that the imputed defect is inconsequential considering that the surety company had been duly accredited by the Supreme Court and licensed by the Insurance Commission.

³⁹613 Phil. 134 (2009).

⁴⁰*Cordova v. Keysa's Boutique*, 507 Phil. 147 (2005).

⁴¹See Renewal Certificate; *rollo*, p. 513.

⁴²*Insular Life Assurance Co., Ltd. v. Court of Appeals*, G.R. No. 126850, 28 April 2004 citing *Langkaan Realty Development, Inc. v. United Coconut Planters Bank*, 400 Phil. 1349 (2000); *Nokom v. National Labor Relations Commission*, 390 Phil. 1228 (2000); *Commissioner of Internal Revenue v. Embroidery and Garments Industries (Phil.), Inc.*, 364 Phil. 541 (1999); *Sta. Maria v. Court of Appeals*, 349 Phil. 275 (1998).

In the interest of judicial economy and efficiency, and given that the records are sufficient to make a determination of the validity of respondent's dismissal, the Court has decided to reevaluate and review the factual findings.

We uphold the finding of the NLRC that respondent was validly dismissed.

***The unauthorized disclosure of
username and password exposed the
bank to incalculable losses.***

The loss of confidence had sufficient basis. As an account and marketing officer, respondent was tasked with the approval of loans, which is an element of a core banking function.⁴³ Without a doubt, he was entrusted with delicate matters, including the custody, handling, care and protection of the bank's assets. Given the sensitive functions of his position, he was expected to strictly observe and comply with the bank's standard operating procedures.

This he failed to do.

The bank has an existing policy on user IDs and passwords: BOPD Code 003-01-04.2⁴⁴ dated 6 August 2002, obligating designated branch personnel to keep their passwords confidential at all times. The purpose was to establish accountabilities and limit control over transactions and/or functions.⁴⁵ Respondent, who was one of those branch personnel so designated, disclosed his password to another employee, who later disclosed it to a contractual employee.

Respondent tried to excuse his action by pointing out that the branch head was also guilty of the same offense. (After investigation, this allegation proved to be false.) Although respondent later attempted to seek understanding on account of his heavy workload, we cannot force the employer to accept these excuses. We understand that the failure of respondent to report irregularities being committed in the branch, coupled with his disregard of the control procedure, allowed unauthorized access into the bank system. To a great degree, it exposed the bank to unauthorized transactions that would have been difficult to trace and determine.

Aside from breaking the trust of his employer, respondent also demonstrated gross and habitual negligence when he delegated a function that had been specifically reposed in him. His thoughtless disregard of the

⁴³ Section 3, 3.1 of RA 8791 or "The General Banking Law of 2000" defines banks as "entities engaged in the lending of funds obtained in the form of deposits from the public."

⁴⁴ *Rollo*, p. 519.

⁴⁵ *Id.* at 45.

consequences of allowing an unauthorized person to have unbridled access to the bank's system and his repeated failure to perform his duties for a period of time justified his dismissal.

Respondent's complicity in the issuance of fraudulent bank certifications justifies the loss of confidence.

On 19 October 2001, the bank released IOL No. OPS 01-023⁴⁶ regarding the issuance of bank certifications for deposits and loans, the relevant portions of which state:

All concerned Department/Branches are hereby reminded to be careful in issuing bank certification by observing necessary procedures such as but not limited to the following:

1. The branch/department shall restrict the issuance of Bank Certificate to bonafide Bank clients who:
 - must have opened their accounts legitimately, complete with the usual identity requirements, and
 - has written a request for bank certifications on deposits and loans, signed by him, signature verified and approved by the concerned Operating/Department Head.

x x x x.

3. No account shall be allowed to be opened for certification purposes only.

x x x x.

Issuance of false certification shall be dealt with in accordance with the Bank's Officers/Employees Code of Ethics and Behavior.

Respondent claimed that he was merely prevailed upon by the branch head to sign the bank certifications, and that the signing was ministerial upon the presentation of a letter-request and a printout of the client's name and account number.⁴⁷

First, We cannot fault petitioner for dismissing a bank officer who has failed to grasp the significance of bank certifications despite his employment with the bank for seven years. In his reply to petitioner's Memorandum dated 29 December 2004, respondent explained that he had signed the Bank Certification dated 4 June 2004, because there were only two bank officers at that time – he and the branch head – and “the client was getting impatient waiting for his document.”⁴⁸

In *Sajo v. Philippine Saving's Bank*⁴⁹ involving the very same branch head and including the very same bank certifications referred to in this case,

⁴⁶ Id. at 522.

⁴⁷ Id. at 504-505.

⁴⁸ Id. at 504.

⁴⁹ Resolution dated 1 March 2010 in G.R. No. 190490; id. at 546-547.

the Court did not find reversible error on the part of the CA in ruling that the termination was valid. Indeed, the question of whether the employee received monetary consideration for the issuance of fraudulent bank certificates was immaterial; what was reprehensible was that the employee allowed himself to be a conduit for defrauding persons and/or institutions that relied on the certificates.⁵⁰

In *Rivera v. Allied Banking Corp.*,⁵¹ the dismissed employee explained that the arrangement with the client regarding the opening of joint accounts for her foreign currency check deposits used for rediscounting transactions was merely an accommodation service, which was done in good faith and in accordance with the bank's policies. The Court, nonetheless, upheld the validity of his termination.

Second, respondent was guilty of gross and habitual negligence when he failed to exercise the requisite amount of care or diligence in signing the bank certifications. Bank policy clearly required that certifications be issued only to clients who had opened their accounts legitimately with the usual identity requirements. Even if it were true that he had no access to the information, respondent should have been alerted of the irregularity by the fact that at least three requests for change of account name had been submitted in the course of a week. However, respondent proceeded to sign the certifications without question, evincing a thoughtless disregard of the consequences of his actions.⁵²

Third, respondent cannot hide behind his designation as an account officer in charge of loans to claim ignorance of branch operations. It must be emphasized that he admitted to having been appointed as branch head of PSB-Bacolod from 1 June 1998 to 30 June 2001; and assistant branch head of PSB-Cebu City and PSB-General Santos from 1 July 2001 to 31 August 2002 and from 1 August 2002 to 30 June 2003, respectively.⁵³ He cannot deny that for at least five years, he should have had an in-depth knowledge and understanding of bank operations and policies.

Fourth, respondent had the discretion to refuse to sign the document. Even if he was under compulsion from the branch head to sign, the act would still have been inexcusable. In fact, the Court has upheld the dismissal of employees who claimed that they only committed illegal acts upon the instructions of their superior.⁵⁴

⁵⁰ *Rollo*, p. 536.

⁵¹ G.R. No. 196597, 21 October 2015.

⁵² In *Dycoco, Jr. v. Equitable PCI Bank* [642 Phil. 494 (2010)] Jesus Dycoco, Jr. was found to have violated his duties and responsibilities as a personal banking manager when he signed and approved transactions without the necessary signatures of the concerned clients. The Court pointed out that it was his obligation to ensure that all requirements be complied with, and that the bank's interest be at all times protected. It was incumbent on him to enforce strict compliance with bank policies and internal control procedures while maintaining the highest level of service quality.

⁵³ *Rollo*, p. 134.

⁵⁴ See *San Miguel Corp. v. National Labor Relations Commission*, 256 Phil. 271 (1989).

Petitioner properly exercised its management prerogative in terminating the services of respondent.

Because of its status as a business affected with public interest,⁵⁵ a bank is expected to exercise the highest degree of diligence in the selection and supervision of its employees.⁵⁶

We cannot coerce petitioner to retain an employee whom it cannot trust to perform duties of the highest fiduciary nature.⁵⁷ As a general rule, employers are allowed wider latitude of discretion in terminating the employment of managerial employees, as the latter perform functions that require the employers' full trust and confidence.⁵⁸

The NLRC correctly ruled:

We cannot prevent respondent in the exercise of its management prerogative to institute measures that will curb irregularities. Hence, respondent bank cannot be faulted when it scrutinized the violative acts of complainant and considered him unworthy to remain in its employ after affording him ample opportunity to defend himself.⁵⁹

The degree of responsibility, care and trustworthiness expected of bank officials and employees is, by the very nature of their work, far greater than that of ordinary officers and employees in other business firms.⁶⁰ Hence, no effort must be spared by banks and their officers and employees to ensure and preserve the trust and confidence of their clients and the general public, as well as the integrity of bank records.⁶¹

WHEREFORE, the instant petition is **GRANTED**. The assailed decision and resolution of the Court of Appeals are **SET ASIDE**, and the Decision dated 29 September 2006 of the National Labor Relations Commission in NLRC Case No. V-000445-2006 is **REINSTATED**.

⁵⁵ *Simex International, Inc. v. Court of Appeals*, 262 Phil. 387 (1990).

⁵⁶ *Far East Bank and Trust Co. v. Tentmakers Group, Inc.*, 690 Phil. 134 (2012).

⁵⁷ Law and jurisprudence have long recognized the right of employers to dismiss employees by reason of loss of trust and confidence. More so, in the case of supervisors or personnel occupying positions of responsibility, loss of trust justifies termination. See *Rivera v. Allied Banking Corp.*, G.R. No. 196597, 21 October 2015.

⁵⁸ *Salvador v. Philippine Mining Service Corp.*, 443 Phil. 878 (2003).

⁵⁹ *Rollo*, p. 242.

⁶⁰ *United Coconut Planters Bank v. Basco*, 480 Phil. 803 (2004) citing *Lim Sio Bio v. Court of Appeals*, G.R. No. 100867, 221 SCRA 307 (1993) and *Philippine Commercial and International Bank v. Court of Appeals*, 403 Phil. 361 (2001).

⁶¹ *Id.*



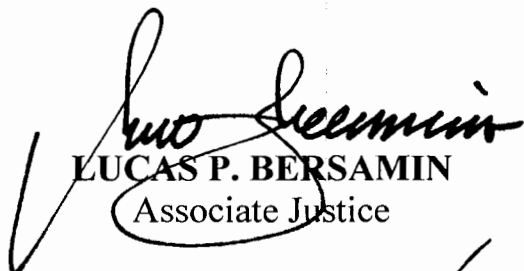
SO ORDERED.



MARIA LOURDES P. A. SERENO
Chief Justice, Chairperson

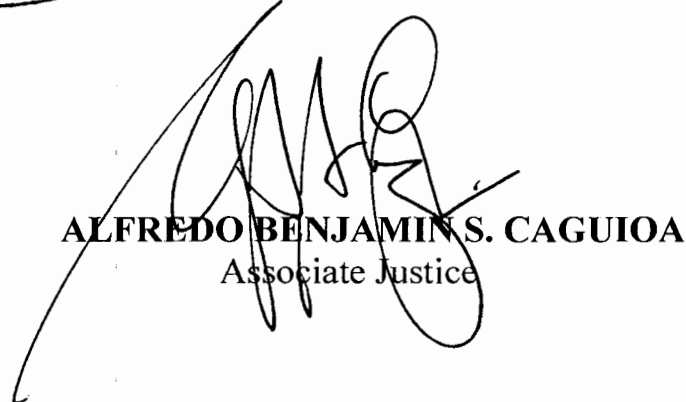
WE CONCUR:

Teresita Leonardo de Castro
TERESITA J. LEONARDO-DE CASTRO
Associate Justice



LUCAS P. BERSAMIN
Associate Justice


Estela M. Berlas-Bernabe
ESTELA M. BERLAS-BERNABE
Associate Justice



ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

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
Chief Justice